



# Sanctuary Week Ahead

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## Week of November 4, 2024

### Spooky October Ends On A Scary Note – What’s Next?

#### Last week, the equity and bond markets were spooked by earnings, inflation, higher interest rates and concerns over tomorrow’s Presidential Election

On the last day of trading for October (a Halloween shocker!), stocks declined sharply, with the S&P 500 down 1.9% and the Nasdaq 100 down nearly 2.5%. What happened? As earnings continued to come in, the Core PCE (Personal Consumption Expenditures) Index – which measures inflation – came in slightly above what the market expected (2.7% vs 2.6%). However, the equity market was very overbought, so the correction was not surprising. The seasonals for the equity market are very bullish for the month of November, but a correction is underway and may not be completed until after both the Election and the interest rate decision by the Federal Reserve (Fed), set for this Thursday. For this market move, we see a limited downside of 5% and believe that this correction is a buying opportunity for investors.

#### Election: A Photo Finish

With the Presidential Election this week, emotions are running high, and many anticipate that it may take time to determine the winner in what is expected to be a very close race. In addition, we have an important Fed meeting this week, with the Fed deciding whether to continue the path of lowering interest rates. The market is expecting the Fed to lower interest rates by 25 basis points. And since we remain in the 3Q earnings season, we would expect both the equity and fixed income markets to continue to have volatility this week.

#### CBOE VIX Volatility Index: Expect Volatility To Remain Elevated



**November 4, 2024**

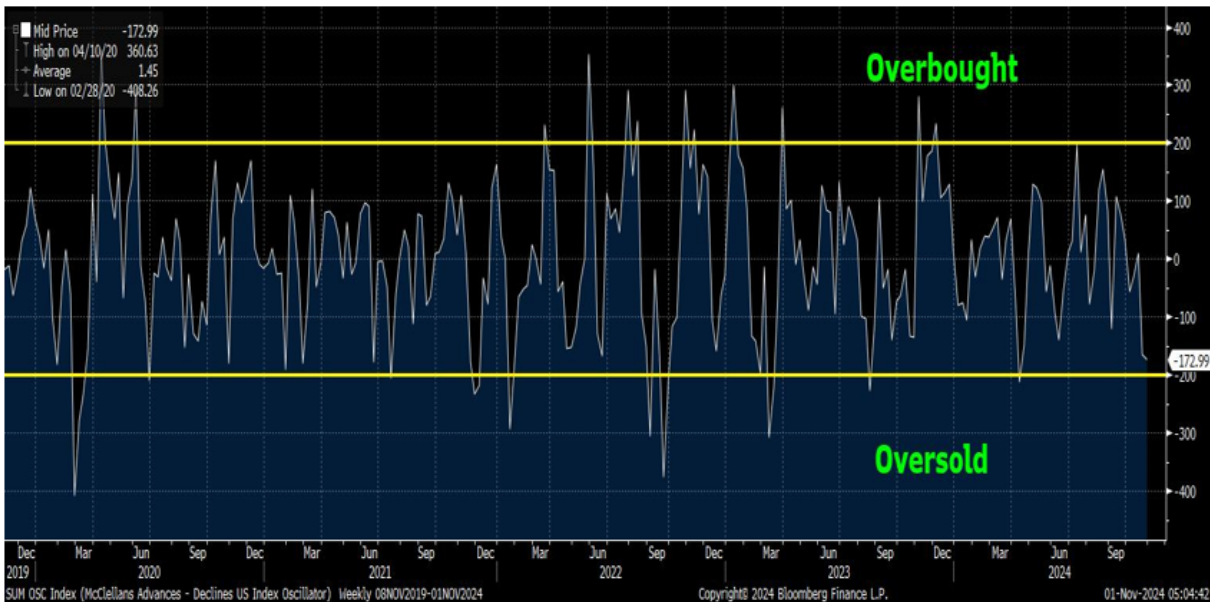
### S&P 500 Correcting From Overbought Levels

We are in the fifth correction of the year, with the 14-day Stochastic fast approaching an oversold level. Also, the McClellan Advance-Delay Index (known as the McClellan Oscillator, which measures market breadth), is also approaching a key oversold level. Historically, key oversold readings have been great indicators of buying opportunities. There is very strong and positive support for the S&P 500 at the 100-day moving average at 5589, representing a 5% pullback. This gives us confidence that once the Presidential Election outcome is known (removing uncertainty) and the Fed's interest rate decision is known (*removing speculation*), the equity market will respond to the strong bullish seasonals and rally into the year end. What gives us confidence that the rally can continue is that, so far, 3Q earnings reports have come in better than expected, beating both in revenue and earnings. Corporate profit margins also remain strong. We maintain a target of 6000 for the S&P 500.

