

This Wednesday's Nvidia (NVDA) quarterly earnings announcement will be the most watched earnings report of the quarter. Not only will Nvidia's shareholders pay close attention, but many non-shareholders will watch as the results could have a big impact on the entire market. Quite simply, not only has Nvidia's stock been the poster child for all that AI offers, but its earnings have been a massive driver of S&P 500 earnings. The graph on the left, courtesy of BofA Global Research, highlights that Nvidia's earnings have accounted for about a third of the entire S&P 500 earnings growth over the past two quarters.

So what is the market expecting? Wall Street consensus expectations are for revenue growth of more than +230% and earnings growth of +400%, year over year. As shown on the right side, options prices imply a +/- 8.5% move on Nvidia's earnings report. That equates to roughly \$200B in market cap. Put another way, Nvidia is expected to add or lose McDonald's market cap (\$196B) Wednesday afternoon. Beating expectations may not be enough to push Nvidia's stock higher. Given its incredible outperformance, investors may not only want revenues and EPS to come in above estimates but also be banking on the company to increase its earnings guidance for the coming quarters.

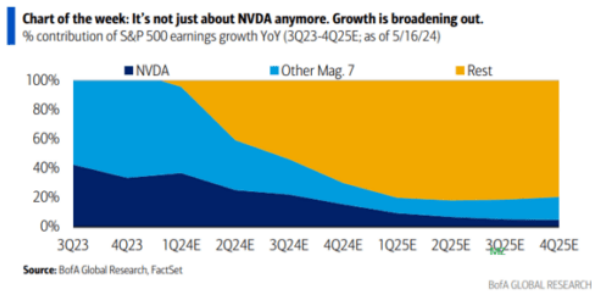
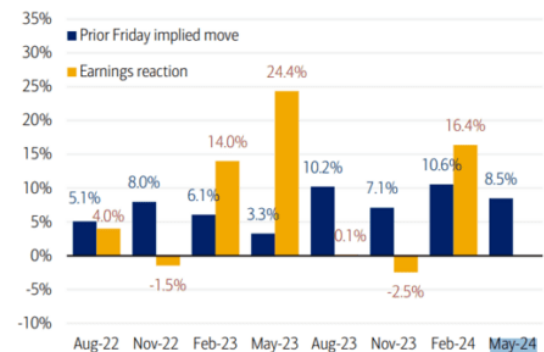


Exhibit 10: NVDA options are pricing in an 8.5% implied move for this week's earnings, much lower than the reaction to 3 of the last 5 quarters

NVDA implied and realized moves around earnings



Source: BofA Global Research, Bloomberg. Data as of 17-May-2024.

BofA GLOBAL RESEARCH

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*
☀️	LOW	Lowe's Companies, Inc.	\$132,895,512,279	Apr/2024	\$2.94	14	5/23/2023	\$3.67
☀️	AZO	AutoZone, Inc.	\$50,195,536,970	May/2024	\$35.72	11	5/23/2023	\$34.12
☀️	JHX	James Hardie Industries plc.	\$16,493,120,403	Mar/2024		N/A	5/15/2023	\$0.33
🌙	TOL	Toll Brothers, Inc.	\$13,659,812,100	Apr/2024	\$4.13	7	5/23/2023	\$2.85
☀️	BZ	KANZHUN LIMITED	\$9,731,168,782	Mar/2024	\$0.04	1	5/24/2023	\$0.01
☀️	YMM	Full Truck Alliance Co. Ltd.	\$9,525,163,637	Mar/2024	\$0.07	1	5/22/2023	\$0.06
☀️	EXP	Eagle Materials Inc	\$8,895,053,000	Mar/2024	\$2.72	5	5/18/2023	\$2.79
☀️	AS	Amer Sports, Inc.	\$8,210,306,113	Mar/2024	\$0.05	1	N/A	N/A
☀️	XPEV	XPeng Inc.	\$7,796,282,325	Mar/2024		N/A	5/24/2023	(\$0.40)
☹️	TKC	Turkcell Iletisim Hizmetleri AS	\$5,737,600,000	Mar/2024		N/A	5/09/2023	\$0.17
🌙	MOD	Modine Manufacturing Company	\$5,417,598,217	Mar/2024	\$0.79	3	5/24/2023	\$0.67
☀️	M	Macy's Inc	\$5,381,207,536	Apr/2024	\$0.17	4	6/01/2023	\$0.56

