



Concenture Corner

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**April
2023**

Executive Summary

The Federal Reserve has raised interest rates nine consecutive times which triggered a banking crisis and two US banks were taken over by regulators. Meanwhile, there was a forced bank merger in Europe with Credit Suisse being consumed by UBS Group. One would think stocks would be down sharply given this backdrop, but in fact they have since rallied.

Confidence was restored for U.S. deposit holders in part by the Fed's infusion of capital through a loan facility for the banks, which served to increase liquidity on the Fed's balance sheet. This liquidity supported risk assets, allowing stocks to rally. Also fueling the rally is the drop in interest rates at the short and long ends of the yield curve.

**The Impossible
is Possible:**

**A Rally Against
the Odds**

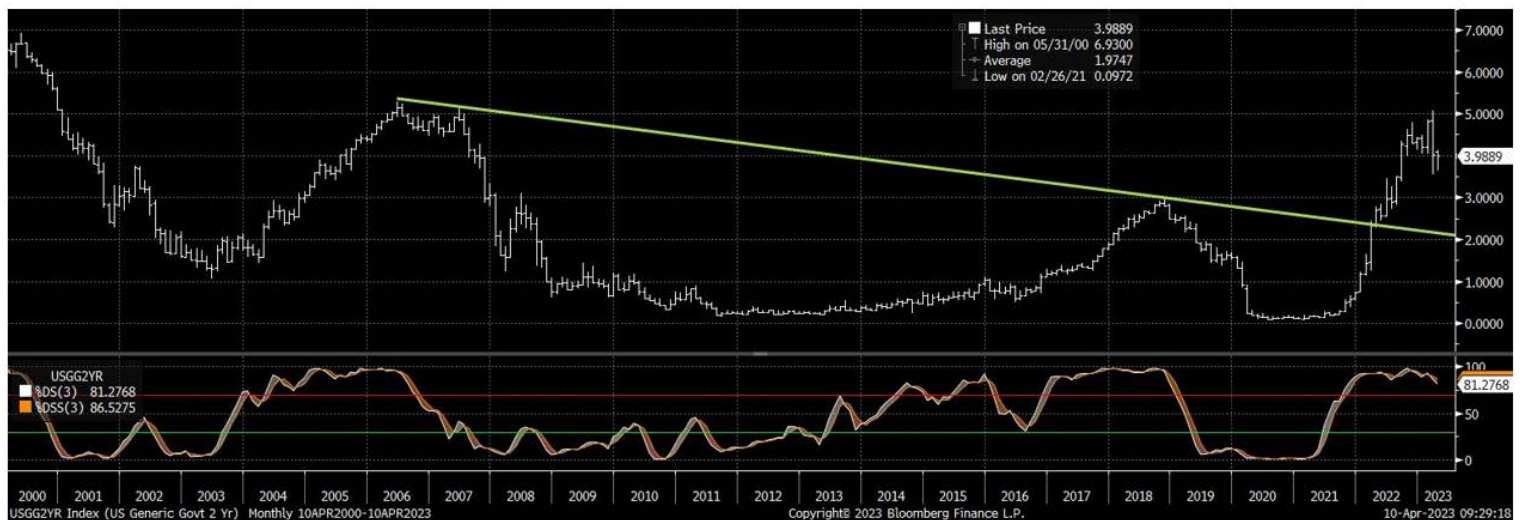
Federal Reserve Balance Sheets (Millions of Dollars)



