



Week Ahead

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Week of October 23, 2023

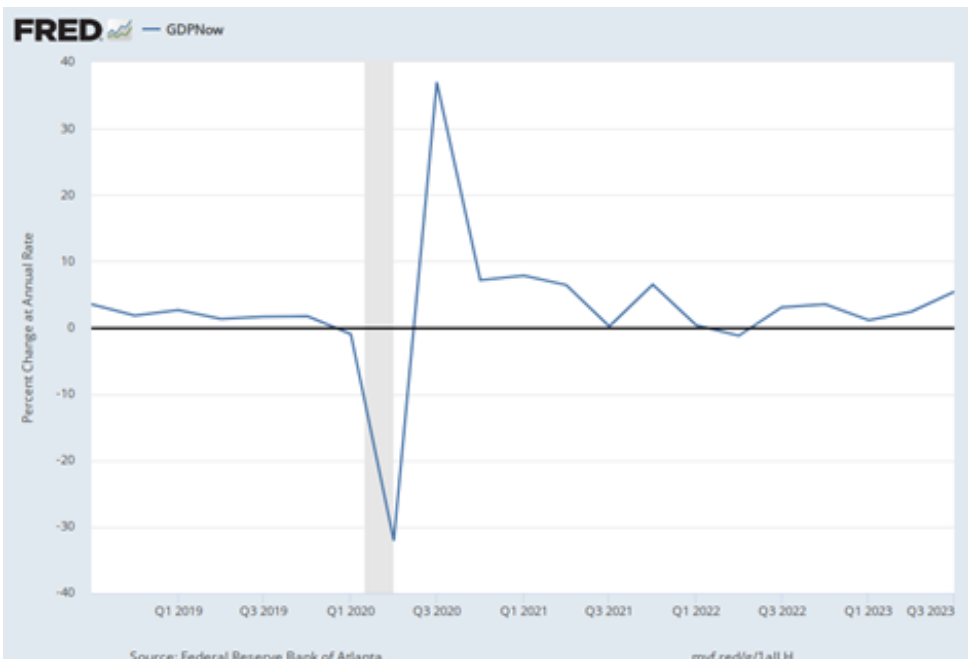
Fed Chair Powell Speaks And Markets React

Last week, Federal Reserve Chair Jerome Powell spoke at the New York Economic Club. Overall his comments were balanced, but there was a little for everyone (Bulls and Bears).

Powell said economic “growth is now running for this year above its longer-run trend” – which is a surprise. He also said it is hard to know how the economy can grow with higher interest rates. In addition, he said there were signs that the labor market is getting back to balanced, that the bond market has tightened credit conditions, and importantly, inflation is still too high and above the Fed’s target of 2%. He reiterated previous comments that the Fed will proceed carefully. We believe the Fed will indeed be careful, especially with the threat of a larger war building in the Middle East. But if economic and inflation data come in too strong, the risk is that the Fed will raise interest rates an additional 25 basis points.

3Q23 GDP Forecast To Be Strong

We looked at what the GDPNow Model from the Federal Reserve of Atlanta is forecasting for third-quarter GDP, and, as of last week, it was estimating 5.4%. The actual data release for 3Q GDP is this Thursday, and the market is expecting 4.3%. A stronger number could push interest rates up. The market will be very focused on this data point.



