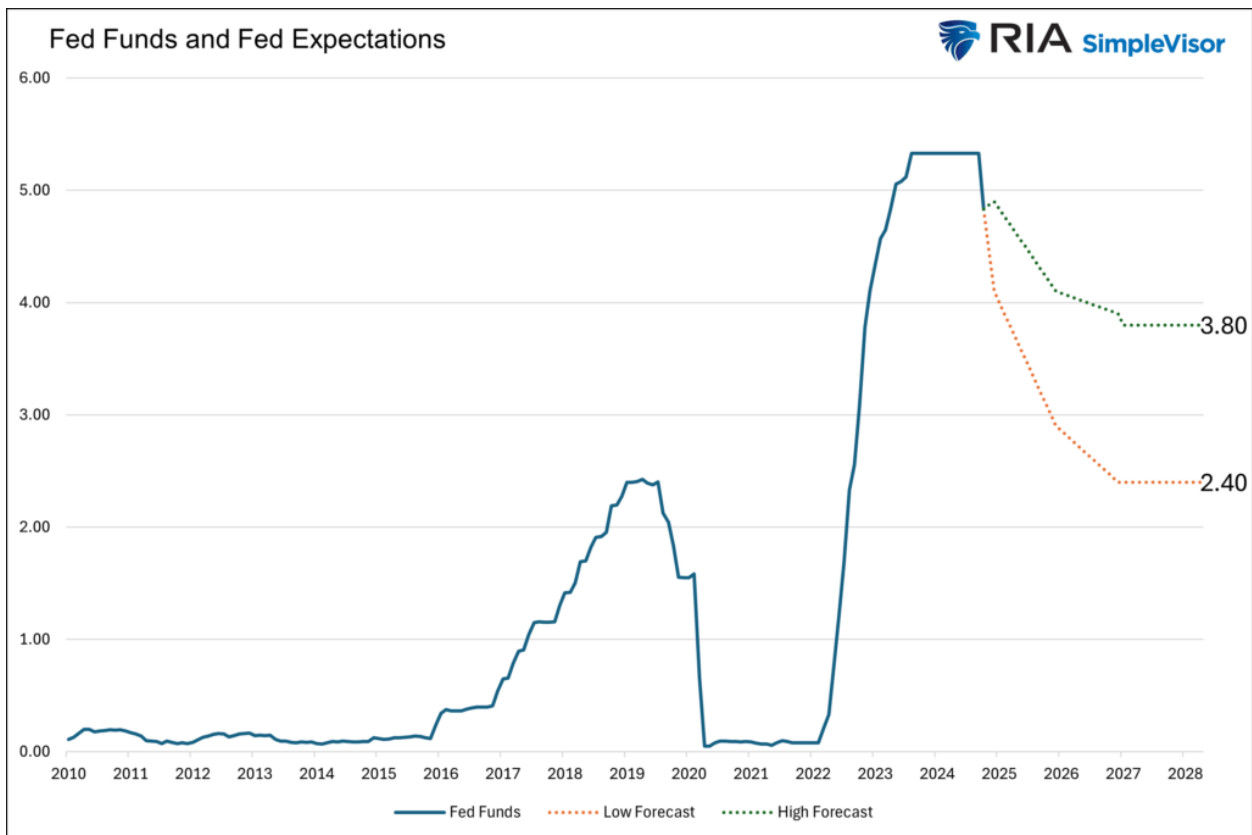


The Feds Forecast Makes Little Sense

With a staff of over 400 economic Ph.D.s and seasoned leadership, many believe the Fed has a firm grasp on future economic and inflation trends. Accordingly, they must have a good idea of what the future holds for interest rates. Unfortunately, we share a little secret: the Fed's latest Fed Funds forecast makes little sense. Consider the Fed's current long-run GDP and PCE price forecasts, which are 1.80% and 2.00%, respectively. In 2019, before the pandemic, the Fed's long-range forecast for GDP was 1.90% and PCE at 2.00%. In other words, growth prospects slipped slightly, but nothing materially changed. However, despite the same economic and inflation outlook, the lowest long-range Fed Funds rate forecast for the 19 Feb members is 2.40%, well above the average Fed Funds rate in the post-finance crisis era.

