



Week of December 16, 2024

'Tis The Season To Be Merry

Despite inflation remaining sticky, shoppers have been doing what they do best: shopping. Case in point: between Black Friday and Cyber Monday, a new record was set for online sales.

With the labor market still at full employment, the consumer is spending merrily – helped by all the promotional sales designed to entice the consumer to spend on holiday gifts. Remember that 70% of the economic growth in this country comes from the consumer!

The Growing Popularity of Online Shopping

In the fourth quarter of 2023, online shopping was a record-breaking 17% of all retail sales. Put another way, one out of every six dollars was spent online.

Over the last 15 years, the percentage of money consumers are spending online has more than tripled. The most online shopping always occurs in the fourth quarter due to Black Friday and holiday spending.

In the accompanying chart and table, we show online shopping as a percentage of total retail sales over time.

Consumers Are Making Merry



This graphic from Visual Capitalist's Jenna Ross, in partnership with BGO, highlights the spike in ecommerce that occurs every year during the holiday season. Source: ZeroHedge December 14, 2024.

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On-Line Sales Are Rising Sharply

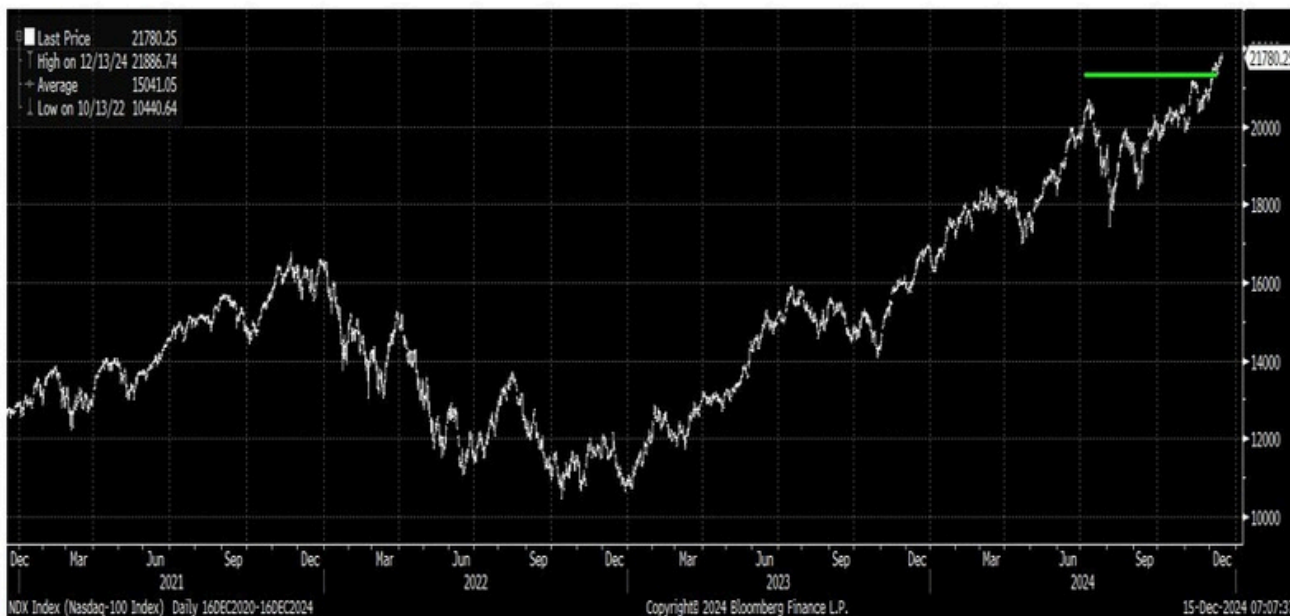
	Q1-Q3 Average	Q4
2010	4.1%	5.3%
2011	4.5%	5.9%
2012	5.0%	6.5%
2013	5.4%	7.0%
2014	6.0%	7.6%
2015	6.7%	8.5%
2016	7.4%	9.3%
2017	8.2%	10.3%
2018	9.1%	11.1%
2019	9.9%	12.4%
2020	13.8%	16.6%
2021	14.1%	16.0%
2022	13.8%	16.0%
2023	14.7%	17.1%
2024	15.5%	-

Source: U.S. Census Bureau. Data accessed November 19, 2024; ZeroHedge December 14, 2024

