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WEEKLY NOTE

Provided By The Wilson Team



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May 31, 2024

Good day everyone,

Negativity typified markets in this holiday-shortened week with the Dow down over 2.6% on the week as I type. Once again, it is now less than 1% away from being negative for the year. Meanwhile, the S&P 500 is up 10% on the year as I type...quite a divergence.

The culprit? Higher interest rates are one, with rates rising on the week. Tech stocks have shaken off the downdraft experienced by the DOW, thanks once again to Nvidia. The question now is: what happens when Nvidia stumbles...

It's hard to argue that markets are healthy at this point, with such narrow leadership, in my opinion. And if we start seeing more corporate commentary from major corporations like we did from Salesforce this week, rest assured that markets will be challenged.

Consider these quotes from Salesforce's earnings calls, keeping in mind that the first was only 3 months ago (and 35 basis points lower interest rates on the 10-year treasury) and the second was yesterday (5/29):

- **FQ4 (2/28) - Benioff, CEO:** *"Now we're in the third phase: post, post-pandemic. And in post, post-pandemic, things are just better. Not just because we're going through this technology surge, but because all this other stuff is behind us and we're in a new normal and people know, 'Hey, we need to invest to grow. We need to invest in technology to grow.' And that, I think, is really driving the 180 for our customers, for ourselves."*
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- **FQ1 (5/29) - Millham, COO:** *"the momentum we saw in Q4 moderated in Q1, and we saw elongated deal cycles, deal compression and high levels of budget scrutiny."* COO also calling out *"intentional changes in our go to market organization"* as impacting FQ1 bookings.

Q2 earnings will begin the second week of July, roughly six weeks from now.

Markets more than likely move sideways until then, in my opinion, though they could sell off if preannouncements come in.

Now to the S&P 500 chart. Recall that in the charts on the S&P 500 that I show you, the RED line is the daily price movement, the BLUE line is the 50-day and the BURGUNDY line is the 200-day moving average. (For simplicity, ignore the green line). The chart is also a **one-year** lookback from 05.30. As a reminder, in a normal market, the red line is above the blue line and the blue line is above the burgundy line.

CHART = S&P 500



Source: Thomson One

I said last week that other than Nvidia, other parts of the markets seem to be breaking down. As stated above, that has developed even further this week. I also

neglected to mention in last week's note that long time bear, Mike Wilson, over at Morgan Stanley threw in his bear-towel and raised his forecast for the S&P 500...he did that just in time to see the Dow fall.

The S&P 500 now sits less than 2% away from its all-time high. From my lens, it has plenty of room to fall but not so much room to run. By the time you read this, core PCE for May will have been released. This inflation gauge could move markets in either direction, so we'll see what happens. Then we have unemployment for May released next week and CPI released the second week of June. These are all market-moving releases, in my opinion, and will be important to the Fed as they consider whether or not to cut rates in July. I'm still in the "no cut this year" camp, but I'm still in the minority.

I think I'll leave it there for this week. If you've seen something you'd like to discuss, please feel free to reach out. And if you are benefitting from reading these notes, others in your social circle may benefit as well. Why not forward it to a few? If they choose to begin to receive it, they need only send me an email.

With kindest regards,

Eric

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