

Week Ahead

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Week of March 25, 2024

Fed's Bullish Comments Stir Optimistic Markets

Last week the Federal Open Market Committee (FOMC) met and decided to hold interest rates steady, while reaffirming their dot plot forecast for three rate cuts at some point this year.

The Fed raised its forecast for GDP to 2.1% from 1.4%, and it also raised its inflation outlook to 2.6% from 2.4%, while lowering its unemployment rate outlook to 4.0% from 4.1%. As a result, the fixed income and equity markets both celebrated with rates going down and stocks going up enough to hit the 20th record all-time high. We expect stocks to maintain their gains into the end of 1Q24 (this Thursday, as the markets are closed on Friday). But, next week, as we start the new quarter, don't be surprised if the Bull bucks a little. We're still seeing a Bucking Bull throughout the year.

If the economy remains strong and inflation sticky, the Fed may push out its projected June rate cut to July; and it also may lower the number of targeted rate cuts in 2024 from three to only two. So, we remain data dependent. Even if the first expected Fed cut is pushed out and the 2024 number of cuts lowered, we don't expect this to stop the Bull from running. *Remember: last year the market thought it would get multiple rate cuts – got none – and yet, the Bull charged ahead with a 24% gain for the S&P 500.*

April Showers Won't Washout The Bull

The S&P 500 and Nasdaq 100 are each up nearly 10% year-to-date! This is an amazing return in three months. If we annualized this number, the market would be up 40% plus for the year. Historically, it's not an unprecedented number, but in this environment, are returns at this level sustainable? Not likely. The month of April (which starts next Monday) is famous for its "showers – a little rain on the equity market's parade; but we believe this seasonality will in turn create "beautiful flowers" in May; look for stock prices to blossom! Near term, we would not be surprised to see a correction of 5%-10%. Semiconductors, the Leaders of this market, are up 30% year-to-date. So, a sharper pullback of 15% could occur. We maintain that all pullbacks are a buying opportunity for the markets, especially for Semis. *We maintain our outlook for the S&P 500 to reach 5400-5800 this year.*



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S&P 500 With Weekly Stochastic: Market Stretched Could Correct



VanEck Semiconductor ETF (SMH): Very Extended And Can Correct



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Interest Rates Fall On Fed's Comments and Decision to Hold Rates Steady

The fixed markets celebrated the Fed holding rates steady and indicating the belief that rates have peaked and that a reduction in rates later this year should be warranted. While the Fed is an independent entity, it doesn't operate in a vacuum, and as this is an election year, an economic accommodation, such as rate cuts, is surely possible.

The 2-Year Treasury yield respected resistance levels (200-day moving average) and fell; it's now looking to test support near the 50-day moving average at 4.5%. A break of 4.5% would point to rates continuing to fall, with the first support near 4.4% and the second support near 4.2%-4.1%. *If stocks correct, yields are likely to fall.*

