



**Week Ahead**

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 **Week of July 1, 2024**

**Transition Theme For 1H24 Into Rest Of Year: An Object In Motion Stays In Motion**

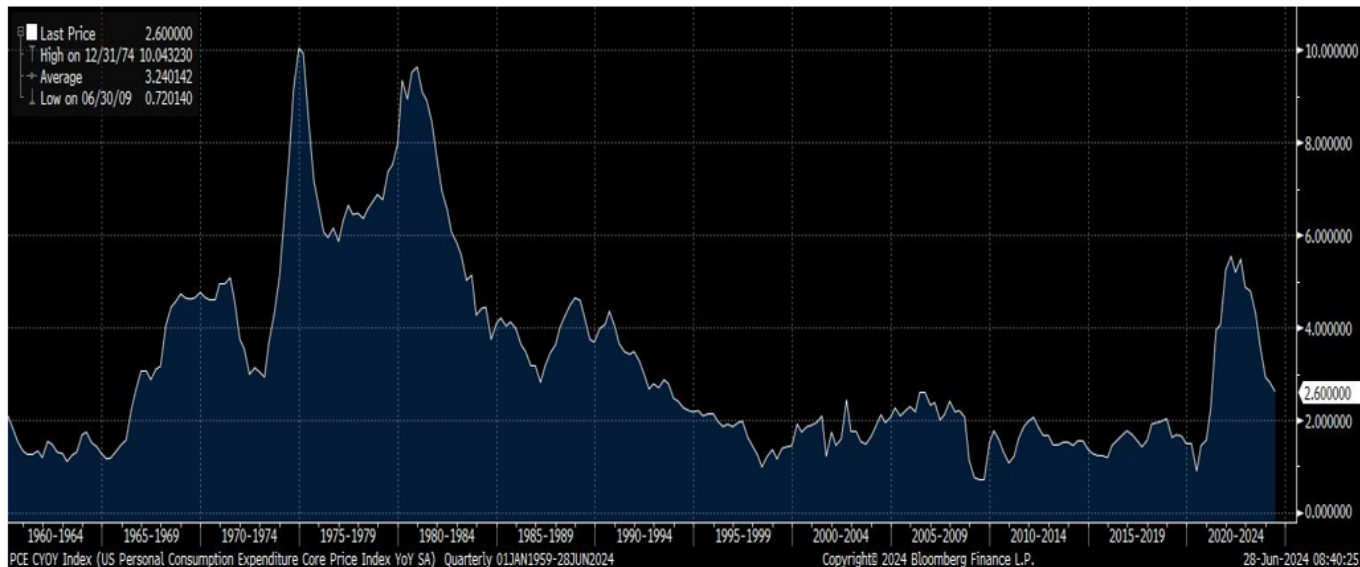
**Part of Isaac Newton's first law of motion is that an object in motion stays in motion. Well, the stock market has had strong motion so far this year, up 14.5% for the first half.**

We remain bullish and believe the motion of the market stays up. And we still believe that any pullbacks represent a buying opportunity.

**Inflation Continues To Fall: Core PCE At 2.6%**

The favorite measure of inflation used by the Federal Reserve (Fed) is Personal Consumption Expenditure (PCE) year-to-year. Last Friday, we got the PCE data for May, which came in as expected, with PCE falling to 2.6%. We believe that this lower PCE measurement, combined with recent weakness in employment and consumer spending, should allow the Fed to cut interest rates in September.

**Core PCE Year-to-Year Has Fallen Sharply**



 **Week of July 1, 2024**

### Interest Rates Continue to Fall

The Core PCE came in as expected, falling to 2.6%, and this should have a positive impact on interest rates. Rates certainly appear to have peaked for this cycle and we expect them to continue to fall in the back half of this year.

