



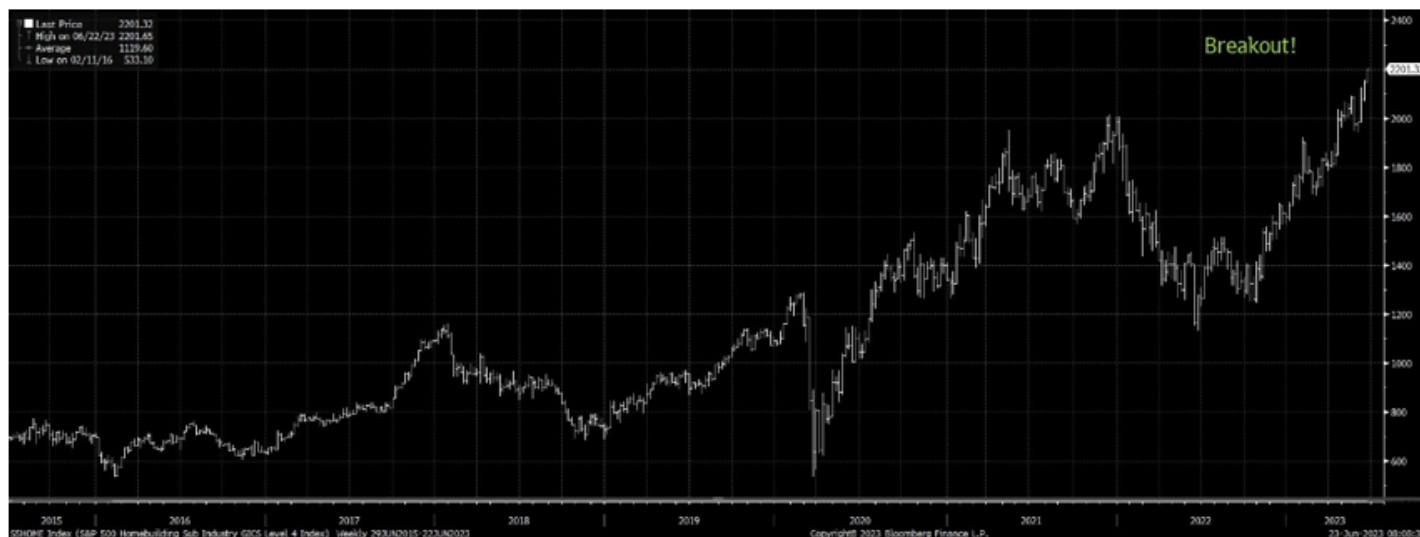
Week of
 **June 26, 2023**

The Big Short in Housing

Last week, housing data came out surprisingly strong with both housing starts and permits coming in above expectations – an indication that housing remains strong. This is evident within the market when you see S&P 500 Homebuilding stocks breaking out to record all-time highs.

This industry group is very sensitive to both the economy and interest rates. So, why is this industry so strong? It's Economics 101: short supply and strong demand equals higher prices. The supply of housing remains low relative to the demand. The current housing shortage in the U.S. has been impacted by several issues, including the pandemic, inflation and increased interest rates. Furthermore, new home construction dropped precipitously after the Great Recession (late 2007-2009) and has yet to fully recover. But essentially, this is a problem of supply and demand as many millennials are now looking to move from renting to buying, and the insufficient housing supply is driving up prices and overall robust health for the industry.

