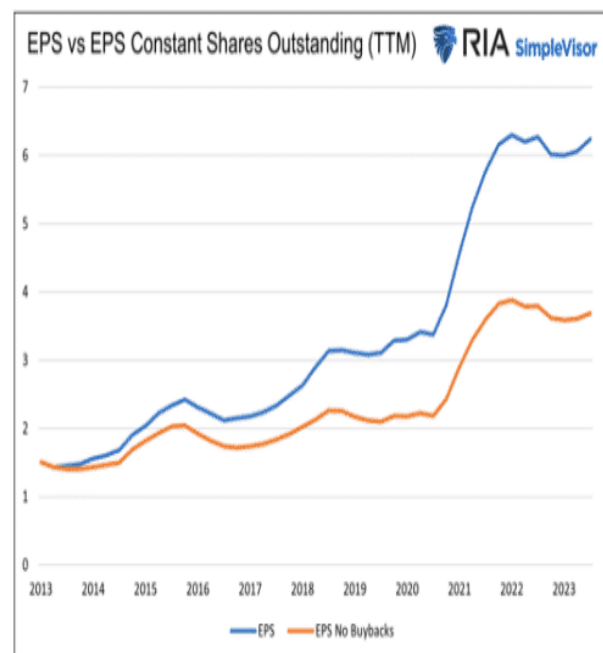
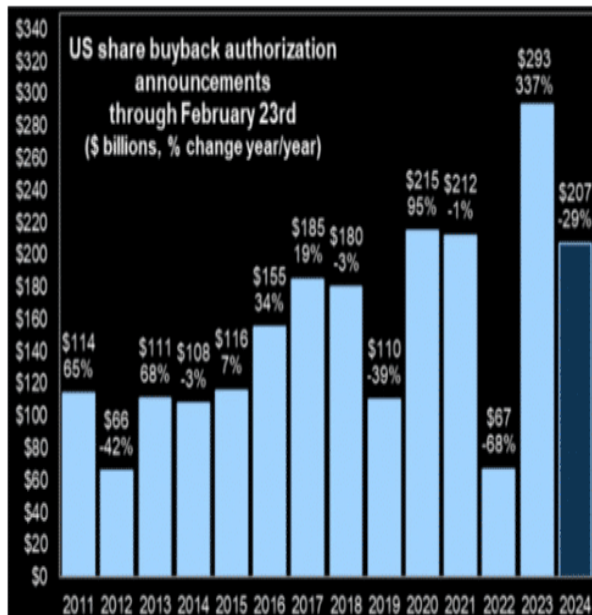


Stock Buybacks Provide A Tailwind For Large Stocks

Stock buyback authorization announcements are soaring this year. As shown in the graph on the left, the \$207 billion in 2024 stock buyback announcements is already on par with the annual totals for 2020 and 2021 and only 29% behind the record-setting \$293 billion last year. Mind you, there are still ten months to go in 2024. Stock buybacks provide a tailwind for the market. Not only does a company that buys back its stock reduce the supply of its shares, but in doing so, it increases its earnings per share. Earnings don't change, but the denominator, the number of shares, declines.

Our latest article, [Apple's Magic](#), reviews Apple. In particular, it shows how Apple's earnings growth does not support its high valuations. Instead, stock buybacks are the culprit behind its high valuations. The graph to the right shows Apple's EPS as reported and if they had not repurchased shares. Assuming the P/E were to remain at current levels had they not bought back shares, Apple's share price would be nearly 50% less than it currently is! *Unlike most growth companies, a bet on Apple is a bet on their ability to buy back shares.* Indeed, our analysis shows Apple can keep up its buyback magic.



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*
☹	PSO	Pearson, Plc	\$8,667,960,000	Dec/2023		3	N/A	N/A
☹	SKM	SK Telecom Co., Ltd.	\$4,788,069,190	Dec/2023		N/A	2/24/2023	\$0.08
☹	NXE	Nexgen Energy Ltd.	\$3,556,826,612	Dec/2023	(\$0.01)	1	2/24/2023	(\$0.04)
☹	LPL	LG Display Co., Ltd.	\$2,941,245,054	Dec/2023		N/A	2/17/2023	(\$1.92)
☀	RDNT	RadNet, Inc.	\$2,548,088,278	Dec/2023	\$0.11	3	2/28/2023	\$0.11
☹	GLPG	Galapagos NV	\$2,375,345,236	Dec/2023	(\$2.23)	2	2/24/2023	(\$1.99)
☀	PLUG	Plug Power, Inc.	\$2,076,873,002	Dec/2023	(\$0.57)	9	3/01/2023	(\$0.38)

