



Sanctuary Week Ahead

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Week of September 16, 2024

Rate Cycle To Shift This Week – Stocks Positioned To Rally

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The Federal Reserve (Fed) is meeting this week to determine the state of the economy and inflation. The cross-market expectation is that the Fed will begin a rate cutting cycle – but there is a debate as to whether it will start with a cut of 25 basis points (bps) or 50 bps. We believe that, because the economy is relatively robust, the Fed will begin with 25 bps only. The market is also expecting that rate cuts will continue with 25 bps cuts in November and December as well. The market has already priced in the change in direction in interest rates with 2-Year Treasury yields falling sharply after the August employment report. Technically, 2-Year Treasury yields can fall to 2.0%-1.5% – which is likely what we'll see next year. *If you have not locked in a 5% rate at the short end of the curve, your time is running out.*

2-Year Treasury Yield Collapsing – Target Range 2.0%-1.5%

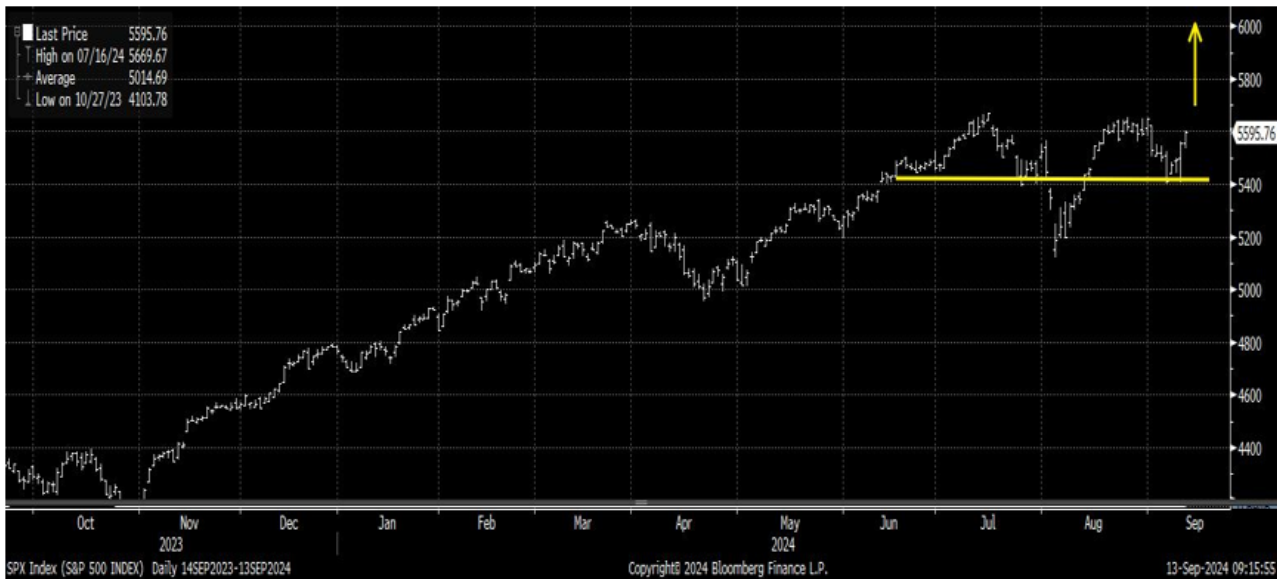


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Stocks To Have A Counter-Trend Seasonal Move

We believe stocks have successfully tested their August lows and are positioned to continue to rally. The correction came early with the Yen carry-trade unwind back in early August. Because of this, there is a good chance this month of September will not live up to its historical reputation as the worst performing month of the year; we do not expect a sharp correction by month-end.

We believe the S&P 500 is set to break out between now and November, and, if this is the case, the S&P 500 target move would be 6000 – a target level not in the forecasts from any Wall Street analysts. This would represent a 25% move on the year. Meanwhile, the Nasdaq 100 would be positioned to rally to 22,000 on a breakout – which would be a 30% move on the year. *We believe that, once the election is done, the winner is determined and all the pre-election uncertainty eliminated, the market will be positioned to have a strong rally into year-end. So, we remain buyers of this market.*