Bells Are Ringing With NASDAQ 100 & NYSE FANG+ Indexes At Record Highs

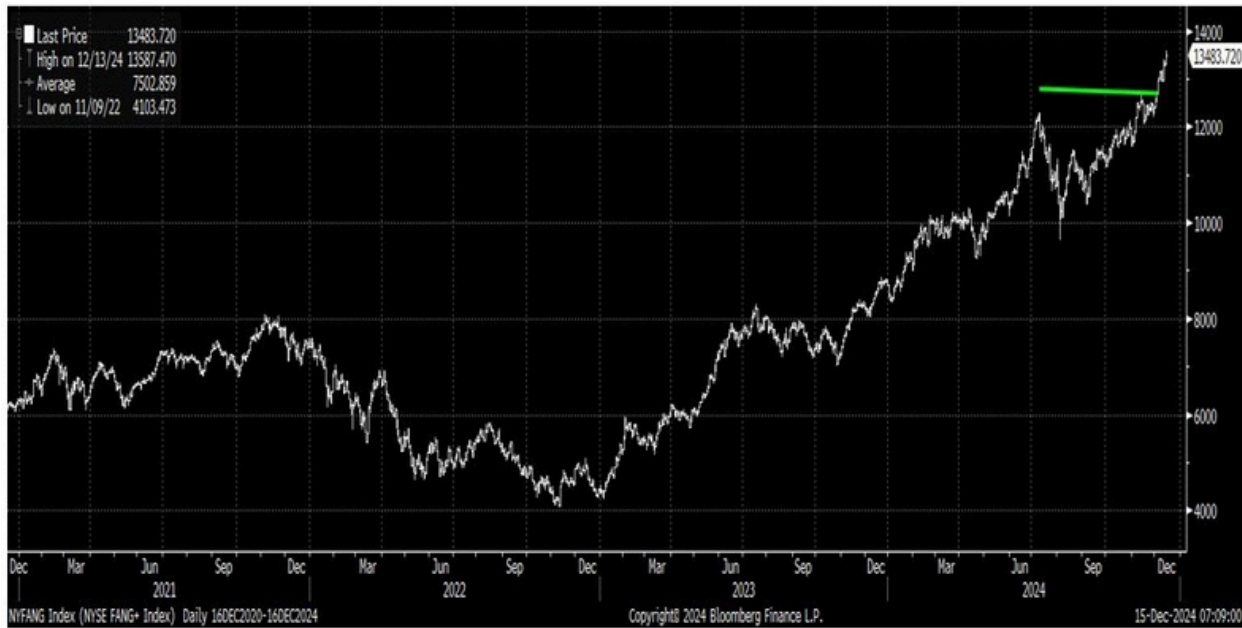
The Nasdaq 100 and the NYSE FANG+ Index marched to record highs last week. The seasonals remain very bullish for the equity market going into the end of the year and very early January. Our outlook for 2025 is also bullish with a target range of 7200-7400. But pullbacks should be expected in 1Q25 with equity markets very overbought and interest rates positioned to rise, which should cause some volatility. Volatility is currently low and a move down toward the 10 level would signal an average correction of 5%-10%, in our view.

Nasdaq 100 Breaks To Record High



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NYSE FANG+ Index Breaks To Record High