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Economy

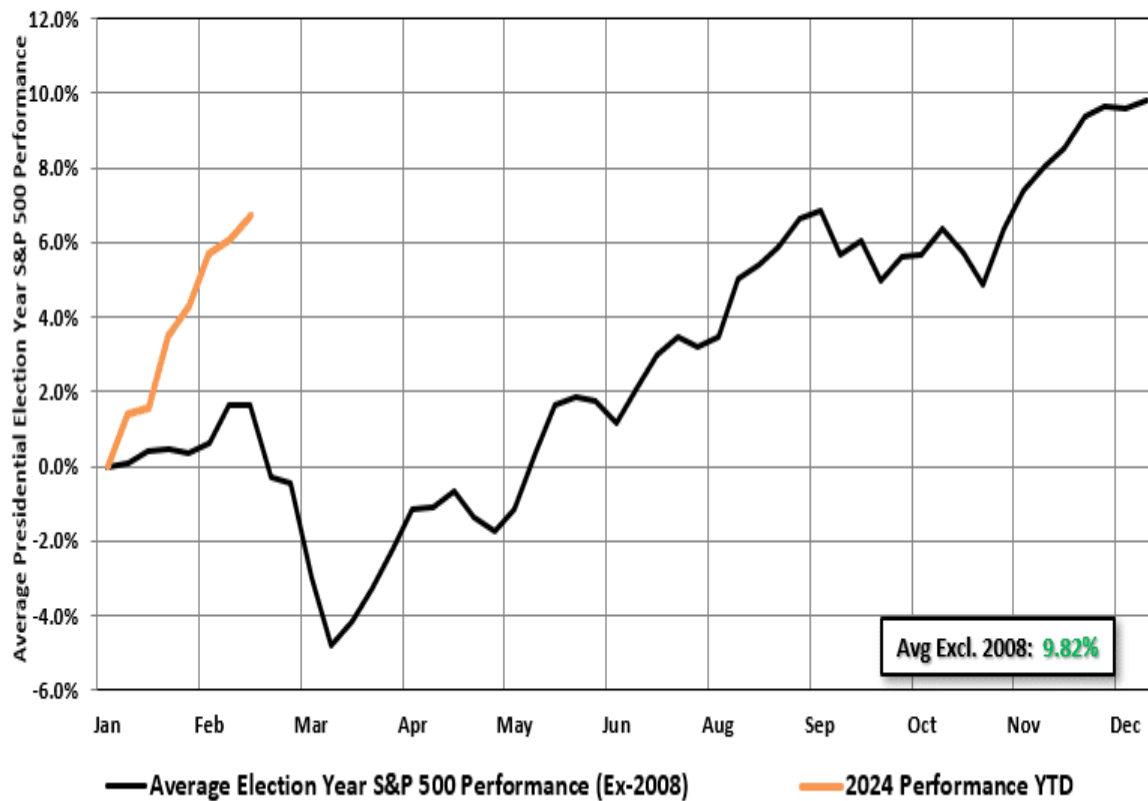
Local Start Date	Local End Date	Local Time	Country/Region	Relevance	Indicator Name	Period	Reuters Poll	Actual	Surprise	Prior	Revised	Min	Max	Count	SmartEconomics®	Predicted Surprise
1 Mar 2024		08:45	United States	High	S&P Global Mfg PMI Final	Feb				51.5						
1 Mar 2024		09:00	United States	Medium	Construction Spending MM	Jan	0.2%			0.9%		-0.6%	0.7%	31	0.20%	0.00%
1 Mar 2024		09:00	United States	High	ISM Manufacturing PMI	Feb	49.5			49.1		47.8	51.5	54	49.37	-0.13
1 Mar 2024		09:00	United States	Medium	ISM Mfg Prices Paid	Feb	53.0			52.9		49.5	57.5	6	52.65	-0.35
1 Mar 2024		09:00	United States	Low	ISM Manuf Employment Idx	Feb				47.1						
1 Mar 2024		09:00	United States	Low	ISM Manuf New Orders Idx	Feb				52.5						
1 Mar 2024		09:00	United States	High	U Mich Sentiment Final	Feb	79.6			79.6		79.0	80.1	37	79.61	0.01
1 Mar 2024		09:00	United States	Low	U Mich Conditions Final	Feb				81.5						
1 Mar 2024		09:00	United States	Low	U Mich Expectations Final	Feb				78.4						
1 Mar 2024		09:00	United States	Low	U Mich 1Yr Inf Final	Feb				3.0%						
1 Mar 2024		09:00	United States	Low	U Mich 5-Yr Inf Final	Feb				2.9%						
1 Mar 2024	8 Mar 2024	09:00	United States	Not Rated	All Car Sales	Feb				3.010M						
1 Mar 2024	8 Mar 2024	09:00	United States	Not Rated	All Truck Sales	Feb				11.990M	11.970M					
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Market Trading Update

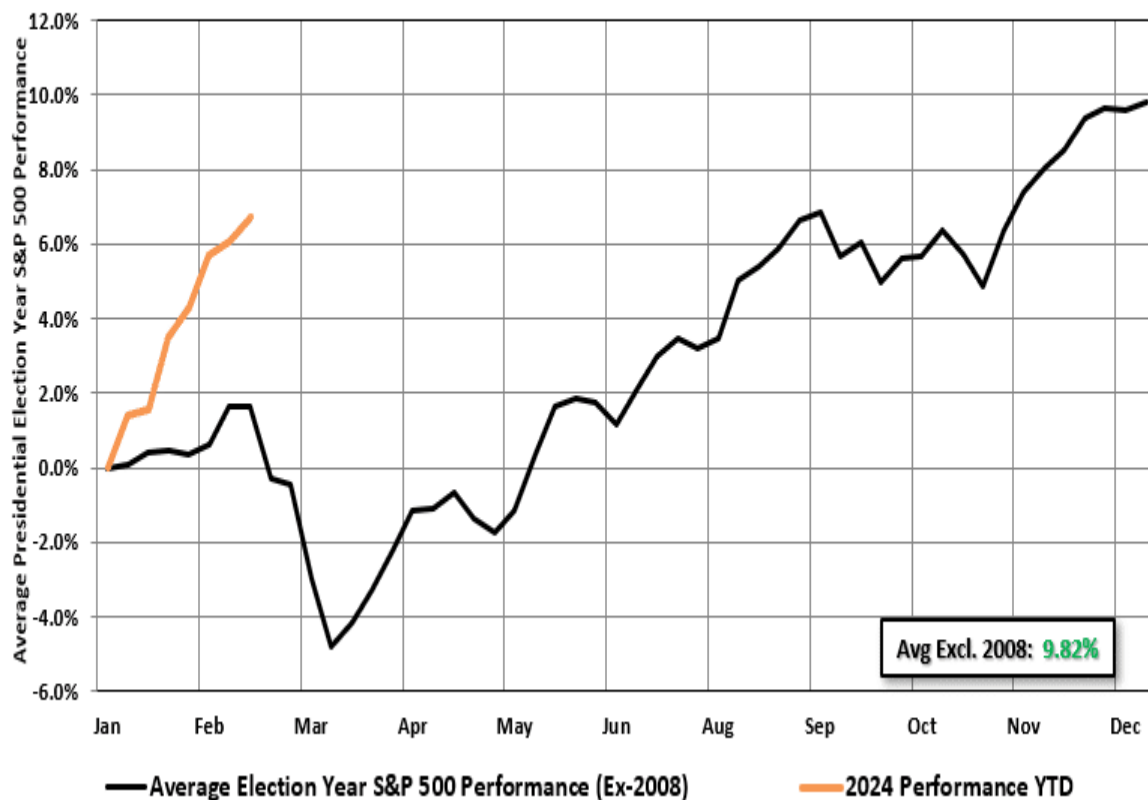
As we end the month of February and enter into March, a look at the average return cycle of Presidential election years suggests some near-term weakness is likely. With the market already off to a ferocious start to begin the year, a respite seems likely before the remainder of the

seasonality into summer. It is worth noting that in the two months prior to the election, weakness also sets in as markets tend to derisk ahead of the election. With this year's contest set to be contentious and with a risk of social unrest as well, some derisking will likely be warranted.

