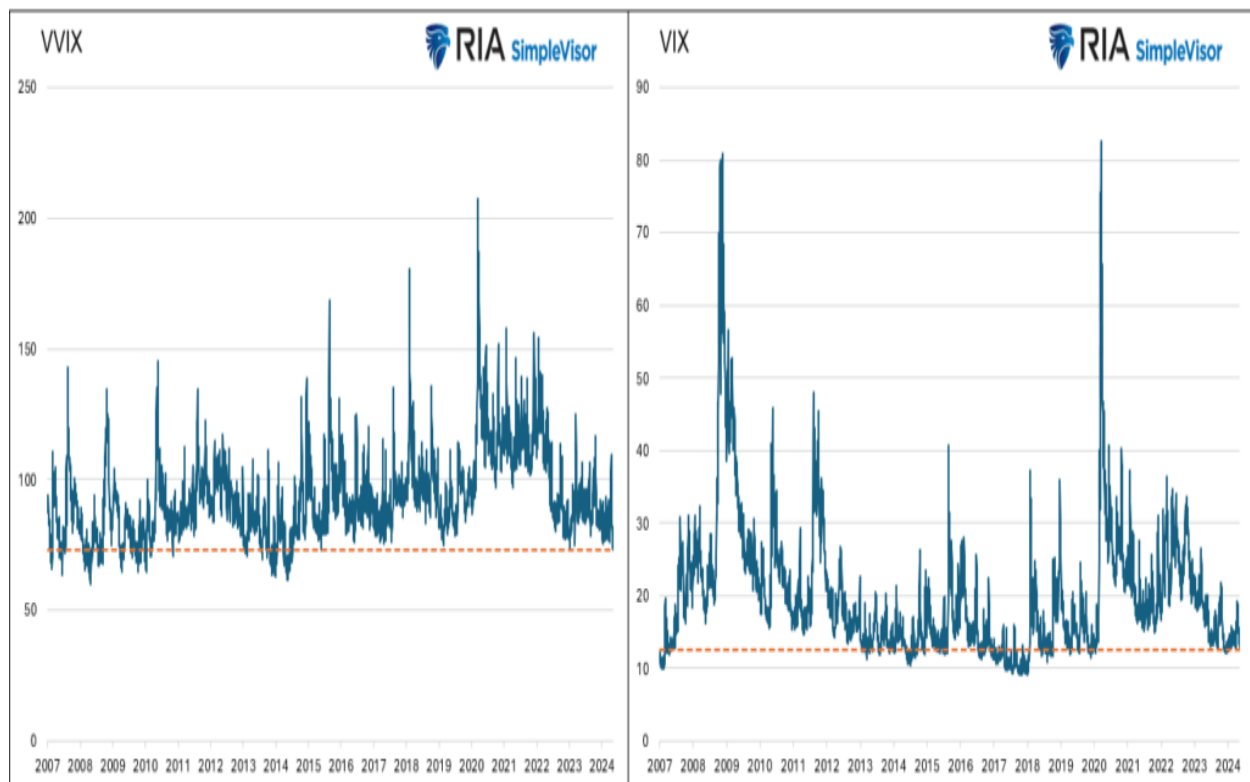


The VVIX and VIX Highlight Complacency

After a brief spurt of volatility accompanying the 6% market decline in April, implied volatility (VIX) and volatility of volatility (VVIX) have fallen back to multi-year lows. The lesser known volatility gauge VVIX is down to levels last seen ten years ago. VVIX measures the volatility of the VIX index. While they do correlate well, the VVIX is a slightly different measure. The VVIX formula is based on options trading on the VIX contract. The VVIX is telling us investors are not buying protection via calls on the VIX. The VIX is also at low levels but not ten-year lows.

Many analysts use volatility as a gauge of investor complacency. Both volatility measures shown below highlight that investors do not concern themselves about a correction. At times, similar volatility levels have served as a warning to be prepared to take protective actions. However, while the VVIX and VIX are extremely low, many other technical indicators are not overbought. Further, the S&P just recently cleared its 20 and 50-day moving averages, so it's not too extended from those key moving averages. The MACD is trending up but is far from being overbought. The market is very complacent, and we must stand guard. However, unlike the last time volatility was at current levels, other technical indicators are not yet providing affirmation of a coming downturn.



