



MILL STREET
RESEARCH

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Weekly Roundup

**Best & Worst Ranked
US Stocks**
PLUS **Our Short-Term
Equity Risk Model and
Macro Commentary**

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Please see important disclosures on Page 6.

Additional information about Mill Street's models and indicators is available in the [Explanation Guide](#).

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Current Market Outlook

Global Equity Risk Model: Bullish

The current model reading of 69% on the 0-100% scale was up another +3% from the prior week. **The model has improved rapidly following the market's sharp moves and is back in its most bullish zone above 60%.**

The table (right) shows the eight indicators in our Global Equity Risk Model. *Note that the model's name has been updated from Short-term Risk Model to Global Equity Risk Model to align with the naming used in other reports, but the model itself is identical and unchanged.*

The strongest supports for equities right now are:

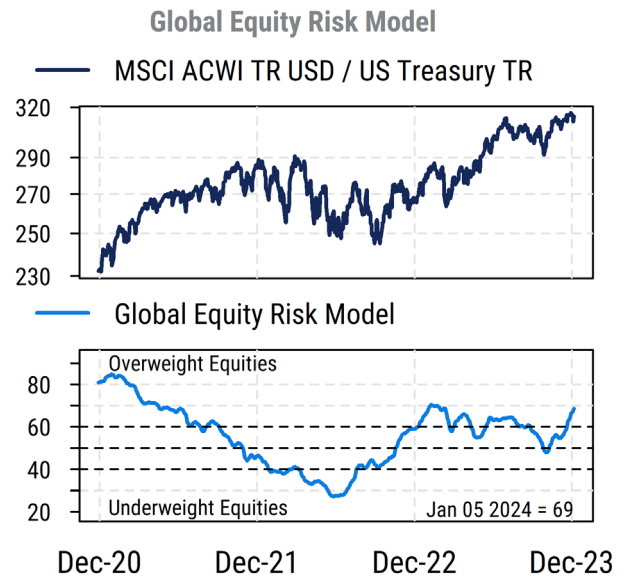
Global Credit Risk -- one of our cross-asset measures of risk appetite, credit spreads on Baa-rated (low investment grade) corporate bonds have been falling amid a broader improvement in investor risk appetite, joined by equity price momentum.

Global Equity Volatility -- equity market volatility has been near the low end of its recent range, and fallen back recently after a brief jump. Volatility is known to be persistent in the near-term and so moderate volatility remains a favorable backdrop for equities.

The least favorable indicators for equities right now are:

Global VIX Divergence -- the VIX and its European counterpart the VSTOXX have fallen sharply as markets have rallied. This pushed the implied volatility measures below the levels that would be expected based on realized market volatility. This tends to be a negative contrarian (overbought) signal for stocks, signaling potential overconfidence among traders, and corroborates other signs of higher investor optimism.

Global Real Yield -- this indicator uses the trend in inflation-adjusted 10-year sovereign bond yields for the US, Europe, and UK with a 12-18 month lag. This accounts for the typical lag between yield changes and the impact on the economy and earnings. Real yields began rising 12-18 months ago and are now being felt on global economic growth (less so in the US right now due to offsetting fiscal policy).



MSCI ACWI TR = MSCI All-Country World Index Total Return Index
 US Treasury TR = Merrill Lynch/BofA US Treasury Total Return Index

Global Equity Risk Model Indicators 05 Jan 2024

Indicator	Current	1-month Change
Global Equity Volatility	92%	1%
Global Risk Appetite	93%	41%
Global Momentum	88%	37%
Global VIX Divergence	37%	26%
Global Credit Risk	100%	0%
Fed Expectations	49%	12%
Global Real Yield	34%	-6%
Global Metals	56%	-2%
Global Equity Risk Model	69%	14%

More information about the Short-Term Risk Model is available in the [Explanation Guide](#)

Source: Mill Street Research, Factset, Bloomberg

Macro View

Our model says the trend is your friend, while the macro backdrop is more mixed

We have long relied on an objective, quantitative multi-indicator model to anchor our near-term (1-3 month) views on the "risk on/risk off" outlook. This primarily applies to allocation between stocks and fixed income, but other high vs low risk allocations follow similar patterns (i.e., high beta vs low beta stocks, high yield credit vs investment grade credit, etc.).

The model we use has been the same for years, but has had two names: the Short-term Risk Model (the name used in this report) and the Global Equity Risk Model (in our institutional research reports). To avoid confusion among readers, we are reverting back to the original name of the Global Equity Risk Model. Nothing about the model has changed except for the name, but now is consistent and reflects the global inputs to the model.

The model's current message (as shown on p. 2) is bullish, at readings above 60% that have historically been associated with equity markets rising at a 14-15% annualized rate (table, right).