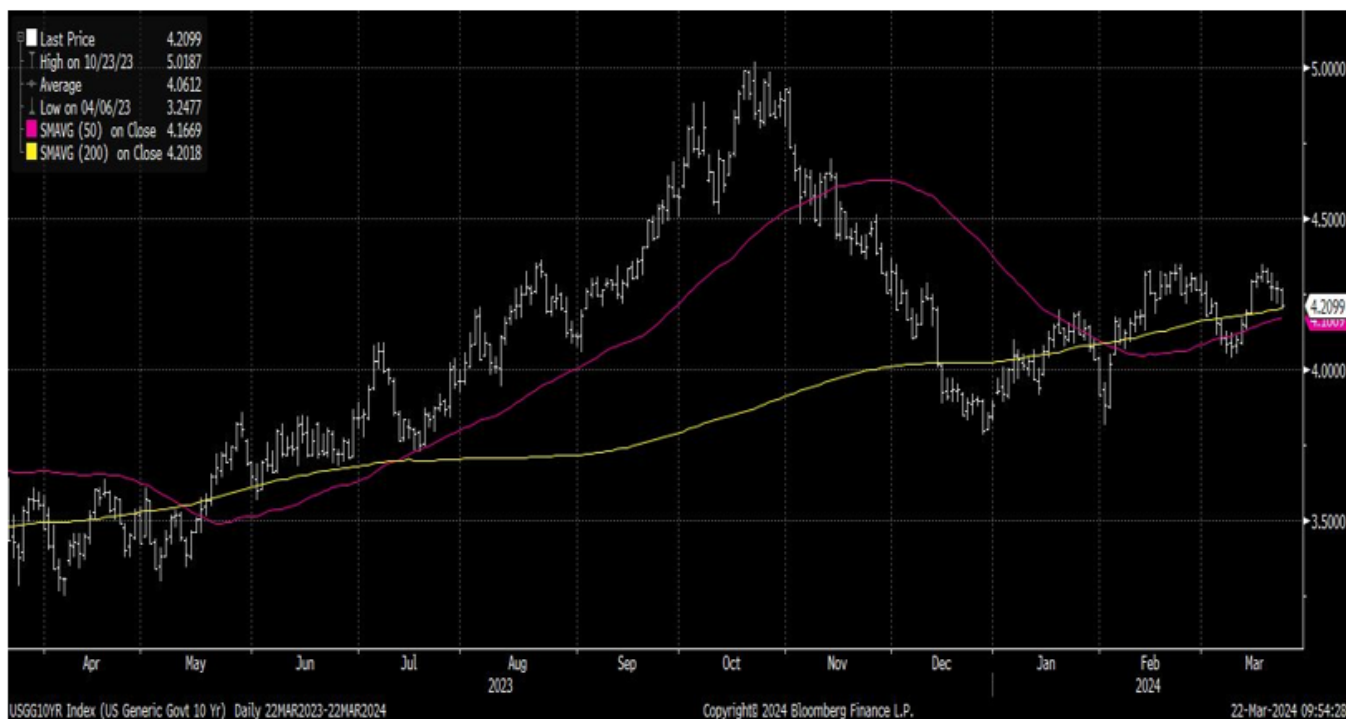
Yields on the 10-Year Treasury also respected resistance levels and are moving toward the 50- and 200-day moving averages, which are clustered near 4.2% and 4.1%. Should these levels break, the next move near support is at 4.0%.

2-Year Treasury Yield With 50- And 200-Day Moving Averages



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

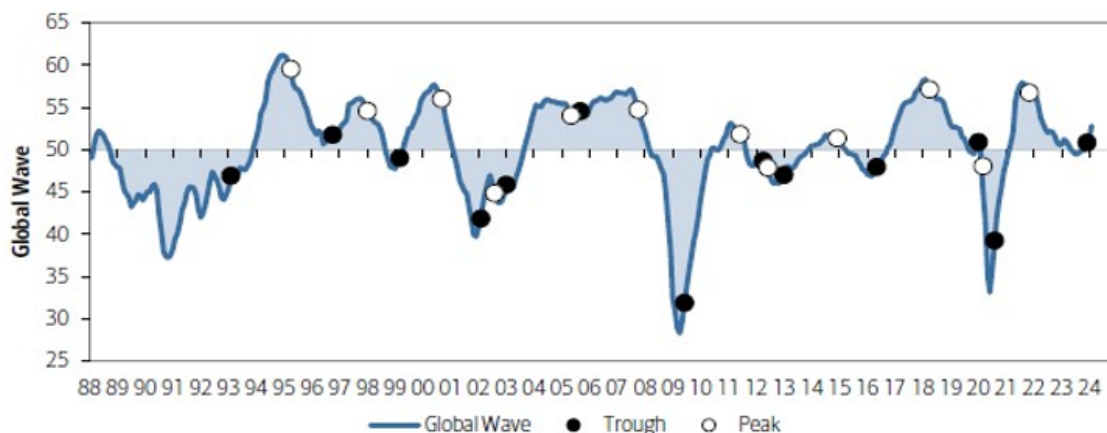


BofA Global Wave Says Global Economies & Markets Are Bullish

The Bank of America (BofA) Global Wave is now positive for three consecutive months as macro global data continues to improve. Upturns in the Global Wave average two years, so the rising Global Wave is a positive signal for equity markets and cyclical. In the 12 months after the six "live" Global Wave trough signals since 2008, the global sectors with highest median returns have been Media, Semis, Software, Diversified Financials, and Tech Hardware. *This confirms to us that the cycle stays Growth over Value.*