Source: Federal Reserve Bank of Atlanta, October 22, 2023

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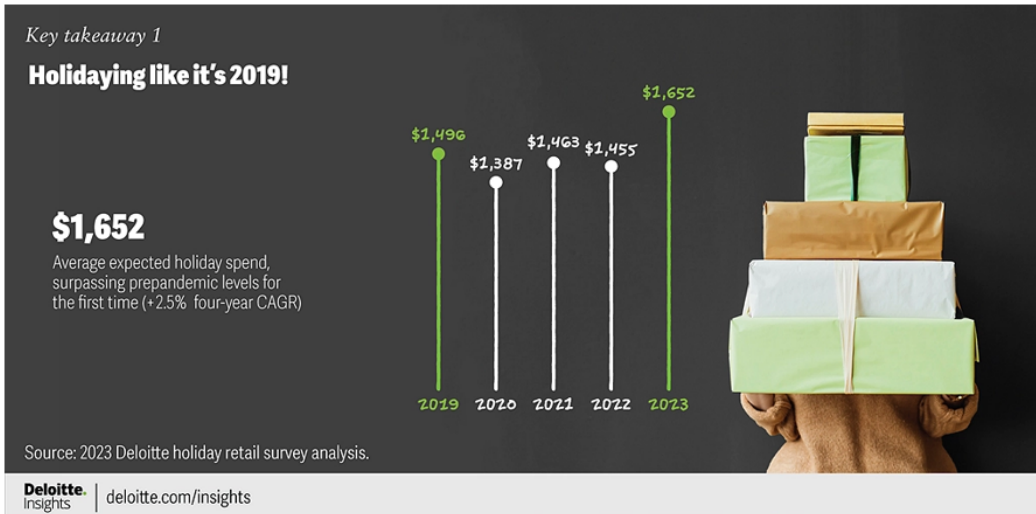
Earnings Season Kicks Off On A Positive Tone

It's very early in the earnings season for the third quarter. According to FactSet, overall, 17% of the companies in the S&P 500 have reported actual results for Q3 2023 to date. Of these companies, 73% have reported actual EPS above estimates, which is below the 5-year average of 77% and slightly below the 10-year average of 74%. In aggregate, companies are reporting earnings that are 6.6% above estimates, which is below the 5-year average of 8.5% but equal to the 10-year average of 6.6%. Stay tuned for an update, as the pace of earnings reports will be picking up in the coming weeks.

The Consumer And The Economy Are Strong

The consumer is still spending robustly, with retail sales last week coming in much stronger than expected, up 0.7% versus an expected 0.3%. Retail sales have come in stronger over the past three months. A recent Deloitte survey shows that consumers plan to spend 14% more during the upcoming holiday season than they did a year ago.

Deloitte Consumer Survey Concludes Holiday Spending To Grow 14% With Average Spend at \$1652



Source: 2023 Deloitte holiday retail survey

Consumers expect to spend \$1,652, surpassing prepandemic holiday spending levels for the first time. Many trends, including spending, have normalized or surpassed prepandemic levels, indicating that consumers may be ready to put pandemic restraints behind them.

American Express reported earnings last week, and its CFO Christophe Le Caillec told CNBC, "There's a lot of doom and gloom out there, but that is not what we see." He also said, "From a credit standpoint, we don't see any signs of a slowdown."

Unless something breaks because interest rates suddenly spike or crude oil spikes to \$100 or higher, the consumer should be spending into the holiday season, sustaining the economy.

October: The Most Volatile Month But With Important Lows

The equity market remains in a correction. The S&P 500 closed below the 200-day moving average, and volatility is picking up. The VIX volatility index broke to the upside, pointing to additional volatility. The VIX could move to the range of 25-30 before the equity market bottoms. The VIX reached 30 in March, signaling a bottom in the stock market.

So far, the market has corrected 8% off its recent high. The market is focused on 4200 as support. But given that so many are focused on this level, the risk is that it breaks below this level. One method we use to determine support is measuring Fibonacci levels, from the October 2022 low to the high this year in late July. The 38.2% support level is 4185 with the 50% support level near 4050. It is very normal to correct one-third to one-half of a move. We had been expecting a 5%-10% correction. So, we do anticipate a full 10% correction, which the market could undercut by 2%, getting a 12% move.

The S&P 500 has an oversold reading on the 14-week Stochastic indicator, indicating stocks are in the buying range. Also, the Bank of America Bull-and-Bear Indicator moved into the Strong Buy zone. If events don't escalate in the Middle East so that crude oil prices surge, we remain buyers of equities.