Economy

Time	Event	Impact	Actual Dev	Consensus	Previous
TUESDAY, MAY 21					
07:55	🇺🇸 USD Redbook Index (YoY)(May 17)	🟡	-	-	6.3%
08:00	🇺🇸 USD Fed's Waller speech	🟡		SPEECH	
08:05	🇺🇸 USD Fed's Williams speech	🟡		SPEECH	
09:45	🇺🇸 USD Fed's Barr speech	🟡		SPEECH	
15:30	🇺🇸 USD API Weekly Crude Oil Stock(May 17)	🟡	-	-	-3.104M
18:00	🇺🇸 USD Fed's Bostic speech	🟡		SPEECH	
18:00	🇺🇸 USD Fed's Collins speech	🟡		SPEECH	
18:00	🇺🇸 USD Fed's Mester speech	🟡		SPEECH	

Market Trading Update

As [discussed yesterday](#), the market continues to trade bullishly but is getting overbought on many levels. Such was evident in this weekend's risk/range report, with many sectors and markets trading well above long-term moving averages. As noted, double-digit deviations from long-term means tend to be corrected over time. However, in the short-term, these bullish trades, driven by momentum and narrative, can last longer than you think.

RELATIVE PERFORMANCE		Current	PERFORMANCE RELATIVE TO S&P 500 INDEX					SHORT WMA	LONG WMA	MONTH END PRICE	REL S&P BETA	RISK RANGE		% DEV. Short MIA	% DEV. Long MIA	MIA XVER SIGNAL
Ticker	ETF NAME	Price	1 Week	4 Weeks	12 Weeks	24 Weeks	52 Weeks					HIGH	LOW			
IVV	ISHARS-SP500	532.13	1.67	6.95	4.27	15.40	26.57	515.31	481.35	594.44	1.00	517.85	491.83	3%	11%	BULLISH
XLB	SPDR-MATLS SELS	92.15	(1.33)	(3.37)	1.86	(4.84)	(5.37)	90.02	84.48	88.63	1.10	91.82	85.44	2%	9%	BULLISH
XLC	SPDR-COMM SV S&S	82.61	(0.67)	(3.00)	(0.64)	2.77	7.96	80.57	74.71	77.86	1.01	80.50	75.13	3%	11%	BULLISH
XLE	SPDR-EGY SELS	94.96	(0.67)	(6.96)	6.20	(3.71)	(7.33)	92.38	87.81	93.52	1.25	97.03	90.01	3%	8%	BULLISH
XLF	SPDR-FINL SELS	42.49	(0.09)	(1.73)	1.16	2.88	3.77	40.52	37.78	40.36	1.07	41.86	38.92	4%	12%	BULLISH
XLK	SPDR-TECH SELS	211.82	1.39	3.06	(1.09)	(1.26)	7.94	205.00	192.08	196.27	1.14	203.41	189.13	3%	10%	BULLISH
XLI	SPDR-INDU SELS	125.33	(1.95)	(2.92)	(0.82)	(0.14)	(0.96)	122.90	113.61	121.52	1.09	125.88	117.16	2%	10%	BULLISH
XLP	SPDR-CONS STPL	78.21	(0.91)	(1.89)	0.32	(5.16)	(23.55)	75.34	72.34	75.50	0.98	77.83	73.17	4%	8%	BULLISH
