



Weekly Update

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- Momentum from the good inflation report continues
- Earnings are strong
- Politics are a rare positive
- Fear and Greed index flashing Fear? Check your source
- Retail Sales are resilient
- Housing data is still sending mixed signals
- China might be improving, maybe
- Quick Hits
- Where did all the crypto money go?
- Chart Crime of the week

	Last	5d %	YTD %	1yr %
S&P 500	6,086	2.3%	3.5%	27.4%
QQQ	\$516.70	2.9%	4.0%	26.9%
US 10 YR	4.62%	4.66%	4.58%	4.12%
USD/DXY	108.3	109.1	108.5	103.6
VIX	15.1%	16.1%	17.4%	12.6%
Oil	\$75.42	-5.8%	5.2%	0.3%

*10yr, DXY, and VIX are levels not changes

** Oil is front month futures, beware

The market ramped up its momentum after last week's good inflation report. Adding to the gains was a combination of good economic data (but not so strong to elicit inflation fears), continued Earnings strength, and a Trump transition that has mostly followed his policy platform. The consumer is still pushing Retail Sales. Housing data is mixed, but there are some positive signs even with mortgage rates over 7%. The next wave of Financial stocks have reported just as strongly as the first wave. Taiwan Semiconductor, maybe the best barometer for AI demand ("it's called a thermometer"), reported another strong quarter with even better forward guidance. Even Richemont, the Swiss luxury goods maker, had a surprisingly large beat on its earnings. Strong sales in its Cartier division prove the K-shape is alive and well. Even Target gave a positive outlook (the stock was negative at first, but it has rallied back since). Apple has been one spot of weakness as many are speculating about poor earnings to come. (China demand might be slowing, the AI rollout might be

underwhelming, and the stock is probably expensive...but Apple always seems to find a way to impressive and punish those that sold.)

On the political front, the market was starting to doubt whether DOGE could be successful. That is one of the reasons why the 10-yr yield has disconnected from the Fed expectations. But then the Trump transition kicked into gear. People started to believe the combination of growth, targeted tariffs, contained inflation, and real cuts in government spending (DOGE) could provide relief to high interest rates. There is a ton of uncertainty in all of this, but the early Executive Orders are following suit. That said, some of the announcements are pure political theater. And some of the speculation is just silly (quantum computing, rocket stocks, and dare we say the crazy, tangential crypto). We even got some dovish Fed comments. Governor Waller expects three to four cuts this year. He thinks the Labor market is solid but not overheating. And Core Inflation is cooling.

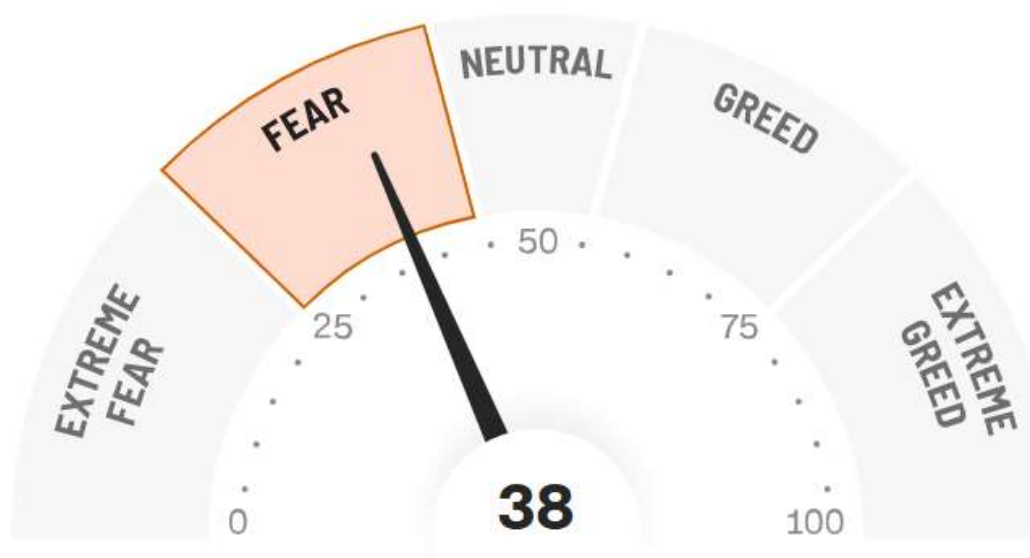
➤ Fear and Greed index flashing Fear? Check your source

We were a bit taken aback by this graphic in the Twitterverse. There have been a few bouts of heightened nerves, but nothing has been screaming Fear to us (in fact, there are plenty of pockets of extreme greed). Not to mention, the market closed at an all-time high today! We dug into the composition of this index...and it is a joke. For example, if Put options outnumber Call options, that is considered fear. Fair enough. They use a ratio over one as the demarcation point. Currently, the ratio is at 0.72. And they designate this input as Fear!?!? Many of the other inputs are just as assbackwards. Then it smacked us in the face. CNN is behind this nonsense.

