



As was widely expected, the Fed left interest rates unchanged. Jerome Powell alluded that it's much more likely the next Fed move will be rate cuts, not an increase in interest rates. Given the November elections and the internal pressure on the Fed to remain independent, it now seems likely that barring a sharp upturn in unemployment or a renewed decline in prices, rate cuts are not likely this year. The FOMC statement was largely unchanged, but there are two important changes from the prior meeting. First, as highlighted in the first paragraph below, the Fed acknowledges that inflation has become sticky. However, in the second paragraph, they note that supply and demand are in better balance, which should allow for more disinflation.

Second, and more importantly, for the markets, the Fed will start reducing the amount of QT in June. While this was expected based on their FOMC minutes released three weeks ago, the reduction was larger than expected. Further, the entire reduction will be in U.S. Treasury securities, not mortgage-backed securities. This action will help ease market concerns of heavy Treasury debt issuance. During the press conference, Jerome Powell sent mixed messages. While he firmly believes the Fed will meet its 2% inflation goal, they do not want to cut rates too soon. He doesn't expect to, but they would raise rates if needed. The highlight of the press conference occurred when Powell was asked about stagflation. His reply: *"I don't see the stag or the 'flation."*

Recent indicators suggest that economic activity has ~~been expanding~~continued to expand at a solid pace. Job gains have remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated. In recent months, there has been a lack of further progress toward the Committee's 2 percent inflation objective.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges that the risks to achieving its employment and inflation goals ~~are moving into~~have moved toward better balance over the past year. The economic outlook is uncertain, and the Committee remains highly attentive to inflation risks.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent. In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, ~~as described in its previously announced plans.~~Beginning in June, the Committee will slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from \$60 billion to \$25 billion. The Committee will maintain the monthly redemption cap on agency debt and agency mortgage-backed securities at \$35 billion and will reinvest any principal payments in excess of this cap into Treasury securities. The Committee is strongly committed to returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Thomas I. Barkin; Michael S. Barr; Raphael W. Bostic; Michelle W. Bowman; Lisa D. Cook; Mary C. Daly; Philip N. Jefferson; Adriana D. Kugler; Loretta J. Mester; and Christopher J. Waller.