We noted that the low forecast is 2.40%, but consider the median is 2.90%, and the highest forecast is 3.80%. Why does the Fed think the Fed Funds rate will be significantly higher than their economic growth and inflation forecasts? We agree with the Fed forecast of sub-2 % economic growth and low inflation. Therefore, we also think Fed Funds will likely range between 0% and 2% over the longer run. Given that the Fed Funds futures market generally aligns with the Fed's forecast and that the Fed and Fed Funds futures markets have poor prediction track records, the bond market may grossly overestimate future yield levels.



What To Watch Today

Earnings

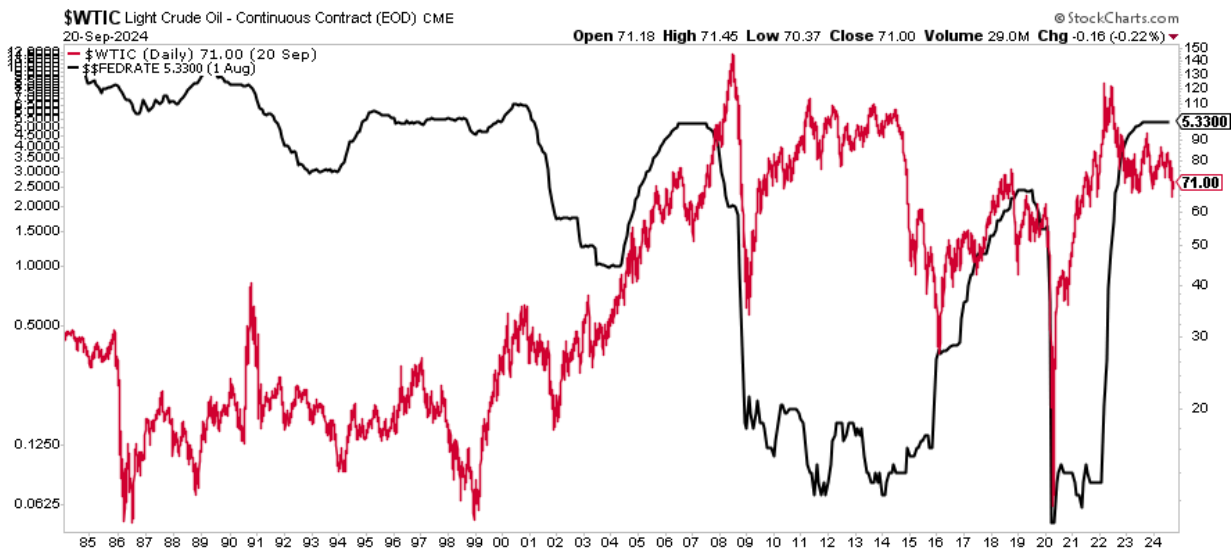
Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# of Ests	Last Year's Report Date	Last year's EPS*
☀️	AZO	AutoZone, Inc.	\$51,933,279,852	Aug/2024	\$53.59	12	9/19/2023	\$46.46
🌙	KBH	KB Home	\$6,740,513,815	Aug/2024	\$2.04	6	9/20/2023	\$1.80
☀️	THO	Thor Industries, Inc.	\$5,710,782,863	Jul/2024	\$1.35	7	9/25/2023	\$1.68

Economy

Time	Event	Impact	Actual	Consensus	Previous
TUESDAY, SEPTEMBER 24					
13:00	🇺🇸 USD Fed's Bowman speech	<input type="checkbox"/>	<input type="checkbox"/>	🔒 LOCKED	<input type="checkbox"/>
13:00	🇺🇸 USD Housing Price Index (MoM) (Jul)	<input type="checkbox"/>	-	0.2%	-0.1%
14:00	🇺🇸 USD Consumer Confidence (Sep)	<input type="checkbox"/>	-	-	-

Market Trading Update

As noted yesterday, the stock market remains bullishly biased and is reaching new all-time highs. The thesis is that the Fed rate cuts will benefit stocks by providing monetary accommodation at a time when economic growth remains strong. However, oil prices have continued to suggest that the economy is weakening. As economic demand weakens, so does oil demand. It is worth noting that oil prices have fallen over the last 50 years when the Federal Reserve cut rates, even during the "soft landing" of 1995. While much will depend on the aggressiveness of those rate cuts and, ultimately, the outcome for the economy, oil prices will be worth watching for clues as to the Fed's success or failure.





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Intel Is In Play

Intel shares are being bid up as rumors are floating around the market that Qualcomm is exploring a takeover of the chip company. Furthermore, it is reported that Apollo Global Management has offered to make a multi-billion dollar investment in the company. Per Bloomberg, the offer could be as much as five billion dollars.

