Weekend Alpha

Bets on Rate Hikes Recede, Boosting Stocks

Thomas Lee, CFA [AC]

HEAD OF RESEARCH

- July CPI was an in-line reading for the month-over-month, but it actually delivered what we expected, which is that the year-over-year was better, and it now means that nine of the last 10 CPI reports have been better than expected.
- In fact, I think the best evidence for that is that we know September Fed expectations have been dropping, but they were still stuck around 50%, and with today's report, they fell to 36%. And in our view, it's trending toward zero.
- For markets, we still stick by the view that we think we're going to hit new highs in August 7,900 to 8,000, as we've highlighted before. Equity markets have been flat for eight weeks prior to August.
- I think we're 95% through the de-leveraging of AI stocks, and again, it's reminding us of 1997 where ultimately Cisco made a huge move from 1997 to 2000.

[Read the Latest Macro Minute Video]

Mark L. Newton, CMT AC

HEAD OF TECHNICAL STRATEGY

- For now, it remains right to lean bullish into this test of all-time highs, aided by a stellar earnings period and ongoing evidence of solid economic strength, while the inflation picture has emboldened the FOMC’s recent non-action.
- Technology’s recent strength likely can help QQQ push up to test its all-time highs in the days ahead.
- The key risks involve crude and interest rates both starting to turn back higher, along with Technology growing ever closer to its former peaks on an equal-weighted basis, while NVDA, the largest weight in SPX, is just below its own important resistance.
- In the bigger scheme of things, both short-term and intermediate-term technicals remain quite bullish, but I sense that the next 2–3 months likely won’t prove as easy as the chart patterns are suggesting.

Read the Latest Daily Technical Strategy

Sean Farrell AC
HEAD OF DIGITAL ASSET STRATEGY

- Taken together, I think this week's inflation data reduce the probability that Fed Chair Warsh materially ramps up the hawkish rhetoric at Jackson Hole. I am not expecting him to declare victory on inflation, but the setup increasingly favors a net-dovish outcome relative to where expectations stood several weeks ago.
- The read-through for crypto is somewhat mixed. Broader risk assets responded well, but the majors again failed to participate meaningfully. That said, the areas of the crypto complex that have demonstrated relative strength in the past few trading sessions, including HYPE and select crypto equities (HOOD, FIGR, miners), should continue to perform.
- I think a meaningful amount of fear has been priced into the miners following the Texas/ERCOT developments and recent rise in long-term yields. Pair that with strong earnings and price action for neoclouds such as CRWV and NBIS (reflecting strong demand for compute), and I think the risk/reward is becoming increasingly compelling.

Read the Latest Digital Assets - Comments

L. Thomas Block

WASHINGTON POLICY STRATEGIST

- Congress is out of session with both the House and Senate back home as campaigning heats up. Before the Senate adjourned the break, they passed a Continuing Resolution (CR) to fund the government until after the election. It basically funded the government at the current levels, leaving big decisions such as resupplying the military until after the election.
- While the Senate approved the CR, the House must now act when they return at the end of the month. The plan is to pass the Senate bill under an expedited procedure called suspending the rules. The procedure has limited debate and doesn't require approving preliminary resolutions to get it to the floor.
- The hitch is that a suspension requires a two-thirds vote. The Republican leadership will need to work with the Democrats to get the votes needed to pass.

Read the Latest US Policy

BETS ON RATE HIKES RECEDE, BOOSTING STOCKS

Hardika Singh

ECONOMIC STRATEGIST, MARKET INTELLIGENCE

Key Takeaways

- The S&P 500 edged up 0.36% to 7,785.76 points this week, while the Nasdaq Composite added 0.14% to 26,729.16. Bitcoin was at USD 62,887.20 on Friday afternoon, down about 3.2% from Monday levels.
- Fundstrat Head of Research Tom Lee said that raising interest rates could actually worsen the Federal Reserve's credibility.
- Head of Technical Strategy Mark Newton said he doesn't see the recent up move in $DRAM lasting long.

"Human beings have a remarkable ability to accept the abnormal and make it normal."

