



Week Ahead

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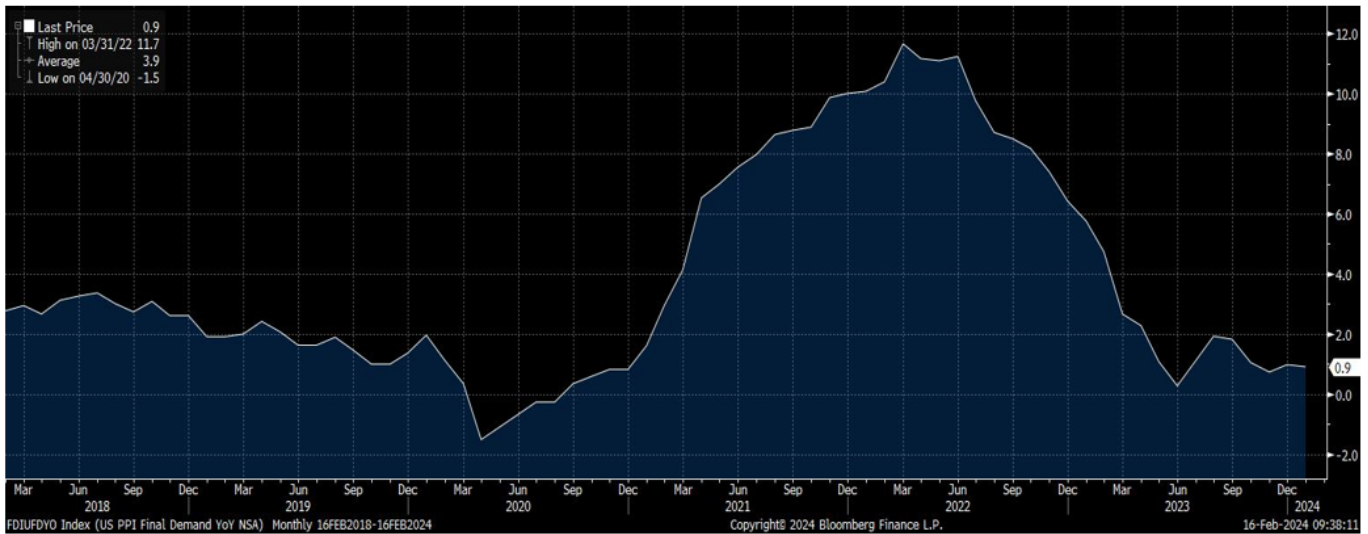
Week of February 20, 2024

Here Comes The Bucking Bull - A Potpourri of Thoughts

Last Friday delivered another surprise inflation data point with the Producer Price Index (PPI) coming in higher than expected.

Data is often choppy from month to month, but the clear trend for PPI for Final Demand on a year-to-year basis is down and below 2%. Still, the higher Consumer Price Index (CPI), along with the higher PPI, is putting pressure on interest rates – and that’s causing some bucking for the fixed income and equity markets.

Producer Price Index For Final Demand Year-to Year – Trending Down And Below 2%



10-Year Treasuries Rise As Inflation Data Comes In Hotter

As CPI and PPI both came in last week hotter than expected, interest rates are rising. The 10-year Treasury yield is hitting up against the 100-day moving average, near 4.33%. If the rate moves above this level, we can expect additional higher levels – near 4.50% or even higher. But we do continue to believe the trend in rates this year will be down. This is just the Bucking Bull!

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10-Year Treasury Yield And 100-Day Moving Average



Equities Can Consolidate / Correct But Volatility Brings Opportunity

As we highlighted in the monthly Sanctuary Corner for February, the equity market is showing signs that stocks can consolidate or correct on the order of 5%-10%. As stocks have moved to new highs, many of the price momentum indicators are signaling the market can pause or pull back. In the accompanying chart, we show the Relative Strength Index (RSI) falling as prices have risen. But volatility brings opportunity! So, we remain bullish and believe the S&P 500 is on track to reach 5200-5400 this year. Technology and related sectors and Industrials remain the leadership with Semiconductors standing tall as "Leader of the Pack."

