



GORDON T LONG
CO-FOUNDER MATASII.COM



Advanced Technical Analysis



Gordon T Long
Global Macro Research |
Macro-Technical Analysis



Technical Analysis
Market Road Maps | HPTZ
Methodology



SII
Global Macro Research |
Market Road Maps

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FALSE BELIEFS & MARKET SHOCKS



1929

Stock market
crash



1987

Black
Monday
crash



**1999
2000**

Dot-com
bubble



2008

Financial
crisis

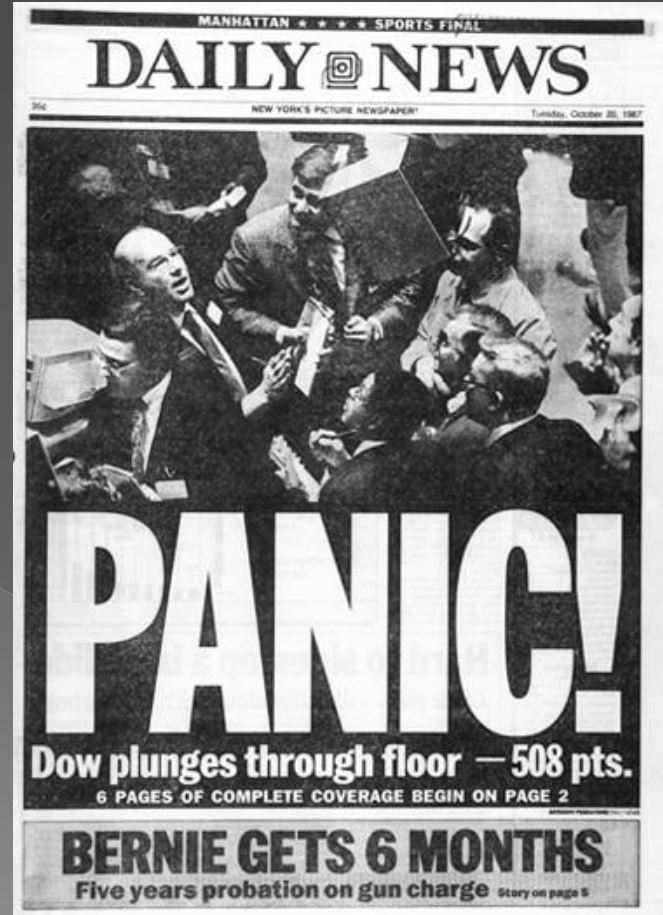


2020

Coronavirus
crash

AGENDA

- **WHAT COULD GO WRONG?**
 - FALSE BELIEFS & MARKET SHOCKS
- **HIGHER RATES FOR LONGER?**
 - HIGH VALUATIONS, MOMENTUM, STRONG ECONOMY
 - HAVE NEVER CUT RATES IN SUCH AN ENVIRONMENT!
- **THE INFLATION ILLUSION**
 - SERVICE INFLATION IS MORE THAN STICKY
 - UNPREPARED FOR SCARCITY
 - FAILED PUBLIC POLICY
 - NOT QE > “REVERSE TWIST?”
- **IGNORING THE WARNINGS?**
 - COULD RATES BE FORCED UP?
- **CONCLUSION**
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THE TRIFECTA

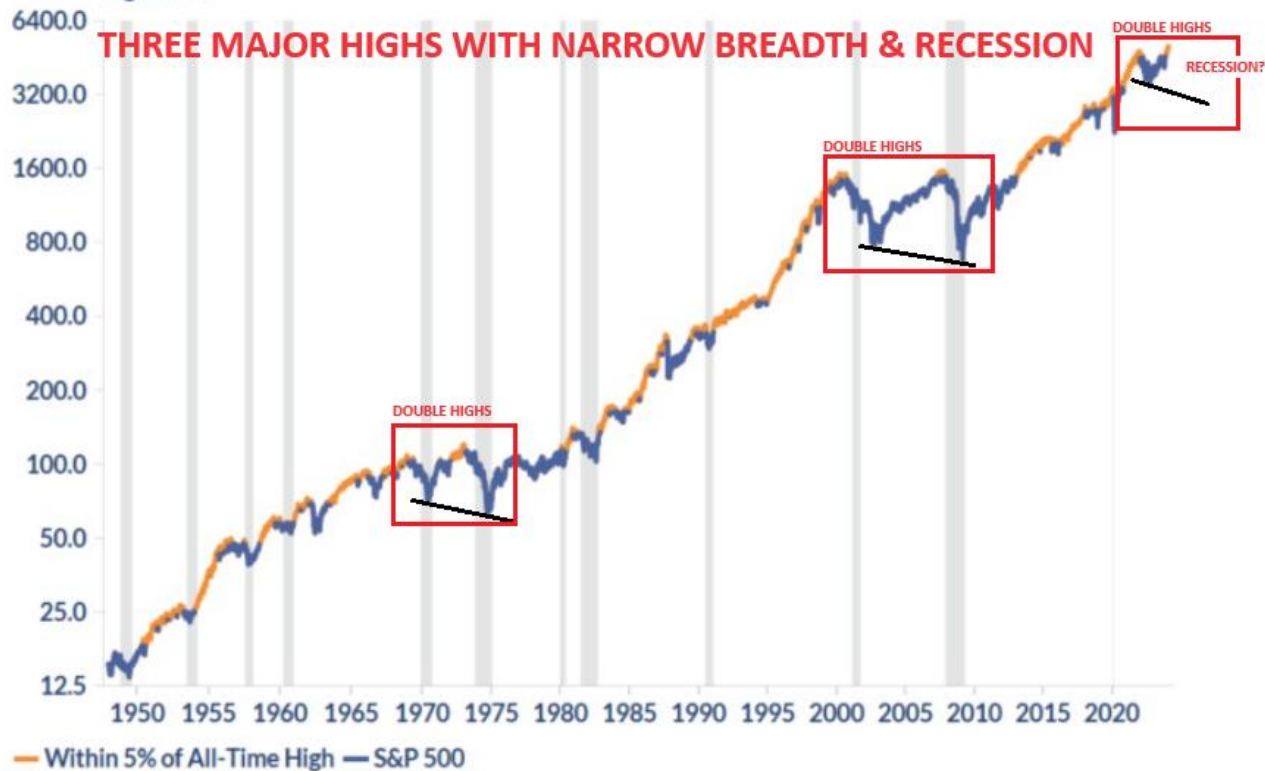
1- EXTREME NARROW BREADTH w/ PARABOLIC RISE

2- DOUBLE HIGHS

3- RECESSION on 2nd HIGH

S&P 500 has spent 42% of time within 5% of all-time highs since 1948

logarithmic



Source: Main Management, S&P Global, Macrobond

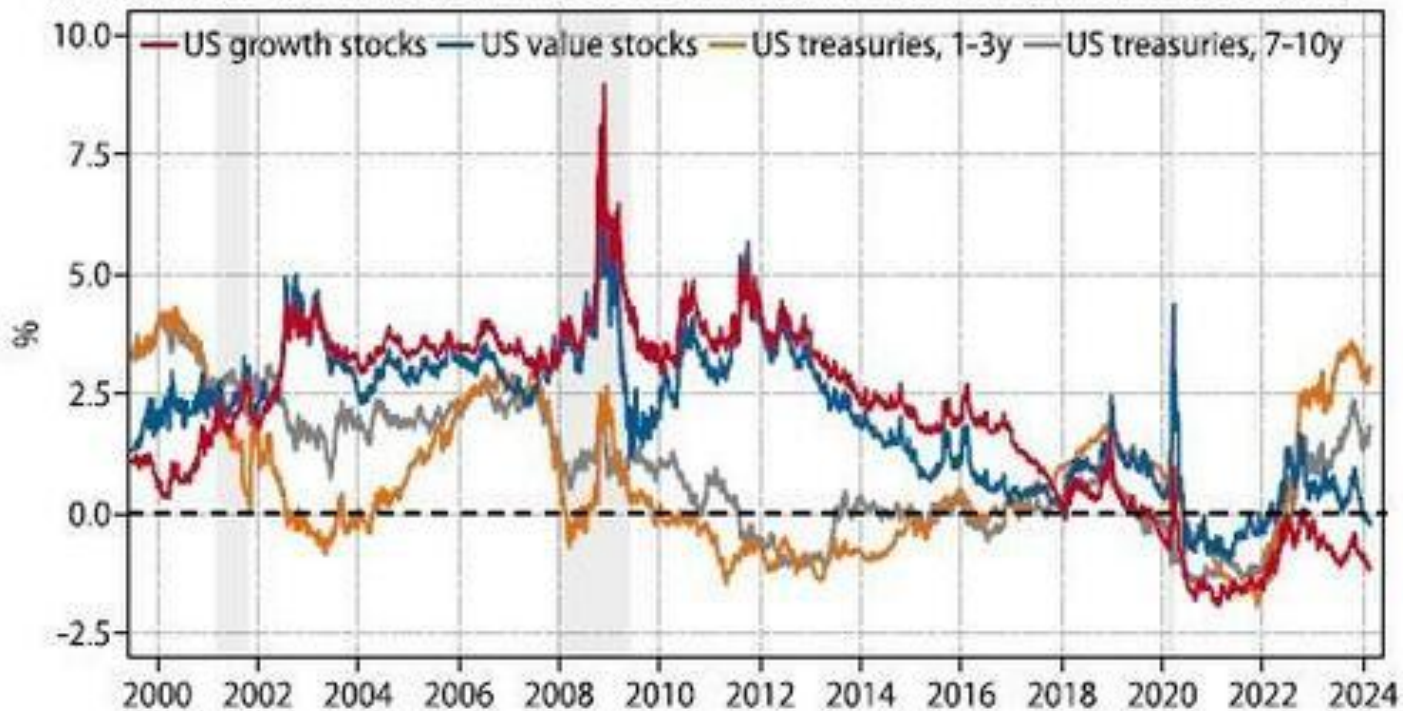
Top 50 vs Bottom 450



Past performance is no guarantee of future results. For illustrative purposes only.
Data source: Fidelity Management and Research Company

US growth stocks look very expensive relative to T-bills

Risk-adjusted real yields (est. earnings yields & bond yields deflated by inflation expectations)



Gavekal Research/Macrobond

Exhibit 1: S&P 500 Valuations – shading indicates that metric is statistically expensive relative to history (as of 2/22/24)

S&P 500 valuation metrics

Metric	Current	Average	Avg. ex. Tech		% Above (below)		Z-Score	History
			Bubble	Min	Max	avg		
Trailing PE	23.2	14.8	14.5	5.2	30.5	56.5%	1.7	1900-present
Trailing GAAP PE	27.6	15.1	14.8	4.2	122.4	82.5%	1.4	1832-present
Forward Consensus PE	20.8	15.8	15.0	9.8	25.1	32.0%	1.5	1986-present
Trailing Normalized PE	24.7	19.1	17.8	9.2	34.5	29.4%	1.1	9/1987-present
Median Forward P/E	17.3	15.5	15.3	10.0	21.9	11.4%	0.8	1986-present
Shiller PE	30.8	17.4	16.8	4.8	44.2	77.1%	1.9	1881-present
P/BV	4.7	2.7	2.5	1.0	5.3	76.9%	2.0	1978-present
EV/EBITDA	15.1	10.5	10.2	6.0	17.1	43.1%	1.9	1986-present
Trailing PEG	2.4	1.7	1.6	1.1	3.2	43.1%	2.1	1986-present
Forward PEG	2.1	1.4	1.4	0.9	3.5	44.7%	1.8	1986-present
P/OCF	17.0	11.3	10.7	5.4	19.3	50.3%	1.7	1986-present
P/FCF	29.5	27.8	25.0	12.9	65.7	5.9%	0.2	1986-present
EV/Sales	3.0	2.0	1.9	0.9	3.4	51.3%	1.8	1986-present
ERP (Market-Based)	563.0	504.8	521.2	136.0	880.0	11.4%	0.2	11/1980-present
Normalized ERP	231	384	432	-120	929	-40.0%	-0.8	1987-present
S&P 500 Div. Yld. vs. 10yr Tsy. Yld.	0.5	1.2	1.2	0.2	4.2	-62.6%	0.0	1792-present
S&P 500 in WTI terms	49.3	26.9	24.7	2.7	175.3	83.0%	36.4	1960-present
S&P 500 in Gold terms	2.2	1.6	1.4	0.2	5.5	34.7%	0.0	1968-present
S&P 500 vs. R2000 Fwd. P/E	1.4	1.0	1.0	0.8	1.7	35.3%	0.3	1986-present
S&P 500 Market Cap/GDP	1.27	0.66	0.63	0.22	1.64	92.5%	3.0	1964-present

Source: S&P, Compustat, Bloomberg, FactSet/First Call, BofA US Equity & Quant Strategy

*Above average implied equities are attractive relative to bonds. Note: Trailing P/E based on GAAP EPS from 1900-77, Operating EPS from 1978-87, Pro forma EPS 1988-now. Trailing GAAP P/E based on GAAP P/E for entire series. Market-based ERP based on DDM-implied S&P 500 return less AAA corp bond yield. Normalized ERP based on normalized EPS yield less normalized real risk-free rate.



**BE NOT DECEIVED
WITH THE FIRST
APPEARANCE OF
THINGS, FOR SHOW
IS NOT SUBSTANCE**

Proverb

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**“It is not a shame
to be deceived;
but it is to
stay in the
deception.”**

Olivia

**Nothing is so difficult
as not deceiving
oneself.**

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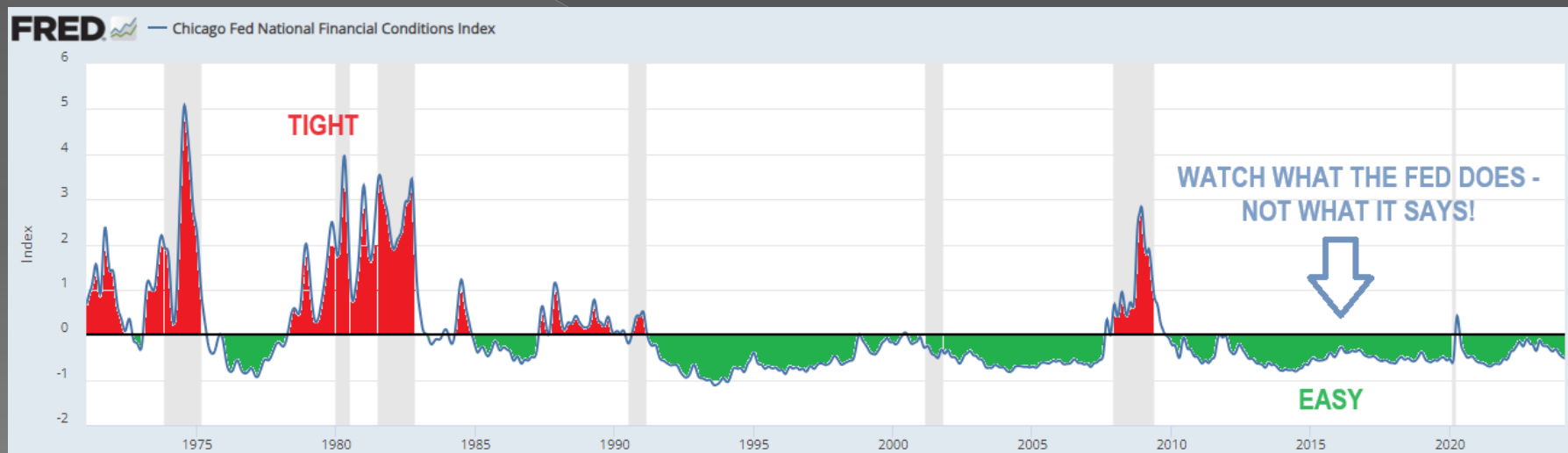


MARKET JUST DOESN'T BELIEVE THEM!