— Andy Weir, Project Hail Mary

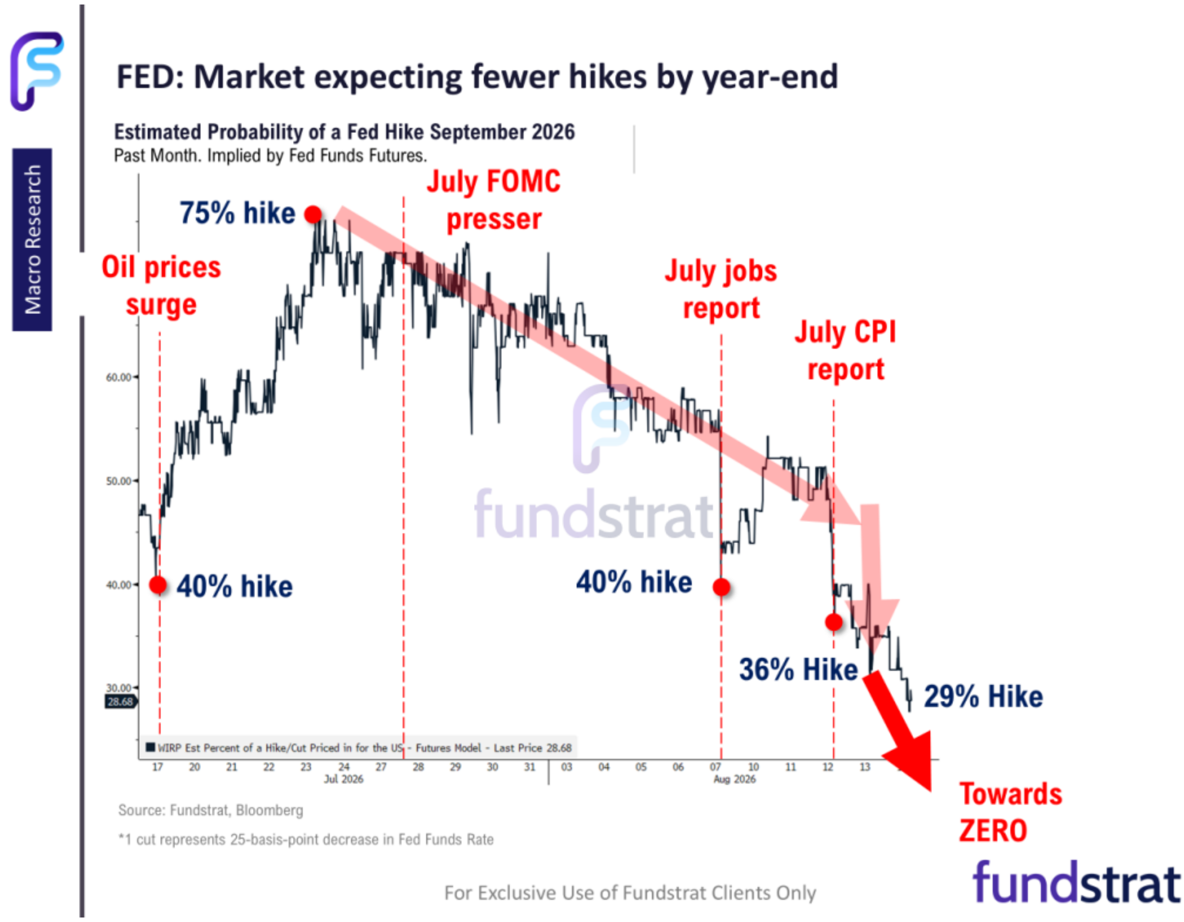
Good evening,

Stocks inched higher this week, driven by a weakening narrative for interest-rate hikes in September.

The S&P 500 finished the week up 0.36% to 7,785.76 points, off 0.2% from the fresh record of 7,798.99 hit on Thursday—putting the index on course to add 3.40% this month.

The push higher came after the July consumer-price index report on Wednesday came in-line with expectations, rising 0.1% from a month ago and 3.4% from a year ago. Monthly core CPI added 0.2%, while the annual rate was 2.5%. Producer-price inflation data on Thursday coming in below expectations further pushed investors away from the “inflation derangement syndrome,” which Fundstrat Head of Research Tom Lee has coined in recent days to describe the market’s propensity to latch onto an inflationary environment narrative.

