



Week Ahead



Week of May 6, 2024

Quiet Week Speaks Volumes About Riding the Bucking Bull

The Bull Bucked But It's Running Again

As expected, last week was a barrage of datapoints that caused our Bull to buck. But by the time the dust settled, the Bull was off to the races again, just in time for the Derby.

Here are the highpoints: Federal Reserve Chairman Jerome Powell removed any concern that the Fed might be on a path of *raising* interest rates again. One less thing to worry about. The Fed has also surprised on its approach to ongoing Quantitative tightening; the market was expecting the Fed to cut the amount it's running off of its balance sheet from \$60 billion a month down to \$30 billion – it's actually dropping down to \$25 billion a month. This slowing the pace of run-off is a form of easing by the Fed. So, no threat of raising rates plus such a greatly reduced run-off equals a double bullish message from the Fed.

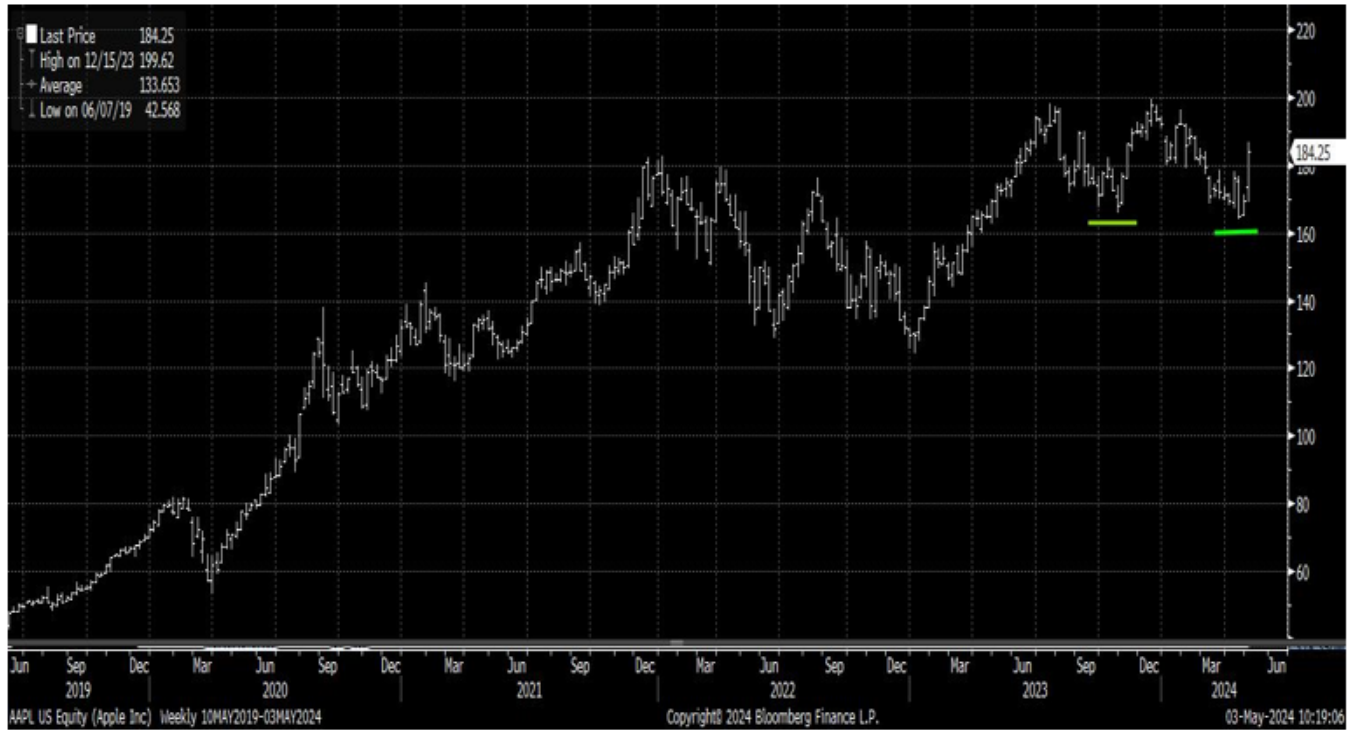
Turning to earnings, many investors were concerned about Apple (AAPL) experiencing slowing sales, particularly in China, but its sales data was not as bad as expected. Apple increased its dividend by 4% and significantly raised its share buyback, sending shares soaring. Amazon (AMZN) was another big company reporting earnings stronger than expected. It's betting big on its cloud-computing and artificial intelligence (AI) capabilities, and it expects an increase in its infrastructure spend to support the technology. Capital expenditure (capex) was at \$14 billion for 1Q24, and would reach at least \$60 billion annualized. *This company stock is pushing on to a significant breakout, in our view.*

