



MILL STREET
RESEARCH

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Weekly Roundup

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

IN THIS REPORT:

PAGE:

- [2](#) Current Market Outlook
- [3](#) Macro View
- [4](#) Russell 1000 Top-Ranked Buy Ideas
- [5](#) Russell 1000 Lowest-Ranked Avoid Ideas
- [6](#) Hypothetical Stock Ideas Performance

Please see important disclosures on Page 7.
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 66% on the 0-100% scale was down -3% from the prior week. **The model has pulled back as stock prices have corrected, but so far remains within its most bullish zone above 60%.**

The table (right) shows the eight indicators in our Global Equity Risk Model.

The strongest supports for equities right now are:

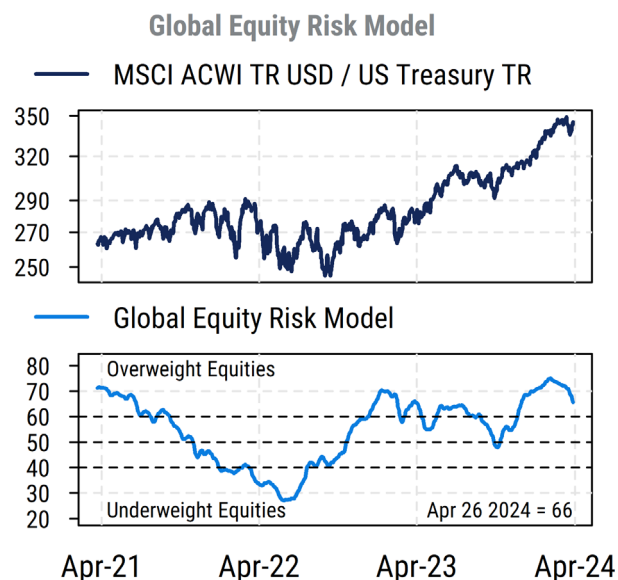
Global Credit Risk -- one of our cross-asset measures of risk appetite, credit spreads on Baa-rated (low investment grade) corporate bonds have thus far held mostly steady at low levels despite the pullback in stocks, leaving the indicator still strongly bullish.

Global Equity Volatility -- while equity market volatility has been somewhat higher recently, this indicator is designed to track volatility over 1-6 month periods. By those measures the volatility backdrop is still supportive in our work.

The least favorable indicators for equities right now are:

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) and small-cap performance.

Fed Expectations -- This indicator uses the spread between the two-year Treasury yield (which tracks future Fed rate expectations) and the three-month Treasury bill rate (which tracks current Fed policy rates) to gauge trends in market expectations about Fed policy. Recent economic news and Fed official commentary has pushed back the timing of expected rate cuts, causing our indicator to weaken from earlier more favorable readings and capturing the driver of recent pressure on stock prices.



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 26 Apr 2024

Indicator	Current	1-month Change
Global Equity Volatility	94%	-1%
Global Risk Appetite	80%	-16%
Global Momentum	42%	-46%
Global VIX Divergence	87%	25%
Global Credit Risk	100%	0%
Fed Expectations	43%	-18%
Global Real Yield	32%	-3%
Global Metals	48%	4%
Global Equity Risk Model	66%	-7%

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

Source: Mill Street Research, Factset, Bloomberg

Macro View

Our model (p. 2) says it's more likely a correction (that may already be over) in stocks than the start of a big decline. Continued strong earnings help keep a floor under stock prices with the Fed still sidelined.

The pullback in major indices since the March 28th closing high in the S&P 500 has provoked concern (again) from some market watchers who view stocks as overvalued and at serious risk from higher bond yields.