Election Year Returns Vs. 2024 (Without Financial Crisis-2008 and 2024 YTD Data)



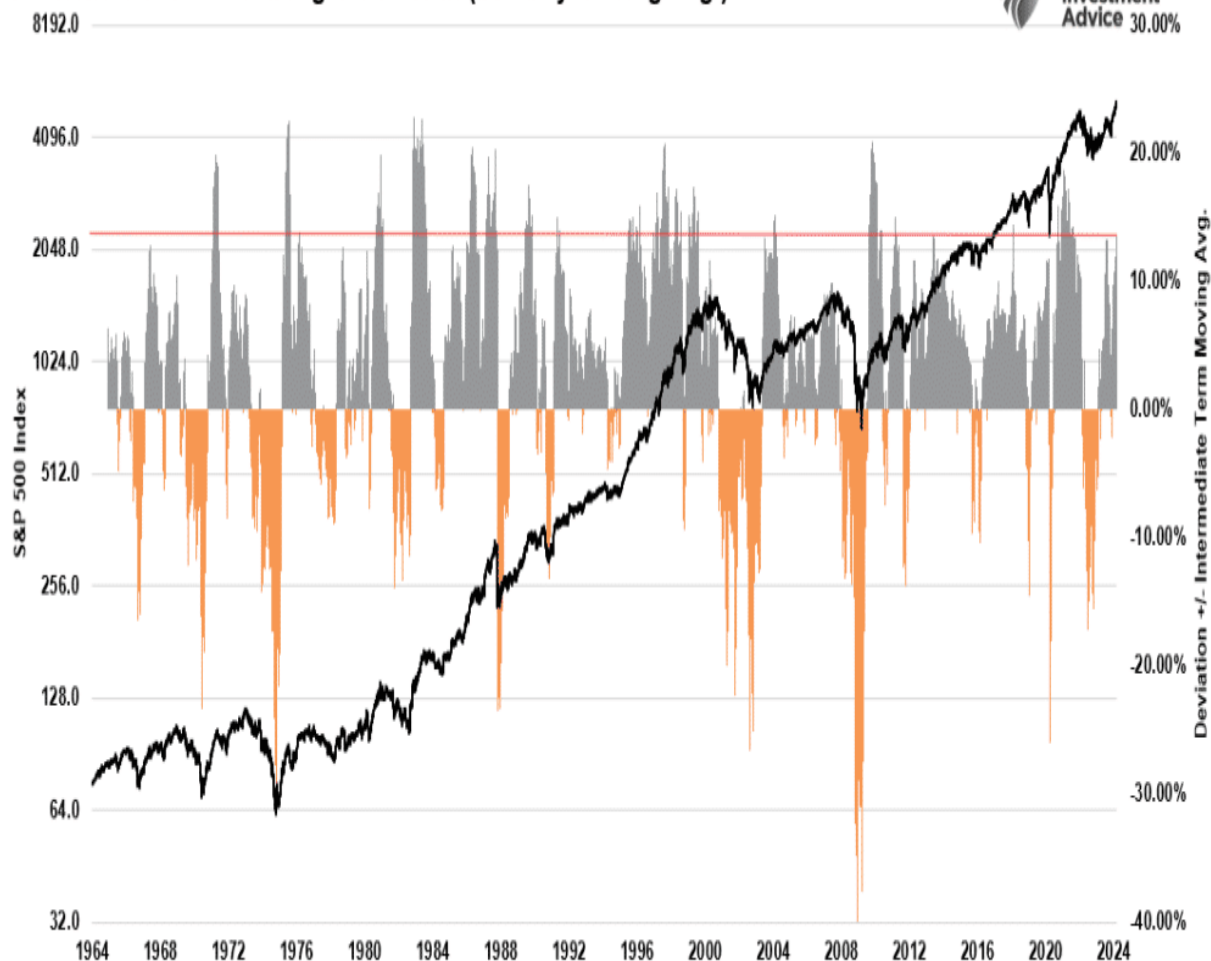
Election Year Returns Vs. 2024 (Without Financial Crisis-2008 and 2024 YTD Data)



However, another reason we continue to expect some corrective actions soon is the more extreme deviation from the 225-day moving average. While these deviations can last for quite some time, they always eventually revert.