On the economic front the April jobs data last Friday was a hugely bullish number with much softer job growth and average hourly earnings year-to-year coming in softer (3.9% vs. 4.0%), alleviating inflation fears. Interest rates across the yield curve collapsed and the equity market surged higher. Expectations for the next move for interest rates by the Fed have been all over the place. After the data on Friday, the market is now expecting a rate cut before the election.



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Apple (AAPL) Holds Support As Bearish Fears Vanish



Amazon (AMZN) Positioned For A Significant Breakout





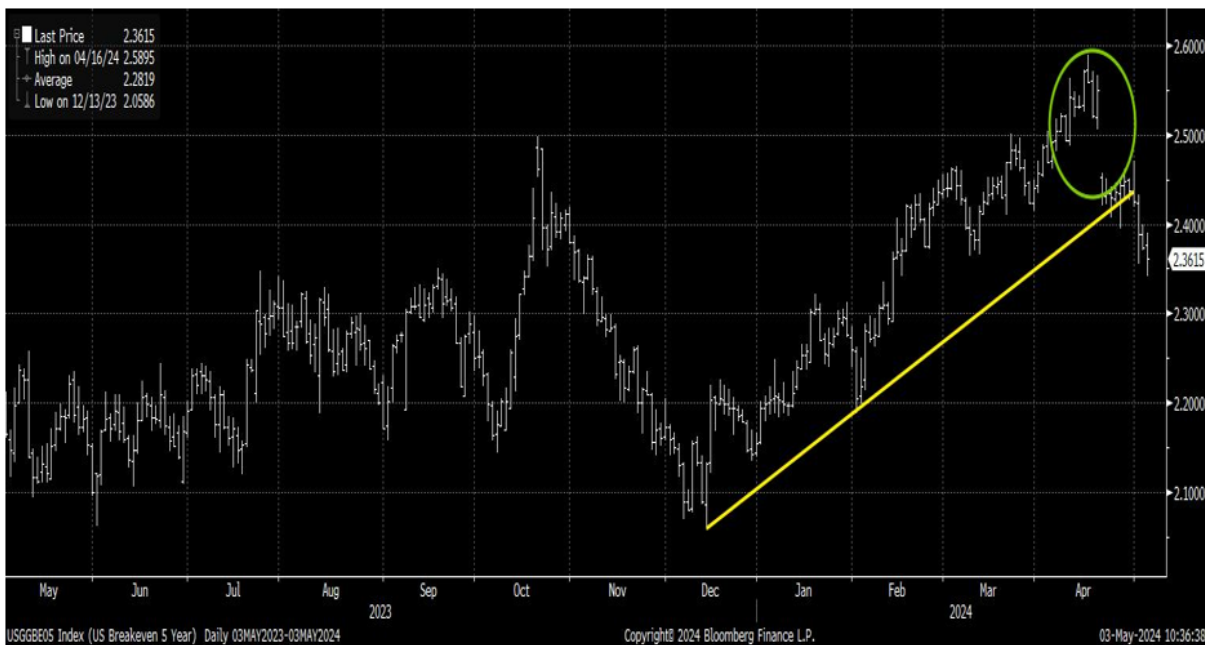
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Rates Collapse on April Jobs Report – Falling Inflation Expectations Support Rate Cuts

The jobs report brought the Bull back to the equity and fixed income markets. The soft jobs numbers and wage growth data were better than expected, deflating inflation expectations and collapsing interest rates across the yield curve. It appears that interest rates have finally peaked for the cycle.

Breakevens, which measure inflation expectations, have fallen sharply and continue to fall. The Fed pays particular attention to the 5-year Breakevens. This supports the Fed having the ability to lower interest rates.