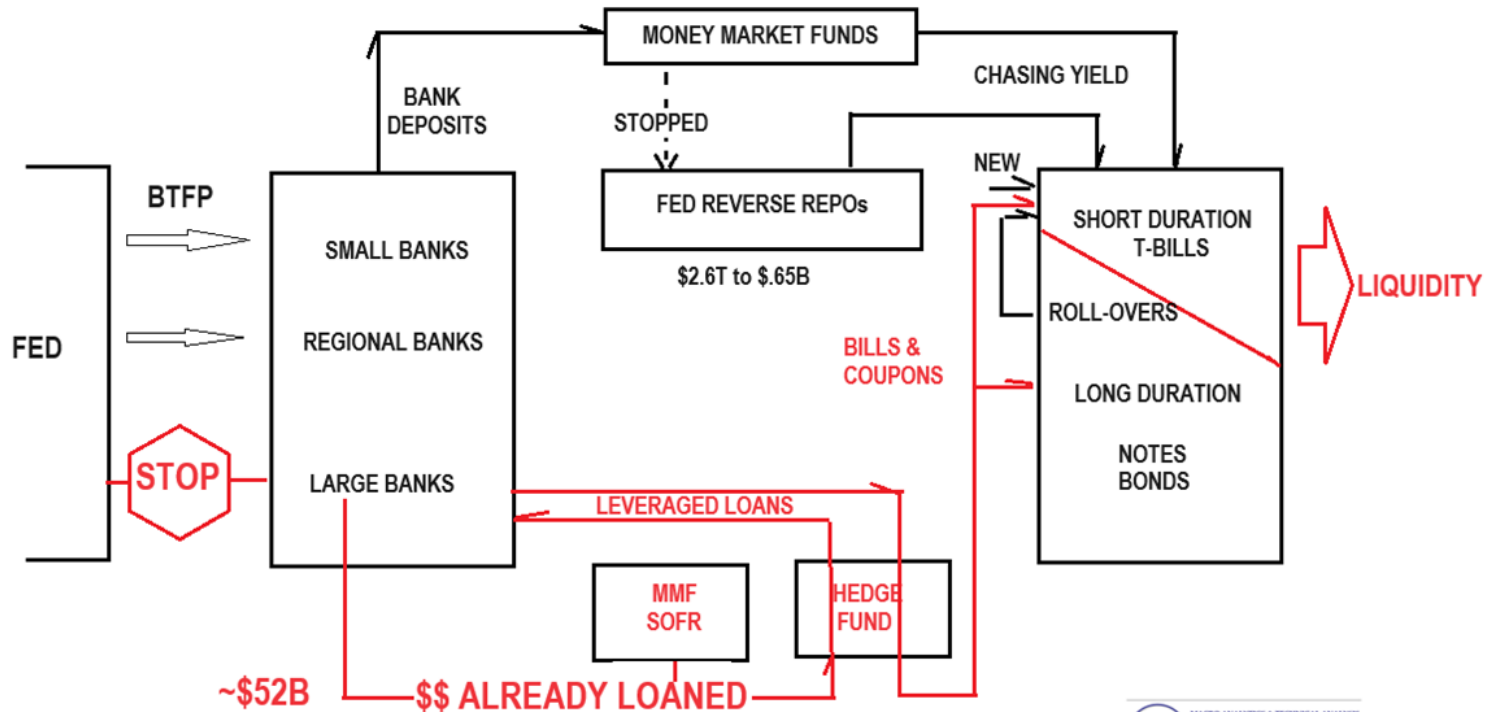
- **Fed Chair Powell** is *expected to double down on his message that there's no rush for the Fed to cut rates* when he delivers in semi-annual testimony to the House committee and a Senate panel on Wednesday and Thursday, respectively, according to Bloomberg.
- **Fed's Bostic (2024)** said on Friday that he is "grateful" for inflation progress but the "job is not done" and Fed staff are having a debate about the efficacy of policies. Bostic also said *they need to hold rates higher for longer than you'd think and can't afford to ease up and assume services inflation will cool.*
- **Fed's Kugler (voter)** said on Friday that signs firms are adjusting prices slower bolsters disinflation confidence and she is 'cautiously optimistic' inflation will fall without job market damage, while she added the Fed are *laser-focused on bringing inflation down to 2%.*

DON'T BELIEVE THE NARRATIVE!

The Fed's own data tells all you need to know!!!

