

Weekend Alpha

## Stocks Decide to Take a Breather After Jobs Numbers Beat Expectations

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Thomas Lee, CFA <sup>AC</sup>

HEAD OF RESEARCH

- Despite Friday's market declines, we continue to view the rally since the end of March as healthy and fueled by stronger earnings and improving fundamental visibility.
- As seen in Friday's jobs report and other jobs numbers this week, there are signs of a strengthening of the labor market. This was also seen in the April Beige book and in the continued low jobless claims.
- Thus, even with strengthening AI and higher oil, both of which should hurt the jobs market, employment is strengthening. To us, this is confirming the positive fundamental signal of the strong earnings season.

[Read the Latest FLASH](#)

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Mark L. Newton, CMT<sup>AC</sup>

HEAD OF TECHNICAL STRATEGY

- Near-term US equity trends remain constructive, and Thursday's broad snapback argues against the defensive stance that Wednesday's close had suggested, as equal-weighted SPX and DJIA both pushed back to record highs and the downtrodden healthcare and financials groups posted strong gains.
- That kind of participation from outside technology is precisely what the market had been lacking, in my view. Thus, it's very well possible that no immediate selloff happens just yet; moreover, there might just be rotation as opposed to an immediate drawdown.
- My 80-day cycle still does suggest some kind of weakness might be likely in U.S equities between mid-June and July expiration. However, Thursday's snapback puts an immediate drawdown somewhat in doubt. To me, the actionable conclusion is to favor Value over Growth into the fall, treating technology's likely consolidation as a rotation, not the start of a market decline (at least for the time being). Thus, it's wise to consider starting to wean off of Growth and favor Value, and this rotation very well could last until the mid-term elections.

[Read the Latest Daily Technical Strategy.](#)

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Sean Farrell <sup>AC</sup>

HEAD OF DIGITAL ASSET STRATEGY

- Crypto markets continue to struggle under the weight of deteriorating flows and growing concerns surrounding Strategy-related demand.
- While there are certainly signs of stress and some evidence of capitulation emerging within crypto markets, the overall setup is materially less compelling than what we observed during the February drawdown. That does not mean prices cannot bounce from current levels. In fact, a meaningful short-covering rally remains entirely possible.
- However, from a risk/reward perspective, I continue to favor patience on the majors while harvesting gains from recent winners and maintaining additional flexibility until either capitulation becomes more convincing or some of the key idiosyncratic risks begin to resolve themselves.
- At the same time, I remain constructive on Hyperliquid and Hyperliquid Strategies over the medium term, but given the combination of stretched positioning and broad market weakness, I think it is appropriate to harvest some gains and raise a bit of cash here.

[Read the Latest Digital Assets - Weekly Strategy.](#)

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L. Thomas Block

WASHINGTON POLICY STRATEGIST

- The first meeting of the Federal Open Markets Committee (FOMC) under the new chair, Kevin Warsh, is fast approaching. The meeting dates are June 16-17, and while there is general agreement that rates are likely to remain steady, there will be a great deal of attention on how Chair Warsh handles the post-meeting press and announcements about future policy actions.
- It will be an unusual meeting not only as Warsh assumes the chair, but the first meeting in many years where a former chair, Jay Powell in this case, will be sitting as a regular governor.
- The Supreme Court may soon hand down the highly anticipated decision on the legal authority of the president to fire Fed governors in the next few weeks.

[Read the Latest US Policy](#)

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## STOCKS DECIDE TO TAKE A BREATH AFTER JOBS NUMBERS BEAT EXPECTATIONS

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**Kent Fung**

*"It's not about standing still and becoming safe. If anybody wants to keep creating they have to be about change." – Miles Davis*

Good evening,

Are we back into a "bad news is good news" regime – and conversely, a "good news is bad news" regime? It would certainly seem that way based on the market's reaction to Friday's non-farm payroll report. After choppy but roughly flat trading for most of the week, the S&P 500 and Nasdaq Composite both sank after the NFP numbers came out, ending the day down 2.64% and 4.18% respectively.

Headline NFP came in at 172,000 jobs created, more than double expectations of 85,000. The casual consumer of news might interpret this as good news for the U.S., but investors saw this as further reinforcing the already dim outlook for any upcoming rate cuts by the Federal Open Market Committee for the rest of the year. In fact, odds of at least one rate hike by the December FOMC meeting, which were at 50.4% on Thursday, jumped to 72.8% on Friday afternoon (as implied by Fed funds futures trading).

