



 Week of May 13, 2024

Signs Point To Sustained Rally; Busy Week For Data & Fed Speak

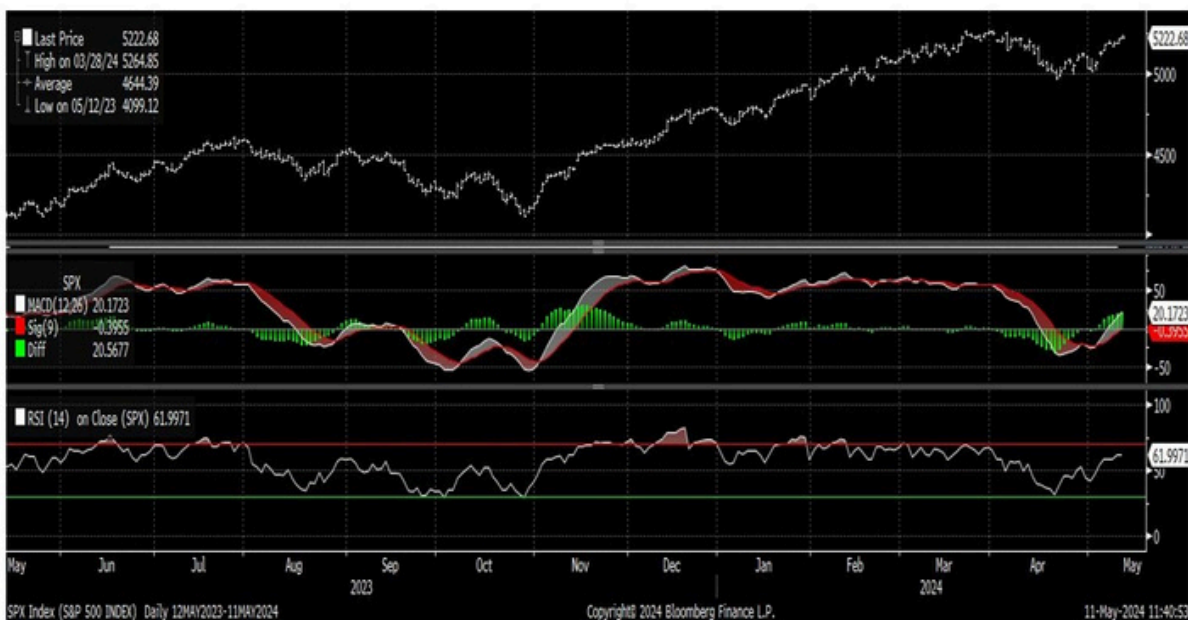
Don't Sell In May – Summers Are Strong

There is an old Wall Street adage that says, “Sell in May and go away!” But we believe differently! We say, “Buy in May and sell by Labor Day!” Seasonally, the summer months are strong with equity markets generally peaking in the month of August.

When we review the price momentum indicators Moving Average Convergence/Divergence (MACD) and Relative Strength Index (RSI), they remain strong and point to a continued improvement in stock prices. But volatility measured by the VIX index has fallen sharply, which indicates that equities can have intermittent periods of pullbacks. However, we continue to believe that the S&P 500 and Nasdaq 100 can reach new records, and the summer months are likely to get us to these highs.

What's the evidence pointing us to new highs in the equity markets? It starts with the positive earnings growth rate, particularly for the Magnificent 7, plus we have an economy that's still growing strongly, and finally, it's the likelihood that interest rates have peaked for this cycle. We do anticipate the Federal Reserve will try to begin lowering interest rates before the election in November.

