

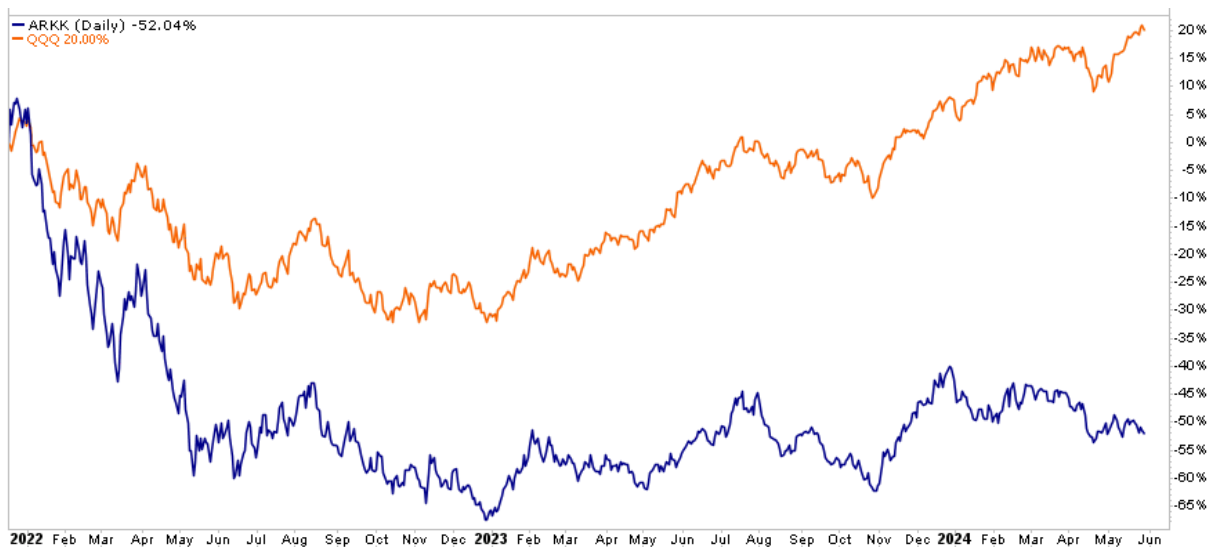
Lets Knock On Wood

We haven't written lately on Cathie Wood and her ARKK Innovation ETF. But given the popularity of her funds, their horrendous results over the last three years, and Wood's preposterous claims, let's knock on Cathie Wood and ARKK.

Wood started the ARKK fund and others in 2014. The flagship fund, ARKK Innovation Fund, seeks long-term growth through investments in disruptive companies. In the stock market rally of 2020, ARKK flourished. Consequently, its assets (AUM) rose from \$2 billion at the start of 2020 to its peak of \$28 billion in early 2021. ARKK's AUM today is \$6.2 billion. Her fund was the poster child for the 2020 meme stock rally and has since become one of the worst-performing ETFs. Wood's promises of outsized returns drove speculation in her fund. To wit is a [comment](#) from the fund on December 17, 2021:

?With a five-year investment time horizon, our forecasts for these platforms suggest that our strategies today could deliver a 30-40% compound annual rate of return during the next five years. In other words, if our research is correct ? and I believe that our research on innovation is the best in the financial world ? then our strategies will triple to quintuple in value over the next five years.? -Cathie Wood

The graph below shows the fund's poor performance, which is even more troublesome when compared to her claims and the Nasdaq (QQQ). The point of knocking Cathie Wood and ARKK is to highlight that narratives and market actions can be substantial and, in the longer run, damaging to investor returns. As our ARKK example shows, reality always catches up with stocks; it's just a question of when.



What To Watch Today

Earnings

- No notable earnings announcements today.

Economy

| Time | Event | Impact | Actual | Dev | Consensus | Previous |
|-----------------------|---|---------------------------------------|--------|-----|--|----------|
| FRIDAY, MAY 31 | | | | | | |
| 12:30 | USD Core Personal Consumption Expenditures - Price Index (MoM) (Apr) | ■ | - | - | 0.3% | 0.3% |
| 12:30 | USD Core Personal Consumption Expenditures - Price Index (YoY)(Apr) | ■ | - | - | 2.8% | 2.8% |
| 12:30 | USD Personal Consumption Expenditures - Price Index (MoM)(Apr) | ■ | - | - | 0.3% | 0.3% |
| 12:30 | USD Personal Consumption Expenditures - Price Index (YoY)(Apr) | ■ | - | - | 2.7% | 2.7% |
| 12:30 | USD Personal Income (MoM)(Apr) | ■ | - | - | 0.3% | 0.5% |
| 12:30 | USD Personal Spending(Apr) | ■ | - | - | 0.3% | 0.8% |
| 13:45 | USD Chicago Purchasing Managers' Index(May) | ■ | - | - | 41 | 37.9 |
| 17:00 | USD Baker Hughes US Oil Rig Count | ■ | - | - | - | 497 |
| 19:30 | USD CFTC Gold NC Net Positions | ■ | - | - | - \$229.8K | |
| 19:30 | USD CFTC Oil NC Net Positions | ■ | - | - | - 219.3K | |
| 19:30 | USD CFTC S&P 500 NC Net Positions | ■ | - | - | - \$-22.8K | |
| 22:15 | USD Fed's Bostic speech | ■ | | | SPEECH | |

