



## Week Ahead

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### Week of April 1, 2024

#### April Fools – The Market Fooled Many In 1Q

**Coming into 2024, many anticipated a significant economic slowdown and possible recession, making many investors cautious on the equity markets.**

The fixed income markets expected six to seven rate cuts this year. Then that thinking was adjusted downward to three cuts – a number recently given support by Fed Chair Jerome Powell. But now with the latest inflation data from CPI and PPI coming in higher than expected, backing a strong economy, some are now saying the rate cuts could be as few as two – or none at all. Despite all this concern, stocks rallied 10% over the first quarter – so a projected annualized return would exceed 40%. WOW! Put that in your Easter basket! Equities have rallied based on improving earnings and margins. Corporates have been able to adapt to a higher interest rate and inflationary environment. As we pointed out last week, it's not just the U.S. improving. The Bank of America Global Wave model went positive for the past three months, indicating global economies and equity markets are improving. A stronger global economy should continue to boost earnings for U.S. companies.

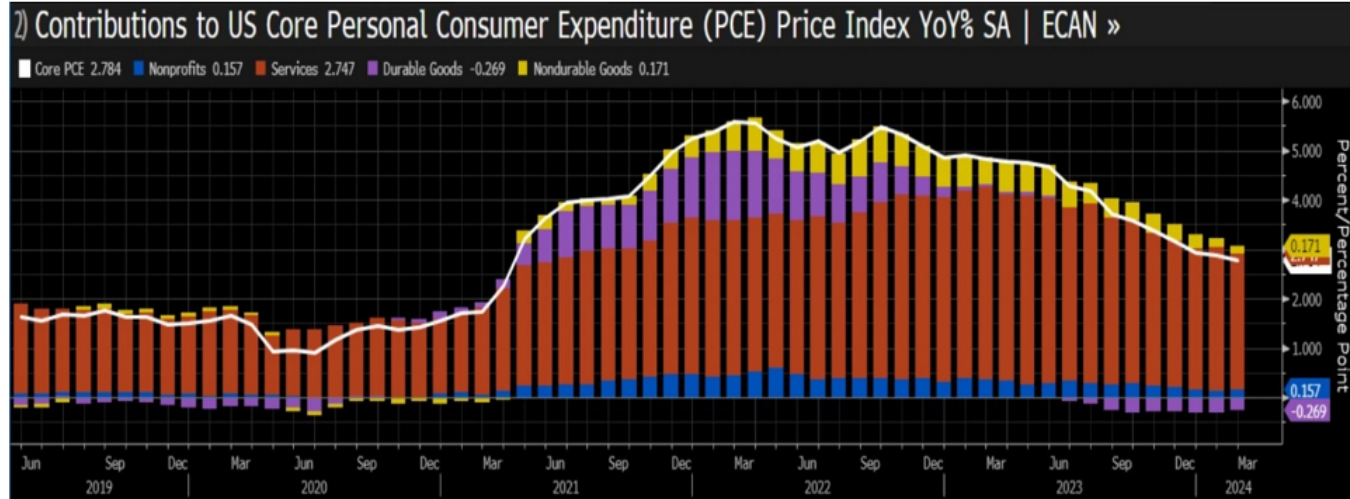
#### Fed Chair Powell Says “No Rush To Cut Interest Rates”

Last Friday, Federal Reserve Chair Jerome Powell reiterated that the U.S. central bank is not in any rush to cut interest rates. At an event at the San Francisco Fed, Powell said, “We don't need to be in a hurry to cut.” He also commented that the Core Personal Consumption Expenditure (PCE) price index that was released that morning is “pretty much in line with our expectations.” But Powell emphasized that it wouldn't be appropriate to lower rates until officials are confident inflation is on track toward their 2% goal. In our view, markets are likely to take these comments on the hawkish side; so, the market should stay with expecting two rate cuts – with the risk of this going lower. *But remember: Last year there were no rate cuts despite the market expecting them – and the S&P 500 still rallied 24%.*