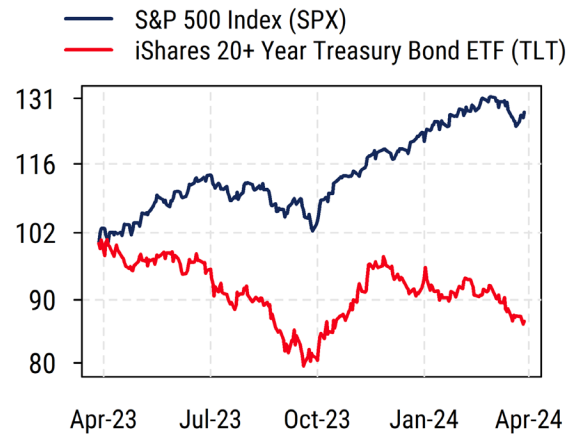
We certainly recognize the headwinds from interest rates, but the key to this cycle so far has been that the economy and earnings (at least for large-caps) have held up quite well despite higher rates, as discussed in last week's report.

The ups and downs of bond yields have certainly caused short-term volatility in stock prices, but thus far **stocks have continued to recover from rate-induced wobbles thanks to continued positive earnings and economic news.** This past week, it was strong earnings from mega-caps Microsoft (MSFT) and Alphabet (GOOGL) in particular that helped stocks rebound from weaker reports from Meta (META) and Intel (INTC). And one of the year's biggest laggards, Tesla (TSLA) saw a sharp rebound after its earnings despite worries about slowing growth, while NVIDIA (NVDA) also recovered from valuation based concerns as AI-related hardware spending looks to be increasing.

According to Factset, 45% of the S&P 500 has now reported Q1 earnings, and 80% of them have beaten expectations, a slightly higher-than-average result so far. **Earnings thus continue to come in better than expected, and more importantly, forward (next-12-month) earnings estimates for the S&P 500 continue to rise.**

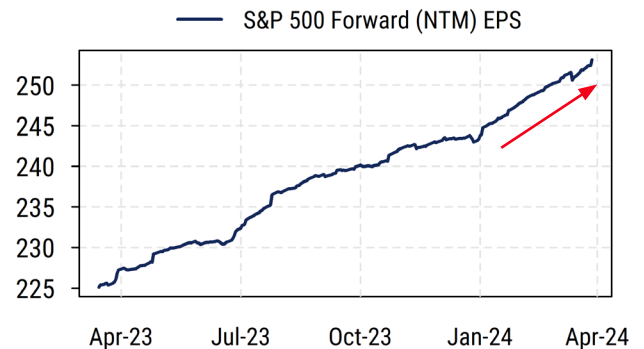
And it is not just the US large-caps that are seeing better earnings trends lately. The European economy and earnings have lagged behind the US in the post-COVID cycle, but recently there are signs of improvement in Europe along with rising earnings estimates there too. The same is true in Japan. So **the trend of supportive earnings is more global than many realize**, despite higher rates in North America and Europe (but not Japan). Rates are important but may not be as critical to the underlying economy as many assume if there are offsetting effects from fiscal/regulatory policy, immigration, and most importantly, productivity growth. **We thus continue to favor stocks over bonds in this environment.**

S&P 500 vs Long-term Treasury Bonds



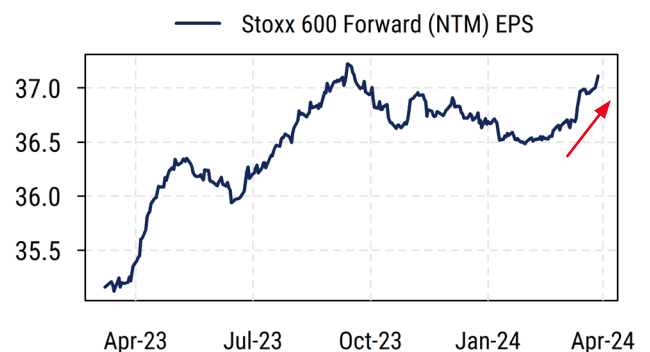
Falling bond prices (higher yields) weigh on stocks periodically, but stocks continue to outperform

S&P 500 Consensus Forward Earnings Per Share



Rolling forward (next-12-month) earnings per share forecasts for the S&P 500 continue to rise steadily.

Stoxx 600 Consensus Forward Earnings Per Share



Not just the S&P 500: the European STOXX 600 index is also seeing a renewed rise in forward EPS estimates as Q1 earnings come in.