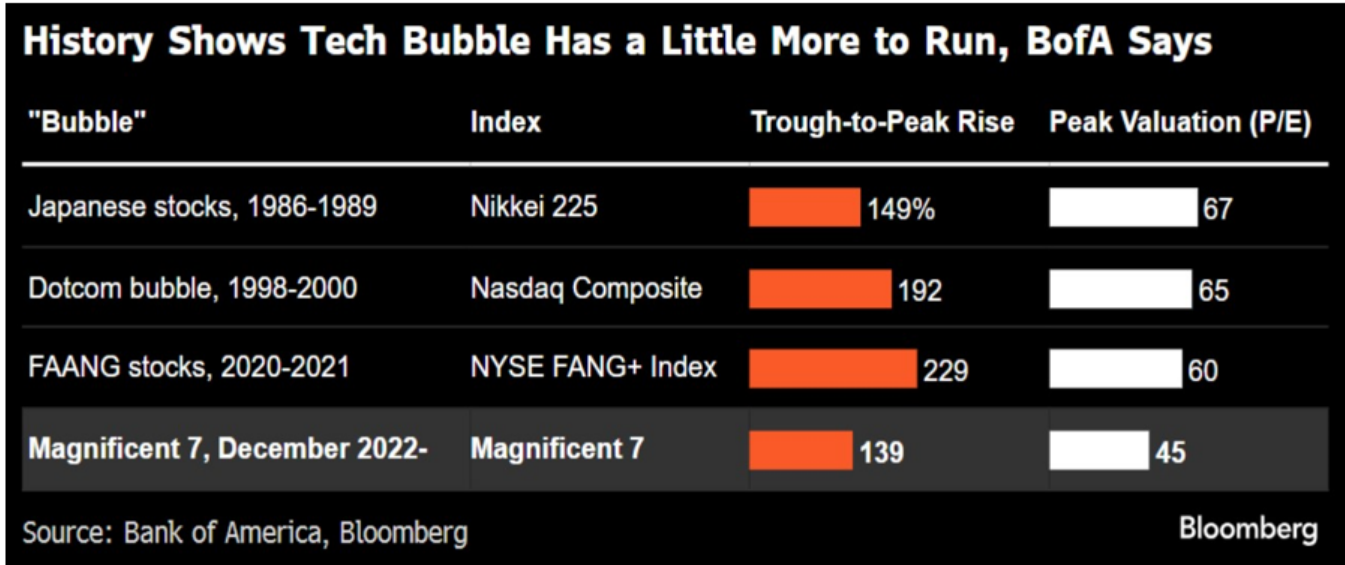
Daily S&P 500 With Relative Strength Index (RSI) – Momentum Is Weakening, A Pause is Signaled



