



 Week of July 15, 2024






Trump Assassination Attempt Brings More Focus to RNC & VP Nominee

Saturday's assassination attempt on former President Trump appears to have bolstered his presidential campaign.

Trump's survival and defiant response, symbolized by a triumphant fist pump, have energized the Republican Party and improved the betting odds on Trump winning the election in November. This momentum is expected to carry into the Republican National Convention this week in Milwaukee, as we all await the announcement of Trump's vice presidential running mate. So, how will stocks react? The equity market had already begun to price in a Trump victory, which is bullish for stocks. We don't see anything changing.

Betting Odds Still Strongly Favor A Trump Win Over Biden

Who will win the 2024 US presidential election?

Contract	Latest Yes Price	Best Offer	Best Offer
 Donald Trump	67¢ <small>NC</small>	67¢	<input type="button" value="Buy Yes"/> <input type="button" value="Buy No"/> 34¢
 Joe Biden	28¢ <small>1¢↑</small>	28¢	<input type="button" value="Buy Yes"/> <input type="button" value="Buy No"/> 73¢
 Kamala Harris	11¢ <small>1¢↓</small>	11¢	<input type="button" value="Buy Yes"/> <input type="button" value="Buy No"/> 90¢
 Gavin Newsom	5¢ <small>1¢↑</small>	5¢	<input type="button" value="Buy Yes"/> <input type="button" value="Buy No"/> 96¢
 Robert Kennedy Jr.	3¢ <small>NC</small>	3¢	<input type="button" value="Buy Yes"/> <input type="button" value="Buy No"/> 98¢

5 More Contracts ▾

Source: PredictIt, July 15, 2023; Time: 7:30 am ET

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Betting Odds From RealClear Polling

BETTING ODDS	TRUMP	BIDEN	HARRIS	NEWSOM	OBAMA	WHITMER	KENNEDY	CLINTON	HALEY
RCP Average	64.7	15.0	9.3	2.5	2.4	1.5	1.3	1.0	0.8
BetOnline	69	14	12	2	3	2	1	1	1
Betfair	62	13	7	2	2	1	1	1	0
Bovada	69	14	8	1	2	1	2	1	1
Polymarket	64	15	7	1	2	—	1	—	—
PredictIt	61	20	13	6	—	—	2	—	1
Smarmets	63	14	9	3	3	2	1	1	1

Source: RealClear Polling, July 14, 2023

With Latest Inflation & Employment Data, Fed Has Runway To Begin Cutting Rates

The Federal Reserve (Fed) has been data dependent in determining when to cut interest rates, and it appears the support for a first cut can be found in the recent employment data, plus last week's Consumer Price Index (CPI) – which came in soft, below expectations – and even in the Producer Price Index (PPI), which was a bit higher, but remained in the 2.0% range. Jobs data for the month of June came in weak, and the unemployment rate continues to rise – it's up sharply to 4.1% from the low of 3.4%.

Manufacturing data and Retail data have also come in weak, leading the Atlanta GDPNow Tracker to lower its expected 2Q24 GDP to the 2.0% range. All this new information now has investors almost 100% convinced that the Fed will begin cutting interest rates by 25 basis points in September.

Consumer Price Index Year-to-Year: Consumer Inflation Has Peaked

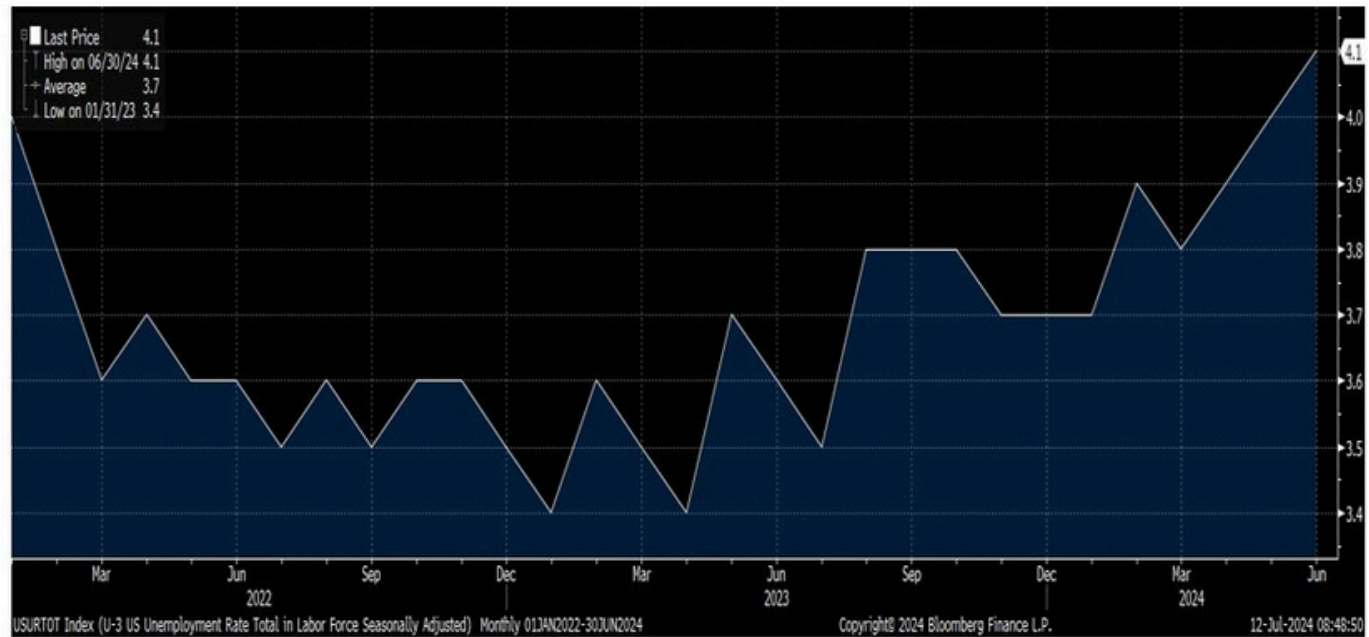


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Producer Price Index Year-to-Year: Producer Prices Peaked But Rising