XLRE	SPDR-RE SELS	38.76	0.84	1.07	(4.17)	(15.42)	(19.52)	38.15	37.33	36.19	0.91	37.42	34.98	2%	4%	BULLISH
XLU	SPDR-UTIL SELS	72.34	(0.17)	3.61	12.48	(1.53)	(17.14)	65.31	62.90	66.74	0.55	68.70	64.70	14%	15%	BULLISH
XLV	SPDR-HLTH CR	146.31	6.22	(1.66)	(5.32)	(4.41)	(15.14)	143.83	137.61	140.33	0.68	144.70	135.87	2%	6%	BULLISH
XLV	SPDR-CONS DISCR	178.70	(1.33)	(1.69)	(5.70)	(10.95)	(8.65)	179.09	172.69	175.62	1.20	182.12	169.12	0%	3%	BULLISH
XTN	SPDR-SP TRANSP	79.12	(1.97)	(5.71)	(8.10)	(13.13)	(17.70)	80.84	78.46	75.57	1.35	78.40	72.66	-2%	1%	BULLISH
SDY	SPDR-SP DIV ETF	132.46	(0.86)	(2.48)	1.04	(6.12)	(17.18)	128.12	122.82	127.24	0.87	131.52	122.96	3%	8%	BULLISH
RSP	IVVS-SP5 EQ ETF	168.04	(0.51)	(1.80)	(0.54)	(3.76)	(8.94)	164.27	154.97	161.20	1.05	166.95	155.45	2%	8%	BULLISH
SPSM	SPDR-PRIT GC	42.95	(0.52)	(0.89)	(0.60)	(4.53)	(9.47)	41.69	39.89	40.87	1.13	42.85	39.19	3%	8%	BULLISH
MDY	SPDR-SP MC 400	551.69	(0.33)	(0.51)	1.50	(9.51)	(3.54)	536.32	499.90	522.76	1.12	541.71	503.81	2%	16%	BULLISH
EEM	ISHARS-EMG MKT	43.79	1.37	3.32	3.59	(5.18)	(14.23)	41.11	39.65	40.99	0.75	42.32	39.56	7%	10%	BULLISH
EFA	ISHARS-EAFE	81.64	(0.05)	0.30	1.21	(3.84)	(15.73)	78.58	74.52	77.27	0.88	79.80	74.66	4%	10%	BULLISH
IAU	ISHARS-GOLD TR	45.69	0.59	(5.74)	14.34	1.13	(4.56)	42.34	39.46	43.30	0.20	44.47	42.13	8%	16%	BULLISH
GDX	VANECK-GOLD MNR	36.87	2.93	1.26	34.83	0.51	(11.92)	31.59	29.90	33.13	0.94	34.27	31.99	17%	23%	BULLISH
UUP	IVVS-DB US\$ BU	28.56	(2.30)	(8.15)	(2.42)	(17.59)	(25.54)	28.39	28.61	28.98	(0.21)	29.64	28.32	0%	0%	BEARISH
BOND	PIMCO-ACTV BOND	90.87	(0.85)	(5.34)	(4.58)	(14.48)	(27.35)	90.61	90.03	89.18	0.23	91.52	86.74	0%	1%	BULLISH
TLT	ISHARS-20+YTB	91.30	(0.26)	(4.44)	(5.91)	(17.12)	(36.17)	91.80	91.96	88.22	0.20	90.60	85.84	-1%	-1%	BEARISH
BNDX	VANGD-TTL INT B	48.73	(1.53)	(6.67)	(4.37)	(16.83)	(26.24)	48.78	48.74	48.41	0.17	49.70	47.12	0%	0%	BULLISH
HYG	ISHARS-IBX HYCB	77.28	(1.18)	(5.24)	(4.36)	(13.70)	(22.41)	77.00	76.03	76.29	0.44	78.53	74.05	0%	2%	BULLISH