BofA Analysis Shows Select Technology Valuations Not At Historical Extremes

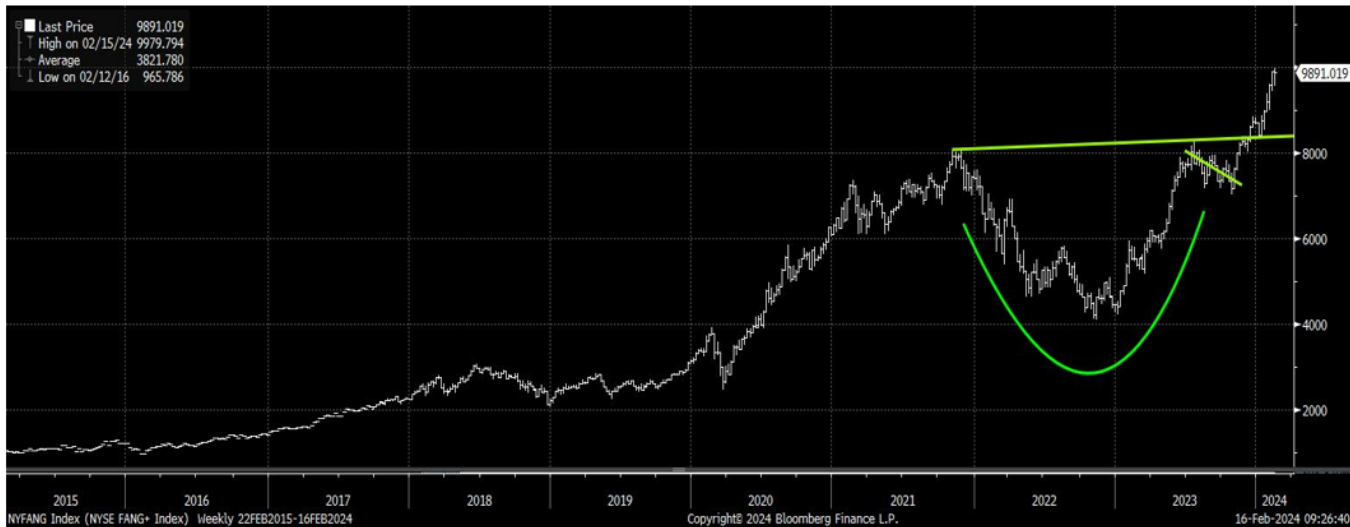
Bubbles are traditionally challenging to time within the markets. What we know in the current cycle is that the NYSE FANG+ Index and the Magnificent 7 each comprise companies that are reporting strong earnings – and most of them have strong balance sheets with large cushions of cash. We have pointed out previously that, in secular bull markets, valuations expand. In our view, there are still a few more years of this trend of multiples expanding. Also note that FANG+ just broke out of a major consolidation pattern known as a cup and handle. All this points to the Bull run continuing for these groups of stocks.

History Shows Tech Bubble Has a Little More to Run, BofA Says



Source: Bank of America, Bloomberg, February 16, 2024

NYSE FANG+ Index Breaking Out Of A Major Consolidation – Expected New Highs To Continue



Valuations Expand During Secular Bull Markets - BofA Analysis Confirms Our Work!

To better identify market trends and signals, it's effective to examine the price/earnings ratio for the S&P 500 in log form. What we see is that valuations expand during secular bull markets. This is evident the 1980s through 2000. In our view, we are currently in a similar cycle, which will drive price/earnings ratios higher in the coming years. We believe the value or significantly lower price/earnings ratio may not fall sharply until the 2030s.



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Log Of S&P 500 Price/Earnings Ratio



Source: Standard & Poor's, Sanctuary Wealth, February 14, 2024

Homebuilders Continue To Move Higher, Reaching Record Highs – Housing Still In a Bull Market

Spring is around the corner and home buyers should soon enter the market. Most of the demand is expected to come from Millennials (28-43 years of age) with more than 50% of this demographic still living at home. The housing market was short housing before Covid, and the shortage just grew during that timeframe. Surprisingly, higher interest rates are not stopping the housing cycle. The Bull is running in Housing and Housing-related stocks.

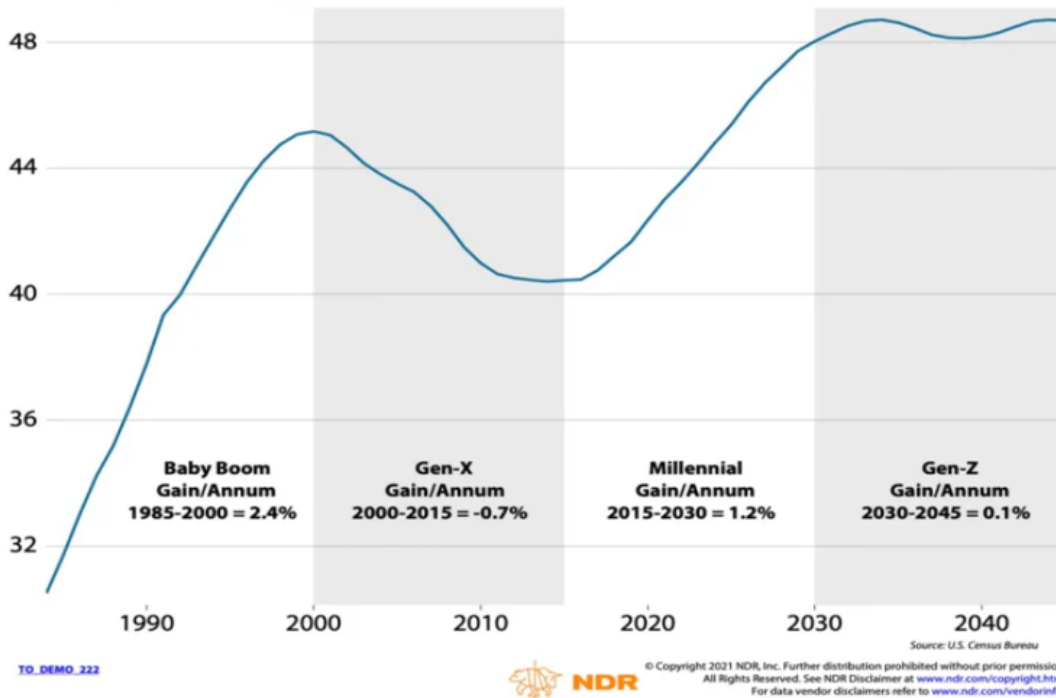
SPDR S&P Homebuilders ETF (XHB)



