



# Week Ahead

The Longo Group  
Advisors-Ted Longo, Steve Longo, & Chris Collins  
985-445-1042 | Toll-Free: 833-475-6646  
info@longogroup.net | www.longogroup.net

## Week of November 6, 2023

### Federal Reserve's Pause Drives Holiday Year-End Rally In Bonds And Stocks

#### Federal Reserve (Fed) Chair Jerome Powell and the FOMC decided to leave interest rates at 5.25%-5.50% for a second month in row and for the third time this year.

His comments last week were balanced, though many interpreted his comments to be more dovish, suggesting the Fed is done raising interest rates for 2023. This sparked a rally in the 10-Year Treasury and yields fell sharply. Short covering in the bond market likely took place. That rally then sparked a strong rally in the stock market.

Chair Powell did keep the door open for additional rate hikes if needed, but he stressed that the Fed would proceed carefully. The November jobs data supported the Fed's decision to stay on hold.

The November jobs report from last Friday was indeed bullish, coming in on the weaker side, and the revisions to last month were also showing a slowing jobs market. The unemployment level rose slightly to 3.9% from 3.8%. This continued to drive yields across the curve downward, continuing to fuel the rally in stocks.

#### Massive Short Squeeze for 10-Year Treasuries With Sharp Drop In Yields: What If Stocks Rally 15%? Are You Positioned?

#### 10-Year Treasury Yields Fall Sharply As Fed Is On Pause & Employment Data Soft

Yields for the 10-year Treasury fell sharply as the Fed held rates steady and the November jobs report was weaker than expected. Short covering is also likely causing part of the decline in rates. The trend in rates is still up, but the market will begin to question if rates have peaked. Resistance is clearly now 5%. Support is 4.5% to the trendline, and the 21-day moving average is near 4.3%. Should yields break 4.3%, the next level of support is near 3.8%. There is a good probability that 5% was the high this cycle, if economic data and inflation data remain soft.