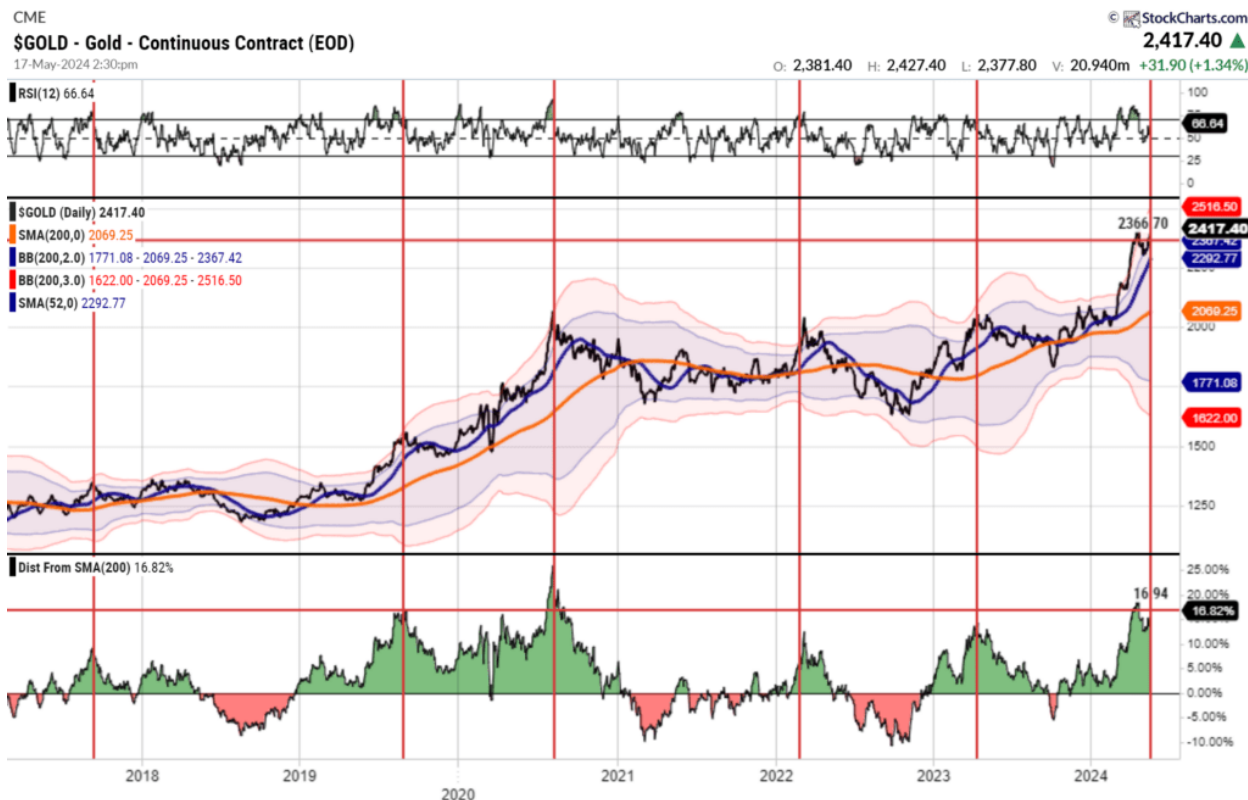
Double-Digit Deviations Not Sustainable



RISK RANGE REPORT



One of the more extreme deviations is in gold and gold miners, which are extremely overbought and extended from long-term means. As shown in the chart below, historically, large deviations in gold from the 200-DMA typically correlate with peaks in the metal. Those peaks typically lead to larger corrections to revert those deviations. Therefore, if you are long gold and gold miner stocks, they have had a great run. Don't forget to take profits. *(That doesn't mean sell everything.)*



Is AI A Bubble, A Sustainable Trend, Or Both?

As exemplified by Nvidia, stocks related to AI have been the market leaders recently. The incredible performance of some AI stocks leads some to compare the current period to 1999. At that time, tech stocks related to the web were flying high on expectations for massive earnings growth. So, we must ask ourselves whether AI is also a bubble or if the market might be correctly pricing for significant earnings growth in the future. We rely on George Soros, one of the most successful investors, to opine.

George Soros's theory on how stock market bubbles are formed and popped states, "*Every bubble has two components: an underlying trend that prevails in reality and a misconception relating to that trend.*"

* * *

I have developed a theory about boom-bust processes, or bubbles, along these lines. Every bubble has two components: an underlying trend that prevails in reality and a misconception relating to that trend. A boom-bust process is set in motion when a trend and a misconception positively reinforce each other. The process is liable to be tested by negative feedback along the way. If the trend is strong enough to survive the test, both the trend and the misconception will be further reinforced. Eventually, market expectations become so far removed from reality that people are forced to recognize that a misconception is involved. A twilight period ensues during which doubts grow, and more people lose faith, but the prevailing trend is sustained by inertia. As Chuck Prince, former head of Citigroup said: we must continue dancing until the music stops. Eventually a point is reached when the trend is reversed; it then becomes self-reinforcing in the opposite direction.

Let me go back to the example I used when I originally proposed my theory in 1987: the conglomerate boom of the late 1960s. The underlying trend is represented by earnings per share, the expectations relating to that trend by stock prices. Conglomerates improved their earnings per share by acquiring other companies. Inflated expectations allowed them to improve their earnings performance, but eventually reality could not keep up with expectations. After a twilight period the price trend was reversed. All the problems that had been swept under the carpet surfaced, and earnings collapsed. As the president of one of the conglomerates, Ogden Corporation, told me at the time: I have no audience to play to.

This is a model of the conglomerate bubble. The charts of actual conglomerates like Ogden Corporation closely resemble this chart. Bubbles that conform to this pattern go through distinct stages: inception; a period of acceleration, interrupted and reinforced by successful tests; a twilight period; and the reversal point or climax, followed by acceleration on the downside culminating in a financial crisis.

