



Week Ahead

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Week of November 20, 2023

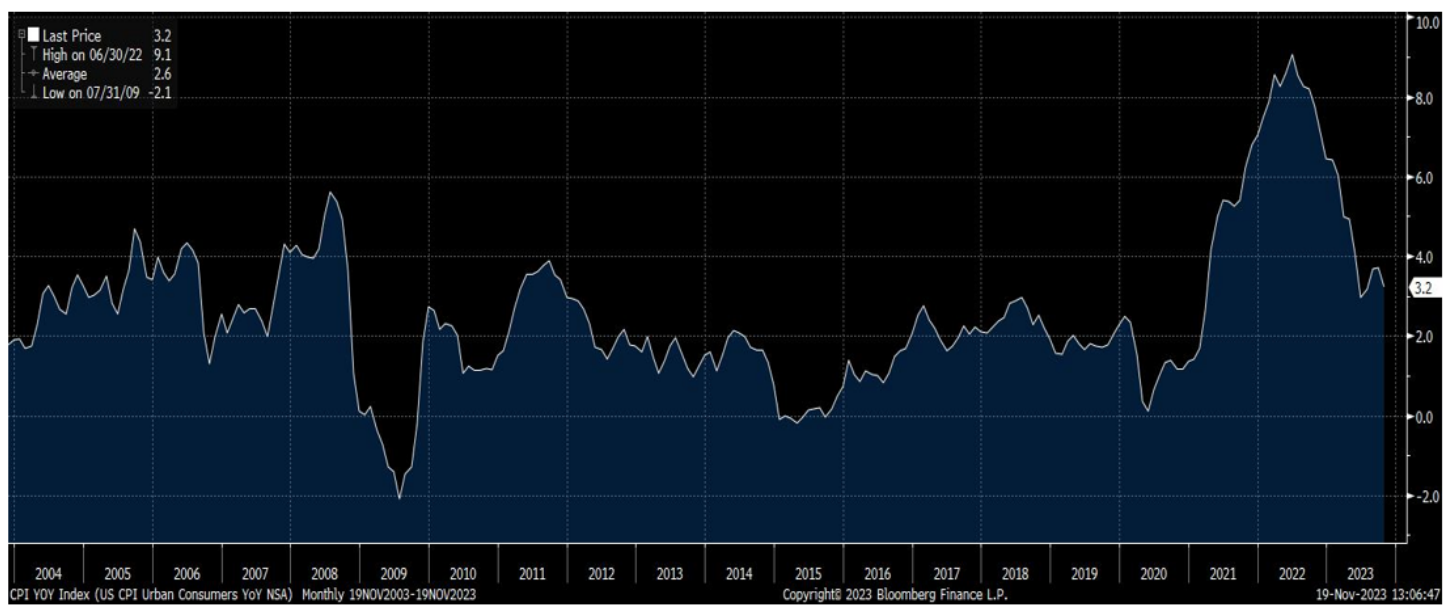
Positive Inflation Data Sparks A Rally In Bonds And Stocks

Last week, we had the Consumer Price Index (CPI) and Producer Price Index (PPI) for the month of October, and both came in better (lower) than expected.

This sparked a decline in 10-year Treasury yields, boosting a continued rally in the equity market. The market again is expecting that the Federal Reserve (Fed) will be on hold with rates and is expecting interest rate cuts by the middle of next year. The rally has been so strong in stocks that short-term, stocks prices are overbought. The VIX volatility index confirmed this by falling sharply to levels that historically point to an increase in volatility for stocks. This week is a holiday week, and traditionally stocks rally into a holiday. So the risk is that in early December, stocks will get choppy with a small pullback.

10-Year Treasury yields appear to have peaked near 5%, and near-term we expect yields to be range-bound between 5% to 4%-3.8%. Stocks are hinged to the direction of 10-year Treasury yields. As rates fall stocks should rally, and if rates back-up stocks should correct. But we expect stocks to achieve higher values going into the end of the year and next year.