CBOE Volatility Index: A Move Toward 10 Would Signal A Correction

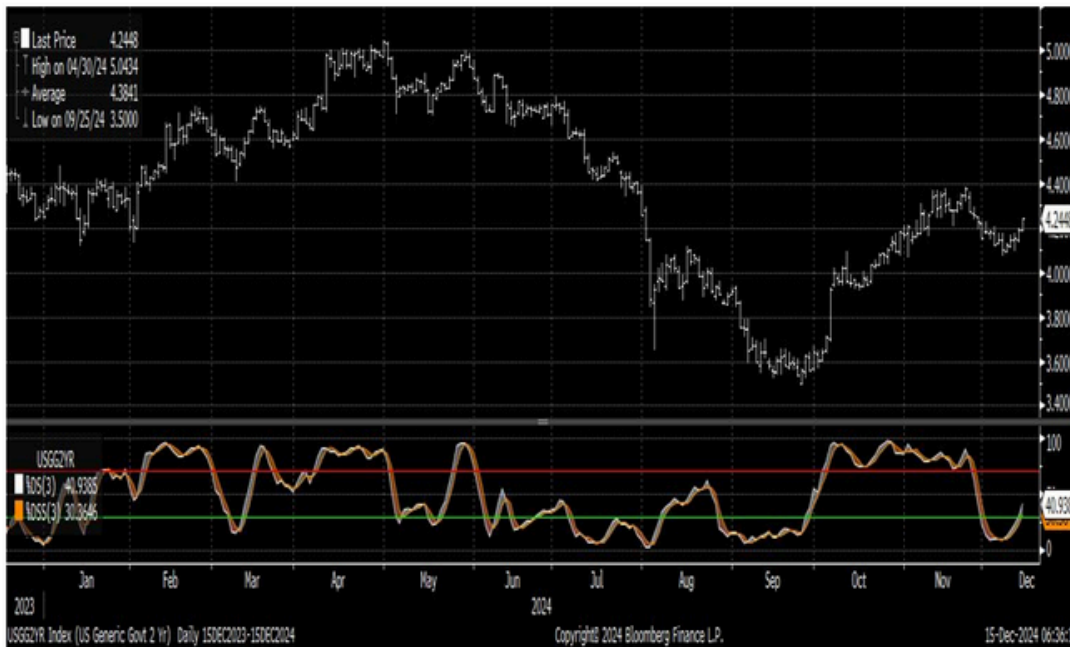


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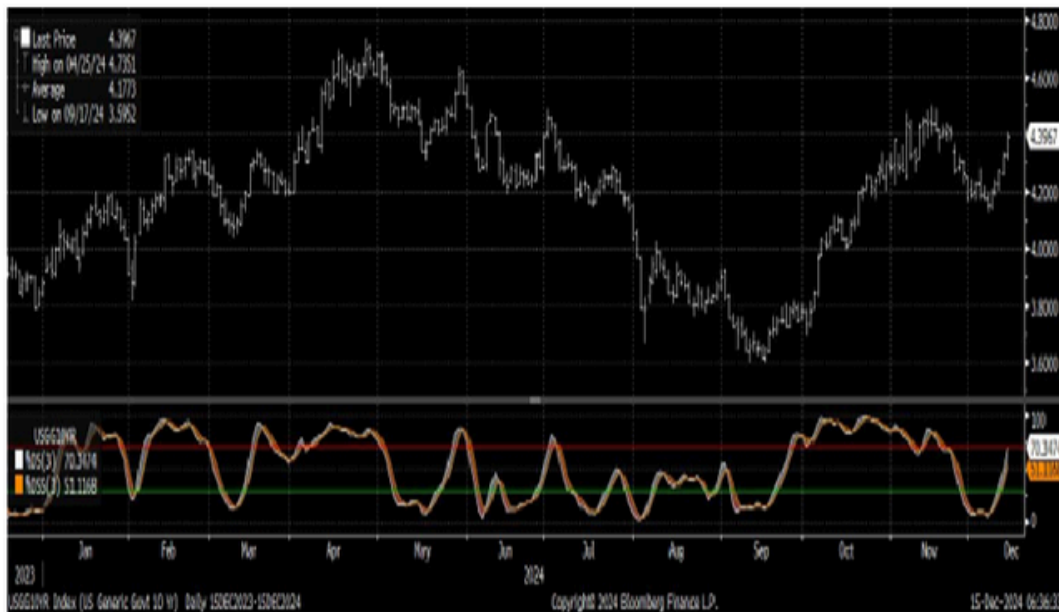
Seasonally Interest Rates Rise Into Year-End & 1Q

Traditionally, interest rates are biased to the upside toward the end of the year and into the following year. Why? Because many companies need to balance their books, they need capital toward year-end, and they need capital in the new year. We are in a capital expenditure (cap ex) cycle for artificial intelligence (AI) so demand for cash would be expected. In our 2025 Year Ahead Report, we stated our view that short rates would fall as the Fed is expected to lower interest rates. But, with the economy expected to grow strongly, it is possible the Fed does not cut rates for a while in 2025. This could have the 2-Year Treasury yield rise near 4.3%-4.4%. As for the 10-Year Treasury yield, it could be sticky and be in a range of 4%-5%. Rates would need to breach the 4.6% level in order to signal that rates will push higher near the 5% level.