### S&P 500 With 14-Day Stochastic: Should Get Oversold Quickly



### McClellan Advance-Delay Index Nearing Oversold Levels



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## Interest Rates Continue To Grind Higher

Yields on the 2-Year Treasury have been rallying off the lows of 3.5%, due to a stronger economy, sticky inflation, and the betting markets forecasting a Trump win – which is expected to be inflationary based on his stated economic policies. But the October employment report came in very weak. A weak report was expected due to strikes and hurricanes, but the data was even weaker than expected. As the Fed is now focused on job growth, the October jobs weakness gives the Fed room to continue to lower interest rates this week. The market is now expecting a 25 basis point cut in November and another cut in December. As of now, the market is pricing in 100 basis points of cuts for full year 2025. But even with a much weaker jobs report, interest rates could not fall and, in fact, they rose. Expect continued volatility in the rates market. Resistance is near 4.4% should rates resume the rally, which is near the 200-day moving average. We believe this rise in rates is temporary, and we will eventually see interest rates fall again.

### 2-Year Treasury Yields Rise After Jobs Data



### ICE BofA MOVE Bond Volatility Index Spiking Higher

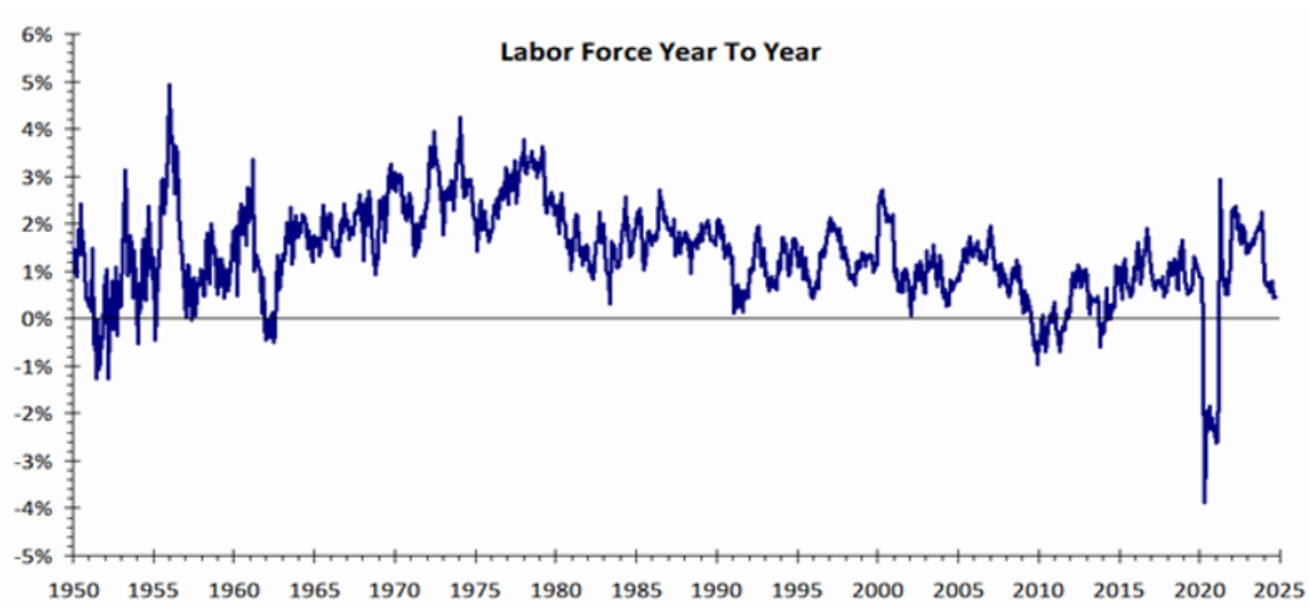


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**10-Year Treasury Yields Also Firming With Resistance At 4.5%**



**The Fed Is Focused On The Weakening Labor Force & Is Expected To Lower Rates**



Source: Bureau of Labor Statistics

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## A Bullish Indicator For The Equity Market: The IPO Market Is Trading Well

There is a stealth move happening in the Renaissance IPO ETF (IPO), which has been quietly trending up and breaking above key resistance. This is a bullish indicator for the equity market.