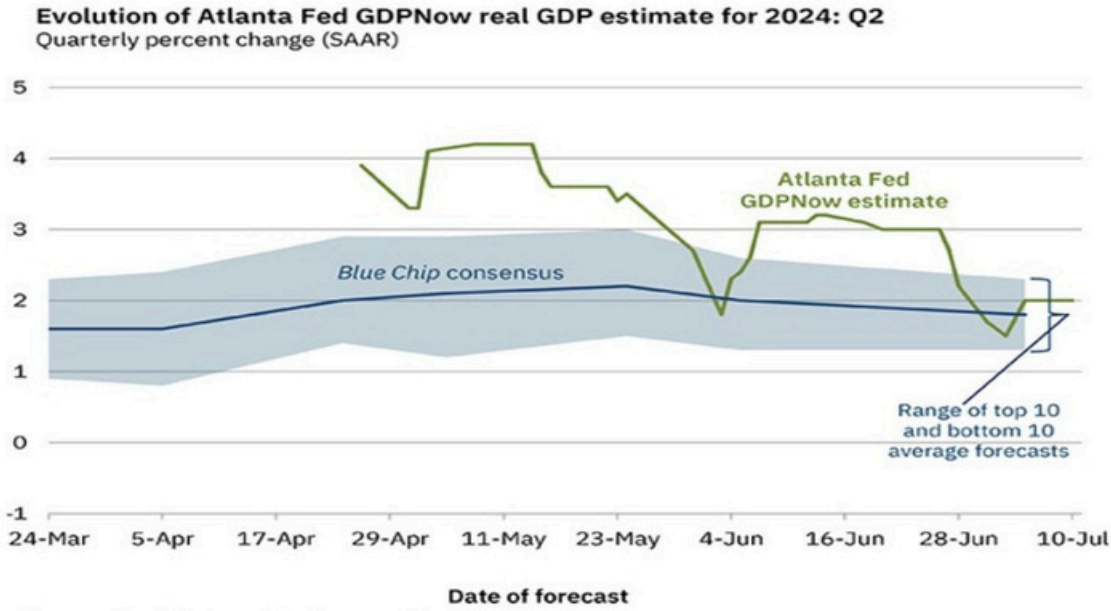


The Unemployment Rate Has Risen From 3.4% to 4.1%



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Atlanta GDPNow Tracker Now Estimating 2Q GDP At 2.0%

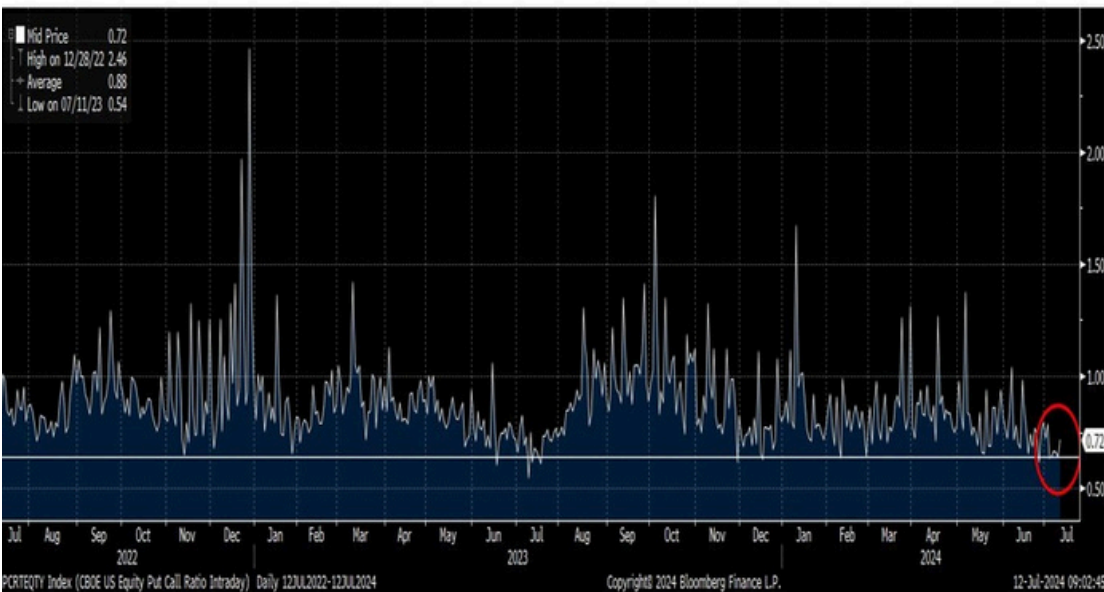


Risk: Sentiment Indicators Too Complacent

Sentiment indicators are not a timing tool, but they measure the state of investor expectations, and they are now very bullish. The CBOE Put/Call ratio measures Sellers (Puts) to Buyers (Calls). A low reading of this ratio points to more buyers than sellers. So, it does appear the number of new buyers to this market is diminishing. The VIX volatility index is also very low. We have been in the camp that expects a market correction in the fall. The pocket of the equity market that is most likely to correct is Technology – particularly Semiconductors, because that’s the most extended and overbought sector of the market.