Record Highs for S&P 500 Homebuilders



Source: Bloomberg, June 23, 2023

Week of

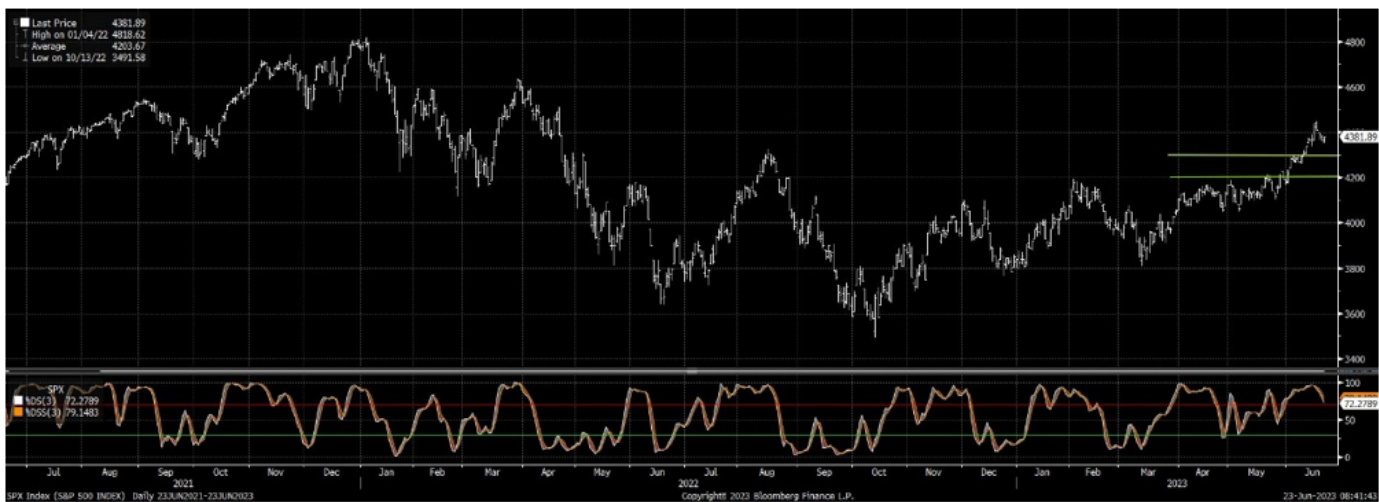


June 26, 2023

The Pause That Refreshes

Given how bearish investors have been, we have been making the case that the S&P 500 would break out of its trading range to the upside. This has in fact occurred and now the market is a bit overbought tactically. We believe we can have a normal correction of 5%-10% – which will refresh the market and allow it to continue its rally to test the highs near 4800. We remain buyers of this market.

S&P 500 with 14-Day Price Momentum Stochastic – Market is Overbought



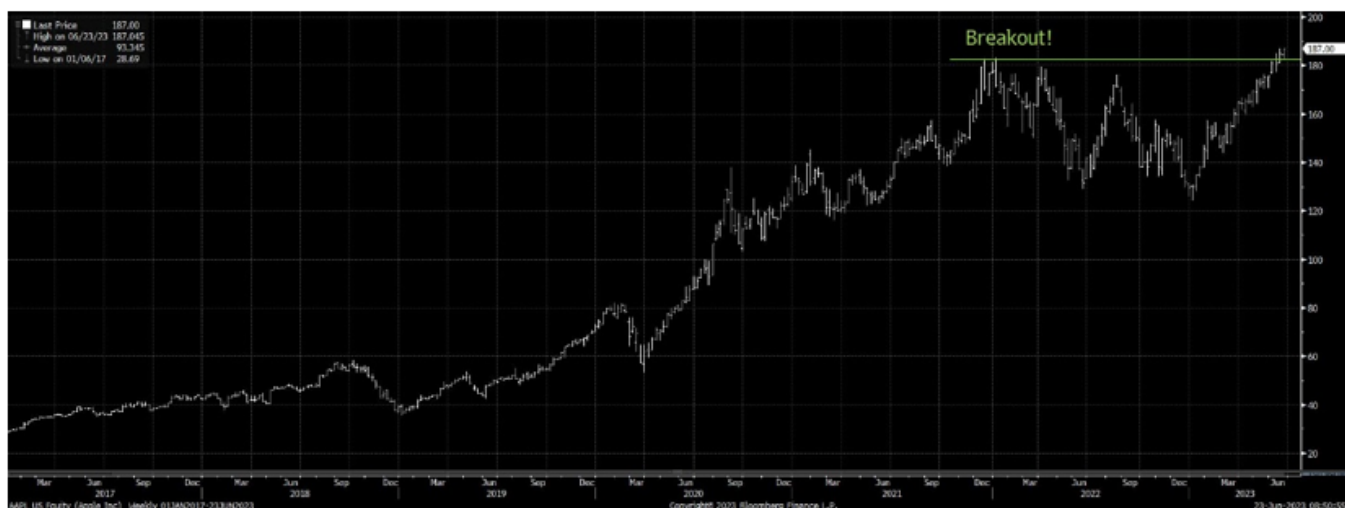
Source: Bloomberg, June 23, 2023

Apple (AAPL) Has A HUGE Delicious Breakout

Apple corrected but not as deeply as we had anticipated. And as stocks have been rallying – strongly – especially among the FAANG+ stocks – it was Apple (AAPL) who had rolled to the sideline. But now Apple is ripe for picking as the stock has joined the rally and is now the 'apple of FAANG's eye.'

Rhetorical question to naysayers: *How can this still be a bear market when AAPL, the largest stock in the S&P 500 at nearly \$3 Trillion in market cap, is hitting record all-time highs?*