Looking at the eight components, we see that the highest scores (most bullish drivers) are in the indicators capturing equity trend and volatility, and credit trends. The indicators reflecting the "macro backdrop" (Fed policy, global growth, real yields) are much more mixed, while the model's contrarian indicator (VIX Divergence) has been negative but is improving.

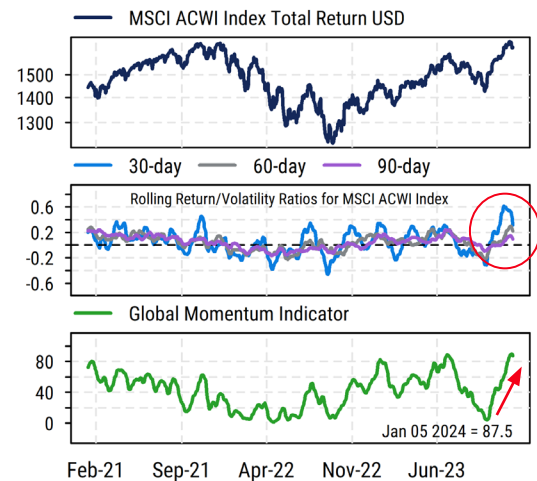
The charts at right show the two indicators that have improved the most recently, and capture the dramatic improvement in the market's price momentum and risk appetite. They join the Equity Volatility indicator in signaling a low-volatility uptrend in place, with improvement among the riskiest stocks.

Increased expectations for Fed rate cuts have helped bring the Fed indicator back to neutral, while the Real Yield indicator remains unfavorable as the lagged impact of higher real yields are likely impacting global growth now. Commodity prices (industrial metals vs precious metals) are also mixed, reflecting China's weakness and muted growth outside the US. Overall, the trend is bulls' biggest friend right now, and our model argues for buying dips in the market.

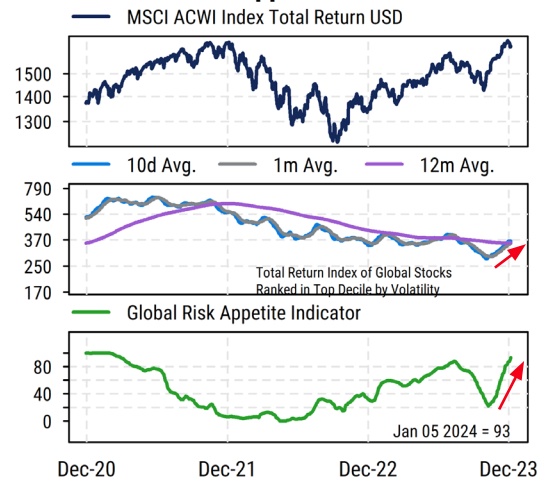
Global Equity Risk Model
Hypothetical Index Compound Annualized Returns
 1992 - 2024

ERM	ACWI	S&P 500	ACWI Ex US	Pct of Time
Above 60	14.9	15.3	14.1	49.4
50-60	9.3	9.8	10.0	17.4
40-50	6.3	8.6	6.6	15.4
Below 40	-7.6	-0.6	-14.5	17.8
All Periods	8.3	10.3	6.6	100.0

Global Momentum Indicator



Global Risk Appetite Indicator



Buy ideas from the Russell 1000

Based on our cornerstone MAER stock selection model, below is a list of the 20 most attractive buy ideas for short- to intermediate-term time frames, drawn from the Russell 1000 stock universe (those with at least six analysts covering the stock), and the changes in the list from the previous week. **The list below is based on quantitative analysis that may not incorporate all relevant factors, and additional research should always be done before trading.**

Note: MAER charts for each stock on the Buy and Avoid Ideas lists can be found in the [Chart Appendix](#).

Russell 1000 Buy Ideas 06 Jan 2024

Rank	Ticker	Name	Market Cap (\$Mil)	Sector
1	AIZ	Assurant, Inc.	8,839	Financials
2	RNR	RenaissanceRe Holdings Ltd.	10,300	Financials
3	SPLK	Splunk Inc.	25,649	Technology
4	SMAR	Smartsheet, Inc. Class A	6,033	Technology
5	RCL	Royal Caribbean Group	31,427	Cons. Discretionary
6	SPOT	Spotify Technology SA	37,406	Comm. Services
7	PK	Park Hotels & Resorts, Inc.	3,366	Real Estate
8	OSK	Oshkosh Corp	6,887	Industrials
9	GPS	Gap, Inc.	7,710	Cons. Discretionary
10	PGR	Progressive Corporation	95,192	Financials
11	S	SentinelOne, Inc. Class A	5,888	Technology
12	RGA	Reinsurance Group of America, Inco	11,010	Financials
13	DKNG	DraftKings, Inc. Class A	15,470	Cons. Discretionary
14	GWRE	Guidewire Software, Inc.	8,610	Technology
15	CB	Chubb Limited	92,899	Financials
16	SAIC	Science Applications International	6,475	Industrials
17	NRG	NRG Energy, Inc.	11,679	Utilities
18	PVH	PVH Corp.	6,978	Cons. Discretionary
19	CBOE	Cboe Global Markets Inc	18,275	Financials
20	UTHR	United Therapeutics Corporation	10,780	Health Care