5-Year Breakevens Had Gap Down and Breaking Down – Inflation Expectations Fall



2-Year Treasury Yields Look To Have Peaked For This Cycle





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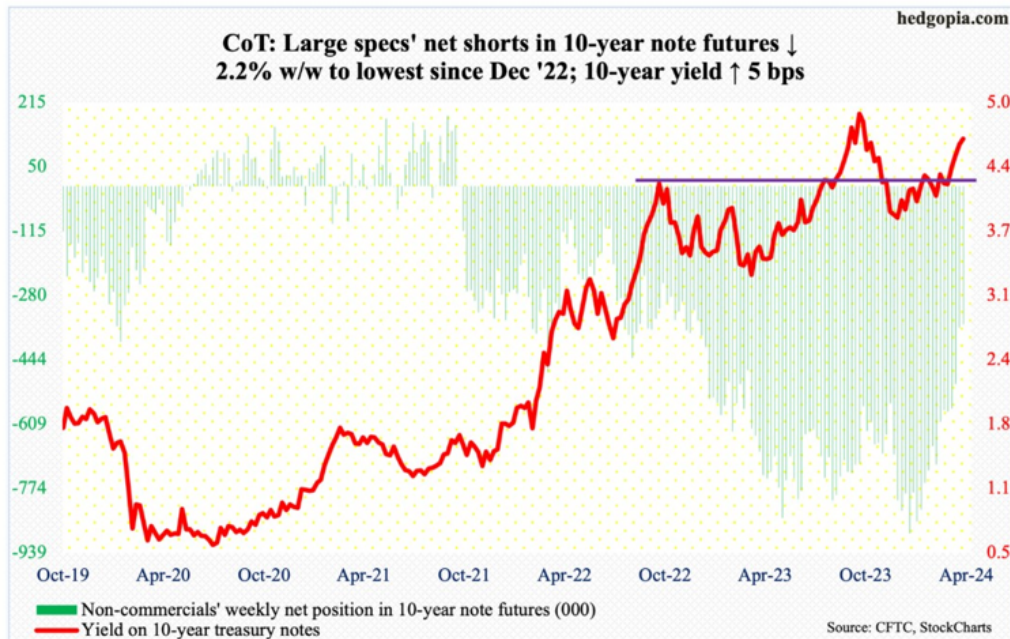
10-Year Treasury Yields Look To Have Peaked For This Cycle



Traders Short 10-Year Treasuries – Short-Covering Is Helping Drive Rates Lower

Commitment Of Traders Report For 10-Year Treasuries – Traders Short

10-year note: Currently net short 353.9k, down 8.1k.



Non-Commercials is a measure of fast money or traders' positions.
Source: Hedgopia.com, Data as of April 23, 2024



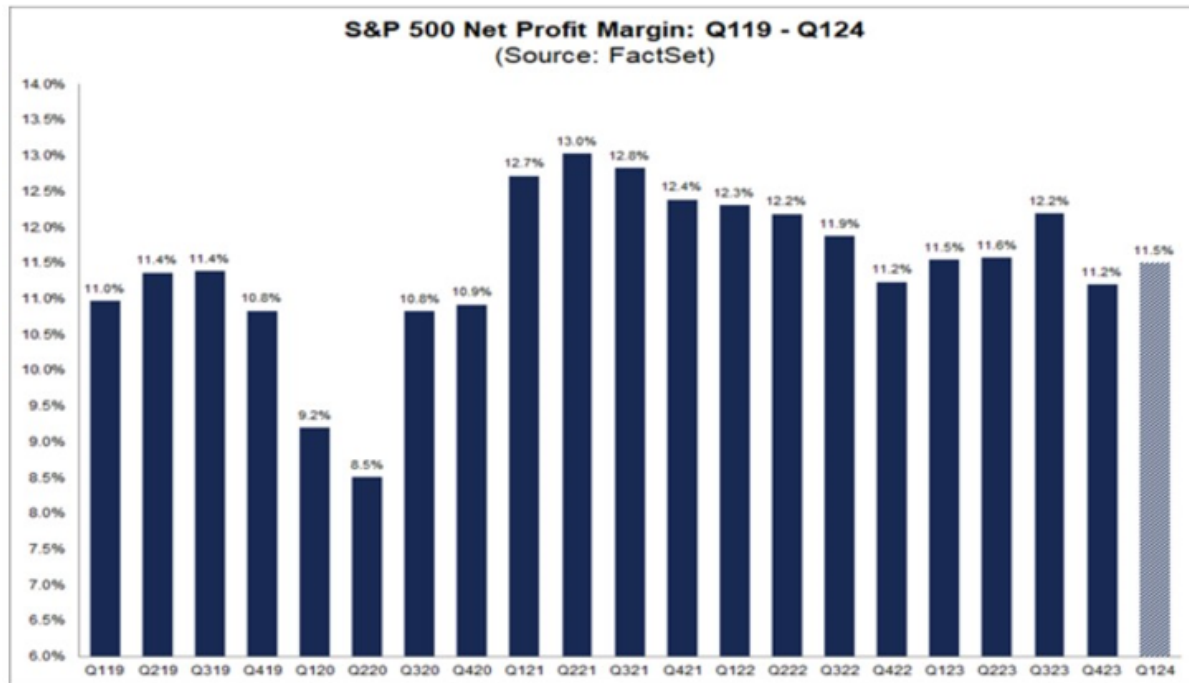
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Profit Margins