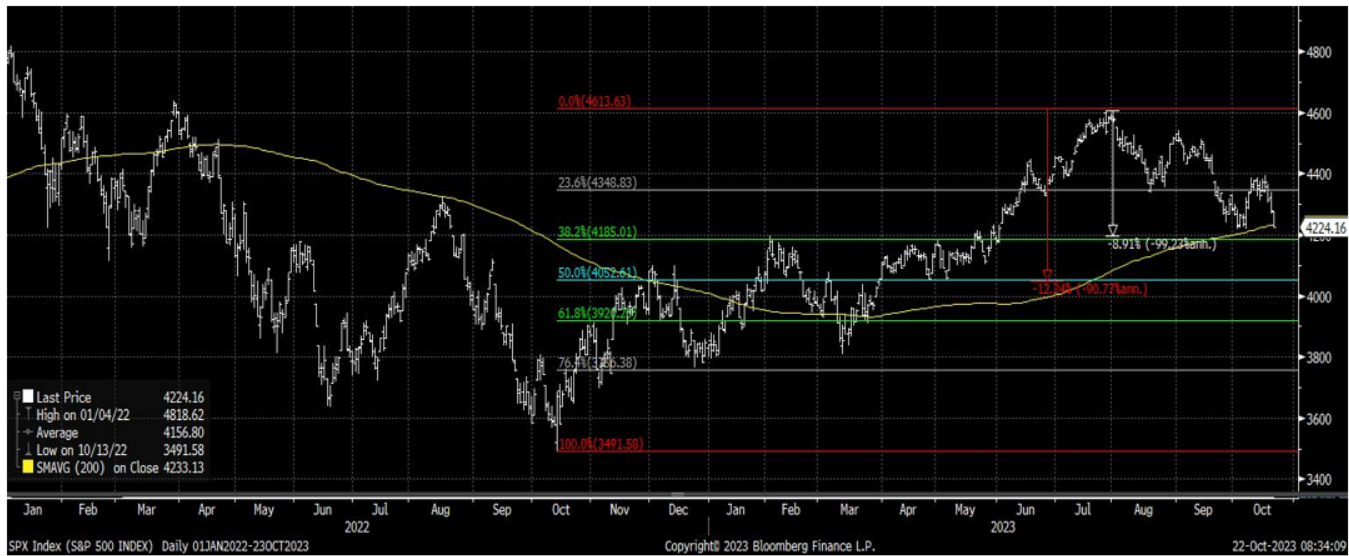
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VIX Volatility Index Broke Out – Expect Continued Volatility



Source: Bloomberg, October 22, 2023

S&P 500 With 200-Day Moving Average And Fibonacci Levels



Source: Bloomberg, October 22, 2023

S&P 500 With 14-Week Stochastic In Oversold Territory



Source: Bloomberg, October 22, 2023

BofA Bull-Bear Model Has A Strong Buy Signal On October 20th

Down to 1.9 from 2.2



Source: BofA Global Investment Strategy

The Indicator identified above as the BofA Bull & Bear Indicator is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This Indicator was not created to act as a benchmark.

BofA GLOBAL RESEARCH

Week of October 23, 2023

US 10-Year Treasury Yield Hits 5%

The 10-Year Treasury Yield has hit 5%. There is risk that yields move and test levels from 2007-2006 in the range of 5.20%-5.32%. Higher rates are likely to continue to put pressure on equities.

US 10-Year Treasury Yield



Source: Bloomberg, October 23, 2023

2-Year Treasury Yield Hovers In The 5% Range

The 2-Year Treasury Yield is already trading in the range from 2006. The intra-day high was 5.27%. A break above this level would point to a move near 6%.

2-Year Treasury Yield



Source: Bloomberg, October 23, 2023

Regional Banks Break Down – Weakest Link

Regional banks are one of the weakest links in the market. The KRE Bank ETF broke down on Friday, pointing to a test of the March lows. We maintain that Banks, especially the regional banks, are a value trap.



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KRE Regional Banking ETF (KRE)



