

Weekend Alpha

## Stocks Boosted By U.S. And Iran Signing Interim Pact

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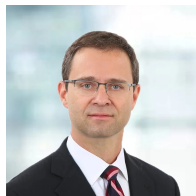
Thomas Lee, CFA<sup>AC</sup>

HEAD OF RESEARCH

- Many are viewing the first Kevin Warsh post-FOMC presser as hawkish, but our careful review of the event suggests that he is neither hawk nor dove, but our view is that he is navigating dynamically.
- SpaceX has performed since its IPO as we expected. It's worth keeping mind that the relatively small size of the current float – about 1/50th that of Nvidia, for example – is partly why we do not view the IPO as marking a top for the market.
- We continue to view this as one of the most-hated V-shaped rallies and we maintain our overall constructive view for the year.

[Read the Latest Macro Minute Video](#)

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

HEAD OF TECHNICAL STRATEGY

- Near-term U.S. equity trends remain bullish, and the constructive framework from last week's interim-deal reaction is still intact even after yesterday's FOMC meeting under new Chair Kevin Warsh brings a bout of chop. I'd be careful reading too much into the market's reaction after the FOMC.
- SPX has just backed and filled from Monday's highs into Fibonacci support, the kind of minor consolidation I flagged rather than the start of a larger setback, which still looks postponed until late summer.
- A reopening Strait arguably should pull crude, inflation, long rates, and the Dollar lower, even as the equity momentum trade stays resilient. My work leads me to conclude that it's technically right to lean bullish and use this pullback to add exposure, with the June lows the level that I'm skeptical gets violated right away.

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Sean Farrell <sup>AC</sup>

HEAD OF DIGITAL ASSET STRATEGY

- After the FOMC, 2-year yields rose while 2-year inflation swaps fell, suggesting that higher rates are increasingly reflecting real growth expectations rather than inflation fears. That keeps the Fed hawkish today, but if market indicators of inflation expectations continue to improve, it could eventually create the conditions for a more dovish policy response later in 2H. Near term, that is a headwind for crypto as the market adjusts. Medium term, it remains one of the more constructive developments to monitor.
- The risk-reward has improved materially over longer timeframes, liquidity trends appear to be moving in the right direction, and crypto is once again becoming a non-consensus asset class.
- I continue to think a trader's market remains the most appropriate framework. Broader macro positioning remains sufficiently optimistic that I am not yet rushing to deploy dry powder aggressively. Taken together, I find myself incrementally more constructive than I was several weeks ago. However, I still favor a flexible, tactical approach over a high-conviction directional bet.

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L. Thomas Block

WASHINGTON POLICY STRATEGIST

- Kevin Warsh led his first FOMC meeting as the new Fed chair, reiterating the Federal Reserve's commitment to price stability while signaling the creation of several task forces to review some of the processes and traditions of the central bank.
- Iran and the U.S. have signed a Memorandum of Understanding to stop the war, though talks to iron out the details could go on for 60 days or more.
- There appears to be disagreement within the Republican party about whether the MoU was a good deal for the U.S. or not.

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## STOCKS BOOSTED BY U.S. AND IRAN SIGNING INTERIM PACT



**Hardika Singh**

ECONOMIC STRATEGIST, MARKET INTELLIGENCE

### Key Takeaways

- The S&P 500 added 1% to close the week at 7,500.58. The Nasdaq Composite also rallied 2.7% to 26,517.93. Bitcoin was at USD \$62,921.50 on Thursday afternoon.
- Fundstrat Head of Research Tom Lee said that Fed Chair Kevin Warsh is neither hawkish nor dovish, explaining that he is dynamically navigating.
- Head of Technical Strategy Mark Newton said that expanding market breadth bodes well for the sustainability of the gains.

*“You gotta play every game like your last.” — Jalen Brunson*

Good evening,

The U.S. and Iran have begun working toward a long-term peace path, sending stocks higher and oil prices lower.

The S&P 500 added 1% this week, with the broad-based index up 11 out of 12 weeks. The tech-heavy Nasdaq composite jumped 2.4% to 26,517.93. Oil prices, meanwhile, were at \$79.84 a barrel to close the week.

Through the Strait of Hormuz, oil has already started flowing. Vice President JD Vance said that tankers with more than 12 million barrels crossed the crucial waterway on Wednesday night. Lower energy prices

could slow down increases in inflation, which has complicated the Federal Reserve's plans for monetary policy lately.

While the central bank held interest rates steady at the conclusion of its Wednesday meeting, nine of 19 Fed officials projected an interest-rate hike this year, up from none in March. According to Fundstrat's Head of Technical Strategy Mark Newton, that hawkish take won't be what investors care about. In his view, they'll focus more on the peace deal instead.

