Week of September 23, 2024

The “Fed Put” Is Alive And Well

After 1½ years of a tightening monetary policy, last Wednesday, the Federal Reserve (Fed) pivoted to a path of easing – *and ongoing easing* – by lowering the benchmark Fed Funds rate by 50 basis points (0.50%).

This was a highly unusual move by the Fed to cut so aggressively with an economy that is still growing strongly at 2% and a labor force at full employment (though, admittedly, it is slowing). Traditionally, a 50 bps cut is done when an economy is under stress or if there is financial stress within the system. The typical (and expected) pace would have been to cut by 25 bps only. What we're seeing is basically a “Fed put” (more on that below). By cutting so aggressively, the Fed has taken out an insurance policy on the economy and labor market. This action (and Fed Chair Powell's comments about additional rate cuts this year and into next year) should ensure the economy has a soft landing and no recession. The Fed is targeting the Fed Funds rate to be 4.40% by the end of 2024, 3.40% by 2025, and 2.90% by 2026. The market is a discounting mechanism, so market rates should achieve these levels before the Fed does. Now the Fed did hedge its move by saying it is still data dependent, but Powell's path forward seems clear: rates are going down – and sharply.

A note about the “Fed put.” This term was originally called the “Greenspan put” and was coined by equity derivatives strategist Steve Kim of Merrill Lynch fame back when Alan Greenspan was the Fed Chair. Greenspan's actions in response to financial crises during his tenure, including the 1998 Long-Term Capital Management bailout and the dot-com bubble, reinforced the perception that the Fed would intervene and aggressively cut interest rates to stabilize the economy and markets during downturns.

Fed Cuts Provide Liquidity Boosting Risk Assets

Interest rate cuts have a lagged effect on the economy by approximately 12 to18 months, but last week's aggressive cut – *with more to come* – will more than likely have a significant boost to consumer and business confidence and provide additional liquidity to economy. This should benefit risk assets, especially equities, in our view. The S&P 500 has had a significant technical breakout with the breadth of the market hitting a new record high and volume is expanding. This move confirms that we remain in a strong secular bull market. We expect September to be a strong month in returns. October may see another return of the Bucking Bull. Some risks we face are a port strike on the U.S. East and Gulf Coasts and a possible government shutdown; both scenarios could cause market volatility. But we believe once we get to the other side of the Presidential election, this uncertainty hanging over the markets will be removed, allowing equities to resume their rally. We estimate the S&P 500 can achieve 6000 this year. If the Fed does indeed continue to ease monetary policy and aggressively cut interest rates, 2025 will continue the Bull run. In fact, this Fed easing cycle increases our confidence that the secular bull run should extend into 2029-2030, potentially driving equity markets to significant record highs and expanding the P/E multiple to the highest levels in history.