Significant Demand For Housing Should Come From The Millennials

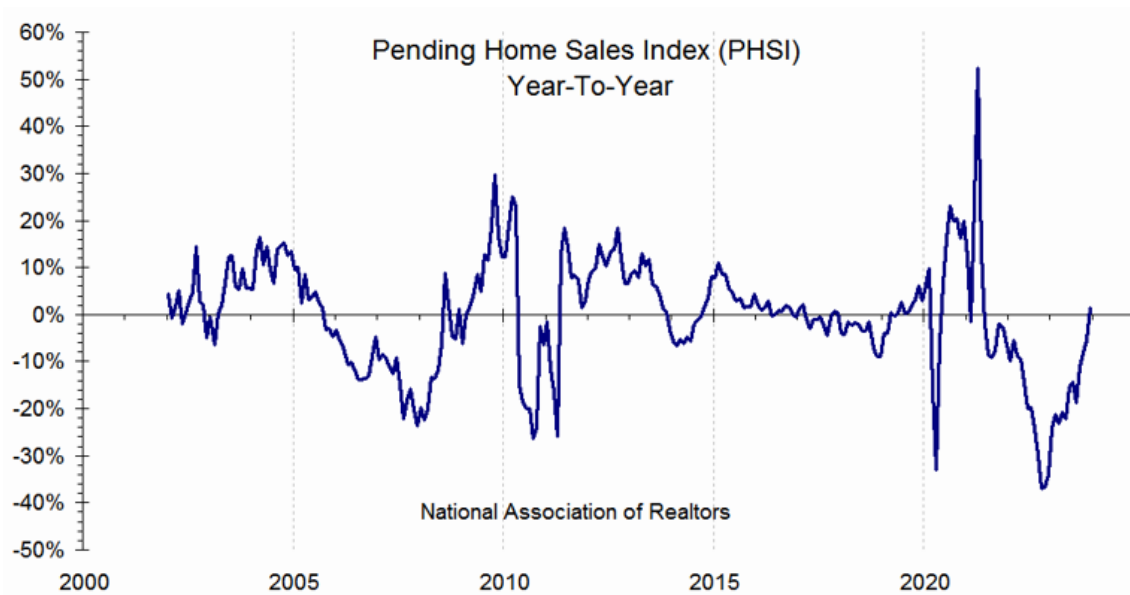
Household formation to rise with aging millennials

