ANALYST WEEKLY

Valentine's day and your portfolio

FEBRUARY.12. 2024

Summary

Valentine's Day investment thoughts

Valentine's Day is the latest test of the resilient consumer, that is keeping the world out of recession. It's the 5th biggest US consumer event of the year with avg. $182 spend. Candy the most common present but all-time-high cocoa prices making pricier. Other valentines related stocks, from flowers to cards, not well-represented, or good performing, in the stock market. The little-known 'Valentines Day' optimism technical effect can temporarily boost stock prices. See Page 4

S&P 500 touches the 5,000 milestone

S&P 500 index hit a psychological 5,000, up 20% from Oct, as Q4 earnings recovery broadens with high-profile DIS to ARM 'beats' taking growth to +8%. Services PMI drove US Q1 GDP NOWCast to big 3.4%. China stimulus hopes drove market up into the new year holiday. Investors rewarded dividend/buyback hikes from BP to F. SNAP leads disappointments See our 2024 Outlook HERE and twitter @laidler_ben. See Page 2

Productivity the only free lunch in economics

US seeing productivity boom driving 'immaculate disinflation' and helping S&P 500 earnings, with combo of rising wages, new tech adoption and government investment spending. See Page 2

Retail investors drive 'overnight effect'

Most S&P 500 returns historically made in less-liquid overnight session rather than in day. And most powerful in those assets most-owned by retail investors from TSLA to GME. See Page 2

Crypto catalysts as Bitcoin ETF dust settles

Bitcoin spot ETFs are already proportionately larger than gold ETF peers, whilst Bitcoin halving, Fed rate cuts, and the spot ETH ETF deadline are the next big looming catalysts. See Page 2

Natgas risk/reward is looking up

Prices slump under $2.00/MMBtu that historically been tipping point for lower supply and stronger demand to rebalance as LNG booms. See Page 2

BTC relief rally extends to $48,000

Bitcoin (BTC) recovery rally extends as the new spot ETF inflows are some of the strongest across all the $10 trillion ETF universe. Whilst total digital asset trading rises for fourth month, to $1.4 trillion. Ethereum (ETH) Dencun upgrade coming March 13. CEO of miner HUT steps down. See latest Weekly Crypto Roundup. See Page 3

Mixed commodity week as oil and cocoa rise

Divergence from Brent oil rising over $80/bbl., on Middle East tensions, whilst the US natgas price slump deepened to 25-yr low under $2/MMBtu. Cocoa hit a new all-time-high price on West Africa supply disruption. Palladium prices fell below platinum for the first time since 2018 on ICE car catalytic demand concerns. See Page 3

The week ahead: Inflation, profits, Valentine

1) Potential Jan. US inflation (Tue) relief to <3%. 2) US earnings wind down w/ KO, MAR, ABNB, DE, AMAT and AIR.PA to SONY. 3) UK with inflation est. >4% and latest resilient GDP as BoE pushes back on early rate cuts. 4) Valentine Day (Wed) consumer test. Population and commodity giant Indonesia election. China NY holiday. See Page 3

Our key views: Outlook for a different 2024

We see a stronger but very different 2024. Lower inflation and coming interest rate cuts as growth slows, and the earnings outlook idiosyncratically accelerates. Will drive an investor rotation from 2023 US and big tech winners to rate sensitive losers from Europe to real estate. See Page 5

Top Index Performance

	1 Week	1 Month	YTD
DJ30	0.04%	2.87%	2.61%
SPX500	1.37%	5.08%	5.38%
NASDAQ	2.31%	6.80%	6.52%
UK100	-0.56%	-0.69%	-2.08%
GER40	0.05%	1.33%	1.04%
JPN225	2.04%	3.71%	10.26%
HKG50	1.37%	-3.07%	-7.63%

*Data accurate as of 12/02/2024

Market Views

S&P 500 touches the 5,000 milestone

- S&P 500 index hit the psychological 5,000, up 20% from October, as Q4 earnings recovery broadens with high-profile 'beats' from DIS to ARM taking growth to +8%. Services PMI helped take US Q1 GDP NOWCast to big 3.4%. China stimulus hopes drove market into the new year holiday. Investors reward dividend/buyback hikes from BP to F. SNAP leads disappointments. See 2024 Outlook **HERE** See **Page 6** for resources and videos.