### Renaissance IPO ETF (IPO) Breaking Out To the Upside



## Nuclear And Uranium Firing Up

With the demand for electricity rising for the first time in 20 years to support the growing demand from Artificial Intelligence (AI) and blockchain, the market is moving back toward nuclear energy. Nuclear power can run 24 hours a day and is considered a clean energy source. Important Technology companies [e.g., Microsoft (MSFT), Amazon (AMZN) and Alphabet (GOOGL)] are turning to nuclear to specifically fuel the demand growth from AI.

### VanEck Uranium And Nuclear ETF (NLR) With A Multi-Year Breakout



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### Corning Is Glowing From AI Demand

Corning Incorporated (GLW) has been steadily improving and recently had a significant breakout. Demand for its products is rising sharply as a shift in data consumption patterns, including cloud computing and the proliferation of video content, has led to an increasing need for fast data transfer via optical fiber cables. This demand is further driven by the use of data generated by consumers and enterprises to train AI models.

### Corning (GLW) Has Glowing Demand Pushing The Stock To Records & A Major Breakout




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## Market Performance

	Last 11/1/2024	Month End 10/31/2024	Month to Date	Quarter End 9/30/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 11/2/2023	Year To Year
S&P 500	5728.80	5705.45	0.4%	5762.48	-0.6%	4769.83	20.1%	4317.78	32.7%
NASDAQ Composite	18239.92	18095.15	0.8%	18189.17	0.3%	15011.35	21.5%	13294.19	37.2%
NASDAQ 100	487.43	483.85	0.7%	488.07	-0.1%	409.52	19.0%	363.44	34.1%
Russell 2000	2210.13	2196.65	0.6%	2229.97	-0.9%	2027.07	9.0%	1714.21	28.9%
S&P Consumer Discretionary Sector	1618.22	1580.24	2.4%	1605.41	0.8%	1418.09	14.1%	1253.70	29.1%
S&P Consumer Staples Sector	861.13	861.70	-0.1%	887.78	-3.0%	762.32	13.0%	725.98	18.6%
S&P Energy Sector	676.20	681.25	-0.7%	676.47	0.0%	640.05	5.6%	670.03	0.9%
S&P Financial Sector	774.28	773.41	0.1%	754.16	2.7%	626.35	23.6%	554.06	39.7%
S&P Health Care Sector	1721.67	1711.50	0.6%	1796.48	-4.2%	1590.36	8.3%	1476.63	16.6%
S&P Industrials Sector	1132.95	1131.09	0.2%	1147.06	-1.2%	964.73	17.4%	851.96	33.0%
S&P Information Technology Sector	4386.23	4359.55	0.6%	4403.72	-0.4%	3397.16	29.1%	3014.77	45.5%
S&P Materials Sector	585.02	586.14	-0.2%	607.70	-3.7%	539.62	8.4%	488.32	19.8%
S&P Real Estate Sector	267.94	270.90	-1.1%	280.46	-4.5%	251.58	6.5%	215.06	24.6%
S&P Communications Sector	320.03	320.25	-0.1%	314.60	1.7%	246.00	30.1%	223.78	43.0%
S&P Utilities Sector	396.74	405.90	-2.3%	410.28	-3.3%	321.92	23.2%	311.97	27.2%
S&P 500 Total Return	12545.40	12493.74	0.4%	12608.07	-0.5%	10327.83	21.5%	9320.56	34.6%
3 month Treasury Bill Price	98.87	98.86	0.0%	98.85	0.0%	98.66	0.2%	98.64	0.2%
3 month Treasury Bill Total Return	255.06	254.95	0.0%	253.94	0.4%	243.98	4.5%	241.84	5.5%
10 Year Treasury Bond Future	110.03	110.47	-0.4%	114.28	-3.7%	112.89	-2.5%	107.48	2.4%
10 Year Treasury Note Total Return	295.74	296.88	-0.4%	305.92	-3.3%	294.12	0.6%	278.65	6.1%
iShares 20+ Year Treasury Bond ETF	90.84	92.45	-1.7%	98.10	-7.4%	98.88	-8.1%	87.04	4.4%
S&P Municipal Bond Total Return	277.15	277.16	0.0%	280.82	-1.3%	272.94	1.5%	254.32	9.0%
iShares S&P National Municipal Bond NAV	106.78	106.78	0.0%	108.52	-1.6%	108.42	-1.5%	101.80	4.9%
S&P 500 Investment Grade Corporate Bond Total Return	465.82	468.10	-0.5%	478.79	-2.7%	455.89	2.2%	420.90	10.7%
S&P Investment Grade Corporate Bond	90.96	91.37	-0.4%	93.58	-2.8%	91.76	-0.9%	85.75	6.1%
S&P Investment Grade Corporate Bond Total Return	495.98	498.19	-0.4%	508.34	-2.4%	482.66	2.8%	447.92	10.7%
SPDR Bloomberg High Yield Bond ETF	95.74	96.30	-0.6%	97.79	-2.1%	94.73	1.1%	90.22	6.1%
iShares iBoxx High Yield Corporate Bond ETF	78.75	79.14	-0.5%	80.30	-1.9%	77.39	1.8%	73.69	6.9%
Gold	2736.53	2743.97	-0.3%	2634.58	3.9%	2062.98	32.6%	1985.78	37.8%
Bitcoin	69195.41	69937.51	-1.1%	63785.09	8.5%	41935.34	65.0%	34917.45	98.2%

