



 Week of October 14, 2024

Election Inertia & 3Q Earnings Drive Markets Over Coming Weeks

We are *officially* in 3Q earnings season with the banks kicking off earnings and many of the large banks are surprising to the upside, breaking out the bank index.

As of this writing, we are twenty-two days away from the Presidential election, which we believe will bring investment inertia – at least until we have the results of who won this apparently neck-and-neck race. Earnings are expected to continue to grow into 3Q24. Yet, with the anticipated inertia and earnings season just getting underway, the equity markets can be choppy. The Bull will buck in October! But we like the behavior of cyclicals stocks, particularly Tech and Tech-related as well the Industrials. These are the leaders of the market and remain favored.

Earnings Are Expected To Continue To Grow In 3Q24

Exhibit 5: Consensus expects 72% of companies to grow EPS YoY in 3Q
 % of S&P 500 stocks with EPS growth vs. S&P 500 EPS YoY (2002-3Q24E)



Source: FactSet, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

Source: BofA, October 10, 2024

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CPI & PPI Come In Warmer Than Expected But Market Shrugs It Off

The equity market and bond market both shrugged off the slightly warmer Consumer Price Index (CPI) and Producer Price Index (PPI). The market is tilting in expectation of an additional 25 basis point rate cut in both November and December by the Federal Reserve (Fed). We will get another Core Personal Consumption Expenditure Index (PCE) and more labor market data before the November meeting which will likely impact the Fed's rate decision.

Interest Rates Back Up Slightly But The Trend Remains Down

2-Year Treasury Yield Remains Tippy And Holding Resistance Near 4%



10-Year Treasury Yield Is Also Backing Up In A Downtrend

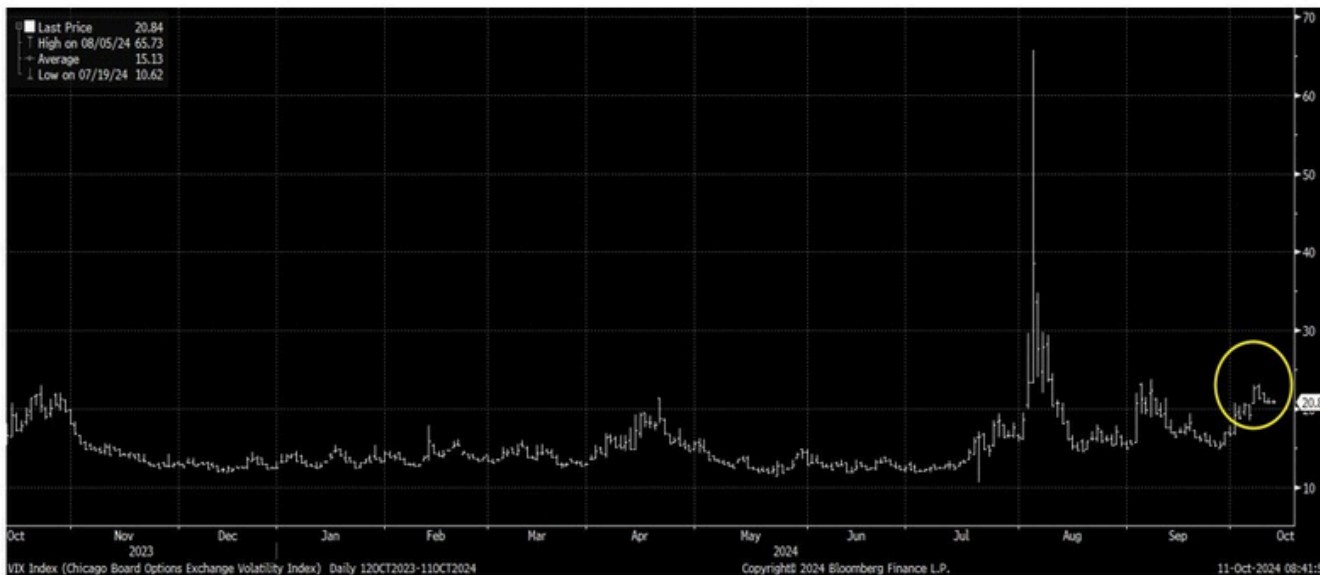


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Volatility Index Remains Elevated

It is not surprising to see the CBOE VIX hovering around 20, which is considered elevated volatility. As the closely fought, emotional Presidential election nears, we believe that volatility is likely to remain high. So, expect a choppy (up and down) equity market for the month of October.

