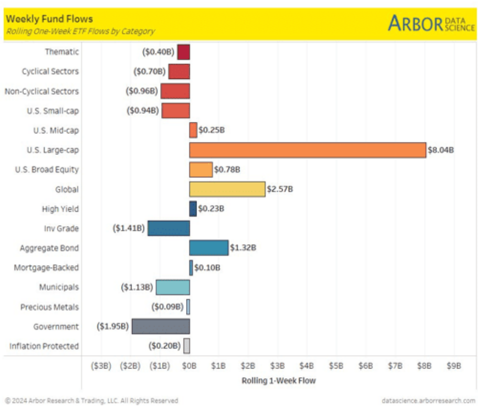
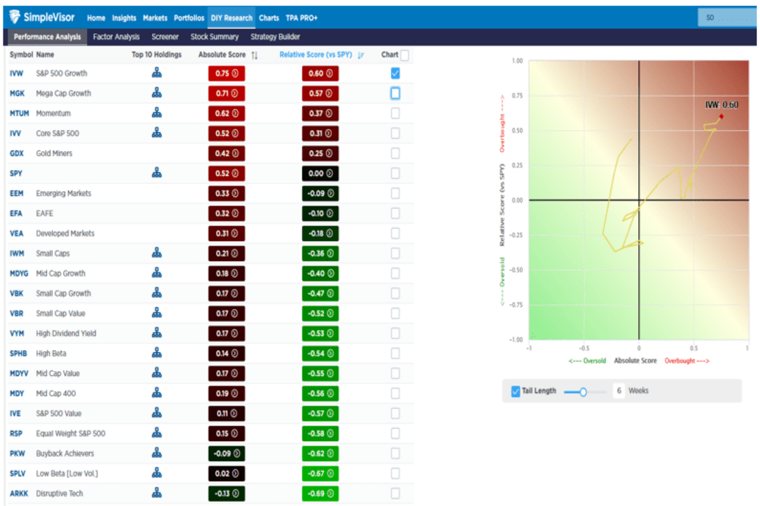
ETF Fund Flows Confirm What We Knew

The graph on the left below, courtesy of Arbor Data Science, shows that $8 billion of funds flowed into U.S. large-cap ETFs, leaving every other broad ETF sector in the dust. Not surprisingly, U.S. large-cap stocks, consisting of the S&P 500 and, importantly, Nvidia, outperformed the market. The other ETF factors, such as small and mid-cap, staples and discretionary, and thematic, all saw flat to negative fund flows.

Every Tuesday, we give readers a glimpse of our proprietary relative and absolute analysis on [SimpleVisor](). The analysis helps us appreciate which sectors and stock factors are moving into and out of favor. For instance, the graphic on the right below shows ETF factor performance. The relative score is based on a series of technical readings of the price ratio of the specific factor ETF to the S&P 500 (SPY). The absolute score uses the same technical readings but only on the price of the ETF.

The factors in the table are sorted from most overbought (red) to most oversold (green). As we share, the two highest scores are variations of U.S. large-cap ETFs. While the fund flows recently shifted toward large caps, our analysis has pointed us to increasingly better relative and absolute performance of large caps for the last few weeks. The "*spaghetti*" graph on the right charts the intersection of the daily absolute and relative scores for S&P 500 Growth (IVW). The movement from the lower left quadrant to the upper right shows that its relative and absolute scores have steadily improved. Furthermore, IVW is now overbought using both metrics. Consequently, the analysis leads us to believe the sector may take a breather in the weeks ahead.





