



 Week of September 9, 2024

Weak Payrolls Set A Bearish Tone For Stocks and Bullish Tone For Short Rates

Last week both the ADP and JOLTS reports showed a weaker employment picture, setting up concerns for the August employment report on Friday.

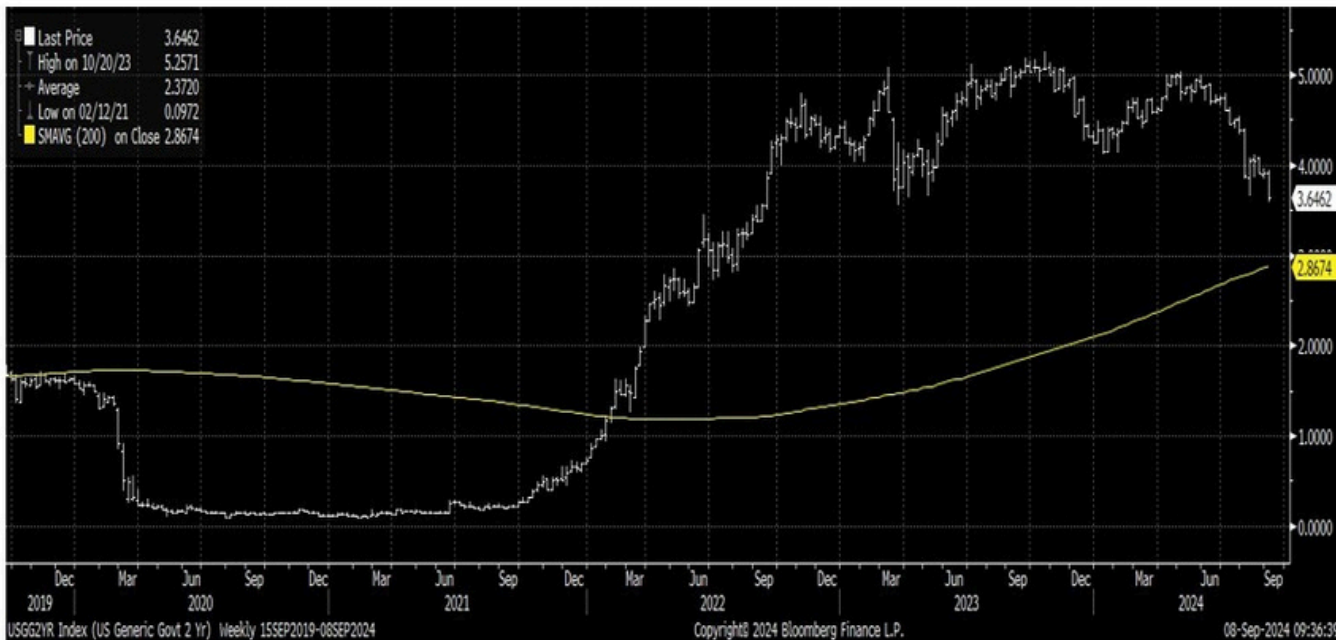
Well, the August employment payrolls data was weaker than expected – across the board. Adding to market concerns were the sharp downward revisions to the July employment data – which reinforces the slowdown in the labor market. This all but assures the Federal Reserve (Fed) will be cutting interest rates this month (we’re still thinking 25 basis points). This also had the 2-year Treasury yield breaking down – an action that points to short interest rates continuing their decline.

On the other hand, stocks saw the data as being bearish, so equities were down sharply last week. September is known for its volatility and the first half of the month is seeing a test of the lows set in early August. The pullback and test appear to be three quarters of the way completed. Also, the breadth and volume of the market is strong, suggesting the Bull is still intact and we’re just seeing a seasonal correction. We continue to believe equities can rally into the end of the year.

Short Rates Collapse

The 2-Year Treasury yield collapsed on the jobs data last week pointing to rates sharply falling near 2.8%-2.0%.

2-Year Treasury Yield Breaks Key Support Pointing To 2.8%-2.0%



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10-Year Treasury Yield Falls But Not Collapsing

The 10-year Treasury yield is also falling, but it is not collapsing. Yields on the 10-year should fall near the 200-day moving average at 2.9%.