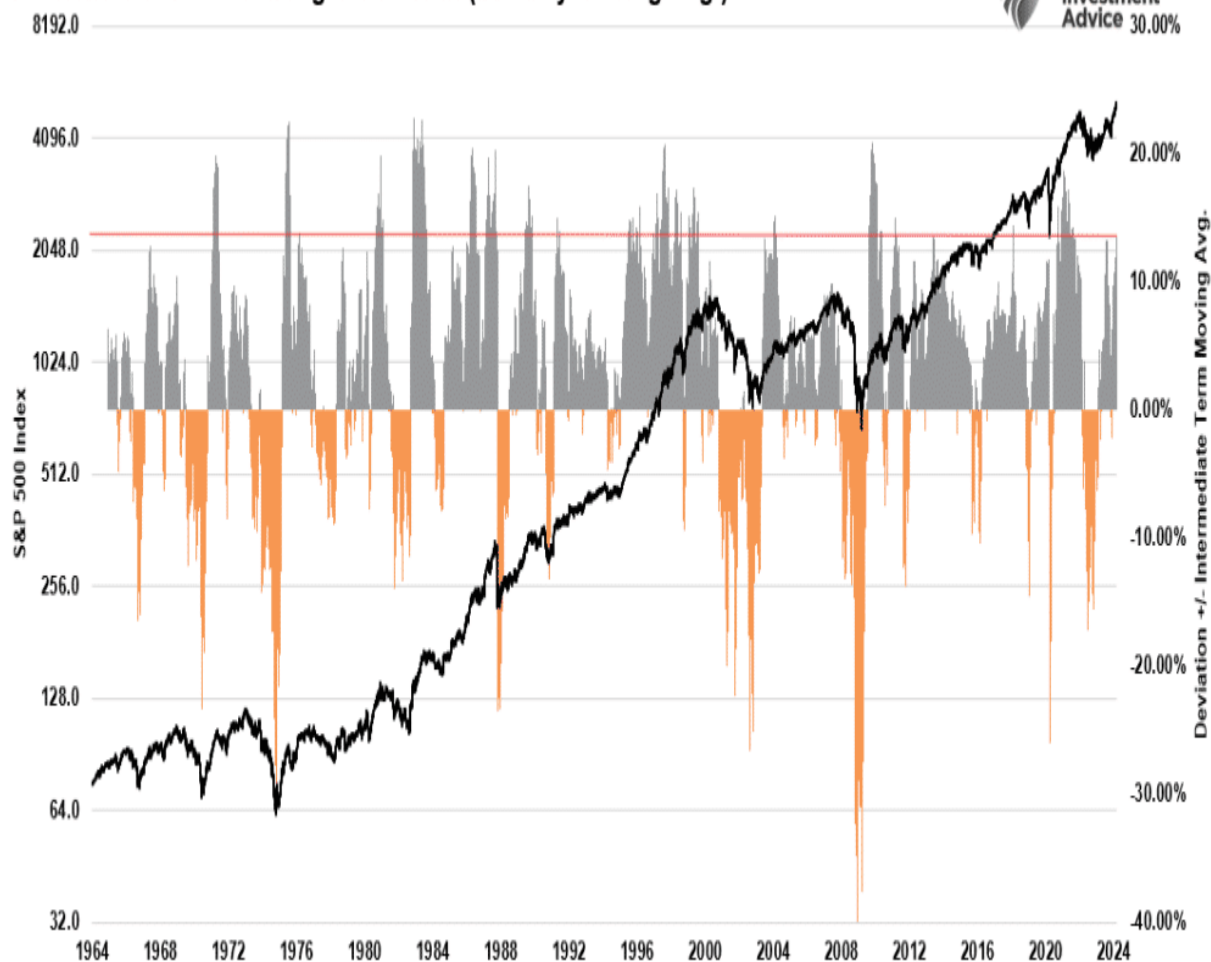
Deviation Above/Below Long-Term Mean (225-Day Moving Avg.)

Real Investment
Advice 30.00%



Deviation Above/Below Long-Term Mean (225-Day Moving Avg.)

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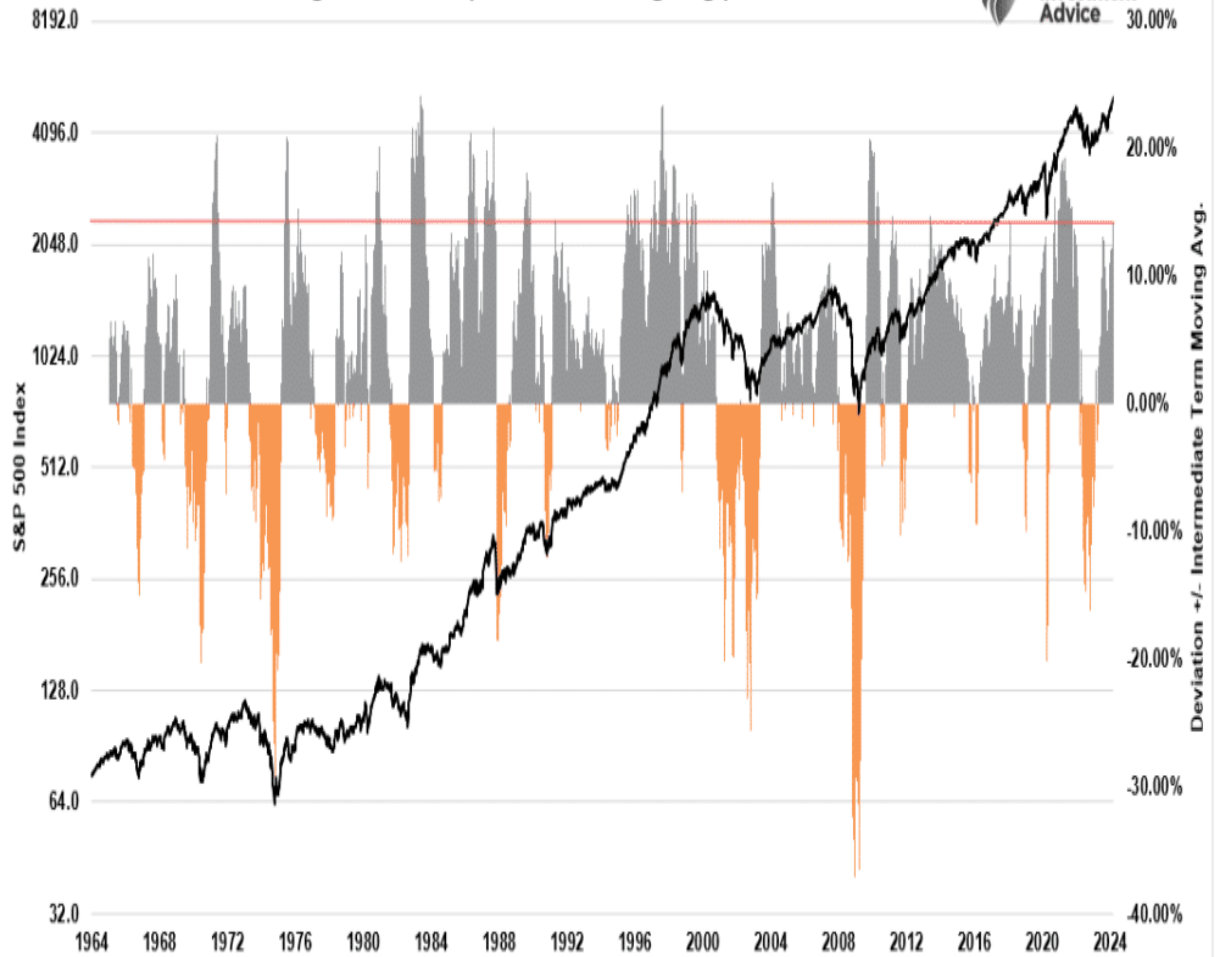
The same is evident with the current deviation from the 1-year moving average as well. These more extreme deviations are unsustainable.