Apple (AAPL) Hits Record All-Time Highs



Source: Bloomberg, June 23, 2023

Week of

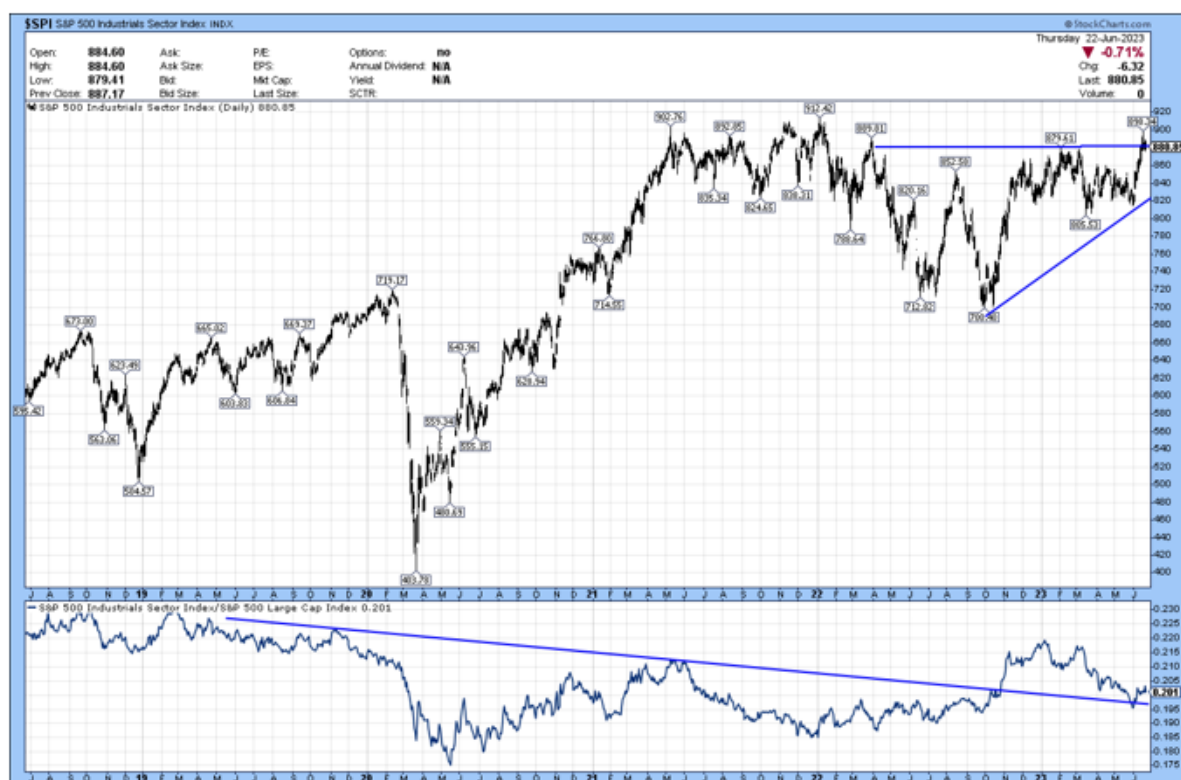


June 26, 2023

Industrials Expected to Power Ahead

The cyclicals are powering ahead with this breakout in the market. We have expressed our preference for the Industrials in the past and continue to believe that this sector can become a leader in this market. One industry group in this sector that does well during war time is Aerospace & Defense. And this group should see continued support with the U.S. committing over a \$1 Trillion dollars to the war in Ukraine. Furthermore, the tensions between China and the U.S. should keep a bid under this group as well.

S&P 500 Industrials Index with S&P 500 Relative to the S&P 500



Source: Stockcharts.com, June 22, 2023

From the APPL Core to Core PCE, High Expectations

This is the week that the Core PCE data may determine future Fed actions.

On Friday, June 30, we'll get the Core PCE (Personal Consumption Expenditures Price Index) data – and as this is the Fed's favorite inflation gauge, it will provide good insight into what the Fed may do at its next meeting (July 26). Few think that the Fed will continue to pause its campaign of rate hikes, with a loud majority anticipating two more rate hikes until the Fed is satisfied with a terminal rate.

In the meantime, the bull is out the chute and ready to rock.



Calendar

Mon.

Earnings:

Carnival

Tue.

8:30 am:

Durable-goods orders

9:00 am:

S&P Case-Shiller home price index (20 cities)

10:00 am:

New home sales, Consumer confidence

Earnings:

AeroVironment, Jefferies, Schnitzer Steel, Walgreens Boots Alliance

Wed.

9:30 am:

Fed Chair Powell speaks

Earnings:

BlackBerry, General Mills, H.B. Fuller, Korn/Ferry, Micron Technology,

National Beverage, Worthington Industries

Thu.

2:30 am:

Fed chair Powell speaks

8:30 am:

Initial jobless claims

10:00 am:

Pending home sales

Earnings:

Acuity Brands, Greenbrier, McCormick, Nike, Paychex, Progress Software,

Rite Aid, Simply Good Foods, SMART Global

Fri.

8:30 am:

PCE index

10:00 am:

Consumer sentiment

Earnings:

Constellation Brands

Source: MarketWatch/Kiplinger

Sanctuary makes no representation as to the accuracy or completeness of information contained herein. The information is based upon data available to the public and is not an offer to sell or solicitation of offers to buy any securities mentioned herein. Any investment discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Investments are subject to risk, including but not limited to market and interest rate fluctuations. Any performance data represents past performance which is no guarantee of future results. Prices/yields/figures mentioned herein are as of the date noted unless indicated otherwise. All figures subject to market fluctuation and change. Additional information available upon request.

Securities offered through Sanctuary Securities, Member FINRA and SIPC.
Advisory services offered through Sanctuary Advisors, LLC, an SEC registered investment advisor.

