

The Nasdaq rebalanced its holdings as expected yesterday. However, investors were not expecting the NASDAQ to reduce the contributions of the Magnificent 7 (AAPL, MSFT, TSLA, GOOG, NVDA, AMZN, and META) and, in the aggregate, raise the contribution of the remaining 93 stocks. The heat map below shows that each Magnificent 7 stock was red. At the same time, the Nasdaq, other indexes, and most other stocks were up on the day. Many investors passively following the Nasdaq 100 sold some of their shares of the Magnificent 7 and bought shares in many of the 93 other stocks to rebalance alongside the Nasdaq. As an example, note that Nvidia was down 2.6%, while the other semiconductor stocks, shown below the NVDA box, had a good day.

Per the [Nasdaq press release](#), the changes are effective following Monday, the 18th. Not only were contributions of each stock changed, but six companies were added, and six dropped. Per the Nasdaq:

The following six companies will be added to the Index: CDW Corporation (CDW), Coca-Cola Europacific Partners plc (CCEP), DoorDash, Inc. (DASH), MongoDB, Inc. (MDB), Roper Technologies, Inc. (ROP), and Splunk Inc. (SPLK). As a result of the reconstitution, the following six companies will be removed from the Index: Align Technology, Inc. (ALGN), eBay Inc. (EBAY), Enphase Energy, Inc. (ENPH), JD.com, Inc. (JD), Lucid Group, Inc. (LCID), and Zoom Video Communications, Inc. (ZM).



What To Watch Today

Earnings

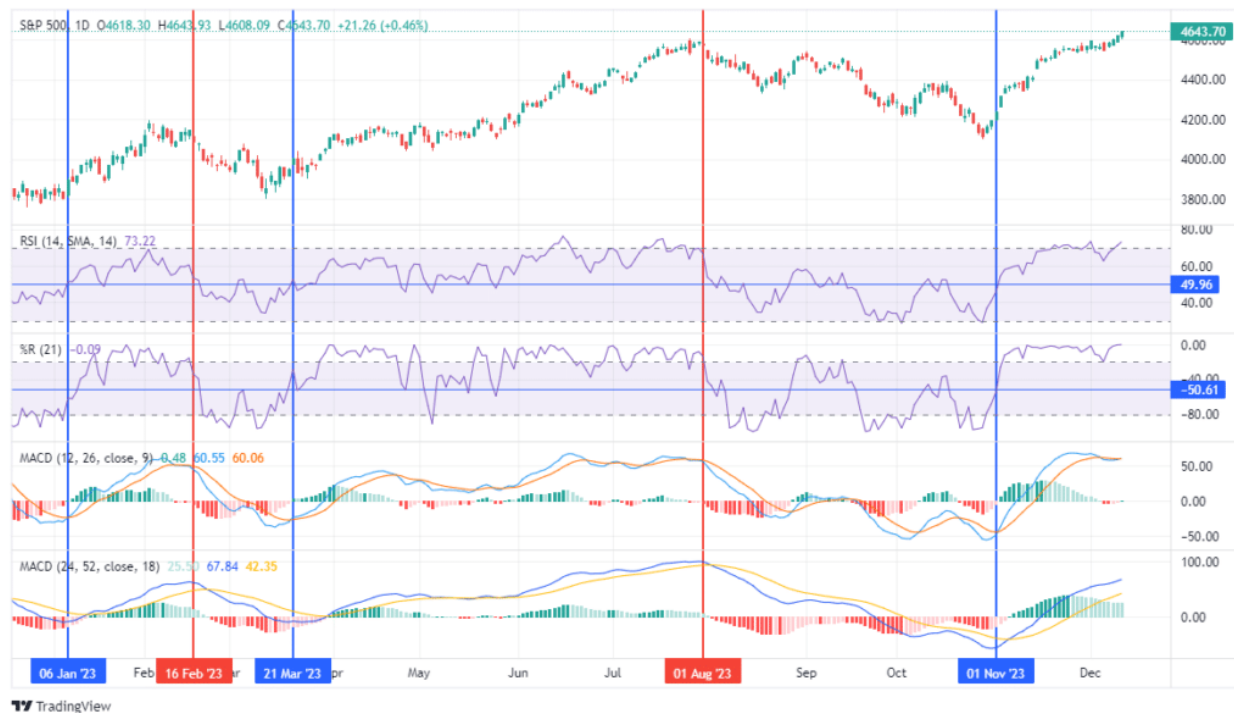
Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
	ADBE	Adobe Inc.	\$277,737,553,000	Nov/2023	\$3.32	12	12/15/2022	\$2.78
	NDSN	Nordson Corporation	\$13,635,587,102	Oct/2023	\$2.40	5	12/14/2022	\$2.44