S&P 500 With Daily MACD And RSI: Price Momentum Is Positive

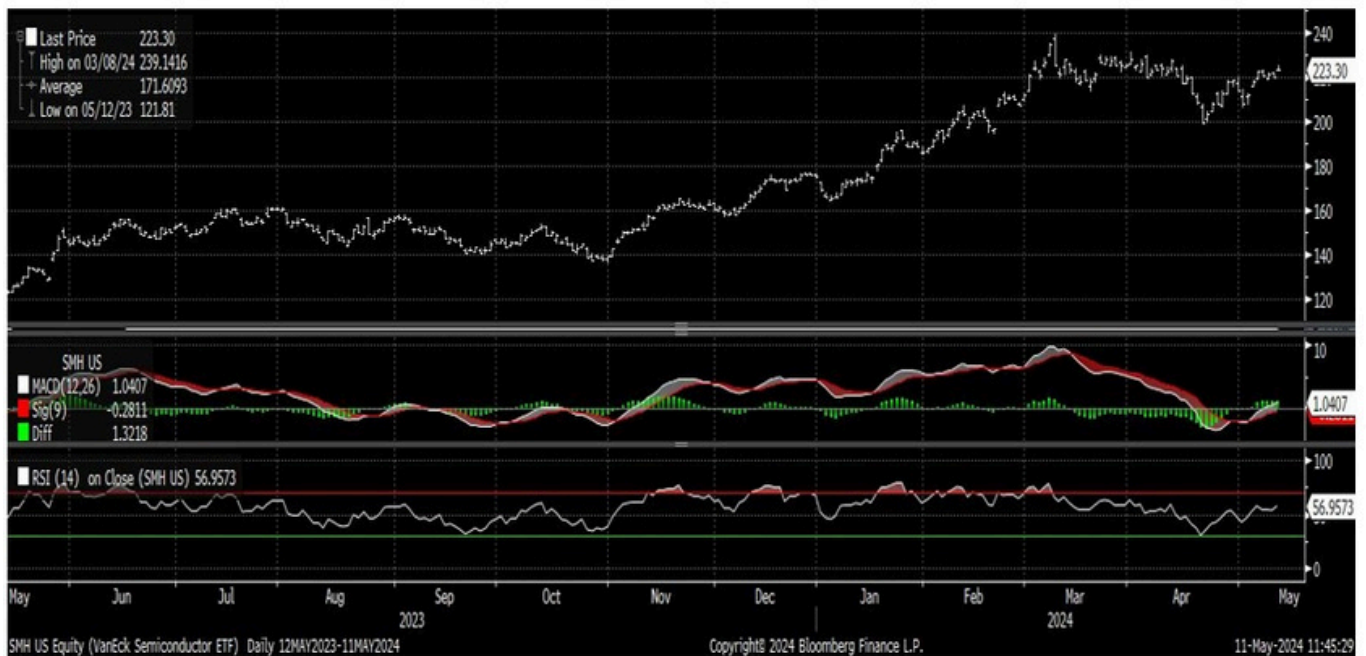


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Nasdaq 100 With Daily MACD And RSI: Price Momentum Is Positive