U.S. Population Age 35-44



Source: Ned Davis, November 2023

Pending Home Sales Year-to-Year Sharply Off The Lows And Turning Positive

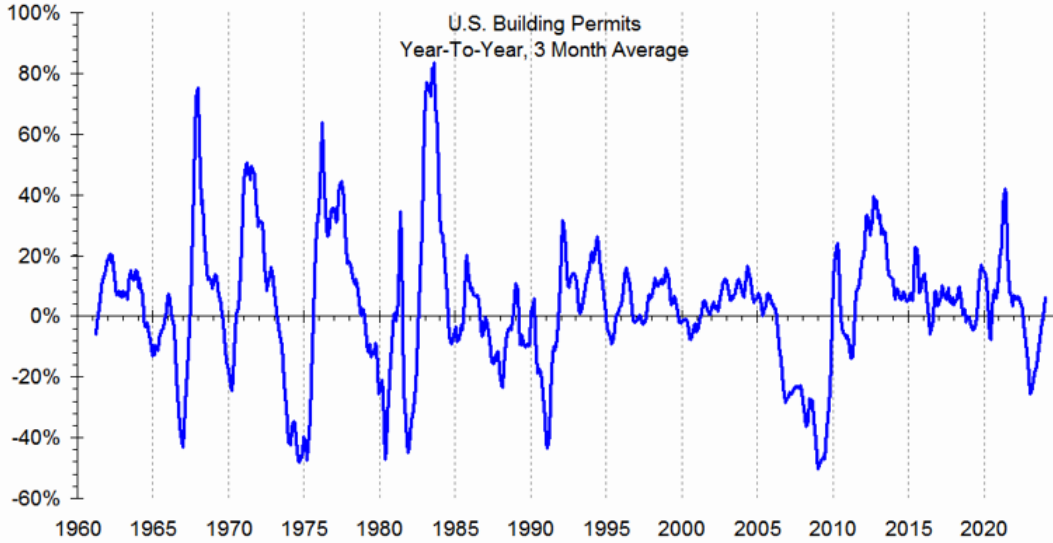


Source: National Association of Realtors, Sanctuary Wealth, February 16, 2024



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Permits Are A Leading Indicator For The Demand For Housing And Year-to-Year Moves Positive



Source: National Association of Realtors, Sanctuary Wealth, February 16, 2024

Home Depot (HD) Is Breaking Out And Could Reach New Highs

Home Depot (HD) is still in a major uptrend and recently broke out of a consolidation – this is an indication the housing market remains strong.

Home Depot (HD)



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Sherwin-Williams (SHW) Also Breaking Out And Could Reach New Highs

Sherwin-Williams (SHW) is a paint, coatings and related product manufacturer and distributor, and it has a trading pattern similar to Home Depot's. This is another confirmation that the housing cycle looks to be strong this spring.

Sherwin-Williams (SHW)



An Oldie But Goodie – IBM A Stealth Mover

International Business Machines (IBM) was a Blue Chip technology stock back in the 1970s through the 1990s – but it does not get as much press today. It should! The stock just had a significant technical breakout and has a dividend of 3.6%. The stock may get a little more attention if it keeps rallying.

International Business Machines (IBM)