CPI Year-to-Year – Still Falling



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PPI Year-to-Year – Still Falling And Negative



10-Year Treasury Yields Are Very Overbought and Respecting Resistance Near 5%

The yield on the 10-year Treasury Note appears to be peaking near 5%. Technically, the yield is extremely overbought using the Moving Average/Convergence (MACD) indicator and momentum is weakening. The yield now appears to be range-bound between 5% to 4%-3.8%. Lower yields are likely to support higher stocks prices as we go into the end of the year.

10-Year Treasury Yield With (MACD) Extremely Overbought



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Equity Rally Has Legs But Volatility Can Emerge In December

Stocks have rallied sharply, and on this rally market breadth has been expanding for the S&P 500 (see chart below). This confirms that the rally has legs. Equities tend to rally into a holiday. With Thanksgiving this week, stocks should hold their gains and possibly rally. But as we enter the month of December, the risk is that stocks correct. The VIX volatility index has fallen sharply to levels that generally signal stocks can have volatility by correcting.

Bloomberg Advance-Dcline Line for S&P 500 – Breadth Expanding On Rally Is Bullish



VIX Index With Daily Stochastic – Oversold So Volatility Can Spike As We Enter December





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Monthly MACD Signaling Stocks Are Still A Buy

Using the price momentum indicator, the Moving Average/Convergence Divergence (MACD) indicator is signaling monthly that stocks are still a buy (see chart below). We have a buy on both the S&P 500 and Nasdaq 100. The chart patterns for the S&P and Nasdaq are also bullish with what is called a cup and handle pattern. Both patterns with the MACD signal stocks can move to record highs next year. We expect that the S&P 500 can reach 5200-5400 or an additional 15%-20% move higher.

S&P 500 With Monthly Moving Average/Convergence Divergence (MACD) – Buy Signal



Nasdaq 100 With Monthly Moving Average/Convergence Divergence (MACD) – Buy Signal



Most Asset Classes Have Rallied This Month

	Last 11/17/2023	Month End 10/31/2023	Month to Date	Quarter End 9/29/2023	Quarter to Date	Year End 12/30/2022	Year To Date	Year Ago 11/17/2022	Year To Year
S&P 500	4514.02	4193.80	7.6%	4288.05	5.3%	3839.50	17.6%	3948.56	14.4%
NASDAQ Composite	14125.48	12851.24	9.9%	13219.32	6.9%	10488.48	35.0%	11144.96	26.7%
NASDAQ 100	386.04	350.87	10.0%	358.27	7.8%	286.28	45.0%	284.81	35.5%
Russell 2000	1797.77	1662.28	8.2%	1785.10	0.7%	1761.25	2.1%	1839.12	-2.2%
S&P Consumer Discretionary Sector	1323.93	1207.03	9.7%	1264.00	4.7%	1005.48	31.7%	1094.22	21.0%
S&P Consumer Staples Sector	732.38	717.39	2.1%	727.36	0.7%	779.13	-6.0%	770.79	-5.0%
S&P Energy Sector	643.50	652.01	-1.3%	694.19	-7.3%	672.34	-4.3%	705.52	-8.8%
S&P Financial Sector	581.31	537.67	8.1%	552.16	5.3%	589.74	2.0%	582.22	-0.2%
S&P Health Care Sector	1492.44	1451.16	2.8%	1501.22	-0.6%	1585.54	-5.9%	1547.21	-3.5%
S&P Industrials Sector	891.12	832.11	7.1%	857.57	3.9%	831.40	7.2%	833.02	7.0%
S&P Information Technology Sector	3247.72	2903.54	11.9%	2905.56	11.8%	2172.17	49.5%	2304.62	40.9%
S&P Materials Sector	504.69	478.64	5.4%	494.54	2.1%	489.55	3.1%	499.41	1.1%
S&P Real Estate Sector	225.03	207.55	8.4%	213.82	5.2%	232.37	-3.2%	235.22	-4.3%
S&P Communications Sector	237.25	217.76	9.0%	222.21	6.8%	159.37	48.9%	166.90	42.2%
S&P Utilities Sector	314.76	302.87	3.9%	299.20	5.2%	358.48	-12.2%	341.28	-7.8%
S&P 500 Total Return	9755.92	9052.31	7.8%	9246.74	5.5%	8178.02	19.3%	8388.84	16.3%
3 month Treasury Bill Price	98.66	98.63	0.0%	98.63	0.0%	98.90	-0.2%	98.94	-0.3%
3 month Treasury Bill Total Return	242.45	241.76	0.3%	240.68	0.7%	232.09	4.5%	230.92	5.0%
10 Year Treasury Bond Future	107.42	106.17	1.2%	108.06	-0.6%	112.30	-4.3%	112.63	-4.6%
10 Year Treasury Note Total Return	282.56	275.17	2.7%	278.73	1.4%	283.28	-0.3%	283.36	-0.3%
iShares 20+ Year Treasury Bond ETF	90.04	83.58	7.7%	88.69	1.5%	99.56	-9.6%	100.33	-10.3%
S&P Municipal Bond Total Return	261.59	251.78	3.9%	254.67	2.7%	257.42	1.6%	254.46	2.8%
iShares S&P National Municipal Bond NAV	104.66	101.05	3.6%	102.31	2.3%	105.23	-0.5%	104.65	0.0%
S&P 500 Investment Grade Corporate Bond Total Return	430.64	413.90	4.0%	422.07	2.0%	421.24	2.2%	417.81	3.1%
S&P Investment Grade Corporate Bond	87.42	84.50	3.4%	86.28	1.3%	88.23	-0.9%	87.81	-0.5%
S&P Investment Grade Corporate Bond Total Return	457.48	441.35	3.7%	448.92	1.9%	445.34	2.7%	441.11	3.7%
SPDR Bloomberg High Yield Bond ETF	91.53	88.92	2.9%	90.40	1.3%	90.00	1.7%	90.78	0.8%
iShares iBoxx High Yield Corporate Bond ETF	74.77	72.57	3.0%	73.72	1.4%	73.63	1.5%	74.07	0.9%
Gold	1980.82	1983.88	-0.2%	1848.63	7.2%	1824.02	8.6%	1780.44	12.5%
Bitcoin	38418.61	34850.56	5.1%	26903.18	35.4%	16579.06	119.7%	16680.76	118.3%