Market Trading Update

There are many narratives surrounding Bitcoin, from a shield to Government overreach to the future of digital money. However, regardless of your opinion on the cryptocurrency, it is a terrific "risk on" proxy.



From a technical perspective, Bitcoin recently ran to the top of its 2-standard deviation range and has likely started a short-term correction. With a MACD sell signal close to triggering, a reset of \$60000 is likely as Bitcoin remains in a fairly wide trading range following the Bitcoin ETF buying frenzy.



Given Bitcoin's history of being a good "risk on/risk off" proxy, if Bitcoin breaks below critical support, we should likely expect the [broader market](#) to follow suit. In such a case, we would likely see momentum trade shifting to a more defensive group of stocks in the index.

Just something we are watching.



The South Park Investment Curse

We stumbled across an interesting article showing an odd correlation between stocks mentioned on the TV show South Park and poor stock performance. Per the [article](#):

Brent Donnelly, president of Spectra Markets, did the leg work and found that once a company or its product is featured prominently on an episode of the animated comedy series, its stock tends to underperform the S&P 500 by 7 percent over the following 12 months.

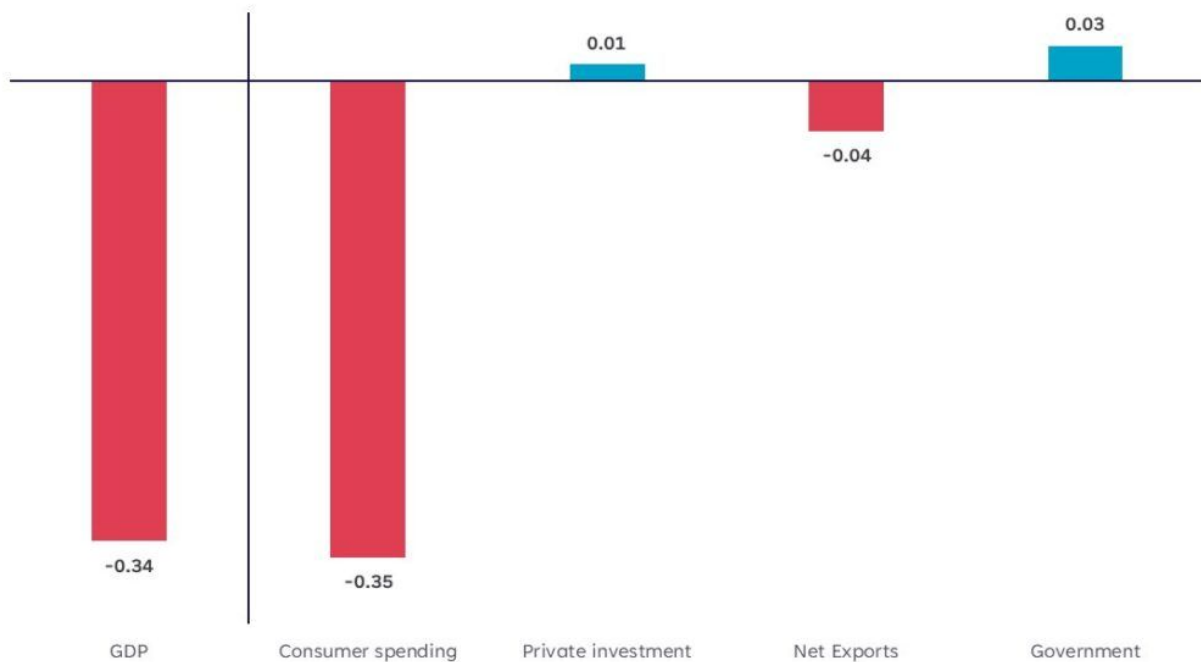
There may be some logic to the correlation. For instance, if a company's product is popular but absurd, as is sometimes the case with South Park plot lines, might its market value also be too high? The table below from the article shows stocks featured on the show since 1998. While the average results affirm the author's theory, the variance of returns is substantial.

