



Sanctuary Week Ahead

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Week of **July 24, 2023**

The Bull Is Running But Expect Pullbacks

Equities are in a bull market, but stocks have become very overbought. Pullbacks of 5%-10% are normal and can be expected. Seasonal weakness begins in September-October, with November beginning a strong seasonal year-end rally.

We still anticipate a strong year, especially as the breadth of the market is expanding. This month, Small Caps joined the rally.

Put On Your Rally (Small) Caps

The Russell 2000 small capitalization index finally joins the party with a buy signal from the monthly price momentum stochastic indicator. A broadening market will sustain the rally.

Russell 2000 (RTY) With 14-Month Price Momentum Stochastic Indicator – BUY!



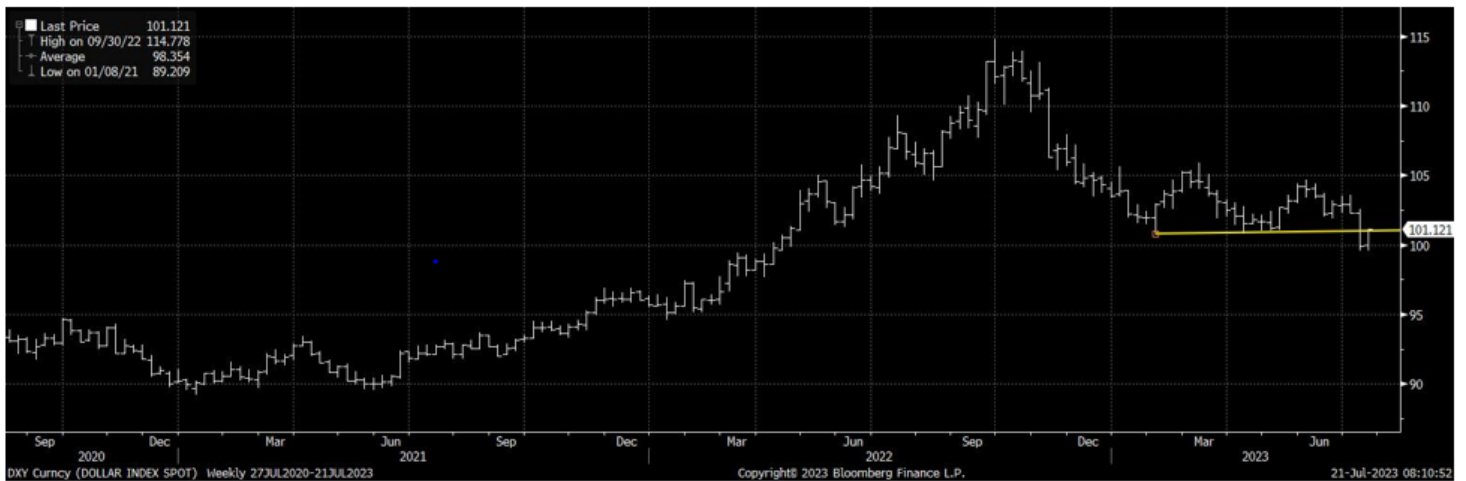
Source: Bloomberg, July 21, 2023

 Week of **July 24, 2023**

U.S. Dollar Breaks Down

The U.S. Dollar has technically broken down, indicating further weakness. This confirms to us that U.S. interest rates are peaking. A weaker dollar is positive for multinational companies. This should be positive for earnings in the quarters ahead.