Economics

Time	Event	Impact	Actual	Dev	Consensus	Previous	
WEDNESDAY, DECEMBER 13							
12:00	USD MBA Mortgage Applications(Dec 8)		-	-	-	2.8%	
12:00	USD OPEC Monthly Market Report				REPORT		
13:30	USD Producer Price Index (MoM)(Nov)		-	-	0.1%	-0.5%	
13:30	USD Producer Price Index (YoY)(Nov)		-	-	1%	1.3%	
13:30	USD Producer Price Index ex Food & Energy (MoM)(Nov)		-	-	0.2%	0%	
13:30	USD Producer Price Index ex Food & Energy (YoY)(Nov)		-	-	2.2%	2.4%	
15:30	USD EIA Crude Oil Stocks Change(Dec 8)		-	-	-1.5M	-4.632M	
19:00	USD Fed Interest Rate Decision		-	-	5.5%	5.5%	
19:00	USD Fed Monetary Policy Statement				REPORT		
19:00	USD FOMC Economic Projections				REPORT		
19:00	USD Interest Rate Projections - 1st year		-	-	-	5.1%	
19:00	USD Interest Rate Projections - 2nd year		-	-	-	3.9%	
19:00	USD Interest Rate Projections - 3rd year		-	-	-	2.9%	
19:00	USD Interest Rate Projections - Current		-	-	-	5.6%	
19:00	USD Interest Rate Projections - Longer		-	-	-	2.5%	
19:30	USD FOMC Press Conference				SPEECH		

Market Trading Update

On an in-line CPI report, yields fell, and stocks rose again yesterday on expectations the Fed will remain on hold at today's FOMC press conference. However, any message from Jerome Powell that suggests a more hawkish leaning, particularly after a very sharp reversal in financial conditions, could lead to a short-term reversal. While the market is certainly pushing more extreme levels of overbought and bullish conditions, such can remain the case for longer than logic would predict. Continue to be patient before adding exposure, as the risk/reward isn't in your favor near-term.