#### iShares 20+ Year Treasury Bond (TLT) Near The Bottom Of The Selloff – Looks To Be At A Bottom



Source: Bloomberg, November 2, 2023



## Week of November 6, 2023

### 10-Year Treasury Yield Trend Still Up But 5% Might Have Been The Ceiling On Rates This Cycle



Source: Bloomberg, November 3, 2023

### Short Interest Levels Are High Supporting Lower Yields On The 10-Year Treasury



Source: Chicago Board of Trade and Sanctuary Wealth, October 31, 2023

### SPDR Bloomberg High Yield ETF (JNK) Into Support And Can Rally



Source: Bloomberg, November 2, 2023



Week of November 6, 2023

### iShares iBoxx High Yield Corporate Bond ETF (HYG) Into Support And Can Rally

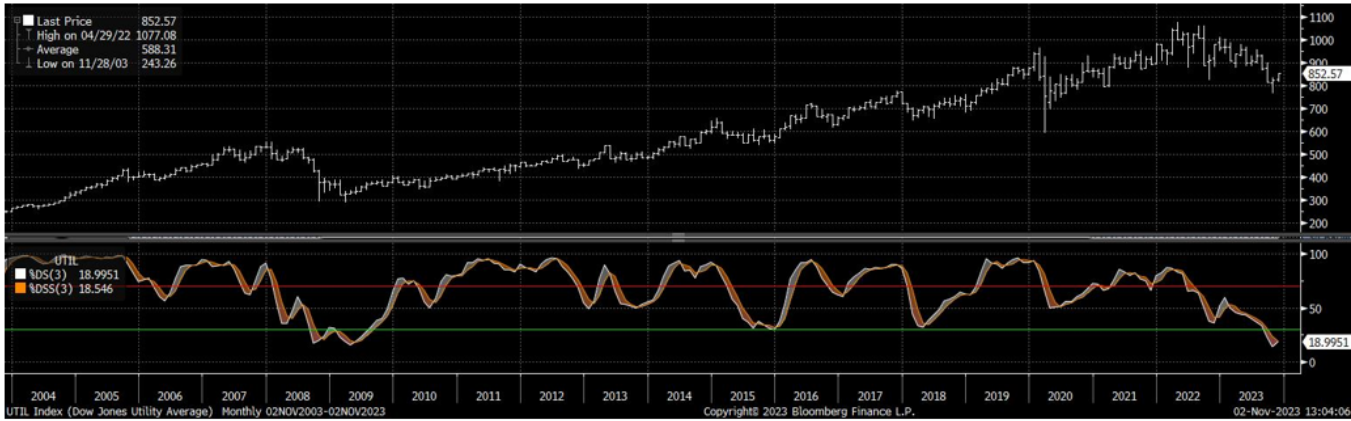


Source: Bloomberg, November 2, 2023

### What Are Utilities Saying About 10-Year Treasuries?

Utilities track the 10-year Treasury yield very closely as their business is capital-intensive, meaning they are very sensitive to interest rate levels. As rates on the 10-Year Treasury have risen, Utilities have fallen sharply, having corrected over 20% since their highs reached last December. This bear correction appears to be completed, which would support the notion that interest rates have reached their peak this cycle.

### Dow Jones Utility Average And 14-Month Stochastic – Very Oversold And Look To Rally



Source: Bloomberg, November 2, 2023

### If Rates Have Peaked – What About Real Estate?

Real Estate is also extremely oversold and into good support. The sector has corrected over 20% since the highs in February of this year. This is another sector that can rally and would also support the notion that interest rates have peaked this cycle.



Week of November 6, 2023

### S&P 500 Real Estate Sector With 14-Month Stochastic – Very Oversold And Appears To Have Bottomed



### Traditional Telecom Appears To Have Finally Reached A Bottom With 7% Yield

AT&T (T) and Verizon (VZ) have been in a bear market for years, with over a 50% decline from their peaks to their low. Using the 14-month Stochastic, both stocks are extremely oversold, and both are into long-term support. AT&T has what is called a technical positive divergence, which is when the stochastic improves despite the stock moving lower. If interest rates have peaked, both stocks should benefit.

### A&T (T) Is Down 60% From Peak To Low – Stock Near 2003 Low And Very Oversold With 7% Yield



Source: Bloomberg, November 2, 2023

### Verizon (VZ) is Down 65% From Peak To Low – Stock Into Support And Very Oversold With 7.4% Yield



Source: Bloomberg, November 2, 2023



## Week of November 6, 2023

### Year End Rally Is Underway And The S&P 500 Can Test Highs Of the Summer Near 4600

The Santa Rally arrived right on time. The S&P 500 rallied sharply last week on the market expecting the Fed to remain on pause and not raise rates in December. The market is again forecasting the Fed will begin cutting rates near the middle of next year, pricing in the expectation that the Fed is done tightening. Last week the market had a very rare buy signal from the Zweig Breadth Thrust indicator (ZBT), developed by Martin (Marty) Zweig. This momentum indicator illustrates a "thrust" when, during a 10-day period, the average number of issues that are advancing goes from below 40% to above 61.5%. This indicator is measuring a sharp improvement in a short period of time in market breadth.

The S&P is very oversold and has rallied sharply the last few trading days. It would be normal for the market to consolidate a few trading days before continuing the rally. But how much can the market rally? If the S&P 500 has a rally similar to past rallies (see chart below), the index can rally 10%-12% or reach levels last seen during the summer near 4600. As for the Nasdaq 100, the rally is also underway and can have a stronger rally. Based on past moves, the Nasdaq 100 can rally 20% and, if this occurs, a new high for the year will be achieved. This would be the biggest surprise of all! Remember, the month of November has the strongest return of the year, historically, and we don't believe this year will be any different.