U.S. Dollar (DXY) Breaks Down: Weaker Dollar Is Positive For Earnings



Source: Bloomberg, July 21, 2023

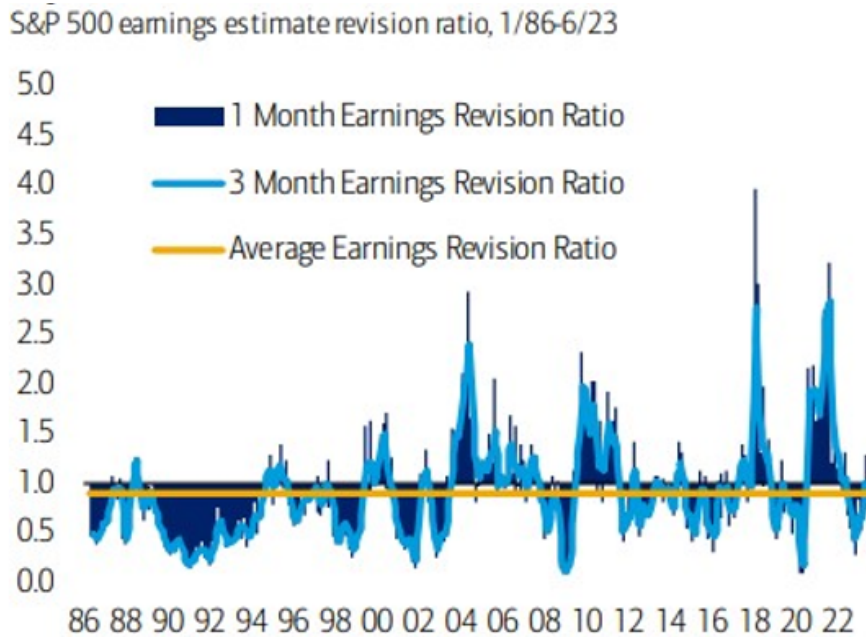
'Tis The Season for Earnings – Positive Results So Far

It is early in the earnings season, but so far results have been better than expected. The companies in the S&P 500 that have reported thus far make up 11% of the index, and their earnings results have been solid. So far companies are beating estimates by 6%: 77% of companies have beat on earnings, 60% on sales, and 50% on both, better than the historical average of 67%/64%/48%, respectively, according to Bank of America.

Earnings estimate revisions are a leading indicator of the direction of stock prices. Earnings estimate revision ratios have improved to 1.5 times, the highest since May 2022. The equity market is rallying on the improvement in the earnings outlook. This is not just a technical move in the market.

Very interesting to see that companies are announcing a record pace of re-shoring their businesses, bringing them back to the U.S. This should lead to one of the greatest capex cycles in history. Because of this trend, we favor Industrials.

S&P 500 Earnings Estimate Revision for the S&P 500



Source: BofA US Equity and Quant Strategy, I/B/E/S

BofA GLOBAL RESEARCH

Source: BofA, July 17, 2023

Global Profit Expectations Have Troughed And Are Turning Upward

Chart 9: Global profit expectations least pessimistic since Feb'22



Source: BofA Global Fund Manager Survey

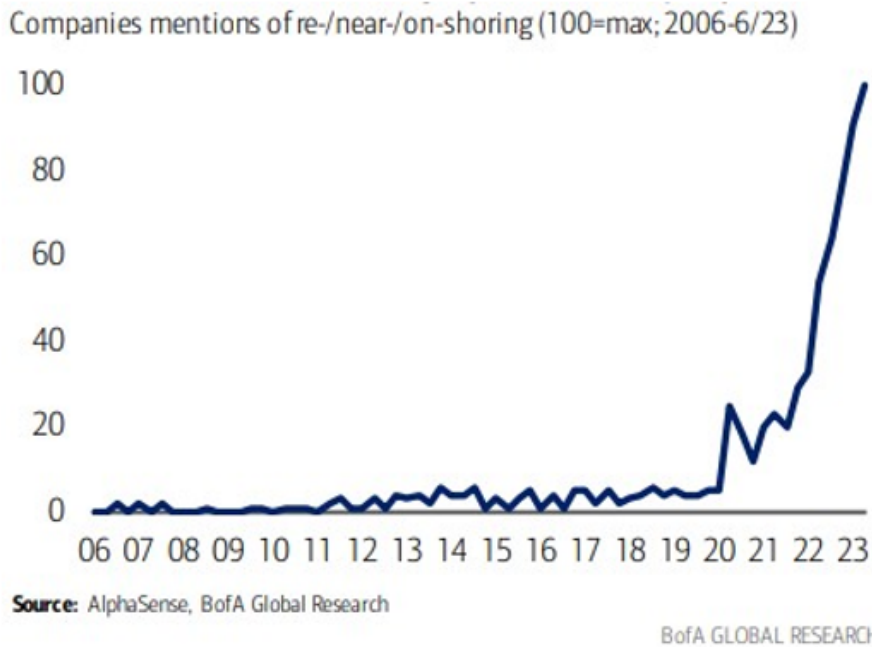
BofA GLOBAL RESEARCH

Source: BofA, July 2023

 Week of **July 24, 2023**

A Sign Of A Strong CapEx Cycle Coming

Comments By Companies Re-Shoring Skyrockets!

