Your Exclusive Benzinga Insider Report

(DO NOT FORWARD)

By analyst Gianni Di Poce
Volume 3.48

Market Overview (Member Only)

- It was another strong week for stocks, which hit new all-time highs save for the Nasdaq. The Dow Jones Industrial Average led the way higher, closing up 1.39% on the week, while the S&P 500 and Nasdaq followed, closing up 1.06% and 1.13%, respectively.

- We're in full-blown holiday trading mode and I'm looking for seasonal headwinds to help push this market to new highs.

- Interest rates are looking poised for a big drop again that could coincide with a big drop in energy prices too.

- The Dollar is catching its breath as we ready for important labor market data this week.

Stocks I Like

Home Depot (Ticker: HD) | (33% Return Potential)

What's Happening

- Home Depot (**HD**) is a legacy American home improvement retailer that offers a wide range of products for construction, renovation, and home maintenance.

- The company reported $157.4 billion in revenue in 2023, with net earnings of $16.6 billion.

- Home Depot's valuation is slightly elevated, with a Price-to-Earnings ratio of 18.50 and a Price-to-Sales ratio of 2.50. Its EV to EBITDA is at 19.52.

- At a technical level, **HD** is hitting new all-time highs after securing a higher-low by retesting the breakout from the saucer. This is a bullish development.

Why It's Happening

- The company's strategic acquisition of SRS Distribution Inc. has significantly contributed to its top-line growth. This move expands Home Depot's market reach and product offerings, potentially leading to increased revenue streams and market share in the coming quarters. As synergies from this acquisition materialize, investors can expect improved profitability and stock appreciation.

- Home Depot's robust outlook for fiscal 2024, including a projected 3.8% year-over-year sales growth, has driven positive momentum in the stock. This optimistic forecast, coupled with the company's track record of delivering results, could attract more investors and push the stock price higher in the near term.

- The recent interest rate reduction by the U.S. Federal Reserve is expected to stimulate increased housing and home repair activities. This macroeconomic tailwind could significantly benefit Home Depot, driving higher sales volumes and potentially leading to stock appreciation as the company capitalizes on increased consumer spending in the home improvement sector.

- Home Depot's strong market position and brand recognition make it well-equipped to navigate potential economic challenges. With a vast network of stores and a robust e-commerce platform, the company is poised to capture market share and drive growth, even in uncertain times, making it an attractive investment option for those seeking stability and long-term value.

- Home Depot's operational efficiency is evident in its ability to maintain a healthy operating margin of 13.5% in Q3 fiscal 2024.

- Home Depot's Q3 fiscal 2024 results exceeded expectations, with sales reaching $40.2 billion, a 6.6% increase from the previous year.

Analyst Ratings:

- Stifel: Hold
- Telsey Advisory Group: Outperform
- Truist Securities: Buy

My Action Plan (33% Return Potential)

- I am bullish on **HD** above $385.00-$390.00. My upside target is $570.00-$575.00.

AST SpaceMobile (Ticker: ASTS) | (68% Return Potential)

What's Happening

- AST SpaceMobile (**ASTS**) is an innovative satellite communication company focused on building a space-based cellular network to provide mobile broadband services globally.

- In 2023, ASTS generated $14.5 million in revenue, but reported a loss of $183 million.

- Even with its significant growth potential, **ASTS** faces high valuation pressures. It's not profitable, but it has a Price-to-Sales ratio of 161.4. It will have to start putting up real numbers soon.

- From a technical standpoint, **ASTS** has been consolidating within a descending triangle formation. If it breaks above the upper trendline of the pattern, we could see a continuation of the bull trend.

Why It's Happening

- AST SpaceMobile has successfully deployed and unfolded its first five commercial BlueBird satellites, marking a significant milestone in the company's mission to provide global cellular broadband from space. This achievement demonstrates the viability of AST's technology and brings the company closer to generating revenue from its innovative space-based network.

- AST SpaceMobile has been selected by the Space Development Agency (SDA) to compete as a prime contractor for the Hybrid Application for proliferated low Earth orbit (HALO) program. This selection opens up significant opportunities in the government sector, potentially leading to lucrative contracts and diversifying the company's revenue streams.

- The company has secured launch services agreements to deploy up to 60 Block 2 satellites during 2025 and 2026. This planned expansion of its satellite constellation will significantly enhance AST's network capacity and global coverage, potentially leading to rapid subscriber growth and increased revenue.

