



Week Ahead

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 January 21, 2025

Equity Markets Positioned To Rally If More Good News Comes

Last week, we wrote that equity markets were oversold, and we had several buy signals – and if we received some good news, markets could rally.

Well, inflation data in the form of the Producer Price Index (PPI) and Consumer Price Index (CPI) came in for December better than expected and this stemmed the sell-off. We've been in a correction since mid-December when the Federal Reserve (Fed) announced its a hawkish rate cut at the Federal Open Market Committee (FOMC) meeting – and now it could be coming to an end, possibly. But that's only if we can get some more good news. Yesterday was Donald Trump's second inauguration day, and it has been expected that he will have a busy start, signing into action new policies and executive orders without hesitation. This should either cause market volatility in both the equity and fixed income markets or cause rates to be stable (or drop) and for stocks to rally. Well, stocks are still positioned to rally. We have the 14-day stochastic on a buy signal for the S&P 500, the Nasdaq 100 and the S&P 600 Small Cap/Mid Cap indexes. The 100-day moving average has held for the S&P and Nasdaq. The 200-day moving average has held for Small Caps/Mid Caps. The strongest buy signal is on Small Caps/Mid Caps as their sell-off was deeper, and we have both daily and weekly buy signals. We do believe stocks will rally. We remain buyers here and anticipate the S&P 500 can achieve a rally to 7200-7400 this year.

S&P 500 With 14-Day Stochastic And 100-Day Moving Average: Buy Signal



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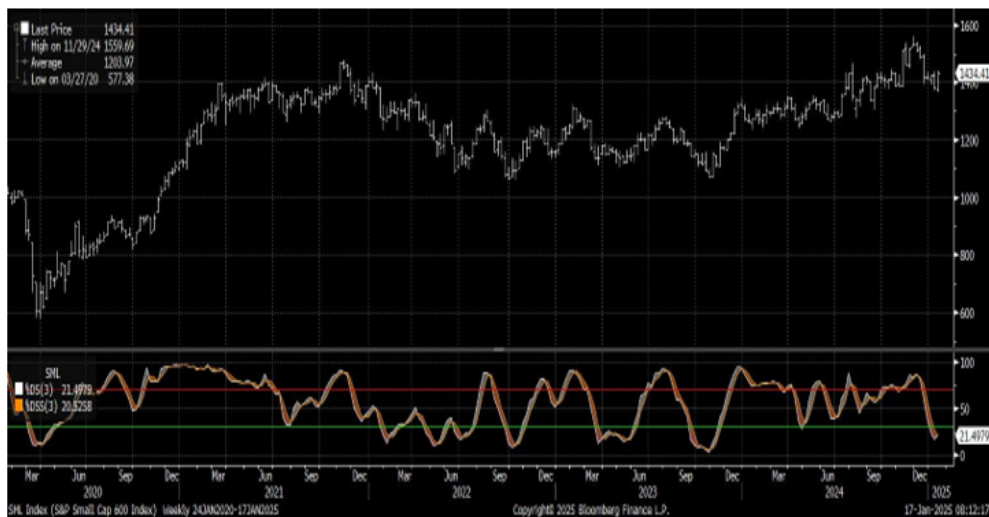
Nasdaq 100 With 14-Day Stochastic And 100-Day Moving Average: Buy Signal



S&P 600 Small Cap Index With 200-Day Moving Average Holding



S&P 600 Small Cap Index With 14-Week Stochastic: Buy Signal



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Rates Held Resistance On Inflation Data