Productivity the only free lunch in economics

- US seen process of 'immaculate disinflation'. With economy and labour market resilient even as inflation plunged. Confounding those expecting recession and pushing S&P 500 into bull-market.

- The biggest unsung driver of this has been the recent doubling of US productivity growth. This is the only 'free lunch' in economics. With raised output-per-hour driving the economy up and allowing higher wages, without adding to inflation pressures. Whilst also driving an idiosyncratic earnings recovery, that is one of the two pillars of our positive view alongside rate cuts. **See Page 2**

Retail investors drive 'overnight effect'

- A peculiarity of modern markets is a vast majority of long-term S&P 500 returns coming in overnight trading, when many earnings and macro reports are concentrated. Rather than in better-known and more liquid day session. This 'overnight effect' is seen in other markets, from Canada to HK, and seems especially strong in assets most-owned by retail investors from TSLA to GME.

- Though this phenomena is tough to cost-effectively replicate and has performed less well recently. Possibly because 1)This effect has become better known 2) with more firms offering out-of-hours trading now, and 3) overnight news from China and Europe being recently poor. **See Page 2**

Crypto catalysts ahead as Bitcoin ETF dust settles

- The Jan. 10th spot Bitcoin ETF approval by US SEC, after decade-long wait, drove a round-trip in Bitcoin price. Soaring 50% in anticipation of the decision, before selling off below $40,000 after news. And now regaining some as ETF inflows built, with holdings proportionately larger than for gold ETFs.

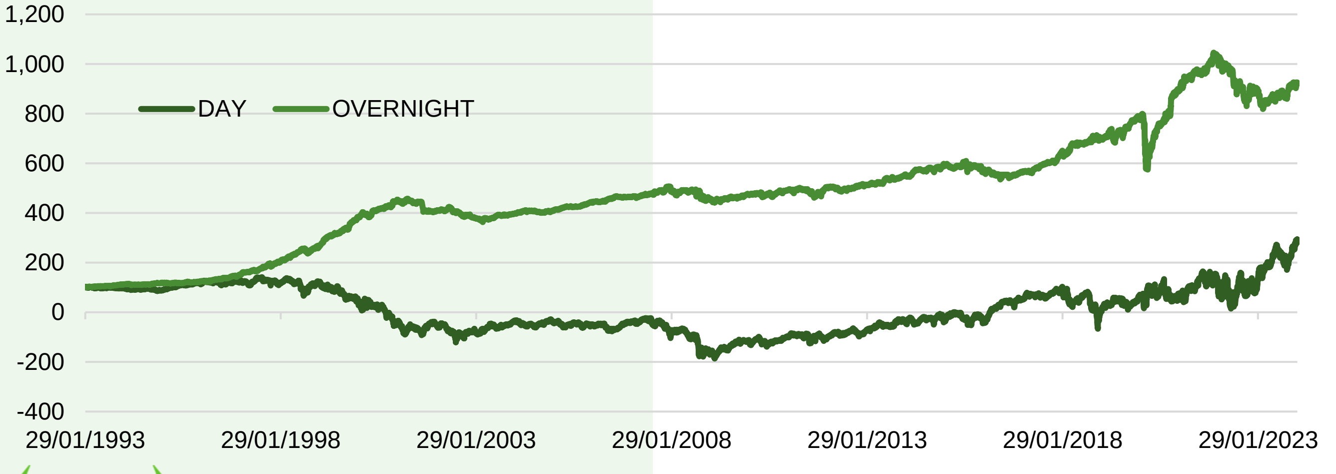
- And attention switching to three looming catalysts. With fourth Bitcoin halving, a first Fed interest rate cut, and potential Ethereum spot ETF approval. All are significant for what is the smallest, youngest, and most retail-dominated asset class. **See Page 2**