According to FactSet, the (blended) net profit margin for the S&P 500 for 1Q24 is 11.5% so far, which is in line with the year-ago net profit margin. At the sector level, six sectors are reporting a year-over-year increase in their net profit margins in 1Q24 compared to 1Q23, led by Information Technology (25.5% vs. 22.4%, which is above its 5-year average), Communication Services (13.5% vs. 10.9%, which is also above its 5-year average), and Utilities (13.4% vs. 10.3%). On the other hand, five sectors are reporting a year-over-year decrease in their net profit margins in 1Q24 compared to 1Q23, led by Health Care (6.3% vs. 9.3%) and Energy (9.6% vs. 12.5%).

Importantly, analysts believe net profit margins for the S&P 500 will be above 12.0% for the remainder of 2024. Current estimated net profit margins for the remaining quarters are: 12.2% (Q2), 12.6% (Q3), and 12.5% (Q4). *The combination of earnings on track to improve 8% for 1Q24 and profit margins stable to improving, points to higher equity prices – exactly as we’ve been saying.*

Profit Margins Growing In 1Q24



Source: FactSet, April 29, 2024

Sell Side Strategists Not Bullish Enough – Which Is Bullish For Stocks

A contrarian indicator we watch very closely is the BofA Sell Side Indicator, which measures what sell side strategists are recommending for equity exposure. The idea is that if the strategists are all very bullish, the market is close to peaking, and if they are more bearish, the equity market can rally. This has been an excellent long-term sentiment indicator, which has a strong predictive value. *This model still suggests the S&P 500 can rally 14% over the next 12 months.*



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BofA Sell Side Indicator Points To S&P 500 Rallying 14% Next 12-Months

Exhibit 1: Equity sentiment ticked down 33bp in April

Sell Side Indicator, 8/1985-4/2024



Source: BofA US Equity & Quant Strategy Note: Buy and Sell signals are based on rolling 15-year +/- 1 standard deviation from the rolling 15-year mean. A reading above the red line indicates a Sell signal and a reading below the green line indicates a Buy signal

BofA GLOBAL RESEARCH

Source: Bank of America, May 1, 2024

Correction Appears Complete – Stocks Are A Buy

The S&P 500 has held its 100-day moving average and has a buy signal on the 14-day stochastic. The hurdle to confirm the corrections is getting over the 50-day moving average near 5130. The Nasdaq 100 did undercut the 100-day moving average but is now trading above it. To confirm higher highs, we would also like to see the Nasdaq getting above its 50-day moving average, near 17,927. We continue to expect the S&P 500 to reach 5600-5800 this year.



