



Week Ahead

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Week of December 11, 2023

Jobs For November Surprise With Strength; Rates Rise

On Friday, the November jobs data came in stronger than expected with nonfarm payrolls hitting 199,000 while expectations were sitting at 185,000. The unemployment rate fell to 3.7% from 3.9%.

This followed positive JOLTS (Job Openings and Labor Turnover Survey) data, which showed job openings continuing to fall. (One possibility for the stronger data could be striking workers coming back – but there’s a lag in that reporting.) Remember: data is often not linear – it likes to zig and zag. But overall, employment does appear to be slowing – and this data point certainly does not give the Federal Reserve room to consider cutting interest rates any time soon!

JOLTS Data Supports Job Market Is Cooling And Not Reaccelerating

JOLTS Data Shows Job Openings Are Falling Sharply



Week of December 11, 2023

10-Year Treasury Yield Is Oversold – Risk Is Rates Rise

We believe interest rates have peaked on the 10-year Treasury yield, but yields have fallen sharply from 5.0 % to 4.1% – which has created an oversold condition. The daily stochastic has not given a signal yet, but we are expecting a signal that would indicate that yields can rise. We would target a change to the 100-day or 50-day moving averages in the range of 4.38%-4.58%. If this back-up happens, we would use this as an opportunity to add to duration.

10-Year Treasury Yield With Daily Stochastic: Yields Oversold – Risk Is Rates Rise



2-Year Treasury Yields Appear To Have Peaked But Could Rise Near-Term

Looking at the front end of the yield curve, we see that the 2-year Treasury yield appears to have peaked near 5%. The rate has since fallen to 4.5%, creating an oversold condition – which points to rates backing up a bit. Seasonally, demand for capital from businesses increases as we move into year-end because companies need to close their 2023 books. So, rates tend to rise seasonally into the end of the year and often will continue to rise into the beginning of the new year.

2-Year Treasury Yield With Weekly Stochastic: Yields Oversold And Can Back-Up Near-Term



Week of December 11, 2023

S&P 500 At Important Technical Level While Short-Term Price Momentum Weakens

The S&P 500 is at what is known in technical analysis as “major price resistance.” Resistance means the risk is sellers come to the market. To break above strong resistance, there has to be a good number of strong buyers. In checking short-term price momentum indicators of the daily Stochastic and Relative Price Index (see accompanying chart), we see that they are overbought and weakening. With equities overbought and a risk of rising interest rates, the equity market will likely experience pressure. So, the risk is that equities either trade in a range or have a minor pullback of 3%-5%. The 100-day moving average shows support near 4422. Now if the S&P 500 were to trade above 4607 and hold at that level, it would indicate that the market could go on to test the all-time high of 4818.

S&P 500 With Daily Stochastic And RSI: Equities Overbought And Showing Weakening Momentum



Expect Some Bucking Before 2024

The VIX volatility index is very low, and the price momentum daily stochastic is close to a buy signal – meaning that the risk is market volatility is about to rise. So, a correction in stocks will feel like our Bull is starting to buck – *but we maintain our forecast for the S&P 500 to achieve a 5200-5400 level in 2024.*

VIX Volatility Index With Daily Stochastic Close To A Buy Signal



Week of December 11, 2023

Will There Be A Santa Claus Rally?

Yes, Virginia, Santa Claus is real – and so is his rally. *But what is it?* Yale Hirsch, founder of the *Stock Trader's Almanac*, coined the term "Santa Claus Rally" back in 1972. He defined it as the timeframe of the final 5 trading days of the year plus the first 2 trading days of the following year. These 7 trading days constitute the dates of a Santa Claus rally.

Historically, these 7 days have shown higher stock prices 79.2% of the time, as reflected in the S&P 500. The Stock Trader's Almanac compiled data during the 70 years between 1950 and 2020 and showed that a Santa Claus rally occurred 57 times, with average growth in the S&P 500 up 1.3% during that period. So, will the market have a Santa Claus rally this year, straddling 2023-2024? We believe in Santa and our answer is yes! – especially if we do get a minor selloff generating oversold reading. *We maintain that pullbacks are a buying opportunity.*

Positioning

As you know, year-end is the time to deal with any tax loss harvesting and, importantly, review portfolios for the need to rebalance! When considering your allocations, we recommend positioning for a Bucking Bull Market for stocks and bonds in 2024 – a volatile ride as we head upward!

To reiterate our recent themes: we remain positive on Mega Cap versus Small Cap, though we are expecting a rally in small caps that can be sizable. We say: Rent Small Caps but buy Big Caps. We favor Growth over Value and Cyclical over Defensives. We like the fixed income market and, if interest rates back up near-term, then we would consider adding to duration. We favor Treasuries, Investment Grade, and Municipals. Importantly, High Yield is also holding at important levels. Investors who can take on more risk might also consider High Yield. *Overall, we recommend Quality investments.*