Symbol	Name	Top 10 Holdings	Absolute Score	Relative Score (vs SPY)	Chart
IVW	S&P 500 Growth		0.75	0.60	
MGK	Mega Cap Growth		0.71	0.57	
MTUM	Momentum		0.62	0.37	
IVV	Core S&P 500		0.52	0.31	
GDX	Gold Miners		0.42	0.25	
SPY			0.52	0.00	
EEM	Emerging Markets		0.33	-0.09	
EFA	EAFE		0.32	-0.10	
VEA	Developed Markets		0.31	-0.18	
IWM	Small Caps		0.21	-0.36	
MDYG	Mid Cap Growth		0.18	-0.40	
VBK	Small Cap Growth		0.17	-0.47	
VBR	Small Cap Value		0.17	-0.52	
VYM	High Dividend Yield		0.17	-0.53	
SPHB	High Beta		0.14	-0.54	
MDYV	Mid Cap Value		0.17	-0.55	
MDY	Mid Cap 400		0.19	-0.56	
IVE	S&P 500 Value		0.11	-0.57	
RSP	Equal Weight S&P 500		0.15	-0.58	
PKW	Buyback Achievers		-0.09	-0.62	
SPLV	Low Beta [Low Vol.]		0.02	-0.67	
ARKK	Disruptive Tech		-0.13	-0.69	

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*
	COST	Costco Wholesale Corporation	$359,118,523,070	May/2024	$3.70	15	5/25/2023	$3.43
	RY	Royal Bank Of Canada	$148,882,191,482	Apr/2024	$2.03	4	5/25/2023	$1.95
	DELL	Dell Technologies Inc.	$114,334,935,860	Apr/2024	$1	4	6/01/2023	$1.09
	MRVL	Marvell Technology, Inc.	$66,404,880,000	Apr/2024	$0.07	13	5/25/2023	$0.17
	ADSK	Autodesk, Inc.	$45,968,264,189	Apr/2024	$1.17	8	5/25/2023	$0.95
	CM	Canadian Imperial Bank of Commerce	$45,202,597,788	Apr/2024	$1.22	4	5/25/2023	$1.25
	NGG	National Grid Transco, PLC	$44,767,270,187	Mar/2024		1	N/A	N/A
	VEEV	Veeva Systems Inc.	$32,890,840,962	Apr/2024	$0.93	11	5/31/2023	$0.47
	DG	Dollar General Corporation	$31,902,865,222	Apr/2024	$1.57	23	6/01/2023	$2.34
	ZS	Zscaler, Inc.	$25,721,623,000	Apr/2024	($0.24)	12	6/01/2023	($0.28)
	MDB	MongoDB, Inc.	$25,471,951,711	Apr/2024	($0.80)	9	6/01/2023	($0.78)
	HRL	Hormel Foods Corporation	$19,229,310,863	Apr/2024	$0.35	4	6/01/2023	$0.40
	COO	The Cooper Companies, Inc.	$18,859,983,788	Apr/2024	$0.83	9	6/01/2023	$0.77
	ULTA	Ulta Beauty, Inc.	$18,428,041,084	Apr/2024	$6.23	14	5/25/2023	$6.88
	SHG	Shinhan Financial Group Co Ltd	$17,946,581,485	Mar/2024	$1.54	1	4/27/2023	$2
	BBY	Best Buy Co., Inc.	$15,399,769,742	Apr/2024	$1.08	12	5/25/2023	$1.15
	BURL	Burlington Stores, Inc.	$12,807,526,571	Apr/2024	$1.04	9	5/25/2023	$0.84
	ESTC	Elastic N.V.	$10,579,749,538	Apr/2024	($0.36)	8	6/01/2023	($0.36)
	ROIV	Roivant Sciences Ltd.	$8,848,189,145	Mar/2024	($0.31)	3	6/28/2023	($0.20)
	BIRK	Birkenstock Holding plc	$8,790,725,062	Mar/2024	$0.35	N/A	N/A	N/A
	GPS	Gap, Inc. (The)	$7,836,292,312	Apr/2024	$0.14	7	5/25/2023	$0.01
	S	SentinelOne, Inc.	$6,702,368,268	Apr/2024	($0.24)	9	6/01/2023	($0.35)
	HCP	HashiCorp, Inc.	$6,662,815,430	Apr/2024	($0.22)	8	6/07/2023	($0.28)
	RH	RH	$4,665,169,787	Apr/2024	($0.11)	9	5/25/2023	$2.21
	JWN	Nordstrom, Inc.	$3,513,316,851	Apr/2024	($0.08)	8	5/31/2023	$0.07
	ASAN	Asana, Inc.	$3,248,469,574	Apr/2024	($0.30)	6	6/01/2023	($0.28)
	IBTA	Ibotta, Inc.	$3,192,263,605	Mar/2024	$0.30	N/A	N/A	N/A
	TRMD	TORM plc	$3,151,906,500	Mar/2024	$2.21	1	5/11/2023	$1.80
	KSS	Kohl's Corporation	$2,937,920,522	Apr/2024	$0.04	7	5/24/2023	$0.13
	NTAP	NetApp, Inc.	$2,387,158,826	Apr/2024	$1.48	8	5/31/2023	$1.20