Natural gas risk/reward is looking up

- US natgas prices continued to plunge and below $2.00/MMBtu. This has been a nominal price seen only four times past 25-years. And acted as 'floor' that triggers a lower supply, and higher demand, response. Natgas is 2nd biggest constituent of the benchmark Bloomberg commodity index (DJP) and been a widow-maker asset with its price volatility.

- The market is now in a 'contango' of higher futures, and US EIA forecasting higher average prices at $2.65/MMBtu this year, with the combo of slowing supply growth and ramping LNG export capacity. The risk/reward is finally looking up. **See Page 2**

S&P 500 Day vs Overnight cumulative returns (1993=100)



Source: Refinitiv. Using SPY ETF prices. Illustration purposes only

Market Views

The Bitcoin relief rally extends

- Bitcoin (BTC) continued to enjoy a mini relief-rally after its post spot ETF approval sell-off. The new IBIT and FBTC ETF's have seen some of the strongest inflows of any ETFs in recent weeks, whilst the $20 billion incumbent GBTC has seen outflows, given its strong prior performance and its higher fees than the others.

- Total digital asset trading volumes were estimated at $1.4 trillion last month on recognised exchanges, a fourth month of gains.

- Other news saw the key Ethereum (ETH) Dencun upgrade set for March 13th. Whilst the CEO of listed miner Hut 8 stepped down under a cloud. See latest Weekly Crypto Roundup.

Mixed week even as oil and cocoa rise

- Energy commodities saw very mixed performance. With Brent crude rising back over $80/bbl. on higher Middle East tensions. Whilst US natgas prices fell below the key $2.0/MMBtu level only breached four times the past 25 years.

- Other assets also saw diverging performance. With cocoa hitting a new all-time-high on West Africa weather disruption. Whilst Palladium prices fell below platinum prices for the first time since 2018, as they suffer from a poorer outlook for catalytic converter demand for ICE cars.

- Indonesia goes to polls, where its dramatic nickel production growth has driven prices lower.

US Equity Sectors, Themes, Crypto assets

	1 Week	1 Month	YTD
IT	2.62%	10.79%	9.88%
Healthcare	1.60%	2.36%	5.19%
C Cyclicals	1.83%	4.76%	2.91%
Small Caps	2.41%	2.13%	-0.84%
Value	0.18%	1.56%	1.47%
Bitcoin	10.65%	1.61%	13.10%
Ethereum	8.31%	10.12%	7.91%

Source: Refinitiv, MSCI, FTSE Russell

The week ahead: US inflation, earnings, Valentine

1. January's US **inflation** (Tue) is the highlight, with hopes for new low <3% YoY, and to 0.2% MoM, to calm recent fears of an overly strong US economy leading to upside inflation and later rate cut risks.

2. US Q4 **earnings** season starts to wind down with KO, MAR, ABNB, DE, CSCO, AMAT and overseas heavyweights like AIR.PA and SONY. S&P 500 earnings are running +8% YoY and Stoxx 600 -8%.

3. The **UK** in focus with January inflation (Wed) est. >4%, and still among highest in developed world, and BoE pushing back vs early rate cut hopes. Whilst see if GDP reflects last upside PMI surprise.

4. Wed. **Valentine day** and **Indonesia** election. The world's 4th most populous nation and big battery materials producer likely to see Defence Minister win. Whilst **China** closed all week for NY holiday.

Our positive key views for 2024

- See a stronger 2024 performance as investors look ahead to the final <3% hard inflation yards, a slowing but not recessionary US economy, and coming mid-year interest rate cuts on both sides of the Atlantic. This is set to come alongside an idiosyncratic and broadening AI and profit margin led 10% US earnings growth acceleration.