What To Watch Today

Earnings

| Time | Symbol | Company Name | Market Cap▼ | Fiscal Quarter Ending | Consensus EPS* Forecast | # Of Ests | Last Year's Report Date | Last Year's EPS* |
|------|--------|-----------------------------------|-------------------|-----------------------|-------------------------|-----------|-------------------------|------------------|
| ☀ | HD | Home Depot, Inc. (The) | \$344,318,520,171 | Apr/2024 | \$3.61 | 14 | 5/16/2023 | \$3.82 |
| ☀ | BABA | Alibaba Group Holding Limited | \$203,874,670,924 | Mar/2024 | \$0.92 | 3 | 5/18/2023 | \$1.15 |
| ☀ | SONY | Sony Group Corporation | \$95,326,656,973 | Mar/2024 | \$0.83 | 3 | 4/28/2023 | \$0.78 |
| ☹ | ALC | Alcon Inc. | \$40,705,562,000 | Mar/2024 | \$0.72 | 7 | 5/09/2023 | \$0.70 |
| ☀ | SE | Sea Limited | \$37,900,697,061 | Mar/2024 | \$0.08 | 3 | 5/16/2023 | \$0.15 |
| ☀ | ONON | On Holding AG | \$19,708,131,920 | Mar/2024 | \$0.12 | 5 | 5/16/2023 | \$0.15 |
| ☀ | MNSO | MINISO Group Holding Limited | \$7,831,716,816 | Mar/2024 | | N/A | 5/16/2023 | \$0.22 |
| 🌙 | NXT | Nexttracker Inc. | \$5,898,632,673 | Mar/2024 | \$0.47 | 3 | 5/10/2023 | \$0.21 |
| ☹ | TKC | Turkcell Iletisim Hizmetleri AS | \$5,588,000,000 | Mar/2024 | | N/A | 5/09/2023 | \$0.17 |
| ☀ | IGT | International Game Technology | \$4,029,693,204 | Mar/2024 | \$0.29 | 4 | 5/09/2023 | \$0.49 |
| 🌙 | DLO | DLocal Limited | \$3,975,168,060 | Mar/2024 | \$0.11 | 2 | 5/17/2023 | \$0.11 |
| 🌙 | SDRL | Seadrill Limited | \$3,691,284,981 | Mar/2024 | \$0.68 | 2 | 5/23/2023 | \$0.83 |
| 🌙 | PBH | Prestige Consumer Healthcare Inc. | \$3,491,337,932 | Mar/2024 | \$1.14 | 4 | 5/04/2023 | \$1.07 |
| 🌙 | BOOT | Boot Barn Holdings, Inc. | \$3,242,202,934 | Mar/2024 | \$0.89 | 7 | 5/17/2023 | \$1.53 |
| ☀ | HBM | Hudbay Minerals Inc. | \$3,056,407,861 | Mar/2024 | \$0.03 | 14 | 5/08/2023 | N/A |
| 🌙 | RUM | Rumble Inc. | \$2,659,972,009 | Mar/2024 | (\$0.19) | 1 | 5/15/2023 | (\$0.10) |
| 🌙 | DHT | DHT Holdings, Inc. | \$1,948,094,458 | Mar/2024 | \$0.31 | 2 | 5/03/2023 | \$0.23 |
| ☀ | SDHC | Smith Douglas Homes Corp. | \$1,509,230,760 | Mar/2024 | \$0.31 | 1 | N/A | N/A |
| ☀ | CGAU | Centerra Gold Inc. | \$1,418,355,025 | Mar/2024 | \$0.15 | 5 | 5/15/2023 | (\$0.24) |
| ☀ | IHS | IHS Holding Limited | \$1,311,084,007 | Mar/2024 | \$0.04 | 1 | 5/23/2023 | \$0.03 |
| 🌙 | SILV | SilverCrest Metals Inc. | \$1,263,666,800 | Mar/2024 | \$0.12 | 5 | 5/11/2023 | \$0.18 |
| 🌙 | BLTE | Belite Bio, Inc | \$1,238,851,370 | Mar/2024 | (\$0.34) | 2 | 5/10/2023 | (\$0.33) |
| 🌙 | CSWC | Capital Southwest Corporation | \$1,153,183,959 | Mar/2024 | \$0.66 | 4 | 5/22/2023 | \$0.65 |
| ☀ | AUTL | Autolus Therapeutics plc | \$1,108,912,691 | Mar/2024 | (\$0.10) | 4 | 5/04/2023 | (\$0.23) |
| ☀ | JACK | Jack In The Box Inc. | \$1,051,047,882 | Mar/2024 | \$1.43 | 11 | 5/17/2023 | \$1.47 |
| Time | Symbol | Company Name | Market Cap▼ | Fiscal Quarter Ending | Consensus EPS* Forecast | # Of Ests | Last Year's Report Date | Last Year's EPS* |
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Economy

| Time | Event | Impact | Actual | Dev | Consensus | Previous |
|-----------------|--|--------|--------|-----|-----------|----------|
| TUESDAY, MAY 14 | | | | | | |
| 10:00 | USD NFIB Business Optimism Index(Apr) | | - | - | 88.1 | 88.5 |
| 12:00 | USD OPEC Monthly Market Report | | REPORT | | | |
| 12:30 | USD Producer Price Index (MoM)(Apr) | | - | - | 0.3% | 0.2% |
| 12:30 | USD Producer Price Index (YoY)(Apr) | | - | - | 2.2% | 2.1% |
| 12:30 | USD Producer Price Index ex Food & Energy (MoM)(Apr) | | - | - | 0.2% | 0.2% |
| 12:30 | USD Producer Price Index ex Food & Energy (YoY)(Apr) | | - | - | 2.4% | 2.4% |
| 12:55 | USD Redbook Index (YoY)(May 10) | | - | - | - | 6% |
| 13:10 | USD Fed's Cook speech | | SPEECH | | | |
| 14:00 | USD Fed's Chair Powell speech | | SPEECH | | | |
| Time | Event | Impact | Actual | Dev | Consensus | Previous |
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| 14:00 | USD Fed's Chair Powell speech | | SPEECH | | | |

Market Trading Update

Yesterday, our discussion centered on the recent breakout above the 50-DMA and the confirming bullish *?buy signals?* from the MACD. Of course, that is the very short-term analysis for the next few days to weeks. However, if we slow the price action down by looking at weekly data, we see that the market is again approaching more extreme overbought levels similar to those seen at the market's peak in 2022.