10-Year Treasury Yield Falling Tracking Down To 200-Day Moving Average



Fed Funds Rates Sharply Higher Than 2- & 10-Year Treasury Yields

Fed Funds Are Likely to Catch Up To the Downside

Fed Funds (Black), 30- (Green), 10- (Purple) and 2-Year (Red) Treasury Yields



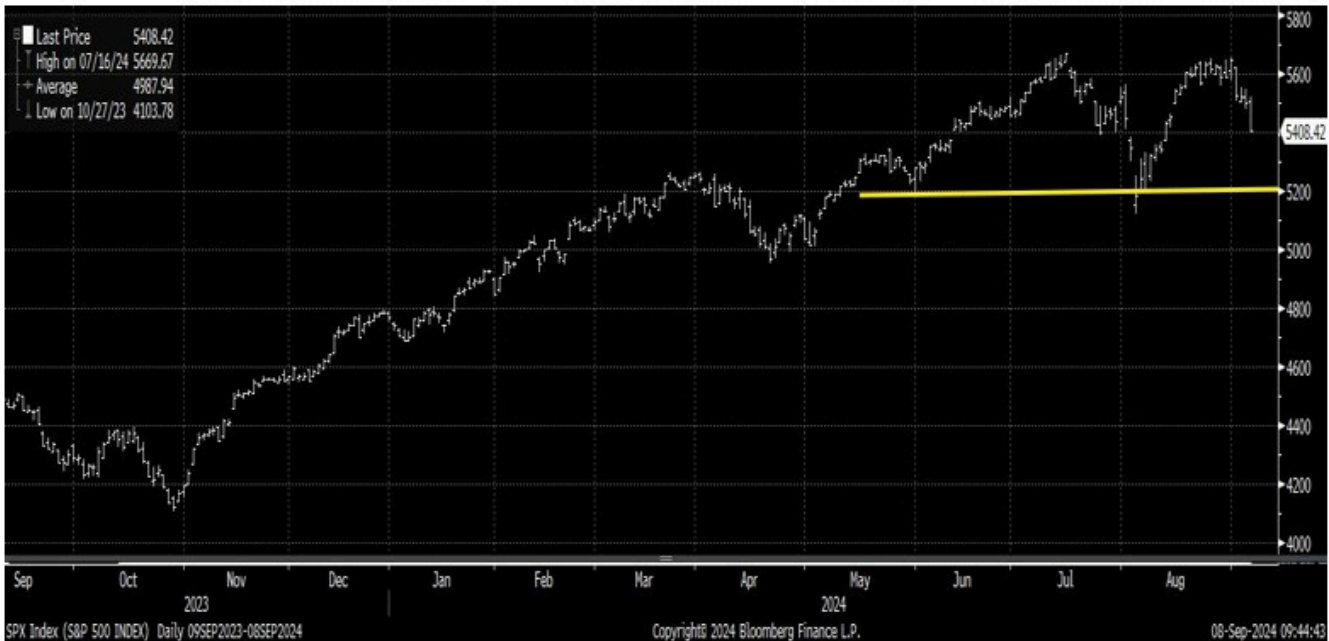
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2-10's Yield Curve Moves Positive Driven By Fall In Short Rates