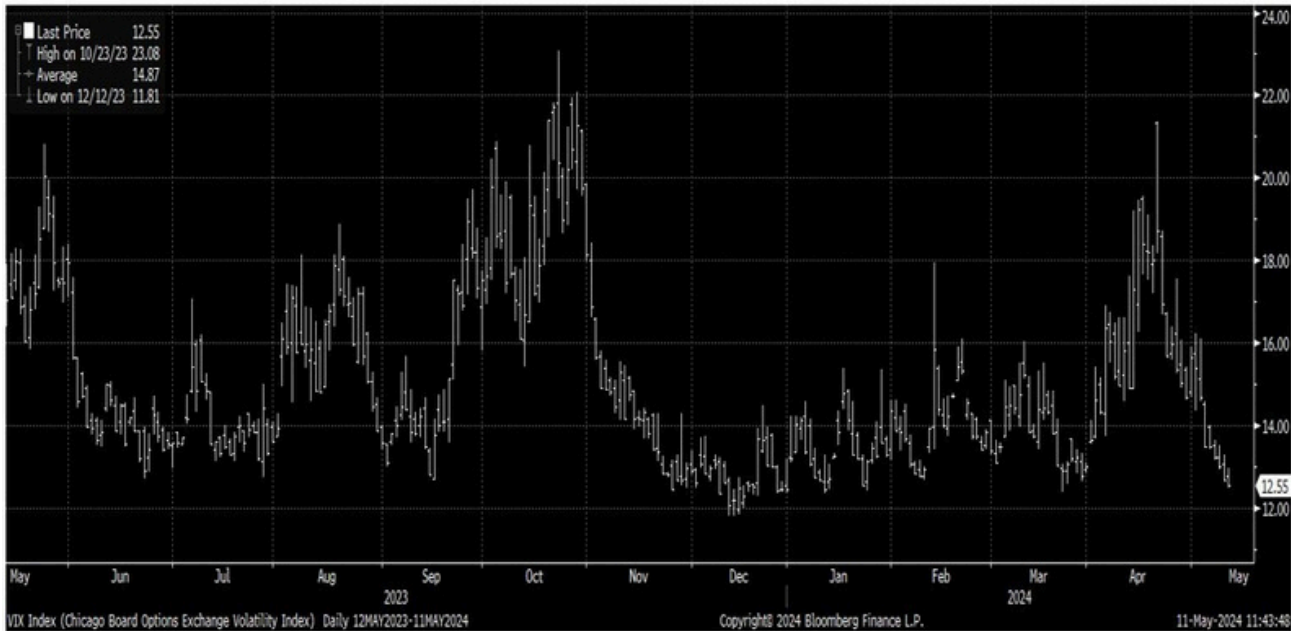


VanEck Semiconductor ETF (SMH) With Daily MACD And RSI: Price Momentum Is Positive



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VIX Volatility Index: Low Volatility Points To Intermittent Pullbacks