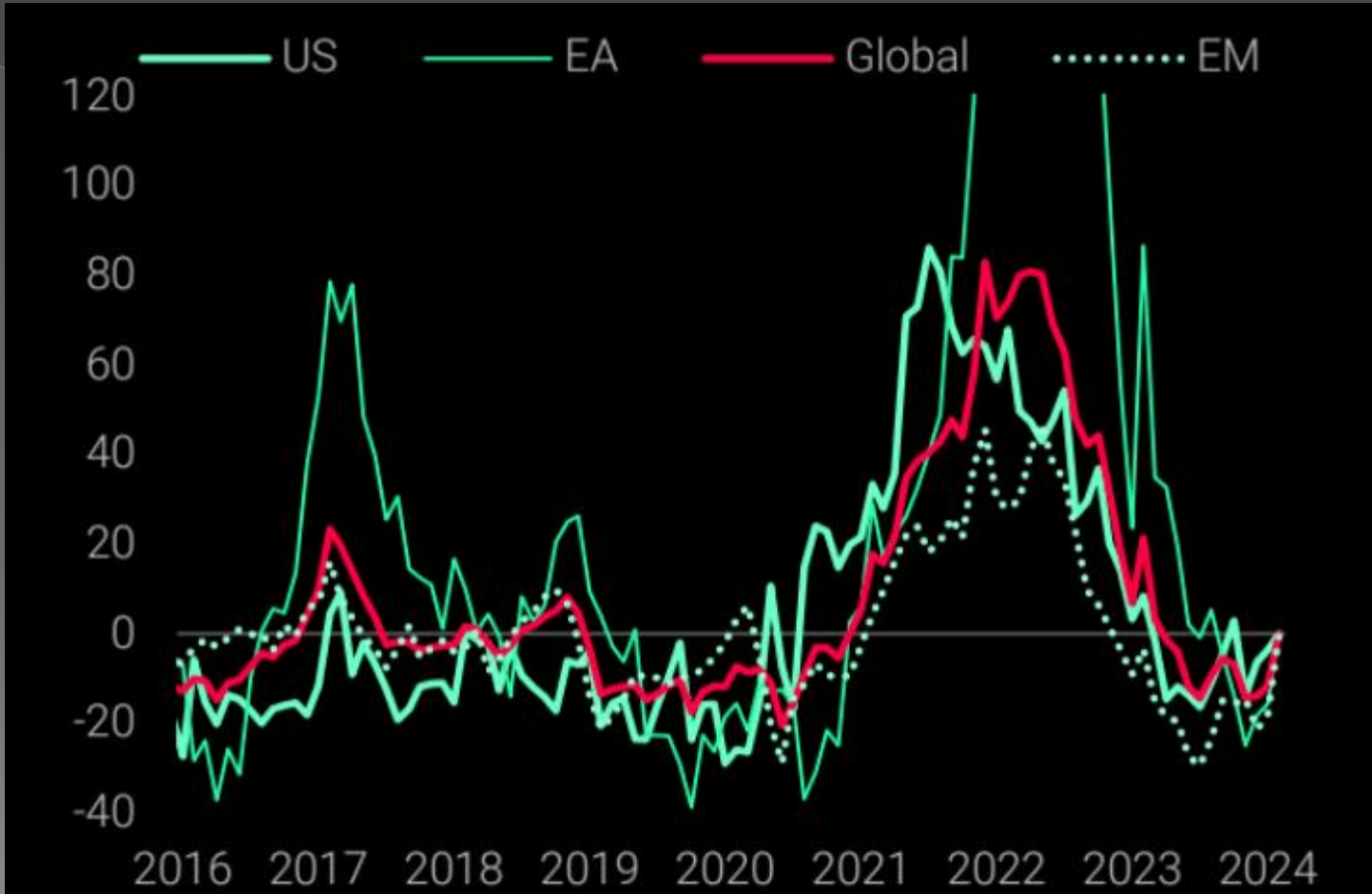


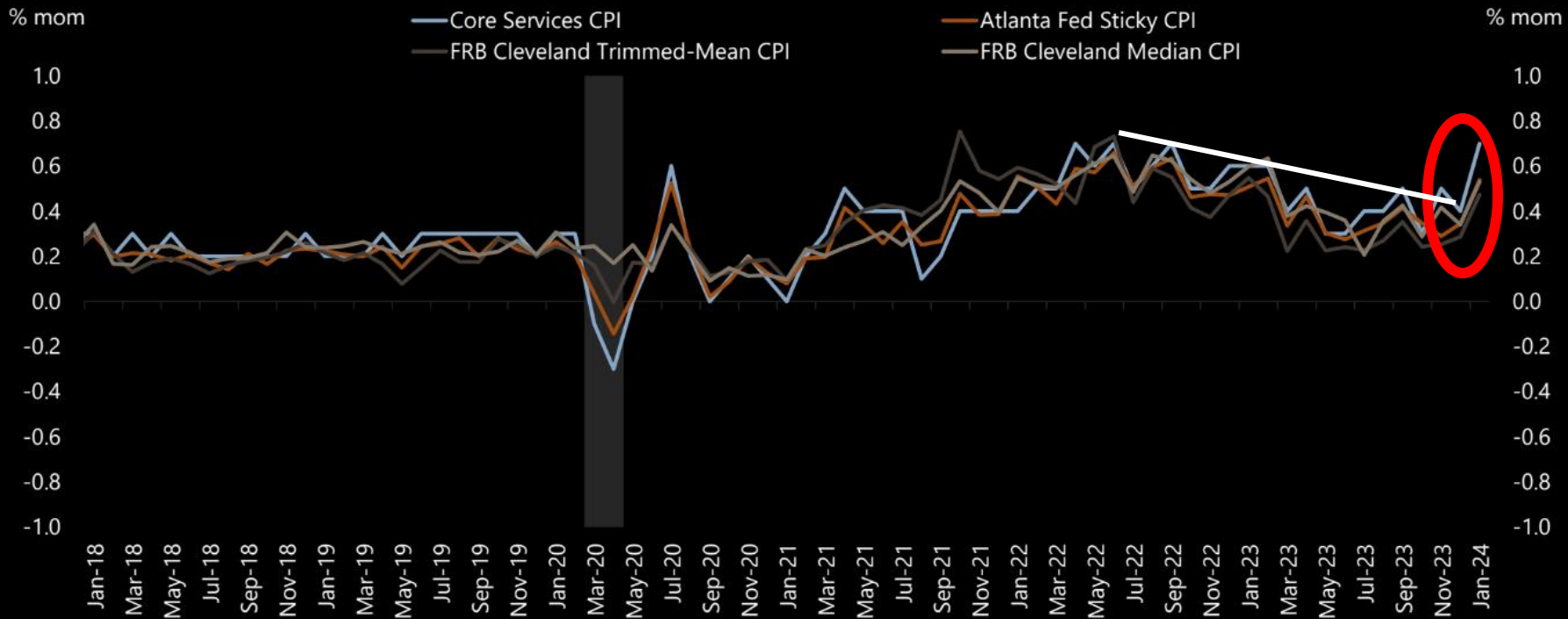
STAGE I



STAGE II

~\$52B \$\$ ALREADY LOANED





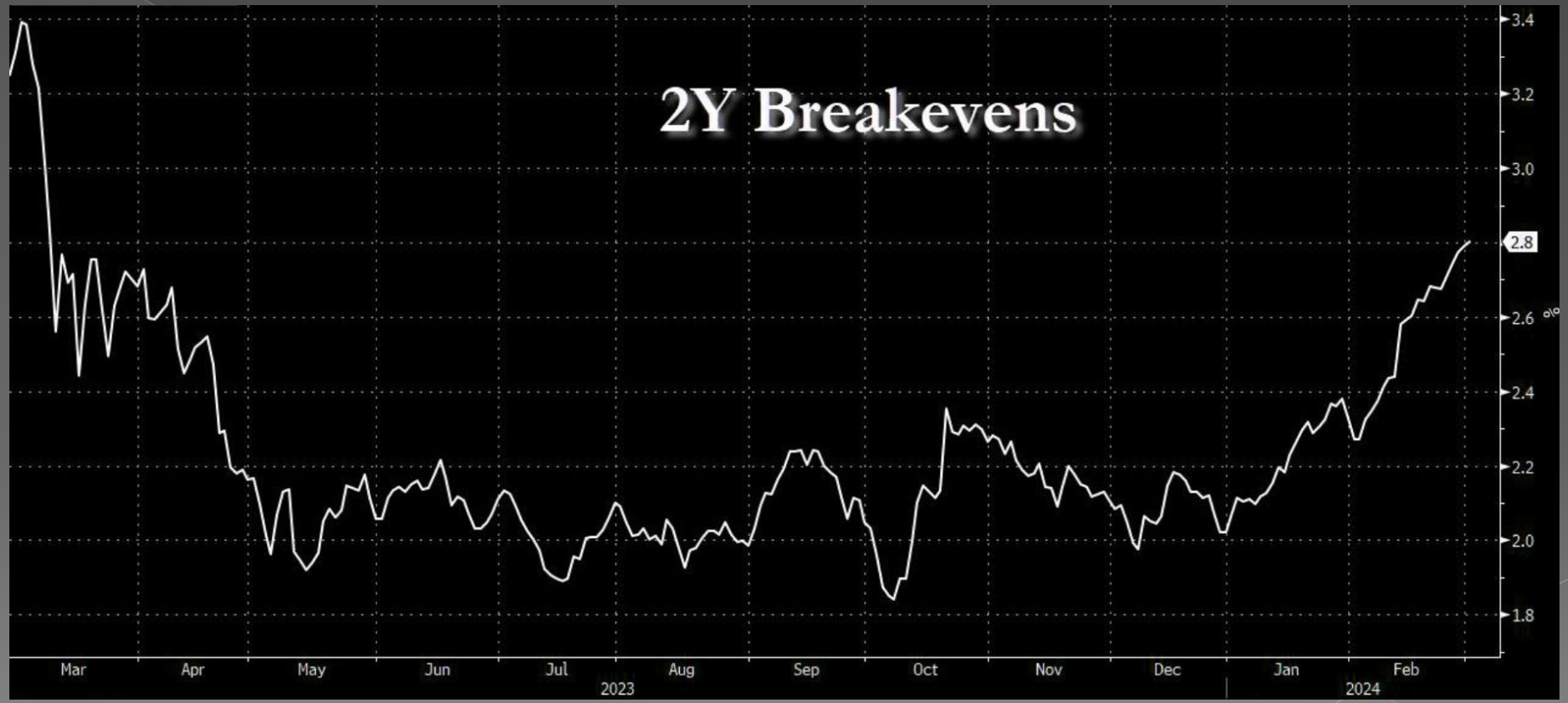
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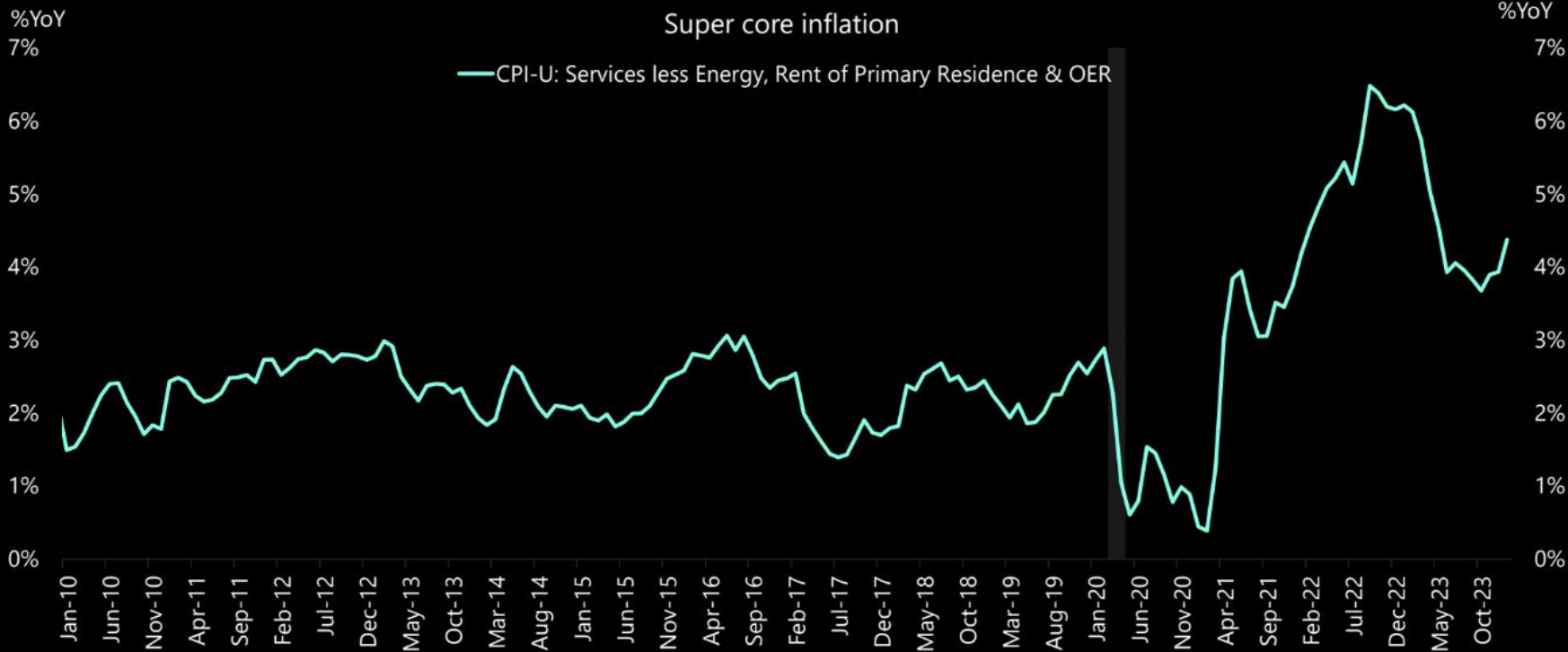




2Y Breakevens



Super core inflation



Core PCE 3M and 12M

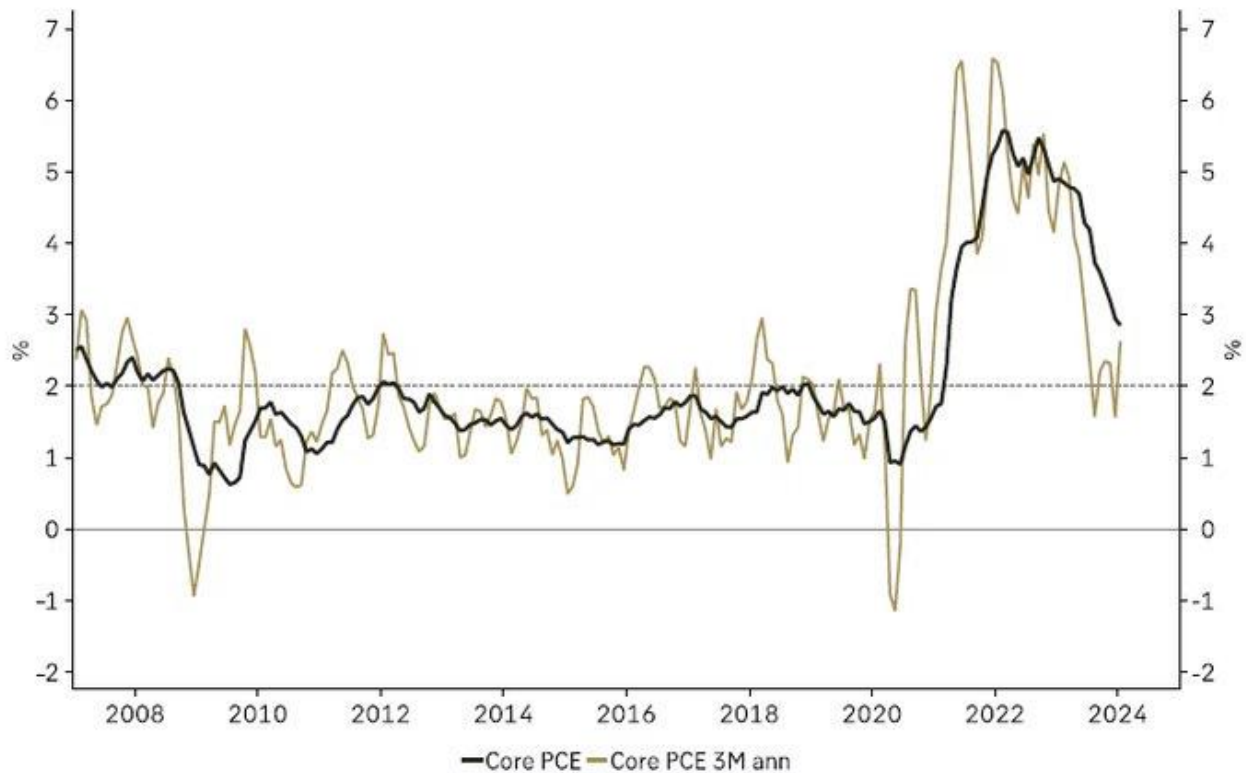
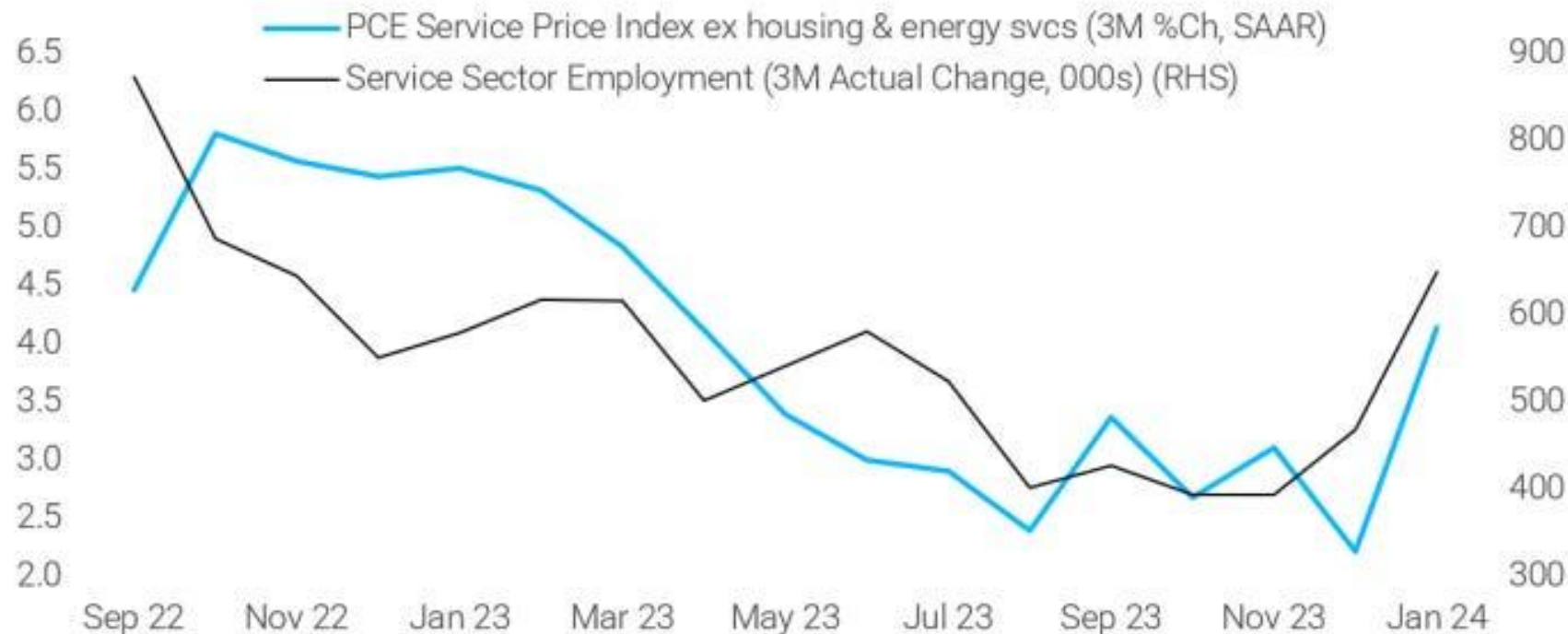


Chart 2 Growth and service inflation run together



Source: BEA, BLS, GlobalData, TS Lombard

Chart 4 Total real wages per capita continue growing fast than trend



Source: BEA, GlobalData. TS Lombard

The S&P 500 climbs right along with real per capita wage and salary disbursements. Perhaps a spurious correlation, more likely not. After all, earnings and spending and employment are inextricably linked.

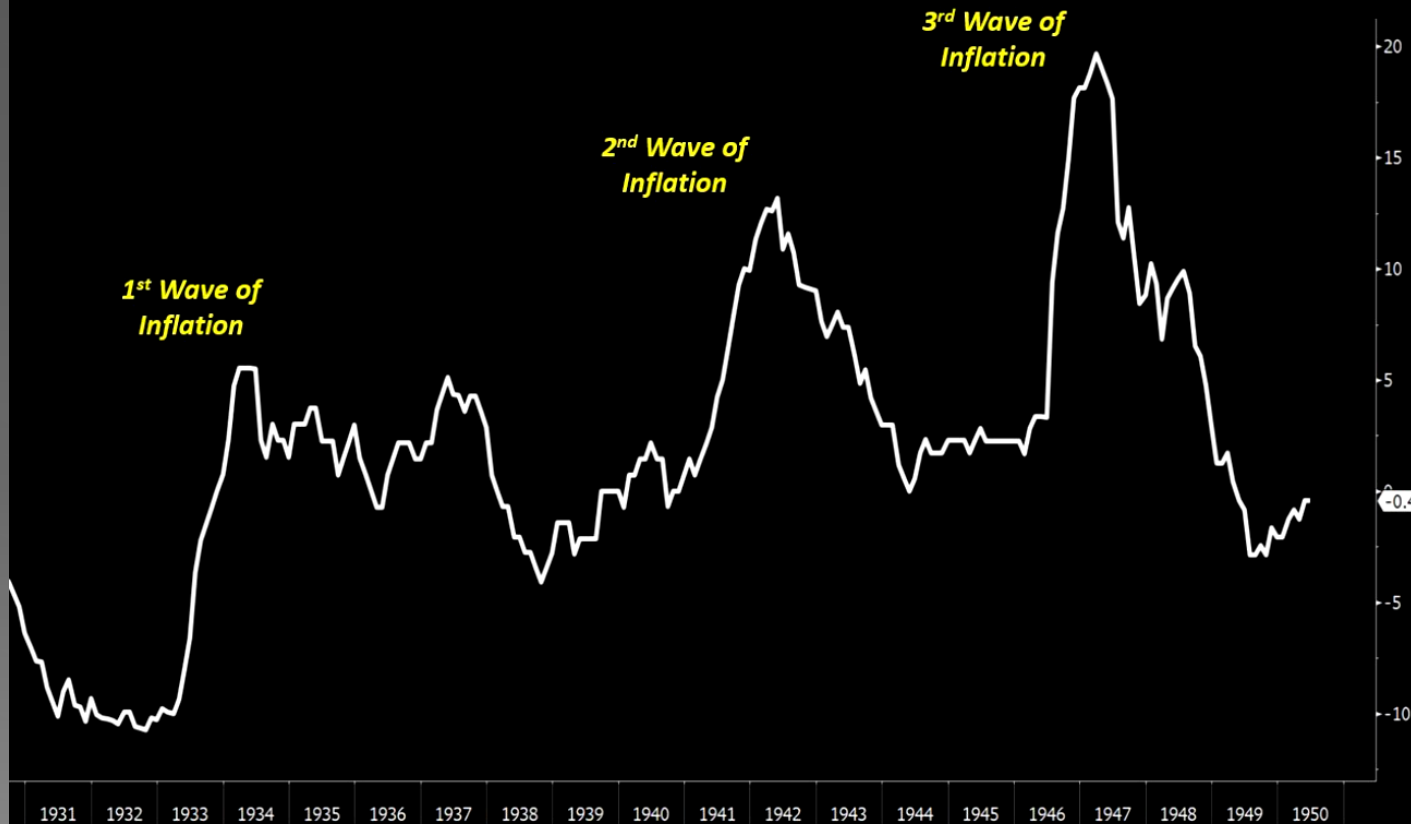
The Three Inflationary Waves of the 1970s