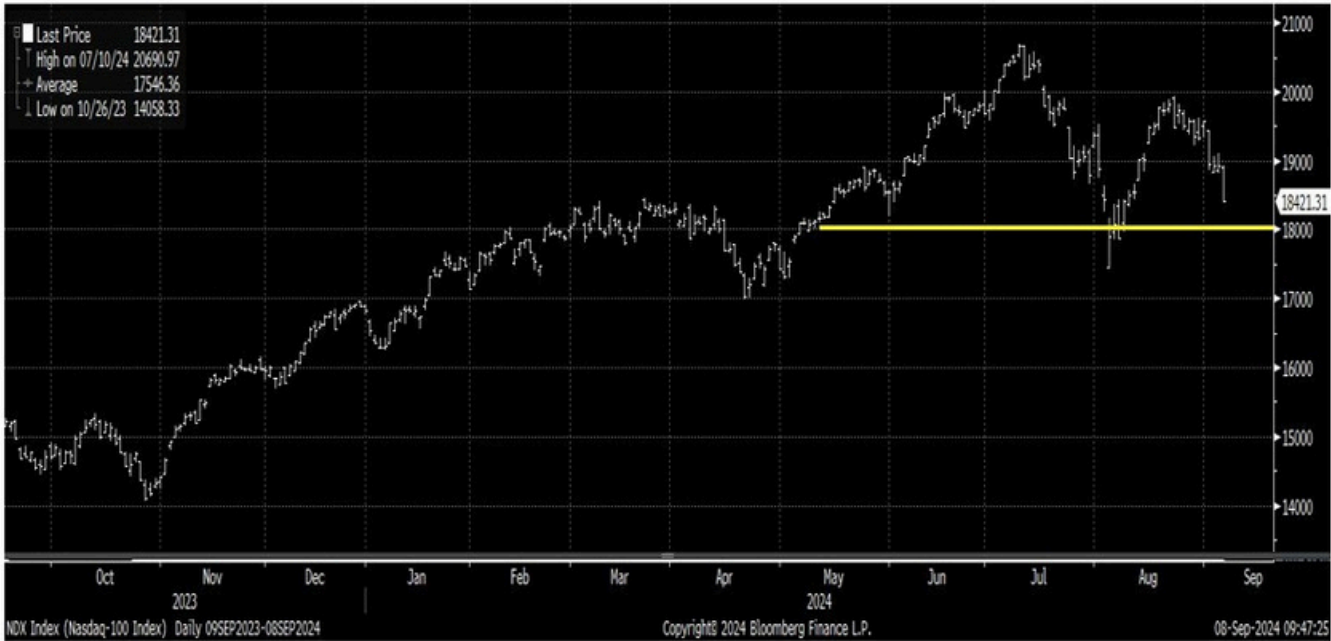
Stocks Testing Lows Of August With Indicators Closing In On Buy Signals

S&P 500 Testing Lows Of August Near 5200



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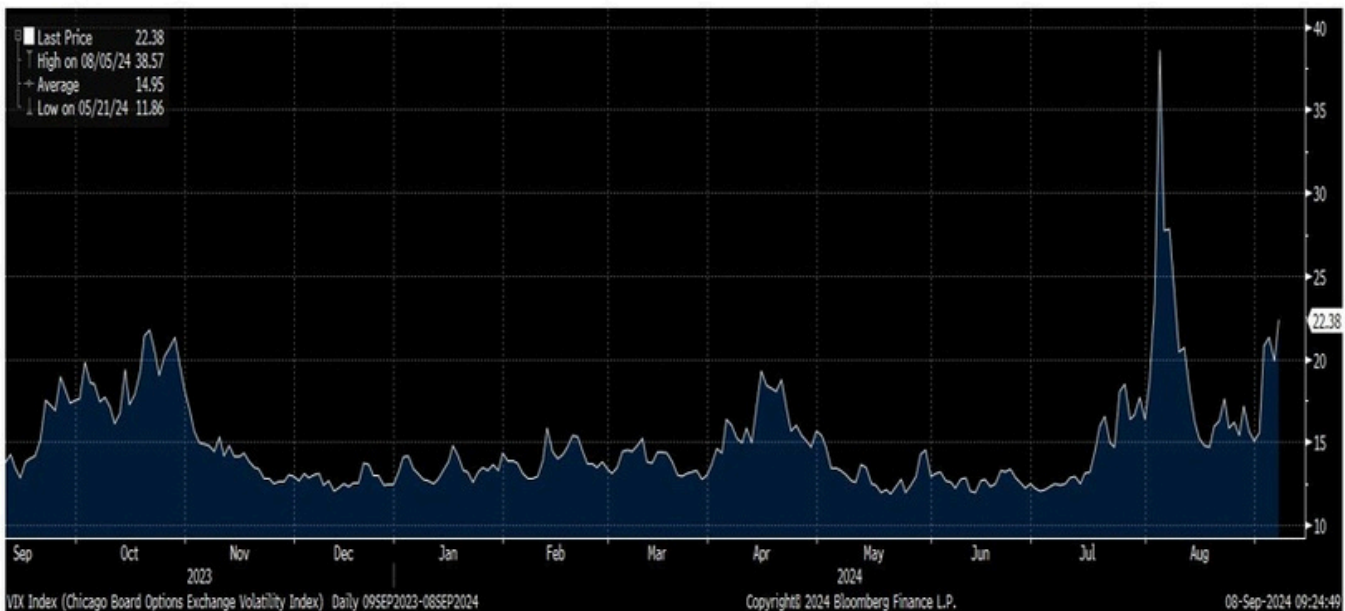
Nasdaq 100 Also Testing The Lows Of August Near 200-Day Moving Average