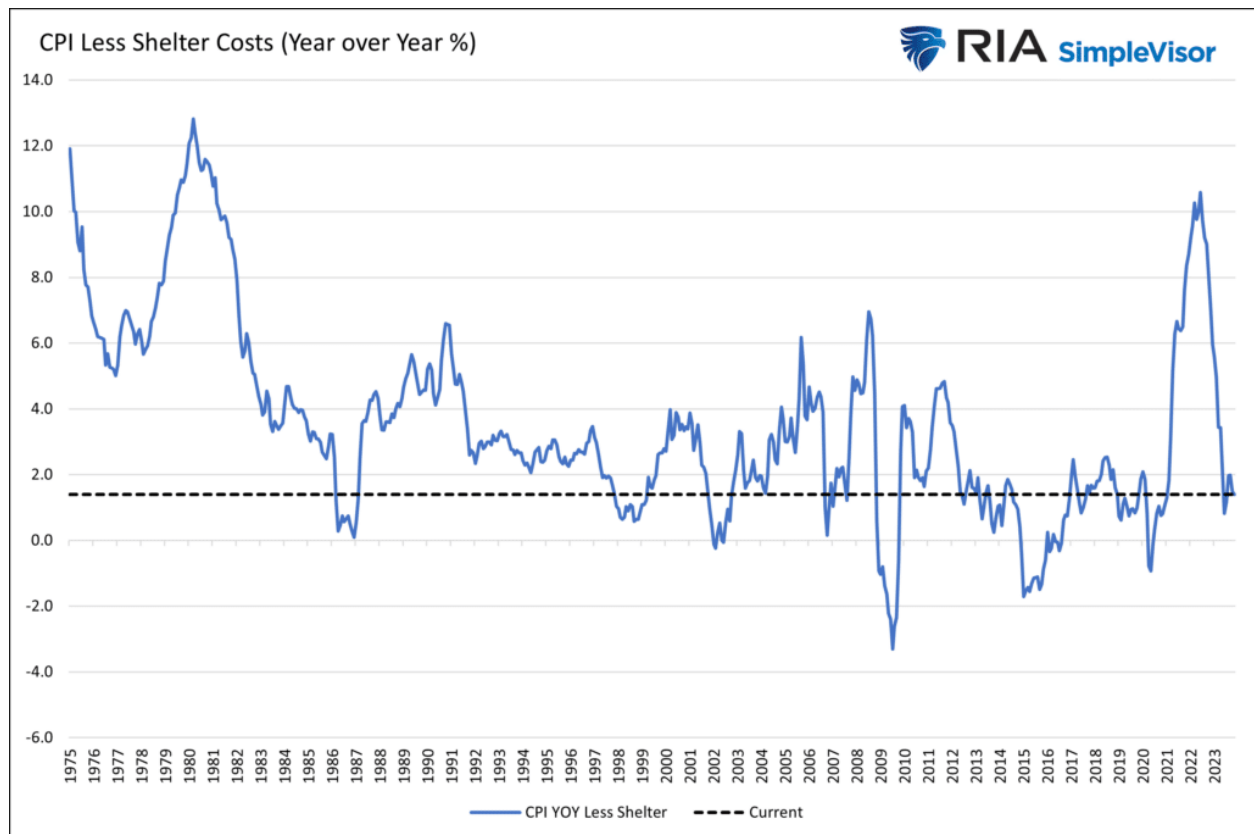
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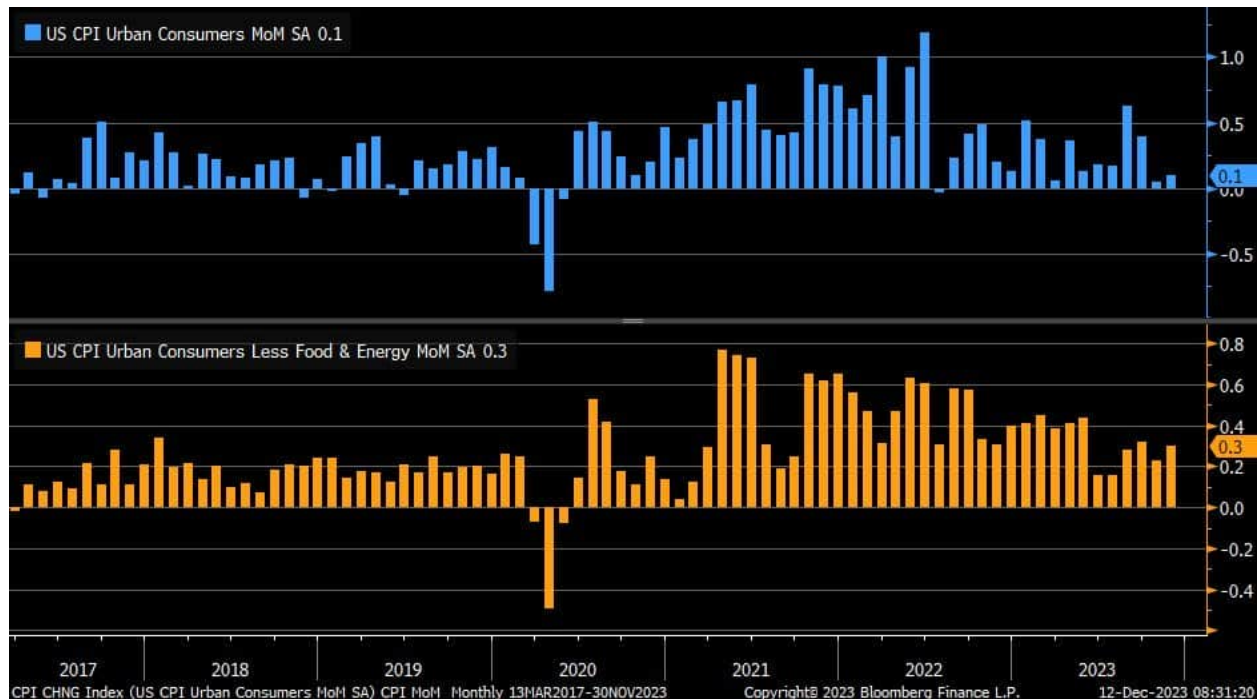
CPI And Shelter Costs

The BLS CPI rate was largely as expected and showed benign levels of inflation for the second month in a row. CPI rose 0.1% this month after a 0.0% reading last month. The core rate was 0.3%, up 0.1% from last month. Rents and implied rental prices, i.e., shelter costs, continue to drive inflation. While accounting for over a third of CPI, the high levels of shelter price increases are not likely to worry the Fed, given they significantly lag real-time data showing near 0% shelter inflation. The graph below strips out shelter from the year-over-year CPI number. It is below 2% and on par with pre-pandemic levels.



While year-over-year inflation data is about 1% above the Fed's 2% target, the recent monthly data is falling back in line with pre-pandemic levels. The blue bars show that the last nine months of monthly data are similar to pre-2020 levels other than in August. The core rate is still slightly higher, but its trend is closing in on pre-pandemic levels.