- AST SpaceMobile has secured strategic investments from industry giants including AT&T, Verizon, Google, and Vodafone in 2024. These investments not only provide additional capital but also validate the company's technology and business model, potentially attracting more investors and partners.

- AST SpaceMobile is prioritizing raising strategic capital through non-dilutive approaches, including commercial prepayments and commitments from its mobile network operator partners. This strategy demonstrates financial prudence and aligns the company's interests with those of its shareholders, potentially leading to long-term stock price appreciation.

- AST SpaceMobile boasts a strong balance sheet with $518.9 million in cash, cash equivalents, and restricted cash as of September 30, 2024.

- **ASTS** has a notable short interest of over 19%, making it a candidate for a modest short squeeze.

Analyst Ratings:

- UBS: Buy
- Deutsche Bank: Buy
- B. Riley Securities: Buy

My Action Plan (68% Return Potential)

- I am bullish on **ASTS** above $19.50-$20.00. My upside target is $40.00-$42.00.

Tempur Sealy Internationals (Ticker: TPX) | (14% Return Potential)

What's Happening

- Tempur Sealy International (**TPX**) is a leading manufacturer of mattresses and sleep solutions, known for its Tempur-Pedic, Sealy, and Stearns & Foster brands.

- In 2023, the company had \$5.4 billion in revenue, and it brought in \$497 million in terms of earnings.

- Tempur Sealy's valuation remains elevated. Its P/E is at 26.42, its Price-to-Sales ratio is at 3.5, and its EV to EBITDA is at 16.47.

- From a charting perspective, **TPX** is starting to press through resistance of the saucer formation. If this clears – look out above.

Why It's Happening

- The company's International business segment showed remarkable strength, with net sales surging 12.4%. This robust international performance highlights Tempur Sealy's successful global expansion strategy and diversification efforts, which could lead to sustained growth and reduced dependence on any single market.

- The company's North America business segment, despite a slight decrease in net sales, maintained a strong adjusted operating margin of 20.1%. This resilience in the face of challenging market conditions demonstrates Tempur Sealy's strong market position and ability to navigate economic headwinds effectively.

- The company's ability to grow sales and expand margins in a competitive market environment speaks to the strength of its brand and product offerings. Tempur Sealy's innovative product lineup and strong brand recognition could drive further market share gains and revenue growth in the coming quarters.

- Tempur Sealy reported impressive third-quarter results, with total net sales increasing 1.8% to $1,300.0 million compared to $1,277.1 million in the same quarter of 2023.

- Earnings per share (EPS) grew by an impressive 14.1% to $0.73, while adjusted EPS increased 6.5% to $0.82

- Tempur Sealy's gross margin expanded to 45.4% from 44.9% in the third quarter of 2023, while adjusted gross margin improved to 46.2% from 45.9%

Analyst Ratings:

- Wedbush: Neutral
- Raymond James: Strong Buy
- Truist Securities: Buy

My Action Plan (14% Return Potential)

- I am bullish on **TPX** above $48.00-$49.00. My upside target is $66.00-$68.00.

Market-Moving Catalysts for the Week Ahead

The Inflationary Lid

Last week's inflation economic data showed the personal consumption expenditures (PCE) price index rising by 0.2% from the previous month and marked a 2.3% increase over the past year. This was right in alignment with expectations, and completely unsurprising given the price action of crude oil over the past few months.

But core inflation, which excludes the more volatile food and energy prices, showed a sharper increase of 0.3% on the month, and an annual rate of 2.8%. Both figures matched expectations.

More importantly, however, consumer spending advanced by 0.4% for the month as expected, while personal income saw a significant uptick of 0.6%, surpassing the expected growth of 0.3%. These figures confirm the disinflationary trend, with consumer spending and income growth supporting continued economic activity. And even though debt levels are high, income levels are increasing, which means debts can continue to be serviced.

As Long as Labor Holds Up…

This week, we have important labor number both from ADP and the Bureau of Labor Statistics. The unemployment rate remained steady and was undoubtedly resilient during one of the most aggressive rate hike campaigns in history from the Fed.

As long as the labor market continues to hold up the way it is, the odds of a recession in the near-future are extremely slim. Not to mention, I'm in the camp that we had a recession in 2022 – I don't care what the narrative is or was.

If we had a recession in 2020 and 2022, then the odds of another recession going into 2025 are very small. This is why definitions matter. For the longest time, the definition of a recession was two negative quarters of GDP. I still haven't heard a follow up discussion to that topic yet.