2-Year Treasury Yield With Buy Signal On 14-Day Stochastic

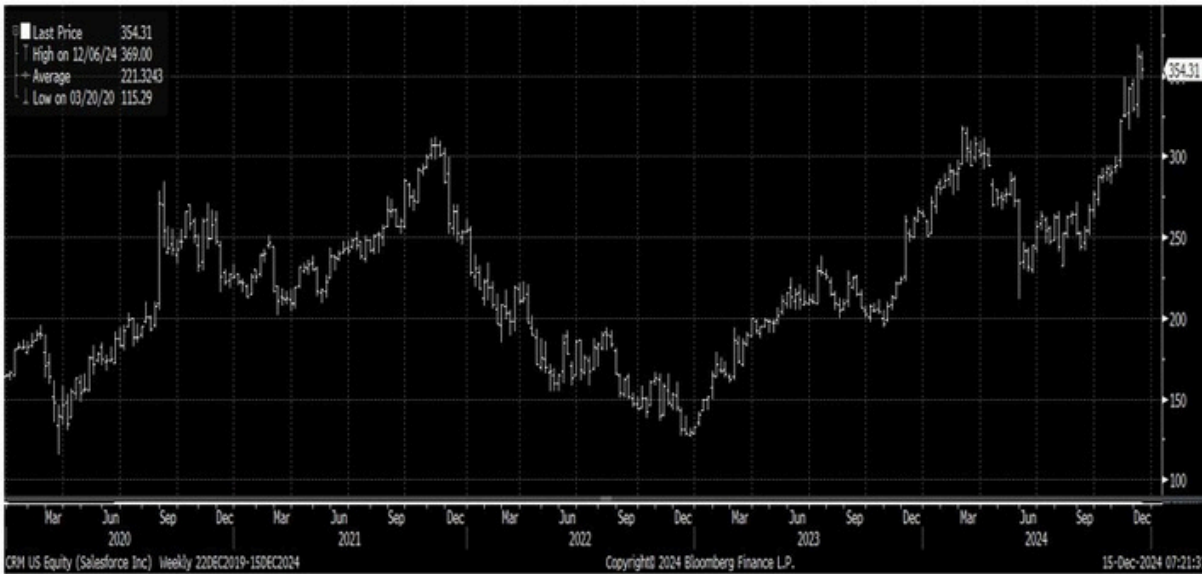


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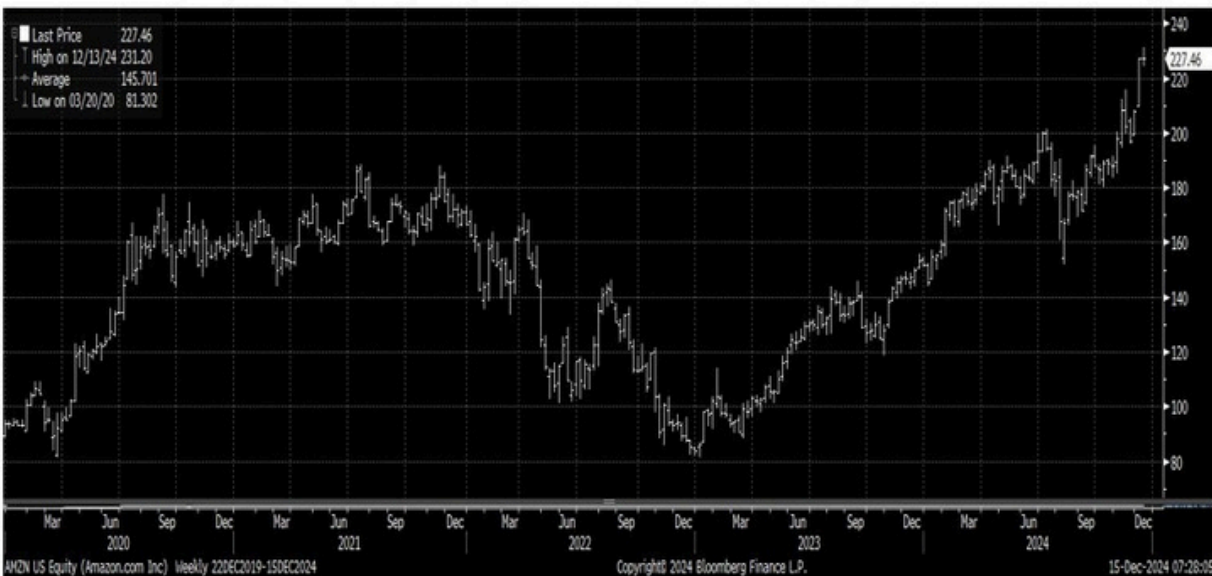


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Stocks We Like – No Coal In These Stockings! Salesforce (CRM) – Major Breakout