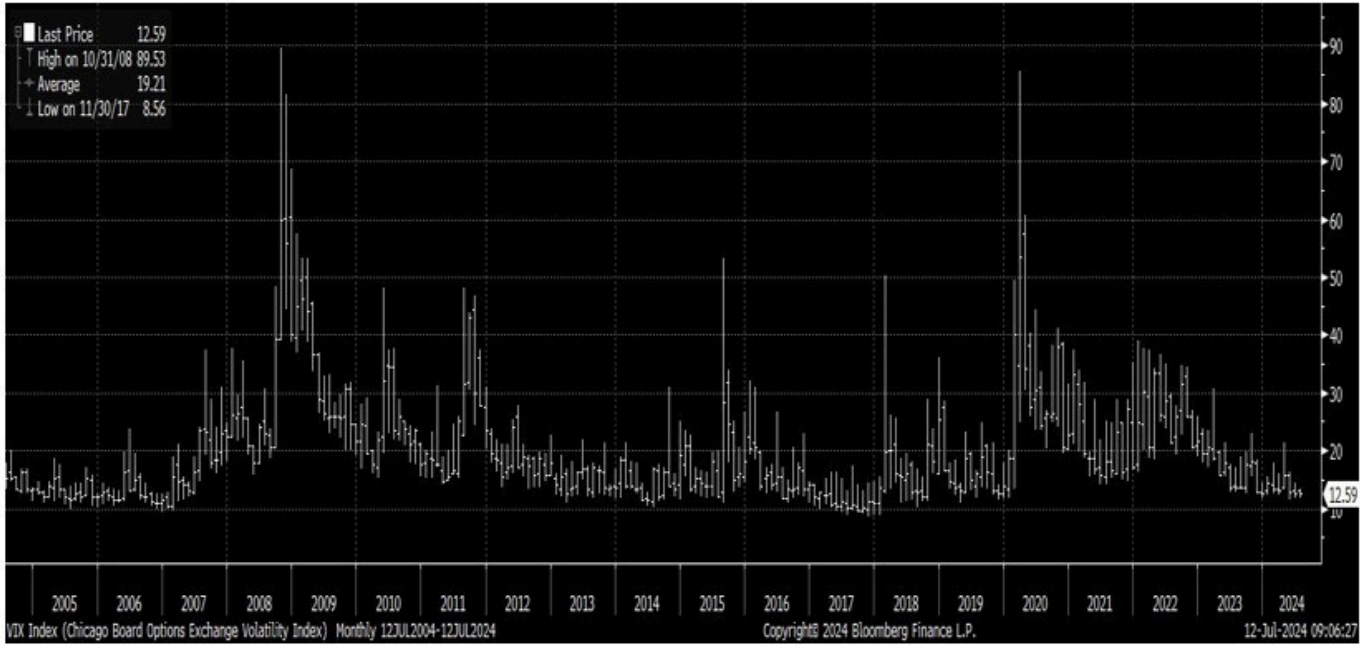
However, (!) we do maintain that Semiconductors will recover and rally into the end of the year. Semiconductors are still the leadership of this

CBOE Put/Call Ratio Low Showing More Calls (Buyers) Than Puts (Sellers)



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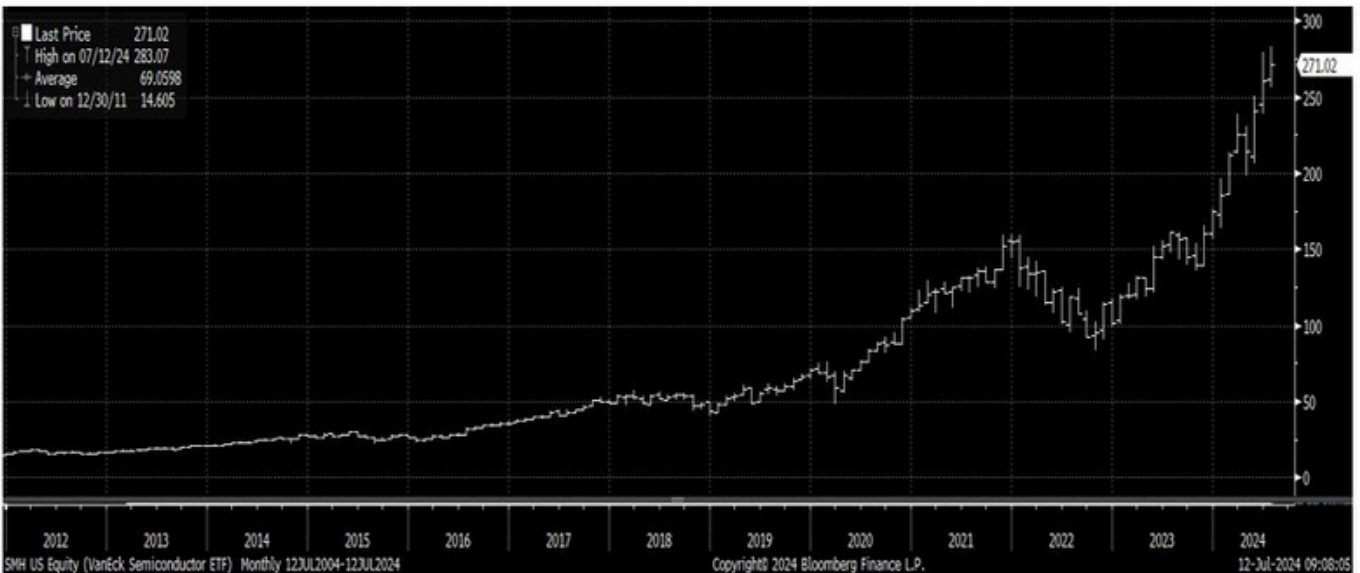
VIX Volatility Index Is Low Risk Volatility Rises Into Late Summer/Fall



