



# Week Ahead

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## Week of January 8, 2024

### Strong Jobs Data Bucks The Bull In Bonds & Stocks

**The December Jobs data came in last week much stronger than expected, bucking the Bull by pushing rates higher and raising volatility for equities.**

But revisions to the November data were downward, revealing a weaker month. Stronger employment is, in fact, great for the economy. Wages did tick up a bit higher, which is also a positive for consumer spending, but the market still fears this is a bearish indicator for inflation. Overall, the jobs report was good news, but with both stocks and bonds overbought coming into 2024, the strong data can fuel a continued correction in both markets. Still, we remain buyers of both markets.

### A New Year's Hangover

Both the bond and equity markets had a strong bull run from October into the end of the year, creating very overbought markets. It is quite normal to have a correction. Moreover, it is normal to have a weaker first six-month period during the fourth/final year of a Presidential term, i.e., the election year. We believe a backup in interest rates and a pullback in stocks combine to create a great opportunity for investors to gain exposure.

For the 10-Year Treasury yield, we believe rates peaked at 5.0%. And this should be true if inflation continues to come down. Near-term, however, we see a backup near 4.5%-4.6% or near the 50- and 200-day moving averages (see accompanying charts).

### Monthly 10-Year Treasury Yield - Rates Peaked At 5%



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### Daily 10-Year Treasury Yield With 50-Day And 200-Day Moving Averages



### VIX Volatility Index To Rise Indicating Some Bucking Still In The Equity Market

The VIX Volatility index is a mean-reverting measure. Historically, when volatility reaches lower levels near 10-11 (*the Dec. 12 reading was 7.8*), it signals that volatility is at risk of rising. We believe volatility has begun to rise and should continue to do so – ideally reaching a buying level near 20.

This volatility is confirmed by the short-term sell signals from the daily price momentum indicators for the stochastic and relative strength index (RSI). It's important to point out that this pullback is a buying opportunity because the monthly Moving Average Convergence/Divergence indicator (MACD) has the best buy signal since 2008-2009. So, buckle up for the ride and get your buy list ready.

### VIX Volatility Index Positioned To Rise





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### S&P 500 Index With Daily Stochastic And Relative Strength Index With Tactical Sell Signals



### S&P 500 With Monthly Moving Average Convergence/Divergence Indicator On A Buy Signal



### Presidential Year 4 Tends To Have A Positive Return

The fourth year of the Presidential term cycle, which we are in, historically has a positive return, and the return is stronger if the month of January is up. We'll see soon enough!





## Week of January 8, 2024

### Presidential Year 4 S&P 500 Returns from 1928-2023

Presidential Cycle Year	Criteria	# of years	# of years with positive returns	Average annual return (%)	Chance of up year (%)	Average Feb-Dec return (%)	Chance of an up Feb-Dec
Year 1	Jan. up	14	11	13.90%	78.57%	9.85%	78.57%
	Jan. down	10	3	-3.54%	30.00%	-0.32%	30.00%
	overall	24	13	6.63%	58.33%	5.61%	58.33%
Year 2	Jan. up	14	8	9.34%	57.14%	5.67%	57.14%
	Jan. down	10	5	-5.08%	50.00%	2.58%	70.00%
	overall	24	13	3.33%	54.17%	4.38%	62.50%
Year 3	Jan. up	20	17	13.66%	85.00%	8.25%	80.00%
	Jan. down	4	2	15.46%	50.00%	20.32%	100.00%
	overall	24	19	13.96%	79.17%	10.26%	83.33%
Year 4	Jan. up	11	11	16.55%	100.00%	11.96%	100.00%
	Jan. down	13	7	-0.18%	53.85%	3.20%	69.23%
	overall	24	18	7.49%	75.00%	7.22%	83.33%