### S&P 500 With Daily Stochastic With A Buy Signal – Can Rally 10-12%



Source: Bloomberg, November 2, 2023

### Nasdaq 100 Rally Underway With Daily Stochastic Buy And Has The Ability To Make A New High

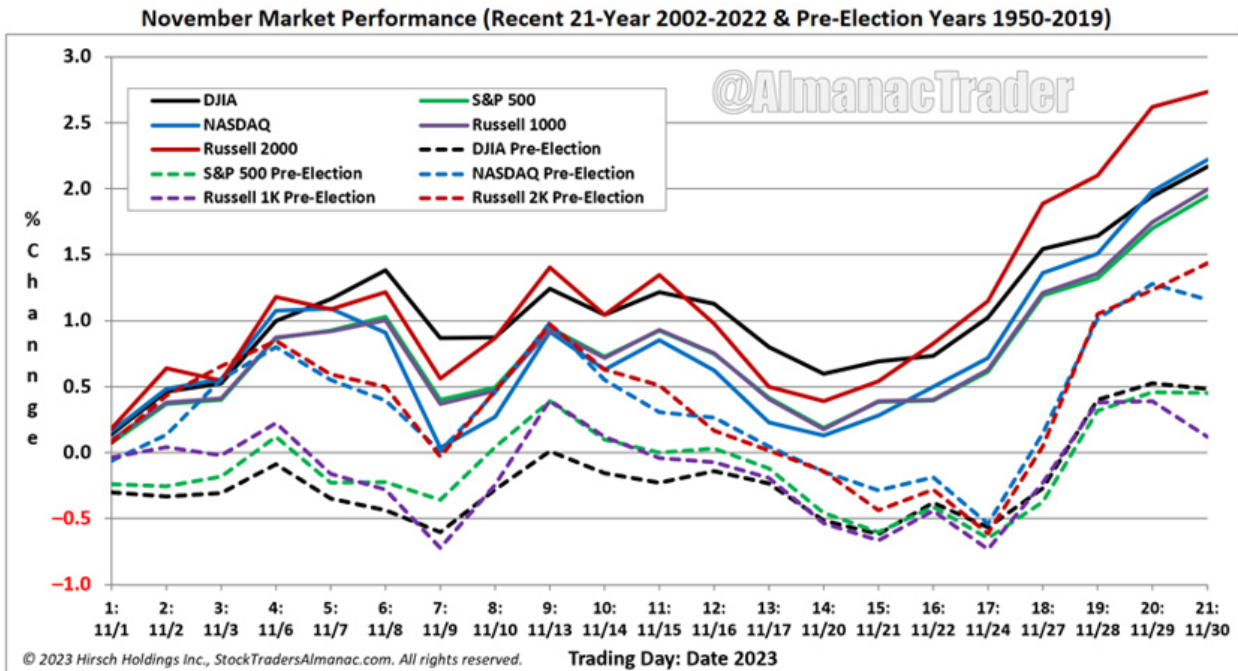


Source: Bloomberg, November 2, 2023

 **Week of November 6, 2023**

**November Performance Starts Off Strong & Ends Strong**

Historically, the month of November starts off strong, then slows or sells off, and finishes extremely strong. So don't worry if the rally slows. We expect the rally to remain strong into the month of December



**January Effect Underway for Small Caps – Could Rally 20%**

There are seasonal trades and one famous one is that small caps have a strong rally in January. This is known as the “January Effect.” With small caps down sharply this year and very oversold based on the Stochastic, we believe the January Effect is already in play. Small caps could rally 20% off the recent lows.

**Russell 2000 Small Cap Index With 14-Week Stochastic Very Oversold**



Source: Bloomberg, November 2, 2023

## Regional Banks Can Rally 30% - Tactical Oversold Rally, No Leadership

We have not liked Banks, particularly the regional banks, but with rates likely peaking this cycle, the regional bank stocks can have a sharp rally of up to 30% from their recent lows. We believe this is a trade. We remain concerned that Banks face additional big headwinds from “Basel III Endgame,” a new set of regulations expected from the Federal Reserve.

### SPDR S&P Regional Bank ETF With Weekly Stochastic Very Oversold



Source: Bloomberg, November 2, 2023

## Bitcoin Breaks Out Joining the Year-end Rally

Bitcoin has broken to the upside and the target technical move is \$50,000. Seasonally, Bitcoin begins a move in September and continues through November (see chart below). If an ETF is finally approved, expect a sharp move higher, which could even exceed the target technical move. The main point is the low for Bitcoin is in. Over time, the cryptocurrency should test the old highs near \$60,000.