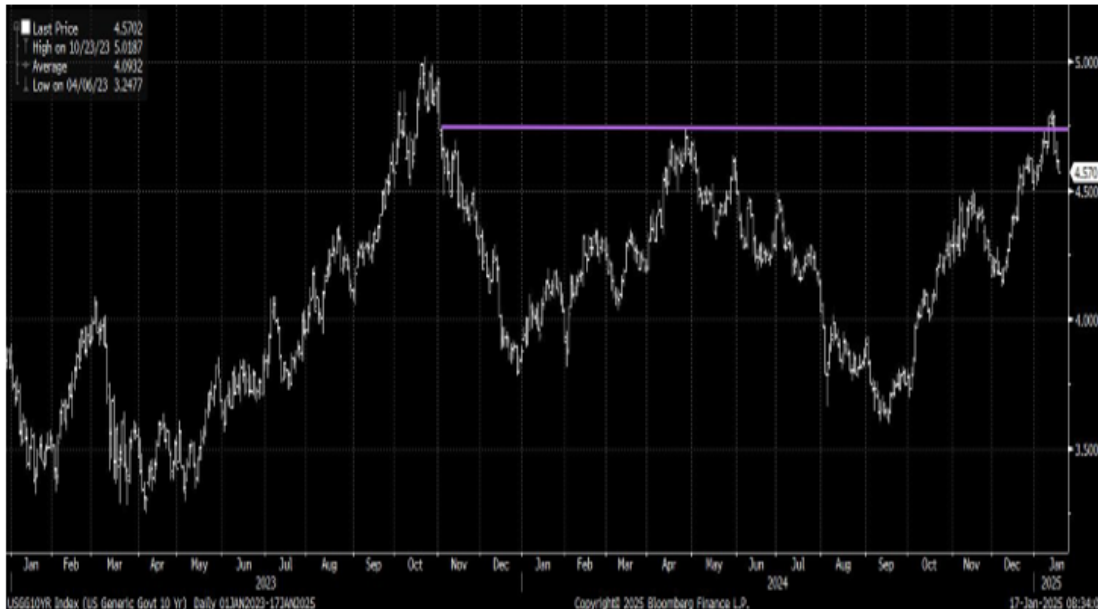
The fixed income market has been very frustrating as the Bull and Bear have been showing up in the rates market. We believed short rates would trend down and originally thought longer rates would also fall, but we changed this view in mid-December when the Fed made a hawkish rate cut and announced it was taking a number of future rate cuts off the table. So, we pivoted to the view that the 10-year Treasury rate would likely trade in a range of 4%-5%.

So, where do we stand today? For the 2-Year Treasury the resistance level that held last week was 4.4%. Should this level be broken, the risk is a move to 4.6%, but for now, this rate appears to want to fall. Support is 4.2%. Should this level be broken, the next support level is near 4%. As for the 10-year Treasury yield, resistance held near 4.7% and support is near 4.5% to 4.4%. In our view, rates should continue to trend down in the near term. Again, the policies and legislation that the Trump Administration will enact and seek to put in place could move both stocks and bonds in a positive way. But we will have to wait to see how his actions (and commentary) play out this week. We will provide any important updates if warranted.

2-Year Treasury Yield Held Resistance At 4.4%



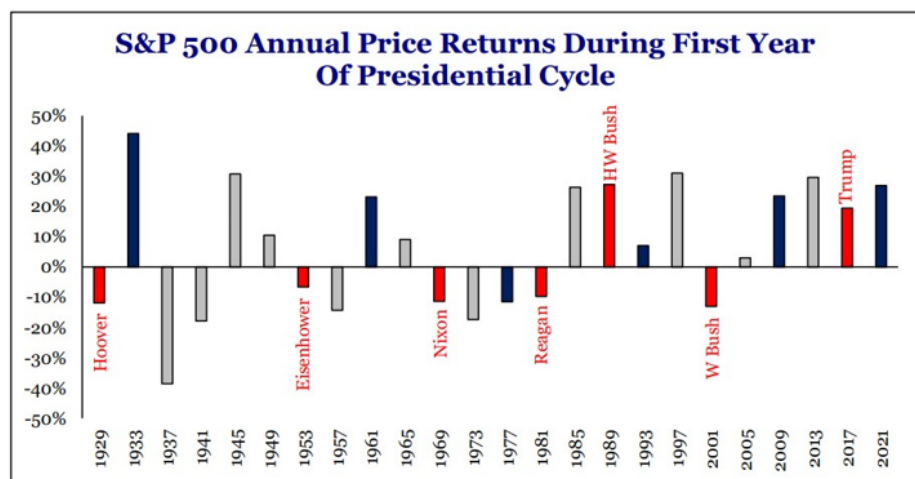
10-Year Treasury Yields Held Resistance Near 4.7%



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1st Year Of A President Stocks Have Strong Gains & Years That End In 5 Have The Best Returns

According to Dan Clifton at Strategas, since the start of 2025, investors have been becoming more uncomfortable with the combination of high valuations and the uncertainty over the Trump agenda. This uncertainty over an incoming president's agenda is not new – we remember similar conversations happening when Obama, Trump, and Biden each became President. But during the first year of their presidencies, S&P 500 total returns exceeded 20%. In fact, the S&P 500 has produced positive returns in the first year of a new president 9 of the past 10 times. Furthermore, over the last 20 years, the first year of a presidential term has proven to be the strongest of the entire four-year cycle. Not coincidentally, the biggest risk factor for stocks in the first year of a presidency is whether the U.S. enters a recession. Note: the last time the S&P 500 declined during the first year of a new president's term was 2001, under George W. Bush.