#### Core PCE Reports In Line With Expectations At 2.8%

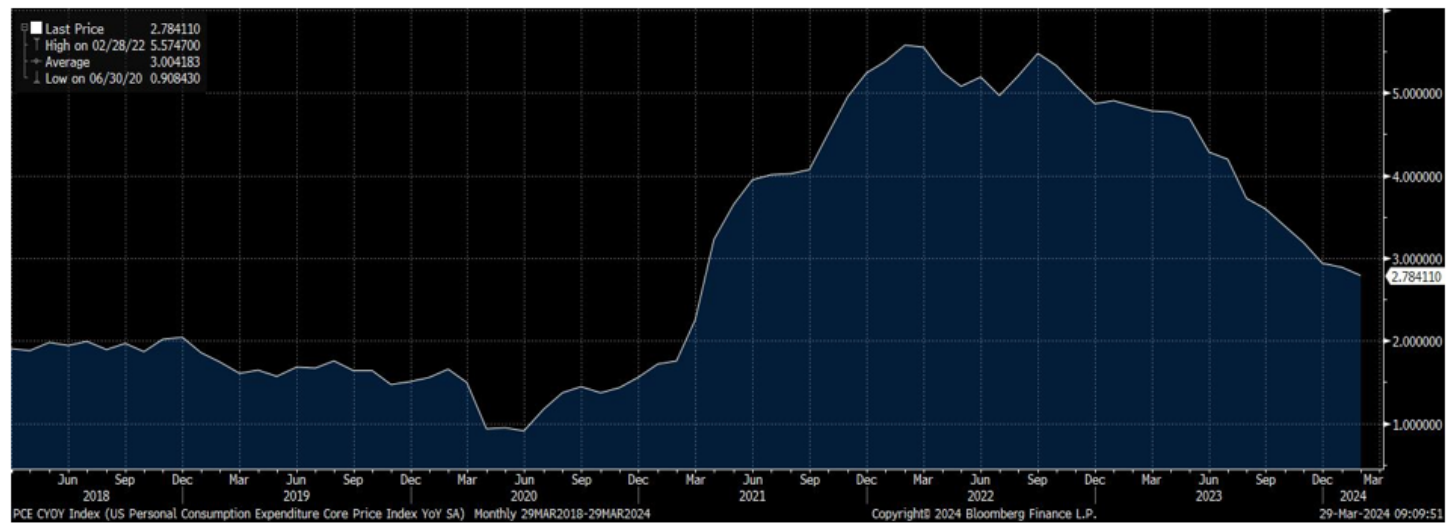
The all-important Core Personal Consumption Expenditures (PCE) price index came in as expected at 2.8%. Last month's data was revised higher to 2.9% from 2.8%. The sticky part of inflation has been the Services side of the economy. The real surprise in the data last Friday was personal spending coming in much stronger for February at 0.8% versus the expected 0.5%. This confirms that the consumer remains strong. This consumer data should boost 1Q GDP, confirming the economy remains strong along with employment. *A strong economy brings improving earnings and an equity market that remains in a bull trend.*

## Contributions Of Core Consumption Expenditures: Services Remain Sticky



Source: Bloomberg, March 29, 2024

## Core Personal Consumption Expenditures Year-to-Year At 2.8%



 **Week of April 1, 2024**

### Entering 2Q24, Equity Markets Are Stretched, So They Could Pull Back

As we enter 2Q24, the equity markets have had a great run without a significant pullback. You can see in the accompanying chart how far the S&P 500 is from both its 50-month and 200-month moving averages. It would be very healthy for the markets to have a pullback. In fact, if we don't get a pullback, we might see a rotational correction – that's when overperforming sectors, like Technology, correct, while the laggards, like Energy, rise. Just remember, any volatility in the markets brings opportunity, in our view. *April Showers should bring May Flowers.*

### S&P 500 With 50-Month And 200-Month Moving Averages



## WTI Crude Oil Is Firming As We Enter The Driving Season

Gold and copper have been rallying in the commodity complex. We are fast approaching the summer driving season, and WTI crude oil prices look to be firming. A break above \$85 points to a technical move toward \$90. *Firming oil pricing should benefit the energy stocks near-term.*

