

# **Omicron Fears Ease Pushing Stocks Upward**

Despite the surging number of Covid cases, investors' Omicron fears appear to be easing. It is estimated that three-quarters of Covid cases in the U.S. are of the Omicron variant. The bad news is Omicron is highly contagious. However, the good news is that it doesn't appear to be as severe as other variants. Per the New York Times "The research, conducted in Britain and released on Wednesday, indicated that Omicron is less likely to put people in hospitals." Furthermore, easing Omicron fears, new cases in South Africa, where the variant started, are slowing. Another reason for optimism, the FDA cleared Pfizers Covid drug Paxlovid for high-risk patients. The drug is a treatment for Covid, not a vaccine.

The SimpleVisor chart below shows the top ten largest gainers in the S&P 500. Cruise lines (RCL and CCL) and hotels (HLT and MAR) were among the leading gainers yesterday. Investors in reopening stocks are breathing a sigh of relief.



[dmc]

# What To Watch Today

#### **Economy**

- 8:30 a.m. ET: <u>Initial jobless claims</u>, week ended Dec. 18 (205,000 expected, 206,000 during prior week)
- 8:30 a.m. ET: Continuing claims, week ended Dec. 11 (1.835 million during prior week)
- 8:30 a.m. ET: **Personal income**, November (0.4% expected, 0.5% in October)
- 8:30 a.m. ET: **Personal spending**, November (0.6% expected, 1.3% in October)
- 8:30 a.m. ET: **Real personal spending**, November (0.2% expected, 0.7% in October)

- 8:30 a.m. ET: **PCE deflator, month-over-month**, November (0.6% expected, 0.6% in October)
- 8:30 a.m. ET: **PCE deflator**, year-over-year, November (5.7% expected, 5.0% in October)
- 8:30 a.m. ET: **PCE core deflator**, month-over-month, November (0.4% expected, 0.4% in October)
- 8:30 a.m. ET: **PCE core deflator**, year-over-year, November (4.5% expected, 4.1% in October)
- 8:30 a.m. ET: **Durable goods orders**, November preliminary (1.8% expected, -0.4% in October)
- 8:30 a.m. ET: **Durable goods orders excluding transportation**, November preliminary (0.6% expected, 0.5% in October)
- 8:30 a.m. ET: Capital goods, non-defense orders excluding aircraft, November preliminary (0.7% expected, 0.7% in October)
- 8:30 a.m. ET: Capital goods, non-defense shipments excluding aircraft, November preliminary (0.6% expected, 0.4% in October)
- 10:00 a.m. ET: **University of Michigan sentiment**, December final (70.4 expected, 70.4 in prior print)
- 10:00 a.m. ET: New home sales, November (770,000 expected, 745,000 in October)
- 10:00 a.m. ET: **New home sales**, month-over-month, November (3.3% expected, 3.4% in October)