Volatility Rising – So Expect More Bucking

The CBOE VIX volatility index spiked to the third highest level since 2008-2009. The equity market is in the process of testing the August lows when the VIX had its sharp rally. On the test, the index should not rise as high. A VIX above 20 historically is a good signal to buy equities.

CBOE VIX Volatility Index Above 20 Which Is The Buy Zone



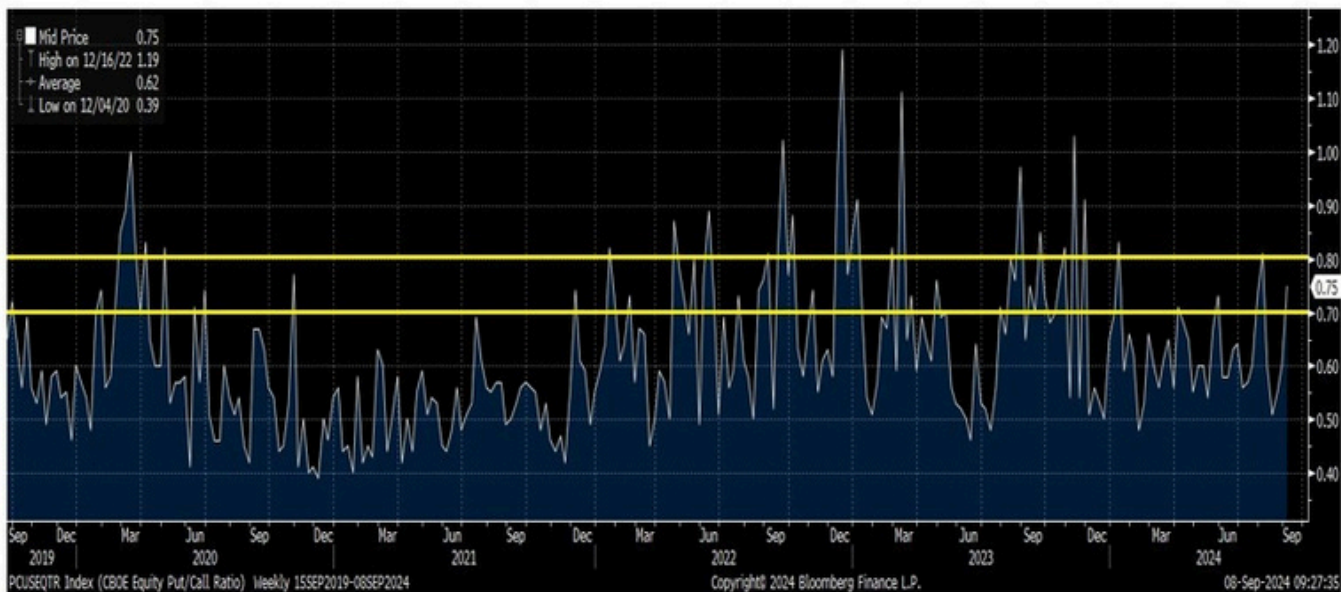


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CBOE Equity Put/Call Ratio Also Spiking Higher

The CBOE equity put/call ratio has spiked higher showing increased demand for puts (bearish position) versus calls (bullish position). This is a contrarian indicator. When investors reach extreme bearishness (high put/call ratio), it has signaled a bottom in stocks and a good time to buy. The ratio is in the range that stocks historically find a bottom. It can certainly move higher, but it appears to be close to signaling a market bottom.