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 27 Apr 2024

Rank	Ticker	Name	Market Cap (\$Mil)	Sector
1	TRU	TransUnion	14,466	Industrials
2	PHM	PulteGroup, Inc.	23,937	Cons. Discretionary
3	OSK	Oshkosh Corp	7,695	Industrials
4	KMPR	Kemper Corp	3,695	Financials
5	RCL	Royal Caribbean Group	36,181	Cons. Discretionary
6	HOG	Harley-Davidson, Inc.	4,746	Cons. Discretionary
7	GM	General Motors Company	52,302	Cons. Discretionary
8	WU	Western Union Company	4,557	Financials
9	UHS	Universal Health Services, Inc. Cl	9,959	Health Care
10	AYI	Acuity Brands, Inc.	7,766	Industrials
11	NFLX	Netflix, Inc.	241,870	Comm. Services
12	LPX	Louisiana-Pacific Corporation	5,388	Materials
13	AMG	Affiliated Managers Group, Inc.	5,200	Financials
14	GL	Globe Life Inc.	7,123	Financials
15	UAL	United Airlines Holdings, Inc.	17,374	Industrials
16	FHN	First Horizon Corporation	8,219	Financials
17	HOOD	Robinhood Markets, Inc. Class A	13,376	Financials
18	GPS	Gap, Inc.	7,974	Cons. Discretionary
19	BK	Bank of New York Mellon Corp	42,865	Financials
20	PGR	Progressive Corporation	121,838	Financials

New Additions To Buy Ideas 27 Apr 2024

Ticker	Name
TRU	TransUnion
PHM	PulteGroup, Inc.
OSK	Oshkosh Corp
KMPR	Kemper Corp
HOG	Harley-Davidson, Inc.
WU	Western Union Company
UHS	Universal Health Services, Inc. Cl
LPX	Louisiana-Pacific Corporation
GL	Globe Life Inc.
PGR	Progressive Corporation

Removals From Buy Ideas 27 Apr 2024

Ticker	Name
PEGA	Pegasystems Inc.
COIN	Coinbase Global, Inc. Class A
TOL	Toll Brothers, Inc.
CG	Carlyle Group Inc
COHR	Coherent Corp.
RL	Ralph Lauren Corporation Class A
SEIC	SEI Investments Company
DVA	DaVita Inc.
NVR	NVR, Inc.
ALSN	Allison Transmission Holdings, Inc.

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 27 Apr 2024

Rank	Ticker	Name	Market Cap (\$Mil)	Sector
1	MRCY	Mercury Systems, Inc.	1,726	Industrials
2	PENN	PENN Entertainment, Inc.	2,560	Cons. Discretionary
3	ALGM	Allegro MicroSystems, Inc.	5,813	Technology
4	MP	MP Materials Corp Class A	2,849	Materials
5	SNDR	Schneider National, Inc. Class B	1,992	Industrials
6	CHK	Chesapeake Energy Corporation	12,041	Energy
7	HTZ	Hertz Global Holdings Inc	1,352	Industrials
8	KNX	Knight-Swift Transportation Holdin	7,572	Industrials
9	MCHP	Microchip Technology Incorporated	50,580	Technology
10	MDB	MongoDB, Inc. Class A	27,953	Technology
11	RHI	Robert Half Inc.	7,290	Industrials
12	NYCB	New York Community Bancorp Inc	2,389	Financials
13	JBHT	J.B. Hunt Transport Services, Inc.	16,735	Industrials
14	IPGP	IPG Photonics Corporation	4,075	Technology
15	QS	QuantumScape Corporation Class A	2,378	Cons. Discretionary
16	ODFL	Old Dominion Freight Line, Inc.	39,708	Industrials
17	INTC	Intel Corporation	134,789	Technology
18	AGL	agilon health inc	2,055	Health Care
19	CCK	Crown Holdings, Inc.	9,734	Materials
20	CC	Chemours Co.	4,065	Materials

New Additions To Avoid Ideas 27 Apr 2024

Ticker	Name
ALGM	Allegro MicroSystems, Inc.
HTZ	Hertz Global Holdings Inc
MDB	MongoDB, Inc. Class A
RHI	Robert Half Inc.
INTC	Intel Corporation
CCK	Crown Holdings, Inc.