Source: Sanctuary Wealth, Bloomberg, November 17, 2023

All Eyes Will Be On Nvidia 3Q Earnings, FOMC Minutes, Continued Economic Data & Black Friday Sales

For a holiday week, there is lots of information for investors to digest. This week, Tuesday will be a big day for the market. First, we get the FOMC meeting minutes with the market looking for any clues that the Fed has finished raising interest rates. After the close Tuesday investors will be hyper-focused on Nvidia (NVDA) third quarter earnings and will be looking for comments on future demand for their semiconductor chips. NVDA is a leader in semiconductor chips and software for artificial intelligence. Economic data investors will be digesting are the Leading Economic Index (LEI), Housing Data, Initial Jobless Claims, and Durable Goods, as well as the first glimpse at the start of holiday season spending season with Black Friday. So, a big week for information when many will be on holiday beginning their Thanksgiving celebrations and getting an early start to the Christmas Season.



Calendar

Mon.

10:00 am U.S. leading economic indicators
 12:00 pm Richmond Fed President Tom Barkin TV appearance
 Earnings Agilent, BellRing Brands, Keysight Technologies, Zoom Video Communications

Tue.

10:00 am Existing home sales
 2:00 pm Minutes of Fed's Oct. 31-Nov. 1 FOMC meeting
 Earnings Abercrombie & Fitch, Analog Devices, Autodesk, Baidu, Best Buy, Burlington Stores, Caleres, Dick's Sporting Goods, Dycom, Guess?, Hibbett, HP, Jack In The Box, Jacobs Engineering, Kohl's, Lowe's, Medtronic, Nordstrom, Nvidia, Urban Outfitters

Wed.

8:30 am Initial jobless claims
 8:30 am Durable-goods orders
 8:30 am Durable-goods minus transportation
 10:00 am Consumer sentiment (final)
 Earnings Deere

Thu.

Earnings Royal Bank of Canada, Toronto-Dominion Bank
 The U.S. stock market will be closed in observance of the Thanksgiving holiday.

Fri.

9:45 am S&P flash U.S. services PMI
 9:45 am S&P flash U.S. manufacturing PMI
 Earnings None
 The U.S. stock market will close early at 1 pm Eastern time.

Source: MarketWatch/Kiplinger's/CNBC

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