Semiconductors Are Favored Longer Term But Extremely Overbought & At Risk Of A Correction

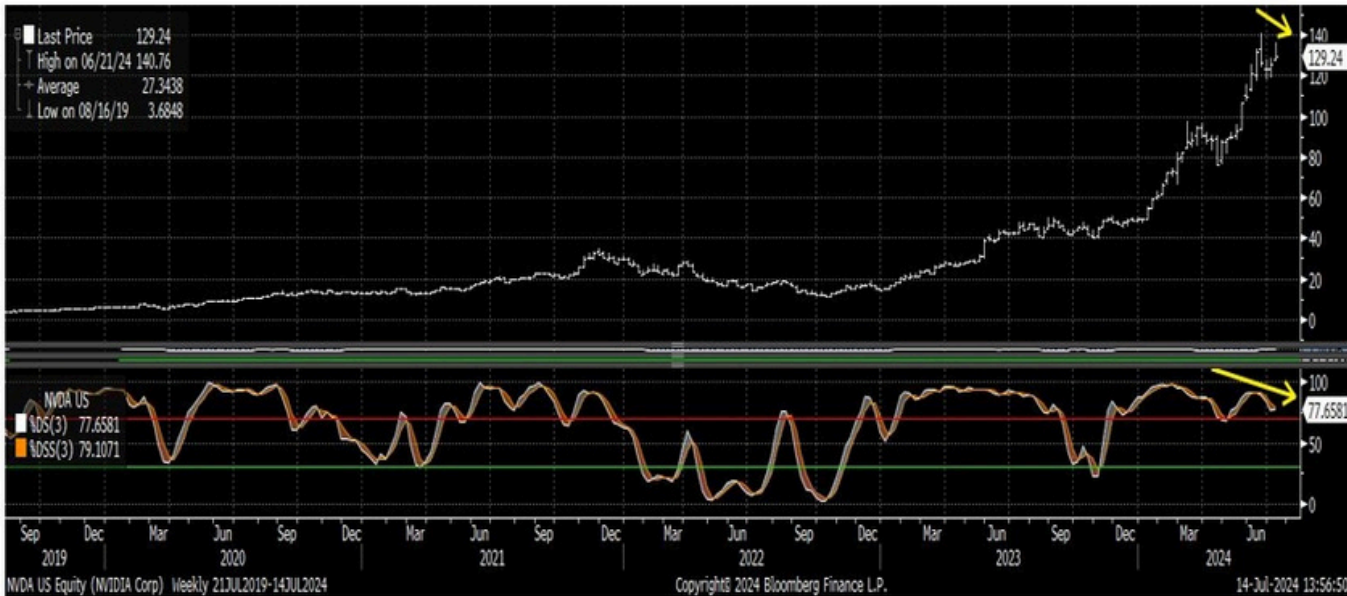
We have said and maintain that Semiconductors are the Leaders of the Pack, but the group is showing signs of exhaustion. The most famous and largest semi company, Nvidia (NVDA), may be running out of steam, showing a weakening momentum in the 14-week stochastic. The stochastic has not been able to break to new momentum highs, while the stock thus far has not hit a new high. This could be a set-up for a correction as the market shifts out of Technology to other areas, such as cyclicals and those sectors sensitive to interest rates. We believe semiconductor stocks will maintain leadership but may take a rest by trading sideways or correcting.

Van Eck Semiconductor ETF (SMH)



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Nvidia (NVDA) With Weekly Stochastic: Weaking Price Momentum & Price Action



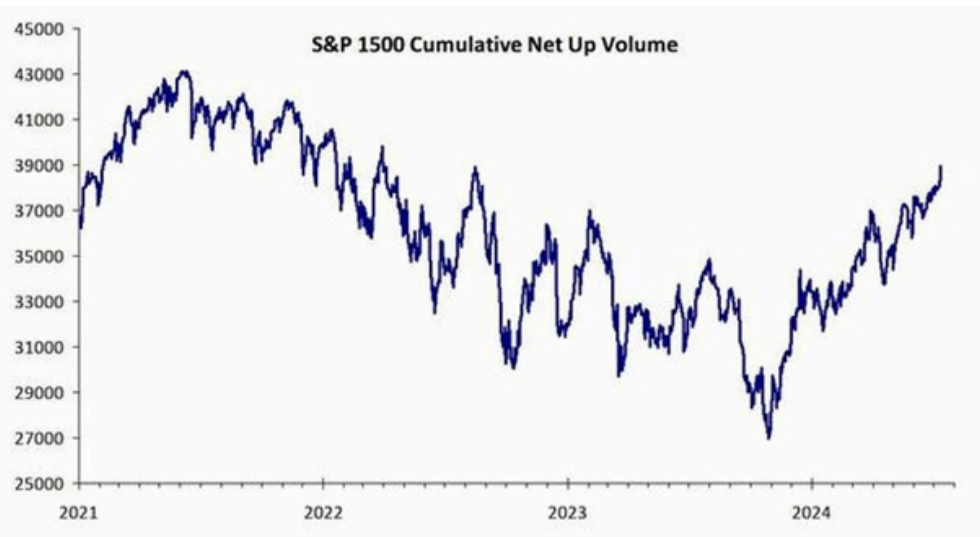
Bull Case: Equity Market Rotates Correcting Technology While Rest Of The Market Rallies