As shown, the Relative Strength Index is rising and close to levels more normally associated with overbought markets. The deviation between the 13- and 34-week moving average is becoming more extreme, with the market trading nearly 9% above the longer-term mean. Lastly, the MACD signal, bottom panel, is on a buy signal, suggesting higher prices in the near term. However, that indicator pushes levels we have not seen historically outside of the stimulus-fueled buying frenzy following the pandemic.

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SPY - SPDR S&P 500 ETF

13-May-2024 1:31pm

520.81 ▼
O: 522.56 H: 522.67 L: 519.74 V: 18.569m -0.03 (-0.01%)



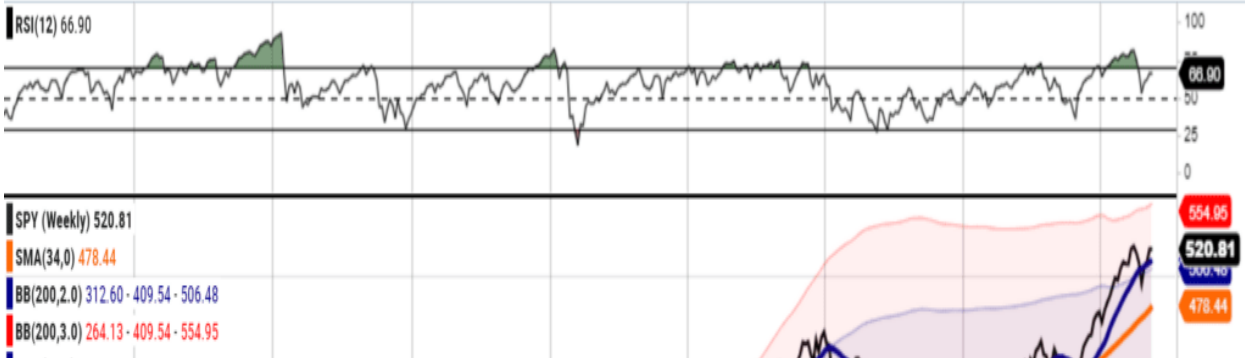
NYSE + BATS

© StockCharts.com

SPY - SPDR S&P 500 ETF

13-May-2024 1:31pm

520.81 ▼
O: 522.56 H: 522.67 L: 519.74 V: 18.569m -0.03 (-0.01%)



Crucially, given this is weekly data, the more overbought conditions can last much longer than logic would predict. However, the data suggests that at some point later this year, we are still likely to see a larger corrective process (~10%) to reverse some of these conditions.



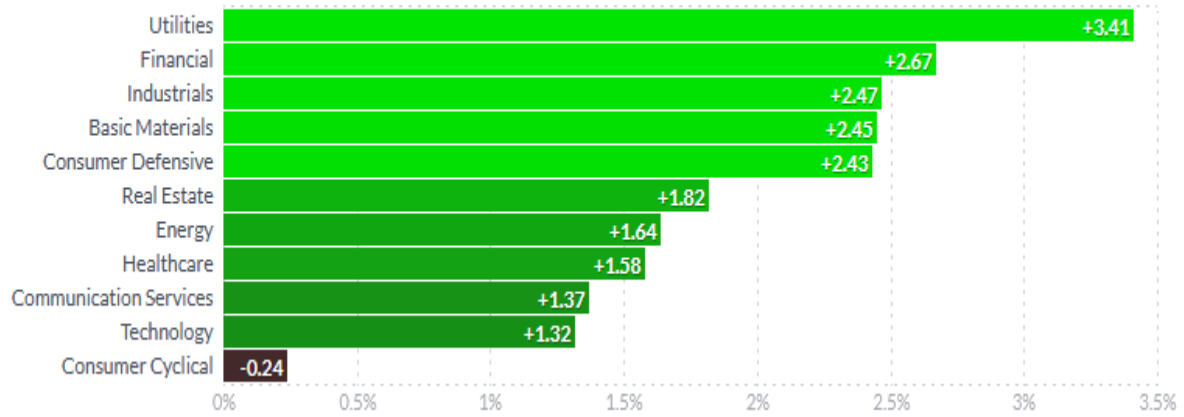
Consumer Discretionary Stocks Weaken

As the [SimpleVisor](#) analysis shows below, utilities continue to lead the market. Interestingly, the S&P 500 was up almost 1.50% this past week, making this past week's instance a little more unique compared to the prior weeks' outperformance. One of our questions regarding the strength of utilities was whether it was a safety play in a down market or a true sign that the sector could continue to lead in an up or down market. The rotation is overbought in the short term, but our analysis portends it may last longer. Further helping the sector is the realization that AI data centers will need a tremendous amount of investment into the utilities sector.