There is not much in the CPI or last week's employment data that is likely to change the Fed's tone at the FOMC meeting today. We do not expect the hike rates or a discussion of cutting rates.



Gasoline Prices

Gasoline prices only account for about 4% of CPI. Yet, they have an outsized role in molding inflation expectations. The graph below charting gasoline futures shows the price rests on an important three-year line of support. Further, the price has traced out a sloppy head and shoulders pattern over the three years. If gas prices decidedly break below the support line, its price could head markedly lower. If so, it's highly likely the U.S. and much of the rest of the world are in a recession. While a drop to the lows of 2020 doesn't seem probable, a decline to \$1.25 - \$1.50 a gallon may be likely. The average price at the pump is about .75 cents more than futures prices. However, that can vary widely by state due to taxes, refinery costs, and retailer markups.



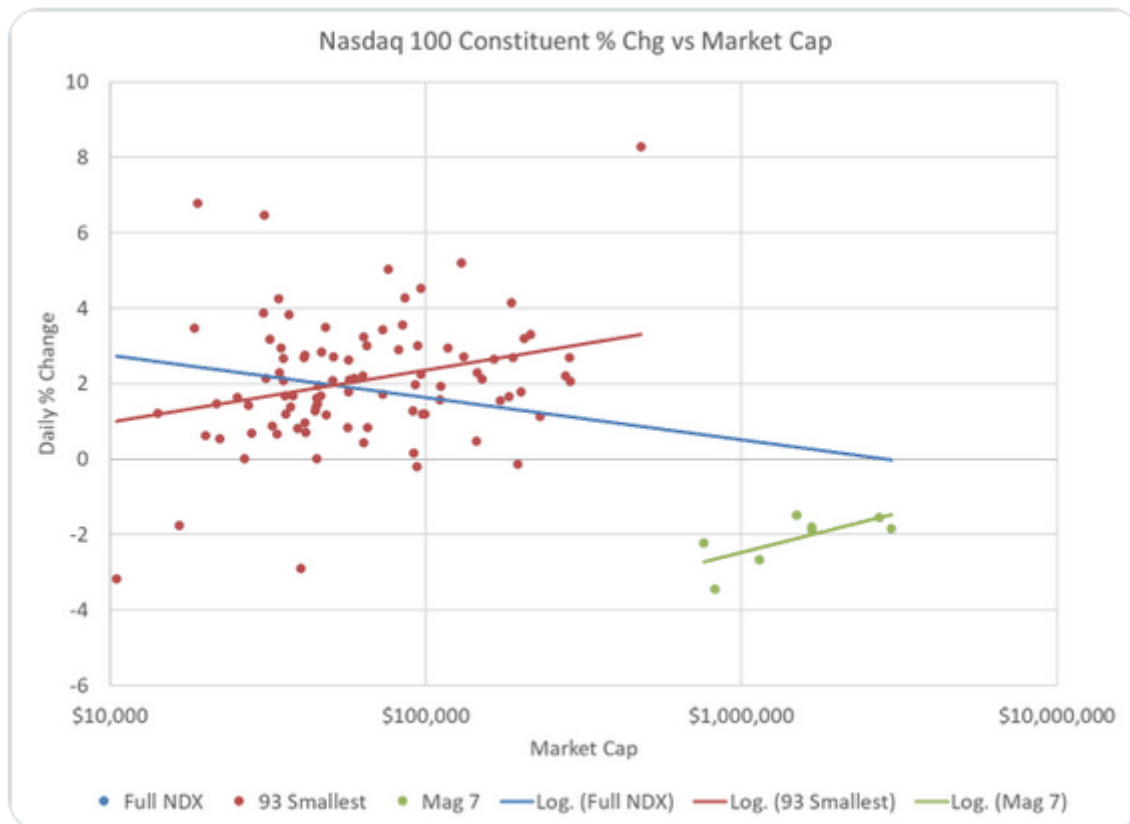
Tweet of the Day



Michael Green ✓
@profplum99

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There's an important clue in today's behavior for the Nasdaq. While many are citing "small vs large," that is a misrepresentation. Nasdaq CHOSE to reduce the weights of the Mag7 for concentration reasons. Ironically, due to existing methodology that means the largest of the Mag7 are reduced LESS than the smallest. And within the "Other 93," a similar mechanical oddity occurs as the largest of the O93 gets the biggest positive impact. And guess what? The narrative of "size matters" today is only true in aggregate. WITHIN those groups, it's still business as usual. @t1alpha



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