- Early focus on defensive growth and long duration assets, from healthcare to big tech, and bonds to crypto. With coming big rotation away from the 2023 US and big tech winners to the interest rate sensitive 'losers' from Europe to real estate.

Fixed Income, Commodities, Currencies

	1 Week	1 Month	YTD
Commod*	0.29%	-1.03%	-1.72%
Brent Oil	5.39%	4.52%	6.20%
Gold Spot	-0.89%	-0.72%	-1.60%
DXY USD	0.15%	1.64%	2.71%
EUR/USD	-0.04%	-1.53%	-2.30%
US 10Y Yld*	14.48	22.38	28.66
VIX Vol.	-6.64%	1.81%	3.86%

Source: Refinitiv. * Broad Bloomberg index. * Basis points

Focus of Week: Valentine's Day and your portfolio

Some investment considerations for Valentines Day

February 14th is Valentine's Day, and the latest test of the resilient consumer. It also highlight the dramatic surge in cocoa, and sugar, prices. And lack of stocks offering exposure to Valentines themes, from flowers to gift cards. A historic 'Valentines Day' stock market effect is a lesser-known technical support for markets.

Valentine's the 5th biggest consumer event of the year with an average $182 spend

Valentine's Day is the 5th largest spending event of the year. After Back-to-School/College, Christmas, and Mothers and Father's Day. In the US romantics are forecast to spend a combined $26 billion, or an average $182 per person. This is the latest test for the resilient consumer that has near single-handedly kept the US out of recession. Helped by both strong job's growth and rising inflation-adjusted wages. Candy, cards, flowers, an evening out, jewellery and clothing are the most common gifts. Whilst 31% plan to buy their pets a Valentines gift. This is more than for friends (28%) or co-workers (16%).

Candy the most common present but all-time-high cocoa prices make more expensive

But that box of chocolates is going to cost more. US sweets inflation is running at more than twice the headline rate. Cocoa prices having doubled to all-time-high $5,200/ton in the past year. As El Nino drove harvest disruption in the dominant west African producers, Ivory Coast and Ghana. And it may get worse before it gets better. As manufacturers like Switzerland's Barry Callebaut (BARN.ZU) and Nestle (NESN.ZU) or the US' Hershey (HSY) run through there lower-priced inventory and must raise prices. Whilst West Africa producers wait for the next harvest in October, or years for new plantings to mature.

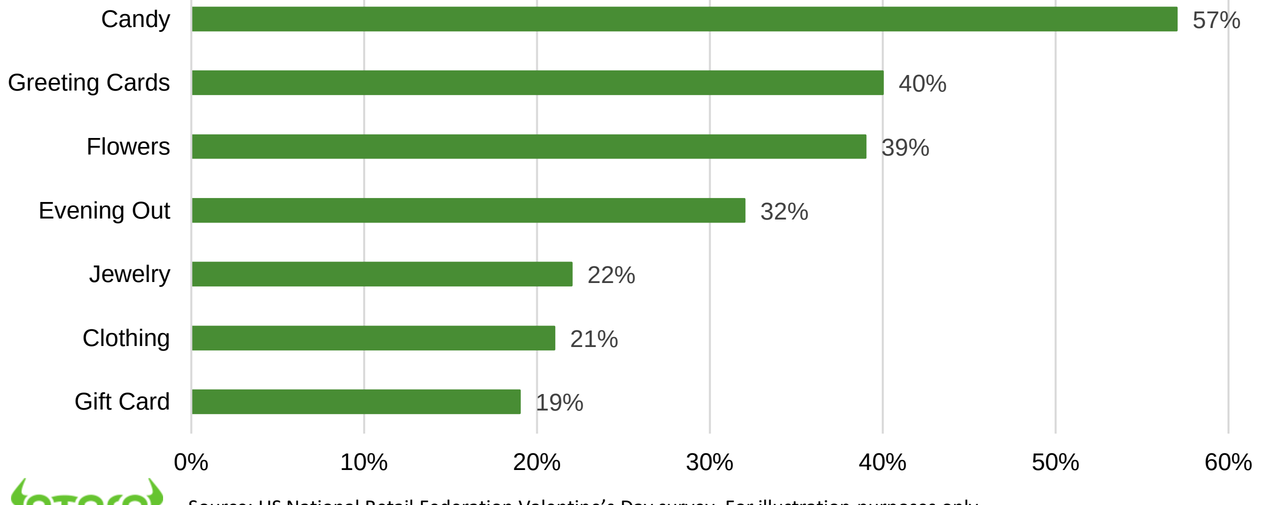
Valentines related stocks are not well-represented in the stock market