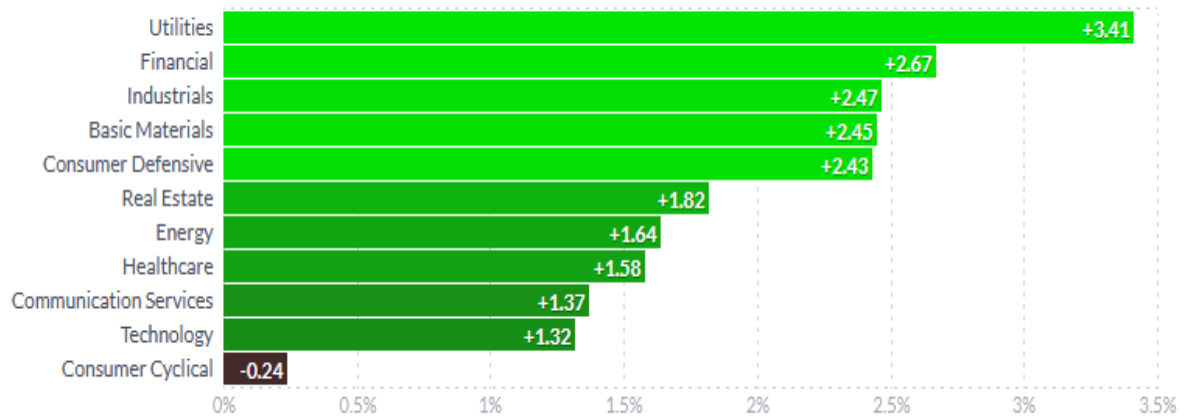
The second table shows that utilities are becoming very overbought on a relative basis and extremely overbought on an absolute basis. The third graph also shows its correlation to other sectors. If you are considering taking some profits, the table may give you some ideas on what to do with the proceeds.

The consumer discretionary sector is now the most oversold sector. Tesla, accounting for 12% of the sector and in a bear market, is partially responsible. However, other discretionary stocks have also had trouble recently. If you recall, Starbucks was down nearly 20% a week or so ago. There are some indications the consumer may be weakening. Retail Sales data on Wednesday will help better assess personal consumption.

1 WEEK PERFORMANCE



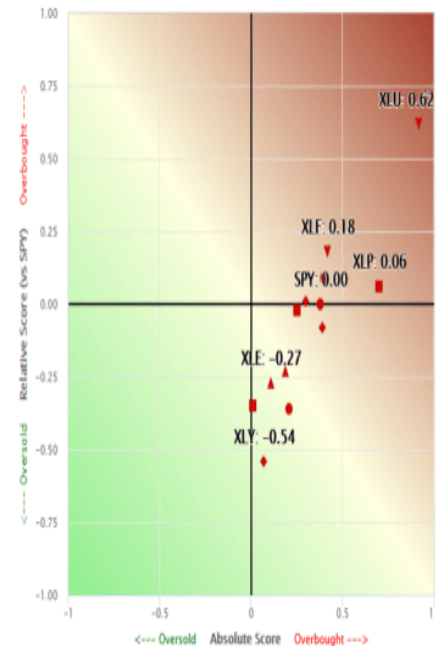
1 WEEK PERFORMANCE



Sectors Analysis - Absolute and Relative Score (vs SPY)

| Symbol | Name | Top 10 Holdings | Absolute Score | Relative Score (vs SPY) | Chart |
|--------|------------------------|---|----------------|-------------------------|---|
| XLU | Utilities |  | 0.92 | 0.62 |  |
| XLF | Financial |  | 0.42 | 0.18 |  |
| XLI | Industrials |  | 0.40 | 0.09 |  |
| XLK | Consumer Staples |  | 0.70 | 0.06 |  |
| XLV | Technology |  | 0.30 | 0.01 |  |
| SPY | |  | 0.38 | 0.00 |  |
| XLC | Communication Services |  | 0.25 | -0.02 |  |
| XLB | Materials |  | 0.39 | -0.08 |  |
| XLRE | Real Estate |  | 0.19 | -0.23 |  |
| XLE | Energy |  | 0.11 | -0.27 |  |
| XTN | Transportation |  | 0.01 | -0.35 |  |
| XLV | Health Care |  | 0.21 | -0.36 |  |
| XLV | Consumer Discretionary |  | 0.07 | -0.54 |  |

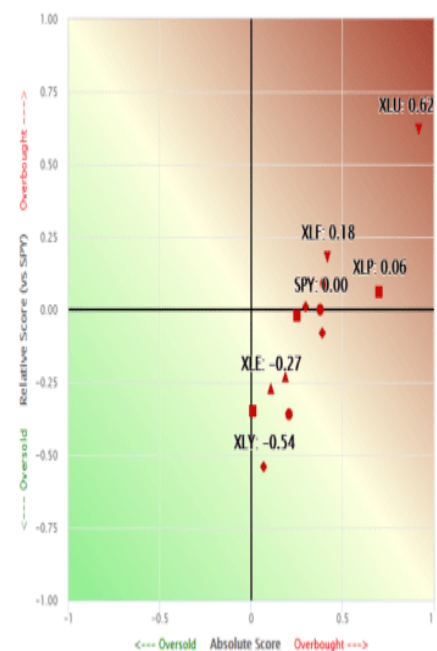
How it works

☐ Tail Length 3 Weeks

Sectors Analysis - Absolute and Relative Score (vs SPY)

| Symbol | Name | Top 10 Holdings | Absolute Score | Relative Score (vs SPY) | Chart |
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| XLP | Consumer Staples |  | 0.70  | 0.06  |  |
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| XLC | Communication Services |  | 0.25  | -0.02  |  |
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| XLV | Health Care |  | 0.21  | -0.36  |  |
| XLV | Consumer Discretionary |  | 0.07  | -0.54  |  |