Fear & Greed Index

What emotion is driving the market now?

[Learn more about the index](#)



Last updated Jan 17 at 6:59:53 PM ET

➤ Retail Sales are resilient

Headline Retail Sales in December were lower than expected with a 0.4% increase vs the 0.8% increase in November. But more importantly, the Ex-Autos Sales accelerated to 0.4% from 0.2% last month. As usual, the split among categories is stark. And there were some big reversals. Sporting Goods went from a -0.3% in November to a +2.6% gain in December. Furniture was another big gainer +2.6% after a good November of +1.3%. Gas Stations were flattish in Nov and increased 1.5% in Dec. E-commerce slowed from a 1.7% gain to just 0.2%. Building Materials went more negative. Eating and Drinking Establishments went from slightly positive to negative.

The weekly Redbook Retail Sales increased 4.5%. This is on the low end of the recent range.

➤ Housing data is still sending mixed signals

The Housing Market Index (aka homebuilder survey) increased slightly in January (from 46 to 47). The components bucked their recent trends. Current Conditions bounced three points to 51 (above breakeven). Buyer Traffic increased to 33 (still woefully weak). But 6-month Sales Expectations fell six points. At 60, this is still the highest scoring component. But six points is a big drop. Homebuilders also stated that they are seeing more contract cancellations. Higher interest rates are still to blame.

Housing Starts had a nice 16% jump in December. But this was driven entirely by Multifamily (which is much more volatile). They jumped 59%! Single Family Starts only ticked higher by 3%. Single Family makes up about 2/3 of Starts.

Permits, on the other hand, fell about 1%. Multifamily fell 6% and Single Family increased 2%.

The average 30-year mortgage rate fell slightly to 7.02%.

Mortgage Applications were flat on the week (after a big jump last week).

One interesting market-driven data point is the value of rental home companies. INVH and AMH stocks are trading about 30% below their net asset values. Simple conclusion: The market thinks houses are overpriced.

- Other economic data is better
 - Initial Jobless Claims ticked up to 217k. Continuing Claims ticked down to 1.859mm. Both are in the recent ranges (Initial declining, Continuing increasing).
 - The Philly Fed Manufacturing index had a massive jump from -11 in Dec to +44 in Jan.
 - Industrial Production in December increased 0.9% vs November.
 - The Leading Economic Indicators ticked down (this one has been useless post Virus Fear).

- China might be improving, maybe

China GDP in 4Q was stronger than expected. But this is largely attributed to the pull-forward dynamic ahead of US tariffs.

Also in China, New Home Prices in 70 large cities declined by 5.3% vs last year. This is being lauded as an improvement over November's 5.7% decline. We do always say rate of change is most important, and this is especially true in China. And we are starting to see this continue as a trend. It still has a long way to go, but the monthly readings have been improving steadily.

- You cannot trust government statistics anywhere

UK's official statistics bureau fudged their inflation numbers. They used airfares from Christmas Eve and New Year's Eve instead of other random dates during December. This resulted in a 26% drop in observed airfares. In December of last year, they increased 0.8%. Services inflation dropped from 5.0% to 4.4% in December...and this was cheered by the market. But this drop in airfares accounts for half of this drop!

- Where did all the crypto money go?

There is a crypto platform called Huione Guarantee. There is a web of related entities with hidden ownership. But the ruling Hun family in Cambodia is believed to be behind it. The platform is overt in its ability to "avoid the common freezing and transfer restrictions of traditional digital currencies...and is not restricted by traditional regulatory agencies." The company is launching a stable coin (often the conduit to convert real money into fake money...we would say in reverse order, too...but that is where the relationship tends to break down in times of stress). It has raised money via an "Initial Coin Offering." The main form of communication on the platform is via Telegram chatrooms. It has all the hallmarks of a disaster in the making. But what stands out to us is the list of acceptable and unacceptable goods and services allowed on the platform.

Acceptable: Ransomware kits, shock collars (?), and "pig butchering" scams (think Nigerian Prince).