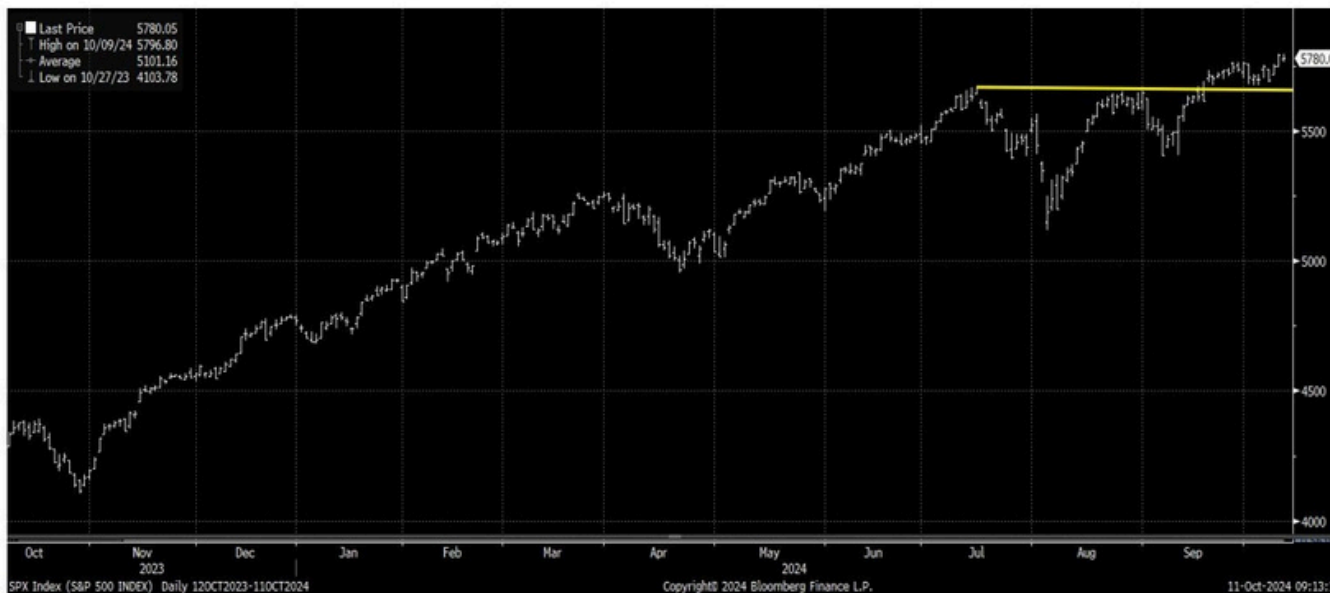
CBOE VIX Volatility Index Is Elevated



S&P 500 Reaches Record Highs

Despite geopolitical events, a tight presidential race and natural disasters, the equity market continues to reach record highs. We still maintain that the S&P can reach 6000 by the end of the year.