Deviation Above/Below Long-Term Mean (52-Week Moving Avg.)



Real
Investment
Advice

30.00%

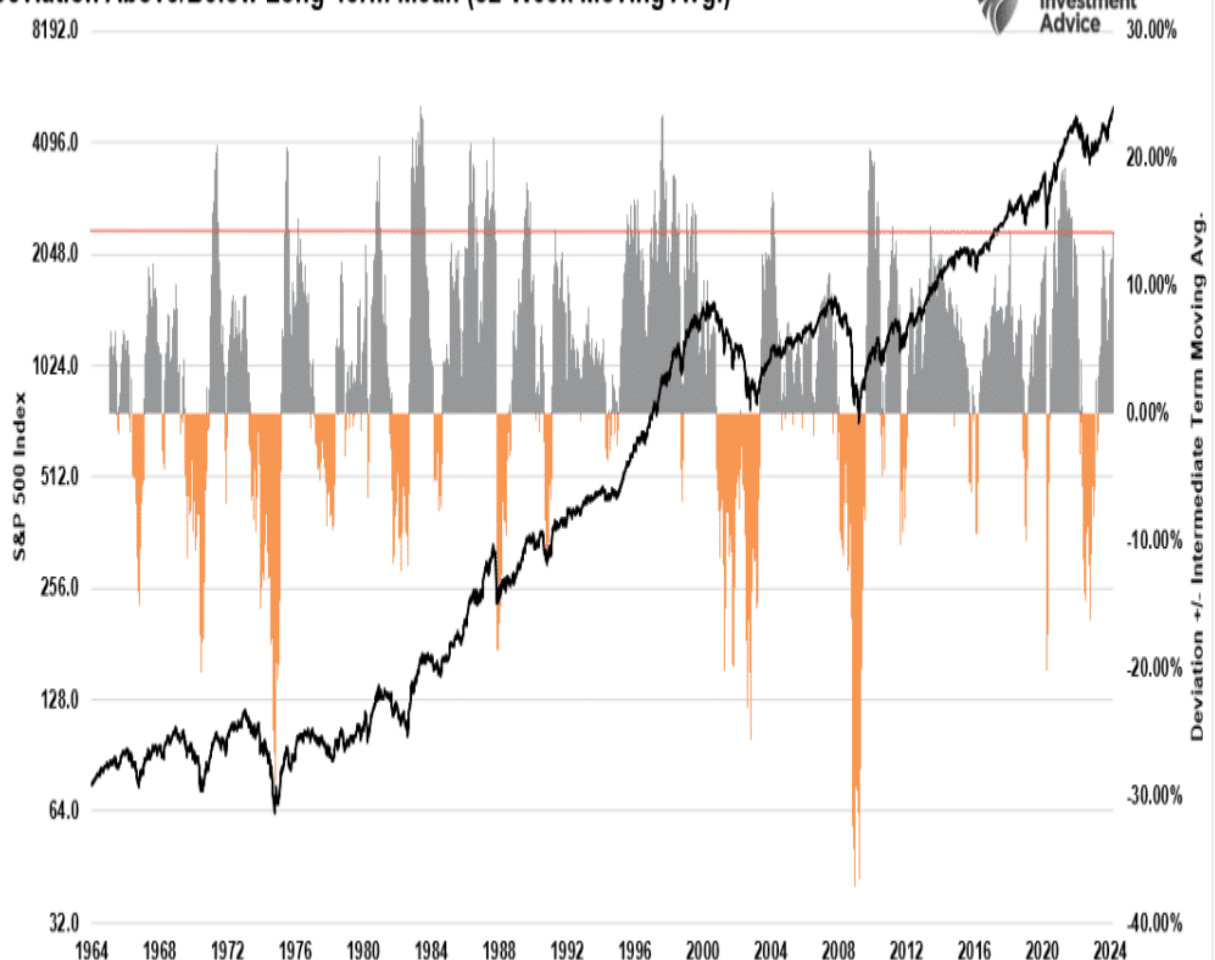


Deviation Above/Below Long-Term Mean (52-Week Moving Avg.)