Source: Bloomberg, Sanctuary Wealth, November 1, 2024

## Decision Time: The Presidential Election & The Fed's Latest Rate Cut

***This is the week we've all been waiting for... but the strong tide of corporate earnings waits for no one.***

The market continues to price in a Trump win – but a Harris win would be considered a surprise, leading to a rapid unwinding of Trump trade positions. Those trades include bets on higher interest rates, a stronger dollar and the carry trade, crypto, and deregulation (which would allow Technology to continue its rally). A Harris win would mean that the Tech rally would wind down – but we believe that slowing would be temporary only.

*(Please see last week's edition of The Week Ahead for more thoughts on the Election and resultant market behavior.)*

Regardless of the winner – or what is known/not known by Wednesday's market open, we can expect continued volatility – but strictly in reaction to the Election results. We do believe that once the Presidential uncertainty is removed, the market will refocus on earnings (which are coming in better than expected) and embrace the added economic stimulus driven by the Fed lowering interest rates.



# Calendar

**Mon.**

10:00 am Factory orders

Earnings: BioNTech, Choice Hotels, Constellation Energy, Fox Corp, Marriott, New York Times, Palantir Technologies, American International Group, Cushman & Wakefield, Voya Financial, Wynn Resorts \*

**Tue.**

8:30 am U.S. trade deficit

10:00 am ISM services

Earnings: Marathon Petroleum, Premier, Thomson Reuters, Yum! Brands, American Financial Group, Northern Oil & Gas

**Wed.**

9:45 am S&P final U.S. services PMI

Earnings: CGI Group, CVS Health, Iron Mountain, Starwood Property Trust, Sunoco, Teva Pharmaceutical Industries, Arm Holdings, ACADIA Pharmaceuticals, AMC Entertainment, Barings BDC, Bumble, Fidelity National, Gilead Sciences, Lyft, Marathon Oil, Playa Hotels & Resorts, TripAdvisor, Zillow

**Thu.**

8:30 am Initial jobless claims, U.S. productivity (prelim)

10:00 am Wholesale inventories

2:00 pm FOMC interest-rate decision, Fed Chair Powell press conference

3:00 pm Consumer credit

Earnings: Algonquin Power & Utilities, Canada Goose, Carlyle Group, Ferrari, Hilton Grand Vacations, Krispy Kreme, Moderna, PG&E, Ralph Lauren, TEGNA, Under Armour, WK Kellogg Co, YETI Holdings, DraftKings, ACV Auctions, Airbnb, Chesapeake Utilities, Expedia Group, Lions Gate Entertainment, Motorola Solutions, Pitney Bowes, StepStone Group,

**Fri.**

10:00 am Consumer sentiment (prelim)

11:00 am Fed Governor Michelle Bowman speaks about banking regulation

2:30 pm St. Louis Fed President Alberto Musalem welcoming remarks

Earnings: AMC Networks, American Axle, RB Global

Source: MarketWatch/Kiplinger/CNBC

\*Earnings reflect highlights

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