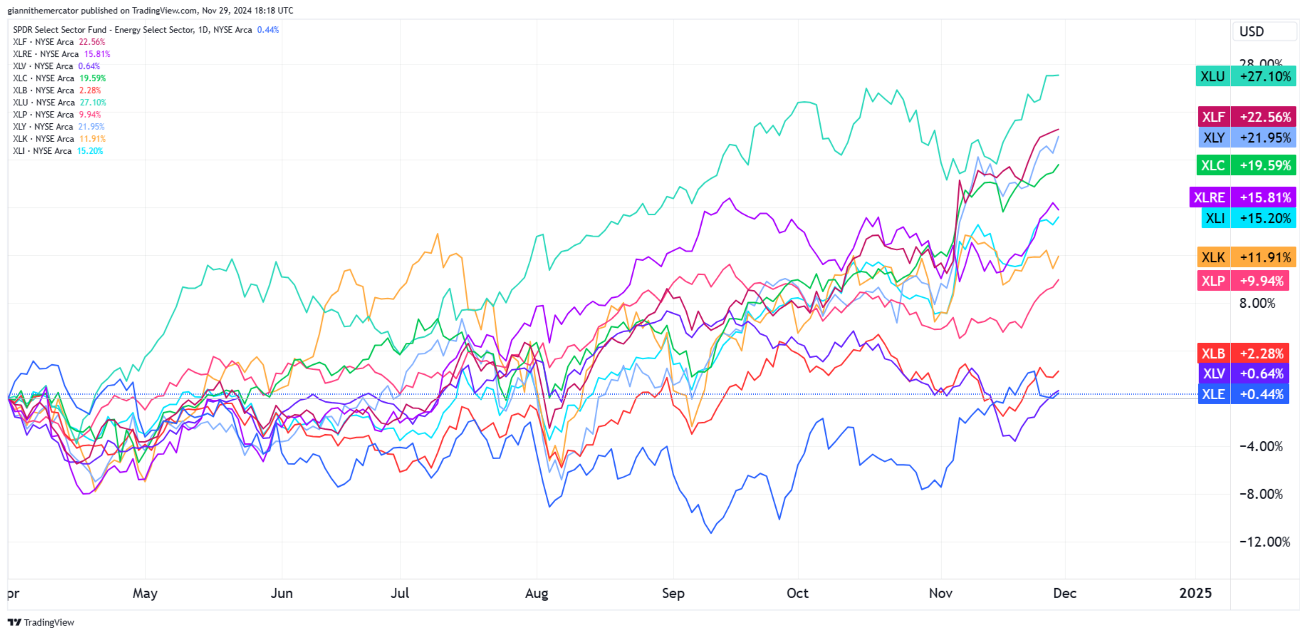
There Are Windows in Time

Now that stocks have shaken off the post-election surge and regained their composure, we have to shift our focus towards seasonality. This really is the most wonderful time of the year, not just because of the holiday spirit, but because the public loves to buy stocks around this time too.

But I think the story is even bigger as we move into 2025, as the setting seems ripe for an exuberant market frenzy. Remember that the Federal Reserve is cutting interest rates and increasing liquidity. Plus, there's the potential for significant fiscal policy changes, which could make conditions could be perfect for a speculative bubble.

For the market to reach its peak, we need a scenario where the general sentiment is overwhelmingly euphoric. Remember, bubbles are the best places to make money, but currently, we're not quite at that level of market euphoria. There's still some way to go before we see that peak market sentiment. It can and probably will get crazier.

Sector & Industry Strength (Member Only)



The tale of the tape since the second quarter this year continues to support the market's bullish outlook. The only sector ranking that gives me concerns is utilities (Ticker: XLU), which continues to dominate in first place.

I'm most pleased with consumer discretionary (Ticker: XLY), not only because of its recent surge over the past couple months, but especially the way it pulled away from its competitor, consumer staples (Ticker: XLP).

I think the most undervalued sector in this tape right now is technology (Ticker: XLK), which is actually hanging out in the bottom-half of the pack. This is a rare position for this market-leader, and with the prospect of rates coming down more, I would look for this one to start climbing again soon.