Real
Investment
Advice

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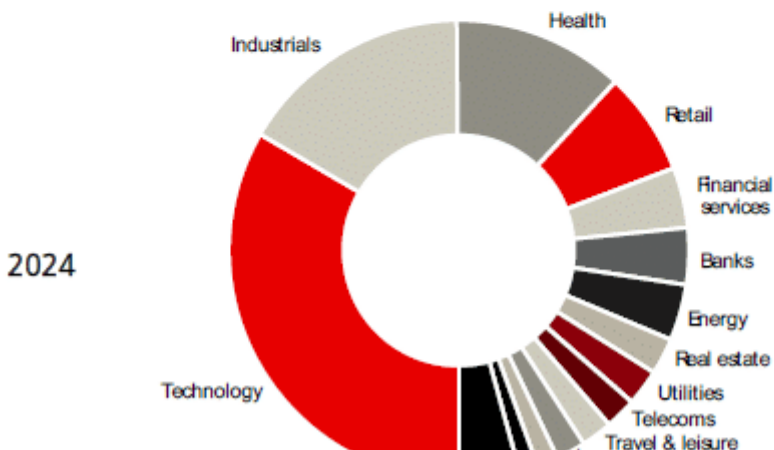
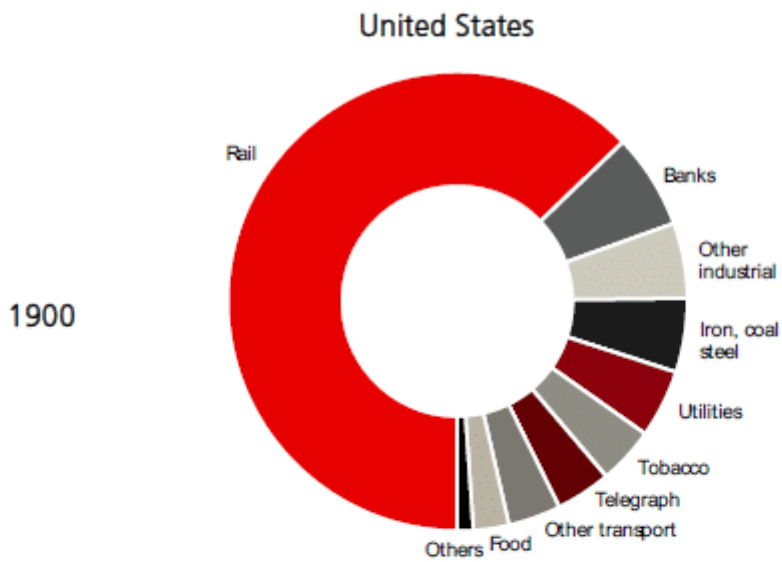
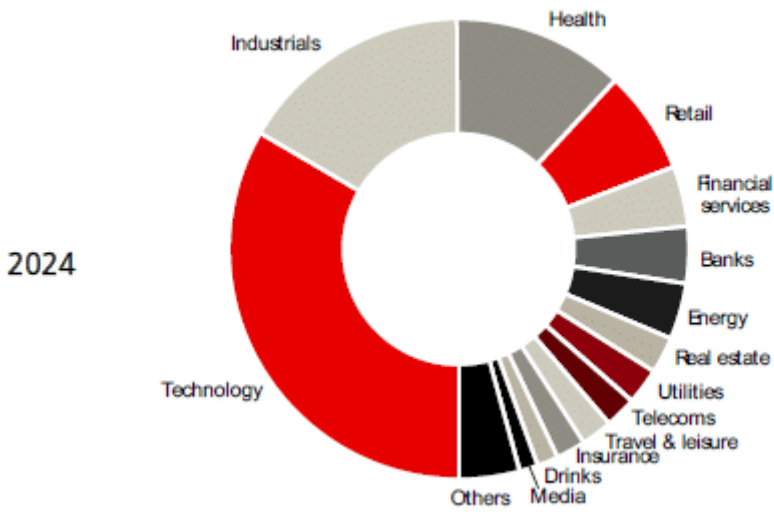
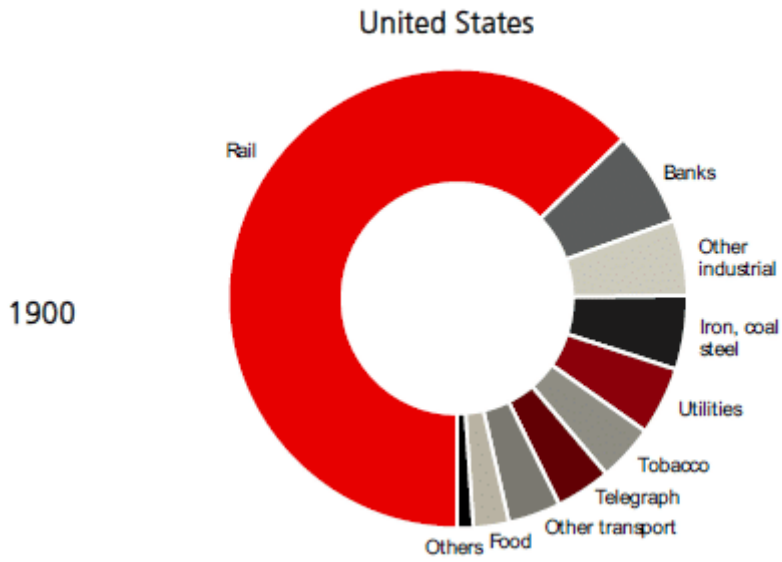
We have no idea what will trigger such a reversion or how soon it will occur. However, there is no outcome where one doesn't eventually occur. As such, we continue to suggest rebalancing risk as needed.



Sector Dominance- Is Technology The New Railroads?

The financial media, ourselves included, are making much ado about the prominence of the Magnificent Seven and the Tech Sector. As we share below, such dominance by one sector or small group of stocks is not new. Furthermore, it's not just a U.S. phenomenon.

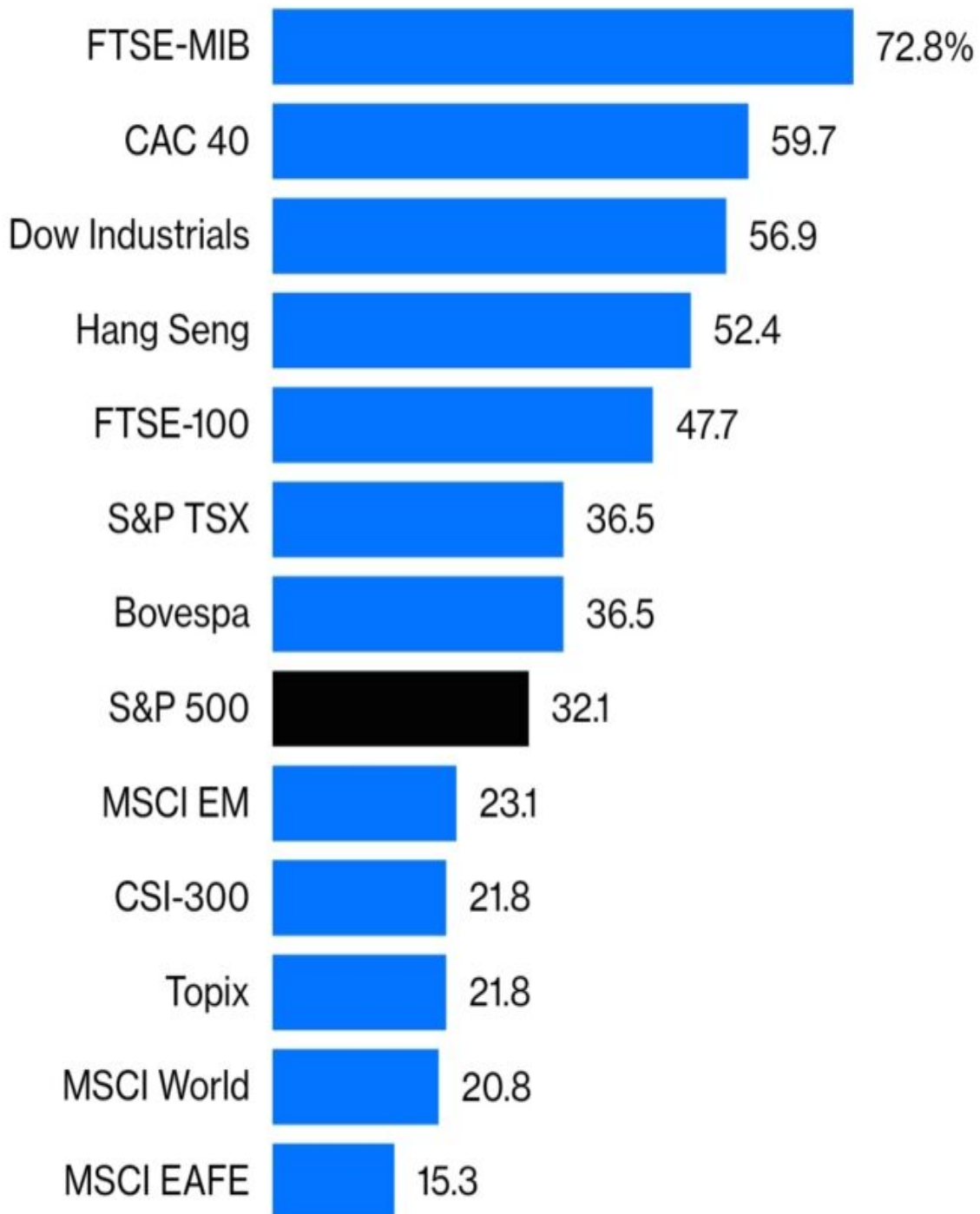
The pie charts below show that in 1900, railroad stocks accounted for about two-thirds of the market. It's funny to consider today, but railroads were the latest technology. Today, the markets are heavily skewed toward technology stocks but much less so than railroad stocks in 1900. The second graph below shows that many other global indexes are more heavily concentrated than the S&P 500. However, it's worth disclaiming that many of those indexes have far fewer stocks than the S&P 500. For instance, the French CAC 40 has 40 stocks. Therefore, the top ten represent 25% of the index on an equal-weighted basis. Conversely, the top ten of the S&P 500 only represent 2% of the index.