Source: Bloomberg; Tavi Costa

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The Three Inflationary Waves of the 1930s & 1940s



Source: Bloomberg; Tavi Costa

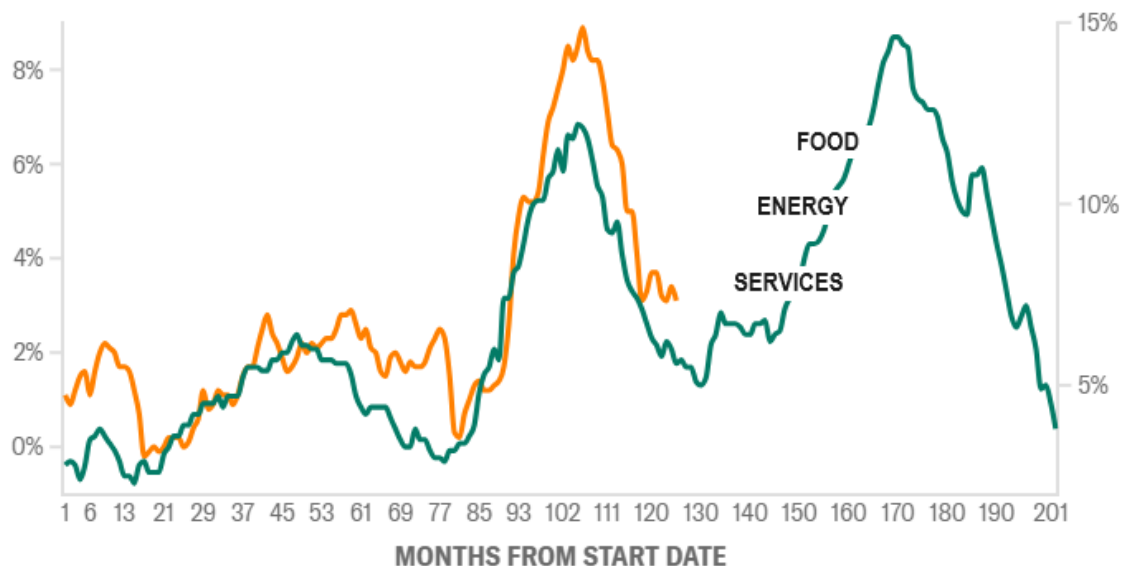
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THE STARTLING SIMILARITIES BETWEEN 1966-1982 AND THE PRESENT

CPI year-over-year change, 1966-1982 vs 2013-present

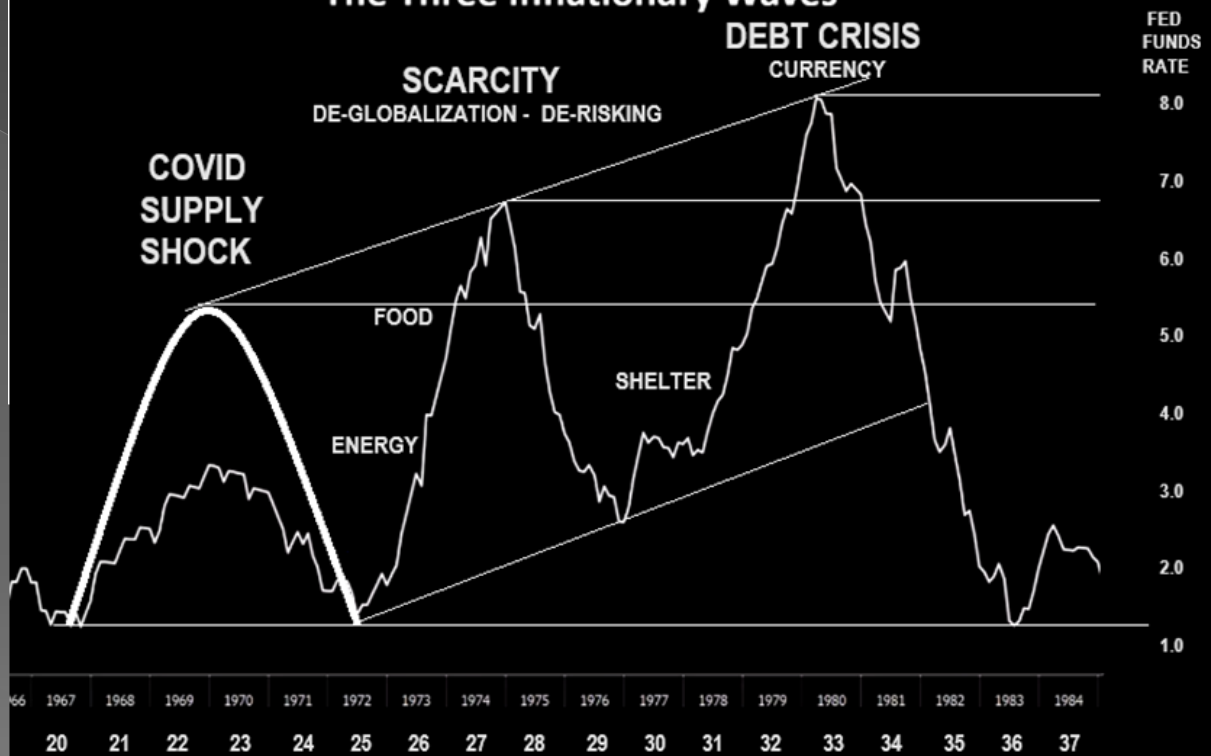
CPI YOY CHANGE, 2013-PRESENT

CPI YOY CHANGE, 1966-1982



SOURCE: BUREAU OF LABOR STATISTICS; MARKETGAUGE.COM
VIA MICHELE SCHNEIDER

The Three Inflationary Waves



STAGNATION STAGFLATION HYPERINFLATION

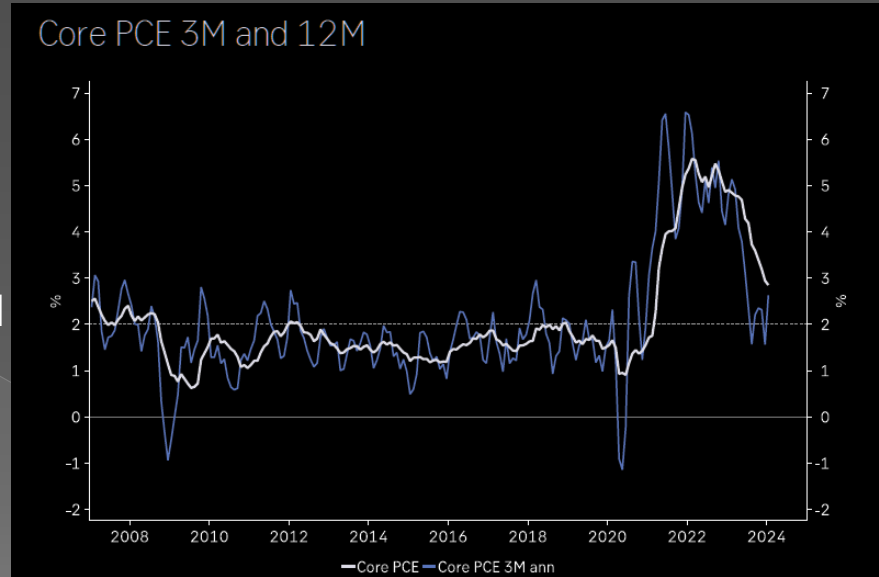
BETA DROUGHT DECADE

WE ARE A SERVICE ECONOMY

Services are hugely important!.

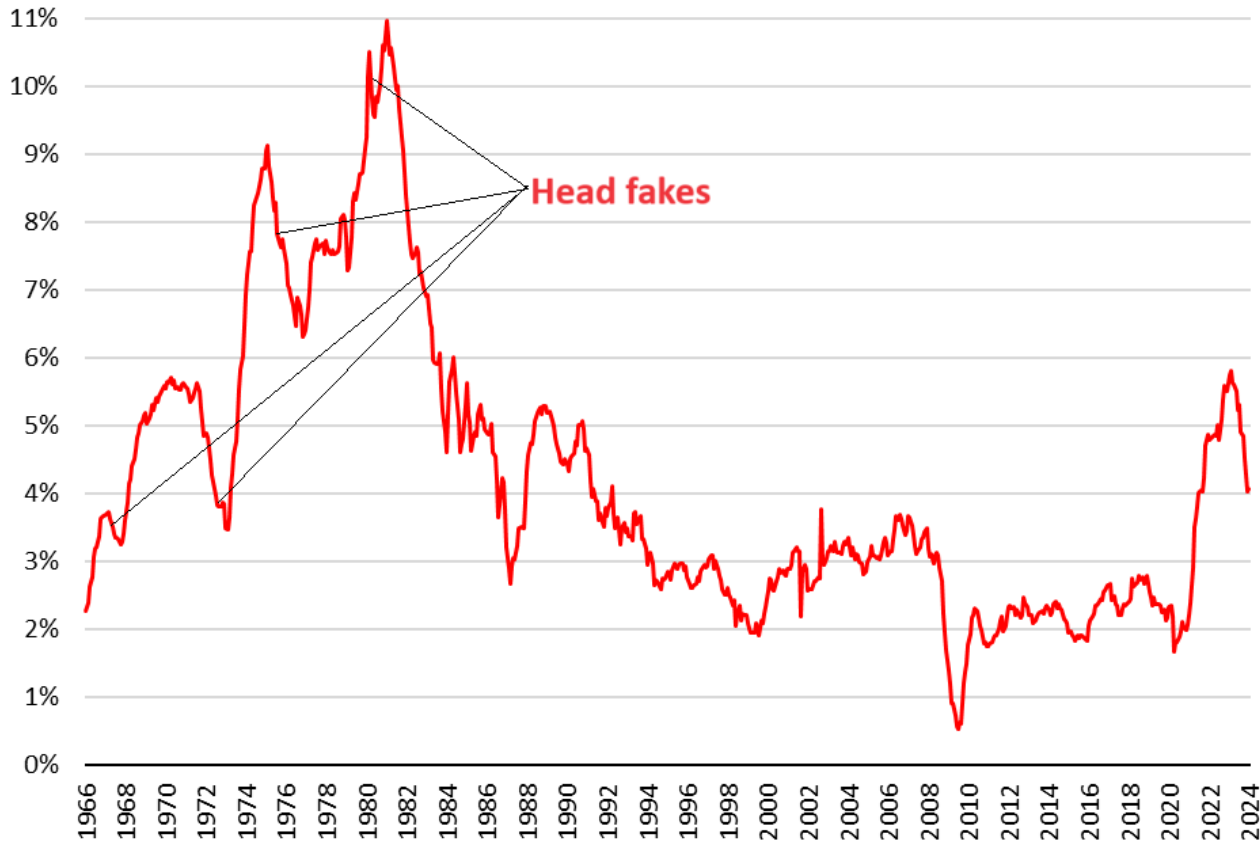
It's where consumers spend the majority of their money. Many services are essential to modern life, such as housing and related services, healthcare, insurance, broadband and telecommunications, auto repairs, transportation, etc. Inflation is notoriously hard to eradicate from services.

Core services – services without energy services, such as electricity – are grouped into seven PCE price indices. This is where consumers do the majority of their spending.



12m core PCE inflation is slowing, but 3m rate is edging higher **led by services**

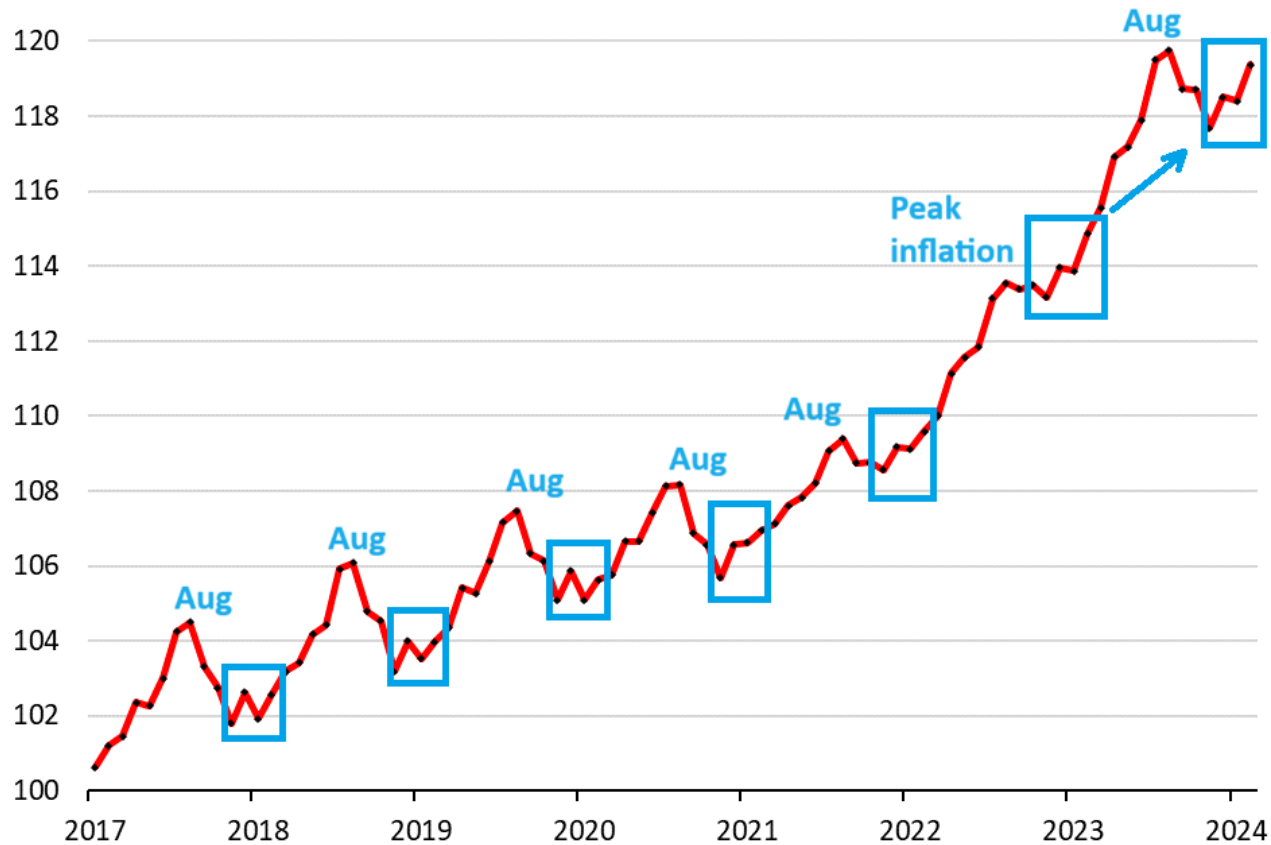
Core Services PCE Price Index, %, Year-over-Year