Last Thursday was a pivotal day for the equity markets. The leadership of Technology, particularly Semiconductors, corrected sharply but the breadth of the market (i.e., advancing issues versus declining issues) expanded on strong up volume. Volume historically leads price, and the sharp rise in net up volume confirms our Bull is still running.

Wall Street strategists continue to raise their target on the S&P 500 in line with our standing target range of 5600-5800. We remain confident in our target, but when all are in the same trade, typically something else happens. Equity markets can correct through rotation. The rotation risk is Technology and related stocks that have outperformed, as well as those parts of the market rally that have been and interest rate and economic sensitive. This would limit the downside in the market.

Up Volume Spikes Higher Despite Down Day Last Thursday Old Technical Analysis Rule:

Volume Leads Price...

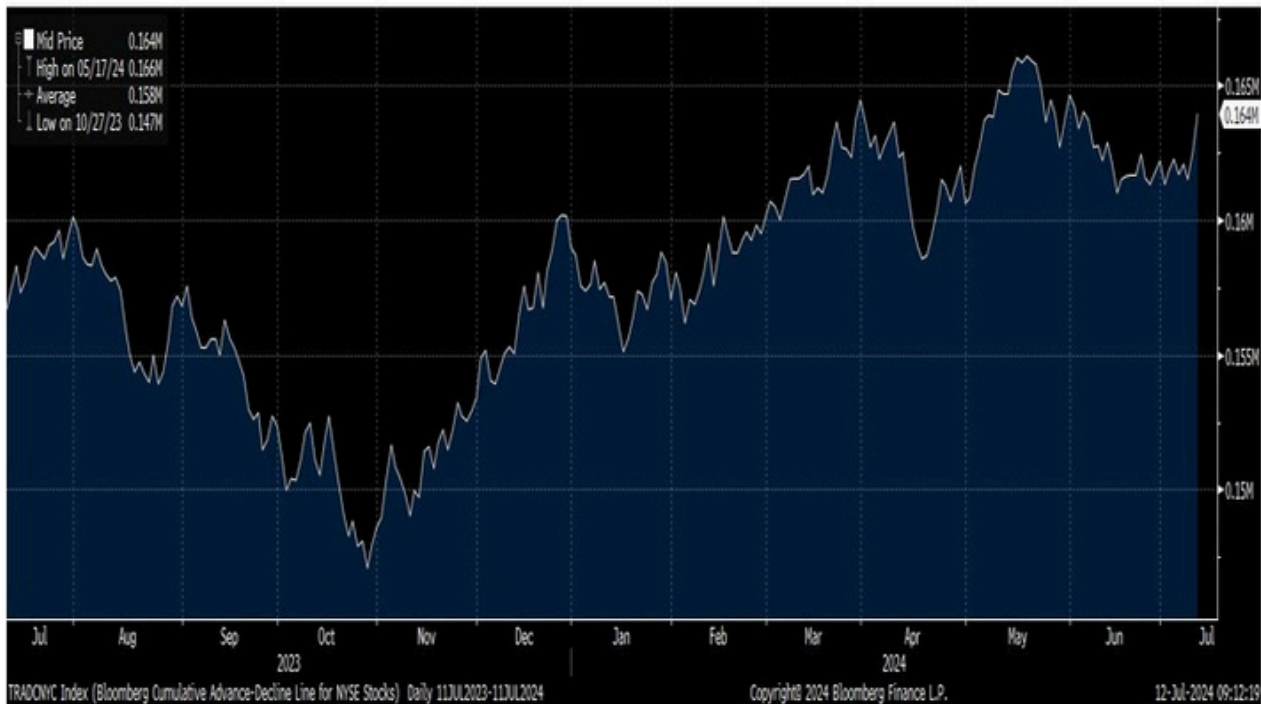


Source: Bloomberg, Sanctuary Wealth, July 12, 2024

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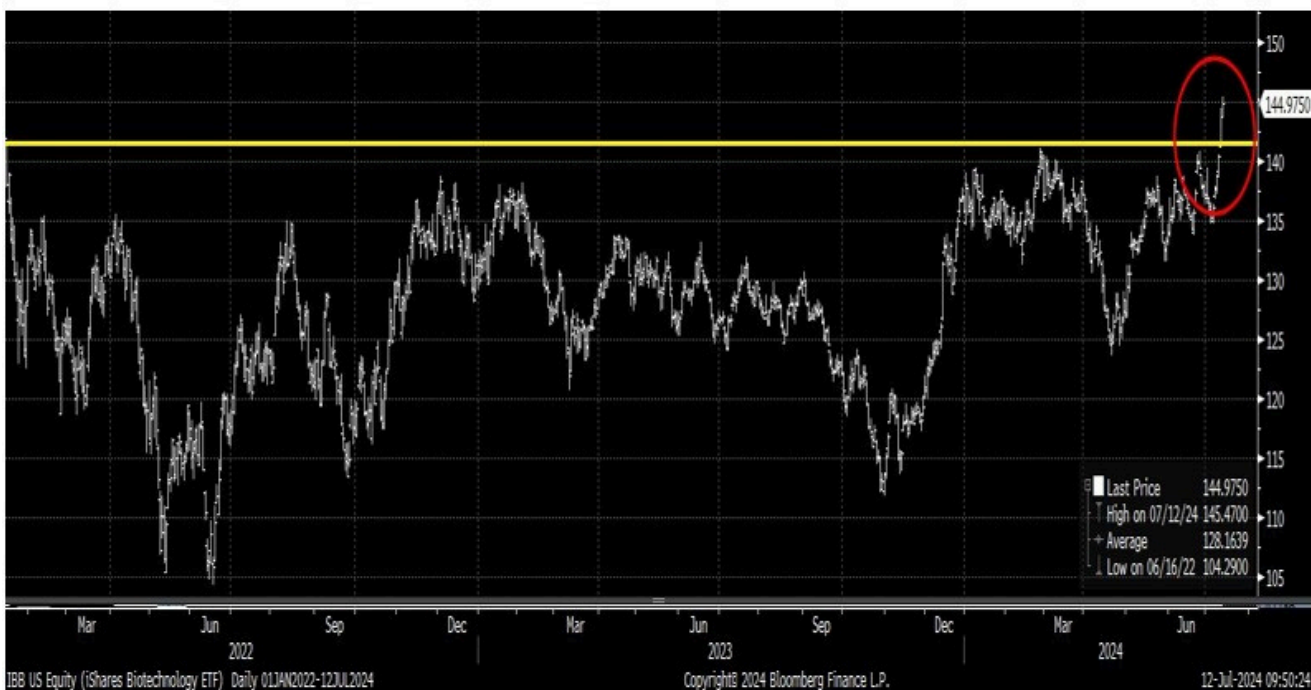
...But Price Also Did Well With NYSE Advanced-Decline Line Improving

NYSE Cumulative Advance-Decline Line



Part Of The Market Rotation Was A New Fresh Breakout In Biotechnology

iShares Biotechnology (IBB)

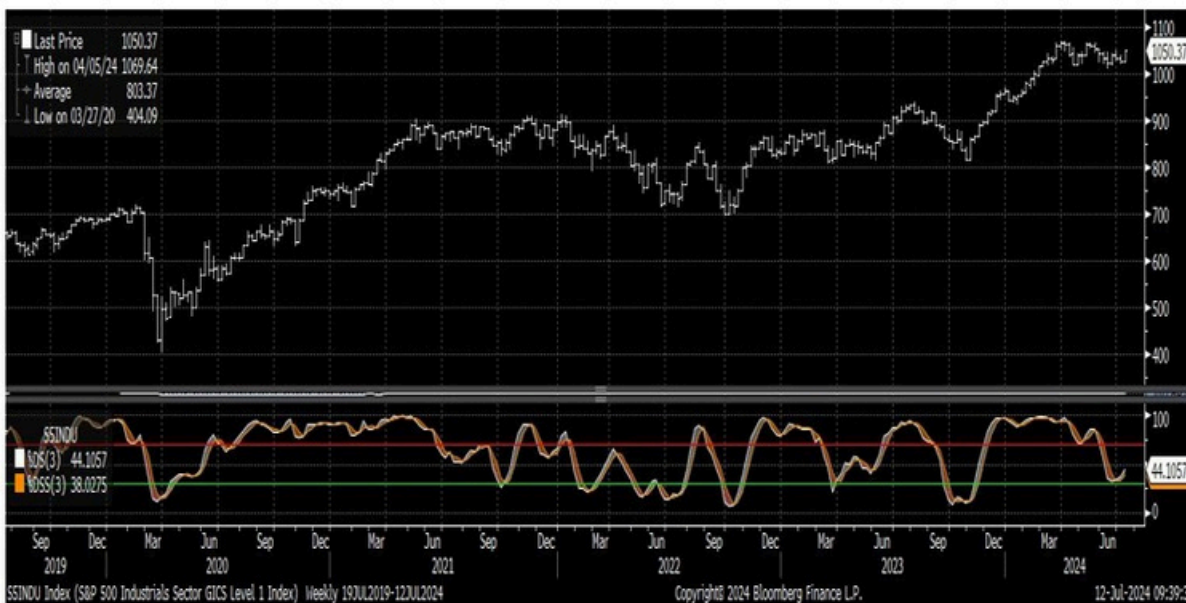


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Industrials Completed Correction & Positioned to Rally

We continue to favor the Industrial stocks as they are prime beneficiaries of the infrastructure credits and funds made available from the Infrastructure Investment and Jobs Act (IIJA) created by the Biden Administration. Industrials are oversold and look positioned to rally this summer.