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S&P 500 With 14-Day Stochastic With Improving Price Momentum



Nasdaq 100 With 14-Day Stochastic With Improving Price Momentum

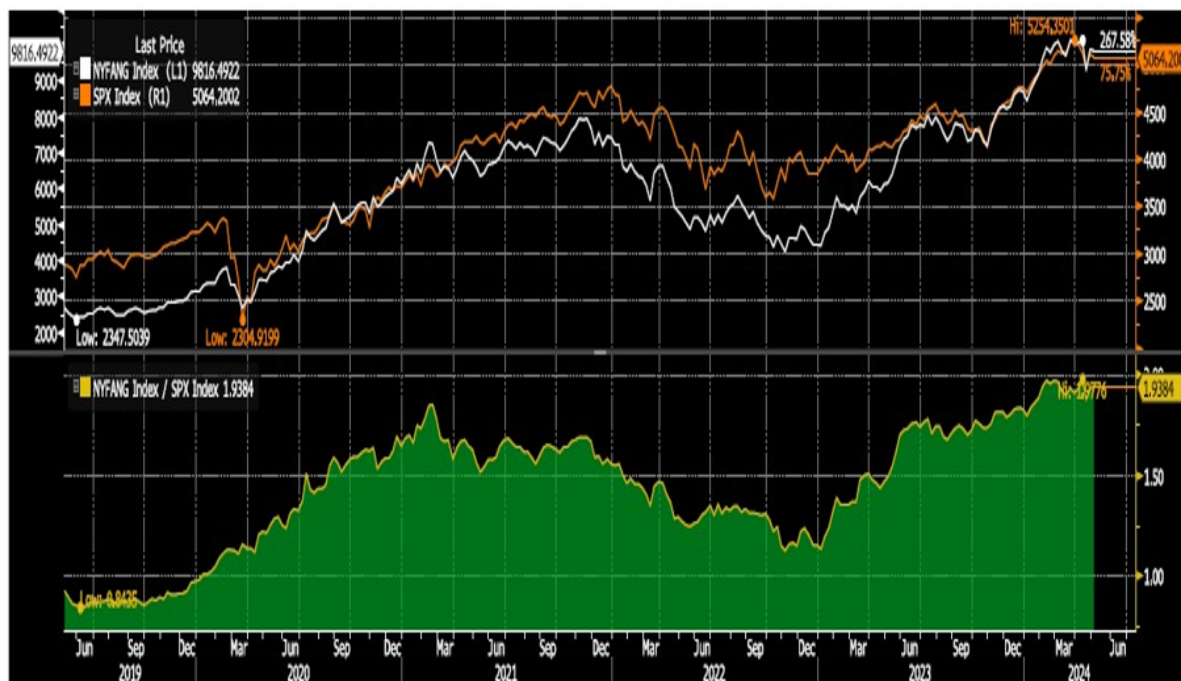




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NYSE FANG+ Continues To Lead The S&P 500

NYSE FANG+ With S&P 500 (Top) With Relative Price To S&P (Bottom)



What Gives The NYSE FANG+ Index Its Bite

The NYSE FANG+ Index is rebalanced quarterly to maintain 10% equal weight of these companies: Advanced Micro Devices (AMD), Alphabet (GOOGL), Amazon (AMZN), Apple (AAPL), Meta (META), Microsoft (MSFT), Netflix (NFLX), NVIDIA (NVDA), Snowflake (SNOW) and Tesla (TSLA).

We feel this is the best index for following the main leaders in the digital and artificial intelligence space – and the index is a good indicator of where leadership is in this market.



