



Week of June 24, 2024

July Can Be A Fizzle We are now concerned about near-term prospects because Wall Street analysts have (finally) caught up to us with their own market outlook. Over the past few weeks – and especially last week – many analysts raised their targets on the S&P 500 to 5600.

[We had raised our target range to 5400-5800 back in February!] Plus, everyone is now talking about the seasonality of a summer rally, highlighting that both July and August during an election year have been, historically, good performing months. Unfortunately, when the market view is in consensus, the opposite usually happens. So, now, with the equity market overbought (particularly Technology) and volatility very low, there's the likelihood of a market pullback or consolidation in July. Technology and Communication Services are up the most and, therefore, are at risk of the biggest pullback. This has led to a change in our tactical view only. We remain buyers of equities and maintain our target range for this year of 5600-5800. Our longer-term target remains 6000-7000. We also remain Bulls on Technology and Semiconductors – and in our view, *pullbacks remain a buying opportunity!*

We believe the correction should have limited downside. There has been an internal rotation occurring in the market where Industrials and Energy are now positioned to rally. Utilities also have the best buy signal in the monthly Moving Average Convergence/Divergence (MACD) since 2009!!! We believe Utilities are now Growth stocks. Why? Because the demand for electricity is growing for the first time in 20 years – electricity is in high demand to service EV cars, Artificial Intelligence (AI) and Blockchain (mining).

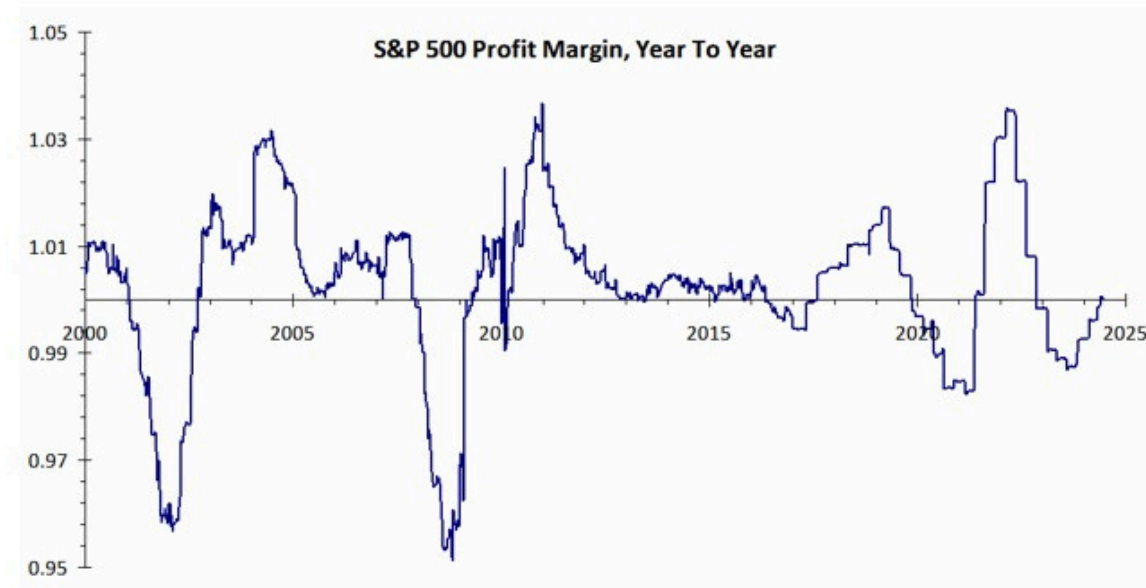
Why Do We Remain Bullish? – Earnings & Profit Margins Continue To Expand

The most important driver for the equity markets is earnings. Earnings continue to grow this year, and along with them, earnings estimates continue to rise. Profit margins have remained stable despite high inflation and elevated interest rates. As earnings and profit margins grow, stock prices should move higher this year.