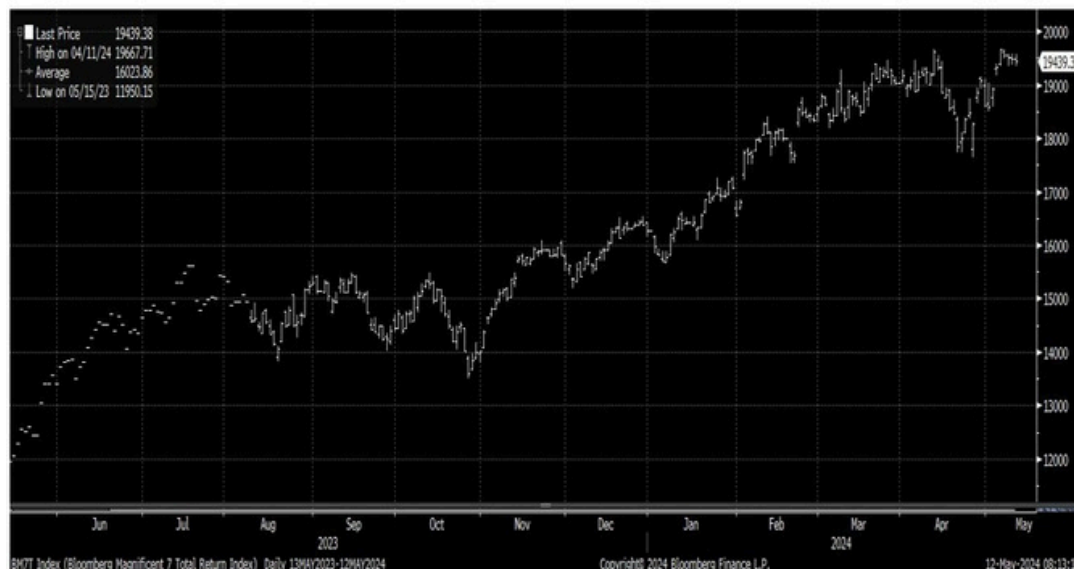


The Magnificent 7 Remain Magnificent

According to FactSet, the 1Q24 year-over-year earnings growth rate for the S&P 500 has dropped to 5.4%. The tail of strength in earnings is Mega Cap Artificial Intelligence companies, and the tail of weakness is Healthcare. The strongest top five contributors are NVIDIA (NVDA), Alphabet (GOOG), Amazon (AMZN), Meta Platforms (META), and Microsoft (MSFT). If you exclude these five companies, the S&P 500 would be reporting a year-over-year earnings decline of -2.4% rather than earnings growth of 5.4% for 1Q24. The earnings number dropped from 8% because Bristol Myers Squibb (BMY) reported a large decline in earnings (EPS of -\$4.40 for 1Q24 compared to EPS of \$2.05 for 1Q23.) Excluding Bristol-Myers Squibb (BMY), the earnings growth rate for the S&P 500 would improve back to the 8.3% the market had been tracking. Additionally, other significant detractors to earnings growth in Healthcare were Gilead Sciences (GILD) and Pfizer (PFE). Excluding Bristol-Myers Squibb, Gilead Sciences, and Pfizer, the growth rate for the S&P 500 would improve to 9.7% from the actual 5.4%. Drugs have been a pain on the earnings front!

Overall, earnings have been strong but remain scarce with select contributors making a difference. This points to Growth continuing to outperform Value.

Bloomberg Magnificent 7 Index: A Possible Bullish Head And Shoulders Bottom

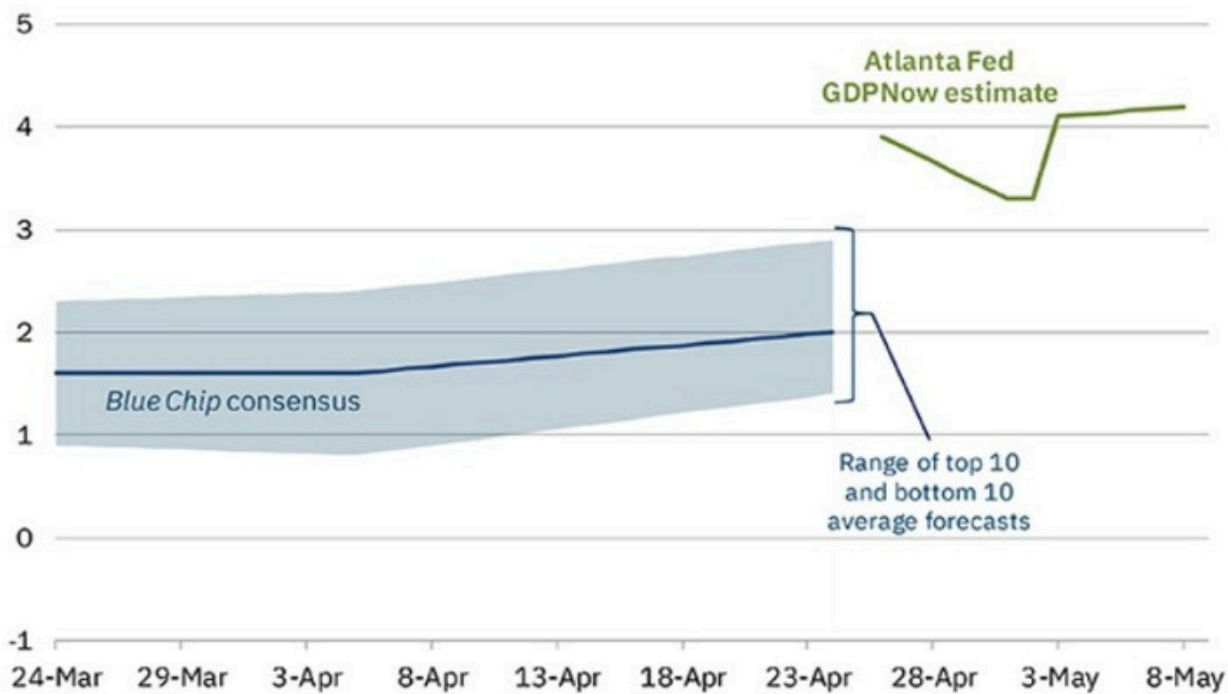


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GDPNow Economic Tracker Forecasting 4% Growth 2Q24

The Atlanta Federal Reserve economic growth tracker is now forecasting the economy will grow at 4% for 2Q24. Economists, however, remain skeptical, forecasting a significantly lower rate below 3%. What is most important here is that the economy is growing! A growing economy points to continued earnings growth, and strong earnings point to new record highs in the stock market. *The Bull is charging!*

Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q2
Quarterly percent change (SAAR)



Source: Atlanta Federal Reserve, May 15, 2024

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Yields Appear To Have Peaked This Cycle

Both the 2-and 10-Year Treasury yields appear to have peaked for this cycle. The Bull has bucked hard in the fixed income market this year, but the Bull might be able to charge ahead with lower rates as we move into the summer months. Inflation measures will remain key to how interest rates will trend going forward. For rates to remain down, we will need inflation data to be tame – and the data to be released this week could be the determining factor in the rate trends.