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Market Performance

	Last 5/3/2024	Month End 4/30/2024	Month to Date	Quarter End 3/29/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 5/4/2023	Year To Year
S&P 500	5127.79	5035.69	1.8%	5254.35	-2.4%	4769.83	7.5%	4061.22	26.3%
NASDAQ Composite	16156.33	15657.82	3.2%	16379.46	-1.4%	15011.35	7.6%	11966.40	35.0%
NASDAQ 100	435.48	424.59	2.6%	444.01	-1.9%	409.52	6.3%	316.17	37.7%
Russell 2000	2035.72	1973.91	3.1%	2124.55	-4.2%	2027.07	0.4%	1718.81	18.4%
S&P Consumer Discretionary Sector	1453.33	1420.81	2.3%	1485.49	-2.2%	1418.09	2.5%	1125.90	29.1%
S&P Consumer Staples Sector	809.66	805.51	0.5%	814.23	-0.6%	762.32	6.2%	796.63	1.6%
S&P Energy Sector	706.80	714.95	-1.1%	721.24	-2.0%	640.05	10.4%	600.65	17.7%
S&P Financial Sector	674.59	671.09	0.5%	701.32	-3.8%	626.35	7.7%	524.05	28.7%
S&P Health Care Sector	1640.42	1634.44	0.4%	1723.97	-4.8%	1590.36	3.1%	1542.58	6.3%
S&P Industrials Sector	1038.97	1028.09	1.1%	1066.71	-2.6%	964.73	7.7%	829.44	25.3%
S&P Information Technology Sector	3734.81	3612.61	3.4%	3821.05	-2.3%	3397.16	9.9%	2595.47	43.9%
S&P Materials Sector	563.67	558.16	1.0%	585.16	-3.7%	539.62	4.5%	493.32	14.3%
S&P Real Estate Sector	232.06	226.77	2.3%	248.16	-6.5%	251.58	-7.8%	231.23	0.4%
S&P Communications Sector	286.53	277.98	3.1%	284.29	0.8%	246.00	16.5%	191.90	49.3%
S&P Utilities Sector	347.36	338.80	2.5%	333.49	4.2%	321.92	7.9%	348.11	-0.2%
S&P 500 Total Return	11152.76	10951.66	1.8%	11418.03	-2.3%	10327.83	8.0%	8697.68	28.2%
3 month Treasury Bill Price	98.65	98.65	0.0%	98.66	0.0%	98.66	0.0%	98.69	0.0%
3 month Treasury Bill Total Return	248.48	248.29	0.1%	247.21	0.5%	243.98	1.8%	235.51	5.5%
10 Year Treasury Bond Future	108.86	107.44	1.3%	110.80	-1.7%	112.89	-3.6%	116.56	-6.6%
10 Year Treasury Note Total Return	287.51	283.63	1.4%	291.09	-1.2%	294.12	-2.2%	297.55	-3.4%
iShares 20+ Year Treasury Bond ETF	89.84	88.22	1.8%	94.62	-5.1%	98.88	-9.1%	105.24	-14.6%
S&P Municipal Bond Total Return	271.15	269.77	0.5%	272.69	-0.6%	272.94	-0.7%	264.45	2.5%
iShares S&P National Municipal Bond NAV	106.06	106.10	0.0%	107.42	-1.3%	108.42	-2.2%	107.18	-1.0%
S&P 500 Investment Grade Corporate Bond Total Return	448.17	442.92	1.2%	453.46	-1.2%	455.89	-1.7%	437.94	2.3%
S&P Investment Grade Corporate Bond	89.34	88.41	1.1%	90.59	-1.4%	91.76	-2.6%	90.58	-1.4%
S&P Investment Grade Corporate Bond Total Return	476.84	471.67	1.1%	481.59	-1.0%	482.66	-1.2%	463.42	2.9%
SPDR Bloomberg High Yield Bond ETF	94.27	93.43	0.9%	95.20	-1.0%	94.73	-0.5%	91.18	3.4%
iShares iBoxx High Yield Corporate Bond ETF	77.08	76.29	1.0%	77.73	-0.8%	77.39	-0.4%	74.36	3.7%
Gold	2301.74	2286.25	0.7%	2229.87	3.2%	2062.98	11.6%	2050.28	12.3%
Bitcoin	62928.89	59868.89	5.1%	69654.16	-9.7%	41935.34	50.1%	28884.06	117.9%

Source: Bloomberg, Sanctuary Wealth, May 5, 2024

Talk, Tech & Tomorrow

This week Fed Speak will sound louder over muted economic reporting.

Not that anyone should put their feet up, but this will be a light week for data, as corporate earnings continue to roll in quietly. Instead, we'll all be leaning in to hear what several Fed officials have to say during their scheduled remarks. The market will be listening for any hints about sentiment surrounding interest rate cuts. The winds have changed many times since last year – but nothing has taken the wind out of the Bull's sails. The market remains optimistic that there will be a rate cut before the presidential election.

Thinking about the impact of AI on – well, everything – there are astronomical amounts of money being invested in this technology and required infrastructure. Microsoft, Meta, and Alphabet (Google) have spent more than \$32 billion combined in 1Q24 alone, on data centers and other capital expenses – and that's not even including Amazon who's right there with them. But here's the thing: these companies all have so much cash on their balance sheets that they can afford these investments. And when those investments pay off... well, the Bull will be waiting!