Head of Research Tom Lee had already anticipated the possibility of healthy jobs numbers, but he had a more positive interpretation, viewing them as "confirming the positive fundamental signal of the strong earnings season." First-quarter earnings season ended on Thursday, and Lee views

it as having been "one of the strongest earnings seasons in several years." The numbers support this interpretation: With first-quarter earnings season having concluded, 87% of companies beat expectations, with an overall beat of 16%. Taken as a whole, the S&P 500 showed 1Q2026 EPS growth of 29% and revenue growth of 12%.

In the short term, however, negative reaction to the strong jobs numbers led to the S&P 500 and Nasdaq Composite finishing the week in negative territory, with the S&P 500 snapping a nine-week win streak. It's certainly not pleasant to see a winning streak end, but after the significant gains of late – roughly 20% over the past nine and a half weeks, Fundstrat Head of Technical Strategy Mark Newton reminded us that this was never going to be a sustainable pace. "We have another 30 weeks left in the year," he reminded us at our weekly research huddle, "and I always doubted that the market was going to be up 60% this year."

Tech arguably led the charge down on Friday, with the tech-heavy \$QQQ declining 4.8%. Despite any short-term discomfort, Head of Technical Strategy Mark Newton does not necessarily think that's a bad thing. "I think tech has gotten a bit over its skis and would certainly benefit from some consolidation," he told us at our weekly research huddle.

As for the rest of the market, Newton had this to say: "Ranking things on a three-month basis, it is generally a positive and a risk-on market to see staples, utilities being weak. However, really we want to see more strength out of the financials and industrials. For now, you have groups like financials, healthcare, industrials that are at really multi-year lows versus the S&P."

### **Fundraising ahead**

For some weeks, forward-looking investors had been focused on the upcoming IPO of SpaceX, currently scheduled for June 12. Also drawing market anticipation were anticipated IPOs of OpenAI and Anthropic. This week, Anthropic all but confirmed that anticipation, confidentially submitting

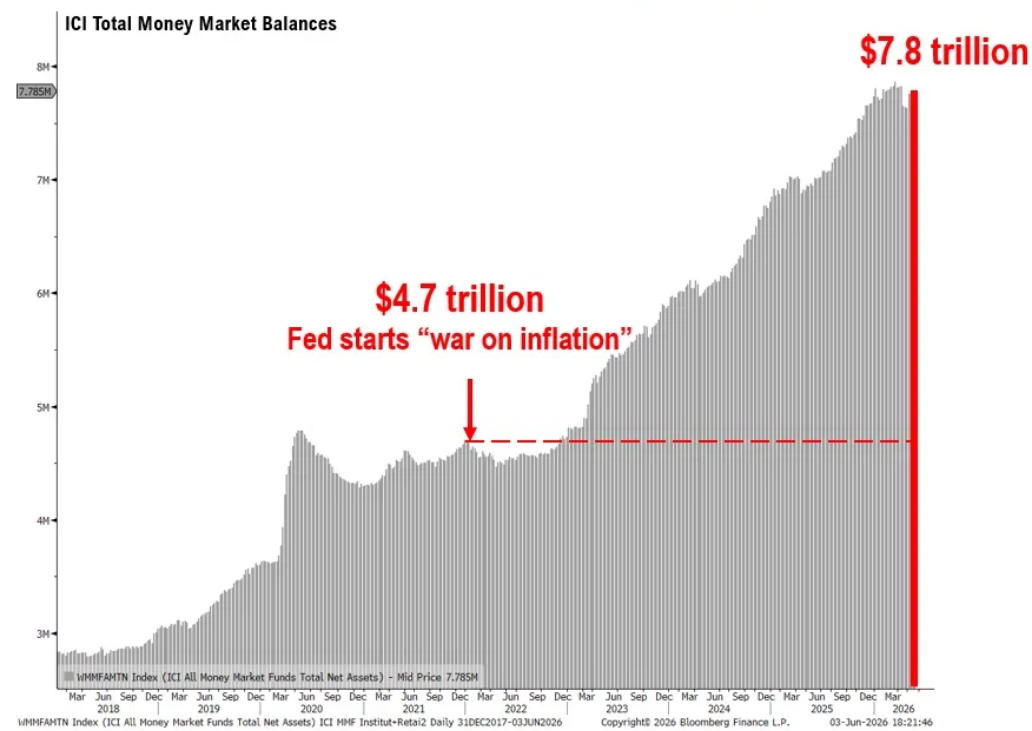
a draft regulatory document for the company's public debut. Perhaps the bigger surprise, however, was Alphabet's announcement that it plans to raise funds with multiple new share offerings this year totaling \$85 billion. All told, the various offerings could result in roughly \$385 billion in new equity supply heading into the market.