How it works

☐ Tail Length 3 Weeks

| Performance Analysis | | | | | | | | | | | | | | Factor Analysis | Screener | Stock Summary | Strategy Builder |
|--|--------|-------|-------|-------|----------------------|------------------------|---|-------|-------|-------|-------|-------|-------|-----------------|----------|---------------|------------------|
| Correlation Days: | | 252 | 126 | 21 | edit | Update | Price data of 2024-05-12 17:53:59 EST ↻ | | | | | | | | | | |
| <div><div></div><div>Min</div><div>0</div><div>Max</div></div> | | | | | | | | | | | | | | | | | |
| Name | Symbol | XLP | XLB | XLRE | XLE | XLU | XLV | XTN | XLI | XLK | XLF | XLY | XLC | | | | |
| Consumer Staples | XLP | | 0.53 | 0.46 | 0.57 | 0.70 | 0.76 | 0.24 | 0.42 | -0.66 | 0.77 | -0.09 | -0.17 | | | | |
| Materials | XLB | 0.53 | | 0.38 | 0.43 | 0.62 | 0.46 | 0.12 | 0.42 | -0.51 | 0.47 | 0.08 | -0.21 | | | | |
| Real Estate | XLRE | 0.46 | 0.38 | | 0.53 | 0.55 | 0.30 | 0.34 | 0.35 | -0.42 | 0.32 | 0.30 | -0.12 | | | | |
| Energy | XLE | 0.57 | 0.43 | 0.53 | | 0.60 | 0.31 | 0.56 | 0.67 | -0.42 | 0.62 | 0.37 | -0.50 | | | | |
| Utilities | XLU | 0.70 | 0.62 | 0.55 | 0.60 | | 0.60 | 0.32 | 0.52 | -0.65 | 0.75 | 0.11 | -0.19 | | | | |
| Health Care | XLV | 0.76 | 0.46 | 0.30 | 0.31 | 0.60 | | 0.10 | 0.59 | -0.76 | 0.72 | -0.25 | 0.02 | | | | |
| Transportation | XTN | 0.24 | 0.12 | 0.34 | 0.56 | 0.32 | 0.10 | | 0.54 | -0.20 | 0.37 | 0.03 | -0.40 | | | | |
| Industrials | XLI | 0.42 | 0.42 | 0.35 | 0.67 | 0.52 | 0.59 | 0.54 | | -0.56 | 0.53 | 0.05 | -0.51 | | | | |
| Technology | XLK | -0.66 | -0.51 | -0.42 | -0.42 | -0.65 | -0.76 | -0.20 | -0.56 | | -0.78 | 0.14 | -0.17 | | | | |
| Financial | XLF | 0.77 | 0.47 | 0.32 | 0.62 | 0.75 | 0.72 | 0.37 | 0.53 | -0.78 | | -0.21 | 0.00 | | | | |
| Consumer Discretionary | XLY | -0.09 | 0.08 | 0.30 | 0.37 | 0.11 | -0.25 | 0.03 | 0.05 | 0.14 | -0.21 | | -0.35 | | | | |
| Communication Services | XLC | -0.17 | -0.21 | -0.12 | -0.50 | -0.19 | 0.02 | -0.40 | -0.51 | -0.17 | 0.00 | -0.35 | | | | | |

| Performance Analysis | | | | | | | | | | | | | | Factor Analysis | Screener | Stock Summary | Strategy Builder |
|--|--------|-------|-------|-------|----------------------|------------------------|---|-------|-------|-------|-------|-------|-------|-----------------|----------|---------------|------------------|
| Correlation Days: | | 252 | 126 | 21 | edit | Update | Price data of 2024-05-12 17:53:59 EST ↻ | | | | | | | | | | |
| <div><div></div><div>Min</div><div>0</div><div>Max</div></div> | | | | | | | | | | | | | | | | | |
| Name | Symbol | XLP | XLB | XLRE | XLE | XLU | XLV | XTN | XLI | XLK | XLF | XLY | XLC | | | | |
| Consumer Staples | XLP | | 0.53 | 0.46 | 0.57 | 0.70 | 0.76 | 0.24 | 0.42 | -0.66 | 0.77 | -0.09 | -0.17 | | | | |
| Materials | XLB | 0.53 | | 0.38 | 0.43 | 0.62 | 0.46 | 0.12 | 0.42 | -0.51 | 0.47 | 0.08 | -0.21 | | | | |
| Real Estate | XLRE | 0.46 | 0.38 | | 0.53 | 0.55 | 0.30 | 0.34 | 0.35 | -0.42 | 0.32 | 0.30 | -0.12 | | | | |
| Energy | XLE | 0.57 | 0.43 | 0.53 | | 0.60 | 0.31 | 0.56 | 0.67 | -0.42 | 0.62 | 0.37 | -0.50 | | | | |
| Utilities | XLU | 0.70 | 0.62 | 0.55 | 0.60 | | 0.60 | 0.32 | 0.52 | -0.65 | 0.75 | 0.11 | -0.19 | | | | |
| Health Care | XLV | 0.76 | 0.46 | 0.30 | 0.31 | 0.60 | | 0.10 | 0.59 | -0.76 | 0.72 | -0.25 | 0.02 | | | | |
| Transportation | XTN | 0.24 | 0.12 | 0.34 | 0.56 | 0.32 | 0.10 | | 0.54 | -0.20 | 0.37 | 0.03 | -0.40 | | | | |
| Industrials | XLI | 0.42 | 0.42 | 0.35 | 0.67 | 0.52 | 0.59 | 0.54 | | -0.56 | 0.53 | 0.05 | -0.51 | | | | |
| Technology | XLK | -0.66 | -0.51 | -0.42 | -0.42 | -0.65 | -0.76 | -0.20 | -0.56 | | -0.78 | 0.14 | -0.17 | | | | |
| Financial | XLF | 0.77 | 0.47 | 0.32 | 0.62 | 0.75 | 0.72 | 0.37 | 0.53 | -0.78 | | -0.21 | 0.00 | | | | |
| Consumer Discretionary | XLY | -0.09 | 0.08 | 0.30 | 0.37 | 0.11 | -0.25 | 0.03 | 0.05 | 0.14 | -0.21 | | -0.35 | | | | |
| Communication Services | XLC | -0.17 | -0.21 | -0.12 | -0.50 | -0.19 | 0.02 | -0.40 | -0.51 | -0.17 | 0.00 | -0.35 | | | | | |