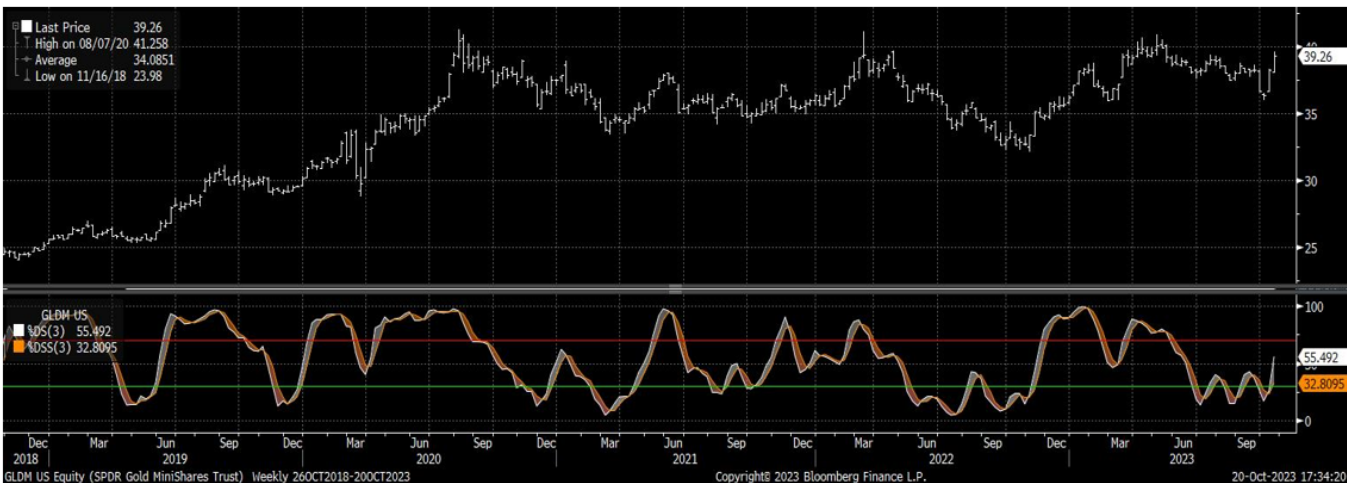
Source: Bloomberg, October 22, 2023

Gold Rallying As Tension Rises In The Middle East - Is Gold A Hedge?

Gold has rallied 10% since Middle East tensions have risen. Gold has been in a trading range for almost four years. The weekly stochastic has given two false buy signals. The current buy signal looks stronger. For those investors looking for a portfolio hedge in the face of heightened volatility, Gold would be an option. The other option is holding cash, which has a yield of 5%. Keep in mind that Gold does not have a yield, but could provide a positive price return. Investors could also consider a combination of both assets as a hedge should global events deteriorate.

For Gold to have significant upside movement, it needs to break its all-time high at 2075 and hold this level. Below we look at a gold ETF called SPDR Minishares Trust (GLDM). GLDM would have to break above \$41 and hold above this level to signal more upside.

SPDR Minishares Trust ETF (GLDM)



Source: Bloomberg, October 22, 2023



Week of October 23, 2023

How S&P 500 Performed During Significant Historical Events

The long-term trend in the equity market is up. Looking at historical events and their impact on stocks, all periods with negative returns at +250 days occurred during secular bear markets.

Negative Returns Took Place During Secular Bear Markets – The US Market Remains In A Secular Bull

S&P 500 Performance Following Significant Historical Events						
Event	Date	Day Of	+20-Days	+65-Days	+125-Days	+250-Days
Germany Invades France	5/10/1940	-3.0%	-23.6%	-15.0%	-3.1%	-19.6%
Pearl Harbor	12/7/1941	-3.8%	0.3%	-10.5%	-5.6%	3.7%
JFK Assassinated	11/22/1963	-2.8%	6.3%	11.8%	15.7%	23.9%
Penn Central Bankruptcy	6/21/1970	-0.5%	0.4%	8.1%	17.5%	31.1%
Oil Embargo	10/16/1973	0.1%	-5.3%	-13.3%	-15.0%	-35.4%
Pres. Nixon Resigns	8/9/1974	-0.9%	-13.8%	-7.1%	-2.8%	6.7%
Continental Illinois Bailout	5/9/1984	-0.3%	-3.2%	3.3%	5.3%	12.4%
1987 Stock Market Crash	10/19/1987	-20.5%	9.7%	8.1%	15.3%	22.4%
Iraq Invades Kuwait	8/2/1990	-1.1%	-9.3%	-11.3%	-3.0%	10.0%
Soros Breaks Bank of England	9/16/1992	0.0%	-2.5%	3.7%	7.5%	10.0%
1st World Trade Center Bombing	2/26/1993	0.2%	1.0%	2.4%	3.8%	6.3%
Asian Financial Crisis	10/8/1997	-0.9%	-3.2%	-3.6%	13.1%	1.1%
U.S.S Cole Yemen Bombing	10/12/2000	-2.6%	5.3%	0.0%	-11.0%	-17.5%
9/11 Terror Attacks	9/11/2001	-4.9%	4.9%	10.0%	12.2%	-14.3%
Iraq War	3/20/2003	0.2%	2.0%	12.1%	17.2%	28.3%
Bear Stearns Collapse	3/14/2008	-2.1%	3.1%	4.9%	-3.0%	-41.7%
Lehman Brothers Collapse	9/15/2008	-4.7%	-15.9%	-23.4%	-36.8%	-12.6%
U.K. Votes to Leave EU (Brexit)	6/24/2016	-3.6%	6.4%	6.0%	11.2%	19.5%
NBA Shutdown (COVID)	3/11/2020	-9.5%	0.3%	10.9%	21.5%	41.4%
Israel Invasion	10/9/2023	0.6%	?	?	?	?
Average		-3.2%	-1.9%	-0.1%	3.2%	4.0%