Source: BEA

WOLFSTREET.com

Eurozone CPI Services, Index Value

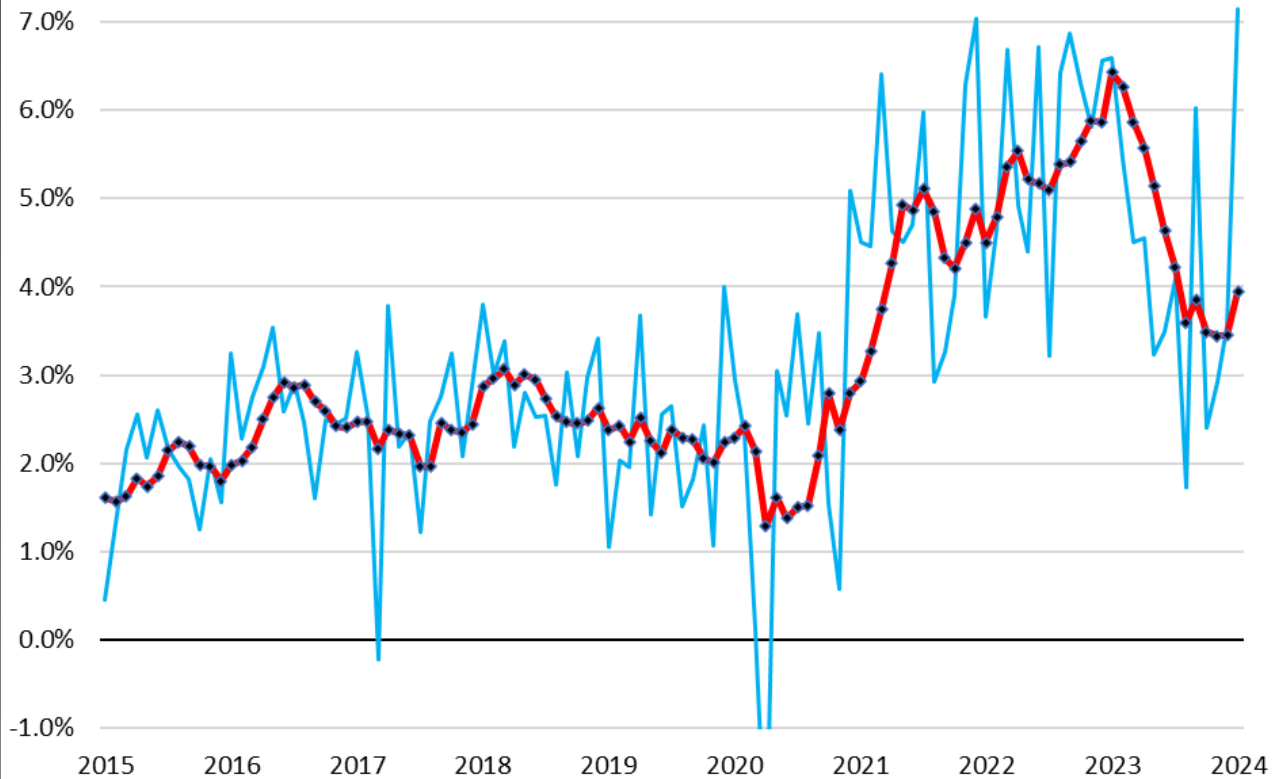


Source: Eurostat

WOLFSTREET.com

Core Services PCE Price Index, %, Monthly, 6-Month Avg

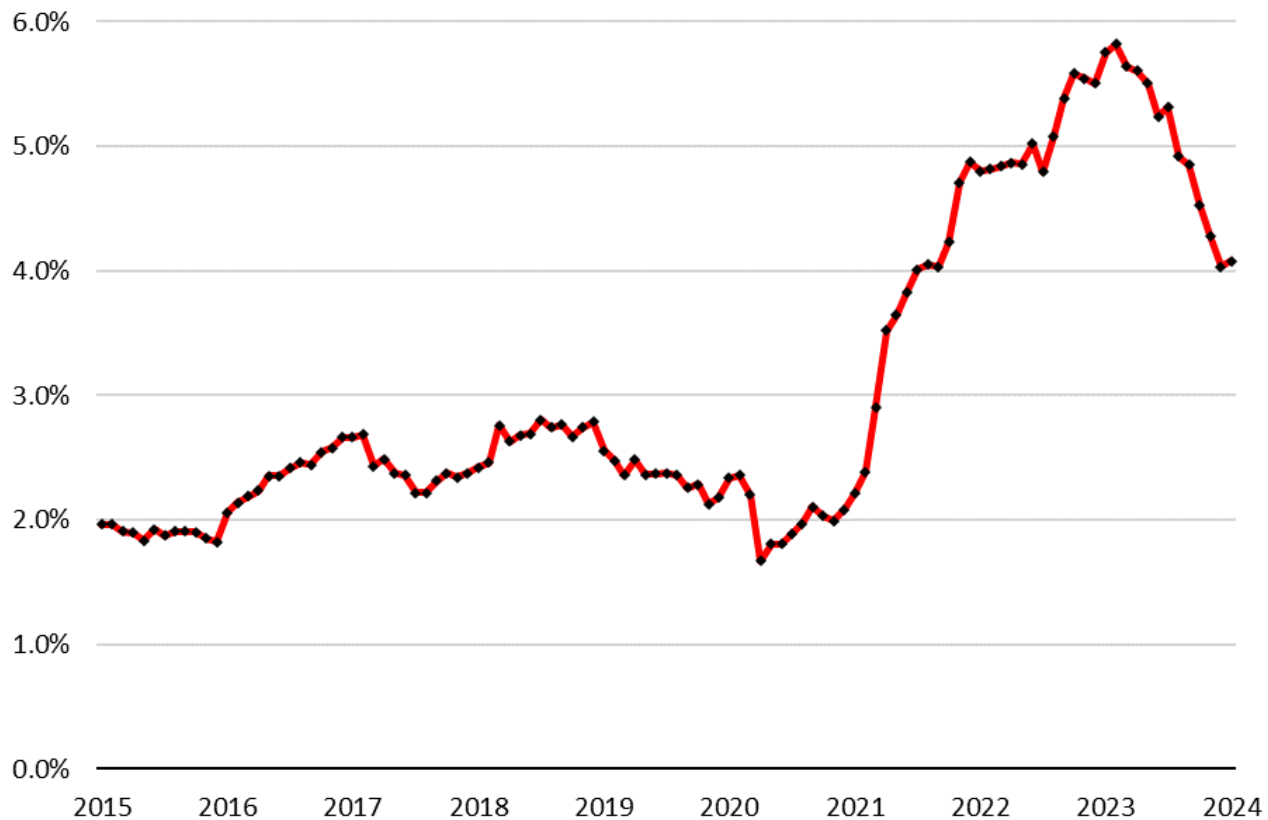
% annualized



Source: BEA

WOLFSTREET.com

Core Services PCE Price Index, %, Year-over-Year

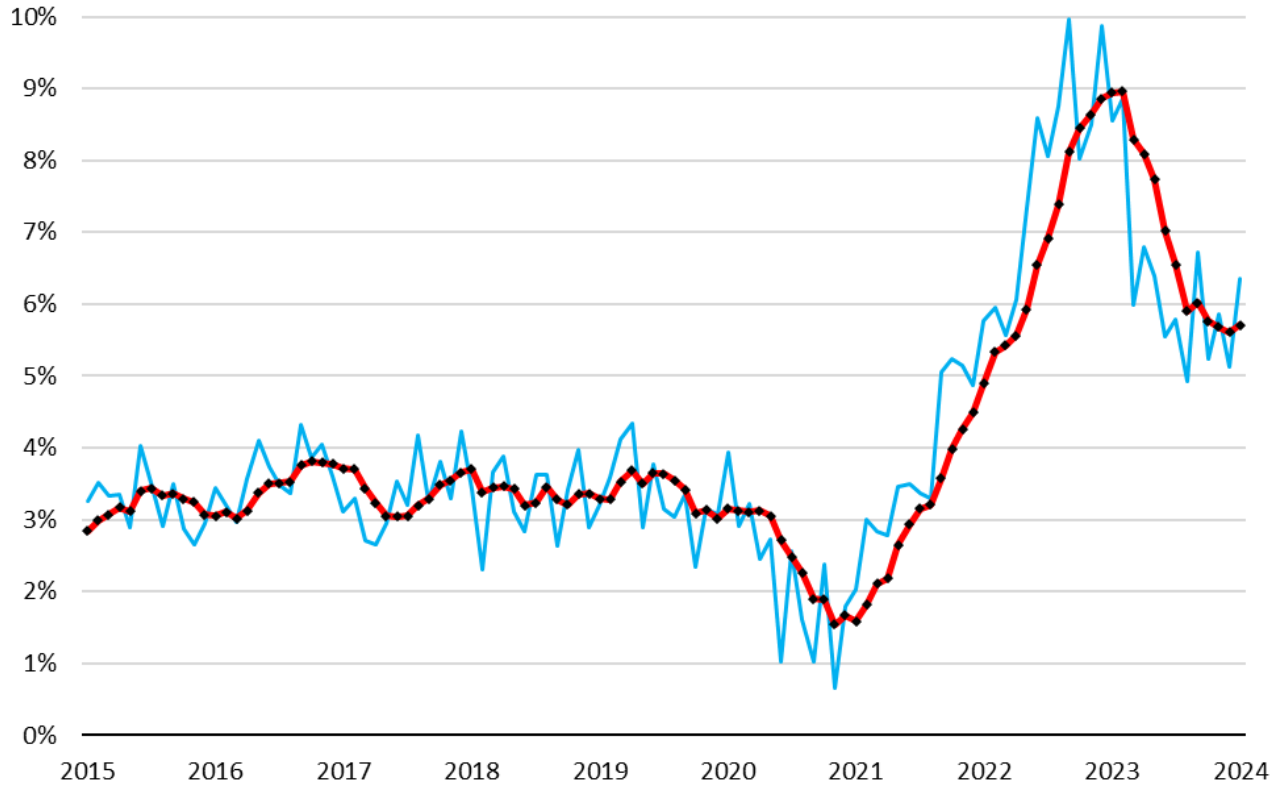


Source: BEA

WOLFSTREET.com

Housing PCE Price Index, %, Monthly, 6-Month Avg

% annualized

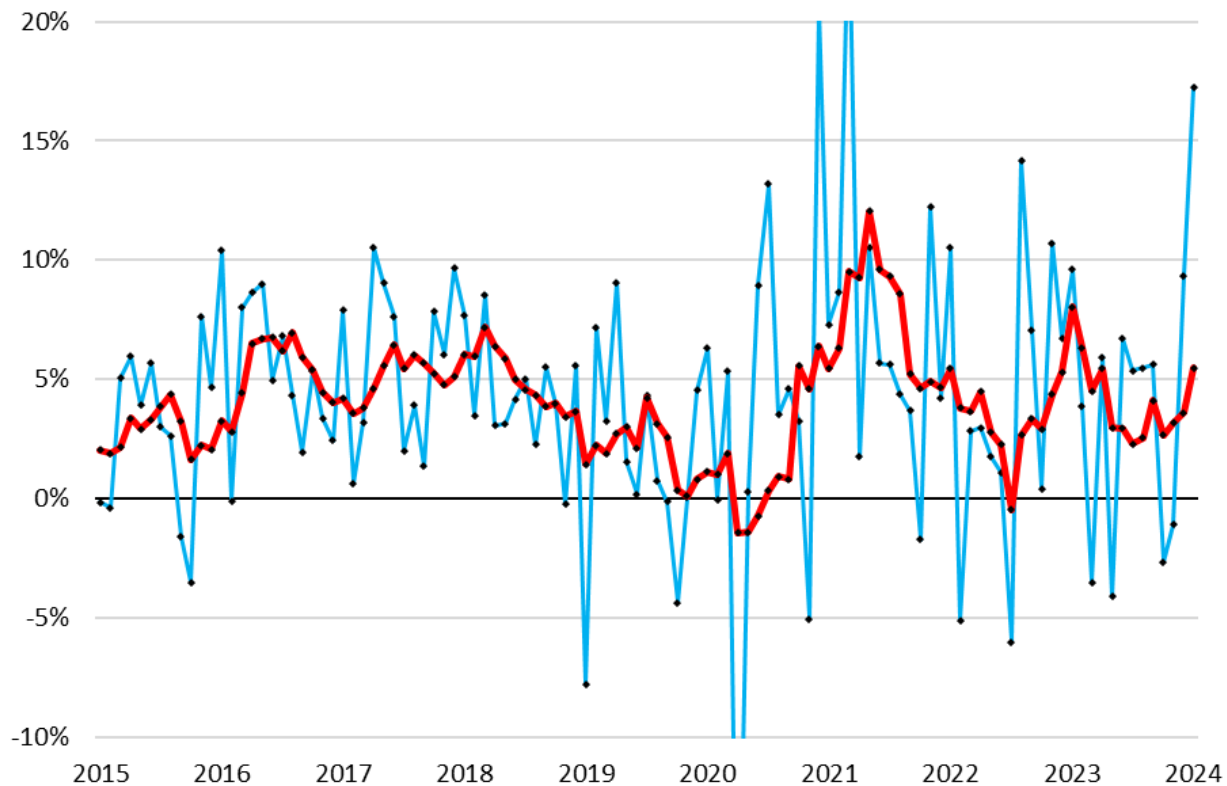


Source: BEA

WOLFSTREET.com

Financial Services & Insurance PCE Price Index

% Annualized, Monthly, 6-Month Avg