| Date | South Park Episode | Topic | Trade | Ticker | Performance minus SPX | | |
|------------|------------------------------------|---|-----------------|----------------|-----------------------|------------|--------------|
| | | | | | 3m later | 6m later | 1 year later |
| 5/24/2024 | The End of Obesity | Ozempic | Novo Nordisk | NVO US | | | |
| 10/27/2023 | Joining the Pandaverse | Woke Disney | Disney | DIS US | 1.1% | 19.8% | |
| 3/8/2023 | Deep Learning | ChatGPT | Microsoft | MSFT US | 23.9% | 18.5% | 31.7% |
| 6/1/2022 | The Streaming Wars | Streaming | Netflix | NFLX US | 15.0% | 46.1% | 101.2% |
| 6/1/2022 | The Streaming Wars | Streaming | Disney | DIS US | 4.3% | -9.9% | -22.6% |
| 3/10/2021 | South ParQ Vaccination Special | Vaccines | Pfizer | PFE US | 3.5% | 18.8% | 32.6% |
| 3/10/2021 | South ParQ Vaccination Special | Vaccines | Walgreens | WBA US | 1.6% | -12.0% | -11.3% |
| 9/30/2020 | The Pandemic Special | COVID | Disney | DIS US | 32.3% | 31.5% | 8.3% |
| 9/25/2019 | Mexican Joker | MedMen visit Tegrity Farms | MedMen | MMEN US | -74.6% | -69.0% | -99.8% |
| 12/4/2019 | Basic Cable | Cable vs. streaming | Comcast | CMCSA US | -1.9% | -7.3% | -0.1% |
| 12/5/2018 | Unfulfilled | Amazon comes to South Park | Amazon | AMZN US | 0.1% | -0.4% | -9.3% |
| 10/17/2018 | Tegrity Farms | Weed | Tilray | TLRY US | -36.8% | -70.1% | -91.4% |
| 10/18/2017 | Hummels and Heroin | Opioids | Mallinkrodt | MNK US | -40.1% | -63.3% | -28.3% |
| 10/11/2017 | Franchise Prequel | Fake news | Facebook | META US | 1.4% | -12.3% | -17.8% |
| 10/21/2015 | Safe Space | Twitter bullying | Twitter | TWTR US | -35.9% | -44.6% | -48.0% |
| 10/14/2015 | You're Not Yelping | Cartman reviews restaurants | Yelp | YELP US | 8.4% | -16.2% | 60.4% |
| 11/20/2013 | A Song of Ass and Fire | Playstation 4 etc. | Microsoft | MSFT US | -1.5% | 3.0% | 17.2% |
| 11/13/2013 | Black Friday | Sony Playstation mania | Sony | SONY US | -5.7% | -8.2% | 0.6% |
| 11/13/2013 | Black Friday | Sony Playstation mania | Microsoft | MSFT US | -2.6% | 0.5% | 18.6% |
| 10/2/2013 | Informative CENSORED | Cable company runaround | Time Warner | TWX US | -4.0% | -12.8% | 0.2% |
| 3/21/2012 | Cash for Gold | Cartman launches a shopping channel | Liberty Media | QRTEA US | -10.1% | 6.4% | 16.1% |
| 5/25/2011 | Crack Baby Athletic Association | Sports Video Games | Electronic Arts | EA US | -0.7% | 3.0% | -39.0% |
| 5/18/2011 | T.M.I. | Fedex Shipping offices get taken over | FedEx | FDX US | -3.5% | -7.0% | -4.8% |
| 12/8/2004 | Cartman's Incredible Gift | KFC weirdness | Yum Brands | YUM US | 7.1% | 11.0% | -1.6% |
| 12/1/2004 | CENSORED | Paris Hilton and the objectification of women | Mattel | MAT US | 8.9% | -3.9% | -20.4% |
| 11/3/2004 | Something Wall-Mart This Way Comes | Wall-Mart comes to South Park | Walmart | WMT US | -9.2% | -15.5% | -21.3% |
| 3/24/2004 | Up the Down Steroid | Steroids | Teva | TEVA US | 6.7% | -14.7% | -8.4% |
| 4/19/2000 | Timmy 2000 | Ritalin | Novartis | NVS US | 6.0% | 14.9% | 30.4% |
| 4/14/1999 | Spontaneous Combustion | Viagra | Pfizer | PFE US | -28.3% | -17.2% | -27.0% |
| 12/16/1998 | Gnomes | Harbucks comes to South Park | Starbucks | SBUX US | 5.5% | 24.3% | -24.1% |
| | | | | Average | -4% | -6% | -6% |
| | | | | Median | 0% | -7% | -7% |
| | | | | Win% | 52% | 41% | 39% |