Economy

Time		Event	Impact	Actual	Dev	Consensus	Previous
THURSDAY, MAY 30							
12:30	USD	Continuing Jobless Claims(May 17)		-	-	1.8M	1.794M
12:30	USD	Core Personal Consumption Expenditures (QoQ)(Q1) PREL		-	-	3.7%	3.7%
12:30	USD	Goods Trade Balance(Apr) PREL		-	-	$-91.8B	$-92.5B
12:30	USD	Gross Domestic Product Annualized(Q1) PREL		-	-	1.3%	1.6%
12:30	USD	Gross Domestic Product Price Index(Q1) PREL		-	-	3.1%	3.1%
12:30	USD	Initial Jobless Claims(May 24)		-	-	218K	215K
12:30	USD	Initial Jobless Claims 4-week average(May 24)		-	-	-	219.75K
12:30	USD	Personal Consumption Expenditures Prices (QoQ)(Q1) PREL		-	-	-	3.4%
12:30	USD	Wholesale Inventories(Apr) PREL		-	-	-0.1%	-0.4%
14:00	USD	Pending Home Sales (MoM)(Apr)		-	-	-0.6%	3.4%
14:00	USD	Pending Home Sales (YoY)(Apr)		-	-	-	0.1%
14:30	USD	EIA Natural Gas Storage Change(May 24)		-	-	-	78B
15:00	USD	EIA Crude Oil Stocks Change(May 24)		-	-	-1.9M	1.825M
15:30	USD	4-Week Bill Auction		-	-	-	5.27%
16:05	USD	Fed's Williams speech			SPEECH		
18:30	USD	Fed's Logan speech			SPEECH		

Market Trading Update

The market has been quiet this week ahead of today's earnings report from retailers, which will give us another look at the strength, or not, of the consumer. Furthermore, today's and tomorrow's economic reports will give the markets another reason to wrestle with the inflation/deflation debate and how much the Fed will cut rates. The markets will focus on the PCE *(Personal Consumption Expenditures Index)* price report and expenditures for clues on upcoming Fed policy.

As ***we have discussed***, with the market back to more overbought levels, further price appreciation was going to be difficult. Such has been the case over the last couple of weeks, with the market consolidating near recent highs. The good news is that consolidation has allowed the 20-DMA to catch up with the market, providing some near-term support. The bad news is that the consolidation has caused the MACD signal to get close to crossing back into a *"sell."* That sell signal does NOT mean a significant correction is underway, but it does suggest if it occurs, that market appreciation will be limited for a period.