Week of December 11, 2023

Market Performance

	Last 12/8/2023	Month End 11/30/2023	Month to Date	Quarter End 9/29/2023	Quarter to Date	Year End 12/30/2022	Year To Date	Year Ago 12/8/2022	Year To Year
S&P 500	4604.37	4567.80	0.8%	4288.05	7.4%	3839.50	19.9%	3963.51	16.2%
NASDAQ Composite	14403.97	14226.22	1.2%	13219.32	9.0%	10466.48	37.6%	11082.00	30.0%
NASDAQ 100	392.17	388.83	0.9%	358.27	9.5%	266.28	47.3%	283.85	38.2%
Russell 2000	1880.82	1809.02	4.0%	1785.10	5.4%	1761.25	6.8%	1818.29	3.4%
S&P Consumer Discretionary Sector	1369.43	1336.91	2.4%	1264.00	8.3%	1005.48	36.2%	1085.24	26.2%
S&P Consumer Staples Sector	737.75	744.26	-0.9%	727.36	1.4%	779.13	-5.3%	795.26	-7.2%
S&P Energy Sector	623.22	641.28	-2.8%	694.19	-10.2%	672.34	-7.3%	644.46	-3.3%
S&P Financial Sector	598.79	595.09	0.6%	552.16	8.4%	569.74	5.1%	573.96	4.3%
S&P Health Care Sector	1535.68	1527.10	0.6%	1501.22	2.3%	1585.54	-3.1%	1626.07	-5.6%
S&P Industrials Sector	918.97	902.92	1.8%	857.57	7.2%	831.40	10.5%	842.55	9.1%
S&P Information Technology Sector	3302.74	3273.08	0.9%	2905.56	13.7%	2172.17	52.0%	2296.23	43.8%
S&P Materials Sector	513.85	517.20	-0.6%	494.54	3.9%	489.55	5.0%	512.69	0.2%
S&P Real Estate Sector	236.99	233.02	1.7%	213.82	10.8%	232.37	2.0%	240.00	-1.3%
S&P Communications Sector	237.50	234.77	1.2%	222.21	6.9%	159.37	49.0%	164.16	44.7%
S&P Utilities Sector	319.56	316.57	0.9%	299.20	6.8%	358.48	-10.9%	359.44	-11.1%
S&P 500 Total Return	9961.50	9879.02	0.8%	9246.74	7.7%	8178.02	21.8%	8433.90	18.1%
3 month Treasury Bill Price	98.66	98.65	0.0%	98.63	0.0%	98.90	-0.2%	98.93	-0.3%
3 month Treasury Bill Total Return	243.20	242.84	0.1%	240.68	1.0%	232.09	4.8%	231.50	5.1%
10 Year Treasury Bond Future	110.27	109.80	0.4%	108.06	2.0%	112.30	-1.8%	114.19	-3.4%
10 Year Treasury Note Total Return	286.40	284.84	0.5%	278.73	2.8%	283.28	1.1%	287.96	-0.5%
iShares 20+ Year Treasury Bond ETF	94.54	91.56	3.3%	88.69	6.6%	99.56	-5.0%	109.17	-13.4%
S&P Municipal Bond Total Return	268.58	266.64	0.7%	254.67	5.5%	257.42	4.3%	259.47	3.5%
iShares S&P National Municipal Bond NAV	107.09	106.63	0.4%	102.31	4.7%	105.23	1.8%	106.22	0.8%
S&P 500 Investment Grade Corporate Bond Total Return	442.66	437.89	1.1%	422.07	4.9%	421.24	5.1%	432.61	2.3%
S&P Investment Grade Corporate Bond	89.44	88.64	0.9%	86.28	3.7%	88.23	1.4%	90.50	-1.2%
S&P Investment Grade Corporate Bond Total Return	469.24	464.60	1.0%	448.92	4.5%	445.34	5.4%	455.67	3.0%
SPDR Bloomberg High Yield Bond ETF	92.81	92.68	0.1%	90.40	2.7%	90.00	3.1%	91.82	1.1%
iShares iBoxx High Yield Corporate Bond ETF	75.86	75.71	0.2%	73.72	2.9%	73.63	3.0%	75.04	1.1%
Gold	2004.67	2036.41	-1.6%	1848.63	8.4%	1824.02	9.9%	1789.14	12.0%
Bitcoin	44554.76	37750.77	18.0%	26903.18	65.6%	16579.06	168.7%	17184.10	159.3%

Source: Sanctuary Wealth, Bloomberg, December 11, 2023

Holiday Spectacular of Data, Data, Data

This week is a perfect storm of seasonal market behavior, new inflation data, and a Fed rate decision all crashing together to create optimism.

Holiday lights can't compete with how a multitude of important data reports will be lighting up screens this week. It's a veritable firestorm of information coming our way. At the top of the list are Consumer Price Index (CPI) and Producer Price Index (PPI) data. In addition to jobless claims, we'll see retail sales, telling us about consumers and their desire to spend more – or less – heading into the holidays. All of this will update the current picture on inflation – and at a critical time. The Federal Open Market Committee (FOMC) meets this week – and while the market expects no rate change from Fed Chair Jerome Powell on Wednesday – we'll all be listening carefully to the tone of his announcement. It could impact how stocks and bonds will behave heading into year-end – a period when trading volume slows and liquidity dries up, meaning that any market movement, up or down, could be exaggerated!

So, this is a big week with potential market-moving data, a Fed decision, and a Bull bucking to break free! Let's go!



Calendar

Mon.

Earnings Casey's General, FuelCell Energy, Oracle

Tue.

8:30 am Consumer price index

Wed.

8:30 am Producer price index
2:00 pm FOMC interest-rate decision
2:30 pm Fed Chairman Jerome Powell press conference
Earnings ABM Industries, Adobe, Cognyte Software, Nordson, Photronics, REV Group

Thu.

8:30 am Initial jobless claims, Import price index, U.S. retail sales
10:00 am Business inventories
Earnings Costco Wholesalers, Jabil, Lennar

Fri.

8:30 am Empire State manufacturing survey
9:15 am Industrial production, Capacity utilization
Earnings Darden Restaurants

Source: MarketWatch/Kiplinger's/CNBC

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