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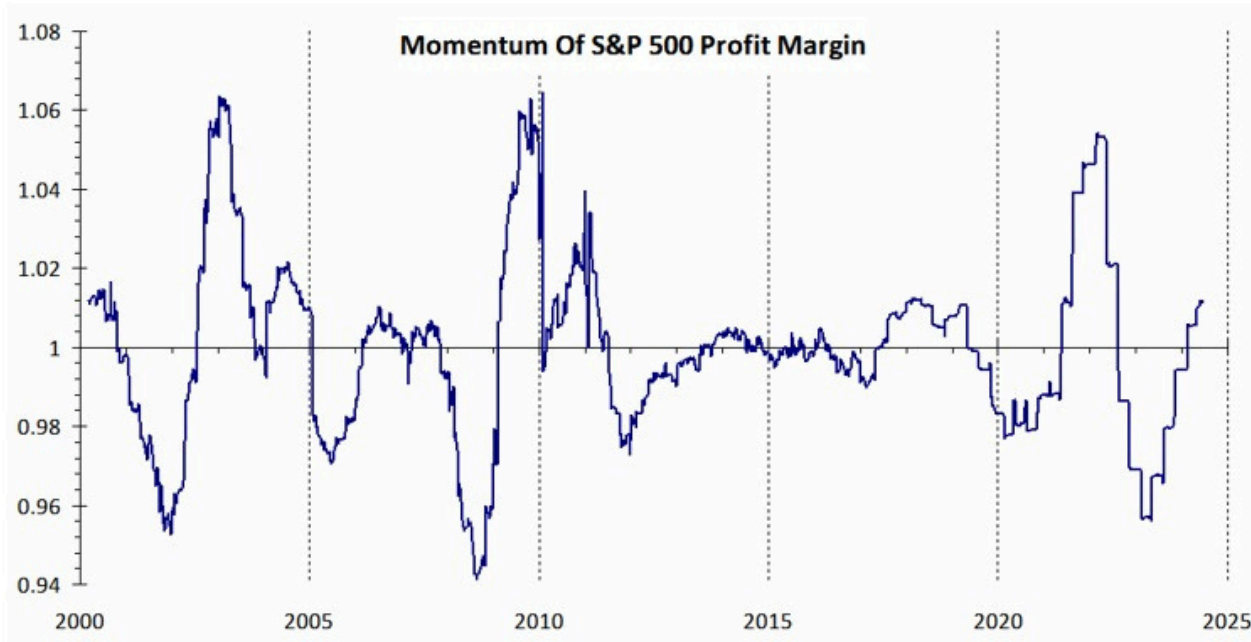


Source: Standard and Poor's, Sanctuary Wealth, June, 2024



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What Could Change Our Short-Term View?

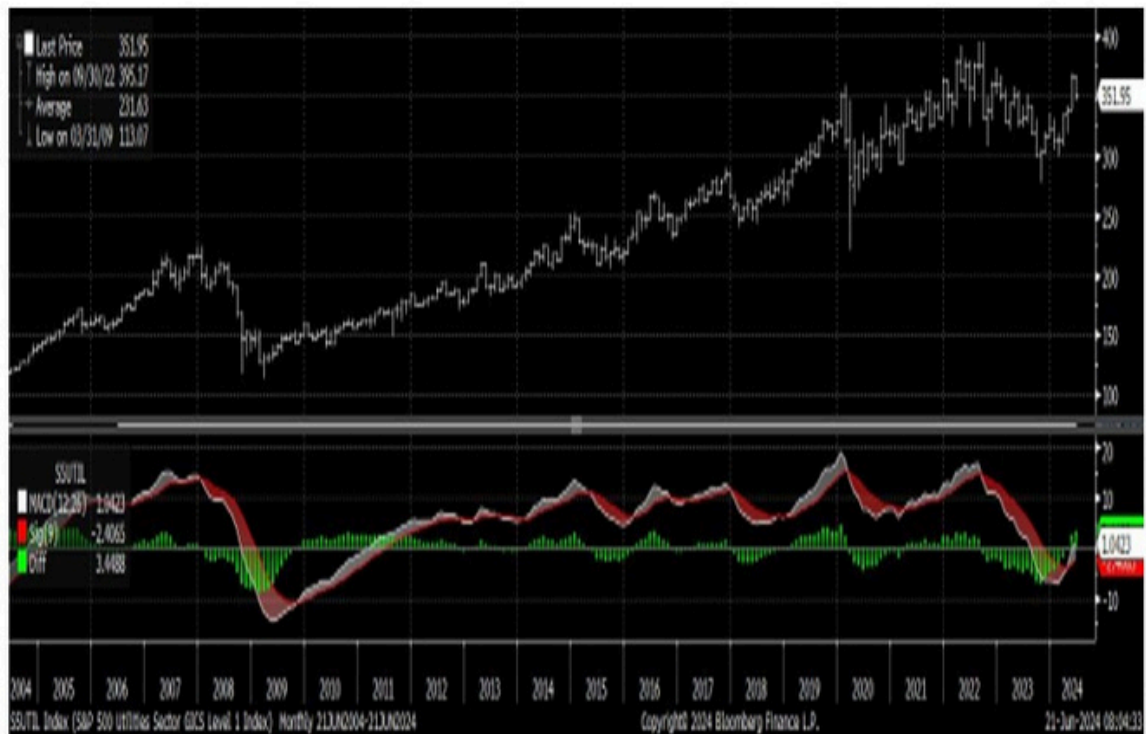
According to Strategas, the IRS is sitting on more than one million applications for the Employee Retention Tax Credit (ERTC). Strategas estimates this could represent \$60 billion to \$100 billion of new consumer aid, which can boost GDP and further engage the fate of the U.S. Consumer into the November's presidential election. Last year's release from the IRS totaled \$150 billion, which did in fact boost economic growth within 55 days of the money being distributed. If this expected consumer aid reaches consumers in July, the equity markets could respond positively. Stay tuned for updates.