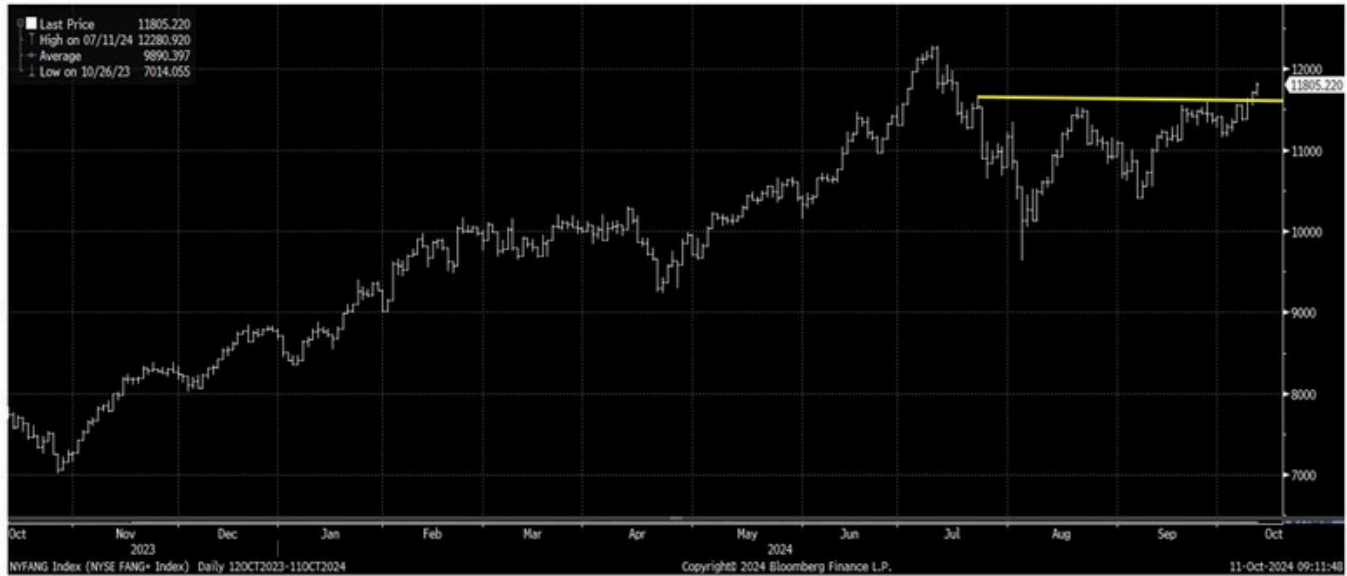
The S&P 500 Broke To the Upside Reaching Record Highs



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Technology and Tech-Related Are Rallying Again

NYSE FANG+ Index Has Broken To The Upside – Expect New Highs



Banks Break Out And Can Continue To Drive The Market Higher

KBW Bank Index: Big Base Breakout Pointing To Bank Stocks Going Higher



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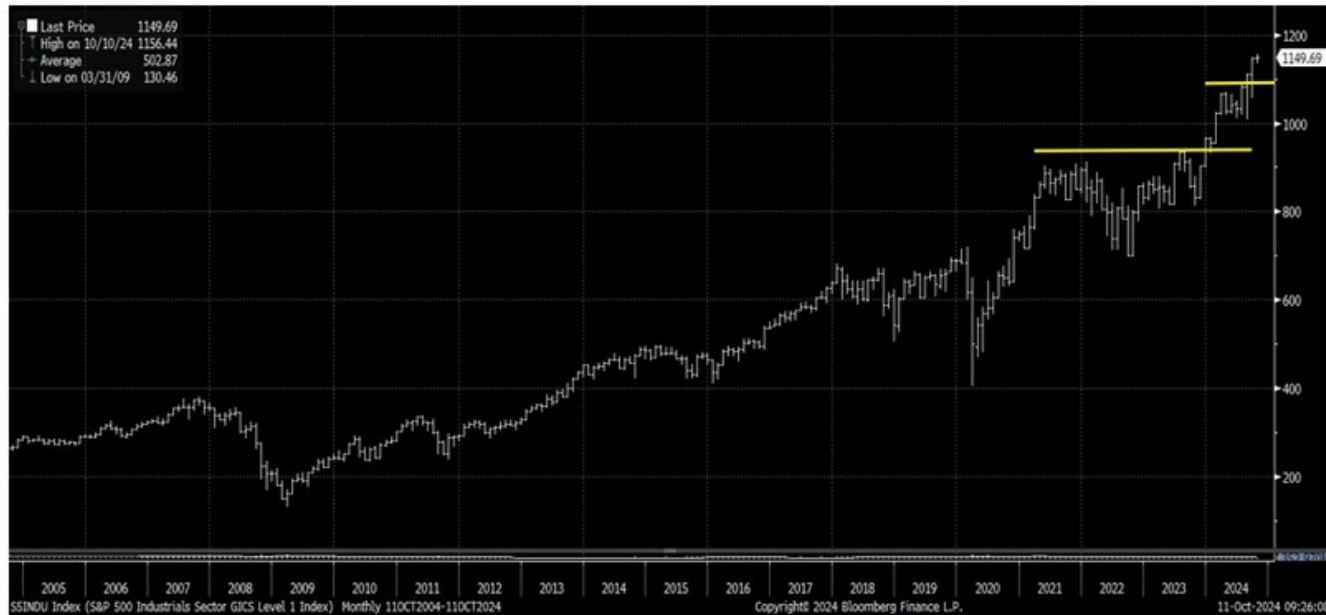
Cyclicals Stocks Are Strong, Pointing To Stronger Economy And Markets