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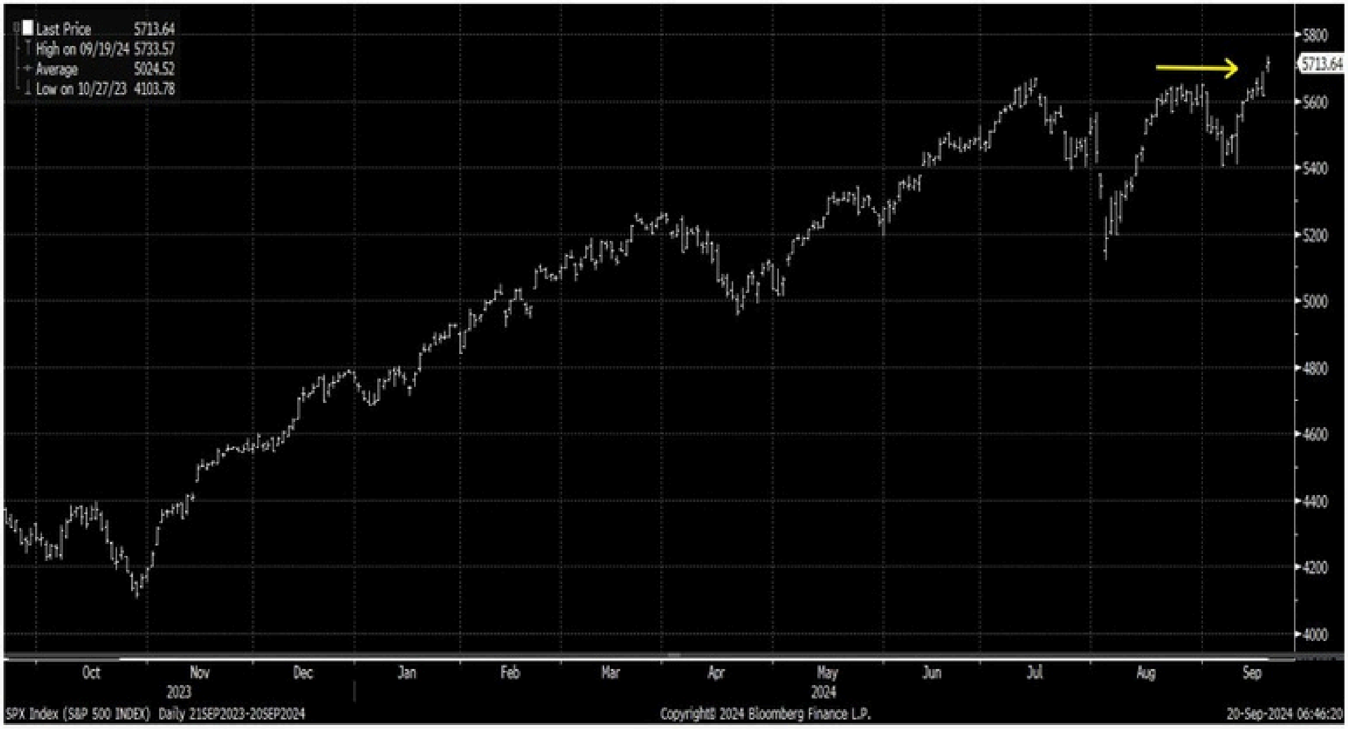
S&P 500 Breaks To New Highs – Targets 6000