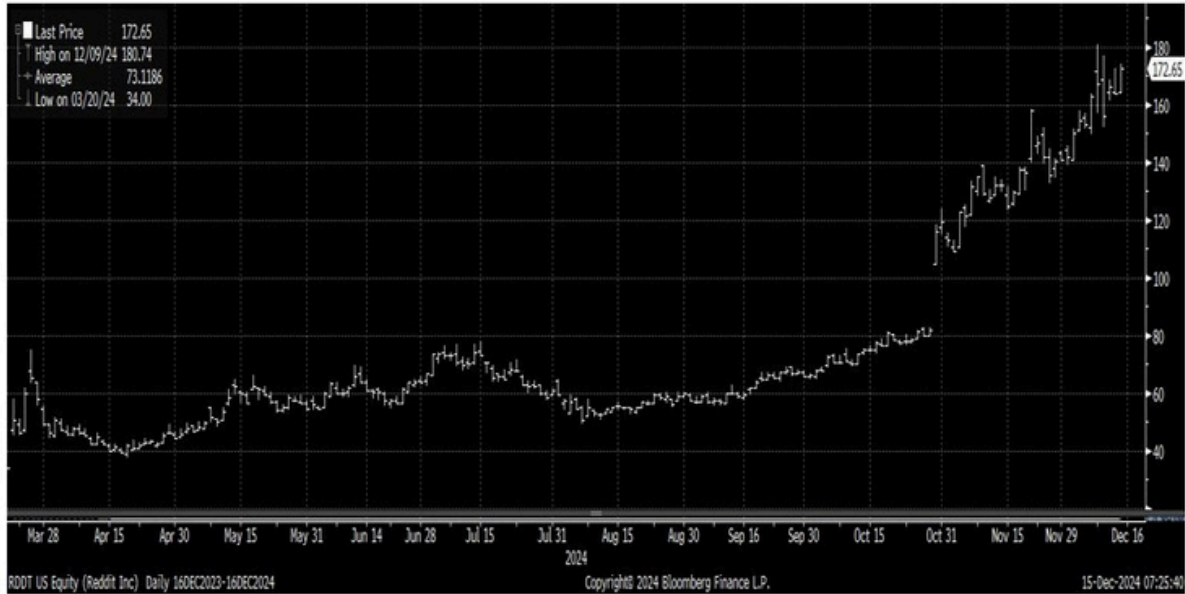


Amazon (AMZN) A Fresh Major Breakout



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Reddit (RDDT) With Strong Momentum