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*
🕒	AAPL	Apple Inc.	\$2,630,215,590,730	Mar/2024	\$1.51	10	5/04/2023	\$1.52
🌞	NVO	Novo Nordisk A/S	\$572,548,640,584	Mar/2024	\$0.77	3	5/04/2023	\$0.63
☹️	SHEL	Shell PLC	\$232,403,985,106	Mar/2024	\$1.87	3	5/04/2023	\$2.78
🌞	LIN	Linde plc	\$212,355,961,093	Mar/2024	\$3.68	6	4/27/2023	\$3.42
🌞	COP	ConocoPhillips	\$147,780,419,188	Mar/2024	\$1.98	9	5/04/2023	\$2.38
🕒	AMGN	Amgen Inc.	\$146,809,623,739	Mar/2024	\$3.76	12	4/27/2023	\$3.98
🕒	BKNG	Booking Holdings Inc.	\$117,959,410,334	Mar/2024	\$14.03	10	5/04/2023	\$11.60
🌞	CI	The Cigna Group	\$104,382,437,054	Mar/2024	\$6.17	10	5/05/2023	\$5.41
🌞	REGN	Regeneron Pharmaceuticals, Inc.	\$97,760,530,291	Mar/2024	\$8.46	9	5/04/2023	\$8.44
☹️	CNQ	Canadian Natural Resources Limited	\$81,309,974,560	Mar/2024	\$1.04	4	5/04/2023	\$1.25
🌞	SO	Southern Company (The)	\$80,189,610,805	Mar/2024	\$0.90	4	4/27/2023	\$0.79
🕒	EOG	EOG Resources, Inc.	\$76,635,647,347	Mar/2024	\$2.70	9	5/04/2023	\$2.69
🕒	MELI	MercadoLibre, Inc.	\$73,952,358,645	Mar/2024	\$6.64	4	5/03/2023	\$3.97
🌞	ICE	Intercontinental Exchange Inc.	\$73,730,090,883	Mar/2024	\$1.49	9	5/04/2023	\$1.41
🌞	ZTS	Zoetis Inc.	\$72,910,759,392	Mar/2024	\$1.34	9	5/04/2023	\$1.31
🌞	TRI	Thomson Reuters Corp	\$71,485,641,183	Mar/2024	\$0.94	4	5/02/2023	\$0.85
🌞	PH	Parker-Hannifin Corporation	\$69,972,358,453	Mar/2024	\$6.10	7	5/04/2023	\$5.93
🌞	BDX	Becton, Dickinson and Company	\$67,776,463,627	Mar/2024	\$2.96	10	5/04/2023	\$2.86
🌞	MCO	Moody's Corporation	\$67,585,225,000	Mar/2024	\$3.06	8	4/25/2023	\$2.99
🕒	PXD	Pioneer Natural Resources Company	\$62,919,378,947	Mar/2024	\$5.01	9	4/26/2023	\$5.21
🌞	APO	Apollo Global Management, Inc.	\$61,430,776,002	Mar/2024	\$1.71	5	5/09/2023	\$1.26
🕒	MSI	Motorola Solutions, Inc.	\$56,344,000,506	Mar/2024	\$2.27	7	5/04/2023	\$1.96
🕒	MNST	Monster Beverage Corporation	\$55,622,006,760	Mar/2024	\$0.44	11	5/04/2023	\$0.38
🕒	COIN	Coinbase Global, Inc.	\$49,407,176,437	Mar/2024	\$0.98	8	5/04/2023	\$0.15
🕒	FTNT	Fortinet, Inc.	\$48,208,295,294	Mar/2024	\$0.31	12	5/04/2023	\$0.29
🕒	SQ	Block, Inc.	\$44,945,589,000	Mar/2024	\$0.15	9	5/04/2023	\$0.06
🕒	DLR	Digital Realty Trust, Inc.	\$43,340,100,673	Mar/2024	\$1.63	8	4/27/2023	\$1.66
🌞	D	Dominion Energy, Inc.	\$42,692,857,241	Mar/2024	\$0.51	3	5/05/2023	\$0.99
🌞	MRNA	Moderna, Inc.	\$42,146,495,574	Mar/2024	(\$3.59)	11	5/04/2023	\$0.19
🌞	IQV	IQVIA Holdings, Inc.	\$42,066,255,000	Mar/2024	\$2.19	6	4/27/2023	\$2.13
🌞	ARES	Ares Management Corporation	\$41,204,735,469	Mar/2024	\$0.93	5	4/28/2023	\$0.71
🌞	AME	AMTEK, Inc.	\$40,348,675,562	Mar/2024	\$1.59	7	5/02/2023	\$1.49
🌞	CMI	Cummins Inc.	\$40,073,140,709	Mar/2024	\$5.11	9	5/02/2023	\$5.55
🌞	PWR	Quanta Services, Inc.	\$37,684,855,234	Mar/2024	\$1.09	7	5/04/2023	\$1.09
🕒	IR	Ingersoll Rand Inc.	\$37,648,646,120	Mar/2024	\$0.67	3	5/03/2023	\$0.63
🌞	EXC	Exelon Corporation	\$37,562,658,408	Mar/2024	\$0.70	4	5/03/2023	\$0.70
🕒	DKNG	DraftKings Inc.	\$36,017,287,387	Mar/2024	(\$0.28)	9	5/04/2023	(\$0.87)
🌞	VMC	Vulcan Materials Company	\$34,065,670,349	Mar/2024	\$0.76	8	5/04/2023	\$0.95
🕒	ED	Consolidated Edison Inc	\$32,616,146,926	Mar/2024	\$1.89	3	5/04/2023	\$1.83

Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
THURSDAY, MAY 2						
11:30	USD Challenger Job Cuts(Apr)		-	-	- 90.309K	
12:30	USD Continuing Jobless Claims(Apr 19)		-	-	- 1.781M	
12:30	USD Goods and Services Trade Balance(Mar)		-	-	\$-69.1B \$-68.9B	
12:30	USD Goods Trade Balance(Mar)		-	-	- \$-91.8B	
12:30	USD Initial Jobless Claims(Apr 26)		-	-	212K 207K	
12:30	USD Initial Jobless Claims 4-week average(Apr 26)		-	-	- 213.25K	
12:30	USD Nonfarm Productivity(Q1) PREL		-	-	0.8% 3.2%	
12:30	USD Unit Labor Costs(Q1) PREL		-	-	3.2% 0.4%	
14:00	USD Factory Orders (MoM)(Mar)		-	-	1.6% 1.4%	

Market Trading Update

Following [yesterday's discussion](#), the market failed at the 50-DMA and is continuing its correction to retest the 100-DMA. The FOMC meeting concluded its 2-day meeting, and even though rate cuts may not occur this year, the larger-than-expected reversal of Quantitative Tightening (QT) surprised the market. Given that the Federal Reserve is now positioned to start monetizing more debt from the Treasury, it suggests more liquidity for the financial markets and lower yields. As such, stocks and bonds rallied sharply yesterday following the announcement, but day-end sellers emerged, taking away the gain.