NYSE Cumulative Advance-Decline Line Hit Record High Confirming Market Breakout

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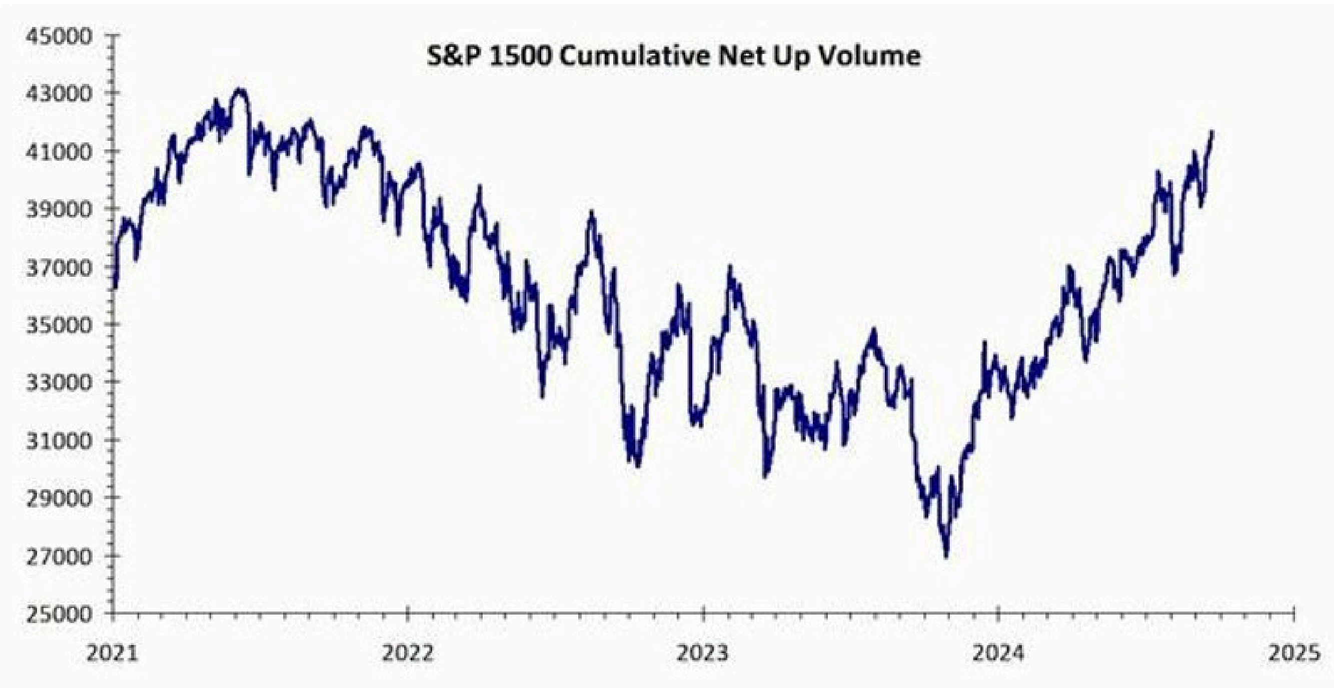
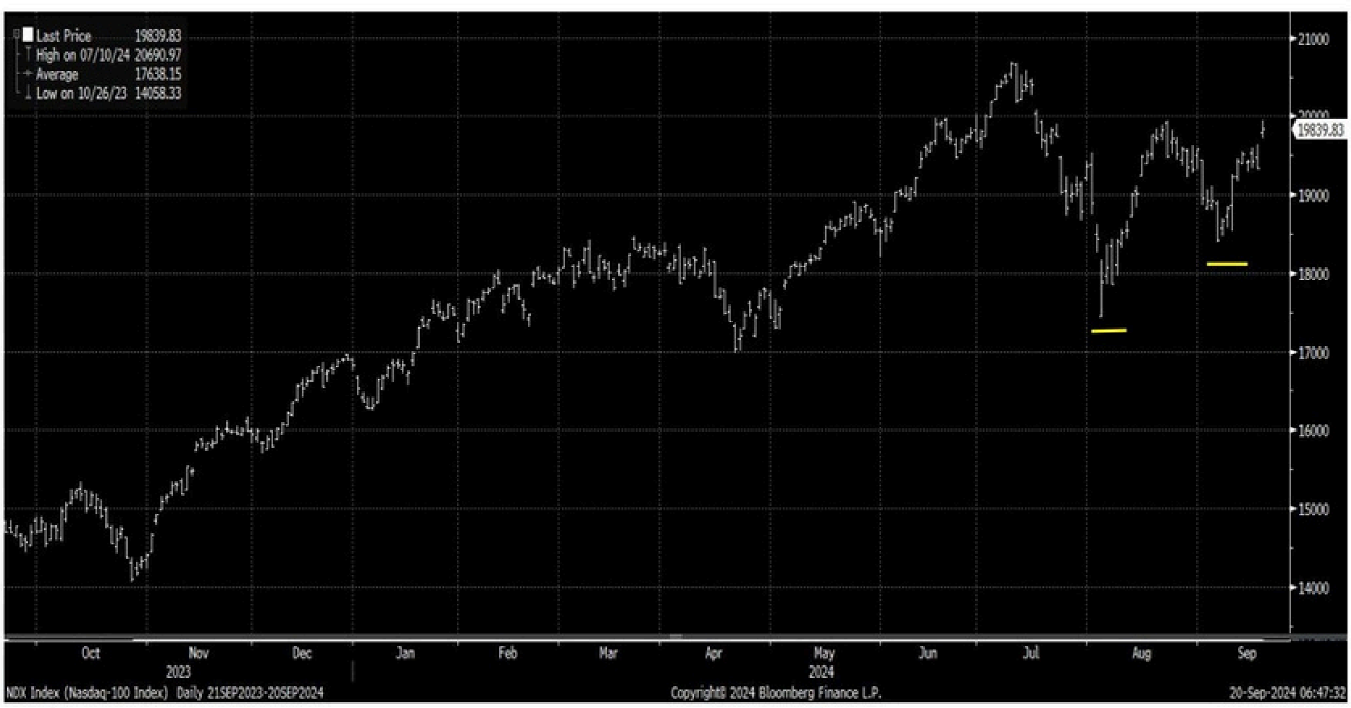
Volume Surges Confirming Record Highs In Equities



Source: Standard and Poor's, Sanctuary Wealth, September 20, 2024

Nasdaq 100 Has Double Bottom: Expect New Record Highs To 22,000



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Banks Respond Strongly To Rate Cut