1 week	*3 Weeks*	*13 Weeks*	*26 Weeks*
Real Estate	*Utilities*	*Consumer Discretionary*	*Consumer Discretionary*

Editor's Note: *Real estate and consumer strength*

Altcoin Season to Start the Holidays? Sector ETF: (Ticker: XAI) / (Ticker: BTC)

It never ceases to amaze me when it comes to observing the cycles of the crypto market. Time and time again, we've seen Bitcoin break out to new highs, only for altcoins to follow afterwards. The lag time is typically a few months.

This week, I wanted to share the ratio between the altcoin index (**XAI**) and Bitcoin (**BTC**). It's no surprise to see a clear-cut downtrend in favor of BTC over the past couple of years. The lower-lows and lower-highs is the tell.

But an interesting development seems to be unfolding here. The ratio is starting to pop above the downward sloping trendline noted on the chart below. This signals that the slope of the ratio's decline is coming to an end, which is the first step in a reversal of the downtrend. Altcoin season could be right around the corner.

Danger in Tech-Land - Sector ETF: Ticker: SMH) /Ticker: QQQ)

Even with the bullish seasonality in this market, there is one ratio that gives me cause for concern, and unfortunately, it's coming from one of the main drivers of this bull run we've seen in stocks.

A few weeks back, we looked at the ratio between semiconductors (**SMH**) and the Nasdaq 100 (**QQQ**). This is an important ratio because all of the big tech and AI names driving this bull market are dependent on semiconductors for their innovation.

Thus, this apparent breakdown from the rounding top formation on this ratio chart is a big concern. This could be setting us up for some volatility, if not by year-end, then by the beginning of 2025. Bulls will want to see this ratio turn back higher as soon as possible.

The Inflation Conundrum - Sector ETF: (Ticker: TIP) /(Ticker: IEF)

Even with last week's PCE report that showed the highest reading in 5 months, I think the threat of inflation in the immediate-term is virtually non-existent. And this seems to be supported by what the bond market thinks as well.

I'm sharing the ratio between Treasury Inflation Protected Securities (**TIP**) and 7-10 Year Treasuries (**IEF**). The thinking behind this ratio is simple – when **TIP** outperforms **IEF**, bonds are sniffing out more inflation, but when **IEF** outperforms **TIP**, bonds aren't concerned about rising prices.

Back towards the end of September, it looked like a breakout from a descending triangle formation was underway. But now we could be dealing with a lower-high in this ratio, the first of its kind since 2022. This could put a lid on inflationary pressures near-term.

Editor's Take:
I always take Fed-speak with a grain of salt. Right now, the Fed is having a debate on what the "neutral rate" is. Well, I think once energy collapses collapse, and long-term bonds start bidding for real, they'll have no problem cutting rates again.
If anything, it's going to help the Fed blow another massive bubble in the next year. I know that many people believe the bubble is already huge, but as John Maynard Keynes once stated, "The market can stay irrational longer than you can stay solvent."

The most important thing to understand is that everything happening in the market is connected to one another. Nothing happens in a vacuum, so it's always important to know what bonds are thinking because it translates over to stocks too.

Cryptocurrency

In looking at Ethereum's current technical setup, we're witnessing a potentially significant breakout scenario, and the recent momentum suggests bulls are gaining control after the prolonged consolidation phase we've seen throughout much of 2024.

The recent pullbacks have been relatively shallow, suggesting sellers are becoming exhausted and buyers are stepping in at progressively higher levels. At this point, it looks like a retest of the year's highs in the 4100-4200 zone is on the table before the end of December.

At this point, as long as Ethereum is above 3000, there is no reason to be bearish. I fully expect a retest of the all-time highs in the 4800-5000 zone, and eventually, I could see Ethereum rallying as high as 8000, probably in 2025.

Legal Disclosures:

This communication is provided for information purposes only.
This communication has been prepared based upon information, including market prices, data and other information, from sources believed to be reliable, but Benzinga does not warrant its completeness or accuracy except with respect to any disclosures relative to Benzinga and/or its affiliates and an analyst's involvement with any company (or security, other financial product or other asset class) that may be the subject of this communication. Any 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 communication is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Benzinga does not provide individually tailored investment advice. Any opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. You must make your own independent decisions regarding any securities, financial instruments or strategies mentioned or related to the information herein. Periodic updates may be provided on companies, issuers or industries based on specific developments or announcements, market conditions or any other publicly available information. However, Benzinga may be restricted from updating information contained in this communication for regulatory or other reasons. Clients should contact analysts and execute transactions through a Benzinga subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.