

Backtesting Jan 28, 2025

TLDR;

Tariffs and geopolitical tensions are negatively affecting some industries/sectors causing selloffs, violating the rating given to them on Jan 28th.

correct: 12

incorrect: 9

- **S&P 500:** The index has been under pressure due to disappointing consumer confidence data and weaker-than-expected retail sales and manufacturing numbers. Concerns about economic growth, global trade uncertainties, and cautious corporate guidance have also weighed on the market
- **Consumer Discretionary:** This sector is facing challenges as consumer spending slows amid inflationary pressures and higher interest rates. Companies in this space have reported faltering demand, and consumer sentiment has been weakening
- **Industrials:** Industrial stocks are sensitive to economic cycles, and recent data pointing to slowing business activity and trade uncertainties could be impacting this sector. Additionally, global trade tensions and potential tariff implementations may be creating headwinds
- **Marine Shipping:** This industry is heavily influenced by global trade dynamics. Escalating trade concerns, including tariffs and restrictions on exports, could be affecting shipping volumes and profitability
- **Retail Specialty:** Specialty retailers are likely feeling the pinch from reduced consumer spending and cautious forward guidance from major players in the retail space. Inflation and higher costs may also be squeezing margins

allowable: 6

Industry	Rating	MoM Return	Assessment
S&P 500 (SPY)	Buy ★	(-0.87)	Incorrect
Russell 2000			
DOW Jones (DIA)	Sell	(-1.27)	Correct
Becky			
Airlines & Airports (JETS)	Sell ☆	-7.24 (-7.32)	Correct

Industry	Rating	MoM Return	Assessment
Auto Manufacturers (TSLA, GM, F, RIVN)	Reduce	-16.1 (-27, -10.08, -6.1, -11.9)	Correct
Biotechnology (XBI)	Hold	-2.1 (-4.07)	Allowable
Bitcoin			
China (FXI)	Hold	(10.68)	Correct
Clean Energy (TAN)	Buy	(-3.51)	Incorrect
Communication Services (XLC)			
Consumer Discretionary (XLY)	Buy ☆	-6.39 (-6.52)	Incorrect
Consumer Staples (XLP)			
Credit Services (V, MA, AXP, PYPL)	Reduce	2.18 (8.01, 5.02, -4.58, -19.95)	Mixed
Cybersecurity (CIBR, HACK)	Hold	(-0.77, -1.95)	Allowable
Defense (ITA)			
Energy (XLE)	Buy	-0.36 (1.45)	Correct
Entertainment (PEJ*, NFLX, DIS, ROKU, CNK)	Reduce	1.16 (-1.94, 0.25, 0.54, 1.13, -11.75)	Allowable
Financials (XLF)	Hold	1.07 (1.76)	Correct
Gold			
Health Care (XLV)	Hold	1.59 (2.25)	Correct
Industrials (XLI)	Buy ☆	-2.57 (-1.05)	Incorrect
Information Technology (XLK, QQQ)			
Marine Shipping (BOAT, SEA)	Buy★	-3.28 (1.16, -0.14)	Incorrect
Materials (XLB)	Reduce	0.38 (0.23)	Allowable
Packaged Foods (FTXG*, KHC, GIS, K, POST)	Reduce	-0.04 (3.50, 3.54, 1.20, 1.41, 6.53)	Incorrect
Real Estate (XLRE)	Hold	5.05 (5.35)	Correct
Regional Banking (KRE)	Buy	-0.95 (-2.45)	Allowable
Restaurants (EATZ)	Sell ★	3.43 (-2.27)	Correct

Industry	Rating	MoM Return	Assessment
Retail - Apparel (TJX, LULU, ROST)	Hold	-5.57 (0.44, -11.08, -6.55)	Incorrect
Retail - Specialty (ORLY, ULTA, BBWI, FIVE)	Buy ☆	-2.1 (6.64, -10.79, -3.67, -8.52)	Incorrect
Semiconductors (SMH, SOXX)			
Steel (NUE, MT, STLD)	Hold	4.77 (8.36, 12.31, 4.57)	Correct
Telecom Services (TMUS, T, VX)	Sell	6.19 (14.69, 13.12, 7)	Incorrect
Travel & Hotels			
Utilities (XLU)	Hold	2.23 (3.32)	Correct

Moon: 🌑

Verdict

The S&P 500 has dropped dearly a whole percent since rating. The peak return between Jan 28th and Feb 28th was on Feb 19th. The rating on the 19th was NEUTRAL meaning the position would have been exited before the drop. However, the original rating was still violated due to macro news events.

#Prompt

What macro news event happened near feb 19th, 2025 that would cause the equities market to drop?

Response

Around February 19th, 2025, several macroeconomic events and news could have influenced the equities market:

- Retail Sector Weakness:** Walmart's disappointing fiscal year sales outlook and earnings guidance fell below analyst expectations, leading to a significant drop in its stock price. This also impacted other retail giants like Target and Costco.
- Tariff Concerns:** President Trump mentioned potential tariffs of 25% or more on automobiles, semiconductors, and medicines. This announcement created uncertainty in the market, particularly affecting those sectors.

3. **Federal Reserve Minutes:** The release of the Federal Reserve's January meeting minutes revealed no surprises but highlighted concerns about inflation risks. This may have contributed to cautious investor sentiment³.

These factors, combined with broader market dynamics, likely contributed to the market's decline during that period.

Similarly, the **Marine Shipping** industry rating was violated. Unlike the S&P 500, its peak return happened on Feb 11th but the rating remained very bullish. This assessment shall be corrected but the same events for the equities markets is also affecting the **Marine Shipping** industry.

#Prompt

What macro news events could have caused the Marine Shipping industry to sell off around Feb 11th, 2025?

Response

Around February 11th, 2025, several macroeconomic factors and news events could have influenced the **Marine Shipping** industry:

1. **Tariff Concerns:** There were discussions about potential tariffs on imported goods, which could have impacted global trade and shipping demand.
 2. **Economic Slowdown in Key Markets:** Reports of slower-than-expected economic growth in major shipping markets, such as China or the EU, might have raised concerns about reduced shipping volumes.
 3. **Geopolitical Tensions:** Any escalation in geopolitical tensions, particularly in regions critical to global shipping routes (e.g., the South China Sea or the Strait of Hormuz), could have created uncertainty.
 4. **Fuel Price Volatility:** Fluctuations in fuel prices, especially if they spiked, could have increased operational costs for shipping companies, affecting profitability.
 5. **Regulatory Changes:** New environmental regulations or stricter emission standards might have added compliance costs, impacting the industry's outlook.
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☆☆

Hold: $[-5, \text{Inf}]$

Buy: $[-3, \text{Inf}]$

Buy☆: $[-1, \text{Inf}]$

Buy★: $[0, \text{Inf}]$

Reduce: $[-\text{Inf}, 5]$

Sell: $[\text{Inf}, 3]$

Sell☆: $[\text{Inf}, 1]$

Sell★: $[\text{Inf}, 0]$