Chart 1: Global Wave

The Global Wave continues to improve after a trough signal in January



Source: BofA Global Quantitative Strategy, MSCI, IBES, Haver, Bloomberg, OECD, IMF, ICE Bond Indices, National Statistics Database

The sentiment indicator identified as Global Wave above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for other purpose, without the prior written consent of BofA Research. This sentiment indicator was not created to act as a benchmark.

BofA GLOBAL RESEARCH

Week of March 25, 2024

Japan Raising Rates – The Negative Goes Positive

Last week, Japan raised rates for the first time in 17 years, moving from negative rates to positive (technically from 0.0% to 0.1%). It's the first time in eight years that rates are not negative. Stocks celebrated and rallied. The Nikkei is up 22% in local currency year-to-date. This is only the beginning of the Bull charge in Japan – and it bodes well for the Bull to run in other global markets as well.

Nikkei 225 Monthly Chart: Secular Breakout A New Bull For Japan

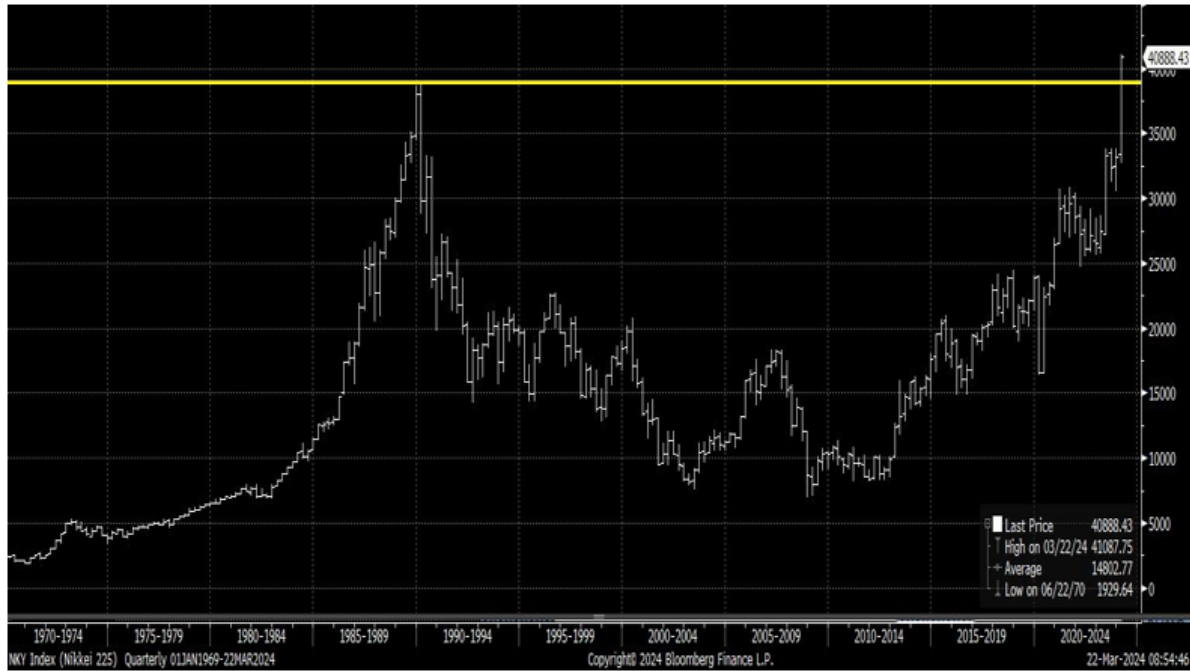


Chart That Caught Our Eye: Freeport-McMoran (FCX)