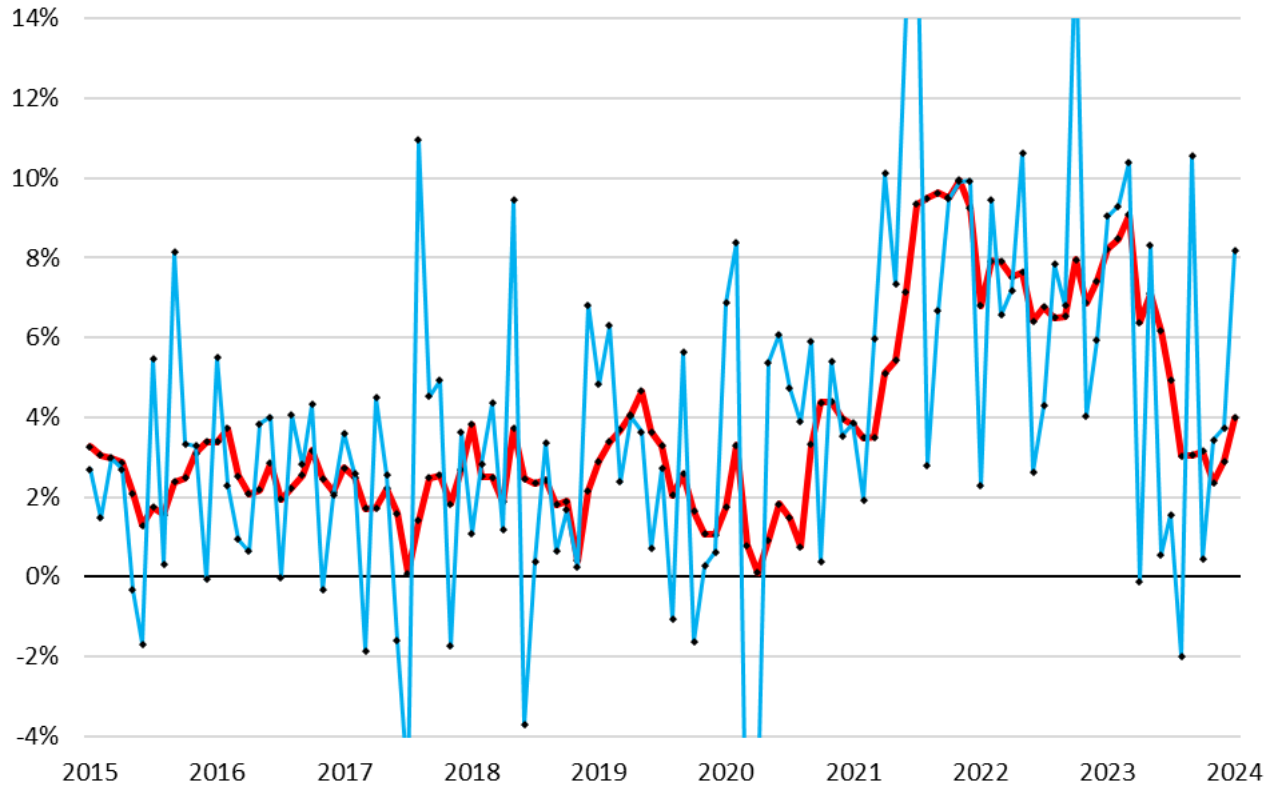


Source: BEA

WOLFSTREET.com

Food Services & Accommodation PCE Price Index

% annualized, **Monthly**, **6-Month Avg**

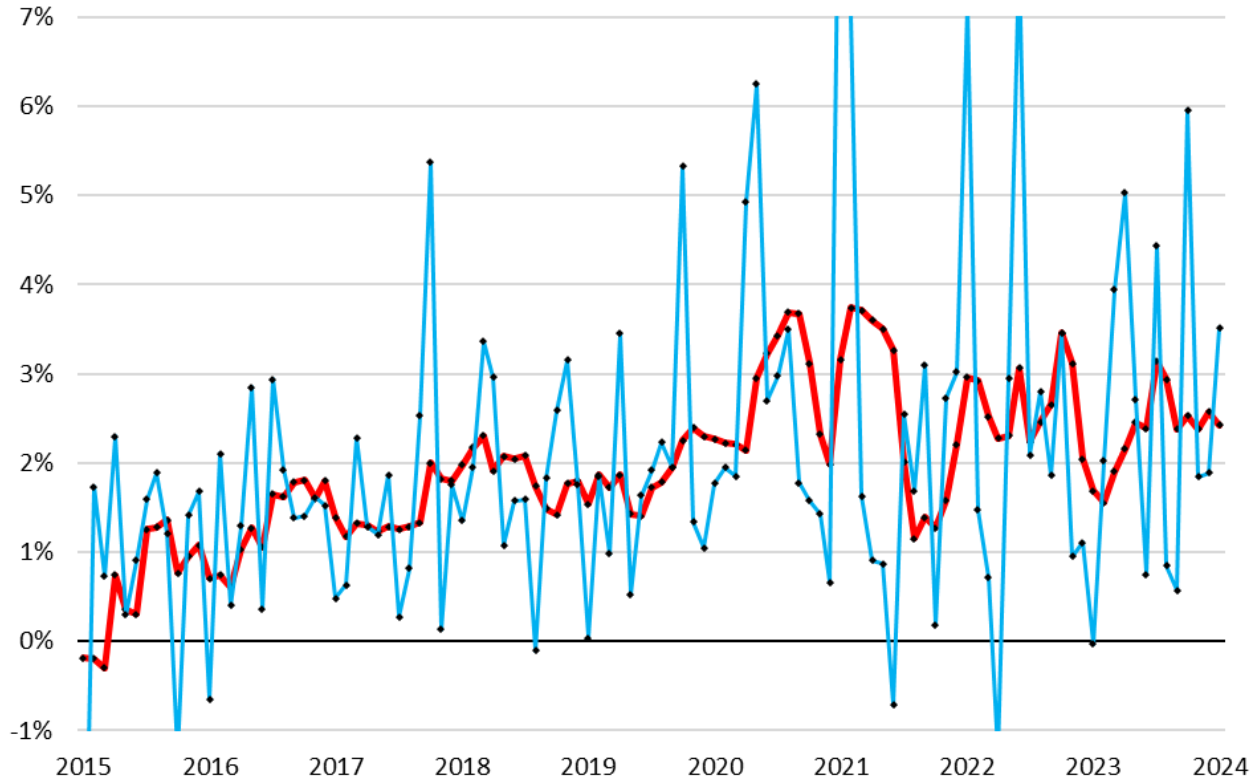


Source: BEA

WOLFSTREET.com

Health Care PCE Price Index, %, Monthly, 6-Month Avg

% annualized

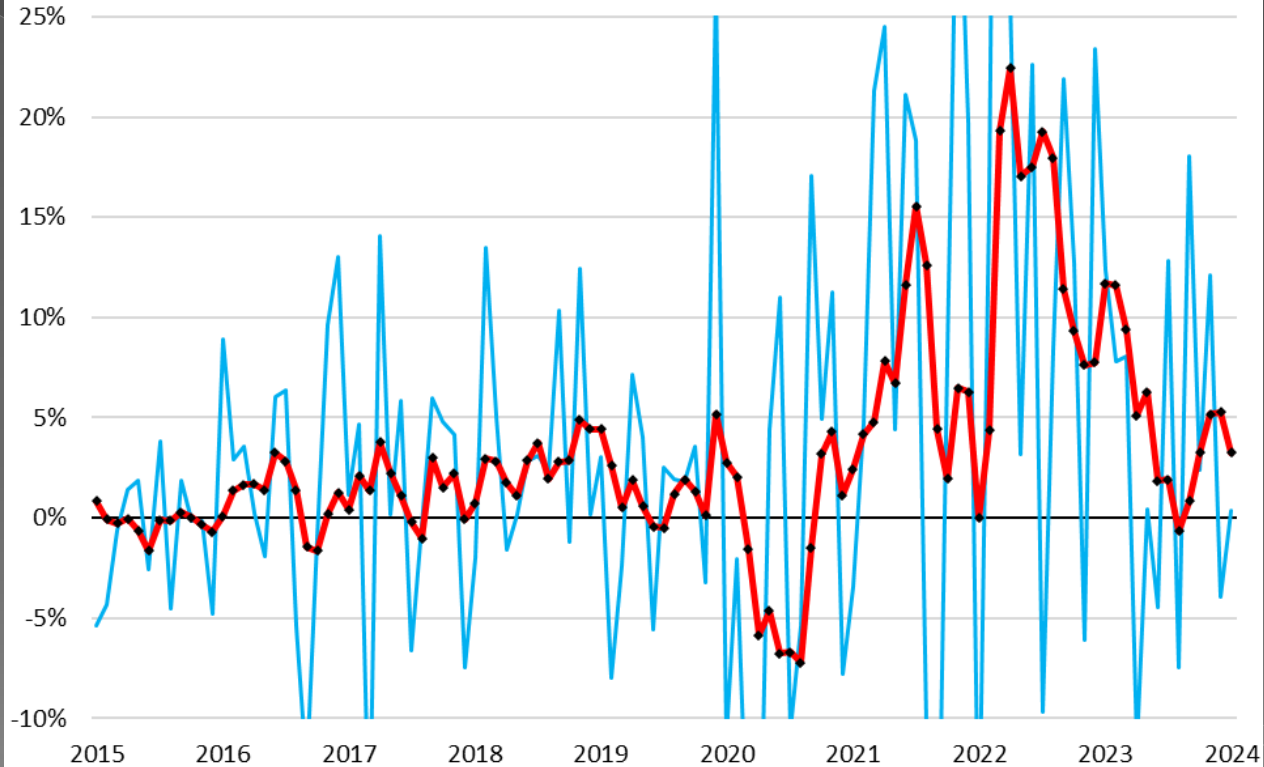


Source: BEA

WOLFSTREET.com

Transportation Services PCE Price Index, %, 6-Month Avg

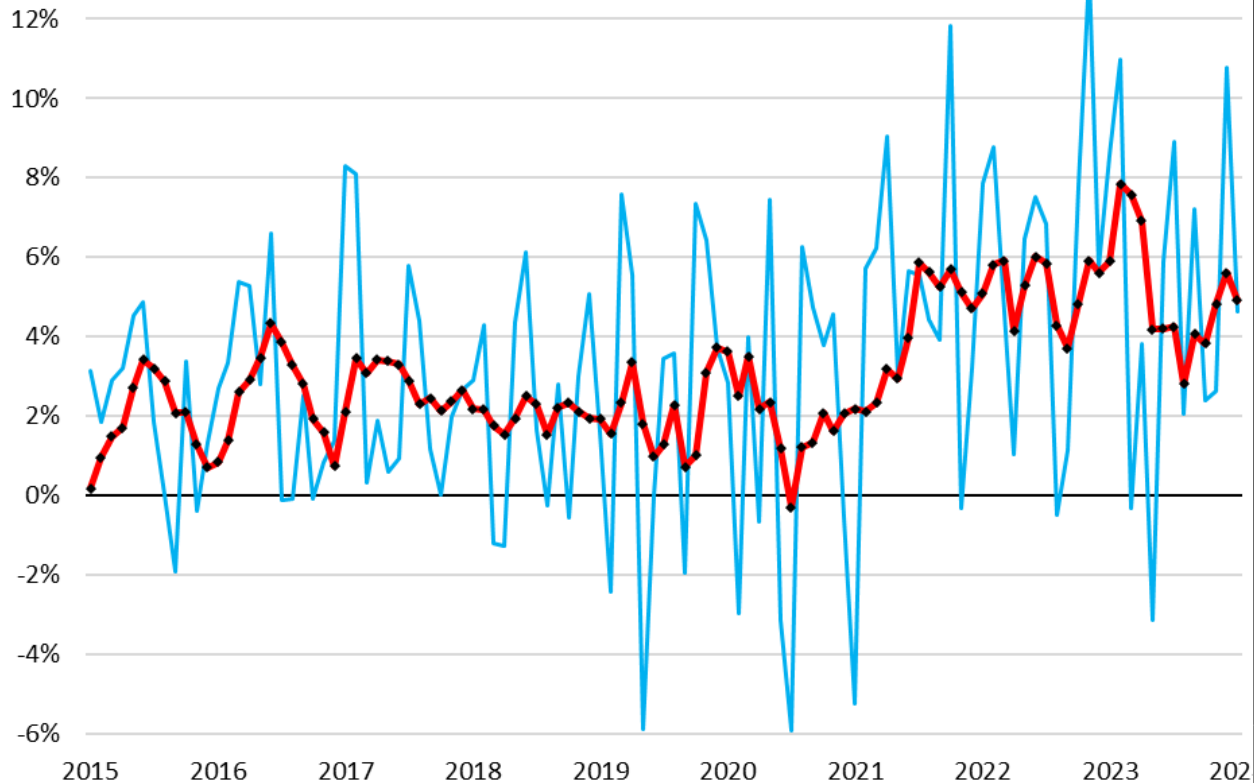
% annualized



Source: BEA

WOLFSTREET.com

Recreation Services PCE Price Index, %, Monthly 6-Month Avg % annualized

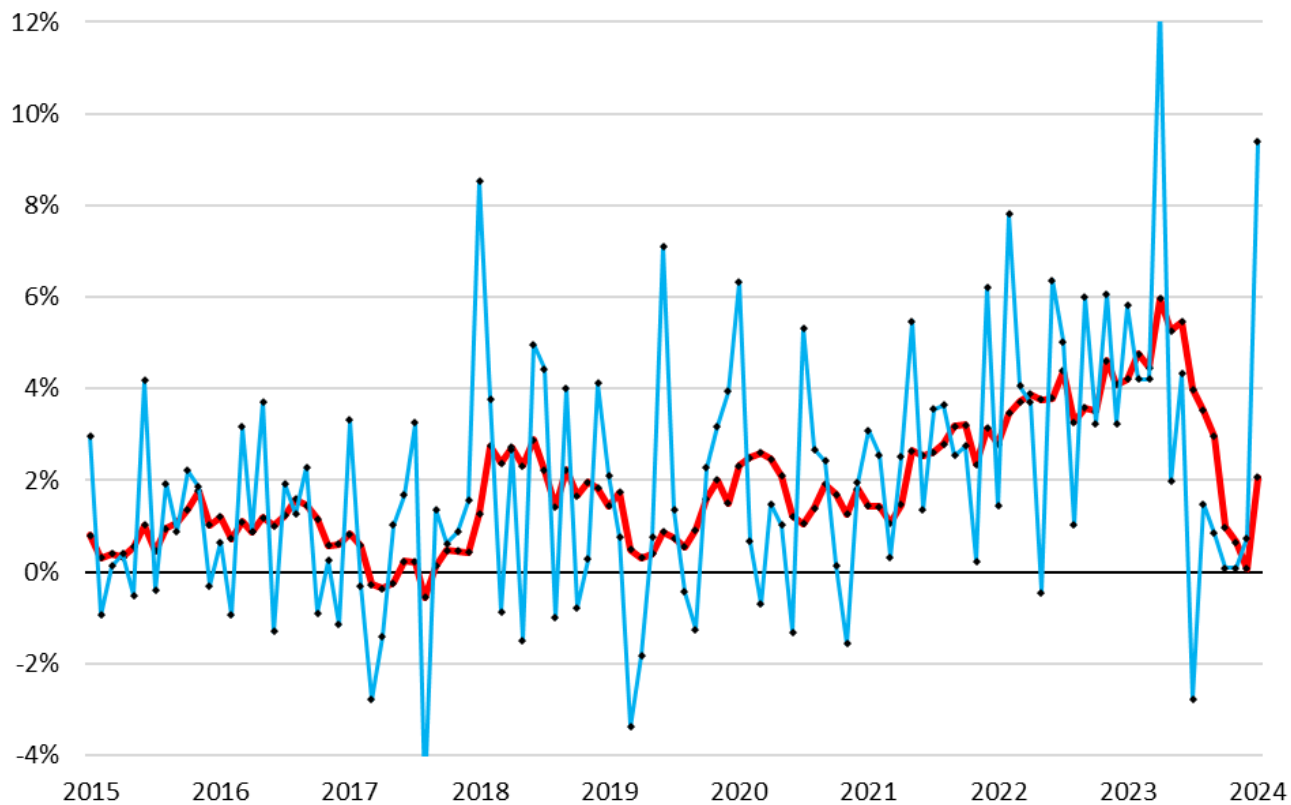