Source: Strategas, January 17, 2025

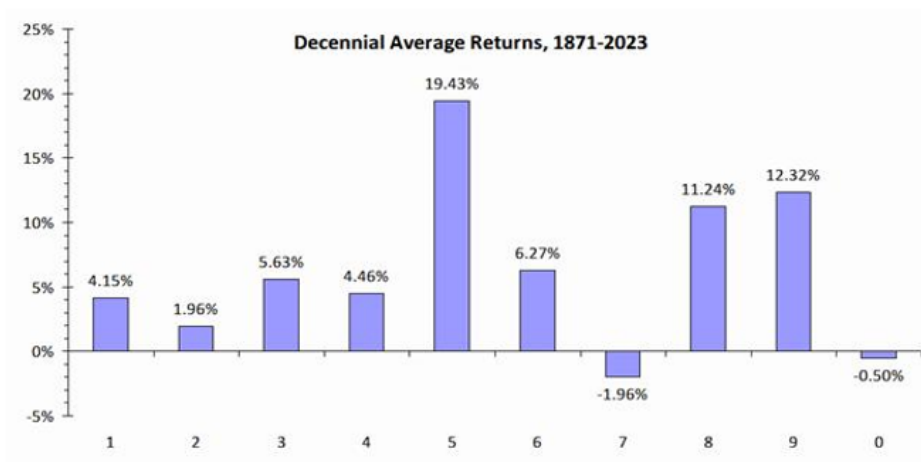
Year 5 Best Year In Decennial Pattern

The history of market analysis has found that many different types of patterns tend to repeat. One is called the “Decennial Pattern,” discovered by Edgar Lawrence Smith. In his book *Tides and the Affairs of Men* (1939), he presented the notion of a 10-year stock market cycle. Smith's theory resulted from combining two other theories, Wesley Mitchell's 40-month cycle theory and the theory of seasonality. Combining these two periods, Smith theorized that there must be a ten-year, or 120-month, cycle. This would result from ten 12-month, annual cycles and three 40-month cycles coinciding every 10 years.

When Smith investigated prices more closely, he found that indeed there appeared to be a price pattern in the stock market that had similar characteristics every ten years. This pattern has since been called the “Decennial Pattern.”

A pattern has developed over time and Year 5 historically has the best return of the decade, returning 19%, on average. Our work supports the strong return repeating in 2025.