If You Think the S&P 500 Is Top-Heavy...

Other major country indexes are more concentrated; not so global indexes

■ Weight of Top 10 Stocks



Source: Bloomberg

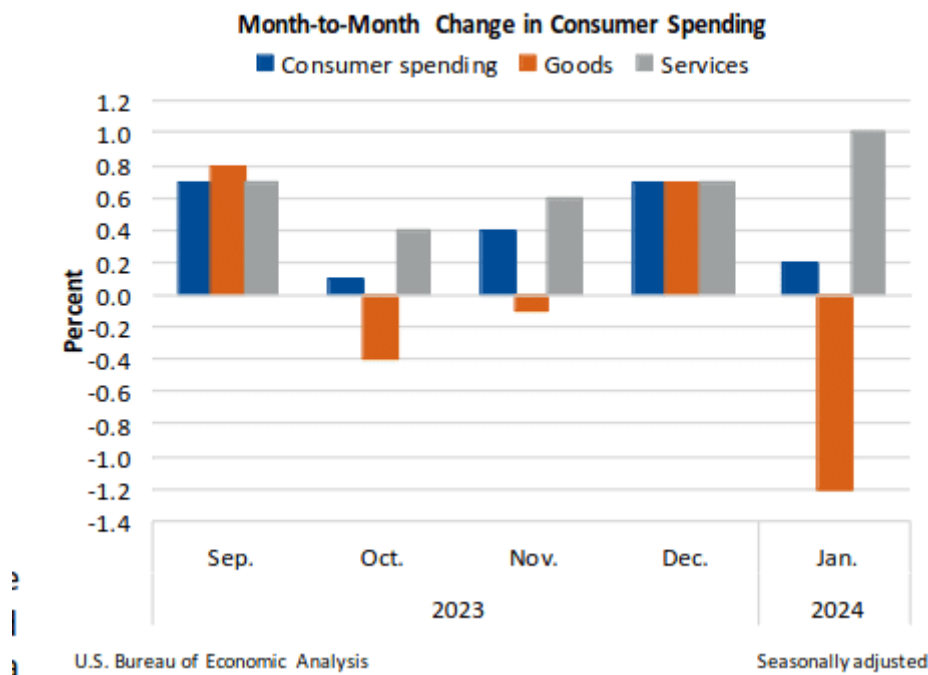
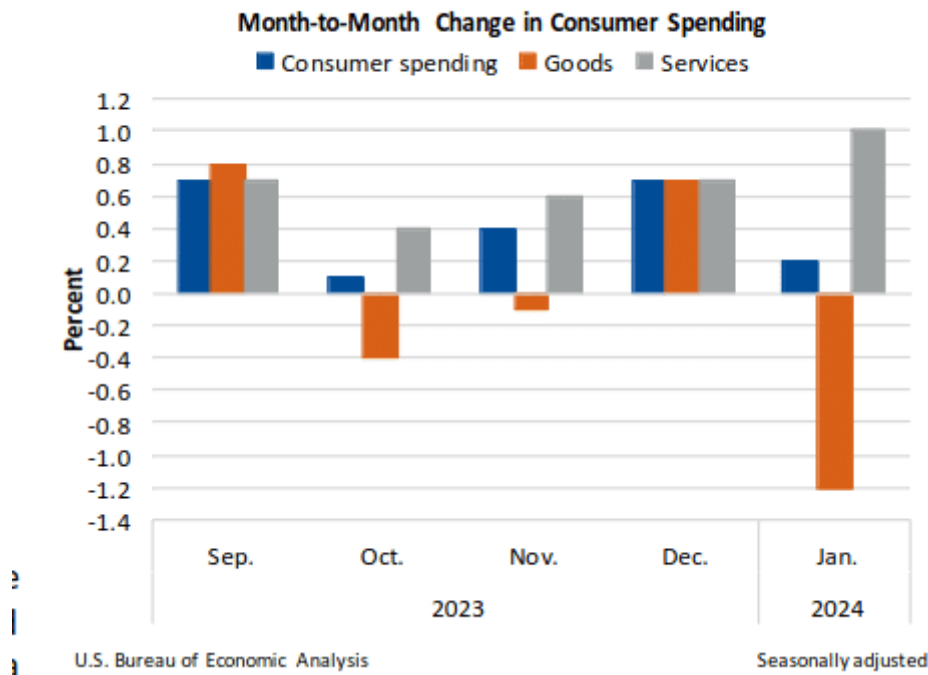
Bloomberg [Opinion](#)

If You Think the S&P 500 Is Top-Heavy...