Nasdaq 100 Held Critical Support And A Breakout Points To 22,000 Or 30% Return



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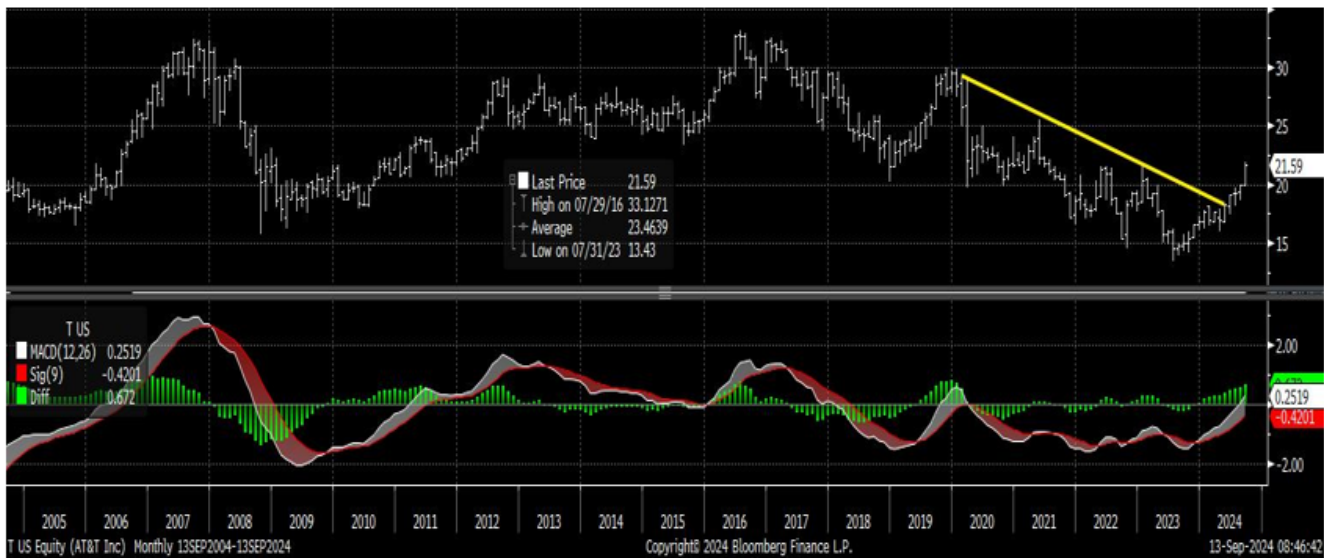
With Rates Coming Down, The Market Is Shifting To High Yielding Equities

Back in June, we wrote that we saw a major bottom in both Utilities and Real Estate and we had the best buy signals since 2008-2009. From that point, the sectors have rallied sharply. We believe it is still not too late to own these sectors. With interest rates coming down, the market is shifting to owning income producing equities – one of the reasons we continue to like Utilities and Real Estate.

Telecom stocks, such as AT&T (T) and Verizon (VZ) – two of the highest yielding stocks, also have bottomed and have reversed their downtrends. We expect to see more upside. AT&T is yielding 5.0% and Verizon is yielding 6.0%.

Tobacco is also a sector that normally has a high yield. Looking at Altria (MO), we see that this stock is yielding 7.7% and, appearing to have bottomed, is positioned to rally.

AT&T (T) Has Bottomed And Reversed Downtrend With Yield of 5.0%



Verizon (VZ) Has Bottomed And Reversed Downtrend With Yield of 6.0%



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Altria (MO) Has Reversed The Downtrend With A Yield Of 7.7%



Consumer Staples Improving

Consumer Staples is a sector that’s improving and reaching record highs. Granted, it’s a more defensive sector, but it is generating some income with a 2.6% yield. We will keep on eye on Consumer Staples because when defensive sectors improve, it’s an early sign the market wants to be positioned more defensively – a sign that next year could be a challenging one.

Consumer Staples SPDR (XLP) Has Major Breakout Hitting Record Highs



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Income ETFs On The Move

The JPMorgan Equity Premium Income ETF (JEPI) with a yield of 7.0% is attempting a major breakout, which we believe should happen. This would be another sign the market is trying to find yield in a falling rate environment.

The JP Morgan Equity Premium Income ETF (JEPI)



Preferreds Are Preferred

Preferreds are also beginning to move. Looking at the iShares Preferred and Income Securities ETF (PFF) with 6.0% yield, we see that this ETF has reversed its downtrend and is on the move. Preferreds tend to be issued on banks. Although we are not fans of owning bank stocks, we do like the preferreds as the major banks have a strong capital base on their balance sheets.

iShares Preferred and Income Securities ETF (PFF) Has Bottomed With A 6.0% Yield



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What Is Glittering Is Gold

As interest rates fall, Gold tends to rise. Looking at the Gold SPDR (GLD) ETF, a major cup and handle breakout is powering gold higher to new record highs.