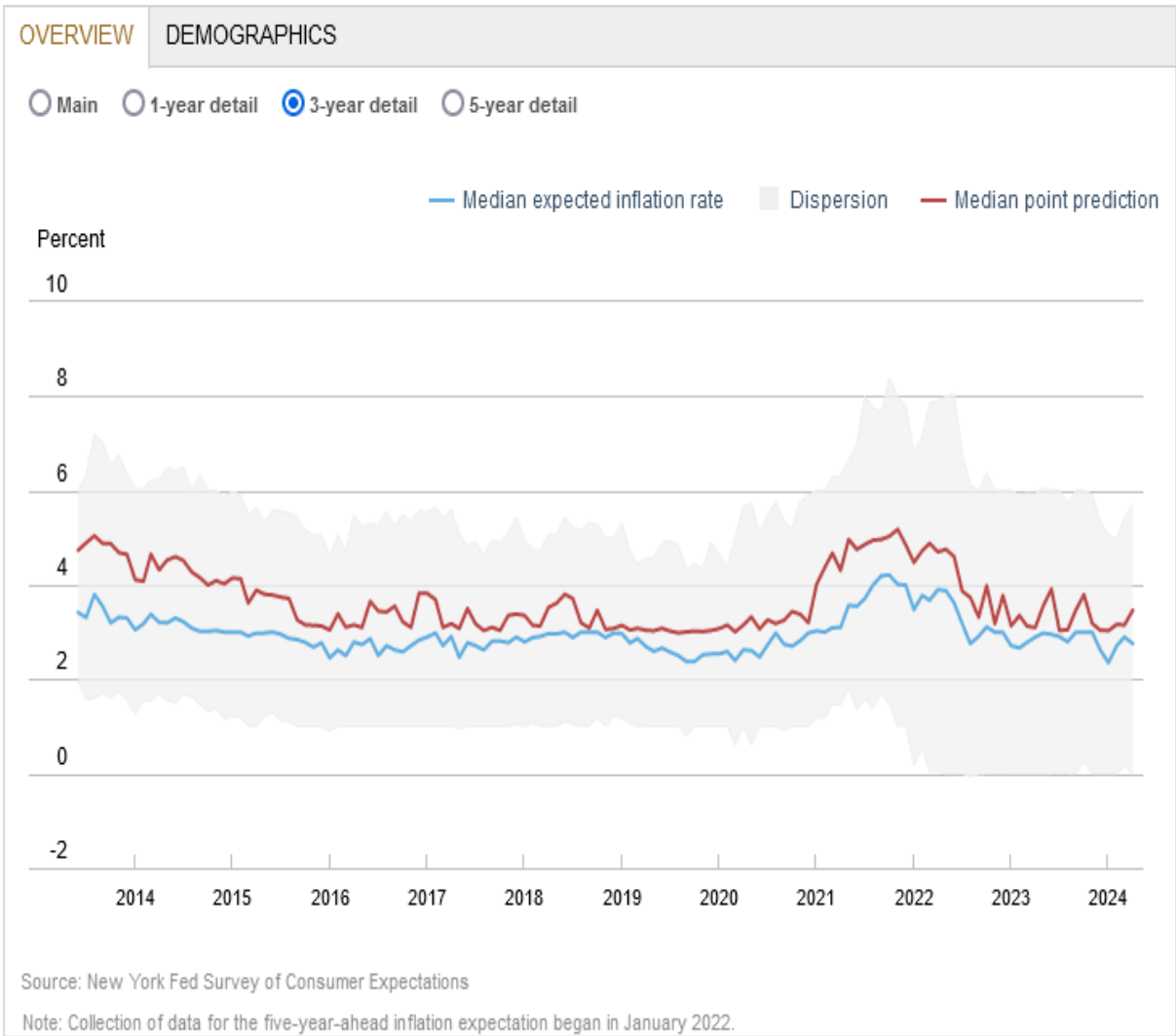
Inflation Expectations

Yesterday, the New York Fed said three-year inflation expectations fell from 2.9% to 2.8%, but five-year expectations rose from 2.6% to 2.8%. Inflation expectations tend to run higher than actual inflation, as shown in the 3-year expectations graph below. Currently, 3-year expectations are very close to pre-pandemic levels. There is not enough data on five-year expectations to make a comparison. One-year expectations (not shown) are at 3.1%, a few tenths of a percent above pre-pandemic levels.