Source: BEA

WOLFSTREET.com

Other Services PCE Price Index, %, Monthly, 6-Month Avg

% annualized

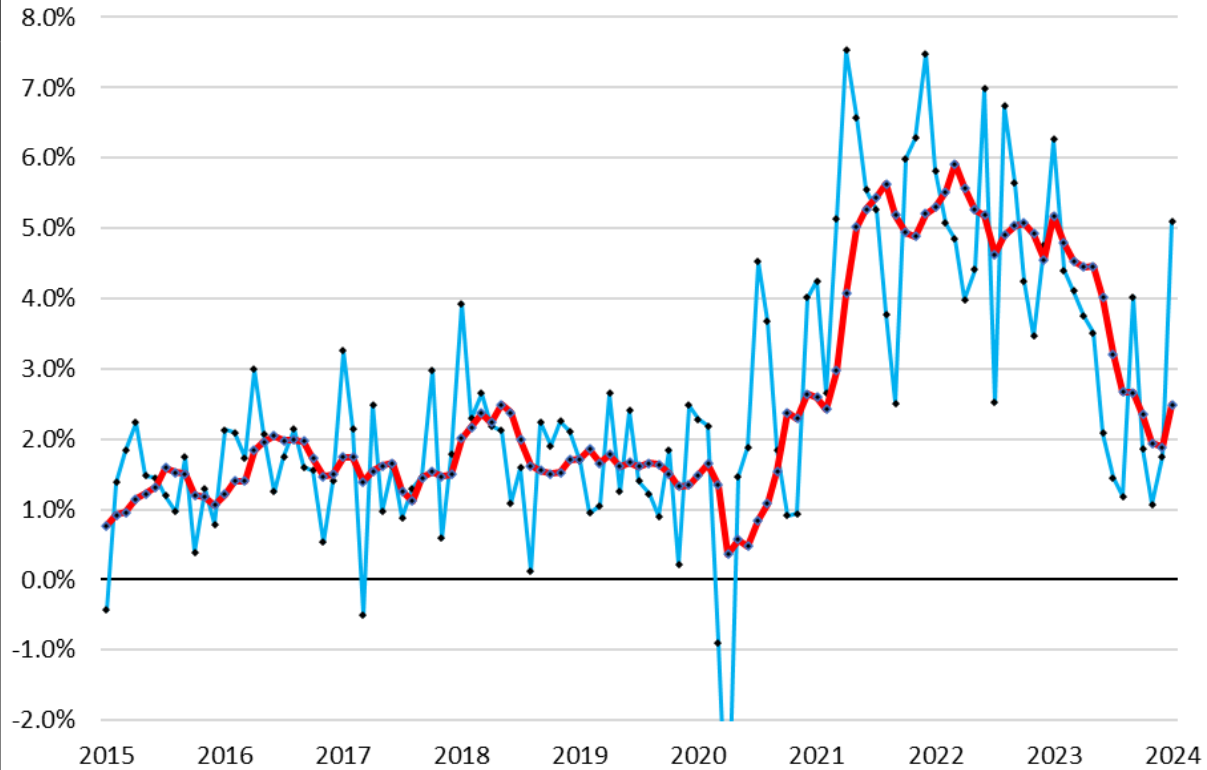


Source: BEA

WOLFSTREET.com

"Core" PCE Price Index % Monthly, 6-Month Average

% annualized



Source: BEA

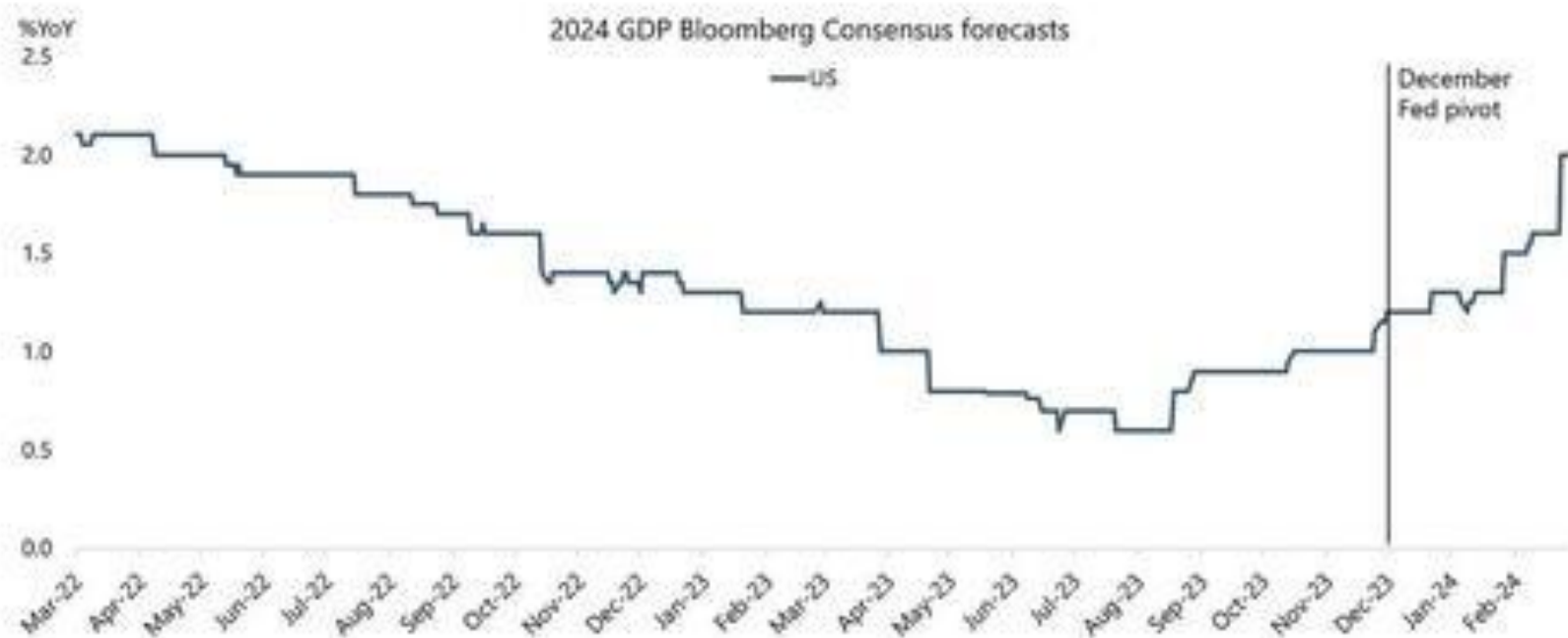
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Consensus US GDP growth forecast for 2024 revised higher after the Fed pivot



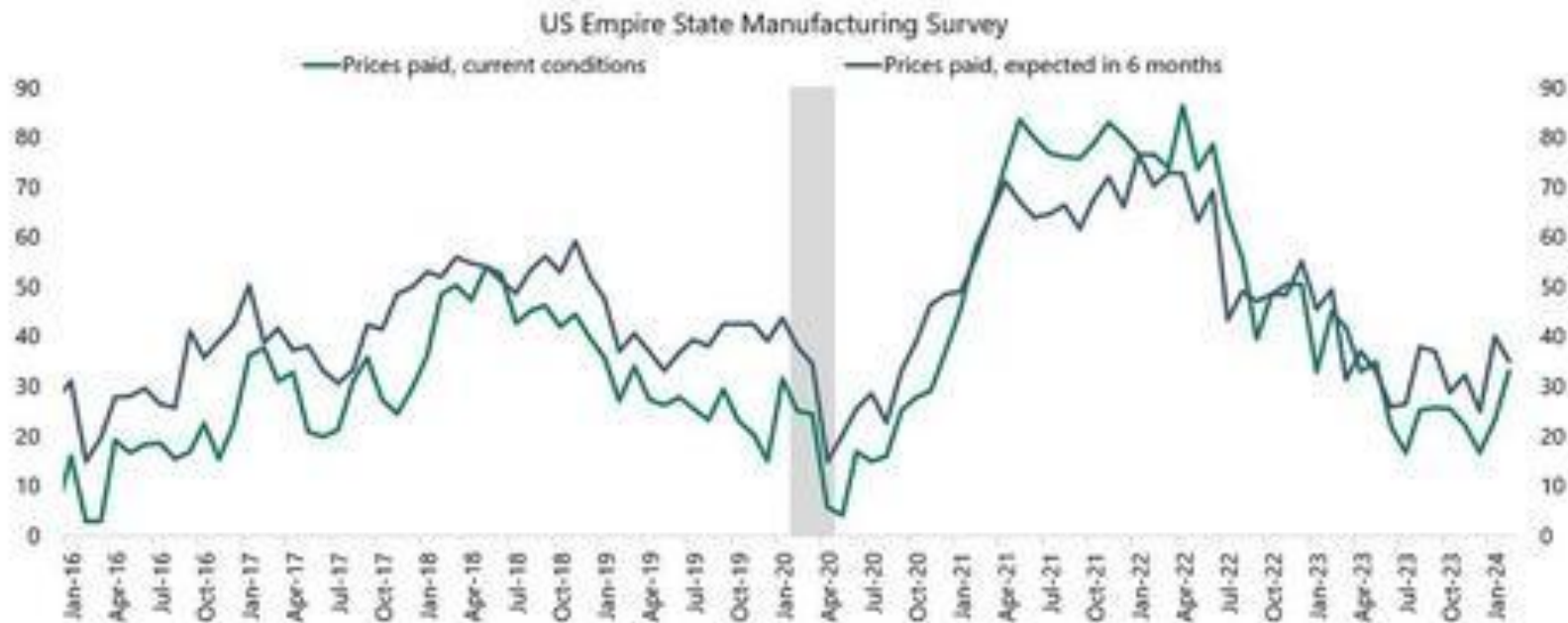
Wage inflation is sticky at 4% to 5%



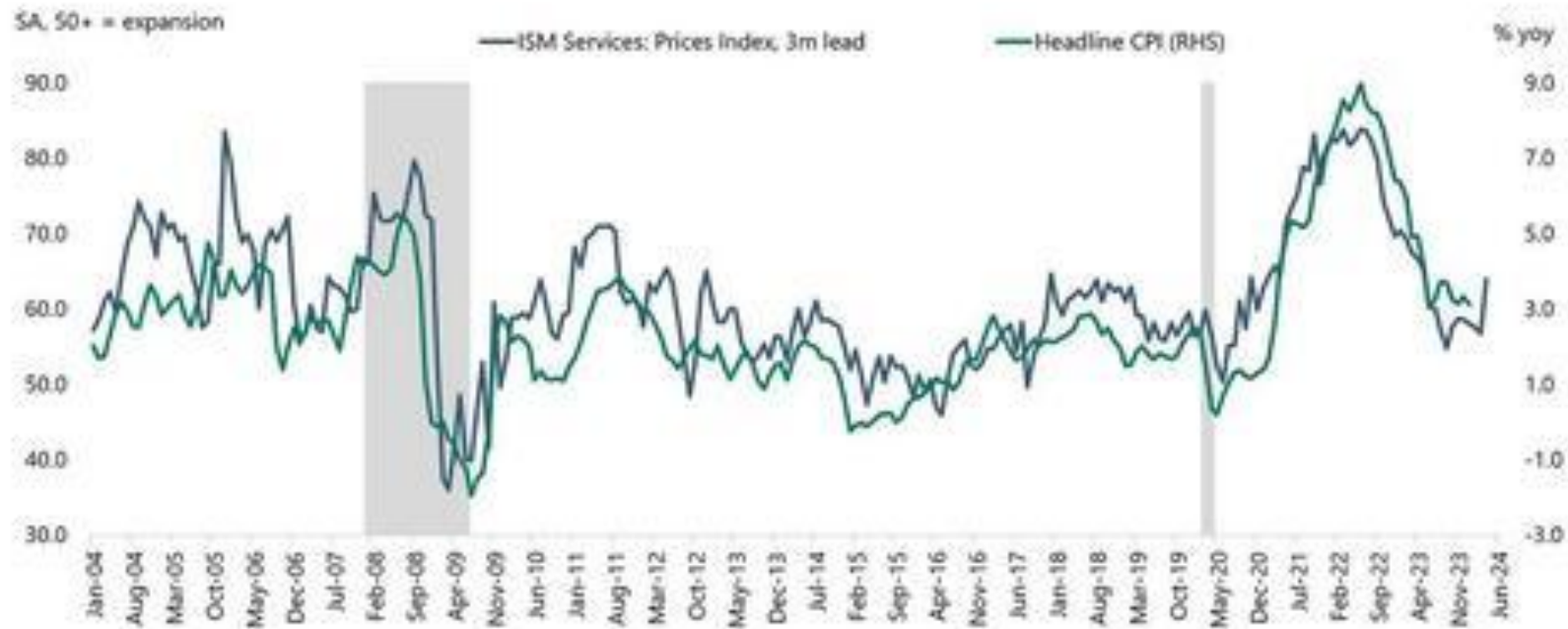
NFIB survey shows more companies are looking to raise prices