Naturally, after the inflation reports, investors started expecting fewer hikes by the year-end. Odds of a September rate-hike, for example, were at 32.6% on Friday, compared to 44% a week ago, according to the CME’s FedWatch tool. Our Chart of the Week has more details:



According to Lee, there’s five reasons why a hike would be worse for Fed credibility: (1) Inflation’s already on “glide path” lower (2) A single hike would be viewed as a rollback of previous cuts (3) A hiking cycle will not slow AI spending, while high 10-year and 30-year Treasury yields already slow housing and durables (4) Both core PCE and core CPI from a year ago are declining (5) The Fed would be perceived as capitulating to the pundits.

Lee expects the S&P 500 will wrap up August between 7,900-8,000 points, especially because most of the bloodbath in AI stocks is over, according to him.

There are reasons to believe the future gains would not only be possible but also be sustainable. Eight out of the 11 sectors—excluding materials, consumer discretionary, and communication services—were in the green this week in a sign of broad-based rally. The small-cap focused Russell 2000, as well, hit new all-time highs this week alongside its large-cap peer, advancing 1.09% this week. Earnings season, which is mostly over, continues to defy expectations. And though there are still hostilities between the U.S. and Iran, investors remain focused on the fundamentals.

In corporate news, Nvidia announced a partnership with Apollo, BlackRock, Blackstone, Brookfield, Goldman Sachs, and KKR to “mobilize” over $500 billion with the goal of providing new sources of capital for AI purchases. Lee said the deal “brings independent capital to AI.” With the move, “Wall Street is financializing compute, essentially creating an asset class,” he said.

Lee believes the move could create additional liquidity and transparency for AI financing and lower the AI cost of funding, which would be a positive for AI stocks and the overall market. But still, concerns remain about Big Tech’s propensity to spend on AI infrastructure with little payoff.

“Until the Big Tech companies actually generate some major revenue from outside the AI ecosystem, there will be people arguing circular financing,” Head of Data Science Ken Xuan said during the weekly huddle. “But I’m positive. As Tom mentioned, if there's more investment in AI, it just makes the cost of financing lower, which is actually helpful."

Roundhill Memory ETF $DRAM, for example, has surged 13.3% this week.

Head of Technical Strategy Mark Newton isn't convinced that memory and storage stocks are back just yet. Though he is impressed by their "meaningful push off the lows," in the longer term, he still thinks that momentum rolled over pretty sharply over the span of 10 weeks. He expects to see some backing and filling before a bigger move up.

"This took us 10 weeks, so it's not something where over the next three months, I expect this to move up into those highs," he said.

Newton recommends the energy sector over the next month.

"I think it's short-lived tactical, but I do sense that we'll see some near-term outperformance from energy, and that directly coincides with crude rising," he said. He also suggests buying dips in the financials sector, expecting that the group is "gonna be fairly good in the weeks and months to come."

Elsewhere

Embattled financier Mark Walter agreed to sell his majority stake in the Los Angeles Lakers for $12.5 billion, raising much-needed liquidity at a time when criminal and civil investigations into private-credit investments made by insurance companies he controls into related-party entities are putting pressure on him to unwind some of those complex transactions and divest trophy assets. The stake in the Lakers was sold to Josh Kushner (a noted investor and brother of Jared) and former Disney chief executive Bob Iger. Walter had acquired the stake in the storied team from the Buss family for $10 billion in 2025.

The Intercept Media and the Freedom of the Press Foundation sued President Trump over Truth Social's decision to sell ultrafast access to the president's market-moving posts to trading firms. Though the access would deliver the posts "milliseconds" faster than the rest of the public, such a lead would likely be a material advantage for high-frequency trading firms. Trump has habitually disclosed new policies and decisions on the social media network that his family owns and controls, rather than through the more traditional channels used by his predecessors.

An 7.4 earthquake hit Colombia on Monday, and although 348 victims have been saved, the death toll had passed 285 by Friday and is expected to rise as the window for rescue closes. The quake, the most powerful to hit Colombia in a decade, was felt as far away as Ecuador, Panama, and Venezuela – itself the victim of a massive quake in June. This latest quake slammed into one of the most impoverished parts of Colombia, in the vicinity of San José del Palmar, Chocó.

The New York City Council announced an investigation into prediction markets, specifically Kalshi, Polymarket, Gemini Titan, and Coinbase. Council Speaker Julie Menin alleged that the four engaged in "deceptive and predatory" marketing practices to entice would-be bettors, particularly minors and young adults. The actions against the prediction markets open a new front that pits federal regulators over state and local authorities regarding jurisdiction over the new platforms.