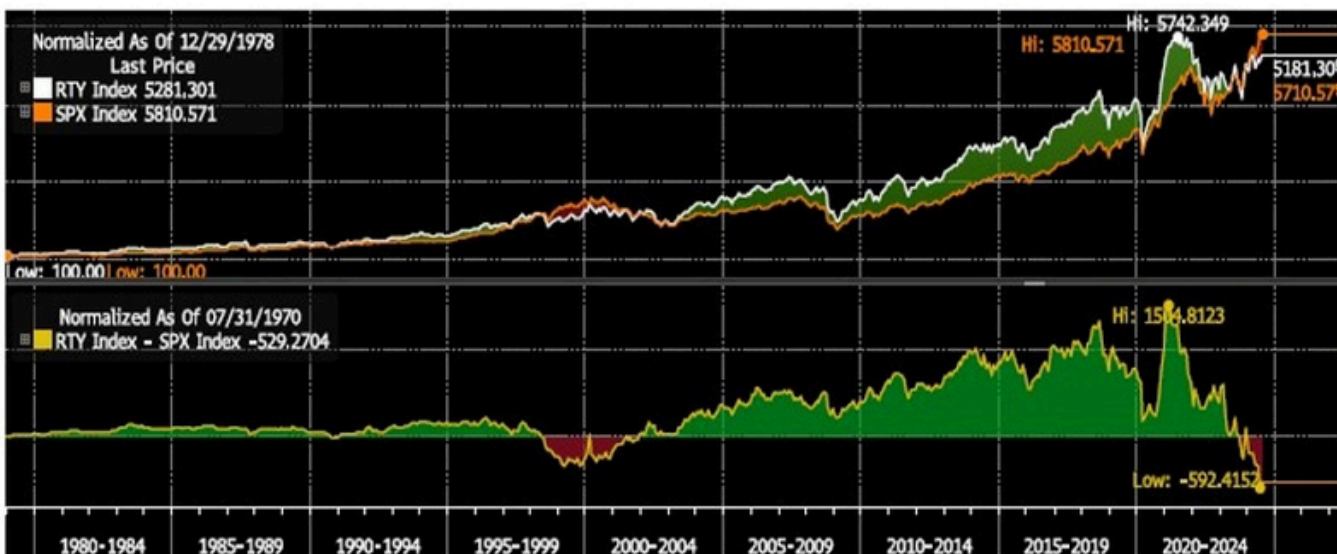
S&P 500 Industrials With Weekly Stochastic Showing A Buy Signal



Small Caps Remain In A Bear Market Despite Sharp Rally

We continue to believe that, despite the attractive valuations in small cap stocks, they will continue to underperform the S&P 500. Periods of underperformance can last for years. The last time this happened was in the mid to late 1990s, when there emerging productivity gains driven by technology. What is different this time is the extreme underperformance of small caps. Looking at historical trends, small caps had a secular bull trend lasting for 18 years, from 2000-2018. As we have stated in prior reports, secular trends in the equity market can last 15-20 years. Small caps entered a bear market in 2021. We expect the current trend to last a few more years. Last week's strong rally on the CPI data was driven by short covering, and in our view, the move does not indicate the start of a new bull trend for small caps.

Russell 2000 Versus S&P 500 (Top) With Relative Difference (Bottom)



Source: Bloomberg, July 12, 2024

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Source: Commodity Futures Trading Commission, Bloomberg, Sanctuary Wealth, July 13, 2024

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Market Performance

	Last 7/12/2024	Month End 6/28/2024	Month to Date	Quarter End 6/28/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 7/13/2023	Year To Year
S&P 500	5615.35	5460.48	2.8%	5460.48	2.8%	4769.83	17.7%	4510.04	24.5%
NASDAQ Composite	18398.45	17732.60	3.8%	17732.60	3.8%	15011.35	22.6%	14138.57	30.1%
NASDAQ 100	494.82	479.11	3.3%	479.11	3.3%	409.52	20.8%	379.15	30.5%
Russell 2000	2148.27	2047.69	4.9%	2047.69	4.9%	2027.07	6.0%	1950.89	10.1%
S&P Consumer Discretionary Sector	1553.98	1492.14	4.1%	1492.14	4.1%	1418.09	9.6%	1366.42	13.7%
S&P Consumer Staples Sector	828.96	819.86	1.1%	819.86	1.1%	762.32	8.7%	776.83	6.7%
S&P Energy Sector	692.49	698.23	-0.8%	698.23	-0.8%	640.05	8.2%	640.65	8.1%
S&P Financial Sector	704.40	684.26	2.9%	684.26	2.9%	626.35	12.5%	573.39	22.8%
S&P Health Care Sector	1728.55	1700.33	1.7%	1700.33	1.7%	1590.36	8.7%	1511.97	14.3%
S&P Industrials Sector	1050.67	1031.96	1.8%	1031.96	1.8%	964.73	8.9%	921.59	14.0%
S&P Information Technology Sector	4531.21	4341.09	4.4%	4341.09	4.4%	3397.16	33.4%	3130.50	44.7%
S&P Materials Sector	570.39	556.50	2.5%	556.50	2.5%	539.62	5.7%	527.19	8.2%
S&P Real Estate Sector	250.92	241.17	4.0%	241.17	4.0%	251.58	-0.3%	243.44	3.1%
S&P Communications Sector	310.81	310.19	0.2%	310.19	0.2%	246.00	26.3%	223.99	38.8%
S&P Utilities Sector	361.87	346.33	4.5%	346.33	4.5%	321.92	12.4%	341.06	6.1%
S&P 500 Total Return	12250.19	11907.15	2.9%	11907.15	2.9%	10327.83	18.6%	9693.30	26.4%
3 month Treasury Bill Price	98.66	98.66	0.0%	98.66	0.0%	98.66	0.0%	98.65	0.0%
3 month Treasury Bill Total Return	251.04	250.53	0.2%	250.53	0.2%	243.98	2.9%	237.88	5.5%
10 Year Treasury Bond Future	111.19	109.98	1.1%	109.98	1.1%	112.89	-1.5%	113.05	-1.6%
10 Year Treasury Note Total Return	295.83	292.03	1.3%	292.03	1.3%	294.12	0.6%	289.51	2.2%
iShares 20+ Year Treasury Bond ETF	93.94	91.78	2.4%	91.78	2.4%	98.88	-5.0%	101.89	-7.8%
S&P Municipal Bond Total Return	275.28	273.41	0.7%	273.41	0.7%	272.94	0.9%	264.23	4.2%
iShares S&P National Municipal Bond NAV	107.17	106.67	0.5%	106.67	0.5%	108.42	-1.2%	106.52	0.6%
S&P 500 Investment Grade Corporate Bond Total Return	460.87	453.34	1.7%	453.34	1.7%	455.89	1.1%	437.50	5.3%
S&P Investment Grade Corporate Bond	91.06	89.77	1.4%	89.77	1.4%	91.76	-0.8%	89.76	1.4%
S&P Investment Grade Corporate Bond Total Return	490.08	482.45	1.6%	482.45	1.6%	482.66	1.5%	462.86	5.9%
SPDR Bloomberg High Yield Bond ETF	95.24	94.27	1.0%	94.27	1.0%	94.73	0.5%	92.79	2.6%
iShares iBoxx High Yield Corporate Bond ETF	77.98	77.14	1.1%	77.14	1.1%	77.39	0.8%	75.65	3.1%
Gold	2411.43	2326.75	3.6%	2326.75	3.6%	2062.98	16.9%	1960.51	23.0%
Bitcoin	57558.83	60118.16	-4.3%	60118.16	-4.3%	41935.34	37.3%	31386.00	83.4%