### Monthly 2-Year Treasury Yield With 14-Month Stochastic Pointing To Lower Levels



### Monthly 10-Year Treasury Yield With 14-Month Stochastic Pointing To Lower Levels



## Earnings To Power Equity Markets Higher

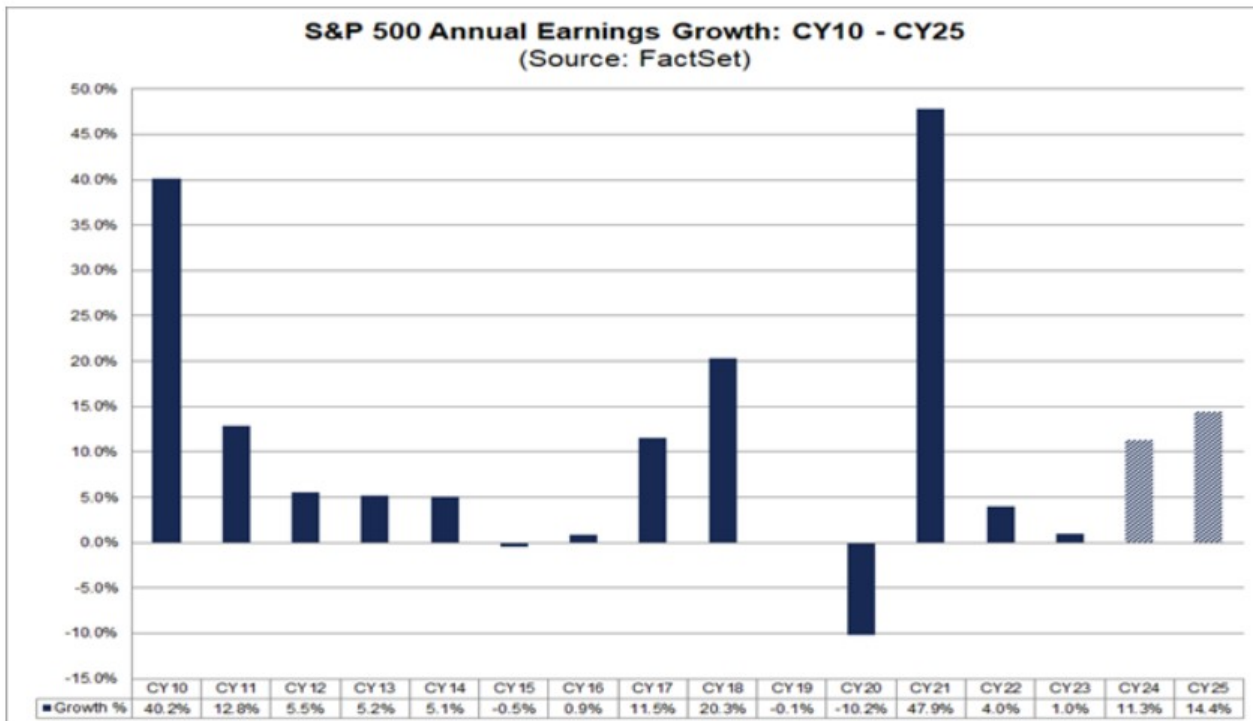
Now that the first half of the year is done, the market will focus on earnings expectations for the rest of 2024 – but now investors are already looking at the earnings outlook for 2025. According to FactSet, industry analysts in aggregate predict the S&P 500 will report year-over-year earnings growth of 11.3% in 2024 and 14.4% in 2025.

If these numbers become reality and are the actual earnings growth rates for each year, it will mark the third time in the past 15 years that the S&P 500 has reported two consecutive years of double-digit earnings growth. The last two times the S&P 500 reported two straight years of double-digit earnings growth were in 2017 (11.5%) and 2018 (20.3%), and in 2010 (40.2%) and 2011 (12.8%).

At the sector level, analysts are expecting widespread growth for both years. For 2024, nine of the eleven sectors are predicted to report (year-over-year) earnings growth. Four of these nine sectors are projected to report double-digit growth, led by Communication Services (21.0%) and Information Technology (18.8%). For 2025, all eleven sectors are predicted to report (year-over-year) earnings growth. Eight of these eleven sectors are projected to report double-digit growth, led by Information Technology (19.5%) and Health Care (18.5%).

It is interesting to note that the current earnings growth rate estimates for both 2024 and 2025 are above the expectations at the start of this year.

Our view is that artificial intelligence (AI) is positively impacting the earnings outlook, particularly for Technology and Communication Services.



Source: FactSet, June 21, 2024

 **Week of July 1, 2024**



Source: FactSet, June 21, 2024

### Interest Rate Sensitive Sectors: Utilities and REITs

Last week, we wrote that the S&P 500 Utilities sector had the best stochastic buy signal since 2009. We believe Utilities are benefiting from the increase in demand for electricity for the first time in 20 years and enhanced by future demand from artificial intelligence, electric cars and blockchain / crypto mining. The Utilities sector is also very interest rate sensitive as its balance sheet tends to be debt heavy. This week, we take a look at another interest rate sensitive sector: the S&P 500 Real Estate Investment Trusts (REITs). Below is a chart of the sector with the monthly Moving Average Convergence/Divergence (MACD) indicator with a buy signal last seen in 2009. In our view, this is another indication that interest rates have peaked and should continue to fall.