Source: Strategas, October 10, 2023

Positioning Into Year-End

We remain bullish on equities going into year-end and look for the seasonal rally to begin soon. We do anticipate a little more chopiness near-term and would be buyers on any pullback. We favor Cyclical over Defensives, Growth over Value, Large Cap over Small Cap, Quality over Low Quality, and leadership remains Technology. Emerging leadership is shared by Industrials and Energy. The Fed will likely tread a little more cautiously given the events that are occurring in the Middle East. If economic data remains strong and crude oil stays below \$100, the risk would be an additional 25 basis point rate hike before the end of the year.

Week of October 23, 2023

	Last 10/20/2023	Month End 9/29/2023	Month to Date	Quarter End 9/29/2023	Quarter to Date	Year End 12/30/2022	Year To Date	Year Ago 10/20/2022	Year To Year
S&P 500	4224.16	4268.05	-1.5%	4268.05	-1.5%	3839.50	10.0%	3665.78	15.2%
NASDAQ Composite	12963.81	13219.32	-1.8%	13219.32	-1.8%	10466.48	24.1%	10614.84	22.3%
NASDAQ 100	354.60	358.27	-1.0%	358.27	-1.0%	266.28	33.2%	269.11	31.8%
Russell 2000	1680.79	1785.10	-5.8%	1785.10	-5.8%	1761.25	-4.6%	1704.39	-1.4%
S&P Consumer Discretionary Sector	1196.39	1264.00	-5.3%	1264.00	-5.3%	1005.48	19.0%	1092.49	9.5%
S&P Consumer Staples Sector	710.82	727.36	-2.3%	727.36	-2.3%	779.13	-8.8%	707.22	0.5%
S&P Energy Sector	691.10	694.19	-0.4%	694.19	-0.4%	672.34	2.8%	649.41	6.4%
S&P Financial Sector	535.85	552.16	-3.0%	552.16	-3.0%	569.74	-5.9%	519.73	3.1%
S&P Health Care Sector	1492.01	1501.22	-0.6%	1501.22	-0.6%	1585.54	-5.9%	1442.25	3.5%
S&P Industrials Sector	835.20	857.57	-2.6%	857.57	-2.6%	831.40	0.5%	730.61	14.3%
S&P Information Technology Sector	2901.99	2905.56	-0.1%	2905.56	-0.1%	2172.17	33.6%	2122.21	36.7%
S&P Materials Sector	473.96	494.54	-4.2%	494.54	-4.2%	489.55	-3.2%	439.86	7.8%
S&P Real Estate Sector	205.32	213.82	-4.0%	213.82	-4.0%	232.37	-11.6%	215.89	-4.9%
S&P Communications Sector	227.26	222.21	2.3%	222.21	2.3%	159.37	42.6%	168.02	35.3%
S&P Utilities Sector	294.62	299.20	-1.5%	299.20	-1.5%	358.48	-17.8%	315.76	-6.7%
S&P 500 Total Return	9115.84	9246.74	-1.4%	9246.74	-1.4%	8178.02	11.5%	7779.53	17.2%
3 month Treasury Bill Price	98.63	98.63	0.0%	98.63	0.0%	98.90	-0.3%	99.03	-0.4%
3 month Treasury Bill Total Return	241.44	240.68	0.3%	240.68	0.3%	232.09	4.0%	230.30	4.8%
10 Year Treasury Bond Future	106.00	106.06	-1.9%	106.06	-1.9%	112.30	-5.6%	109.36	-3.1%
10 Year Treasury Note Total Return	274.27	278.73	-1.6%	278.73	-1.6%	263.26	-3.2%	274.26	0.0%
iShares 20+ Year Treasury Bond ETF	83.24	88.69	-6.1%	88.69	-6.1%	99.56	-16.4%	94.88	-12.3%
S&P Municipal Bond Total Return	251.85	254.67	-1.1%	254.67	-1.1%	257.42	-2.2%	248.91	1.2%
iShares S&P National Municipal Bond NAV	101.02	102.31	-1.3%	102.31	-1.3%	105.23	-4.0%	102.69	-1.6%
S&P 500 Investment Grade Corporate Bond Total Return	412.27	422.07	-2.3%	422.07	-2.3%	421.24	-2.1%	398.38	3.5%
S&P Investment Grade Corporate Bond	84.16	86.28	-2.5%	86.28	-2.5%	88.23	-4.6%	84.36	-0.2%
S&P Investment Grade Corporate Bond Total Return	438.91	448.92	-2.2%	448.92	-2.2%	445.34	-1.4%	422.49	3.9%
SPDR Bloomberg High Yield Bond ETF	88.10	90.40	-2.5%	90.40	-2.5%	90.00	-2.1%	88.11	0.0%
iShares iBoxx High Yield Corporate Bond ETF	71.93	73.72	-2.4%	73.72	-2.4%	73.63	-2.3%	71.80	0.2%
Gold	1961.40	1848.63	7.2%	1848.63	7.2%	1824.02	6.6%	1628.02	21.7%
Bitcoin	29601.00	26903.18	10.0%	26903.18	10.0%	16579.06	78.5%	19030.39	55.5%