Source: Bloomberg, Sanctuary Wealth, July 12, 2024

All Ears Tuned To Powell's Comments, All Eyes Looking To The RNC & VP Nominee As Well As Consumer Spending

This week kicks off with comments from Powell and rolls along with more inflation data and corporate earnings.

Fed Chair Jerome Powell is scheduled to speak today at the Economic Club of Washington, D.C. Will he hint that the Fed will indeed begin cutting interest rates in September as the market is projecting? Inquiring minds want to know! Meanwhile, consumer spending has been a key part of the focus on inflation, and on Tuesday, we get retail sales data, which will help determine whether consumers are spending and on what. On the earnings front, look for the Banks to continue to lead the parade of 2Q announcements this week. And speaking of fanfare, the Republican National Convention kicks off tonight in Milwaukee, where former President Trump is expected to galvanize his party over the attempt on his life – and with the announcement of his nominee for Vice President.



Calendar

Mon.

8:30 am Empire State manufacturing survey
12:00 pm Fed Chairman Powell speaks
4:35 pm San Francisco Fed President Mary Daly speaks
Earnings: BlackRock, Goldman Sachs

Tue.

8:30 am U.S. retail sales, Import price index
10:00 am Business inventories, Home builder confidence index
2:45 pm Fed Gov. Adriana Kugler speaks
Earnings: Bank of America, Fulton Financial, Hancock Whitney, Interactive Brokers, J.B. Hunt Transport, Morgan Stanley, Omnicom, PNC, Pinnacle Financial Partners, Progressive, State Street, UnitedHealth Group

Wed.

8:30 am Housing starts, Building permits
9:00 am Richmond Fed President Tom Barkin speaks
9:15 am Industrial production, Capacity utilization
9:35 am Fed Governor Christopher Waller speaks
2:00 pm Fed Beige Book
Earnings: Alcoa, Ally Financial, ASML, Bank OZK, Citizens Financial Group, Cohen & Steers, Crown Castle, Discover Financial Services, Elevance Health, First Equifax, F.N.B. Corp, Home Bancshares, Horizon, Kinder Morgan, Northern Trust, Prologis, Rexford Industrial Realty, SL Green Realty, Steel Dynamics, Synchrony Financial, Synovus, United Airlines, U.S. Bancorp, Wintrust Financial

Thu.

8:30 am Initial jobless claims, Philadelphia Fed manufacturing survey
10:00 am U.S. leading economic indicators
1:45 pm Dallas Fed President Lorie Logan speaks
6:05 pm San Francisco Fed President Mary Daly speaks
7:45 pm Fed Governor Michelle Bowman speaks
Earnings: Abbott Laboratories, AAR Corp, Berkshire Hills Bancorp, Cintas, Commerce Bancshares, D.R. Horton, Domino's Pizza, Glacier Bancorp, Hexcel, Insteel Industries, KeyCorp, M&T Bank, Manpower, Marsh & McLennan Companies, Netflix, OFG Bancorp, PPG Industries, Resources Connection, Snap-On, Texas Capital, Textron, Virtu Financial, Western Alliance Bancorp, WNS

Fri.

10:40 am New York Fed President Williams speaks
1:00 pm Atlanta Fed President Raphael Bostic speaks
Earnings: American Express, Autoliv, Badger Meter, Comerica, Fifth Third Bancorp, Halliburton, Huntington Bancshares, Regions Financial, SLB, Travelers Companies

Source: MarketWatch/Kiplinger

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