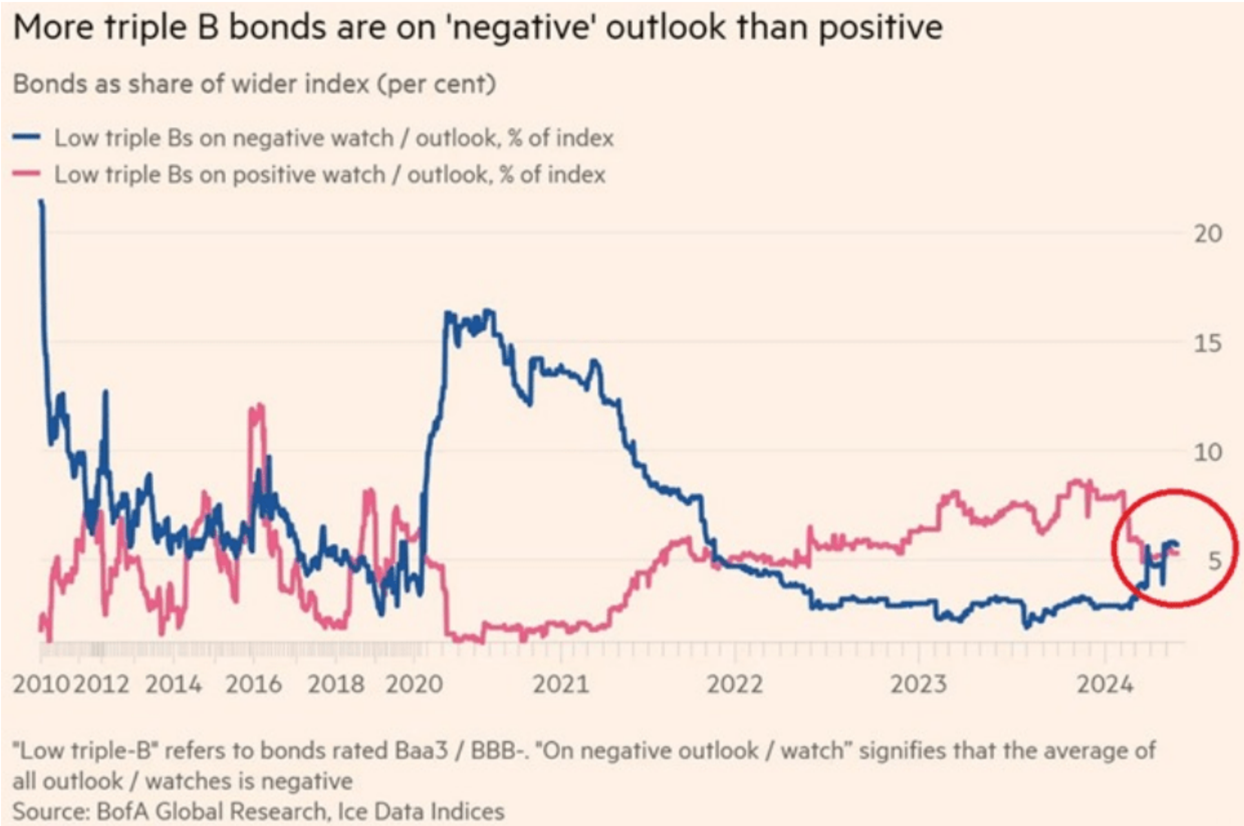
There is certainly potential for the market to correct towards the 50- or 100-DMA, and any report suggesting a higher inflation read could catalyze a larger decline. However, I would expect the 100-DMA (blue line) to contain any decline near term. However, as is always the case, *"something else"* could happen so it is always prudent to manage risks accordingly.

- *Resize positions back to target weights*
- *Add defensive positions*
- *Raise cash levels*
- *Sell underperforming positions as needed.*

Corporate Bonds Send Unheeded Warnings

As we have noted on occasion, the credit spread, or difference between corporate bond yields and comparable maturity U.S. Treasury yields, is the tightest (smallest) in 25+ years, as shown in the first graph. Hence, the graph alludes that bond investors have minimal credit concerns. Should they? The second graph argues yes. The Financial Times graph highlights that the percentage of low BBB bonds moving to a negative outlook is increasing. A negative outlook is a warning by the rating agencies that the bond is at risk of downgrade. Assuming the bonds in the graph are rated BBB-, a downgrade would move them to junk status. Further, note the number of bonds on the positive watch is declining.

Typically, bond spreads move with potential changes in credit ratings and general economic trends. While economic trends remain solid, higher interest rates are slowly catching up with companies. Therefore, higher interest expenses will weigh on profitability and credit ratings. Consequently we must ask, might the bond market be ignoring a gasping canary in the coal mine?



