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Markets Pause After Record Run, But Strategists Say Fear of Missing Out Will Keep Momentum Alive

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After the S&P 500 and Nasdaq Composite closed at record highs on Monday, U.S. stock futures showed signs of hesitation in early Tuesday trading, reflecting a cautious tone among investors. While short-term uncertainty looms, market analysts suggest the broader rally is far from over, driven largely by strong corporate earnings and the lingering "FOMO" (Fear of Missing Out) effect that continues to push sidelined capital into equities.

As of early Tuesday morning (12:34 a.m. Eastern Time), futures for the S&P 500, Nasdaq 100, and Russell 2000 all slipped slightly, while Dow Jones Industrial Average futures posted a modest uptick. Monday's session saw stocks rally in the opening hours, plateau through midday, and close with mixed results. The S&P 500 marked a new record close, the Nasdaq extended its streak to six consecutive record finishes, but the Dow closed slightly in the red.

Investors appear to be waiting on key earnings releases to determine the next move. Major names set to report Tuesday include Coca-Cola (KO), General Motors (GM), Capital One Financial (COF), Texas Instruments (TXN), Halliburton (HAL), and homebuilders D.R. Horton (DHI) and PulteGroup (PHM). On Monday, Verizon (VZ) stood out with a strong 4% gain after a solid earnings beat.

The so-called "Magnificent Seven" tech giants led the previous session, with Alphabet Inc. (GOOG/GOOGL) rising over 2.7% ahead of its midweek earnings release. In terms of broad-market exposure, the Invesco QQQ Trust (QQQ), an Exchange-Traded Fund (ETF) tracking the Nasdaq 100 Index, rose 0.52%, while the SPDR S&P 500 ETF (SPY) edged up 0.19%. The SPDR Dow Jones Industrial Average ETF Trust (DIA) managed a marginal 0.04% gain, and the iShares Russell 2000 ETF (IWM) fell 0.40%.

Treasury markets also rallied Monday after the U.S. Leading Economic Index declined more than expected, pushing the 10-year yield below the 4.4% mark. The U.S. dollar gained slightly against most major currencies, while gold prices pulled back after briefly crossing $3,400 per ounce. Crude oil fell over 1% in overnight trading amid renewed demand concerns.

In upcoming central bank commentary, Federal Reserve (Fed) Vice Chair for Supervision Michelle Bowman is scheduled for a television interview Tuesday morning, while Fed Chair Jerome Powell will open the "Integrated Review of the Capital Framework for Large Banks" conference in Washington, D.C. Bowman will later moderate a panel at the same event.

Market confidence has been fueled in part by falling volatility. According to fund manager Louis Navellier, the recent drop in the CBOE Volatility Index (VIX), a measure of expected market turbulence, suggests bearish investors may be capitulating. "With earnings strong and new highs being hit almost daily, not only is short covering in motion, but the huge amount of cash still on the sidelines has growing FOMO," Navellier said.

Meanwhile, global markets are taking cues from Wall Street. Most major Asian indices posted gains overnight, although Japan's Nikkei Index dipped slightly following a political shake-up. Prime Minister Shigeru Ishiba's ruling Liberal Democratic Party lost its majority in the upper house over the weekend, creating some uncertainty in the region's second-largest economy.

As Wall Street steadies itself ahead of more earnings reports and central bank appearances, analysts remain optimistic that the market rally, fueled by both strong fundamentals and sidelined investor demand, still has room to run, even as volatility remains subdued.