There are only a few chocolate related stocks, and this has been shrinking after Mars bought Hotel Chocolat. With very few others directly exposed to Valentine's trends. 1-800-Flowers.com (FLWS) is one of the few listed flower stocks but has a market cap under $1 billion and is guiding for near double-digit sales declines. Greeting cards is a similar story, with giants like Hallmark private and those in public markets, like the UK's Moonpig (MOONM.L), small and suffering since its 2021 IPO.

The little-known 'Valentines Day' optimism effect can boost stock prices

We think seasonality and technicals matter and have written about the 'Santa Rally' and 'Sell in May' effects. It's a complement to our fundamental analysis. Our Retail Investor survey shows many take these indicators seriously. There is a 'Valentine's day' rally effect driven by 'romantic sentiment' and consumer optimism. With evidence the S&P 500 gives over twice the typical return in the days leading to Feb. 14th.

Valentine's Day spending plans by category (%)



Source: US National Retail Federation Valentine's Day survey. For illustration purposes only.

Key Views

The eToro Market Strategy View

Global Overview	We see a stronger but very different 2024 rally than in 2023. With lower inflation and coming interest rate cuts as growth slows, and the earnings outlook idiosyncratically accelerates. This should drive an investor rotation from 2023 US and big tech winners to interest rate sensitive losers from Europe to real estate. See our 2024 Outlook **HERE** .

Traffic lights*	Equity Market Outlook
United States	World's largest equity market (60% of total) seeing strong but slowing GDP growth and <4% inflation, opening door to 4+ rate cuts starting mid-year. Earnings growth accelerating back to 10% with idiosyncratic AI and profit margin drivers. But Valuations already full and dominant big tech performed well. See rotation and leadership change.
Europe & UK	First into the 2023 economic slowdown, with Germany firmly in recession, and inflation plunged to 3%, setting ECB up for 4+ rate cuts this year, starting by mid-year. Against backdrop of already heavily discounted valuations and much more cyclical market, led by financials, and with earnings depressed and set to rebound later in 2024.
Emerging Markets (EM)	China, Korea, Taiwan dominate EM (60% wt), and more tech-centric than US. China a contrarian call with growth stabilising and policy easing, with valuations and sentiment very depressed. Rest of EM to benefit from similarly depressed valuations and poor sentiment, alongside benefits of lower interest rates and a weaker US dollar.
Other International (JP, AUS, CN)	Japan remains in focus with JPY rallying off world's most depressed levels as BoJ moves to slowly tighten policy, and equity performance in world's no3 market rotates from exporters to domestic sectors, alongside stronger growth. Australia and Canada held back by their commodity and financials heavy markets with little tech.