Utilities Are Now Growth Stocks

With electricity demand now growing for the first time in 20 years, we now see Utilities as Growth companies. The S&P 500 Utility index has a monthly stochastic buy signal for the first time since 2009!

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S&P 500 Utilities With Monthly Stochastic With Best Buy Signal Since 2009!



S&P 500 Industrials Positioned To Rally

The Industrials have corrected, and they benefit from the growth and demand in infrastructure. This is a favored sector. The price momentum indicators (stochastic and MACD) are pointing to the sector bottoming and are positioning it to rally. If Technology corrects, this sector can rally, which would prevent market averages from falling sharply.

S&P Sectors & Utilities Growing

For Q224, we see that earnings and the sectors expected to have the best growth are Communication Services, Utilities, Consumer Discretionary and Information Technology. Note the expected strong earnings from Utilities! With positive earnings and technicals, we expect this sector to perform.

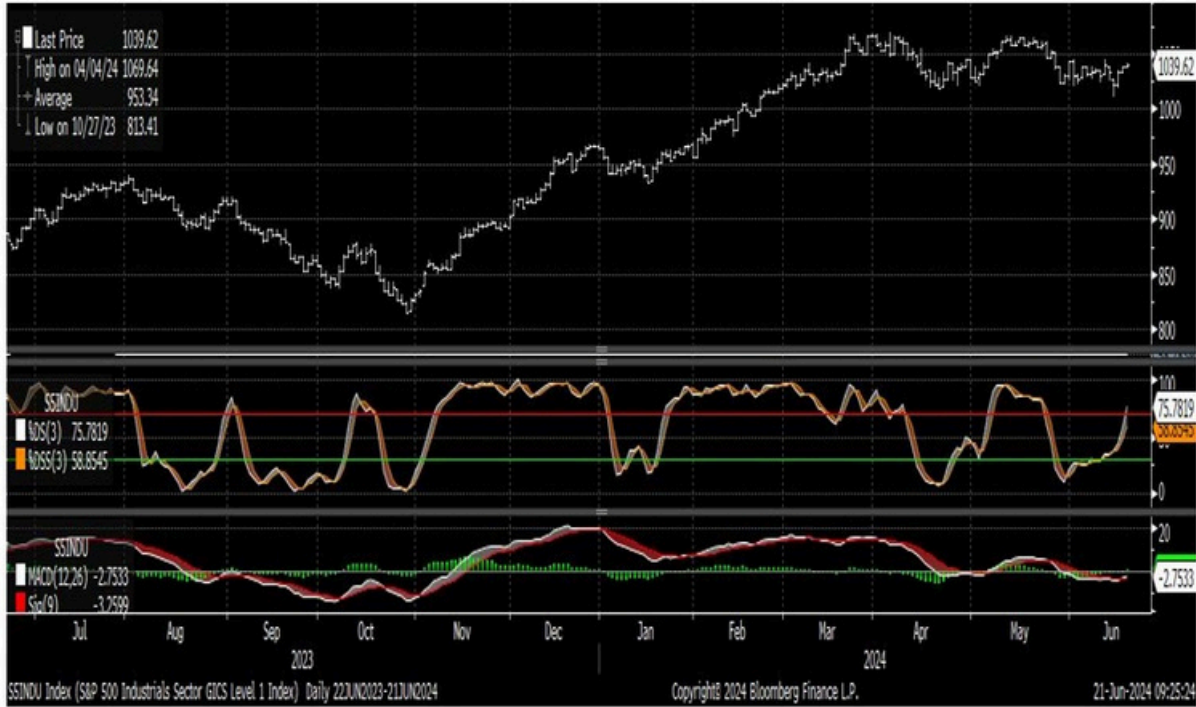
2Q24 Earnings Projections By S&P Sector



Source: FactSet, June 21, 2024

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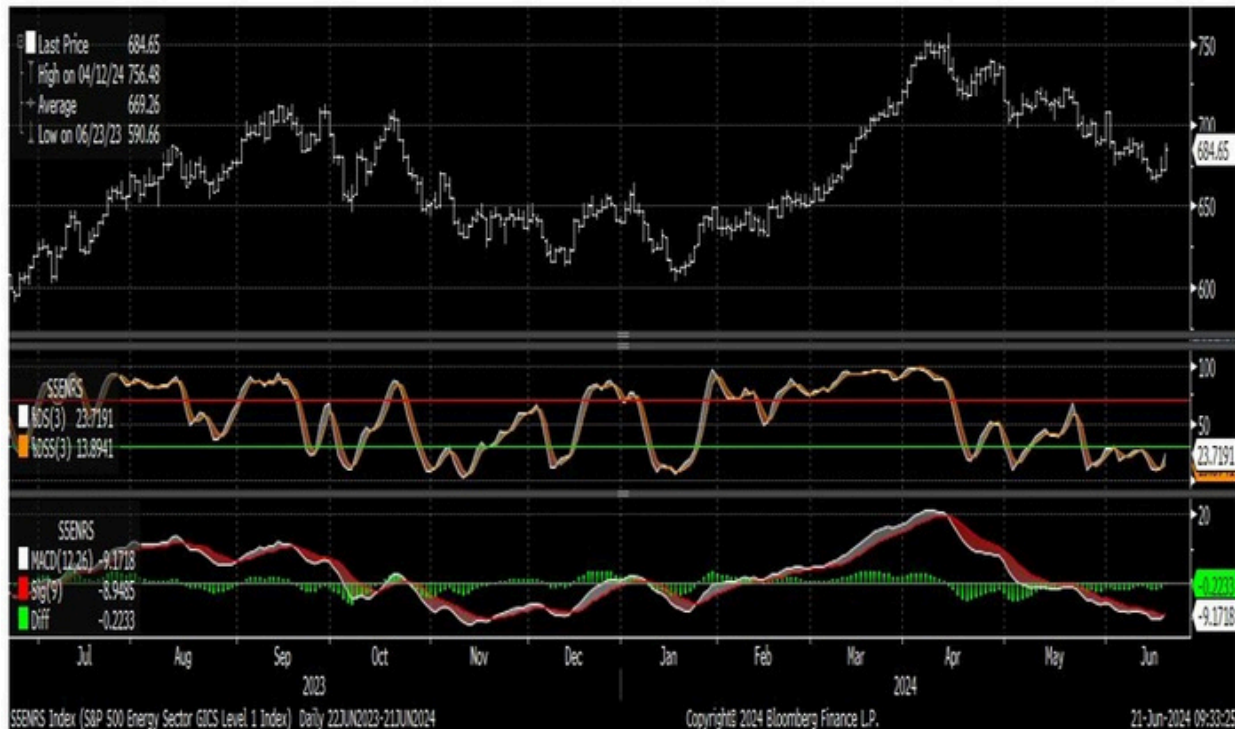
S&P 500 Industrials With Daily Stochastic and MACD – Buy Signals



Energy Oversold And Can Energize The Markets

Energy stocks are oversold near-term and can rally. Energy includes companies with strong balance sheets and strong cash flow – it remains the cheapest S&P sector. We see it as a longer-term favored sector.