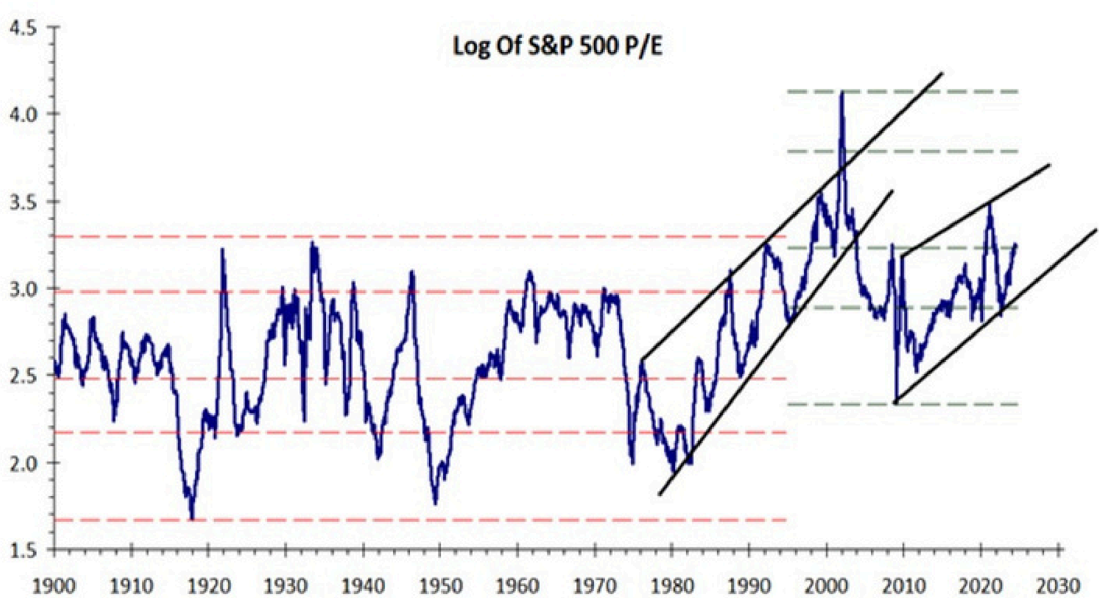
The market is now asking: "Could the Fed's aggressive rate cut been driven by concerns over upcoming commercial real estate loans that require refinancing?" Well, the answer is… maybe. Banks have responded very strongly – in a positive way – to the rate cut and expected future rate cuts!

KBW Bank Index: Possible Bottom Head And Shoulders Pattern

Price-To-Earnings Multiples Can Expand In A Lower Rate Environment

Price-to-earnings (P/E) multiples expand as interest rates fall. The current P/E is about 21x earnings. The average 2025 earnings estimate for the S&P 500 is $265; so, putting on a 23x multiplier gets the S&P 500 to 6095 *F.undamentally we can get to 6000, and technically we can get to 6000 – so this gives us a strong signal that equity markets are marching higher!*