### S&P 500 Equity Real Estate Investment Trust With Monthly MACD With A Buy Signal





## Week of July 1, 2024

### Japanese Equities Remain In Bull Trend...

We have stated that the Japanese equity market is in a new secular bull market. And now we reiterate our view as the Tokyo Stock Price Index 30 (TOPIX 30) is breaking to new highs. TOPIX 30 comprises Japan's 30 largest capitalization stocks.

### Japan's TOPIX 30 Index Breaking Out With Buy Signal on MACD



### ...But Weak Yen Calls For Hedging

The Japanese Yen, which is at its weakest levels since 1986, looks to continue to depreciate relative to the U.S. Dollar and appears to be heading near the range of 200-250. So, we like Japanese equities, but the currency conversion will take away return if the yen continues to depreciate. As a result, we believe investors need to hedge the Yen to the Dollar. An ETF that has equity exposure with a currency hedge is the WisdomTree Japan Hedged ETF (DXJ).

### USDJPY Points To Continued Weaker Japanese Yen (Rising Is Weakening Yen to Dollar)



## Week of July 1, 2024

### WisdomTree Hedged Japan Equity ETF (DXJ): Breaking Out



## Let the Fireworks Begin! What Does The U.S. Presidential Election Mean For The Markets Now?

Following last week's first presidential debate – and the consensus believing Biden is in trouble – the market is likely to start pricing in a Trump win. So, what does this mean? Based on candidate Trump's stated platform and President Trump's historical policies, Strategas, the top-ranked macro research shop, is saying: "We expect to see assets tied to Trump, such as financials, LNG [liquefied natural gas] exports, immigration, Medicare Advantage, for-profit education, India, and Israel, outperforming. Alternatively, we would expect weakness in Mexico and China and US companies tied to these countries as well as in consumer discretionary and tech stocks based on this shift in the race." In 2016, the year Trump was elected, the best performing sector was Financials – which enjoyed a particular bump after Trump won the election. Furthermore, we believe that Energy overall should also do well under a Trump administration as he is very friendly towards the sector. Currently, Energy is the most fundamentally attractive sector in the market. Since Trump is very focused on the direction of the equity market and wants stocks up, the market overall should react positively to an expected Trump win.