Week of February 20, 2024

Market Performance

	Last 2/16/2024	Month End 1/31/2024	Month to Date	Quarter End 12/29/2023	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 2/16/2023	Year To Year
S&P 500	5005.57	4845.65	3.3%	4769.83	4.9%	4769.83	4.9%	4090.41	22.4%
NASDAQ Composite	15775.65	15164.01	4.0%	15011.35	5.1%	15011.35	5.1%	11855.83	33.1%
NASDAQ 100	430.57	416.97	3.3%	409.52	5.1%	409.52	5.1%	303.30	42.0%
Russell 2000	2032.74	1947.34	4.4%	2027.07	0.3%	2027.07	0.3%	1942.21	4.7%
S&P Consumer Discretionary Sector	1439.11	1367.70	5.2%	1418.09	1.5%	1418.09	1.5%	1169.00	23.1%
S&P Consumer Staples Sector	776.82	772.80	0.5%	762.32	1.9%	762.32	1.9%	759.80	2.2%
S&P Energy Sector	649.59	636.73	2.0%	640.05	1.5%	640.05	1.5%	668.58	-2.8%
S&P Financial Sector	658.55	644.54	2.2%	626.35	5.1%	626.35	5.1%	604.00	9.0%
S&P Health Care Sector	1695.12	1635.58	3.6%	1590.37	6.6%	1590.37	6.6%	1523.11	11.3%
S&P Industrials Sector	998.28	955.86	4.4%	964.73	3.5%	964.73	3.5%	865.28	15.4%
S&P Information Technology Sector	3650.21	3529.92	3.4%	3397.16	7.4%	3397.16	7.4%	2467.90	47.9%
S&P Materials Sector	536.49	518.41	3.5%	539.62	-0.6%	539.62	-0.6%	516.98	3.8%
S&P Real Estate Sector	240.82	239.54	0.5%	251.58	-4.3%	251.58	-4.3%	250.05	-3.7%
S&P Communications Sector	270.73	257.91	5.0%	246.00	10.1%	246.00	10.1%	181.12	49.5%
S&P Utilities Sector	309.85	312.07	-0.7%	321.92	-3.7%	321.92	-3.7%	343.42	-9.8%
S&P 500 Total Return	10897.61	10501.38	3.8%	10327.83	5.5%	10327.83	5.5%	8731.75	24.8%
3 month Treasury Bill Price	98.65	98.66	0.0%	98.66	0.0%	98.66	0.0%	98.80	-0.1%
3 month Treasury Bill Total Return	245.44	245.05	0.2%	243.98	0.6%	243.98	0.6%	233.27	5.2%
10 Year Treasury Bond Future	109.75	112.33	-2.3%	112.89	-2.8%	112.89	-2.8%	111.89	-1.9%
10 Year Treasury Note Total Return	289.87	294.07	-1.4%	294.12	-1.4%	294.12	-1.4%	283.98	2.1%
iShares 20+ Year Treasury Bond ETF	92.76	96.66	-4.0%	98.88	-6.2%	98.88	-6.2%	101.59	-8.7%
S&P Municipal Bond Total Return	271.96	272.53	-0.2%	272.94	-0.4%	272.94	-0.4%	260.44	4.4%
iShares S&P National Municipal Bond NAV	107.69	108.19	-0.5%	108.42	-0.7%	108.42	-0.7%	106.07	1.5%
S&P 500 Investment Grade Corporate Bond Total Return	447.35	455.62	-1.8%	455.89	-1.9%	455.89	-1.9%	427.10	4.7%
S&P Investment Grade Corporate Bond	89.85	91.49	-1.8%	91.76	-2.1%	91.76	-2.1%	89.16	0.8%
S&P Investment Grade Corporate Bond Total Return	475.15	482.96	-1.6%	482.66	-1.6%	482.66	-1.6%	452.23	5.1%
SPDR Bloomberg High Yield Bond ETF	94.20	94.87	-0.7%	94.73	-0.6%	94.73	-0.6%	91.08	3.4%
iShares iBoxx High Yield Corporate Bond ETF	76.91	77.48	-0.7%	77.39	-0.6%	77.39	-0.6%	74.27	3.6%
Gold	2013.59	2039.52	-1.3%	2062.98	-2.4%	2062.98	-2.4%	1836.36	9.7%
Bitcoin	52016.40	42458.43	22.5%	41935.34	24.0%	41935.34	24.0%	24535.46	112.0%

Source: Bloomberg, Sanctuary Wealth, February 18, 2024

All Eyes On Fed FOMC Meeting Minutes

This week investors will have ears to the ground and eyes open wide, hoping to catch insights from data and dialogue.

With inflation data higher than expected, all eyes will be on the minutes from the latest FOMC (Federal Open Market Committee) meeting to see what the Fed governors are saying about inflation and rates. Data will be light this week, but among the important releases are the Leading Economic Indicator, some housing data, and Global PMI for manufacturing and services. With every piece of data, the Bull may buck, but it will always be moving forward. Ride on!



Calendar

Mon.

None scheduled, President's Day holiday

Tue.

10:00 am U.S. leading economic indicators

Earnings: Alcon, Amplitude, Andersons, Barclays, Beyond, Inc., Caesars Entertainment, Celanese, CenterPoint, Chesapeake Energy, Choice Hotels, Community Health, Cushman & Wakefield, Diamondback Energy, DigitalBridge, Element Solutions, Equitrans Midstream, Expeditors International of Washington, Flowserve, Franco-Nevada, Fluor, Globus Medical, Graphic Packaging, Halozyme Therapeutics, Home Depot, International Flavors & Fragrances, JBT Corp, KBR, Keysight Technologies, La-Z-Boy, Matador Resources, Matterport, Medifast, Medtronic, NeoGenomics, Palo Alto Networks, Pan Am Silver, Public Storage, Realty Income, SolarEdge Technologies, Sun Communities, Teladoc, Toll Brothers, TRI Pointe Homes, UFP Industries, Visteon, Walmart, Westlake Corporation

Wed.