Price-To-Earnings Multiples Can Expand Driving Stocks Higher



Source: Standard and Poor's, Bloomberg, Sanctuary Wealth, September 20, 2024

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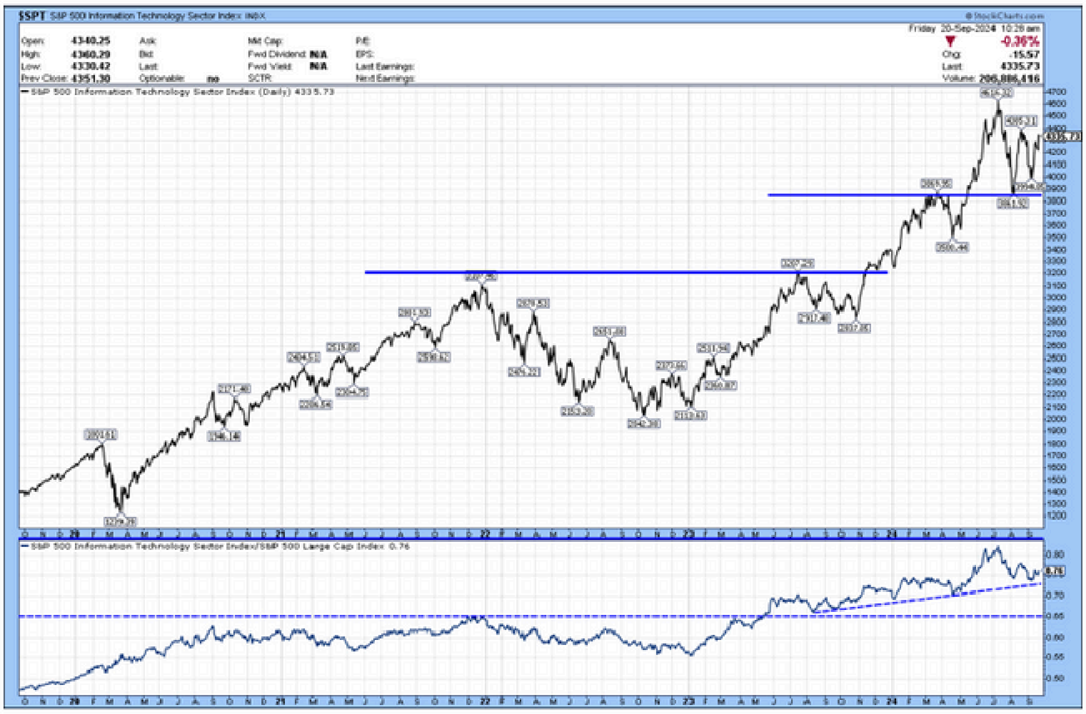
Technology Still The Secular Leader

S&P 500 Information Technology With Relative To S&P 500



Semiconductors: The Leader Of The Pack

September 23, 2024

Gold Continues To Glisten, Hitting Record Highs

Rates Have Peaked And Are Expected To Fall Into 2025

2-Year Treasury Yield Has Peaked: Expect Rates To Fall

September 23, 2024

10-Year Treasury Yields Are Trending Down

September 23, 2024

Market Performance

	Last 9/20/2024	Month End 8/30/2024	Month to Date	Quarter End 6/28/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 9/21/2023	Year To Year
S&P 500	5702.55	5648.40	1.0%	5460.48	4.4%	4769.83	19.6%	4330.00	31.7%
NASDAQ Composite	17948.32	17713.62	1.3%	17732.60	1.2%	15011.35	19.6%	13223.99	35.7%
NASDAQ 100	482.44	476.27	1.3%	479.11	0.7%	409.52	17.8%	357.86	34.8%
Russell 2000	2227.89	2217.63	0.5%	2047.69	8.8%	2027.07	9.9%	1781.83	25.0%
S&P Consumer Discretionary Sector	1582.22	1500.16	5.5%	1492.14	6.0%	1418.09	11.6%	1278.57	23.7%
S&P Consumer Staples Sector	886.21	882.60	0.4%	819.86	8.1%	762.32	16.3%	746.41	18.7%
S&P Energy Sector	676.50	695.86	-2.8%	698.23	-3.1%	640.05	5.7%	684.42	-1.2%
S&P Financial Sector	755.81	759.21	-0.4%	684.26	10.5%	626.35	20.7%	565.24	33.7%
S&P Health Care Sector	1805.90	1829.71	-1.3%	1700.33	6.2%	1590.36	13.6%	1521.02	18.7%
S&P Industrials Sector	1124.10	1110.78	1.2%	1031.96	8.9%	964.73	16.5%	864.62	30.0%
S&P Information Technology Sector	4329.40	4298.51	0.7%	4341.09	-0.3%	3397.16	27.4%	2900.48	49.3%
S&P Materials Sector	591.37	593.39	-0.3%	556.50	6.3%	539.62	9.6%	494.34	19.6%
S&P Real Estate Sector	278.92	272.90	2.2%	241.17	15.7%	251.58	10.9%	218.83	27.5%
S&P Communications Sector	308.98	300.95	2.7%	310.19	-0.4%	246.00	25.6%	222.44	38.9%
S&P Utilities Sector	404.37	385.51	4.9%	346.33	16.8%	321.92	25.6%	322.19	25.5%
S&P 500 Total Return	12474.44	12344.43	1.1%	11907.15	4.8%	10327.83	20.8%	9334.59	33.6%
3 month Treasury Bill Price	98.78	98.73	0.1%	98.66	0.1%	98.66	0.1%	98.63	0.2%
3 month Treasury Bill Total Return	253.69	252.88	0.3%	250.53	1.3%	243.98	4.0%	240.33	5.6%
10 Year Treasury Bond Future	114.84	113.56	1.1%	109.98	4.4%	112.89	1.7%	108.42	5.9%
10 Year Treasury Note Total Return	307.03	302.74	1.4%	292.03	5.1%	294.12	4.4%	279.32	9.9%
iShares 20+ Year Treasury Bond ETF	98.88	96.49	2.5%	91.78	7.7%	98.88	0.0%	90.70	9.0%
S&P Municipal Bond Total Return	280.31	278.03	0.8%	273.41	2.5%	272.94	2.7%	258.36	8.5%
iShares S&P National Municipal Bond NAV	108.34	107.78	0.5%	106.67	1.6%	108.42	-0.1%	103.73	4.4%
S&P 500 Investment Grade Corporate Bond Total Return	479.58	470.76	1.9%	453.34	5.8%	455.89	5.2%	424.56	13.0%
S&P Investment Grade Corporate Bond	93.83	92.43	1.5%	89.77	4.5%	91.76	2.3%	86.80	8.1%
S&P Investment Grade Corporate Bond Total Return	509.10	500.41	1.7%	482.45	5.5%	482.66	5.5%	451.15	12.8%
SPDR Bloomberg High Yield Bond ETF	97.74	96.82	1.0%	94.27	3.7%	94.73	3.2%	90.62	7.9%
iShares iBoxx High Yield Corporate Bond ETF	80.26	79.34	1.2%	77.14	4.0%	77.39	3.7%	73.87	8.7%
Gold	2621.88	2503.39	4.7%	2326.75	12.7%	2062.98	27.1%	1920.02	36.6%
Bitcoin	62823.51	59045.40	6.4%	60118.16	4.5%	41935.34	49.8%	26601.66	136.2%