## Week of July 1, 2024

### Market Performance

	Last 6/28/2024	Month End 5/31/2024	Month to Date	Quarter End 3/29/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 6/29/2023	Year To Year
S&P 500	5460.48	5277.51	3.5%	5254.35	3.9%	4769.83	14.5%	4396.44	24.2%
NASDAQ Composite	17732.60	16735.02	6.0%	16379.46	8.3%	15011.35	18.1%	13591.33	30.5%
NASDAQ 100	479.11	450.71	6.3%	444.01	7.9%	409.52	17.0%	363.81	31.7%
Russell 2000	2047.69	2070.13	-1.1%	2124.55	-3.6%	2027.07	1.0%	1881.59	8.8%
S&P Consumer Discretionary Sector	1492.14	1423.51	4.8%	1485.49	0.4%	1418.09	5.2%	1312.58	13.7%
S&P Consumer Staples Sector	819.86	824.23	-0.5%	814.23	0.7%	762.32	7.5%	771.64	6.2%
S&P Energy Sector	698.23	708.04	-1.4%	721.24	-3.2%	640.05	9.1%	619.71	12.7%
S&P Financial Sector	684.26	691.28	-1.0%	701.32	-2.4%	626.35	9.2%	556.09	23.0%
S&P Health Care Sector	1700.33	1670.88	1.8%	1723.97	-1.4%	1590.36	6.9%	1532.09	11.0%
S&P Industrials Sector	1031.96	1042.88	-1.0%	1066.71	-3.3%	964.73	7.0%	900.26	14.6%
S&P Information Technology Sector	4341.09	3972.21	9.3%	3821.05	13.6%	3397.16	27.8%	3030.78	43.2%
S&P Materials Sector	556.50	575.27	-3.3%	585.16	-4.9%	539.62	3.1%	517.14	7.6%
S&P Real Estate Sector	241.17	238.00	1.3%	248.16	-2.8%	251.58	-4.1%	235.47	2.4%
S&P Communications Sector	310.19	296.23	4.7%	284.29	9.1%	246.00	26.1%	213.95	45.0%
S&P Utilities Sector	346.33	367.47	-5.8%	333.49	3.9%	321.92	7.6%	328.80	5.3%
S&P 500 Total Return	11907.15	11494.70	3.6%	11418.03	4.3%	10327.83	15.3%	9443.47	26.1%
3 month Treasury Bill Price	98.66	98.65	0.0%	98.66	0.0%	98.66	0.0%	98.66	0.0%
3 month Treasury Bill Total Return	250.53	249.50	0.4%	247.21	1.3%	243.98	2.7%	237.41	5.5%
10 Year Treasury Bond Future	109.98	108.80	1.1%	110.80	-0.7%	112.89	-2.6%	112.13	-1.9%
10 Year Treasury Note Total Return	292.03	287.70	1.5%	291.09	0.3%	294.12	-0.7%	286.56	1.9%
iShares 20+ Year Treasury Bond ETF	91.78	90.45	1.5%	94.62	-3.0%	98.88	-7.2%	101.74	-9.8%
S&P Municipal Bond Total Return	273.41	269.12	1.6%	272.69	0.3%	272.94	0.2%	263.86	3.6%
iShares S&P National Municipal Bond NAV	106.65	105.49	1.1%	107.42	-0.7%	108.42	-1.6%	106.60	0.1%
S&P 500 Investment Grade Corporate Bond Total Return	453.34	450.71	0.6%	453.46	0.0%	455.89	-0.6%	432.69	4.8%
S&P Investment Grade Corporate Bond	89.77	89.57	0.2%	90.59	-0.9%	91.76	-2.2%	88.94	0.9%
S&P Investment Grade Corporate Bond Total Return	482.45	479.69	0.6%	481.59	0.2%	482.66	0.0%	457.88	5.4%
SPDR Bloomberg High Yield Bond ETF	94.27	94.35	-0.1%	95.20	-1.0%	94.73	-0.5%	91.63	2.9%
iShares iBoxx High Yield Corporate Bond ETF	77.14	77.13	0.0%	77.73	-0.8%	77.39	-0.3%	74.71	3.3%
Gold	2326.75	2327.33	0.0%	2229.87	4.3%	2062.98	12.8%	1908.20	21.9%
Bitcoin	60118.16	67630.41	-11.1%	69654.16	-13.7%	41935.34	43.4%	30400.46	97.8%

Source: Bloomberg, Sanctuary Wealth, July 1, 2024

### With Top White House Job On The Line, All Eyes Turn to Employment Data

**This week brings the Fourth of July, political fireworks, and economic data looking to make a bang.**

Last week's presidential debate signaled the start of the next phase of the campaign – and the heat is definitely turned up for both camps. But with Biden's poor performance, Democrats may also be concerned about the impact it will have on additional campaign fundraising. Meanwhile, Fed Chair Jerome Powell is speaking in Portugal this week, and the market will be listening intently to his comments about the recent PCE release. Wednesday sees the release of the minutes of the Fed's June FOMC meeting, so the market will be looking for any hints about the direction of interest rates in the report. Manufacturing data will be among the economic reports published this week, but the attention-getting numbers will be ADP's unemployment data on Wednesday and the June employment report on Friday. The Fed (and the markets) continue to look for data to justify an interest rate cut in September.

Have a happy and safe Fourth of July!



# Calendar

**Mon.** 9:45 am S&P final U.S. manufacturing PMI  
10:00 am Construction spending, ISM manufacturing

**Tue.** 9:30 am Federal Reserve Chair Jerome Powell speech in Portugal  
10:00 am Job openings  
TBA Auto sales  
Earnings: MSC Industrial, Radius Recycling, Simulations Plus

**Wed.** 6:30 am New York Fed President John Williams speech in Portugal  
8:15 am ADP employment  
8:30 am Initial jobless claims, U.S. trade deficit  
9:45 am S&P final U.S. services PMI  
10:00 am Factory orders, ISM services  
2:00 pm Minutes of Fed's June FOMC meeting  
Earnings: Constellation Brands

**Thu.** None scheduled, July 4 holiday

**Fri.** 5:40 am New York Fed President John Williams speech in India  
8:30 am U.S. employment report  
Source: MarketWatch/Kiplinger

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