The Fed pays close attention to expectations, as they can be a self-fulfilling prophecy. Given that they are not surging higher, as some investors fear, we see nothing in this latest round of inflation expectations data to worry the Fed.

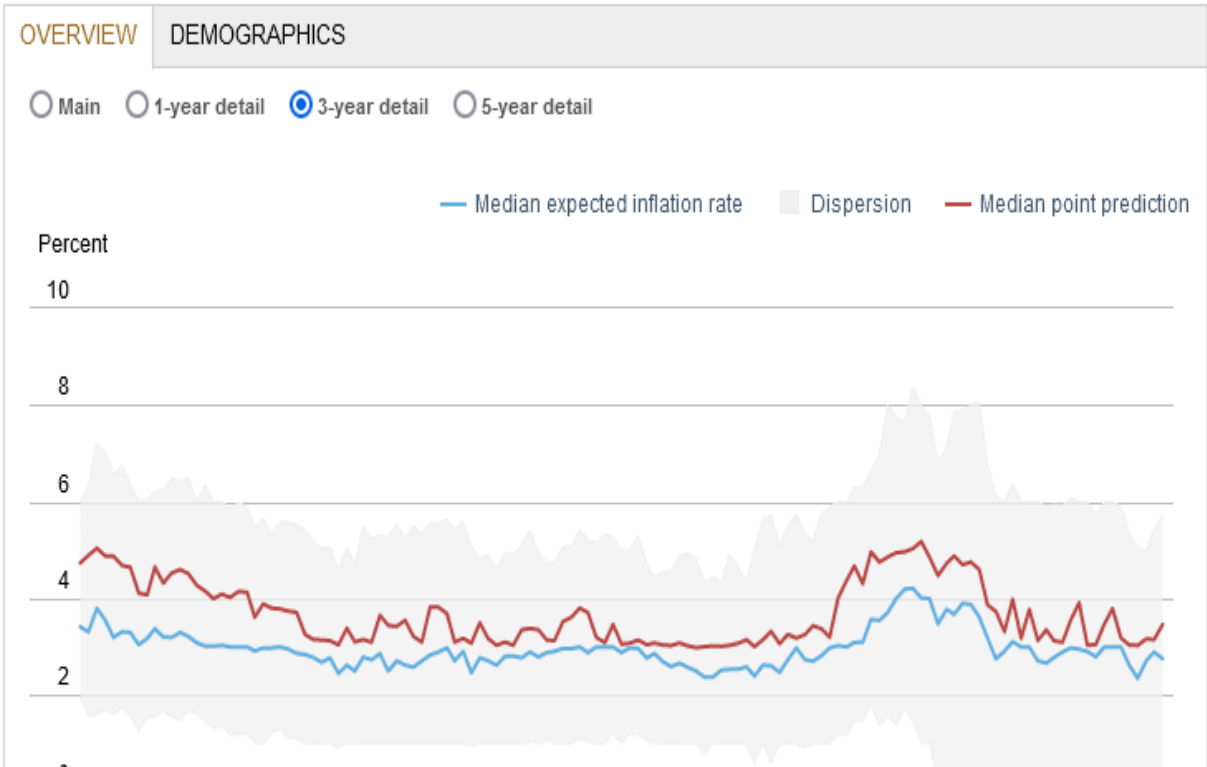
Inflation expectations

Three-year ahead



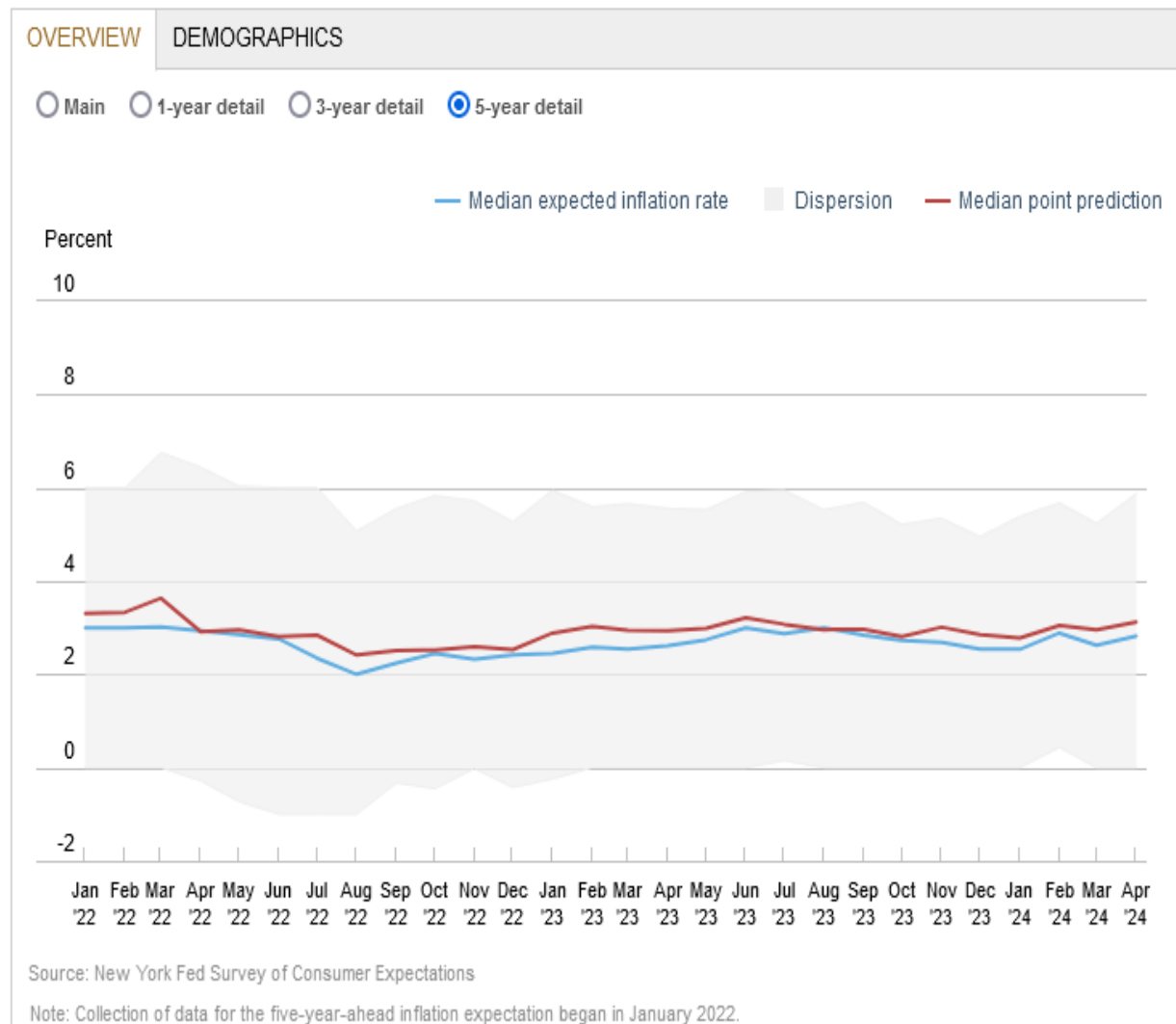
Inflation expectations

Three-year ahead



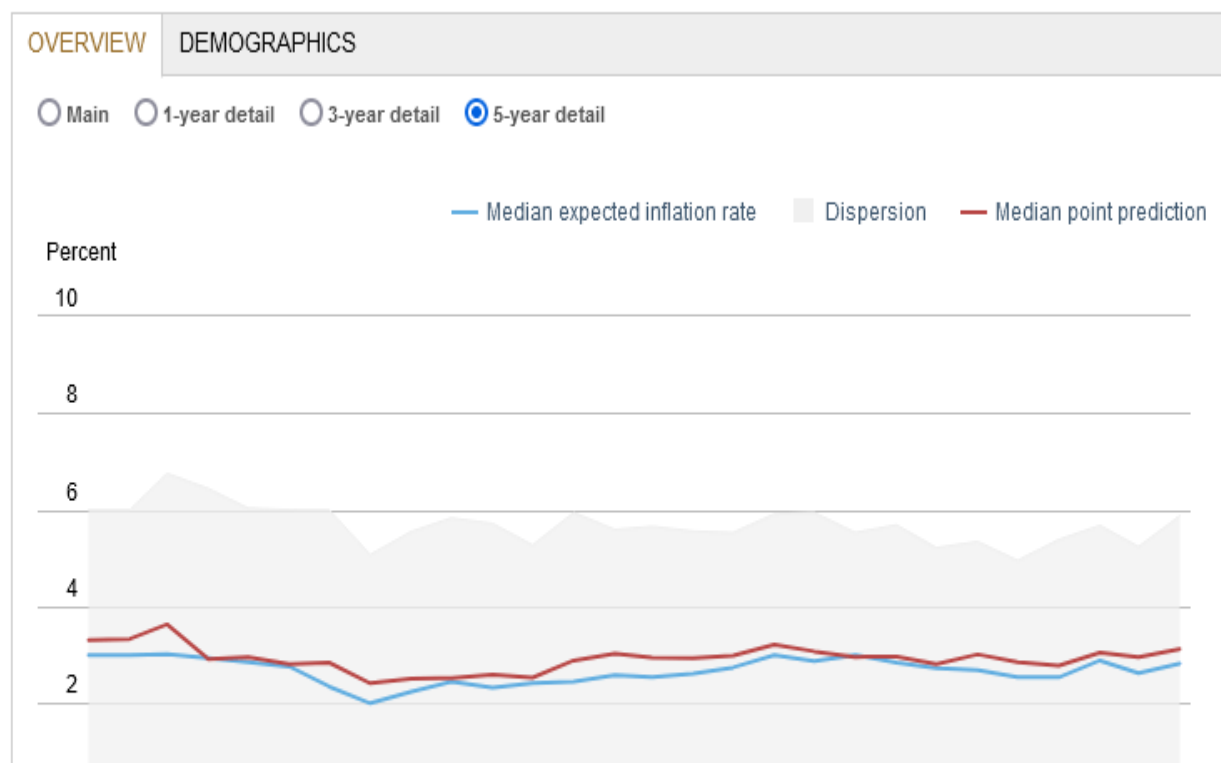
Inflation expectations

Five-year ahead (Data collection began in January 2022)



Inflation expectations

Five-year ahead (Data collection began in January 2022)



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FED'S JEFFERSON: SOMETIMES ACTIVE FED SPEAKING CAN CREATE, AND NOT REDUCE UNCERTAINTY.



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FED'S JEFFERSON: SOMETIMES ACTIVE FED SPEAKING CAN CREATE, AND NOT REDUCE UNCERTAINTY.

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