8:00 am Atlanta Fed President Raphael Bostic delivers welcoming remarks

1:00 pm Fed Gov. Michelle Bowman speaks

2:00 pm Minutes of Fed's January FOMC meeting

Earnings: Alamos, Analog Devices, ANSYS, Avista, B2Gold, Bally's, Bausch + Lomb, Camping World, Canadian Natural Resources, Cheesecake Factory, Chesapeake Utilities, Chord Energy, Churchill Downs, Clean Harbors, Coeur Mining, DigitalOcean, Dutch Bros, Etsy, Exact Sciences, Exelon, Fidelity National, First Majestic Silver, Forward Air, Garmin, Gildan Activewear, Glaukos, HF Sinclair, Host Hotels, Huntsman, Ionis Pharma, Jack In The Box, Jackson Financial, Kodiak Gas Services, LivaNova, Lucid Group, Marathon Oil, Marriott Vacations, Medical Properties Trust, Mister Car Wash, Mosaic, NiSource, Nordson, Nvidia, Olo Inc., ONE Gas, Photronics, Physicians Realty Trust, Pulmonx, Q2 Holdings, Range Resources, Rivian Automotive, Shutterstock, SM Energy, Sturm Ruger, Suncor Energy, Sunnova Energy, Sunrun, Synopsys, Tandem Diabetes Care, United Therapeutics, Valmont, Vimeo, Wingstop, Wix.com, Wolverine World Wide

Thu.

8:30 am Initial jobless claims, Empire State manufacturing survey, Philadelphia Fed manufacturing survey, Import price index, U.S. retail sales

9:15 am Industrial production, Capacity utilization

10:00 am Home builder confidence index

1:15 pm Fed Gov. Christopher Waller speaks

7:00 pm Atlanta Fed President Raphael Bostic speaks

Earnings: ACCO Brands, Alarm.com, Altair Engineering, American Homes 4 Rent, Arcadium Lithium, BigCommerce, BioMarin Pharmaceutical, Block, Booking Holdings, Brady, Builders FirstSource, Cars.com, Carvana, Cheniere Energy, Chuy's, Clearway Energy, Copart, Coterra Energy, Dominion Energy, Edison, Enovis Corporation, Entergy, EOG Resources, Evolent Health, eXp World Holdings, Fiverr, Floor & Décor, Fox Factory Holding, Genco Shipping & Trading, Guardant Health, Harmony Biosciences, Hillman Solutions, Intellia Therapeutics, Intuit, Iron Mountain, iRhythm, Keurig Dr Pepper, LegalZoom.com, Live Nation, MercadoLibre, Moderna, Newmark Group, Newmont Goldcorp, NICE, Noble, Northern Oil & Gas, Nutrien, Oceaneering International, Pembina Pipeline, PG&E, Pioneer Natural Resources, Planet Fitness, Pool, Quanta Services, RE/MAX Holdings, Rocket Companies, Sleep Number, Sprouts Farmers Market, SPX Corp, Starwood Property Trust, TechnipFMC, Teck Resources, Teleflex, Trinity Industries, Universal Display, VICI Properties, Wayfair, Wheaton Precious Metals

Fri.

8:30 am Initial jobless claims

9:45 am S&P flash U.S. services PMI

10:00 am Existing home sales, Fed Vice Chair Philip Jefferson speaks

3:15 pm Philadelphia Fed President Patrick Harker speaks

5:00 pm Fed Gov. Lisa Cook speaks, Minneapolis Fed President Neel Kashkari speaks

7:35 pm Fed Gov. Christopher Waller speaks

Earnings: AerCap, Bloomin' Brands, Docebo, Frontier Communications Parent, Gray Television, Lamar Advertising, RB Global, Scripps, Sunstone Hotel, TransAlta, Warner Bros. Discovery

Source: MarketWatch/Kiplinger

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