"There should be a tug of war between the hawkish forces of a war-led Fed against Trump's MoU with Iran," Newton said during the weekly huddle. "I feel honestly that the latter is going to win out as being a source of positivity for the market and could actually drag down yields and the dollar based on crude oil continuing to pull lower."

He estimates that crude oil is going to fall more in the near term to around \$65, after which there will likely be a bounce before oil heads back lower to potentially \$40-\$50. He is underweight on energy stocks the rest of the year.

If that scenario ends up playing out, it'll likely be welcomed by the new Fed Chair Kevin Warsh, who is under a lot of pressure from market participants to get inflation under control.

According to his presser on Wednesday, there are big changes incoming at the Fed. Warsh didn't participate in the longstanding tradition of filling out the dot plot, leaving that for the rest of the FOMC members. Investors interpreted the move as part of his broader push to remake the Fed and step away some from forward guidance.

That, in and of itself, is not necessarily a bad thing, Head of Data Science Ken Xuan said.

"He likes to speak to the public, but he doesn't want to waste time," Xuan said. "He wants to say something only when it's important, which is fair. So I don't think less communication is bad. It means uncertainty. It actually

probably means the Fed just plays a less important, smaller role in the market's movement. It's not bad, in my opinion."

Head of Research Tom Lee highlighted in his Macro Minute videos this week that the cadence of communication that investors have grown accustomed to is actually not all that old.

"The history of the Fed was not really to communicate with the markets," Lee said. "That changed with Bernanke in 2007, where he published detailed summary economic projections for the first time."

Of course, the SEP existed before then and the Fed referenced it a lot, but it wasn't published in detail until 2007. And then in 2011, the Fed started to host press conferences after each quarterly release of the SEP. In 2019, the Fed started hosting press conferences after each FOMC meeting, a move started by the former chair Jerome Powell. Our Chart of the Week has more details:

## FOMC: Evolution of Fed communications



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Lee's read on the presser is also different from Newton's.

"I think he's navigating dynamically, meaning he's neither hawkish or dovish," he said.

The reason why Lee believes that is because of Warsh's interaction with *Wall Street Journal* reporter Nick Timiraos, who asked: "Chairman Warsh, you've said repeatedly credibility is earned by delivery. If credibility requires delivering, the move would be to tighten or at least threaten to. Now you, you didn't do that today. Why not?"

To that, Warsh replied: "The judgment you expressed was not expressed by any of the 19 people around the table. We'll be meeting in six weeks, and we'll take up that issue again."

Lee believes that ultimately, the Fed's going to have to realize the stock market is the economy.

Meanwhile, Newton said it's a good sign for the sustainability of the market's gains that sectors like industrials, financials, and discretionary are all snapping back, while tech stocks are also performing well.

"There has been this big bifurcation where tech is carrying all the weight and the rest of the sectors are not, and that has since started to change a little bit," he said. "This is generally a very good development that we've seen that has been lacking."

### **Elsewhere**

**Private-credit funds can't catch a break.** Requests from individual investors to pull their money out of the risky funds—including those from Blackstone and BlackRock—picked up in the second quarter, according to a *Wall Street Journal* story. In recent months, the entire industry has come under pressure from redemption requests skyrocketing, which has at times spread into the public markets, raising concerns about the broader systemic risks posed by opaque private markets.

**After an epic rally, SpaceX shares cooled off some,** tumbling 1.6% Thursday. Shares are, however, still up 35% from its set IPO price of \$135. There was no immediate news available that could explain what was behind the decline. Its bankers are planning to hold calls potentially next week to discuss a bond offering, expected to be at least \$20 billion, according to *Bloomberg News*.

**Federal Reserve Governor Lisa Cook has been fighting** a costly battle against President Trump's decision to fire her. Newly released financial disclosures show she received donations worth \$1.2 million to cover legal fees and another \$5,475 pro bono legal aid. The support came from non-government organizations like the State Democracy Defenders Fund and Contina Impact, along with personal friends.

**And finally:** New York City got to celebrate the Knicks' first N.B.A. championship trophy in 53 years on Thursday. Thousands of fans crowded Lower Manhattan in orange and blue to see the team. Mayor Zohran Mamdani handed out a ceremonial key to the Knicks owner Jim Dolan, and he also gave an inspirational speech tying the win to New York City's characteristics, saying that "the Knicks didn't just win for New York City, but like New York City."

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## Important Events

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### S&P Global US Manufacturing PMI

Est.: 54.8 Prev.: 55.1

Tue, Jun 23 9:45 AM ET

### New Home Sales

Est.: 640k Prev.: 622k

Wed, Jun 24 10:00 AM ET

### PCE Price Index MoM

Est.: 0.5% Prev.: 0.4%

Thu, Jun 25 8:30 AM ET

### GDP Annualized QoQ

Est.: 1.6% Prev.: 1.6%

Thu, Jun 25 8:30 AM ET

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