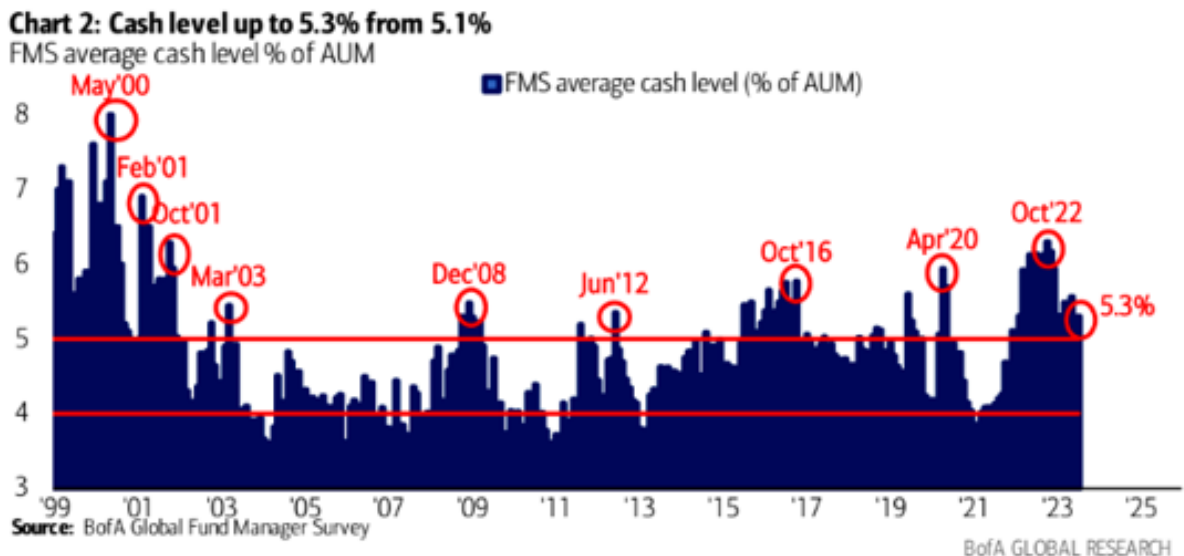


Source: BofA Strategy, July 17, 2023

Markets Peak On Optimism, Not Pessimism

Positioning by investors remains extremely bearish. Markets don't peak with positioning like this. It is very typical for investors not to see a turn in the markets from the Bear to the Bull. It generally takes from several quarters to a year of data before investors believe a shift has taken place. Don't let fear take the return out of your portfolio. The following charts show how bearish investors remain. These come from the widely followed Global Fund Manager Survey dated July 18, 2023.