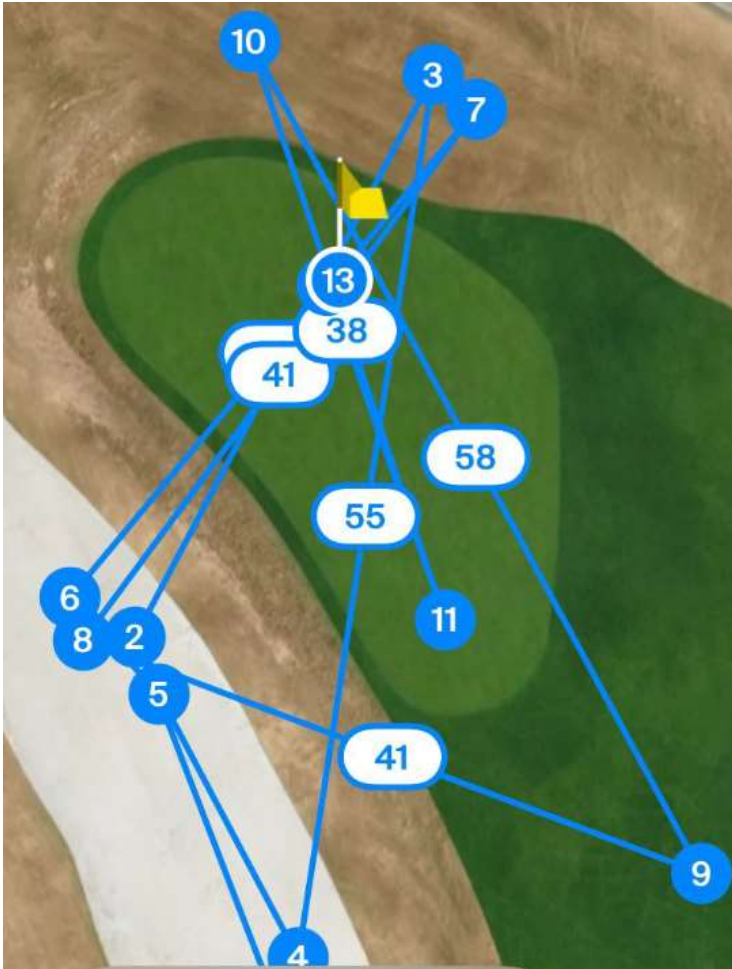
Unacceptable: Human trafficking and terrorism.

At least they draw the line somewhere.

And you thought we were going to talk about the Trump or Melanie coins! Considering there has already been application for an ETF on the Trump coin, we think we are going to get plenty of chances to write about this silliness.

➤ Chart Crime of the week

Not a chart crime but, rather, a golf crime. The 16th hole at PGA West killed this poor guy (pro golfer).



➤ Quick Hits

- The snowplow operator who cleared a spot for the New England Patriots kicker in 1982 was on work release from Walpole State Prison.
- In 1954, British dentists blamed buck teeth on kids watching tv on their stomachs with their hands under their chins.
- The president of Venezuela, Nicolas Maduro, wants to “liberate” Puerto Rico, and he wants to do it with “Brazilian troops.” He made these comments at the International Anti-Fascist Festival in Caracas.
- The “wisdom of the crowd” concept was derived from a guess-the-weight-of-an-ox contest in 1907.
- Texas Wesleyan has won 75 national championships in table tennis since 2002.

- Melania Trump is 54 years old.
- Spy vs Spy was created in 1961.
- The US is building a new embassy in South Sudan at a cost of \$784mm.
- South Sudan's annual GDP is about \$7b.
- Harry Caray, the late great Chicago baseball announcer, kept a drinking diary. During the early 70's, he averaged 3.5 bars per night (2604 bar stops from 1970 to 1971).

Trading: We might be a little late to the party, but we bought some Argentina. Actually, we think there is plenty more to run. Milei's overhaul of the failed socialist state is remarkable. Meanwhile, economic momentum in India has fizzled. We are still long-term believers, but we have taken some profits in the short-term. We bought some more Financials and Big Tech. We trimmed some Energy. We think Drill baby Drill will be bad for oil prices...if the companies decide to go along. We doubt they will. Either way, we want to fade the recent momentum.

TSLAQ: Tesla has gone radio silent. Musk has not spoken about anything other than DOGE (or his disdain for OpenAI's Sam Altman). We do not want to kill this category...but we might have to if he does not change his tune and give us something at which we can laugh!

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