As noted in last week's edition of WEEK AHEAD, copper has broken out. And so has Freeport-McMoran (FCX), which has significant exposure to copper. The electrification of the U.S. needs to expand with the growth of electric cars and now, more importantly, with the demand for data centers as the economy embraces AI (artificial intelligence). Copper is a key component to building electric facilities. Copper is 70% of the generation and distribution of electricity. Supply challenges remain for the metal. So, with demand expected to pick up against ongoing supply constraints, we should see copper pricing continue to firm, which would benefit FCX. FCX has broken out of a pattern known as a triangle. This technically points to the stock testing past highs near \$60.

Freeport-McMoran Monthly Chart: Breakout



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Market Performance

	Last 3/22/2024	Month End 2/29/2024	Month to Date	Quarter End 12/29/2023	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 3/23/2023	Year To Year
S&P 500	5234.18	5096.27	2.7%	4769.83	9.7%	4769.83	9.7%	3948.72	32.6%
NASDAQ Composite	16428.82	16091.92	2.1%	15011.35	9.4%	15011.35	9.4%	11787.40	39.4%
NASDAQ 100	446.38	439.00	1.7%	409.52	9.0%	409.52	9.0%	309.75	44.1%
Russell 2000	2072.00	2054.84	0.8%	2027.07	2.2%	2027.07	2.2%	1720.29	20.4%
S&P Consumer Discretionary Sector	1475.13	1485.31	-0.7%	1418.09	4.0%	1418.09	4.0%	1106.39	33.3%
S&P Consumer Staples Sector	806.75	789.20	2.2%	762.32	5.8%	762.32	5.8%	749.13	7.7%
S&P Energy Sector	705.67	653.14	8.0%	640.05	10.3%	640.05	10.3%	596.32	18.3%
S&P Financial Sector	689.52	670.05	2.9%	626.35	10.1%	626.35	10.1%	516.28	33.6%
S&P Health Care Sector	1696.81	1686.41	0.6%	1590.36	6.7%	1590.36	6.7%	1465.45	15.8%
S&P Industrials Sector	1060.31	1022.56	3.7%	964.73	9.9%	964.73	9.9%	817.61	29.7%
S&P Information Technology Sector	3869.95	3748.57	3.2%	3397.16	13.9%	3397.16	13.9%	2545.76	52.0%
S&P Materials Sector	575.83	550.91	4.5%	539.62	6.7%	539.62	6.7%	480.17	19.9%
S&P Real Estate Sector	242.74	245.41	-1.1%	251.58	-3.5%	251.58	-3.5%	217.66	11.5%
S&P Communications Sector	286.45	272.50	5.1%	246.00	16.4%	246.00	16.4%	188.27	52.1%
S&P Utilities Sector	324.34	313.71	3.4%	321.92	0.8%	321.92	0.8%	323.73	0.2%
S&P 500 Total Return	11115.69	11062.11	0.5%	10327.83	7.6%	10327.83	7.6%	8445.87	31.6%
3 month Treasury Bill Price	98.65	98.65	0.0%	98.66	0.0%	98.66	0.0%	98.84	-0.2%
3 month Treasury Bill Total Return	246.71	246.09	0.3%	243.98	1.1%	243.98	1.1%	234.43	5.2%
10 Year Treasury Bond Future	110.75	110.44	0.3%	112.89	-1.9%	112.89	-1.9%	115.98	-4.5%
10 Year Treasury Note Total Return	288.65	288.95	-0.1%	294.12	-1.9%	294.12	-1.9%	294.37	-1.9%
iShares 20+ Year Treasury Bond ETF	93.98	94.18	-0.2%	98.88	-5.0%	98.88	-5.0%	106.40	-11.7%
S&P Municipal Bond Total Return	273.07	272.74	0.1%	272.94	0.0%	272.94	0.0%	262.33	4.1%
iShares S&P National Municipal Bond NAV	107.58	107.92	-0.3%	108.42	-0.8%	108.42	-0.8%	106.81	0.7%
S&P 500 Investment Grade Corporate Bond Total Return	452.78	448.78	0.9%	455.89	-0.7%	455.89	-0.7%	435.74	3.9%
S&P Investment Grade Corporate Bond	90.55	90.01	0.6%	91.76	-1.3%	91.76	-1.3%	90.39	0.2%
S&P Investment Grade Corporate Bond Total Return	480.91	476.73	0.9%	482.66	-0.4%	482.66	-0.4%	460.38	4.5%
SPDR Bloomberg High Yield Bond ETF	95.11	94.62	0.5%	94.73	0.4%	94.73	0.4%	90.49	5.1%
iShares iBoxx High Yield Corporate Bond ETF	77.70	77.33	0.5%	77.39	0.4%	77.39	0.4%	73.75	5.4%
Gold	2165.44	2044.30	5.9%	2062.98	5.0%	2062.98	5.0%	1993.40	8.6%
Bitcoin	63509.02	61430.64	3.4%	41935.34	51.4%	41935.34	51.4%	28333.00	124.2%