Calendar

Mon.

12:50 pm Richmond Fed President Tom Barkin speaks
1:00 pm New York Fed President Williams speaks
Earnings: ADTRA, Affiliated Managers, Air Lease, Axon, BellRing Brands, Beyond, BioCryst Pharmaceuticals, BioNTech, Cabot, Coherent, Coty, Fabrinet, Fidelity National Information Services, FMC Corp, Freshpet, Golub Capital, Goodyear Tire, Hims & Hers Health, International Flavors & Fragrances, J&J Snack Foods, Jones Lang LaSalle, Lucid Group, Lumentum, Marriott Vacations, Matterport, Microchip Technology, Napco Security Technologies, National Health Investors, Noble, Northwest Natural, ONE Gas, Otter Tail Power, Palantir Technologies, Perficient, Playa Hotels & Resorts, Primerica, ProAssurance, Realty Income, Regal Rexnord, Rocket Lab USA, Safehold, ShockWave Medical, Simon Property Group, Spirit Airlines, Sunstone Hotel, Talos Energy, Teradata, TreeHouse Foods, TrueBlue, Tyson Foods, Varonis Systems, Vertex Pharmaceuticals, Vimeo, Vornado Realty Trust, Williams Companies

Tue.

11:30 am Minneapolis Fed President Kashkari speaks
3:00 pm Consumer credit
Earnings: AdaptHealth, American States Water, Andersons, Angi, Apellis Pharmaceuticals, Aramark, Arcadium Lithium, Arista Networks, Assurant, Assured Guaranty, Astera Labs, Astrana Health, Avient, Bio-Rad Labs, BlackLine, Bloomin' Brands, Brighthouse Financial, Builders FirstSource, Cadre Holdings, California Resources Corp, Celsius Holdings, Chord Energy, Cirrus Logic, Confluent, Corsair Gaming, Coupang, Crocs, Datadog, Delek US Holdings, Douglas Emmett, Duke Energy, Dutch Bros, Electronic Arts, Energizer, Enpro Inc., Expeditors International of Washington, First Watch Restaurant Group, Flywire, GlobalFoundries, Globus Medical, Gogo, GoPro, Grocery Outlet, GXO Logistics, Halozyme Therapeutics, Healthcare Realty, Henry Schein, Hillman Solutions, IAC, Ionis Pharmaceuticals, iRobot, Jack Henry, Jacobs Engineering, Kenvue, Kratos Defense and Security, Kyndryl, LegalZoom.com, Luminar Technologies, Lyft, Magnolia Oil & Gas Manitowoc Match Group, McKesson, MeridianLink, Myriad Genetics, NJ Resources, NRG Energy, Occidental Petroleum, Open Lending, Oscar Health, Pacira BioSciences, Permian Resources, Perrigo, Portillo's, PROS Holdings, PubMatic, Qualys, Redditt, Redfin, Revolve Group, RingCentral, Rivian Automotive, Rockwell Automation, ScanSource, Semptra Energy, Shoals Technologies, Sonos, Spirit Aerosystems Squarespace, STAAR Surgical, Sturm Ruger, Tempur Sealy International, Toast, TopBuild, Transdigm Group, TripAdvisor, Twilio, UBS, Upstart, Veeco Instruments, Virgin Galactic, Walt Disney, Waters, WideOpenWest, WK Kellogg, Wynn Resorts, ZoomInfo

Wed.