PCE Inflation, Income, And Spending

Monthly PCE prices were up 0.3% in January, in line with expectations, but 0.2% higher than in December. December was revised lower by 0.1%. Core PCE prices rose 0.4% monthly and 2.8% annually. The data, like CPI and PPI, point to prices settling in around 3% inflation. Before assuming inflation is sticky, we would like to see a few more months of inflation data, as seasonal behaviors and adjustments can warp data this time of year.

Personal spending and income data showed a few interesting divergences. For example, personal incomes rose by a hefty 1%, yet spending was only +0.2%. Real spending was slightly negative (-0.1%), the lowest level in six months. Are consumers starting to save more, or are seasonal factors responsible? Dividend income was a large contributor to personal income. The graph below shows another odd divergence. Spending on services rose at its quickest pace in at least four months while goods spending fell sharply. Declining auto sales help explain some of the decline in goods. Housing, utilities, financial services, and insurance boosted service spending. To reiterate, be careful of season effects and adjustments to data.



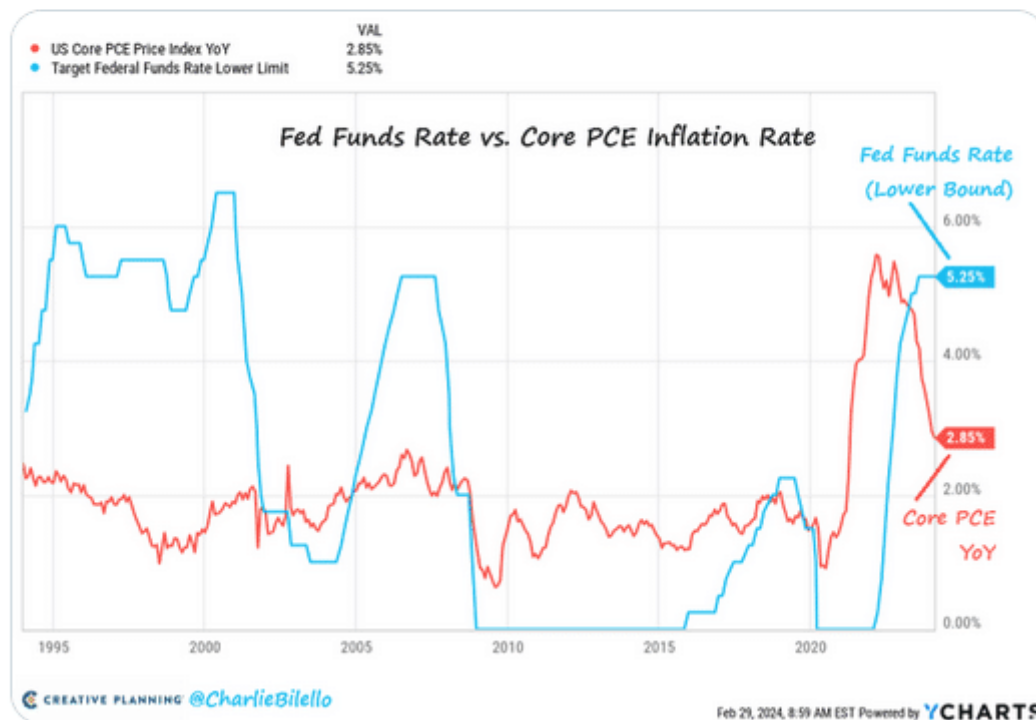
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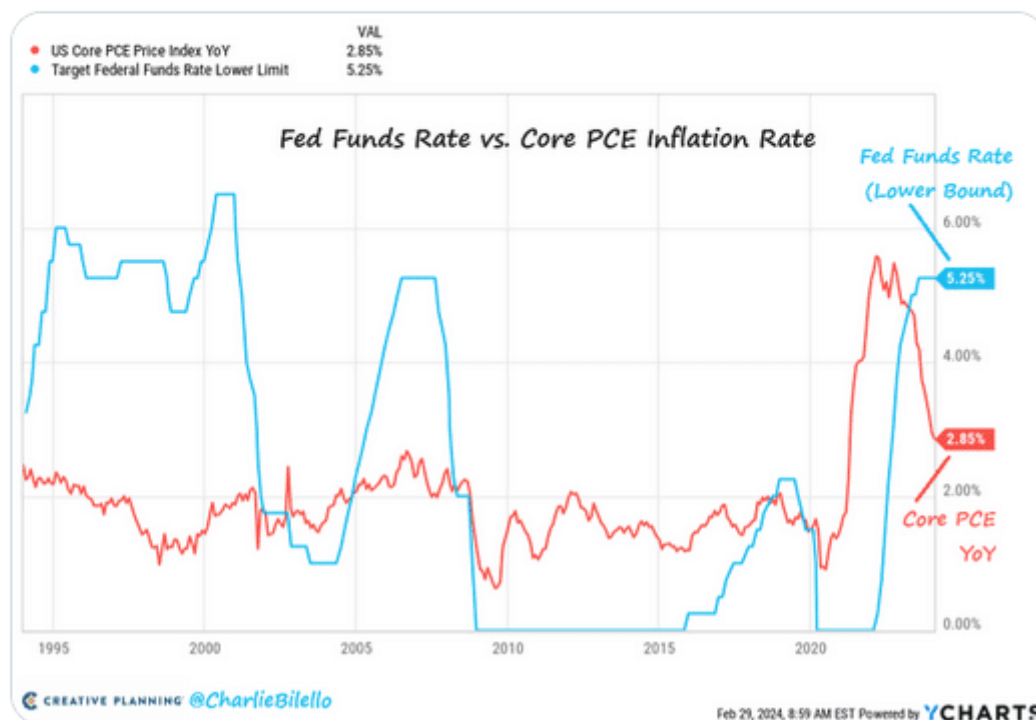
The Fed's preferred measure of inflation (Core PCE) moved down to 2.8% in January, the lowest since March 2021. The Fed Funds Rate is now 2.4% above Core PCE, the most restrictive monetary policy we've seen since September 2007.



Charlie Bilello @charliebilello · 1h

...

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