The White House ordered a halt to the use of combination MMR vaccines, instead telling doctors to administer shots for measles, mumps, and rubella separately – citing repeatedly disproven claims about links between the vaccine and autism. Though the order gives the medical community 90 days to comply with the new policy, pharmaceutical companies said it would take years to implement the change, because separate vaccines have not been used in half a century, and passing a host of logistical and regulatory hurdles would be required to revive their manufacture.

And finally: The heat wave and drought slamming southern Europe has led to Nero's Bridge re-emerging from the significantly depleted waters of the Tiber River that surrounds Rome. Though the bridge is associated with the controversial fiddling Roman emperor, historians believe it dates back to an equally infamous emperor, Caligula. In its day, the bridge was part of Nero's Circus, an open-air venue used for chariot races and other outdoor public events – and later the site of St. Peter's martyrdom (and thus, where the Vatican would later be built.)

Important Events

Import Price Index MoM Est.: 0.1% Prev.: 0.3%	Tue, Aug 18 8:30 AM ET
Housing Starts Est.: 1350k Prev.: 1427k	Tue, Aug 18 8:30 AM ET
Initial jobless claims Est.: 210k Prev.: 209k	Thu, Aug 20 8:30 AM ET
S&P Global U.S. Manufacturing PMI Est.: 53.7 Prev.: 53.9	Fri, Aug 21 9:45 AM ET

Disclosures

This research is for the clients of Fundstrat Global Advisors only. For additional information, please contact your sales representative or Fundstrat Global Advisors at 150 East 52nd Street, New York, NY, 10022 USA.

Analyst Certification (Reg AC)

The research analysts denoted by an “AC” on the cover of this report, hereby certify that all of the views expressed in this report accurately reflect their personal views, which have not been influenced by considerations of the firm’s business or client relationships. Neither I, nor a member of my household is an officer, director, or advisory board member of the issuer(s) or has another significant affiliation with the issuer(s) that is/are the subject of this research report. There is a possibility that we will from time to time have long or short positions in, and buy or sell, the securities or derivatives, if any, referred to in this research.

Conflicts of Interest

This research contains the views, opinions and recommendations of Fundstrat. At the time of publication of this report, Fundstrat does not know of, or have reason to know of any material conflicts of interest.

General Disclosures

Fundstrat Global Advisors is an independent research company and is not a registered investment advisor and is not acting as a broker-dealer under any federal or state securities laws.

Fundstrat Global Advisors is a member of IRC Securities’ Research Prime Services Platform. IRC Securities is a FINRA registered broker-dealer that is focused on supporting the independent research industry. Certain personnel of Fundstrat (i.e., Research Analysts) are registered representatives of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. As registered representatives and independent contractors of IRC Securities, such personnel may receive commissions paid to or shared with IRC Securities for transactions placed by Fundstrat clients directly with IRC Securities or with securities firms that may share commissions with IRC Securities in accordance with applicable SEC and FINRA requirements. IRC Securities does not distribute the research of Fundstrat, which is available to select institutional clients that have engaged Fundstrat.

As registered representatives of IRC Securities, our analysts must follow IRC Securities' Written Supervisory Procedures. Notable compliance policies include (1) prohibition of insider trading or the facilitation thereof, (2) maintaining client confidentiality, (3) archival of electronic communications, and (4) appropriate use of electronic communications, amongst other compliance related policies.

Fundstrat does not have the same conflicts that traditional sell-side research organizations have because Fundstrat (1) does not conduct any investment banking activities, (2) does not manage any investment funds, and (3) our clients are only institutional investors.

This research is for the clients of Fundstrat Global Advisors only. Additional information is available upon request. Information has been obtained from sources believed to be reliable, but Fundstrat Global Advisors does not warrant its completeness or accuracy except with respect to any disclosures relative to Fundstrat and the analyst's involvement (if any) with any of the subject companies of the research. All pricing is as of the market close for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, risk tolerance, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies.

The recipient of this report must make its own independent decision regarding any securities or financial instruments mentioned herein.

Except in circumstances where Fundstrat expressly agrees otherwise in writing, Fundstrat is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice, including within the meaning of Section 15B of the Securities Exchange Act of 1934. All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client website, fundstrat.com. Not all research content is redistributed to our clients or made available to third-party aggregators or the media. Please contact your sales representative if you would like to receive any of our research publications.