Auto Inventories Normalize Leading Car Prices Lower

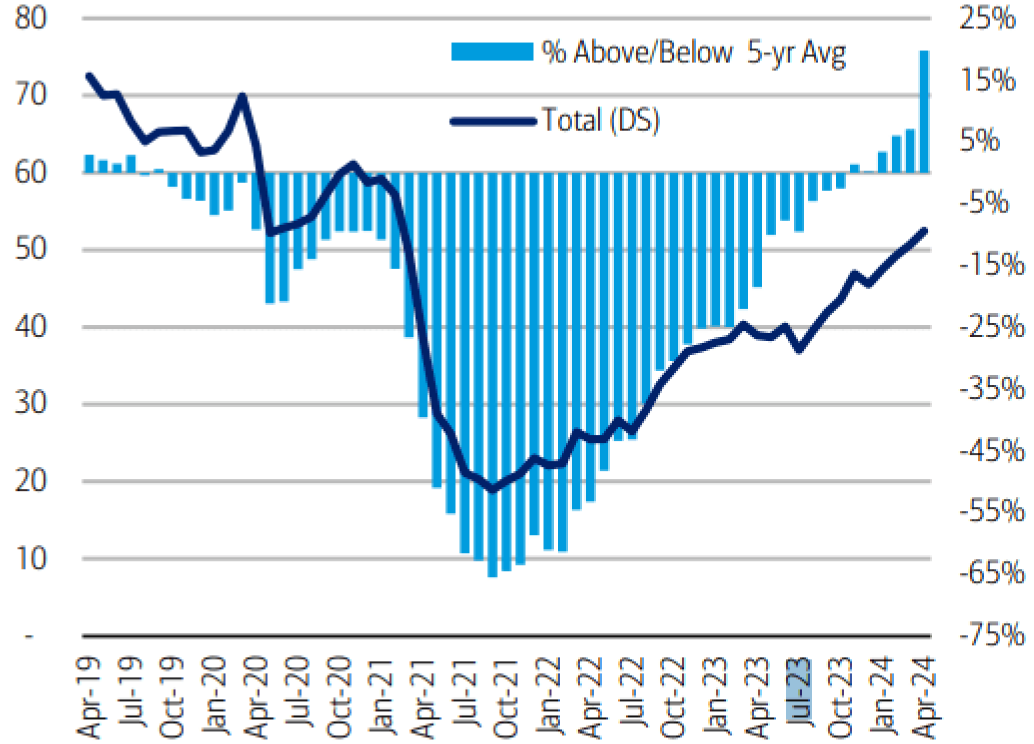
The graph below from Wards Auto and Bank of America plots auto inventories for car dealers. The dark blue line tells us the dealers are now holding 52 days' worth of sales in inventory. Such is still a little below the pre-pandemic levels. However, the amount of inventory is rising steadily, which points to a more normal supply-demand curve for cars. Not surprisingly, with rising inventories, dealers are losing pricing power. The second graph shows that CPI for new autos looks like a mirror image of the inventory graph. With CPI for new autos slightly below zero, further increases in inventories could lead to deflation in the sector.

Inventory rises in April to 2.7mm

April inventory increases 90k units MoM

Exhibit 6: US inventory – total (DS)