Though Lee has some longer-term concerns about market "indigestion" after the lockup periods on those offerings expire and make the shares tradeable on the open market, he pointed that that the massive amounts of cash on the sidelines – \$7.8 trillion based on the latest data (seen on our Chart of the Week below), means that the market likely has the firepower to absorb this new supply.



Macro Research

**CASH ON SIDELINES: Continues to grow = firepower**



Source: Fundstrat, Bloomberg

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Newton described Alphabet's announcement as "extraordinary," reinforcing his view that although tech might benefit from some near-term consolidation, "you still want to own tech for years to come."

Lee agrees, noting that the capital raised "will not fully fund any of those four entities, so this likely marks the start of "a large pipeline of capital raises." For investors, this arguably means that AI companies will refrain from overhyping, as they will continue to need willing capital markets.

### **Elsewhere**

#### **AI executives from Anthropic, Google, OpenAI, Meta, and Microsoft united to call for laws banning the use of AI to create bioweapons.**

Dario Amodei, Demis Hassabis, Sam Altman, Alexandr Wang, and Mustafa Suleyman (respectively) signed on to an open letter warning that at their current level, AI systems can already "outperform PhD-level virologists" in many respects, and are already fully capable of making deadly pathogens. The executives also indicated support for rules requiring strict regulation of purchases of synthetic DNA and RNA, materials that are critical to biotech research and genetic engineering. The AI executives were joined by luminaries in the biotech, genetic engineering, and academic world, as well as experts in U.S. national security.

**In related news, President Trump on Tuesday signed an executive order officially requesting that frontier AI developers submit new models for a government safety assessment** at least 30 days before any broader release. Though the request is voluntary in nature, the executive order represents a slight moderation in Trump's previously unadulterated opposition to regulating AI.

**The S&P Dow Jones Indices announced** that it had decided against anticipated changes that would have allowed upcoming newly public companies like SpaceX to gain quick entry into the S&P 500 index. Some had speculated that the S&P would waive the one-year minimum post-IPO waiting period and the profitability requirement. Inclusion in the index could have created a tailwind as ETFs tracking the index would have been required to take stakes in the newly public companies.

**A federal judge ordered the Trump administration to resume the processing of asylum and immigration applications**, both of which the

president had largely ordered frozen. Judge John J. McConnell Jr. ruled that the White House order had illegally "placed the lives of countless individuals on hold — solely by virtue of their countries of birth." It is unclear whether the administration will appeal the decision, but it has historically done so for court decisions that went against them.

**One of the most well-known short sellers was convicted of securities fraud.** Andrew Left, whose firm Citron Research earned fame (and enmity) by taking short positions on companies before publishing research showing that the companies had engaged in accounting and other types of fraud, was convicted of market manipulation. Citron had made a number of correct calls, on companies like China Evergrande, for example, but Left was convicted for social-media posts that were found to have a manipulative intent. Left said he would appeal.

**And finally:** Among other things, Tokyo is famous for being one of the cleanest big cities in the world. In efforts to make sure tourists do their part to keep it that way, city officials are deploying squads of officials to enforce anti-littering laws in tourist hotspots such as the famed Shibuya Crossing. Anyone caught littering will be fined JPY 2,000 (~USD \$12.50) on the spot. Japan is among the countries grappling with the problem of overtourism, with the number foreign visitors to Japan skyrocketing since the end of the Covid-19 pandemic.

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## Important Events

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NY Fed 1yr Inf Expectations, May  
Prev.: 3.64%

Mon, Jun 8 11:00 AM ET

Core CPI MoM, May  
Est.: 0.3% Prev.: 0.4%

Wed, Jun 10 8:30 AM ET

Core PPI MoM, May  
Est.: 0.5% Prev.: 1.0%

Thu, Jun 11 8:30 AM ET

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