Source: Bloomberg, Sanctuary Wealth, March 22, 2024

Will March End With An Easter Basket Of Goodies?

This is a shortened week – but we long for the data and comments to drop on Friday – when markets are closed!

The most important inflation data, the Core PCE (Personal Consumption Expenditures) price index, will be released this week – on Friday! But U.S. markets will be closed for Good Friday. Also Fed Chair Powell is scheduled to give a speech on Friday. Lots of potential market-moving information – but investor hands will be tied until Monday.

Markets tend to rally going into a long holiday weekend, and with markets up sharply for the 1Q24, investors want to maintain these gains and performance. This is the last week of the quarter, so look for window dressing today and tomorrow, as investors will likely buy winners and sell losers to improve the look of the portfolios. (Note, T+2 makes Tuesday the last day of trading of the quarter – due to the Friday closing.)

Overall, we expect a good week this week. Let March go out as a Lion (or Bull)... but this sets up next Monday to possibly be a very interesting day as it will also be the first trading day of the 2Q24. Monday is April 1st – April Fool's Day. Don't get caught by surprise. And remember: April showers may rain on the market's bull parade – but those clouds will pass.



Calendar

Mon.

8:25 am Atlanta Fed President Raphael Bostic speaks
9:05 am Chicago Fed President Austan Goolsbee speaks
10:00 am New home sales
10:30 am Fed Gov. Lisa Cook speaks

Tue.

8:30 am Durable-goods orders, Durable-goods minus transportation
9:00 am S&P Case-Shiller home price index (20 cities)
10:00 am Consumer confidence
Earnings: Concentrix, GameStop, GDS Holdings, McCormick, nCino, Progress Software, TD Synnex

Wed.

6:00 pm Fed Gov. Christopher Waller speaks
Earnings: Braze, Cintas, H.B. Fuller, Jefferies, MillerKnoll, Paychex, Sprinklr, UniFirst, Verint Systems

Thu.

8:30 am Initial jobless claims, GDP (2nd revision)
9:45 am Chicago Business Barometer (PMI)
10:00 am Pending home sales, Consumer sentiment (final)
Earnings: BRP, Oxford Industries, Semtech, Sharecare, Torrid, Vuzix, Walgreens Boots Alliance

Fri.

8:30 am Advanced U.S. trade balance in goods, Advanced retail inventories, Advanced wholesale inventories, Personal income (nominal), Personal spending (nominal), PCE index, Core PCE index, PCE (year-over-year), Core PCE (year-over-year)
11:30 am Fed Chair Jerome Powell speaks
Friday, March 29, is a stock market holiday with both the stock and bond markets closed for Good Friday.

Source: MarketWatch/Kiplinger

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