Manufacturing survey shows rise in prices paid



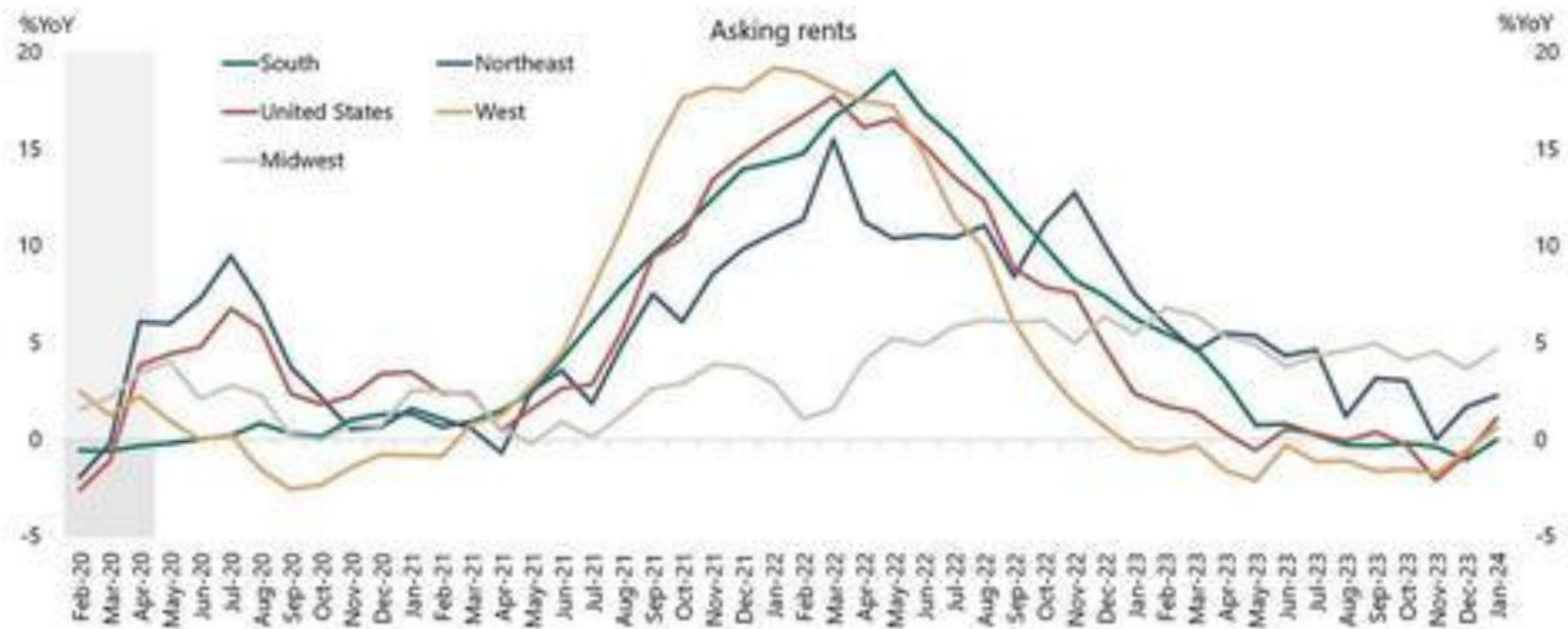
ISM services price index showing upside risks to headline inflation



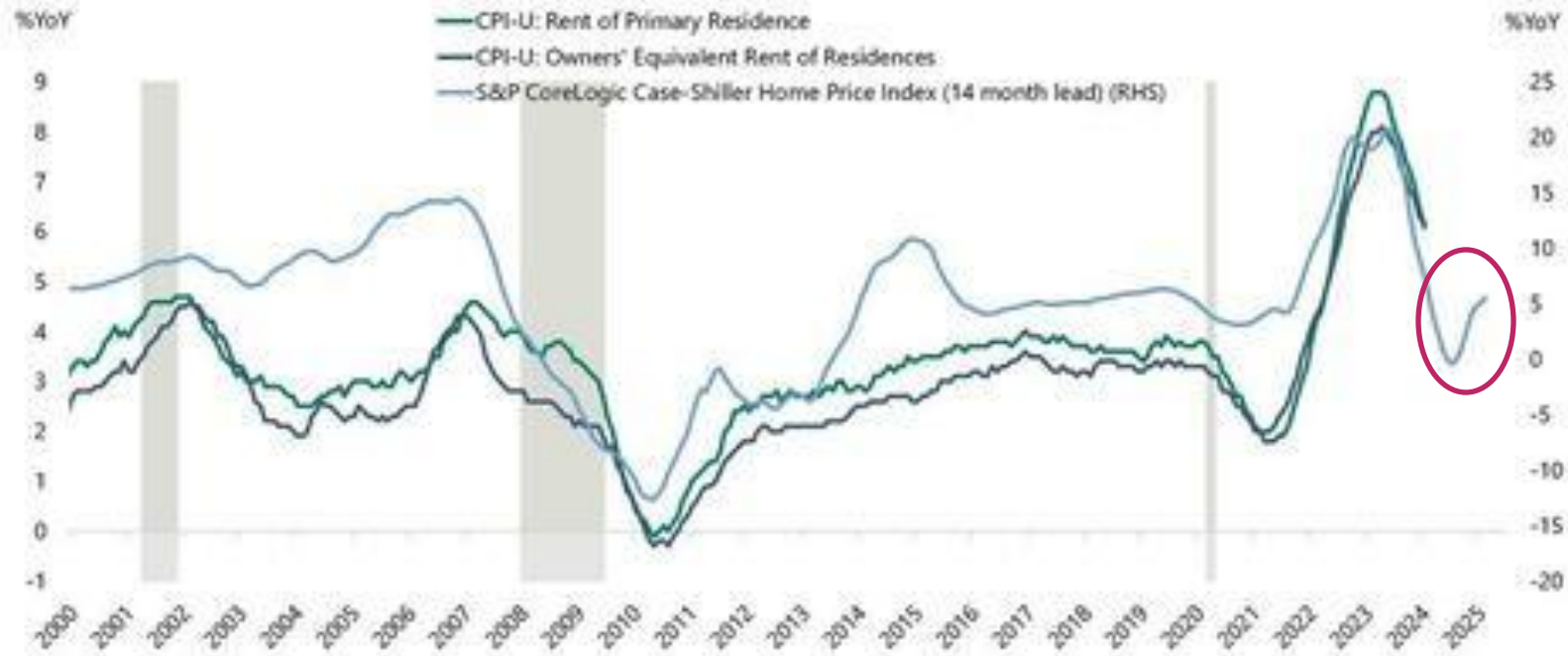
Small business survey points to acceleration in wages



Asking rents rising



Rebound coming in housing inflation



Easier financial conditions point to a rebound in GDP growth



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**FALSE BELIEFS
& MARKET SHOCKS**

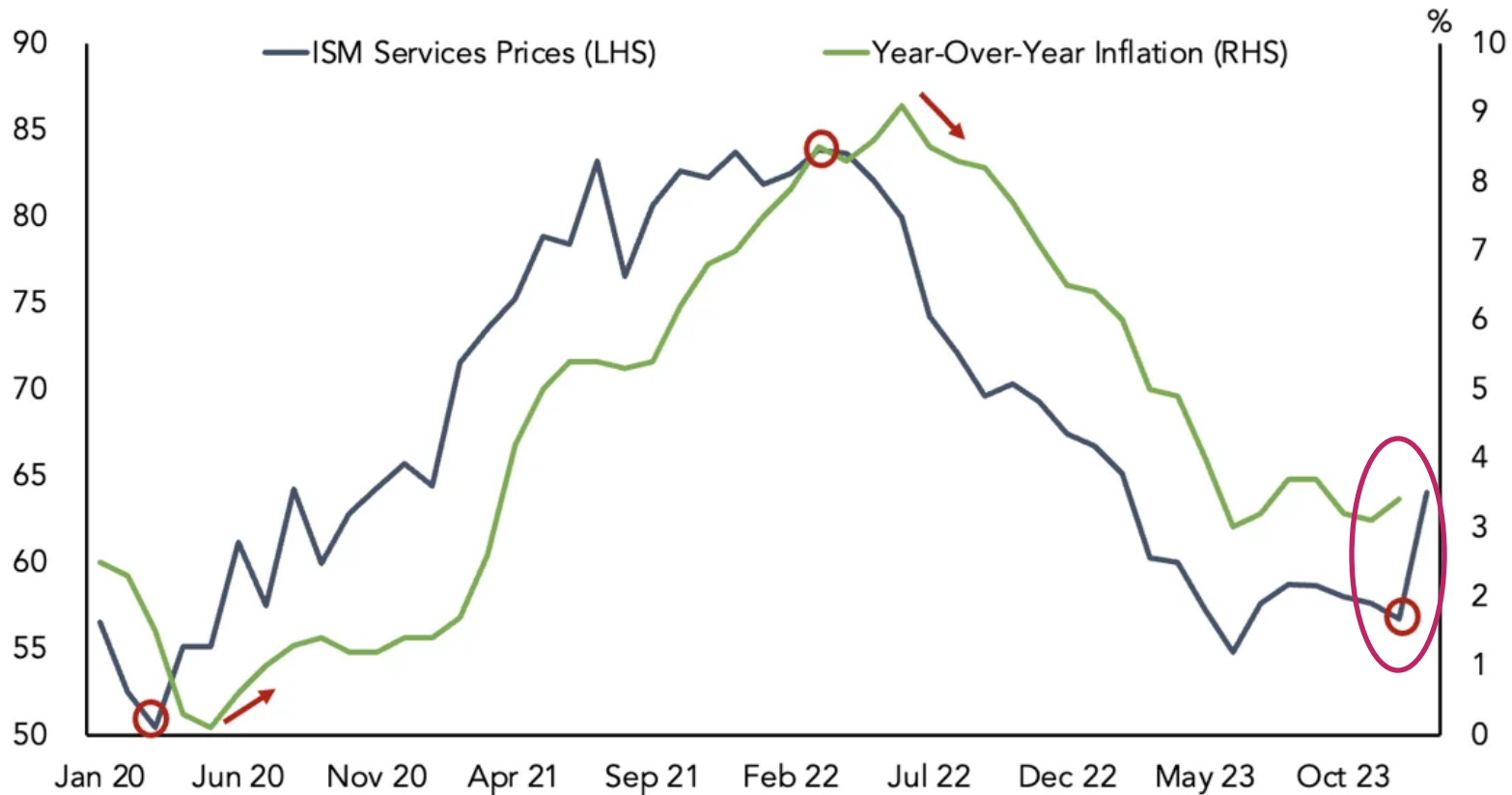
The infographic features a central portrait of a man in a suit and tie, standing in front of a bookshelf. To the left and right of the portrait are five lightning bolts pointing down to starburst shapes, each representing a market shock. The shocks are labeled with years and descriptions: 1929 Stock market crash, 1987 Black Monday crash, 1999 2000 Dot-com bubble, 2008 Financial crisis, and 2020 Coronavirus crash.

Year	Event
1929	Stock market crash
1987	Black Monday crash
1999 2000	Dot-com bubble
2008	Financial crisis
2020	Coronavirus crash

Total Fed Assets as a Share of U.S. GNP (%)



ISM Services Prices Paid Component and Year-Over-Year Inflation



Dates: 2020 Through January 2024.

Source: Institute for Supply Management, Bureau of Labor Statistics, Game of Trades.

Inflation data is based on the all-items CPI and is through December 2023.

THE BEAR CASE

- (i) **Stretched Positioning / Overbought Technicals** – the market could be setting up for a pullback as investors recalibrate growth/earnings expectations as some indicators flash sell signals and a Momentum factor unwind could magnify losses;
- (ii) **Inflation Spike / Yields Surge** – while the PCE print came in line, another hot CPI print likely surges yields amid elevated Rates vol where some investors are now playing for another Fed hike;
- (iii) **Recession Narrative Resumes** – weakening ISM and regional activity indicators could bring this narrative back as we await the ‘long and variable lags’ to come to fruition and this would be made more acute if we saw a hotter CPI print;\
- (iv) **AI/TMT Exhaustion** – while the AI story has seemingly years to continue to play out any near-term misses such as Broadcom earnings or mundane NVDA presentation could trigger profit taking from a group that has returned 136% since Jan 1, 2023;
- (v) **Credit Crunch** – NYCB’s issues appear to be idiosyncratic but that market has avoided regional banks with the KRE -9.2% YTD vs. SPX +7.7% and XLF +7.2% and last year’s Fed/Treasury actions seemingly removed bank contagion risk but that may not be the case if we see multiple banks come under pressure given the elevate rates environment and inverted yield curve.

KEY MESSAGES OF THE LAST FEW MATASII VIDEOS/INTERVIEWS

1- DEBT FINANCE CREATES PAPER CLAIMS ON WEALTH

- . Wealth is the Collateral the Claims are Supported by
Collateral Shortage & Third Party Risk, Rehypothecation & Derivatives

2- DEBT IS A DISTORTION OF REAL GROWTH

- . GDP v GDI Separation

3- DERIVATIVES EXPLOSION

- . Hiding the Expansion /Overlapping of Claims

4- US DEBT TRACKING US CDS's

- . Risk of Accelerating Debasement of Claims

5- INCREASING RISK PREMIUMS

- . Bond Duration Premia, Equity Risk Premiums (to Come)

6- SHIFT TO CENTRAL CONTROL

- . Former Soviet/ CCP Single Party Regulatory State

ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES ...

DON'T WORRY, THEY WILL PRINT THE MONEY!

EVERYONE IS NOW IN PLACE & READY!!



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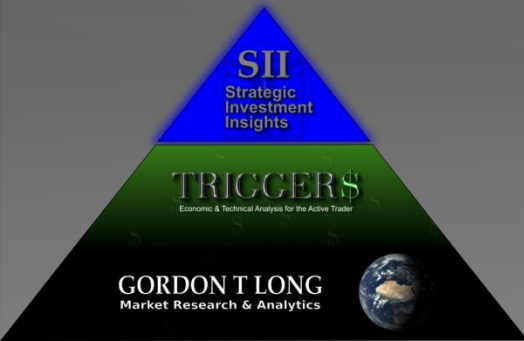
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FEEDBACK THAT WILL IMPROVE OUR
RESEARCH ANALYSIS*



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CHANNEL & WE VALUE HEARING
FROM YOU!*

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