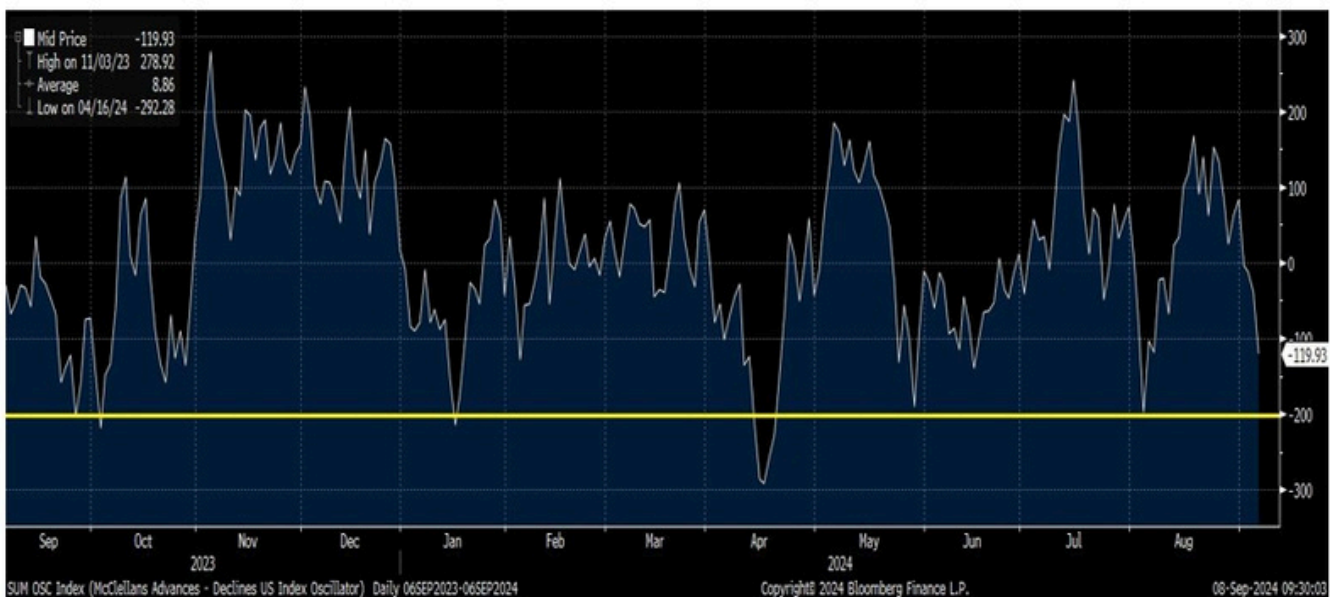
CBOE Put/Call Ratio In The Buy Zone



Breadth of the Market Close To A Buy Signal

The McClellan Oscillator, which indicates market breadth based on advance-decline issues, is nearing a buy signal at -200.