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Market Performance

	Last 12/13/2024	Month End 11/29/2024	Month to Date	Quarter End 9/30/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 12/14/2023	Year To Year
S&P 500	6051.09	6032.38	0.3%	5762.48	5.0%	4769.83	26.9%	4719.55	28.2%
NASDAQ Composite	19926.72	19218.17	3.7%	18189.17	9.6%	15011.35	32.7%	14761.56	35.0%
NASDAQ 100	530.53	509.74	4.1%	488.07	8.7%	409.52	29.5%	403.39	31.5%
Russell 2000	2346.90	2434.73	-3.6%	2229.97	5.2%	2027.07	15.8%	2000.52	17.3%
S&P Consumer Discretionary Sector	1920.70	1789.44	7.3%	1605.41	19.6%	1418.09	35.4%	1410.22	36.2%
S&P Consumer Staples Sector	888.06	900.88	-1.4%	887.78	0.0%	762.32	16.5%	749.45	18.5%
S&P Energy Sector	676.68	724.06	-6.5%	676.47	0.0%	640.05	5.7%	641.58	5.5%
S&P Financial Sector	820.73	851.98	-3.7%	754.16	8.8%	626.35	31.0%	622.67	31.8%
S&P Health Care Sector	1639.18	1713.71	-4.3%	1796.48	-8.8%	1590.36	3.1%	1571.96	4.3%
S&P Industrials Sector	1158.80	1214.04	-4.6%	1147.06	1.0%	964.73	20.1%	953.70	21.5%
S&P Information Technology Sector	4703.80	4558.68	3.2%	4403.72	6.8%	3397.16	38.5%	3362.37	39.9%
S&P Materials Sector	559.79	594.62	-5.9%	607.70	-7.9%	539.62	3.7%	535.49	4.5%
S&P Real Estate Sector	267.55	281.69	-5.0%	280.46	-4.6%	251.58	6.3%	252.61	5.9%
S&P Communications Sector	352.03	330.15	6.6%	314.60	11.9%	246.00	43.1%	236.92	48.6%
S&P Utilities Sector	391.79	418.72	-6.4%	410.28	-4.5%	321.92	21.7%	328.04	19.4%
S&P 500 Total Return	13276.56	13227.13	0.4%	12608.07	5.3%	10327.83	28.6%	10213.69	30.0%
3 month Treasury Bill Price	98.92	98.88	0.0%	98.85	0.1%	98.66	0.3%	98.65	0.3%
3 month Treasury Bill Total Return	256.45	255.95	0.2%	253.94	1.0%	243.98	5.1%	243.35	5.4%
10 Year Treasury Bond Future	109.88	111.19	-1.2%	114.28	-3.9%	112.89	-2.7%	112.52	-2.3%
10 Year Treasury Note Total Return	296.35	299.38	-1.0%	305.92	-3.1%	294.12	0.8%	292.50	1.3%
iShares 20+ Year Treasury Bond ETF	90.15	93.97	-4.1%	98.10	-8.1%	98.88	-8.8%	99.04	-9.0%
S&P Municipal Bond Total Return	279.75	281.36	-0.6%	280.82	-0.4%	272.94	2.5%	271.11	3.2%
iShares S&P National Municipal Bond NAV	107.24	108.15	-0.8%	108.52	-1.2%	108.42	-1.1%	107.74	-0.5%
S&P 500 Investment Grade Corporate Bond Total Return	469.66	473.45	-0.8%	478.79	-1.9%	455.89	3.0%	455.00	3.2%
S&P Investment Grade Corporate Bond	91.24	92.03	-0.9%	93.58	-2.5%	91.76	-0.6%	91.64	-0.4%
S&P Investment Grade Corporate Bond Total Return	500.06	503.62	-0.7%	508.34	-1.6%	482.66	3.6%	481.11	3.9%
SPDR Bloomberg High Yield Bond ETF	96.43	97.36	-1.0%	97.79	-1.4%	94.73	1.8%	94.83	1.7%
iShares iBoxx High Yield Corporate Bond ETF	79.41	80.04	-0.8%	80.30	-1.1%	77.39	2.6%	77.10	3.0%
Gold	2648.23	2643.15	0.2%	2634.58	0.5%	2062.98	28.4%	2036.36	30.0%
Bitcoin	101342.01	97460.39	4.0%	63785.09	58.9%	41935.34	141.7%	42994.83	135.7%

Source: Bloomberg, Sanctuary Wealth, December 16, 2024

Here Comes Santa Claus, Here Comes Santa Claus – Shopping, Popping, Chopping

This week it's all about the Fed interest rate decision on Wednesday.

The consumer is shopping, markets are popping... will the Fed be chopping?

The Federal Open Market Committee meets this week, and we'll get their decision on rates on Wednesday, December 18. The market is expecting an additional 25 basis point cut, giving the U.S. economy a total of 100 basis points in cuts since September. Then – with the Fed's commentary maybe more on the hawkish side – we expect them to hold rates for a while.

Be prepared for some whipsaw action as liquidity in the market will be getting lower as we move toward the holidays next week. (Thin trading volumes can make markets more prone to abrupt moves.) But we are still expecting the traditional Santa Claus rally, a seasonal phenomenon that covers the last five trading days and first two of the new year. Why does it happen? Likely a combination of recovery from tax-loss harvesting, fund manager window dressing, lower trading volumes, and just general holiday optimism among investors.



Calendar

- Mon.** 8:30 am Empire State manufacturing survey
9:45 am S&P flash U.S. services PMI, S&P flash U.S. manufacturing PMI
Earnings: Compass Minerals, Mitek Systems
- Tue.** 8:30 am U.S. retail sales, Retail sales minus autos
9:15 am Industrial production, Capacity utilization
10:00 am Home builder confidence index
Earnings: HEICO, Worthington Enterprises, Cal-Maine Foods
- Wed.** 8:30 am Housing starts, Building permits
2:00 pm FOMC interest-rate decision
2:30 pm Fed Chair Powell press conference
Earnings: Birkenstock Holding, General Mills, Micron Technology, MillerKnoll, Steelcase, Worthington Steel
- Thu.** 8:30 am Initial jobless claims, GDP (second revision), Philadelphia Fed manufacturing survey
10:00 am Existing home sales, U.S. leading economic indicators
Earnings: Accenture, CarMax, Paychex, FedEx, Nike
- Fri.** 8:30 am Personal income (nominal), Personal spending (nominal), Core PCE index
10:00 am Consumer sentiment (final)
Earnings: Carnival, Winnebago

*Earnings reflect highlights
Source: CNBC, Kiplinger's, MarketWatch

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