Source: Bloomberg, Sanctuary Wealth, October 22, 2023

All Eyes On Earnings And All Ears On Tone Of Important Economic Data

This week gives us a perfect storm of economic data, corporate earnings, and wartime headlines.

While the world stays glued to headlines coming out of the Middle East this week, earnings season will kick into high gear, along with a mountain of important economic data that the stock and bond markets will need to digest -- thoughtfully. The data we get this week covers housing, personal consumption, personal spending, 3Q GDP, and capital goods. But at the top of the list is the Fed's favorite inflation data: Core PCE (Personal Consumption Expenditures Price Index). So, get ready to dig into the data and stay on your toes: the markets could have some big moves this week.



Calendar

Mon.

Earnings Agilysys, Alexandria Real Estate Equities, Brown & Brown, Cadence Bank, Calix Networks, Cleveland-Cliffs, Crane, Medpace, Packaging Cor of America, Simpson Manufacturing, W.R. Berkley, WSFS Financial

Tue.

9:00 am S&P Case-Shiller home price index (20 cities)
9:45 am S&P flash U.S. services PMI
Earnings 3M, Alphabet, Archer-Daniels-Midland, Ares Capital, Asbury Automotive, Boyd Gaming, Canadian National Railway, Centene, Coca-Cola, Chubb, Corning, Danaher, Dover, Dow, Encore Wire, F5 Networks, Fiserv, Franklin Electric, General Electric, General Motors, Halliburton, Hawaiian Holdings, Illinois Tool Works, Invesco, JBT Corp, Kimberly-Clark, Matador Resources, Microsoft, NextEra Energy, NextEra Energy Partners, Nucor, Old National Bancorp, PACCAR, PacWest Bancorp, Pentair, Polaris Industries, PulteGroup, Quest Diagnostics, Range Resources, Robert Half, RTX, Sherwin-Williams, Simply Good Foods, Snap, Spotify, Synchrony Financial, Teck Resources, Teladoc Health, Texas Instruments, TransUnion, Verizon Communications, Vicor, Visa, Waste Management, Xerox

Wed.