April days' supply of 52DS came in above the 5-year average of 44DS



Source: WardsAuto InfoBank

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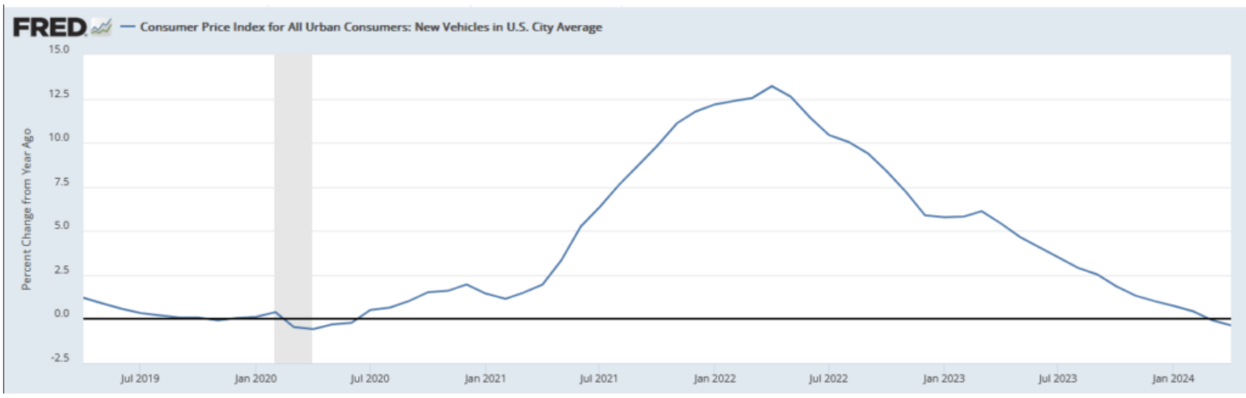
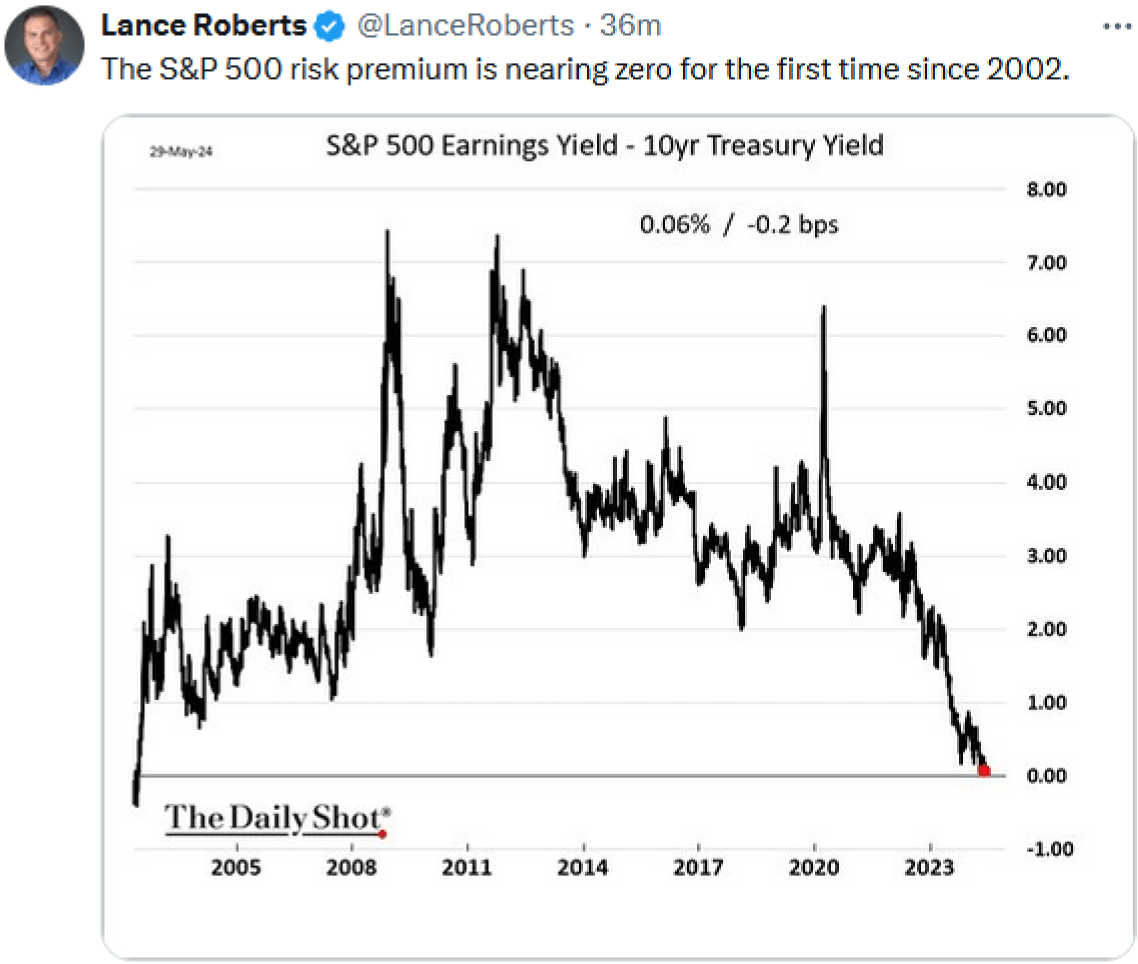


Tweet of the Day



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