Source: BofA Global Research, Bloomberg

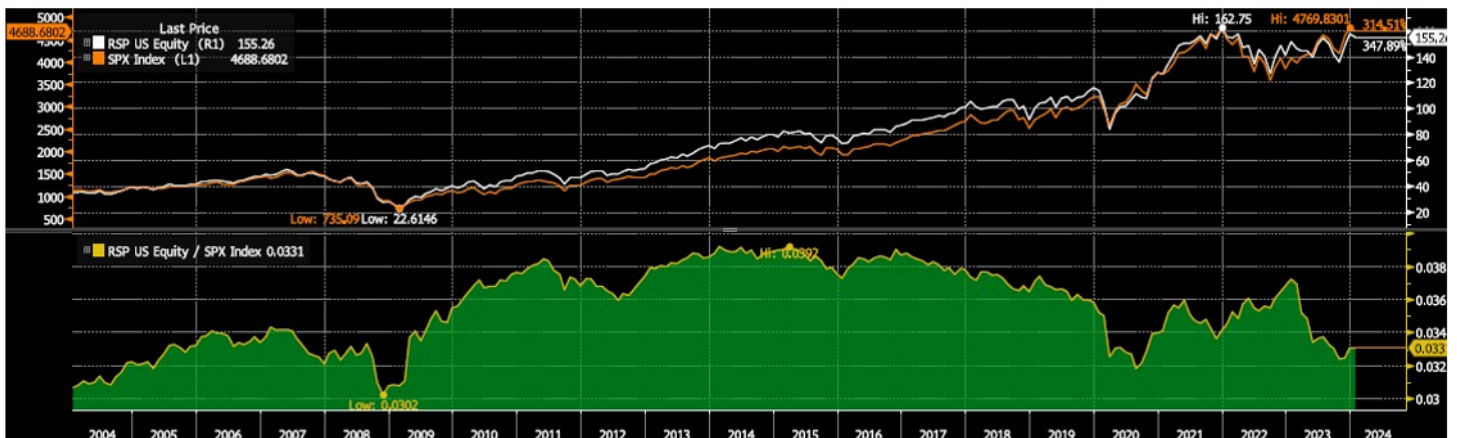
BofA GLOBAL RESEARCH

Source: Bank of America, January 4, 2024

### Equal-Weighted S&P 500 Has Almost Caught Up To The Weighted S&P 500

Market breadth has expanded on this recent rally, which is a very bullish sign that equities remain in a bull market. This breadth expansion can be seen in the rally of the equally weighted Invesco S&P 500 Equal Weight ETF (RSP) catching up to the S&P 500 weighted index. The relative ratio (green area in the chart) remains in a downtrend. If this is the case, it signals that Large Cap stocks remain the leadership of the market. We also believe that Small Caps may still have some room to the upside, but should not become leadership.

### S&P 500 & Equal-Weighted S&P 500



Source: Bloomberg, January 5, 2024

### Earnings Revisions Up and Above Average

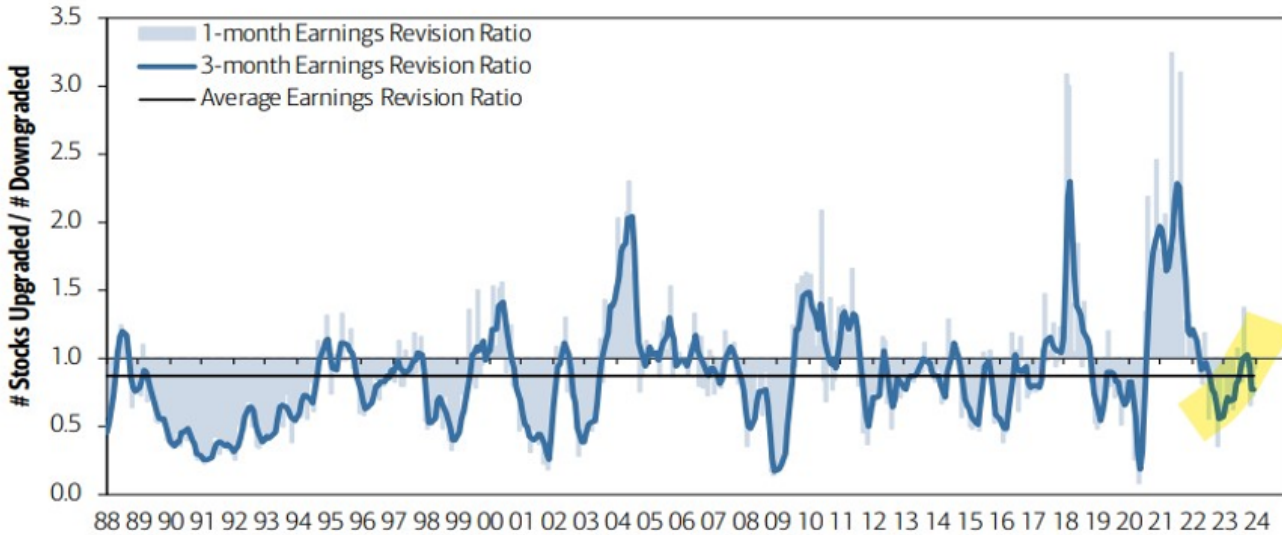
The monthly earnings revision ratio for the S&P 500 is rising and is above the long-term average. Earnings revisions have the highest correlation to the direction of stocks as well as the overall market. This is a bullish fundamental for why investors should remain invested and, if they're underweight equities, this is another buying opportunity.



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## Earnings Revisions Are Positive A Bullish Indicator For Stocks

Earnings revisions improved for USA last month and remains above long-term average