Cash Levels Still Elevated

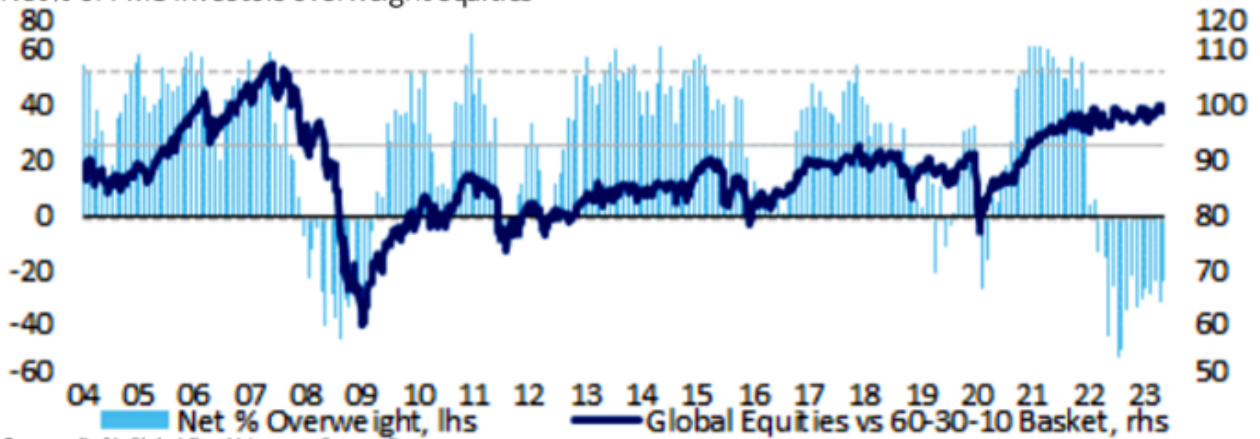


Source: BofA, July 18, 2023

Investors Underweight Equities

Chart 34: Net % AA Say they are overweight Equities

Net% of FMS investors overweight equities



Source: BofA Global Fund Manager Survey, Datastream

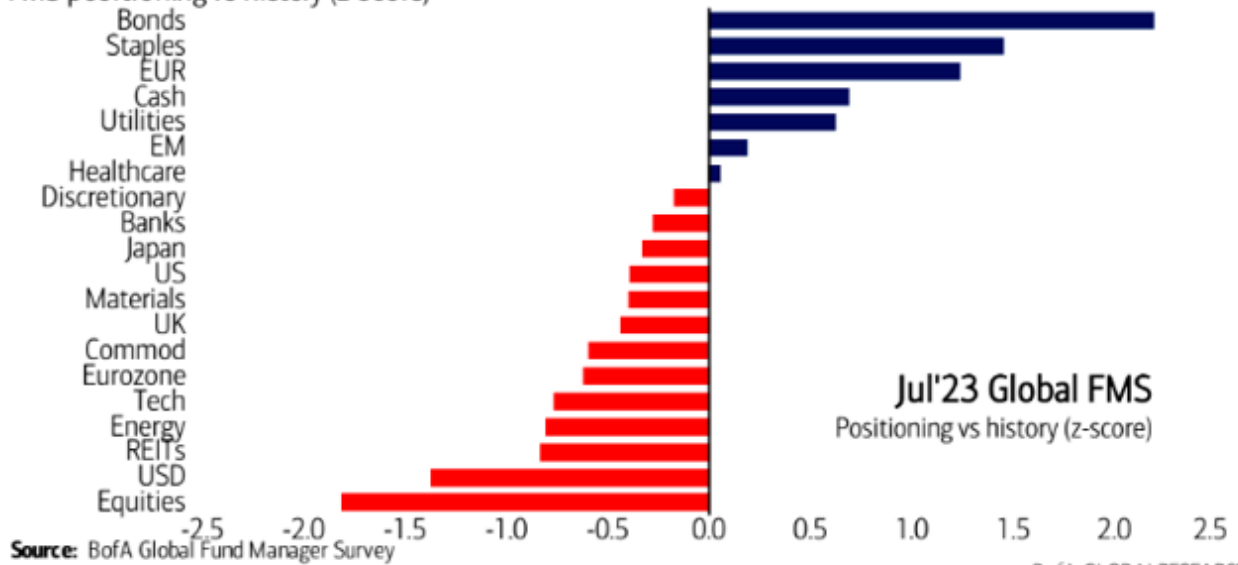
BofA GLOBAL RESEARCH

Source: BofA, July 18, 2023

Investors Underweight The U.S. & Equities And Overweight Bonds

Chart 22: OW bonds, staples & EUR, underweight equities, US\$, and REITs

FMS positioning vs history (z-score)



Source: BofA Global Fund Manager Survey

BofA GLOBALRESEARCH

Source: BofA, July 18, 2023



Week of **July 24, 2023**

All “Ears” On The Fed Rate Decision

This is the week that everyone is (again) awaiting the Fed rate decision.

With the Federal Open Market Committee (FOMC) meeting this week (July 25-26), the market is expecting a 25-basis point hike in interest rates. If that move is a foregone conclusion, what’s important will be the Fed’s tone. So, all ears will be listening to the announcement for either hawkish or dovish indicators. That should give the market more confidence that we are coming toward the end of the rate hike cycle, which should be positive for stocks and bonds.



Calendar

Mon.

9:45 am
Earnings:

S&P "flash" U.S. manufacturing & services PMI
Agilysys, AGNC Investment, Alexandria Real Estate Equities, Brown & Brown, Cadence Design, Cleveland-Cliffs, Domino's Pizza, F5 Networks, Logitech International, Medpace, NextGen Healthcare, NXP Semiconductors, Packaging Corp of America, Range Resources, Simpson Manufacturing, Whirlpool

Tue.

