

June 3, 2026

Dow	S&P		Russell	10 yr			Crude
Jones	500	NASDAQ	2000	Treas	Bitcoin	Gold	Oil
50,687	7,554	26,854	2,894	4.49%	65,120	\$4,539	\$94.91

Investment Strategy Report

FEMO Replaces FOMO As The Impetus For Higher Stock Prices

Since bottoming on March 30th, stocks have experienced an incredible surge higher. The two month gain has been historic, as the S&P 500 has jumped 20% while some of our growth funds have spiked from 24% to 35%. According to the Wall St. Journal (6/1), “this 2 month surge has been matched only 4 other times since 1950. The S&P 500 was higher 6 months later each time, by a median of 17%”. When I wrote in my April 1st letter, “When Oil Spikes, Buy Stocks”, I had no idea that we would be seeing such substantial advances in stock prices. And all of this is happening while the war in Iran is still ongoing, the price of oil is still 60% higher than its pre-war levels, and interest rates are near two year highs. The most common responses from investors, which I can confirm with my clients, is “how can this be happening” with what has been going on around the world and the divisions that we see in our country. Investors feel that we are in a bubble, a la 1999, and that the party is going to end soon.

The term “FOMO”, or the Fear Of Missing Out, has been used often to describe what seems to be the only rational reason why stock prices are this high, i.e., investors are buying because they don’t want to miss out on the gains, not for any fundamental reason. This theory has been rebuked by economist Ed Yardeni, who instead explains sky high stock prices by using the term FEMO, or Fantastic Earnings MOmentum. He spoke during a CNBC interview about how resilient the economy was and how the technology revolution will lead to productivity improvement, better growth, and lower inflation. Real wages are up and profits are looking great. And to answer those who think that we are in a bubble, he stated that we have already had corrections, back in March and in 2025, and each pull back has turned out to be a buying opportunity. Investors around the world want to invest in the US, seen as the engine of growth. He is forecasting a year end target for the S&P 500 of 8,250 (another 9% higher from here) and 10,000 by the end of the decade (32% higher from here).

Tom Lee spoke on CNBC (5/28) and confirmed what Yardeni said about the power of corporate earnings. He stated that first quarter S&P earnings were estimated to be \$70. They instead came in at \$80. This \$10 beat, annualized to a \$40 beat for the year, will add 800 to 1,000 points to the S&P upside. On May 21st he was confident that the US will do well since we are a producer of AI, we are energy independent, and the consumer is in pretty good shape. The wealth created by IPOs this year (e.g., Space X, Open AI, Anthropic, etc.) will bring more money into the economy, providing more stimulus.

Jacob Sonenshine writing in Barron’s (May 11) makes it a third analyst who emphasized that this is an earnings driven market. “Driving the gain: a superstrong earnings season. Through Thursday (5/7), 87% of S&P 500 members had beaten profit estimates, according to Evercore ISI. Those that beat saw their stocks gain 1.1% on average. Those gains have been the bedrock of the stock market rally”. “Tech earnings have been even better. Earnings from semiconductor stocks can rise 46% annually from 2025 to the end of 2027 and profits from chip companies like Nvidia and Taiwan Semi can alone help drive the S&P 500 earnings per share up 18% annually to \$378 in 2027”. This would help the S&P to reach that 8,000 number.

Brett Eversole, in his May 7th investment letter (Stansberry Research) addresses many of the concerns that investors have. Each concern adds to the “Wall of Worry” that so often stocks climb during a bull market. He stresses the importance of listening to the message of the market, and right now, “the trend is sending us a message – the stock market is back to the “normal” we saw before the war”. And this “normal” was that technology and AI were driving the market higher. And now we’re back in that environment. He too talks about superb earnings growth. “The average S&P 500 company’s year-over-year earnings growth over the last 4 month period was 27.1%. Simply put, earnings are growing too fast for the standard P/E ratio to accurately reflect them. A more accurate accounting says that “stocks are as cheap as they were back in May 2025”. With stocks reasonably priced, with earnings growth accelerating, and with investors still squeamish about the market’s prospects, all the ingredients are in place for the uptrend to continue. *Jeff Feldman*