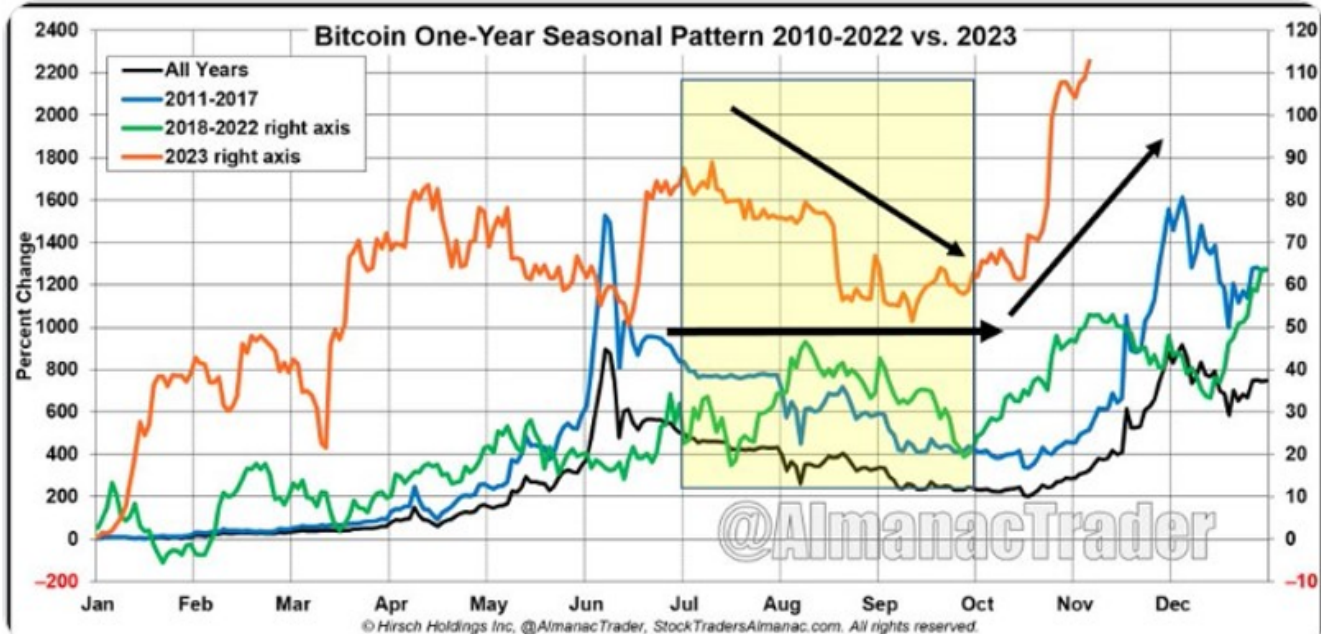
### Bitcoin Breakout Targets Move to \$50,000



Source: Bloomberg, November 2, 2023



Week of November 6, 2023



### All Eyes Remain On Earnings And The Move In Interest Rates

**This week we expect to see a continuation of the seasonal rally while the future path of interest rates continues to bewilder the markets.**

Although this week is relatively light on economic data, there will be Consumer Credit and Initial Jobless Claims reports that will garner much attention – as will the continued flow of corporate earnings. What remains on everyone's mind is the fate of interest rates: have they indeed peaked this cycle? Another question is how much can equities rally into year-end? There is much to consider, but not much data to parse, so investors will be looking to parse every syllable of expected comments from Fed Governors this week.





# Calendar

## Mon.

11:00 am Fed Gov. Cook speaks  
 2:00 pm Federal Reserve senior loan survey  
 Earnings Affiliated Managers, AAON, ADTRAN, Air Lease, Air Transport Services Group, Alteryx, AssetMark, Cabot, Celanese, Coherent, CoreCivic, Coterra Energy, Diamondback Energy, DISH Network, Enovis Corp, Fabrinet, Freshpet, Goodyear Tire, Halozyme Therapeutics, Hecla Mining, Hilton Grand Vacations, International Flavors & Fragrances, Matterport, Medifast, Myriad Genetics, NeoGenomics, NXP Semiconductors, Olo Inc., Opko Health, Realty Income, RingCentral, Rover Group, Ryman Hospitality, ShockWave Medical, Talos Energy, Tanger Factory Outlet Centers, Teradata, TripAdvisor, Veeco Instruments, Vertex Pharmaceuticals, Vimeo