9:00 am
10:00 am
Earnings:

S&P Case-Shiller home price index (20 cities)
Consumer confidence
3M, Alaska Air, Albertsons, Alphabet, Archer-Daniels-Midland, Ashland, Avery Dennison, Biogen, Cal-Maine Foods, Canadian National Railway, Chubb, Corning, Danaher, Dover, Dow, GE HealthCare, General Electric, General Motors, Invesco, Kimberly-Clark, Lamb Weston, Microsoft, Moody's, MSCI, NextEra Energy, NextEra Energy Partners, Nucor, NVR, PacWest Bancorp, PulteGroup, Sherwin-Williams, Snap, Spotify, Texas Instruments, TransUnion, Universal Health, Verizon Communications, Visa, Waste Management, West Fraser, Xerox

Wed.

10:00 am
2:00 pm
2:30 pm
Earnings:

New home sales
FOMC decision on interest-rate policy
Fed Chairman Powell press conference
Alkermes, Align Technology, American Water Works, AT&T, Automatic Data Processing, Boeing, Check Point Software, Chipotle Mexican Grill, Churchill Downs, CME Group, Coca-Cola, eBay, Edwards Lifesciences, Fiserv, Flex, General Dynamics, Graco, Group 1 Auto, Helmerich & Payne, Hess, Hilton Worldwide Holdings, IDEX Corp, Invitation Homes, Lam Research, Lending Club, Mattel, Meta Platforms, Molina Healthcare, Navient, New Oriental Education & Technology, O'Reilly Automotive, Old Dominion, Otis Worldwide, Owens Corning, Patterson-UTI, Penske Auto, Pilgrim's Pride, Quest Diagnostics, Ryder System, Seagate Technology, ServiceNow, Sun Communities, Teradyne, Thermo Fisher Scientific, Tilray, Tower Semiconductor, Union Pacific, United Rentals, VICI Properties, Western Union, Wyndham Hotels & Resorts

Thu.

8:30 am
10:00 am
Earnings:

Initial jobless claims, Durable-goods orders, GDP, Advanced U.S. trade balance in goods, Advanced retail inventories, Advanced wholesale inventories
Pending home sales
AbbVie, AGCO Corp, AllianceBernstein, Amazon.com, American Electric Power, American Homes 4 Rent, American Tower, ArcelorMittal, Beazer Homes, Boston Beer, Boston Scientific, Boyd Gaming, Bristol Myers Squibb, Chemours, Cincinnati Financial, Comcast, Coursera, Crocs, Cullen/Frost, Deckers Outdoor, Digital Realty Trust, Enphase Energy, Equity Residential, Essex Property, Federated Hermes, First Solar, Ford Motor, Gaming and Leisure Properties, W.W. Grainger, Harley-Davidson, Hershey Foods, Hertz Global, Hilton Grand Vacations, Honeywell, International Paper, Intel, Juniper Networks, Keurig Dr Pepper, Kimco Realty, Laboratory Corp of America, LendingTree, Linde, Martin Marietta, Masco, Mastercard, McDonald's, MDC Holdings, Melco Resorts & Entertainment, Mobileye Global, Mondelez International, Neogen, Norfolk Southern, Northrop Grumman, Olin, Oshkosh, Overstock.com, Peabody Energy, PG&E, Roku, Royal Caribbean, S&P Global, Skechers USA, Southwest Air, Sweetgreen, STMicroelectronics, Texas Roadhouse, T-Mobile US, Tractor Supply Company, Tradeweb Markets, U.S. Steel, Valero Energy, VeriSign, Willis Towers Watson, Weyerhaeuser

Fri.

8:30 am
10:00 am
Earnings:

Personal income, Personal spending, PCE, Employment cost index
Consumer sentiment (final)
Aon, AstraZeneca, Barnes Group, Booz Allen Hamilton, Centene, Chart Industries, Charter Communications, Chevron, Church & Dwight, Colgate-Palmolive, Exxon Mobil, Franklin Resources, Newell Brands, Newmark Group, Procter & Gamble, Saia, Sanofi, T. Rowe Price, W.P. Carey, WisdomTree

Source: MarketWatch/Kiplinger

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