New Additions To Buy Ideas 06 Jan 2024

Ticker	Name
RNR	RenaissanceRe Holdings Ltd.
RCL	Royal Caribbean Group
S	SentinelOne, Inc. Class A
DKNG	DraftKings, Inc. Class A
CB	Chubb Limited
SAIC	Science Applications International
PVH	PVH Corp.
CBOE	Cboe Global Markets Inc
UTHR	United Therapeutics Corporation

Removals From Buy Ideas 06 Jan 2024

Ticker	Name
OLLI	Ollie's Bargain Outlet Holdings Inc
NTNX	Nutanix, Inc. Class A
GDDY	GoDaddy, Inc. Class A
CASY	Casey's General Stores, Inc.
ALL	Allstate Corporation
NTAP	NetApp, Inc.
MUSA	Murphy USA, Inc.
TRIP	TripAdvisor, Inc.
CNC	Centene Corporation

Avoid list from the Russell 1000

Based on our cornerstone MAER stock selection model, below is a list of the 20 *least attractive* stocks in our ranking drawn from the Russell 1000 universe, which our research indicates tend to underperform and have higher risk on average. Readers who own or are considering buying these stocks may want to avoid or sell them in favor of the more attractively ranked stocks. Note that these are not necessarily meant as recommendations for shorting and are likely to be volatile.

The list below is based on quantitative analysis that may not incorporate all relevant factors, and additional research should always be done before trading.

Russell 1000 Avoid Ideas 06 Jan 2024

Rank	Ticker	Name	Market Cap (\$Mil)	Sector
1	MRVI	Maravai Lifesciences Holdings, Inc	865	Health Care
2	ILMN	Illumina, Inc.	20,720	Health Care
3	MASI	Masimo Corporation	5,898	Health Care
4	AA	Alcoa Corporation	5,734	Materials
5	CHPT	ChargePoint Holdings, Inc. Class A	932	Industrials
6	AAP	Advance Auto Parts, Inc.	3,661	Cons. Discretionary
7	RH	RH	4,805	Cons. Discretionary
8	WOOF	Petco Health & Wellness Company, I	685	Cons. Discretionary
9	HTZ	Hertz Global Holdings Inc	2,937	Industrials
10	MRNA	Moderna, Inc.	42,368	Health Care
11	LSCC	Lattice Semiconductor Corporation	8,915	Technology
12	LSTR	Landstar System, Inc.	6,632	Industrials
13	TXN	Texas Instruments Incorporated	149,944	Technology
14	IAC	IAC Inc.	4,163	Comm. Services
15	UDR	UDR, Inc.	12,440	Real Estate
16	SNDR	Schneider National, Inc. Class B	2,276	Industrials
17	SLGN	Silgan Holdings Inc.	4,772	Materials
18	TMO	Thermo Fisher Scientific Inc.	205,253	Health Care
19	HCA	HCA Healthcare Inc	73,832	Health Care
20	EL	Estee Lauder Companies Inc. Class	31,895	Cons. Staples

New Additions To Avoid Ideas 06 Jan 2024

Ticker	Name
MRVI	Maravai Lifesciences Holdings, Inc
LSCC	Lattice Semiconductor Corporation
TXN	Texas Instruments Incorporated
IAC	IAC Inc.
UDR	UDR, Inc.
SLGN	Silgan Holdings Inc.
TMO	Thermo Fisher Scientific Inc.
HCA	HCA Healthcare Inc

Removals From Avoid Ideas 06 Jan 2024

Ticker	Name
DISH	DISH Network Corporation Class A
SITE	SiteOne Landscape Supply, Inc.
KEYS	Keysight Technologies Inc
MRVL	Marvell Technology, Inc.
MTZ	MasTec, Inc.
MTD	Mettler-Toledo International Inc.
EW	Edwards Lifesciences Corporation
LOW	Lowe's Companies, Inc.

More information about the MAER stock selection model is available in the [Explanation Guide](#).

<https://www.millstreetresearch.com/research/Ref/Mill Street Research Explanation Guide.pdf>

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