Year 5 In The Decade Has The Best Performance



Source: Bloomberg, Sanctuary Wealth

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Market Performance

	Last 1/17/2025	Month End 12/31/2024	Month to Date	Quarter End 12/31/2024	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 1/18/2024	Year To Year
S&P 500	5996.66	5881.63	2.0%	5881.63	2.0%	5881.63	2.0%	4780.94	25.4%
NASDAQ Composite	19630.20	19310.79	1.7%	19310.79	1.7%	19310.79	1.7%	15055.65	30.4%
NASDAQ 100	521.74	511.23	2.1%	511.23	2.1%	511.23	2.1%	412.99	26.3%
Russell 2000	2275.88	2230.16	2.1%	2230.16	2.1%	2230.16	2.1%	1923.65	18.3%
S&P Consumer Discretionary Sector	1880.80	1831.16	2.7%	1831.16	2.7%	1831.16	2.7%	1383.09	36.0%
S&P Consumer Staples Sector	845.02	853.65	-1.0%	853.65	-1.0%	853.65	-1.0%	765.87	10.3%
S&P Energy Sector	714.95	654.85	9.2%	654.85	9.2%	654.85	9.2%	610.09	17.2%
S&P Financial Sector	835.19	804.44	3.8%	804.44	3.8%	804.44	3.8%	620.78	34.5%
S&P Health Care Sector	1634.14	1604.75	1.8%	1604.75	1.8%	1604.75	1.8%	1624.94	0.6%
S&P Industrials Sector	1166.14	1115.65	4.5%	1115.65	4.5%	1115.65	4.5%	946.33	23.2%
S&P Information Technology Sector	4601.21	4609.52	-0.2%	4609.52	-0.2%	4609.52	-0.2%	3483.46	32.1%
S&P Materials Sector	556.14	529.77	5.0%	529.77	5.0%	529.77	5.0%	518.02	7.4%
S&P Real Estate Sector	258.18	255.92	0.9%	255.92	0.9%	255.92	0.9%	240.75	7.2%
S&P Communications Sector	348.66	341.66	2.0%	341.66	2.0%	341.66	2.0%	252.31	38.2%
S&P Utilities Sector	400.76	384.95	4.1%	384.95	4.1%	384.95	4.1%	310.18	29.2%
S&P 500 Total Return	13171.75	12911.82	2.0%	12911.82	2.0%	12911.82	2.0%	10358.29	27.2%
3 month Treasury Bill Price	98.92	98.92	0.0%	98.92	0.0%	98.92	0.0%	98.66	0.3%
3 month Treasury Bill Total Return	257.54	256.97	0.2%	256.97	0.2%	256.97	0.2%	244.59	5.3%
10 Year Treasury Bond Future	108.55	108.75	-0.2%	108.75	-0.2%	108.75	-0.2%	111.20	-2.4%
10 Year Treasury Note Total Return	293.98	293.94	0.0%	293.94	0.0%	293.94	0.0%	290.58	1.2%
iShares 20+ Year Treasury Bond ETF	87.19	87.33	-0.2%	87.33	-0.2%	87.33	-0.2%	93.79	-7.0%
S&P Municipal Bond Total Return	277.13	278.14	-0.4%	278.14	-0.4%	278.14	-0.4%	270.96	2.3%
iShares S&P National Municipal Bond NAV	105.73	106.40	-0.6%	106.40	-0.6%	106.40	-0.6%	107.64	-1.8%
S&P 500 Investment Grade Corporate Bond Total Return	464.85	465.24	-0.1%	465.24	-0.1%	465.24	-0.1%	449.95	3.3%
S&P Investment Grade Corporate Bond	90.06	90.28	-0.2%	90.28	-0.2%	90.28	-0.2%	90.53	-0.5%
S&P Investment Grade Corporate Bond Total Return	495.71	495.89	0.0%	495.89	0.0%	495.89	0.0%	477.13	3.9%
SPDR Bloomberg High Yield Bond ETF	96.45	95.47	1.0%	95.47	1.0%	95.47	1.0%	94.28	2.3%
iShares iBoxx High Yield Corporate Bond ETF	79.46	78.65	1.0%	78.65	1.0%	78.65	1.0%	77.04	3.1%
Gold	2703.25	2624.50	3.0%	2624.50	3.0%	2624.50	3.0%	2023.34	33.6%
Bitcoin	104640.01	93714.04	11.7%	93714.04	11.7%	93714.04	11.7%	41069.92	154.8%

Source: Bloomberg, Sanctuary Wealth, January 17, 2025

The Return Of The Chief

This week all eyes and ears will be on Trump to see how quickly he may act on his promises and what he will say to further impact market uncertainty.

It's a quiet week for data, so the full spotlight will be on the return of President Trump. The clock on his first 100 days has begun. The market has been anticipating changes, possibly major changes under the new Administration. We should find out in short order what Trump will actually do – and how quickly. We enter this period with both the bond and equity markets positioned to rally. So, let's see if we get some more good news to keep the equities Bull charging ahead.



Calendar

Mon.

None scheduled, Martin Luther King Jr. holiday

Tue.

None scheduled

Earnings: 3M, Charles Schwab, Fifth Third Bancorp, KeyCorp, Netflix, United Airlines

Wed.

10:00 am U.S. leading economic indicators

Earnings: GE Vernova, Abbott Laboratories, BankUnited, Comerica, Johnson & Johnson, Procter & Gamble, Cathay Bancorp, Kinder Morgan, SL Green Realty, Steel Dynamics

Thu.

8:30 am Initial jobless claims

Earnings: Alaska Air Group, American Airlines, First Bancorp, GE Aerospace, Northern Trust, Union Pacific, Associated Banc-Corp, CSX, First Financial Bancorp, Sallie Mae, Texas Instruments

Fri.

10:00 am Existing home sales, Consumer sentiment (final)

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

Earnings: American Express, NextEra Energy, Verizon Communications

*Earnings reflect highlights

Source: CNBC, Kiplinger's, MarketWatch

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