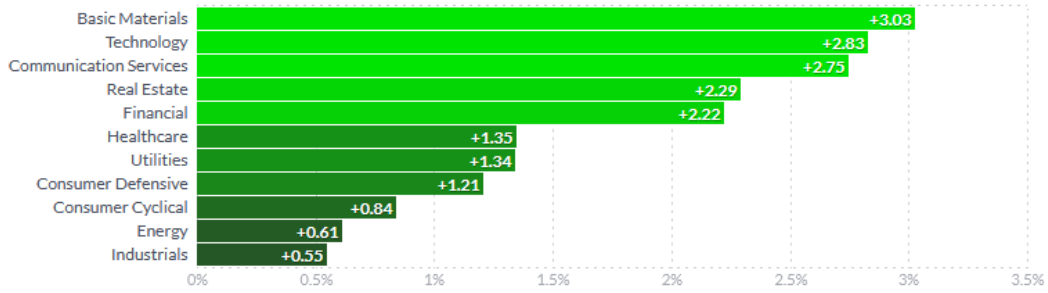
The length and strength of each stage is unpredictable, but there is an internal logic to the sequence of stages. So the sequence is predictable-but even that can be terminated by government intervention or some other form of negative feedback. In the case of the conglomerate boom it was the defeat of LeaseCo in its attempt to acquire Manufacturer Hanover Trust that constituted the climax or reversal point.

The Basic Materials Sector Takes The Week

As the first graph below shows, basic materials led the week up over 3%. Despite the outperformance, the sector remains oversold, as shown in the second graphic, courtesy of [SimpleVisor](#). Utilities remain the most overbought sector. SimpleVisor allows us to compare utilities to the materials sector to see if a new rotation, away from utilities toward materials, may be at hand. The top graph in the third graphic shows the price ratio of utilities to materials. The nearly year-long downtrend has recently broken higher as utilities have significantly outperformed materials over the last month.

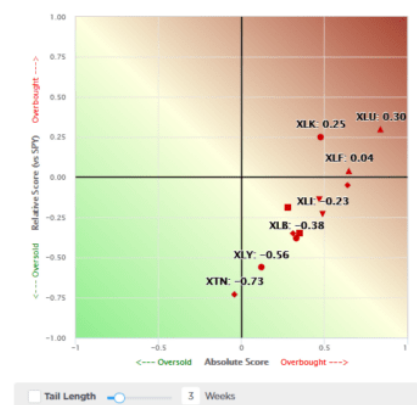
The relative outperformance may still have more room to run. Still, the technical indicators below the utilities materials ratio graph show the ratio will likely consolidate or trend lower in the coming weeks. The relative performance is now 2.35 standard deviations extended (fourth graphic below), which also argues for a break in the trend, even if temporary.

1 WEEK PERFORMANCE



Sectors Analysis - Absolute and Relative Score (vs SPY)

Symbol Name	Top 10 Holdings	Absolute Score	Relative Score (vs SPY)	Chart
XLU	Utilities	0.84	0.30	✓
XLK	Technology	0.48	0.25	✓
XLF	Financial	0.65	0.04	✓
XLP	Consumer Staples	0.64	-0.05	✓
XLV	Health Care	0.47	-0.14	✓
XLRE	Real Estate	0.28	-0.19	✓
XLI	Industrials	0.49	-0.21	✓
XLC	Communication Services	0.31	-0.35	✓
XLE	Energy	0.35	-0.35	✓
XLB	Materials	0.33	-0.38	✓
XLY	Consumer Discretionary	0.12	-0.56	✓
XTN	Transportation	-0.04	-0.73	✓