Source: Bank of America, January 2, 2024

## Market Performance

	Last 1/5/2024	Month End 12/29/2023	Month to Date	Quarter End 12/29/2023	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 1/5/2023	Year To Year
S&P 500	4688.68	4769.83	-1.7%	4769.83	-1.7%	4769.83	-1.7%	3808.10	23.1%
NASDAQ Composite	14524.07	15011.35	-3.2%	15011.35	-3.2%	15011.35	-3.2%	10305.24	40.9%
NASDAQ 100	396.75	409.52	-3.1%	409.52	-3.1%	409.52	-3.1%	261.58	51.7%
Russell 2000	1951.14	2027.07	-3.7%	2027.07	-3.7%	2027.07	-3.7%	1753.19	11.3%
S&P Consumer Discretionary Sector	1369.16	1418.09	-3.5%	1418.09	-3.5%	1418.09	-3.5%	1004.03	36.4%
S&P Consumer Staples Sector	762.55	762.32	0.0%	762.32	0.0%	762.32	0.0%	771.85	-1.2%
S&P Energy Sector	647.23	640.05	1.1%	640.05	1.1%	640.05	1.1%	661.25	-2.1%
S&P Financial Sector	628.43	626.35	0.3%	626.35	0.3%	626.35	0.3%	575.62	9.2%
S&P Health Care Sector	1623.32	1590.37	2.1%	1590.37	2.1%	1590.37	2.1%	1568.57	3.5%
S&P Industrials Sector	944.00	964.73	-2.1%	964.73	-2.1%	964.73	-2.1%	831.60	13.5%
S&P Information Technology Sector	3259.48	3397.16	-4.1%	3397.16	-4.1%	3397.16	-4.1%	2113.63	54.2%
S&P Materials Sector	531.94	539.62	-1.4%	539.62	-1.4%	539.62	-1.4%	489.60	8.6%
S&P Real Estate Sector	246.80	251.58	-1.9%	251.58	-1.9%	251.58	-1.9%	231.52	6.6%
S&P Communications Sector	243.15	246.00	-1.2%	246.00	-1.2%	246.00	-1.2%	162.46	49.7%
S&P Utilities Sector	327.84	321.92	1.8%	321.92	1.8%	321.92	1.8%	353.82	-7.3%
S&P 500 Total Return	10172.75	10327.83	-1.5%	10327.83	-1.5%	10327.83	-1.5%	8113.15	25.4%
3 month Treasury Bill Price	98.66	98.66	0.0%	98.66	0.0%	98.66	0.0%	98.85	-0.2%
3 month Treasury Bill Total Return	244.19	243.98	0.1%	243.98	0.1%	243.98	0.1%	232.12	5.2%
10 Year Treasury Bond Future	111.72	112.89	-1.0%	112.89	-1.0%	112.89	-1.0%	113.02	-1.1%
10 Year Treasury Note Total Return	291.37	294.12	-0.9%	294.12	-0.9%	294.12	-0.9%	285.30	2.1%
iShares 20+ Year Treasury Bond ETF	96.29	98.88	-2.6%	98.88	-2.6%	98.88	-2.6%	103.28	-6.8%
S&P Municipal Bond Total Return	272.87	272.94	0.0%	272.94	0.0%	272.94	0.0%	259.27	5.2%
iShares S&P National Municipal Bond NAV	108.44	108.42	0.0%	108.42	0.0%	108.42	0.0%	105.94	2.4%
S&P 500 Investment Grade Corporate Bond Total Return	449.50	455.89	-1.4%	455.89	-1.4%	455.89	-1.4%	425.58	5.6%
S&P Investment Grade Corporate Bond	90.79	91.76	-1.1%	91.76	-1.1%	91.76	-1.1%	89.02	2.0%
S&P Investment Grade Corporate Bond Total Return	477.76	482.66	-1.0%	482.66	-1.0%	482.66	-1.0%	449.52	6.3%
SPDR Bloomberg High Yield Bond ETF	93.88	94.73	-0.9%	94.73	-0.9%	94.73	-0.9%	91.12	3.0%
iShares iBoxx High Yield Corporate Bond ETF	76.68	77.39	-0.9%	77.39	-0.9%	77.39	-0.9%	74.47	3.0%
Gold	2045.45	2062.98	-0.8%	2062.98	-0.8%	2062.98	-0.8%	1832.89	11.6%
Bitcoin	43970.53	41935.34	4.9%	41935.34	4.9%	41935.34	4.9%	16844.62	161.0%

Source: Sanctuary Wealth, Bloomberg, January 7, 2024



**Week of January 8, 2024**

## **Ho-Ho-Ho – Santa Left Coal In The Stock Market Stocking**

### **This week it's all about inflation – still.**

This week we get important inflation indicator data: CPI (Consumer Price Index) on Thursday and PPI (Producer Price Index) on Friday. These two reports can set the tone for the bond market and for stocks as we move further into January. We're hoping for a turnaround as the Santa Claus rally proved to be a disappointment. The "rally" which spanned the last five trading days of December and the first two of 2024 was actually down -0.8% -- consider it coal in our stockings!



# Calendar

**Mon.**

3:00 pm  
Earnings

Consumer credit  
Accolade, Helen of Troy, Jefferies

**Tue.**

8:30 am  
Earnings

Trade deficit  
Acuity Brands, Albertsons, AZZ, Neogen, PriceSmart, SMART Global, TD Synnex, Tilray, WD-40

**Wed.**

10:00 am  
3:15 pm  
Earnings

Wholesale inventories  
New York Fed President John Williams speaks  
KB Home

**Thu.**

8:30 am  
2:00 pm

Initial jobless claims, Core CPI  
Budget statement

**Fri.**

8:30 am  
Earnings  
Wells Fargo

Core PPI  
Bank of America, BlackRock, BNY Mellon, Citigroup, Delta Air Lines, JPMorgan Chase, UnitedHealth,

Source: MarketWatch/Kiplinger's/CNBC

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