From a share price perspective, INTC may seem like a bargain compared to its competitors, who have seen significant upside due to AI products. However, the second graph from [SimpleVisor](#) shows the company's earnings have floundered over the last two years. Furthermore, despite the seemingly low price, the SimpleVisor fair value model calculation is well below its current price. The stock wasn't up much on Monday despite the news. Might the market expect any investment or buyout to occur around current price levels?



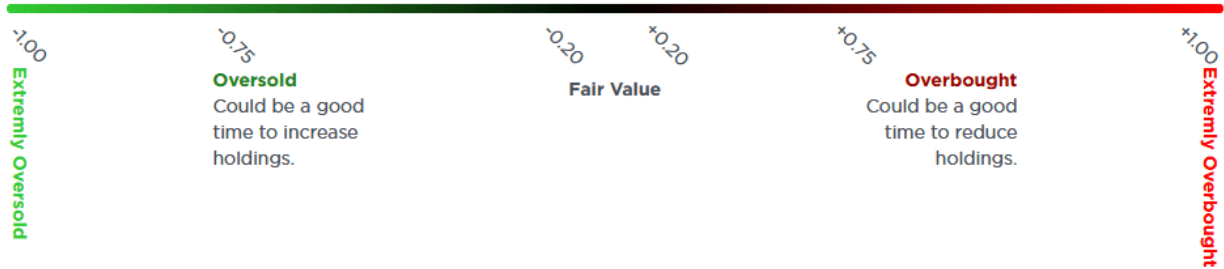
SimpleVisor Analysis

The market breadth, as judged by the [SimpleVisor](#) relative sector technical scores, remains in good shape. Accordingly, the broad market rally may likely continue as judged by the number of relative scores near zero. However, the absolute score for a few sectors is getting moderately overbought. For example, discretionary, utilities, and industrials have scores approaching 80. Therefore, we may see those sectors cool off, allowing sectors with lower scores, such as energy, to play some catch-up.

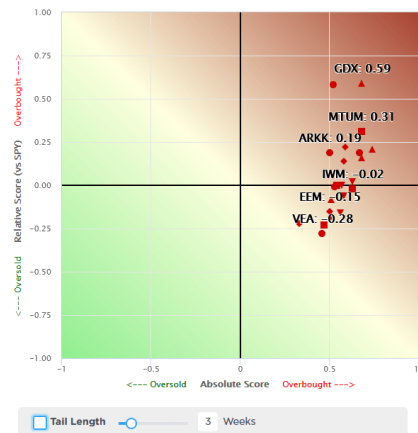
The factor analysis confirms our sector analysis above. Note the tight grouping of factors around the zero y-axis, denoting good market breadth. Moreover, like the sector analysis, the absolute scores are creeping into overbought territory.

SimpleVisor					
Home Insights Markets Portfolios DIY Research Charts TPA PRO+					
Performance Analysis Factor Analysis Screener Stock Summary Strategy Builder					
Symbol Name	Top 10 Holdings	Absolute Score	Relative Score (vs SPY)	Chart	
XLY	Consumer Discretionary	0.72	0.44	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
XLU	Utilities	0.79	0.35	<input type="checkbox"/>	<input type="checkbox"/>
XLI	Industrials	0.77	0.30	<input type="checkbox"/>	<input type="checkbox"/>
XLB	Materials	0.56	0.08	<input type="checkbox"/>	<input type="checkbox"/>
XLF	Financial	0.67	0.08	<input type="checkbox"/>	<input type="checkbox"/>
XLRE	Real Estate	0.45	0.08	<input type="checkbox"/>	<input type="checkbox"/>
SPY		0.54	0.00	<input type="checkbox"/>	<input type="checkbox"/>
XLC	Communication Services	0.65	-0.04	<input type="checkbox"/>	<input type="checkbox"/>
XLK	Technology	0.39	-0.04	<input type="checkbox"/>	<input type="checkbox"/>
XTN	Transportation	0.28	-0.15	<input type="checkbox"/>	<input type="checkbox"/>
XLP	Consumer Staples	0.29	-0.25	<input type="checkbox"/>	<input type="checkbox"/>
XLE	Energy	0.10	-0.27	<input type="checkbox"/>	<input type="checkbox"/>
XLV	Health Care	0.25	-0.33	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