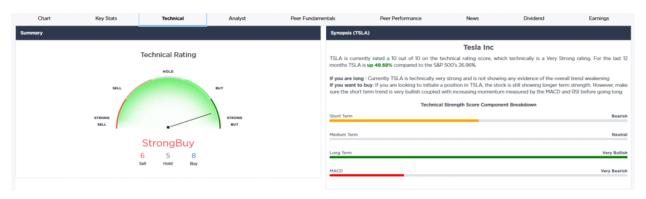
#### **Earnings**

No notable reports scheduled

## **Elon Musk Stops Selling Tesla's Stock**

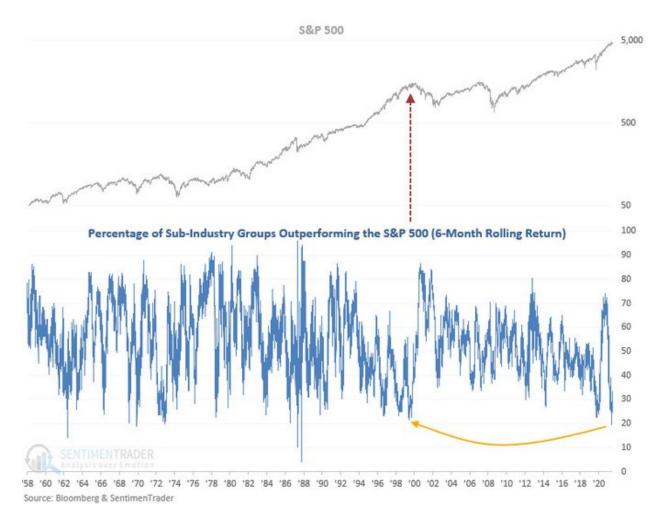
Tesla shares rose 7% as Elon Musk pronounced he finished selling Tesla stock. Therefore, Tesla's market cap increased by \$70 billion on Wednesday. For perspective, Ford and GM each have a market cap of approximately \$80 billion. Said differently, Tesla rose by nearly a Ford or GM yesterday.

Per Elon Musk's interview with the <u>Babylon Bee</u>, he "sold enough stock" to reach his plan of selling a tenth of his holdings. Tesla shares peaked around 1250 a share right before he ran a Twitter poll asking followers if he should sell. However, the pressure put on the stock price because of his selling, along with broad weakness in meme and high-growth stocks, pushed the shares briefly below 900. Yesterday morning Tesla rose back above 1000. The <u>SimpleVisor</u> graphic below provides a technical summary of Tesla stock.



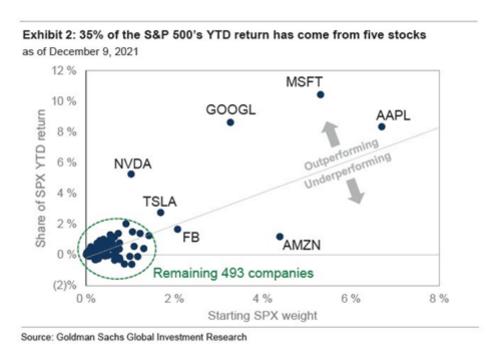
#### Hints of Market Breadth Like 1999

The graph below from Sentimentrader is yet more evidence market breadth is poor. As shown, only 20% of sub-industry groups outperformed the S&P 500 over the last six months. The previous time breadth was this bad was in late 1999. Further, similar levels were approached in late 2019, heading into the Covid market massacre.



Callum Thomas provides more evidence of bad breadth in his graph below. He shows a small handful of stocks are responsible for over a third of the S&P 500 returns in 2021. Contrary to textbook finance, diversification was not a winning ticket in 2021, nor was it 1999.

**3. Tech vs The Rest (pt2):** ...which is all the more meaningful when you realize that "35% of the S&P 500's YTD return has come from (just) five stocks".

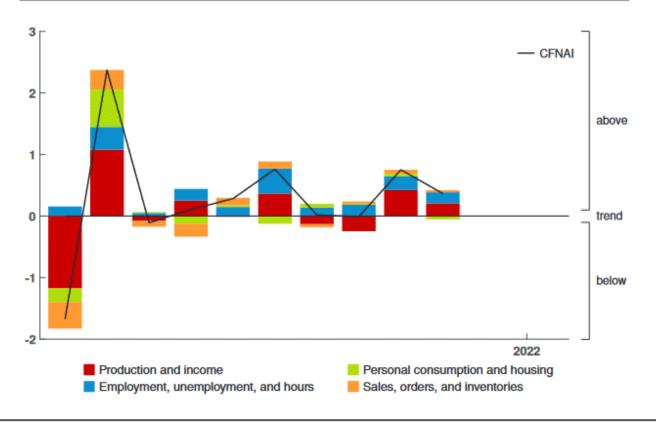


Source: @zerohedge

## **Chicago Fed Says Smooth Sailing Ahead**

The Chicago Fed's National Activity Index (CFNAI) fell from +.75 in October to +.37. While moderating from the prior month, the index still points to above-trend economic growth. A reading of zero represents trend economic growth. The index is robust, using 85 economic data points to assess economic activity. The graph below breaks down current and prior data into the index's four major categories.

#### Chicago Fed National Activity Index, by Categories



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