Removals From Avoid Ideas 27 Apr 2024

Ticker	Name
HUM	Humana Inc.
LFUS	Littelfuse, Inc.
CHRW	C.H. Robinson Worldwide, Inc.
BMJ	Bristol-Myers Squibb Company
SAM	Boston Beer Company, Inc. Class A
MSM	MSC Industrial Direct Co., Inc. Class A

More information about the MAER stock selection model is available in the [Explanation Guide](https://www.millstreetresearch.com/research/Ref/Mill%20Street%20Research%20Explanation%20Guide.pdf).

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

Hypothetical performance tracking

Driven by client interest, below we provide hypothetical performance statistics for the 20-stock Buy Ideas and 20-stock Avoid Ideas lists that have been published in this report since its launch in January 2023. Note that Mill Street Research does not manage money and thus nothing here reflects any actual trading results: these are purely hypothetical results for informational purposes only, are not meant as complete portfolios, and do not include important considerations such as transactions costs, taxes, liquidity and other factors, as described below. ***Past performance is no guarantee of future results, see important disclosures on the following page.***

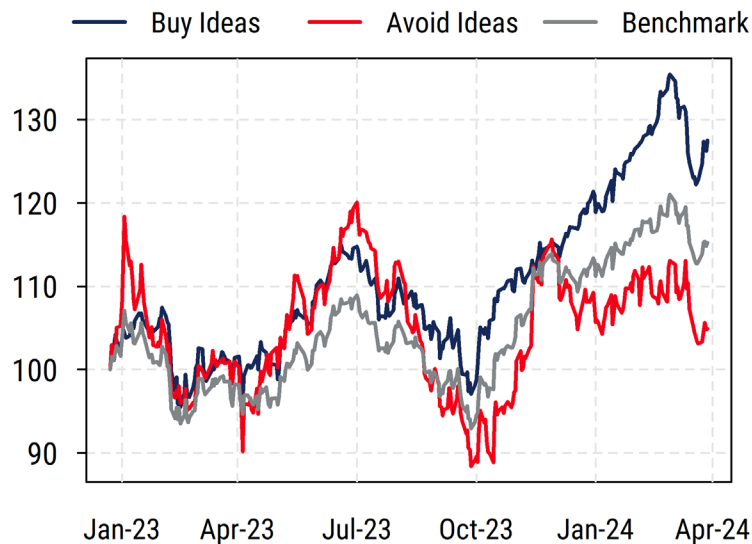
The results are based on the same methodology used in the historical backtests shown in the Explanation Guide. The study results below use the actual published stock ideas to estimate returns to hypothetical equal-weighted portfolios of the Buy Ideas and Avoid Ideas stocks ***held for four weeks***, along with the corresponding Russell 1000 universe (also equal-weighted) as a benchmark. The four-week holding period sharply reduces the implied turnover in the hypothetical portfolios and is consistent with the monthly rebalancing period used in testing of the MAER model for many years.

The results use a common testing technique of assuming the use of four sub-portfolios (each 25% of the total portfolio) where one sub-portfolio is rebalanced every week based on the rankings as of that week. This allows for a consistent one-month (four-week) rebalancing period with weekly data but reduces "timing luck" in which results can vary significantly based only on the specific rebalance dates chosen (particularly in a short testing period like this). ***Consistent with our longer-term backtests, the hypothetical real-time published results show the Buy ideas outperforming the Avoid Ideas by a wide margin (and outperforming the benchmark), and the Avoid Ideas having sharply higher volatility than the Buy Ideas or the benchmark.***

Weekly Roundup Real-time Statistics January 2023 - April 2024

	Buy Ideas	Avoid Ideas	Benchmark
Annualized Return (%)	21.15	3.87	11.84
Annualized Volatility (%)	17.70	27.18	16.16

Weekly Roundup Hypothetical Portfolio Returns



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