There is still likely some near-term downward pressure on stocks, and Apple reports after the bell today, wrapping up the bulk of the earnings season for the S&P 500. Continue to monitor risk accordingly, but with the Fed on hold, stocks will likely find a bottom soon.

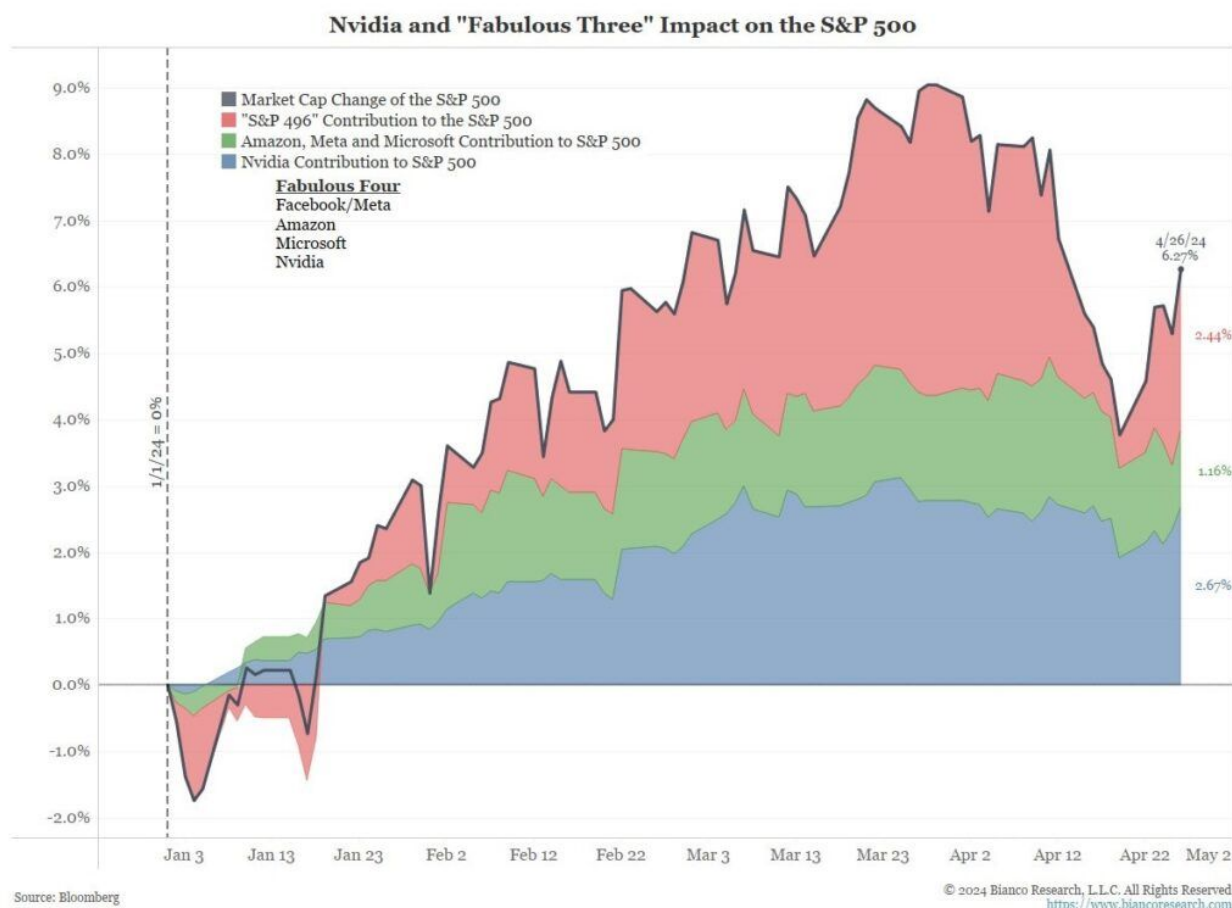


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Nvidia And The Fabulous Three

The S&P 500's market cap was up 6.27% through April 26, as shown by the black line in the graph below, courtesy of Bianco Research. Last year, the Magnificent Seven accounted for almost all of the market gains. This year, the Magnificent Seven is being widdled down to the Fabulous Three and Nvidia. Four stocks account for 62% of the year's gains. AMZN, MSFT, and META contributed about 19% of the increase in market cap. Nvidia doubles the Fabulous Three, accounting for 38% of the increase. In fact, as shown below, Nvidia single-handedly contributed more to the S&P 500 than the remaining 496 stocks. Nvidia reports its earnings on May 22, a month after most other companies. Accordingly, it has avoided the volatility that has impacted many of the Magnificent Seven stocks this earnings season.