## Tue.

8:30 am U.S. trade deficit  
 9:15 am Fed Vice Chair for Supervision Barr speaks  
 10:00 am Fed Gov. Waller speaks  
 3:00 pm Consumer credit  
 Earnings ACM Research, AdaptHealth, Air Products, Akamai Technologies, Amplitude, Andersons, Angi, Array Technologies, Axon, Ballard Power, bluebird bio, Brighthouse Financial, Brinks, Bumble, CarGurus, CAVA Group, Choice Hotels, Civitas Resources, CNH Industrial, Compass Minerals, Corsair Gaming, Coty, Coupang, D.R. Horton, Darling Ingredients, Datadog, DaVita, Delek US Holdings, Devon Energy, Dutch Bros, eBay, Emerson, Expeditors International of Washington, Extra Space Storage, Fidelity National Information Services, Fidelity National Financial, Flywire, Gilead Sciences, GlobalFoundries, Globus Medical, Gogo, GoPro, Grocery Outlet, GXO Logistics, H&R Block, Hain Celestial, IAC, International Money Express, International Seaways, Jack Henry, James River Group, Klaviyo, KKR, Kyndryl, LegalZoom.com, Lucid Group, Mannkind, Melco Resorts & Entertainment, Mosaic, Novanta, Occidental Petroleum, OraSure, Planet Fitness, Premier, Primerica, Progyny, Rackspace Technology, Rivian Automotive, Robinhood Markets, RXO, Sleep Number, Squarespace, Toast, Uber Technologies, Upstart, Upwork, Viatrix, W&T Offshore, Waters, Zimmer Biomet

## Wed.

5:15 am Fed Gov. Cook speaks  
 9:15 am Fed Chair Powell delivers opening remarks  
 10:00 am Wholesale inventories  
 2:00 pm Fed Vice Chair for Supervision Barr speak  
 4:45 pm Fed Vice Chair Jefferson speaks  
 Earnings 23andMe, 3D Systems, Affirm, Adient, Allbirds, AMC Entertainment, AppLovin, Arm Holdings, Ashland, Atmos Energy, Beyond Meat, Biogen, Bloom Energy, CEVA, Charles River, Coeur Mining, Corteva, Digital Turbine, Diodes, Duolingo, Evgo, First Majestic Silver, Fair Isaac, Fisker, FleetCor, Franco-Nevada, Genco Shipping & Trading, Genpact, Helmerich & Payne, Hillman Solutions, Holley, HubSpot, Instacart, Jazz Pharmaceuticals, Kellanova, Kornit Digital, Lumentum, Lyft, MasterCraft, MGM Resorts, New York Times, Pan Am Silver, Paycor, Performance Food Group, PubMatic, Ralph Lauren, Reynolds Consumer Products, Roblox, SeaWorld Entertainment, Starwood Property Trust, Steven Madden, Take-Two Interactive Software, Teva Pharmaceutical, TechTarget, Topgolf Callaway Brands, Traeger, TTEC Holdings, Twilio, Under Armour, Virgin Galactic, Walt Disney, Warby Parker, Warner Bros. Discovery, WideOpenWest, WK Kellogg, XPEL, ZipRecruiter

## Thu.

8:30 am Initial jobless claims  
 2:00 pm Fed Chair Jerome Powell on panel at IMF  
 Earnings Alarm.com, Algonquin Power & Utilities, ArcelorMittal, Arlo Technologies, AstraZeneca, "Becton, Dickinson and Company", Blink Charging, Capri Holdings, Clean Energy Fuels, Cogent Communications, Digi International, First Advantage, Fiverr, Flowers Foods, GoodRx, Grab, Hanesbrands, Himax Technologies, Hologic, Illumina, indie Semiconductor, Ironwood Pharmaceuticals, Kelly Services, Krispy Kreme, Li Auto, Lions Gate Entertainment, Mettler-Toledo, News Corp., Nomad Foods, Novavax, Oatly Group, Plug Power, RadNet, Scorpio Tankers, Tapestry, The Trade Desk, Transdigm Group, Unity Software, US Foods, Utz Brands, Vertex, Weibo, WestRock, Wheaton Precious Metals, WestRock, YETI Holdings

## Fri.

10:00 am Consumer sentiment (prelim)  
 Earnings StoneCo

Source: MarketWatch/Kiplinger's/CNBC

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, and SEC registered investment advisor.



250 W 96th Street, Suite 300  
 Indianapolis, IN 46260  
 (317) 975-7729