SPDR Gold Trust (GLD) Powering Higher To New Records




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Market Performance

	Last 9/13/2024	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 9/14/2023	Year To Year
S&P 500	5626.02	5648.40	-0.4%	5460.48	3.0%	4769.83	18.0%	4505.10	24.9%
NASDAQ Composite	17683.98	17713.62	-0.2%	17732.60	-0.3%	15011.35	17.8%	13926.05	27.0%
NASDAQ 100	475.34	476.27	-0.2%	479.11	-0.8%	409.52	16.1%	377.27	26.0%
Russell 2000	2182.49	2217.63	-1.6%	2047.69	6.6%	2027.07	7.7%	1866.63	16.9%
S&P Consumer Discretionary Sector	1546.78	1500.16	3.1%	1492.14	3.7%	1418.09	9.1%	1379.21	12.1%
S&P Consumer Staples Sector	897.32	882.60	1.7%	819.86	9.4%	762.32	17.7%	762.61	17.7%
S&P Energy Sector	651.79	695.86	-6.3%	698.23	-6.7%	640.05	1.8%	711.19	-8.4%
S&P Financial Sector	738.49	759.21	-2.7%	684.26	7.9%	626.35	17.9%	580.37	27.2%
S&P Health Care Sector	1816.48	1829.71	-0.7%	1700.33	6.8%	1590.36	14.2%	1547.62	17.4%
S&P Industrials Sector	1101.79	1110.78	-0.8%	1031.96	6.8%	964.73	14.2%	890.21	23.8%
S&P Information Technology Sector	4287.61	4298.51	-0.3%	4341.09	-1.2%	3397.16	26.2%	3045.82	40.8%
S&P Materials Sector	582.52	593.39	-1.8%	556.50	4.7%	539.62	8.0%	518.25	12.4%
S&P Real Estate Sector	282.64	272.90	3.6%	241.17	17.2%	251.58	12.3%	230.74	22.5%
S&P Communications Sector	297.96	300.95	-1.0%	310.19	-3.9%	246.00	21.1%	232.23	28.3%
S&P Utilities Sector	396.53	385.51	2.9%	346.33	14.5%	321.92	23.2%	328.95	20.5%
S&P 500 Total Return	12303.26	12344.43	-0.3%	11907.15	3.3%	10327.83	19.1%	9710.54	26.7%
3 month Treasury Bill Price	98.74	98.73	0.0%	98.66	0.1%	98.66	0.1%	98.63	0.1%
3 month Treasury Bill Total Return	253.39	252.88	0.2%	250.53	1.1%	243.98	3.9%	240.08	5.5%
10 Year Treasury Bond Future	115.42	113.56	1.6%	109.98	4.9%	112.89	2.2%	109.75	5.2%
10 Year Treasury Note Total Return	308.29	302.74	1.8%	292.03	5.6%	294.12	4.8%	282.45	9.1%
iShares 20+ Year Treasury Bond ETF	100.41	96.49	4.1%	91.78	9.4%	98.88	1.5%	93.53	7.4%
S&P Municipal Bond Total Return	280.04	278.03	0.7%	273.41	2.4%	272.94	2.6%	260.50	7.5%
iShares S&P National Municipal Bond NAV	108.23	107.78	0.4%	106.67	1.5%	108.42	-0.2%	104.55	3.5%
S&P 500 Investment Grade Corporate Bond Total Return	479.19	470.76	1.8%	453.34	5.7%	455.89	5.1%	428.76	11.8%
S&P Investment Grade Corporate Bond	93.84	92.43	1.5%	89.77	4.5%	91.76	2.3%	87.64	7.1%
S&P Investment Grade Corporate Bond Total Return	508.73	500.41	1.7%	482.45	5.4%	482.66	5.4%	455.15	11.8%
SPDR Bloomberg High Yield Bond ETF	97.05	96.82	0.2%	94.27	2.9%	94.73	2.4%	91.88	5.6%
iShares iBoxx High Yield Corporate Bond ETF	79.63	79.34	0.4%	77.14	3.2%	77.39	2.9%	74.92	6.3%
Gold	2577.70	2503.39	3.0%	2326.75	10.8%	2062.98	25.0%	1910.79	34.9%
Bitcoin	59878.38	59045.40	1.4%	60118.16	-0.4%	41935.34	42.8%	26578.75	125.3%

Source: Bloomberg, Sanctuary Wealth, September 13, 2024

Fed To Cut Rates This Week... But Is More Holiday Trimming In Store?

This week, all eyes and ears will be on the Fed's expected rate cut, sparking a pivotal change in the direction of interest rates.

This week, we will get data on how the housing market is performing – plus retail sales, giving us another peek into how consumers are spending. But the highlight of the week will be the long-awaited decision by the Fed to cut interest rates. With the announcement set for Wednesday, we expect the cut to be 25 bps and the comments from Fed Chair Jerome Powell to be on the dovish side, indicating the potential for additional rates cuts in November and December.



Calendar

Mon.	8:30 am	Empire State manufacturing survey
Tue.	8:30 am	U.S. retail sales
	9:15 am	Industrial production, Capacity utilization
	10:00 am	Business inventories, Home builder confidence index
	Earnings:	Ferguson*
Wed.	8:30 am	Housing starts, Building permits
	2:00 pm	FOMC interest-rate decision
	2:30 pm	Fed Chair Powell press conference
	Earnings:	General Mills, Steelcase
Thu.	8:30 am	Initial jobless claims, Philadelphia Fed manufacturing survey
	10:00 am	Existing home sales, U.S. leading economic indicators
	Earnings:	FedEx, Lennar, Cracker Barrel, MillerKnoll
Fri.	None scheduled	

Source: MarketWatch/Kiplinger CNBC

*Earnings reflect highlights

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