The Dallas Fed Services Sector Bemoans Higher Rates

Over the past two years, the service sectors have generally prospered while manufacturing has been in a recession. Recently, manufacturing has shown signs of life, but the service sector is starting to exhibit problems. The service sectors represent almost 90% of the economy. Consequently, the recession in manufacturing did not put the economy into a recession. However, avoiding a recession would be difficult if the service sector struggles. The graphic below shows the March ISM Services survey is still above 50%, an indication of economic expansion. However, the trend is heading toward 50, and a few of its components are below 50.

The most recent Dallas Fed services survey for April indicates that Friday's ISM services could be weaker than expected. More importantly, it appears that high interest rates are starting to impact the economy negatively. The quotes below, with the respondent's industry, are from the survey.

Publishing- *The impact of the higher rate environment seems to be catching up, with general purchase intent among customers flattening out.*

Credit Intermediation- *We recently renegotiated our \$600 million debt facility. Our cost of funds went from 9 percent to 14 percent?that's a pretty big hit to our bottom line and resulted in us increasing prices to our customers. Our business focus has been on forecasted easing; however, the reality of rates staying higher longer is creating uncertainty. The Federal Reserve signaling it will hold the rate at the current level for longer has affected our outlook negatively.*

Securities- *Recent movement in long-term rates, combined with the Fed holding rates longer, have delayed the expected value of investment recovery until 2025 or later.*

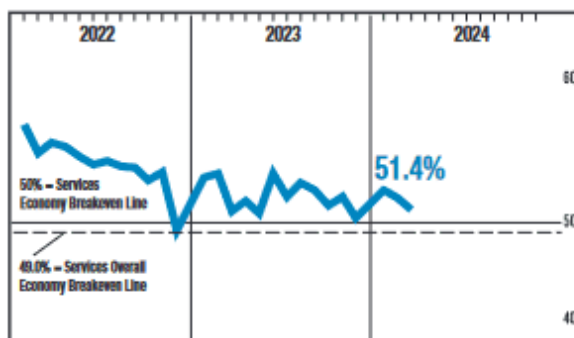
Real Estate- *Cost of capital is weighing on our customers and decreasing volume. The increase in treasury yields since last fall has negatively impacted deal-making activity in the income property industry.*

Professional, Scientific and Technical- *Persistent inflation and the Fed potentially delaying rate cuts are causing uncertainty for the second half of 2024. This real estate market is hard to figure out. With the 10-year rate still moving in the wrong direction, and the likelihood of a rate cut not coming this year due to inflation and the strength of the economy, we just can't see the market improving until next year.*

Administrative and Support- *Continued high interest rates, inflation and general economic malaise has caused employers to be very reluctant to hire professional level talent. High interest rates have drastically hindered our ability to grow our business, and it looks like a rate cut is not likely happening in 2024.*

SERVICES PMI® at 51.4%

In March, the Services PMI® registered 51.4 percent, a 1.2-percentage point decrease compared to the February reading of 52.6 percent. A reading above 50 percent indicates the services sector economy is generally expanding; below 50 percent indicates it is generally contracting. A Services PMI® above 49 percent, over time, generally indicates an expansion of the overall economy. Therefore, the March Services PMI® indicates the overall economy is growing for the 15th consecutive month after one month of contraction in December 2022.



Services at a Glance

INDEX	Mar Index	Feb Index	% Point Change	Direction	Rate of Change	Trend* (months)
Services PMI®	51.4	52.6	-1.2	Growing	Slower	15
Business Activity	57.4	57.2	+0.2	Growing	Faster	46
New Orders	54.4	56.1	-1.7	Growing	Slower	15
Employment	48.5	48.0	+0.5	Contracting	Slower	2
Supplier Deliveries	45.4	48.9	-3.5	Faster	Faster	2
Inventories	45.6	47.1	-1.5	Contracting	Faster	4
Prices	53.4	58.6	-5.2	Increasing	Slower	82
Backlog of Orders	44.8	50.3	-5.5	Contracting	From Growing	1
New Export Orders	52.7	51.6	+1.1	Growing	Faster	5
Imports	52.4	54.3	-1.9	Growing	Slower	3
Inventory Sentiment	55.7	56.7	-1.0	Too High	Slower	11
Overall Economy				Growing	Slower	15
Services Sector				Growing	Slower	15

Tweet of the Day



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Kaplan on CNBC saying we must "slow the implementation of the Inflation Reduction Act to slow inflation."

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