Source: Bloomberg, Sanctuary Wealth, September 21, 2024

Consumer, Housing, GDP, PCE – Oh My

This week will bring more data, more Fed rhetoric, and maybe more surprises.

This will be a meaty week heavy with economic data! We'll get to see how the consumer is doing, how housing sales are going, an update on 2Q GDP, and on top of all that: the all-important Core PCE (Personal Consumption Expenditures Price Index). Layered on top of the numbers will be another onslaught of Fedspeak – and they have a lot to talk about. What will it all mean for the markets? Everything and anything. So, expect a lot of movement in both the equity and fixed income markets.

Calendar

Mon.

8:00 am Atlanta Fed President Raphael Bostic speaks
9:45 am S&P flash U.S. services PMI
10:15 am Chicago Fed President Austan Goolsbee speaks
1:00 pm Minneapolis Fed President Neel Kashkari speaks
Earnings: AAR Corp*

Tue.

9:00 am Federal Reserve Governor Michelle Bowman speaks, S&P Case-Shiller home price index (20 cities)
10:00 am Consumer confidence
Earnings: AutoZone, KB Home, Stitch Fix

Wed.

10:00 am New home sales
4:00 pm Federal Reserve Governor Adriana Kugler speak
Earnings: Micron Technology, Cintas, Jefferies, Worthington Steel

Thu.

8:30 am Initial jobless claims, Durable-goods orders, GDP (second revision)
9:10 am Federal Reserve Governor Adriana Kugler and Boston Fed President Susan Collins speak together
9:15 am Federal Reserve Governor Michelle Bowman speaks
9:20 am Federal Reserve Chair Jerome Powell gives opening remarks
9:25 am New York Fed President John Williams speaks
10:00 am Pending home sales
10:30 am Federal Reserve Vice Chair for Supervision Michael Barr speaks
10:30 am Federal Reserve Governor Lisa Cook speaks
1:00 pm Minneapolis Fed President Neel Kashkari speaks with Fed Vice Char for Supervision Michael Barr
Earnings: Costco Wholesale, Accenture, CarMax, BlackBerry, Vail Resorts

Fri.

8:30 am Personal income, Personal spending, PCE , Advanced U.S. trade balance in goods, Advanced wholesale inventories, Advanced retail inventories
10:00 am Consumer sentiment (final)
1:15 pm Federal Reserve Governor Michelle Bowman speaks
Earnings:

Source: MarketWatch/Kiplinger/CNBC
*Earnings reflect highlights