How it works



SimpleVisor					
Home Insights Markets Portfolios DIY Research Charts TPA PRO+					
Performance Analysis Factor Analysis Screener Stock Summary Strategy Builder					
Symbol Name	Top 10 Holdings	Absolute Score	Relative Score (vs SPY)	Chart	
VEA	Developed Markets	0.46	-0.28	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EFA	EAFE	0.47	-0.23	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPLV	Low Beta [Low Vol.]	0.33	-0.22	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
HYM	High Dividend Yield	0.51	-0.18	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
IVE	S&P 500 Value	0.56	-0.16	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EEM	Emerging Markets	0.50	-0.15	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
MDY	Mid Cap 400	0.51	-0.08	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
MDYG	Mid Cap Growth	0.58	-0.06	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
IWM	Small Caps	0.63	-0.02	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
MDYV	Mid Cap Value	0.53	-0.01	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPY		0.54	0.00	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
VBR	Small Cap Value	0.57	0.00	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
RSP	Equal Weight S&P 500	0.63	0.02	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
MGK	Mega Cap Growth	0.58	0.14	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PKW	Buyback Achievers	0.88	0.16	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ARKK	Disruptive Tech	0.50	0.19	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPHB	High Beta	0.67	0.19	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
VBK	Small Cap Growth	0.74	0.21	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
IVW	S&P 500 Growth	0.59	0.22	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
MTUM	Momentum	0.68	0.31	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
IVV	Core S&P 500	0.52	0.58	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
GDX	Gold Miners	0.68	0.59	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>



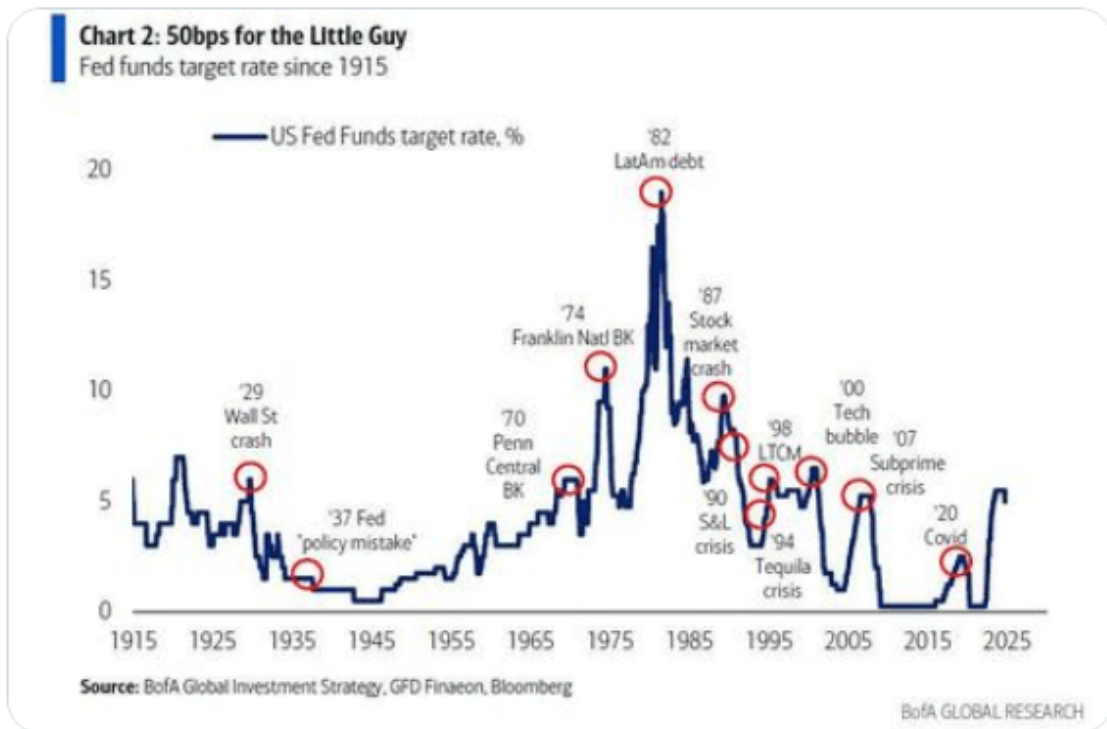
Tweet of the Day



Lance Roberts ✓ @LanceRoberts · 5h

...

#WallStreet loves 50bps #rate #cuts when there is no evidence of #panic. However, historically, the panic has showed up later.



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