10:00 am New home sales
Earnings Agnico-Eagle Mines, Alamos, Align Technology, Amphenol, Antero Resources, AptarGroup, Automatic Data, AvalonBay, Avery Dennison, Baker Hughes, Boeing, BOK Financial, Canadian Pacific Kansas City, Chemed, Churchill Downs, CME Group, CNX Resources, Community Health, Edwards Lifesciences, Element Solutions, EQT Corp., Equinix, Ethan Allen, Everest Group, Evercore, Flex, Flowserve, Fortive, General Dynamics, Globe Life, Graco, Greenbrier, Hess, Hilton, International Business Machines, IDEX Corp, IMAX, Invitation Homes, Kilroy Realty, KLA Corp., LendingClub, Lithia Motors, Mattel, Meta Platforms, Molina Healthcare, Moody's, Mr. Cooper Group, MSC Industrial, Navient, Netgear, Norfolk Southern, O'Reilly Automotive, Old Dominion Freight Line, Otis Worldwide, Owens Corning, Pilgrim's Pride, Ryder System, Sallie Mae, SEI Investments, ServiceNow, Sun Communities, Sunnova Energy, Taylor Morrison Home, Teledyne Technologies, Teradyne, Thermo Fisher Scientific, T-Mobile US, Travel + Leisure, United Rentals, Universal Health, Valmont Industries, VICI Properties, Viking Therapeutics, Wabash National, Weatherford International, WesBanco, West Fraser, Western Union, Whirlpool, Wyndham Hotels & Resorts

Thu.

8:30 am GDP, Initial jobless claims, Durable-goods orders, Advanced U.S. trade balance in goods
Advanced retail inventories, Advanced wholesale inventories
10:00 am Pending home sales
Earnings A.O. Smith, AllianceBernstein, Altria Group, Amazon.com, American Tower, Applied Industrial, Arch Coal, BJ Restaurants, Boston Beer, Boston Scientific, Bristol Myers Squibb, Brunswick, Bunge, Camden Property, Capital One Financial, Carlisle Cos, Carrier Global, CenterPoint Energy, CMS Energy, Chemours, Chipotle Mexican Grill, Cincinnati Financial, Columbia Sportswear, Comcast, Coursera, Cullen/Frost, Deckers Outdoor, Dexcom, Digital Realty Trust, Eastman Chemical, Encompass Health, Enphase Energy, Essex Property, First American Financial, Federated Hermes, FirstEnergy, Ford Motor, Gaming and Leisure Properties, Grainger, Harley-Davidson, Hartford Financial Services Group, Hasbro, Hershey Foods, Hertz Global, Honeywell, Hub Group, Intel, International Paper, Juniper Networks, Kenvue, Keurig Dr Pepper, Kimco Realty, L3Harris, Laboratory Corp. of America, Lennox International, Linde, Masco, Mastercard, Medical Properties Trust, Merck, Mobileye Global, Mohawk Industries, NerdWallet, Newmont Goldcorp, Northrop Grumman, NovoCure, Olin, Overstock.com, Peabody Energy, PG&E, Principal Financial Group, PTC Therapeutics, Reliance Steel, Republic Services, Royal Caribbean, Seagate Technology, Skechers USA, SkyWest, Southwest Airlines, STAG Industrial, STMicroelectronics, Terex, Texas Roadhouse, Textron, Tractor Supply Company, Tradeweb Markets, TRI Pointe Homes, United Parcel Service, U.S. Steel

Fri.

8:30 am Personal income (nominal), Personal spending (nominal), PCE
10:00 am Consumer sentiment (final)
Earnings AbbVie, AerCap Holdings, Aon, AutoNation, Avantor, Barnes Group, Booz Allen Hamilton, CBRE Group, Chart Industries, Charter Communications, Colgate-Palmolive, Exxon Mobile, First Hawaiian, Fortis, Gentex, Imperial Oil, LyondellBasell, Newell Brands, Philips 66, Piper Sandler, Saia, Sanofi, Stanley Black & Decker, T. Rowe Price, WisdomTree, Xcel Energy

Source: MarketWatch/Kiplinger's/CNBC

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