McClellan Advance-Dcline US Oscillator Index Reaches Buy Signal At -200



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Market Performance

	Last 9/6/2024	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 9/7/2023	Year To Year
S&P 500	5408.42	5648.40	-4.2%	5460.48	-1.0%	4769.83	13.4%	4451.14	21.5%
NASDAQ Composite	16690.83	17713.62	-5.8%	17732.60	-5.9%	15011.35	11.2%	13748.83	21.4%
NASDAQ 100	448.69	476.27	-5.8%	479.11	-6.3%	409.52	9.6%	372.06	20.6%
Russell 2000	2091.41	2217.63	-5.7%	2047.69	2.1%	2027.07	3.2%	1855.76	12.7%
S&P Consumer Discretionary Sector	1457.25	1500.16	-2.9%	1492.14	-2.3%	1418.09	2.8%	1330.02	9.6%
S&P Consumer Staples Sector	887.50	882.60	0.6%	819.86	8.3%	762.32	16.4%	752.45	17.9%
S&P Energy Sector	656.67	695.86	-5.6%	698.23	-6.0%	640.05	2.6%	694.25	-5.4%
S&P Financial Sector	734.94	759.21	-3.2%	684.26	7.4%	626.35	17.3%	567.66	29.5%
S&P Health Care Sector	1790.65	1829.71	-2.1%	1700.33	5.3%	1590.36	12.6%	1536.18	16.6%
S&P Industrials Sector	1062.45	1110.78	-4.4%	1031.96	3.0%	964.73	10.1%	894.94	18.7%
S&P Information Technology Sector	3994.85	4298.51	-7.1%	4341.09	-8.0%	3397.16	17.6%	3048.62	31.0%
S&P Materials Sector	564.66	593.39	-4.8%	556.50	1.5%	539.62	4.6%	512.62	10.2%
S&P Real Estate Sector	273.32	272.90	0.2%	241.17	13.3%	251.58	8.6%	230.70	18.5%
S&P Communications Sector	285.76	300.95	-5.0%	310.19	-7.9%	246.00	16.2%	227.59	25.6%
S&P Utilities Sector	383.58	385.51	-0.5%	346.33	10.8%	321.92	19.2%	315.79	21.5%
S&P 500 Total Return	11823.57	12344.43	-4.2%	11907.15	-0.7%	10327.83	14.5%	9590.40	23.3%
3 month Treasury Bill Price	98.73	98.73	0.0%	98.66	0.1%	98.66	0.1%	98.63	0.1%
3 month Treasury Bill Total Return	253.11	252.88	0.1%	250.53	1.0%	243.98	3.7%	239.83	5.5%
10 Year Treasury Bond Future	115.02	113.56	1.3%	109.98	4.6%	112.89	1.9%	109.98	4.6%
10 Year Treasury Note Total Return	306.91	302.74	1.4%	292.03	5.1%	294.12	4.3%	282.76	8.5%
iShares 20+ Year Treasury Bond ETF	99.56	96.49	3.2%	91.78	8.5%	98.88	0.7%	94.01	5.9%
S&P Municipal Bond Total Return	279.23	278.03	0.4%	273.41	2.1%	272.94	2.3%	260.68	7.1%
iShares S&P National Municipal Bond NAV	107.84	107.78	0.1%	106.67	1.1%	108.42	-0.5%	104.60	3.1%
S&P 500 Investment Grade Corporate Bond Total Return	476.61	470.76	1.2%	453.34	5.1%	455.89	4.5%	428.47	11.2%
S&P Investment Grade Corporate Bond	93.45	92.43	1.1%	89.77	4.1%	91.76	1.8%	87.65	6.6%
S&P Investment Grade Corporate Bond Total Return	506.24	500.41	1.2%	482.45	4.9%	482.66	4.9%	454.85	11.3%
SPDR Bloomberg High Yield Bond ETF	96.49	96.82	-0.3%	94.27	2.4%	94.73	1.9%	91.59	5.3%
iShares iBoxx High Yield Corporate Bond ETF	79.14	79.34	-0.3%	77.14	2.6%	77.39	2.3%	74.65	6.0%
Gold	2497.41	2503.39	-0.2%	2326.75	7.3%	2062.98	21.1%	1919.68	30.1%
Bitcoin	52856.51	59045.40	-10.5%	60118.16	-12.1%	41935.34	26.0%	26002.00	103.3%

Source: Bloomberg, Sanctuary Wealth, September 6, 2024

Despite The Labor Headlines, All Eyes Turn To Key Inflation Data

This is the week that CPI and PPI will set the course for the Fed's action at its September meeting.

At the Jackson Hole meeting last month, Federal Reserve Chair Jerome Powell shifted the Fed's focus from inflation to employment. This is because the inflation data has been falling consistently, and the Fed feels confident inflation should continue to trend downward. But with the next Fed meeting a little more than a week away, the inflation data to be released this week – the Consumer Price Index (CPI) and Producer Price Index (PPI) – will serve as confirmation of the direction in interest rates.



Calendar

Mon.	10:00 am 3:00 pm Earnings:	Wholesale inventories Consumer credit Oracle*
Tue.	6:00 am Earnings:	NFIB optimism index Dave & Buster's Entertainment. GameStop
Wed.	8:30 am Earnings:	Core CPI Oxford Industries
Thu.	8:30 am 2:00 pm Earnings:	Initial jobless claims, Core PPI Monthly U.S. federal budget Adobe
Fri.	8:30 am 10:00 am	Import price index Consumer sentiment (prelim)

Source: MarketWatch/Kiplinger/CNBC

*Earnings reflect highlights

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3815 River Crossing Pkwy, Suite 200
Indianapolis, IN 46260