Consumer Discretionary Vs. Consumer Staples Favors Discretionary



Source: Bloomberg, October 11, 2024

S&P Industrial Stocks Also Power Higher



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China Equities Could Still Rally Additional 50%

The Chinese government is stimulating the economy and equity markets. We believe China Large Cap stocks can rally to previous highs which is a 50% move from current levels. For now, we believe this would be a tactical move in the equity market, but if this does occur, it will have a significant impact on emerging markets returns.

iShares China Large Cap ETF (FXI) In Major Cyclical Rally



📅 October 14, 2024

Market Performance

	Last 10/11/2024	Month End 9/30/2024	Month to Date	Quarter End 9/30/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 10/12/2023	Year To Year
S&P 500	5815.03	5762.48	0.9%	5762.48	0.9%	4769.83	21.9%	4349.61	33.7%
NASDAQ Composite	18342.94	18189.17	0.8%	18189.17	0.8%	15011.35	22.2%	13574.22	35.1%
NASDAQ 100	493.36	488.07	1.1%	488.07	1.1%	409.52	20.5%	369.93	33.4%
Russell 2000	2234.41	2229.97	0.2%	2229.97	0.2%	2027.07	10.2%	1734.25	28.8%
S&P Consumer Discretionary Sector	1576.52	1605.41	-1.8%	1605.41	-1.8%	1418.09	11.2%	1270.66	24.1%
S&P Consumer Staples Sector	875.91	887.78	-1.3%	887.78	-1.3%	762.32	14.9%	699.88	25.2%
S&P Energy Sector	714.08	676.47	5.6%	676.47	5.6%	640.05	11.6%	671.31	6.4%
S&P Financial Sector	773.35	754.16	2.5%	754.16	2.5%	626.35	23.5%	550.92	40.4%
S&P Health Care Sector	1794.87	1796.48	-0.1%	1796.48	-0.1%	1590.36	12.9%	1507.53	19.1%
S&P Industrials Sector	1170.25	1147.06	2.0%	1147.06	2.0%	964.73	21.3%	868.42	34.8%
S&P Information Technology Sector	4490.35	4403.72	2.0%	4403.72	2.0%	3397.16	32.2%	3042.10	47.6%
S&P Materials Sector	605.33	607.70	-0.4%	607.70	-0.4%	539.62	12.2%	490.53	23.4%
S&P Real Estate Sector	272.36	280.46	-2.9%	280.46	-2.9%	251.58	8.3%	215.38	26.5%
S&P Communications Sector	314.56	314.60	0.0%	314.60	0.0%	246.00	27.9%	231.56	35.8%
S&P Utilities Sector	402.39	410.28	-1.9%	410.28	-1.9%	321.92	25.0%	297.75	35.1%
S&P 500 Total Return	12729.52	12608.07	1.0%	12608.07	1.0%	10327.83	23.3%	9385.16	35.6%
3 month Treasury Bill Price	98.84	98.85	0.0%	98.85	0.0%	98.66	0.2%	98.62	0.2%
3 month Treasury Bill Total Return	254.38	253.94	0.2%	253.94	0.2%	243.98	4.3%	241.07	5.5%
10 Year Treasury Bond Future	112.25	114.28	-1.8%	114.28	-1.8%	112.89	-0.6%	107.23	4.7%
10 Year Treasury Note Total Return	300.90	305.92	-1.6%	305.92	-1.6%	294.12	2.3%	277.13	8.6%
iShares 20+ Year Treasury Bond ETF	93.70	98.10	-4.5%	98.10	-4.5%	98.88	-5.2%	86.07	8.9%
S&P Municipal Bond Total Return	279.17	280.82	-0.6%	280.82	-0.6%	272.94	2.3%	255.91	9.1%
iShares S&P National Municipal Bond NAV	107.57	108.52	-0.9%	108.52	-0.9%	108.42	-0.8%	102.62	4.8%
S&P 500 Investment Grade Corporate Bond Total Return	472.81	478.79	-1.2%	478.79	-1.2%	455.89	3.7%	418.51	13.0%
S&P Investment Grade Corporate Bond	92.39	93.58	-1.3%	93.58	-1.3%	91.76	0.7%	85.52	8.0%
S&P Investment Grade Corporate Bond Total Return	502.57	508.34	-1.1%	508.34	-1.1%	482.66	4.1%	445.65	12.8%
SPDR Bloomberg High Yield Bond ETF	96.79	97.79	-1.0%	97.79	-1.0%	94.73	2.2%	89.25	8.4%
iShares iBoxx High Yield Corporate Bond ETF	79.57	80.30	-0.9%	80.30	-0.9%	77.39	2.8%	72.81	9.3%
Gold	2656.59	2634.58	0.8%	2634.58	0.8%	2062.98	28.8%	1868.90	42.1%
Bitcoin	63002.15	63785.09	-1.2%	63785.09	-1.2%	41935.34	50.2%	26737.69	135.6%