Traffic lights*	Equity Sector & Themes Outlook
Tech	'Tech' sectors of IT, communications, consumer discretionary (Amazon, Tesla), dominate US and China. Expect more subdued performance after huge 2023 outperformance, with earnings already growing strongly and valuations full. But are structural stories with good growth, high margins, fortress balance sheets, and AI tailwinds.
Defensives	In focus as economic growth slows along with interest rates and bond yields. Consumer staples, utilities, real estate attractive defensive cash flows, Healthcare most attractive, with cheaper valuations, more growth, and misspriced weight loss drug risks. Real Estate the most leveregaed sector and biggest rate cut beneficiary.
Cyclicals	We expect cyclicals - consumer discretionary (autos, apparel, restaurants), industrials, energy, and materials - to be the most positively benefitted by our base case macro view of a 2024 economic soft landing and significant interest rate cuts. Valuations are cheap, and earnings depressed and set to pick up significantly.
Financials	Similarly sensitive to base case of soft landing and rate cuts. Reduces loan loss risks and boost capital markets activity. Lower interest rates boost bond portfolios but trim net interest margins. One of the cheapest sectors, with significant dividend yield. Is biggest sector in Europe and much of EM.
Themes	A better year for high dividend yield, after huge 2023 underperformance, as interest rate competition eases. And for lagging and sensitive small cap, as economic growth bottoms and turns up, and valuation discount to large caps near record. Overweight Value rotation and recovery in 2024 vs Growth.

Traffic lights*	Other Assets
Currencies	USD to gradually be undermined by outlook for 4-6 Fed interest rate cuts during 2024, providing support to other currencies, commodities, EM, and US tech. JPY to benefit from slowly tightening BoJ policy and world's cheapest major FX valuation. EUR to see stronger 2H as leads 2024 growth recovery after ECB starts cutting rates.
Fixed Income	Prices to benefit from outlook for steadily easing inflation and policy rate cuts, after unprecedented three years of poor returns, focused on longer duration assets. Returns moderated by big pull forward of gains with Q4 2023 rally. Credit to benefit from economic soft landing.
Commodities	A better year after leading 2023 asset class losses. As Chinese growth stabilises as policy response builds, the USD weakens modestly as Fed cuts interest rates, and remains heavily under-invested on supply side with carbon transition demand picking up further. But held back by weaker US economic growth and demand.
Crypto	Supported by many 2024 catalysts, from spot ETF's for BTC and ET; the April BTC halving; mid-year Fed interest rate cuts; US accounting and Global bank reg changes to encourage ownership; and eventual central banks BTC ownership. All significant in context of still very small, very young, and very retail dominated asset class.

*Methodology:	Our guide to where we see better risk-adjusted outlook. Not investment advice.
Positive	Overall positive view and expected to outperform the asset class on a 12-month view.
Neutral	Overall neutral view, with elements of strength and weakness on a 12-month view.
Cautious	Overall cautious view and expected to underperform the asset class on a 12-month view.

Source: eToro

Analyst Team

Global Analyst Team			
CIO	Gil Shapira	**Italy**	Gabriel Debach
Global Markets	Ben Laidler	**Holland**	Jean-Paul van Oudheusden
United States	Callie Cox Bret Kenwell	**Iberia/LatAm**	Javier Molina
		Nordics	Jakob Westh Christensen
United Kingdom	Adam Vettese Mark Crouch Simon Peters	**Poland**	Pawel Majtkowski
		Romania	Bogdan Maioreanu
Germany	Maximilian Wienke	**Australia**	Josh Gilbert Farhan Badami
France	Antoine Fraysse Soulier		

Research Resources

Research Library

eToro Plus: In-Depth Analysis. Dive deeper into market insights: Read daily, weekly and quarterly summaries, catch up on the latest market trends and get the most recent, in-depth overview of markets.

Presentation

Find our twice monthly global markets presentation on the multi-asset investment outlook.

Webinars

eToro CLUB members can join our live Weekly Outlook webinars every Monday at 1pm GMT. Also see the other online courses and webinars.

Videos

Subscribe to our timely video updates on market moving events, and the 'week ahead' view

Twitter

Follow us on twitter at @laidler_ben,

COMPLIANCE DISCLAIMER