10:00 am Wholesale inventories
11:00 am Fed Vice Chair Philip Jefferson speaks
11:45 am Boston Fed President Susan Collins speaks
1:30 pm Fed Gov. Cook speaks
Earnings: ACM Research, ACADIA Pharmaceuticals, Affirm, Airbnb, AMC Entertainment, Amdocs, Anheuser-Busch InBev, AppLovin, Ardmore Shipping, Arm Holdings, Atmos Energy, Autohome, AZEK, B&G Foods, Beyond Meat, Black Hills Corp, Brinks, Broadridge Financial, Bumble, Celanese, Cheesecake Factory, Chesapeake Utilities, Choice Hotels, Clarivate, CleanSpark, Compass Minerals, CoreCivic, Crane NXT, Cytokinetics, Dine Brands, Duolingo, Editas Medicine, Emerson, Encore Capital, Energy Transfer, Everi Exact Sciences, Fidelity National, Fluence, Forward Air, Fox Corp, Genco Shipping & Trading, Griffon, Hain Celestial, Hecla Mining, Helios Technologies, HF Sinclair, HighPeak Energy, Holley, Horace Mann, HubSpot, Ingredion, Innovative Industrial Properties, Instacart, International Money Express, International Seaways, Jackson Financial, James River Group, Kennametal, Kinetik, Klaviyo, Kodiak Gas Services, Kornit Digital, LCI Industries, Mannkind, MasterCraft, New Fortress Energy, New York Times, News Corp., NiSource, Nu Skin ODP Corp, OraSure, Paycor HCM, Payoneer Global, Performance Food Group, Primoris Services, QuinStreet, Robinhood Markets, Royal Gold, Sinclair Broadcast, SiTime, SolarEdge Technologies, Starwood Property Trust, Sun Life, Sunoco, Sunrun, Supernus Pharmaceuticals, Taboola.com, Teva Pharmaceutical, The Trade Desk, TKO Group Holdings, Topgolf Callaway Brands, TPG Traeger, TTEC Holdings, Uber Technologies, United Parks & Resorts, Valvoline, Vericel, Vertex, Vishay, Vista Outdoor, Vital Energy, Watts Water Technologies, Western Midstream, Wolverine World Wide Ziff Davis

Thu.

8:30 am Initial jobless claims
2:00 pm San Francisco Fed President Mary Daly speaks
Earnings: Allegro Microsystems, Akamai Technologies, Alarm.com, Allte, Americold Realty Trust, Amicus Therapeutics, AMN Healthcare, Amplitude, Applied Optoelectronics Arlo Technologies, Array Technologies, Arrowhead Pharmaceuticals, Babcock & Wilcox Enterprises, Berry Global, BigCommerce, Blink Charging, Bloom Energy, Brookfield Canadian Solar, CarGurus, Cars.com Cerence, Ceva, Charles River, Chuy's Clearway Energy, Cogent Communications, Collegium Pharmaceutical, Constellation Energy Diodes, Dropbox, Endeavor Group, EverCommerce, Evergy, Evolent Health, Expensify, Ferrari, First Advantage, Fiverr, Funko, Gen Digital, Genpact, GoodRx, Green Dot Guardant Health, H&R Block, Haemonetics, Hanesbrands, Health Catalyst, Hilton Grand Vacations, Himax Technologies, Hyatt Hotels, indie Semiconductor, Installed Building Products Intellia Therapeutics, Ironwood Pharmaceuticals, Janus International Group, JFrog, Krispy Kreme, Lightspeed, Lions Gate Entertainment, Madison Square Garden Entertainment Marathon Digital Holdings, Medical Properties Trust, Mercer International, Mettler-Toledo, N-able, Navitas Semiconductor, NetScout Systems, Nexstar Media Group Nomad Foods, Pacific Biosciences, Papa John's, PAR Technology, Planet Fitness, Playtika, Privia Health, Progyny, Rackspace Technology, Roblox, Sally Beauty, Savers Value Village Scripps, SharkNinja, Six Flags, SoundHound AI, Spectrum Brands, Stevanato Group, Sweetgreen, Synaptics Tapestry, TechTarget, The Beauty Health Company, Tower Semiconductor, Trex, Unity Software, US Foods Viatris, Victory Capital, Warby Parker, Warner Bros. Discovery, Warner Music Group Westrock Coffee Company, Xenon Pharmaceuticals, Yelp, YETI Holdings, ZipRecruiter

Fri.

9:00 am Fed Governor Michelle Bowman speaks
10:00 am Consumer sentiment (prelim)
12:45 pm Chicago Fed President Austan Goolsbee speaks
1:30 pm Fed Vice Chair for Supervision Michael Barr speaks
2:00 pm Monthly U.S. federal budget
Earnings: AMC Networks, ANI Pharmaceuticals, Construction Partners, DigitalOcean, DNOW, Enbridge, Sylvamo, Telus, TELUS International

Source: MarketWatch/Kiplinger

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