Source: Bloomberg, Sanctuary Wealth, October 11, 2024

Nothing Spooky In Retail And Housing Data

This week should prove that the consumer is not rattled despite the season.

We'll get retail sales data this week, and the expectation is that the consumer is spending – and will continue to do so. Why? They're sitting on a lot of cash. Remember: back on September 27, the Bureau of Economic Analysis revised the personal savings rate upward from 3.3% to 5.2% for Q2 2024. That means the consumer has stronger-than-expected disposable income. We'll also get housing data this week – but frankly, those numbers are already irrelevant because they don't include the vast rebuilding and remodeling estimates for all the areas, especially Florida and North Carolina, devastated by Hurricanes Helene and Milton. Lastly there will be more Fed speak this week, and everyone will be listening for insights into November and December rate cuts.



Calendar

Mon.

Bond market closed.
3:00 pm Federal Reserve Governor Christopher Waller speaks

Tue.

8:30 am Empire State manufacturing survey
1:00 pm Fed Governor Adriana Kugler speaks
Earnings: Bank of America, Charles Schwab, Goldman Sachs, Citigroup, State Street, UnitedHealth Group, Walgreens Boots Alliance, United Airlines*

Wed.

8:30 am Import price index 9:15 am
Earnings: Morgan Stanley, Abbott Labs, U.S. Bancorp, Alcoa, Steel Dynamics

Thu.

8:30 am Initial jobless claims, U.S. retail sales
9:15 am Philadelphia Fed manufacturing index, Industrial production
10:00 am Business inventories, Home builder confidence index
Earnings: Blackstone, M&T Bank, KeyCorp, Netflix, Western Alliance Bancorp

Fri.

8:30 am Housing starts, Building permits
12:10 pm Federal Reserve Governor Christopher Waller speaks
Earnings: Procter & Gamble, Ally Financial

Source: MarketWatch/Kiplinger/CNBC

*Earnings reflect highlights

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