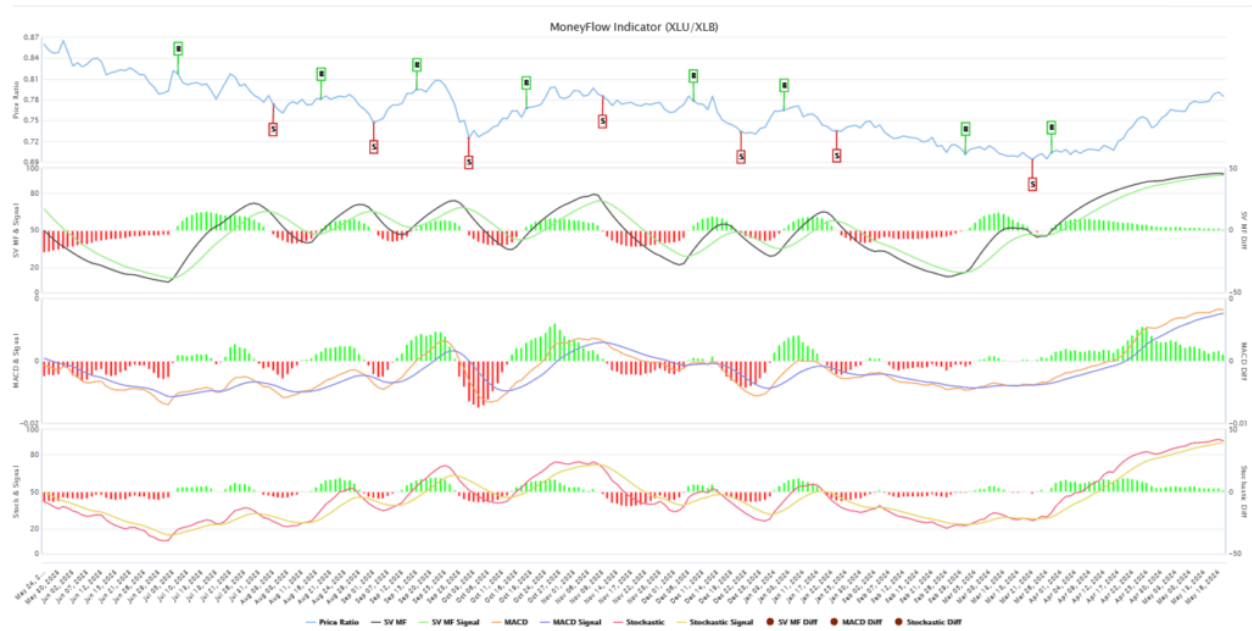
How it works

-1.00 **Extremely Oversold** -0.75 **Oversold** -0.20 **Fair Value** +0.20 **Fair Value** +0.75 **Overbought** +1.00 **Extremely Overbought**

Oversold: Could be a good time to increase holdings.

Overbought: Could be a good time to reduce holdings.

Note: scores can stay extremely overbought or oversold for a few weeks so patience is required at times.



SPY Excess Returns Over Time		SPY Excess Return Correlations										Excess Return Z-Score and Rank		Excess Return Z-Score and Rank - Filtered	
Name	Symbol	XLP	XLB	XLRE	XLE	XLU	XLV	XTN	XLI	XLK	XLF	XLY	XLC		
Consumer Staples	XLP	=	1.07	-0.50	1.06	-1.69	0.39	0.74	1.28	0.19	0.59	0.67	1.47		
Materials	XLB	-1.07	=	-1.78	0.48	-2.55	-0.73	0.23	0.21	-0.54	-0.92	-0.10	0.50		
Real Estate	XLRE	0.50	1.78	=	1.10	-0.77	0.72	1.50	1.94	0.66	1.22	1.49	1.53		
Energy	XLE	-1.06	-0.48	-1.10	=	-1.65	-0.94	-0.17	-0.36	-0.66	-0.83	-0.40	-0.04		
Utilities	XLU	1.69	-2.55	0.77	1.65	=	1.33	1.43	2.13	1.04	1.78	1.58	1.99		
Health Care	XLV	-0.38	0.72	-0.72	0.94	-1.33	=	0.64	1.01	0.00	0.19	0.49	1.41		
Transportation	XTN	-0.74	-0.33	-1.50	0.17	-1.43	-0.64	=	-0.17	-0.67	-0.68	-0.38	0.19		
Industrials	XLI	-1.28	-0.21	-1.94	0.35	-2.11	-1.01	0.17	=	-0.90	-1.34	-0.27	0.33		
Technology	XLK	-0.19	0.54	-0.68	0.66	-1.04	0.00	0.67	0.80	=	0.14	0.89	1.82		
Financial	XLF	-0.59	0.92	-1.23	0.83	-1.78	-0.19	0.68	1.34	-0.14	=	0.31	1.33		
Consumer Discretionary	XLY	-0.67	0.10	-1.49	0.40	-1.56	-0.49	0.38	0.27	-0.69	-0.31	=	0.64		
Communication Services	XLC	-1.47	-0.50	-1.33	0.04	-1.86	-1.41	-0.18	-0.53	-1.82	-1.33	-0.64	=		

Tweet of the Day



***Walter Bloomberg** ✓
@DeItaone

...

❖ ONE OF THE LAST BIG BEARS ON WALL STREET TURNS BULLISH ON US STOCKS

Morgan Stanley's Michael Wilson now sees the S&P 500 rising 2% by June 2025, a major about turn from his view that the benchmark will tumble 15% by December.

“In the US, we forecast robust EPS growth alongside modest multiple compression,” Wilson wrote in a note on Sunday with his Morgan Stanley colleagues, as they discussed the firm's second-half views across various assets.

[bloomberg.com/news/articles/...](https://www.bloomberg.com/news/articles/...)



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