US 2-Year Treasury Yield With MACD And RSI: Momentum Points Lower



US 10-Year Treasury Yield With MACD And RSI: Momentum Points Lower



 Week of May 13, 2024

Market Performance

	Last 5/10/2024	Month End 4/30/2024	Month to Date	Quarter End 3/29/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 5/11/2023	Year To Year
S&P 500	5222.68	5035.69	3.7%	5254.35	-0.6%	4769.83	9.5%	4130.62	26.4%
NASDAQ Composite	16340.87	15657.82	4.4%	16379.46	-0.2%	15011.35	8.9%	12328.51	32.5%
NASDAQ 100	442.06	424.59	4.1%	444.01	-0.4%	409.52	7.9%	326.20	35.5%
Russell 2000	2059.78	1973.91	4.4%	2124.55	-3.0%	2027.07	1.6%	1744.71	18.1%
S&P Consumer Discretionary Sector	1455.72	1420.81	2.5%	1485.49	-2.0%	1418.09	2.7%	1165.73	24.9%
S&P Consumer Staples Sector	828.29	805.51	2.8%	814.23	1.7%	762.32	8.7%	800.82	3.4%
S&P Energy Sector	716.44	714.95	0.2%	721.24	-0.7%	640.05	11.9%	603.13	18.8%
S&P Financial Sector	695.29	671.09	3.6%	701.32	-0.9%	626.35	11.0%	531.79	30.7%
S&P Health Care Sector	1672.26	1634.44	2.3%	1723.97	-3.0%	1590.36	5.1%	1541.67	8.5%
S&P Industrials Sector	1062.84	1028.09	3.4%	1066.71	-0.4%	964.73	10.2%	832.15	27.7%
S&P Information Technology Sector	3787.39	3612.61	4.8%	3821.05	-0.9%	3397.16	11.5%	2662.98	42.2%
S&P Materials Sector	578.21	558.16	3.6%	585.16	-1.2%	539.62	7.2%	490.69	17.8%
S&P Real Estate Sector	236.78	226.77	4.4%	248.16	-4.6%	251.58	-5.9%	232.11	2.0%
S&P Communications Sector	292.33	277.98	5.2%	284.29	2.8%	246.00	18.8%	201.84	44.8%
S&P Utilities Sector	361.36	338.80	6.7%	333.49	8.4%	321.92	12.3%	347.84	3.9%
S&P 500 Total Return	11364.04	10951.66	3.8%	11418.03	-0.5%	10327.83	10.0%	8849.69	28.4%
3 month Treasury Bill Price	98.65	98.65	0.0%	98.66	0.0%	98.66	0.0%	98.71	-0.1%
3 month Treasury Bill Total Return	248.73	248.29	0.2%	247.21	0.6%	243.98	1.9%	235.78	5.5%
10 Year Treasury Bond Future	108.70	107.44	1.2%	110.80	-1.9%	112.89	-3.7%	116.05	-6.3%
10 Year Treasury Note Total Return	287.39	283.63	1.3%	291.09	-1.3%	294.12	-2.3%	296.53	-3.1%
iShares 20+ Year Treasury Bond ETF	90.12	88.22	2.2%	94.62	-4.8%	98.88	-8.9%	105.15	-14.3%
S&P Municipal Bond Total Return	272.33	269.77	0.9%	272.69	-0.1%	272.94	-0.2%	264.54	2.9%
iShares S&P National Municipal Bond NAV	106.89	106.10	0.7%	107.42	-0.5%	108.42	-1.4%	107.19	-0.3%
S&P 500 Investment Grade Corporate Bond Total Return	448.51	442.92	1.3%	453.46	-1.1%	455.89	-1.6%	437.81	2.4%
S&P Investment Grade Corporate Bond	89.36	88.41	1.1%	90.59	-1.4%	91.76	-2.6%	90.47	-1.2%
S&P Investment Grade Corporate Bond Total Return	477.36	471.67	1.2%	481.59	-0.9%	482.66	-1.1%	463.24	3.0%
SPDR Bloomberg High Yield Bond ETF	94.02	93.43	0.6%	95.20	-1.2%	94.73	-0.7%	91.66	2.6%
iShares iBoxx High Yield Corporate Bond ETF	76.90	76.29	0.8%	77.73	-1.1%	77.39	-0.6%	74.69	3.0%
Gold	2360.50	2286.25	3.2%	2229.87	5.9%	2062.98	14.4%	2015.05	17.1%
Bitcoin	60501.20	59868.89	1.1%	69654.16	-13.1%	41935.34	44.3%	27009.45	124.0%