S&P 500 Energy With Stochastic And MACD Oversold



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Growth With Mega Breakout Vs. Value

We have been and continue to be fans of Growth over Value. We have made the argument that Growth stocks are in a Mega Super Cycle. The recent significant breakout to record all-time highs confirms this trend. But now, the move is stretched and can correct; still, we stay steadfast in believing this will be the greatest move in the history of the market.

Russell 1000 Growth Vs. Russell 1000 Value



Jobs Data, Retail Sales Point To Slowing Economy

There are indications that the economy is slowing down. Initial jobless claims are up, and unemployment has ticked up from 3.9%-4.0%. Meanwhile, retail sales data is coming in softer than expected, and monthly revisions are sharply down. There's also a softening in housing. *What does this all mean?* Well, it could be just the ammunition needed by the Federal Reserve to (finally) make a move in September and cut interest rates. *Will the Fed pull the trigger?* As of last week, the market was expecting a September cut with a 71% probability. Such a move could get support on Friday when the Core PCE data is released.

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Market Performance

	Last 6/21/2024	Month End 5/31/2024	Month to Date	Quarter End 3/29/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 6/22/2023	Year To Year
S&P 500	5464.62	5277.51	3.5%	5254.35	4.0%	4769.83	14.6%	4381.89	24.7%
NASDAQ Composite	17689.36	16735.02	5.7%	16379.46	8.0%	15011.35	17.8%	13630.61	29.8%
NASDAQ 100	480.18	450.71	6.5%	444.01	8.1%	409.52	17.3%	366.17	31.1%
Russell 2000	2022.03	2070.13	-2.3%	2124.55	-4.8%	2027.07	-0.2%	1848.18	9.4%
S&P Consumer Discretionary Sector	1485.29	1423.51	4.3%	1485.49	0.0%	1418.09	4.7%	1312.91	13.1%
S&P Consumer Staples Sector	825.33	824.23	0.1%	814.23	1.4%	762.32	8.3%	779.13	5.9%
S&P Energy Sector	680.02	708.04	-4.0%	721.24	-5.7%	640.05	6.2%	599.93	13.3%
S&P Financial Sector	685.73	691.28	-0.8%	701.32	-2.2%	626.35	9.5%	547.44	25.3%
S&P Health Care Sector	1706.48	1670.88	2.1%	1723.97	-1.0%	1590.36	7.3%	1544.88	10.5%
S&P Industrials Sector	1038.17	1042.88	-0.5%	1066.71	-2.7%	964.73	7.6%	880.85	17.9%
S&P Information Technology Sector	4360.22	3972.21	9.8%	3821.05	14.1%	3397.16	28.3%	3031.52	43.8%
S&P Materials Sector	562.77	575.27	-2.2%	585.16	-3.8%	539.62	4.3%	505.99	11.2%
S&P Real Estate Sector	239.52	238.00	0.6%	248.16	-3.5%	251.58	-4.8%	227.92	5.1%
S&P Communications Sector	306.32	296.23	3.4%	284.29	7.7%	246.00	24.5%	215.81	41.9%
S&P Utilities Sector	350.06	367.47	-4.7%	333.49	5.0%	321.92	8.7%	335.59	4.3%
S&P 500 Total Return	11913.78	11494.70	3.6%	11418.03	4.3%	10327.83	15.4%	9410.83	26.6%
3 month Treasury Bill Price	98.65	98.65	0.0%	98.66	0.0%	98.66	0.0%	98.67	0.0%
3 month Treasury Bill Total Return	250.28	249.50	0.3%	247.21	1.2%	243.98	2.6%	237.19	5.5%
10 Year Treasury Bond Future	110.50	108.80	1.6%	110.80	-0.3%	112.89	-2.1%	112.73	-2.0%
10 Year Treasury Note Total Return	293.10	287.70	1.9%	291.09	0.7%	294.12	-0.3%	287.83	1.8%
iShares 20+ Year Treasury Bond ETF	93.96	90.45	3.9%	94.62	-0.7%	98.88	-5.0%	102.31	-8.2%
S&P Municipal Bond Total Return	273.89	269.12	1.8%	272.69	0.4%	272.94	0.3%	263.90	3.8%
iShares S&P National Municipal Bond NAV	106.93	105.49	1.4%	107.42	-0.5%	108.42	-1.4%	106.64	0.3%
S&P 500 Investment Grade Corporate Bond Total Return	456.34	450.71	1.2%	453.46	0.6%	455.89	0.1%	433.02	5.4%
S&P Investment Grade Corporate Bond	90.46	89.57	1.0%	90.59	-0.1%	91.76	-1.4%	89.08	1.5%
S&P Investment Grade Corporate Bond Total Return	485.55	479.69	1.2%	481.59	0.8%	482.66	0.6%	458.27	6.0%
SPDR Bloomberg High Yield Bond ETF	94.57	94.35	0.2%	95.20	-0.7%	94.73	-0.2%	91.18	3.7%
iShares iBoxx High Yield Corporate Bond ETF	77.39	77.13	0.3%	77.73	-0.4%	77.39	0.0%	74.32	4.1%
Gold	2321.98	2327.33	-0.2%	2229.87	4.1%	2062.98	12.6%	1914.01	21.3%
Bitcoin	64168.01	67630.41	-5.1%	69654.16	-7.9%	41935.34	53.0%	30157.31	112.8%