### Daily WTI Crude Oil Pricing Firming: A Break Of \$85 Points To \$90



## S&P 500 Energy Stocks Break Out To Test All-Time Highs From 2014

As crude oil is firming, energy stocks are responding and breaking out; they look to test the all-time highs set in 2014. Should energy stocks move to record highs and maintain them, it would be a very significant move for the sector. *Energy stocks, with strong cash flows and dividends, remain the cheapest stocks in the market.*

### S&P 500 Energy Stocks Breakout



## Market Performance

	Last 3/28/2024	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 3/29/2023	Year To Year
S&P 500	5254.35	5096.27	3.1%	4769.83	10.2%	4769.83	10.2%	4027.81	30.5%
NASDAQ Composite	16379.46	16091.92	1.8%	15011.35	9.1%	15011.35	9.1%	11926.24	37.3%
NASDAQ 100	444.01	439.00	1.1%	409.52	8.4%	409.52	8.4%	312.72	42.0%
Russell 2000	2124.55	2054.84	3.4%	2027.07	4.8%	2027.07	4.8%	1771.60	19.9%
S&P Consumer Discretionary Sector	1485.49	1485.31	0.0%	1418.09	4.8%	1418.09	4.8%	1124.22	32.1%
S&P Consumer Staples Sector	814.23	789.20	3.2%	762.32	6.8%	762.32	6.8%	771.29	5.6%
S&P Energy Sector	721.24	653.14	10.4%	640.05	12.7%	640.05	12.7%	628.71	14.7%
S&P Financial Sector	701.32	670.05	4.7%	626.35	12.0%	626.35	12.0%	530.74	32.1%
S&P Health Care Sector	1723.97	1686.41	2.2%	1590.36	8.4%	1590.36	8.4%	1485.81	16.0%
S&P Industrials Sector	1066.71	1022.56	4.3%	964.73	10.6%	964.73	10.6%	843.55	26.5%
S&P Information Technology Sector	3821.05	3748.57	1.9%	3397.16	12.5%	3397.16	12.5%	2571.52	48.6%
S&P Materials Sector	585.16	550.91	6.2%	539.62	8.4%	539.62	8.4%	496.86	17.8%
S&P Real Estate Sector	248.16	245.41	1.1%	251.58	-1.4%	251.58	-1.4%	227.00	9.3%
S&P Communications Sector	284.29	272.50	4.3%	246.00	15.6%	246.00	15.6%	187.03	52.0%
S&P Utilities Sector	333.49	313.71	6.3%	321.92	3.6%	321.92	3.6%	340.04	-1.9%
S&P 500 Total Return	11418.03	11062.11	3.2%	10327.83	10.6%	10327.83	10.6%	8615.29	32.5%
3 month Treasury Bill Price	98.66	98.65	0.0%	98.66	0.0%	98.66	0.0%	98.81	-0.1%
3 month Treasury Bill Total Return	247.21	246.09	0.5%	243.98	1.3%	243.98	1.3%	234.59	5.4%
10 Year Treasury Bond Future	110.80	110.44	0.3%	112.89	-1.9%	112.89	-1.9%	114.53	-3.3%
10 Year Treasury Note Total Return	291.09	288.95	0.7%	294.12	-1.0%	294.12	-1.0%	290.91	0.1%
iShares 20+ Year Treasury Bond ETF	94.62	94.18	0.5%	98.88	-4.3%	98.88	-4.3%	104.32	-9.3%
S&P Municipal Bond Total Return	272.69	272.74	0.0%	272.94	-0.1%	272.94	-0.1%	263.35	3.5%
iShares S&P National Municipal Bond NAV	107.42	107.92	-0.5%	108.42	-0.9%	108.42	-0.9%	107.23	0.2%
S&P 500 Investment Grade Corporate Bond Total Return	453.46	448.78	1.0%	455.89	-0.5%	455.89	-0.5%	431.82	5.0%
S&P Investment Grade Corporate Bond	90.59	90.01	0.6%	91.76	-1.3%	91.76	-1.3%	89.54	1.2%
S&P Investment Grade Corporate Bond Total Return	481.59	476.73	1.0%	482.66	-0.2%	482.66	-0.2%	456.36	5.5%
SPDR Bloomberg High Yield Bond ETF	95.20	94.62	0.6%	94.73	0.5%	94.73	0.5%	91.14	4.5%
iShares iBoxx High Yield Corporate Bond ETF	77.73	77.33	0.5%	77.39	0.4%	77.39	0.4%	74.30	4.6%
Gold	2229.87	2044.30	9.1%	2062.98	8.1%	2062.98	8.1%	1964.70	13.5%
Bitcoin	70712.89	61430.64	15.1%	41935.34	68.6%	41935.34	68.6%	28393.00	149.1%