Source: Bloomberg, Sanctuary Wealth, May 11, 2024

On A Stage Crowded with Fed Speak & Data, Inflation Steals The Spotlight

This week will be noisy with data points and talking points – all of it centered on inflation.

Corporate earnings will continue to roll in this week, with Walmart (WMT) as the main headliner. But among the housing and economic data reports due, the attention-grabbers will be the Producer Price Index (PPI) on Tuesday and the Consumer Price Index (CPI) on Wednesday. Surrounding these key inflation indicators will be a chorus of Fed officials – 11 speaking engagements! – including Fed Chair Powell, all spinning commentary about data revelations and the fate of interest rates. Still, the market is expecting a rate cut before the Presidential election in November – and we're right there with them.



Calendar

Mon.

9:00 am Fed Vice Chair Philip Jefferson and Cleveland Fed President Loretta Mester together on panel
Earnings: Agilysys, Allogene Therapeutics, Amer Sports, American Healthcare REIT, Huya, Kyverna Therapeutics, Paysafe, StoneCo, Tencent Music, Veradigm

Tue.

8:30 am Producer price index, Core PPI
9:10 am Fed Gov Lisa Cook speaks
10:00 am Fed Chair Jerome Powell speaks
Earnings: Alibaba Group Holding, Boot Barn Holdings, Capital Southwest Corp, DHT, dLocal, Home Depot, IHS Holding, International Game Technology, Jack In The Box, Lions Gate Entertainment, Nextracker, On Holding, Prestige Consumer, Rush Enterprises, Sea Limited, SFL Corp., Smith Douglas Homes, Sun Life

Wed.

8:30 am Consumer price index, Core CPI, U.S. retail sales, Empire State manufacturing survey
10:00 am Home builder confidence index. Business inventories
12:00 pm Minneapolis Fed President Neel Kashkari speaks
3:20 pm Fed Gov. Michelle Bowman speaks
Earnings: Arcos Dorados, Cisco Systems, Copa Holdings, Dole, Dynatrace, Grab, Maxon Solar, Monday.com, Riskified, ZTO Express

Thu.

8:30 am Initial jobless claims, Philadelphia Fed manufacturing survey, Housing starts, Building permits, Import price index
9:15 am Retail production, Capacity utilization
10:00 am Fed Vice Chair for Supervision Michael Barr testifies
12:00 pm Cleveland Fed President Loretta Mester speaks
1:00 pm New York Fed President Williams speaks
3:50 pm Atlanta Fed President Raphael Bostic speaks
Earnings: Advanced Drainage Systems, Applied Materials, Canada Goose, Copart, Deere, Doximity, DXC Technology, Flowers Foods, Lightspeed, NICE, Take-Two Interactive Software, Under Armour, Walmart

Fri.

10:00 am U.S. leading economic indicators
10:15 am Fed Governor Christopher Waller speaks
Earnings: RBC Bearings

Source: MarketWatch/Kiplinger

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