Source: Bloomberg, Sanctuary Wealth, June 21, 2024

All Eyes On Core PCE As Another Quarter Closes In The Black

This week will see window dressing as the quarter comes to a close amid more Fed Speak and critical inflation data.

Along with the continued onslaught of Fed Speak, we'll get more updated inflation data this week – and most important among those numbers will be Friday's release of Core PCE (Personal Consumption Expenditures Price Index). And that data could sway the Fed's consideration for a September rate cut. But before we get there, we'll see a lot of window dressing this week, as the month-end/quarter-end descends on us, and portfolio managers start buying winners and selling losers to make their client statements look smart. And keep in mind that, as the first half of the year closes, institutional managers will also be looking to rebalance and reset asset allocations of their portfolios, so there can be some meaningful movement this week. Might be a rough ride through July, but the summer heat will keep the markets cooking.



Calendar

- Mon.**
 - 3:00 am Fed Gov. Christopher Waller speech in Rome
 - 8:30 am Chicago Fed President Austan Goolsbee TV appearance
 - 2:00 pm San Francisco Fed President Mary Daly speech
- Tue.**
 - 7:00 am Fed Gov. Michelle Bowman speech in London
 - 9:00 am S&P Case-Shiller home price index (20 cities)
 - 10:00 am Consumer confidence
 - 12:00 pm Fed Gov. Lisa Cook speech
 - Earnings: Progress Software, TD Synnex, Worthington Enterprises
- Wed.**
 - 10:00 am New home sales
 - Earnings: AeroVironment, Concentrix, General Mills, H.B. Fuller, Levi Strauss, Micron Technology, MillerKnoll, Paychex, Worthington Steel
- Thu.**
 - 8:30 am Initial jobless claims, GDP (2nd revision), Durable-goods orders
 - 10:00 am Pending home sales
 - Earnings: AAccolade, Acuity Brands, Apogee Enterprises, Lindsay, McCormick & Company, Nike, Simply Good Foods, Walgreens Boots Alliance
- Fri.**
 - 6:00 am Richmond Fed President Tom Barkin speech in Paris
 - 8:30 am Personal income (nominal), Personal spending (nominal), PCE, Core PCE index
 - 9:45 am Chicago Business Barometer (PMI)
 - 10:00 am Consumer sentiment (final)
 - 12:00 pm Fed Gov. Michelle Bowman speech

Source: MarketWatch/Kiplinger

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