Source: Bloomberg, Sanctuary Wealth, March 29, 2024

## Fed Speak And Data Declarations

**This week we're getting a deluge of data – and commentary – to help frame the strength of the economy.**

This will be a week jammed with data on the economy with both ISM manufacturing and services, durable goods, and the all-important March employment report. Plus, each day this week, we'll benefit from hearing a different Federal Reserve official speak about their perspective on the economy. All this data and shared commentary will set the tone for investors' expectations on how many rates cuts the Fed may have in store. Current thinking is two cuts, with the first no earlier than July, but likely before the November presidential election – but this is a moving target. If we get stronger than expected data this week, we could see market volatility with the risk of the market lowering its expectations on the number of rate cuts in 2024. Bottom line, the data this week could change everything – get a good grip on your saddle, and keep your eye on the horizon. It's a bucking Bull after all.



# Calendar

## Mon.

9:45 am S&P U.S. manufacturing PMI (final)  
 10:00 am Construction spending, ISM manufacturing  
 6:50 pm Fed Governor Lisa Cook speaks  
 Earnings PVH

## Tue.

10:00 am Factory orders, Job openings  
 10:10 am Fed Governor Michelle Bowman speaks  
 12:05 pm Cleveland Fed President Loretta Mester speaks  
 1:30 pm San Francisco Fed President Mary Daly speaks  
 Earnings: Concentrix, GameStop, GDS Holdings, McCormick, nCino, Progress Software, TD Synnex  
 6:00 pm Fed Gov. Christopher Waller speaks  
 TBA U.S. auto sales  
 Earnings: Cal-Maine Foods, Dave & Buster's, Paychex

## Wed.

8:15 am ADP employment  
 9:45 am S&P U.S. services PMI (final), Fed Governor Michelle Bowman speaks  
 10:00 am ISM services  
 12:00 pm New York Fed President John Williams moderates discussion  
 12:10 pm Fed Chair Jerome Powell speaks  
 1:10 pm Fed Vice Chair for Supervisions Michael Barr speaks  
 4:30 pm Fed Governor Adriana Kugler speaks  
 Earnings: Acuity Brands, Levi Strauss, Resources Connection, Simulations Plus, Sportsman's Warehouse

## Thu.

8:30 am Initial jobless claims, U.S. trade balance  
 10:00 am Philadelphia Fed President Patrick Harker speaks  
 12:15 pm Richmond Fed President Tom Barkin speaks  
 12:45 pm Chicago Fed President Austan Goolsbee speaks  
 2:00 pm Cleveland Fed President Loretta Mester speaks, Minneapolis Fed President Neel Kashkari speaks  
 7:30 pm Fed Governor Adriana Kugler speaks  
 Earnings: Lamb Weston, Lindsay, Radius Recycling, RPM, Simply Good Foods

## Fri.

8:30 am U.S. nonfarm payrolls, U.S. unemployment rate, U.S. hourly wages, Hourly wages year over year  
 9:15 am Richmond Fed President Tom Barkin speaks  
 11:00 am Dallas Fed President Lorie Logan speaks  
 12:15 pm Fed Governor Michelle Bowman speaks  
 3:00 pm Consumer credit

Source: MarketWatch/Kiplinger

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