GDP Revised Lower

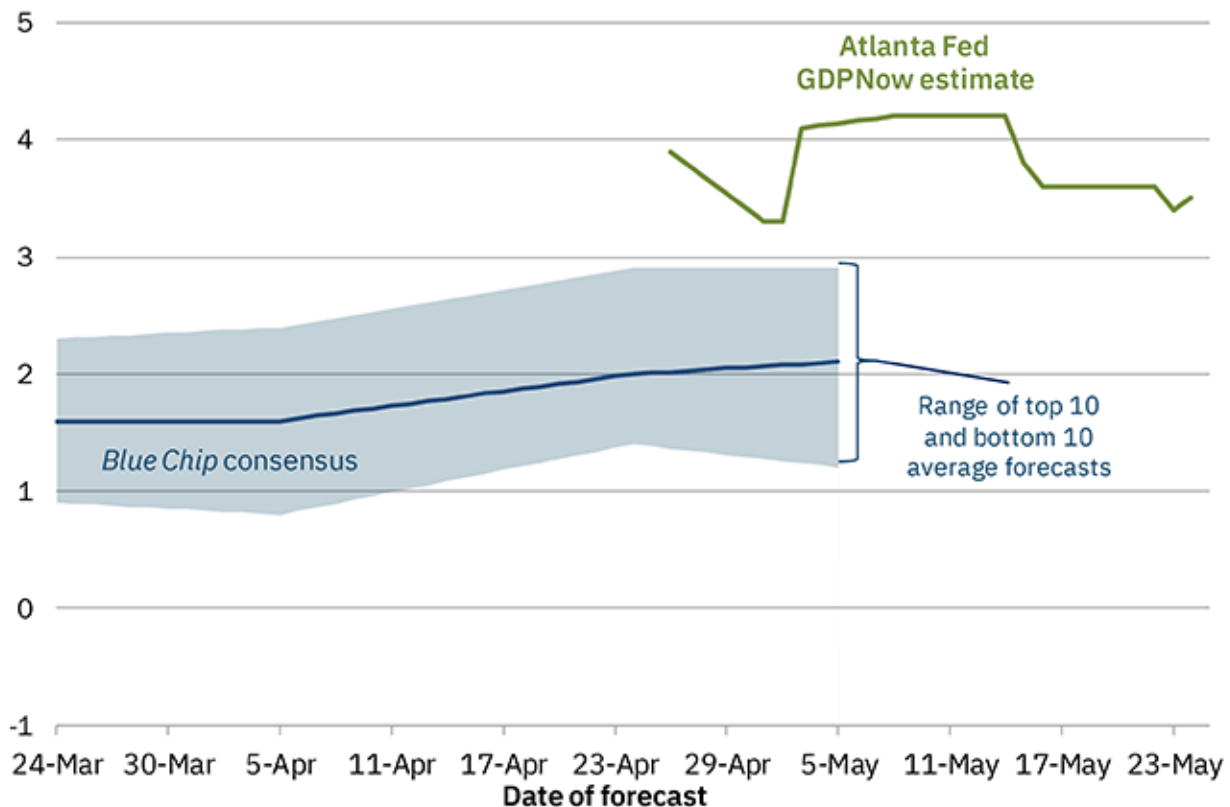
Monday's [Commentary](#) shared information on the recent spate of economic data revisions lower. First quarter GDP is now included. It fell from 1.6% to 1.3% yesterday. As shown below, the revision was driven by a sizable downward revision of consumer spending. The price indexes also ticked lower by 0.1%. While the first quarter is weak, there are no indications that such weakness will be sustained in the second quarter. Currently, as we share in the second graph, the Atlanta Fed's GDP Now is running at 3.5% for the second quarter.

Q1 2024 GDP Percentage Point Revisions



Source: SoFi, BEA, Bloomberg

Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q2 Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Tweet of the Day



Carl Quintanilla
@carlquintanilla



JPM DESK: “.. pullbacks are a normal occurrence (~3x per year of 5%) but a correction is only likely to occur if there is a fundamental change to the bull case. My current bull case is based on at/above-trend GDP growth (1.7% or higher), positive EPS growth, and a paused Fed. As of now, there is not much data that refutes this hypothesis.

“.. That said, bond yields do matter to Equities and if we see the 10Y yield make new YTD highs (4.70% on Apr 25, 2024) then that may add some headwinds to stocks, in the absence of new news; but, the more critical level is 5% which would represent a new high for this hiking cycle (4.99% on Oct 19, 2023).”

\$SPX



?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)?

Please [subscribe to the daily commentary](#) to receive these updates every morning before the opening bell.

If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.