Source: Federal Reserve Bank, April 10, 2023

US 2-Year Treasury Yield Appears to be Peaking – Rates Could Fall Near 2%

2-Year Treasury Yield with 14-Month Stochastic Showing an Overbought Reading



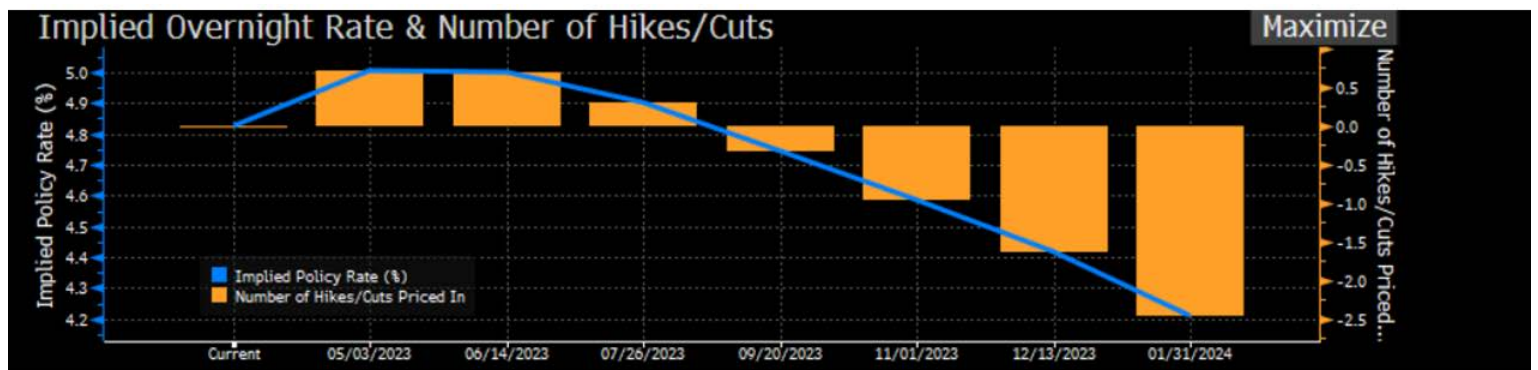
Source: Bloomberg, April 10, 2023

10-Year Treasury Yield Also Appears to be Peaking – Rates Could Fall to 2.5%



Source: Bloomberg, April 10, 2023

The Market is Still Fighting the Fed and Expects Rate Cuts in September

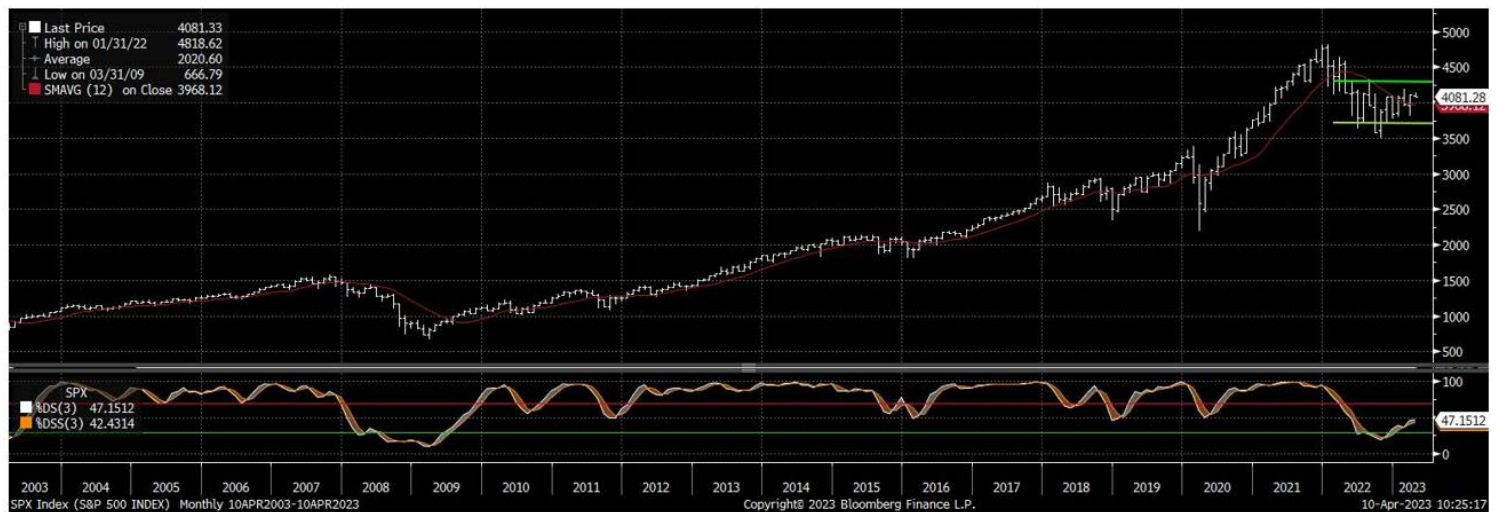


Source: Bloomberg, April 10, 2023

S&P 500 is in a Trading Range on a Monthly Buy Signal – Range 3700-4200

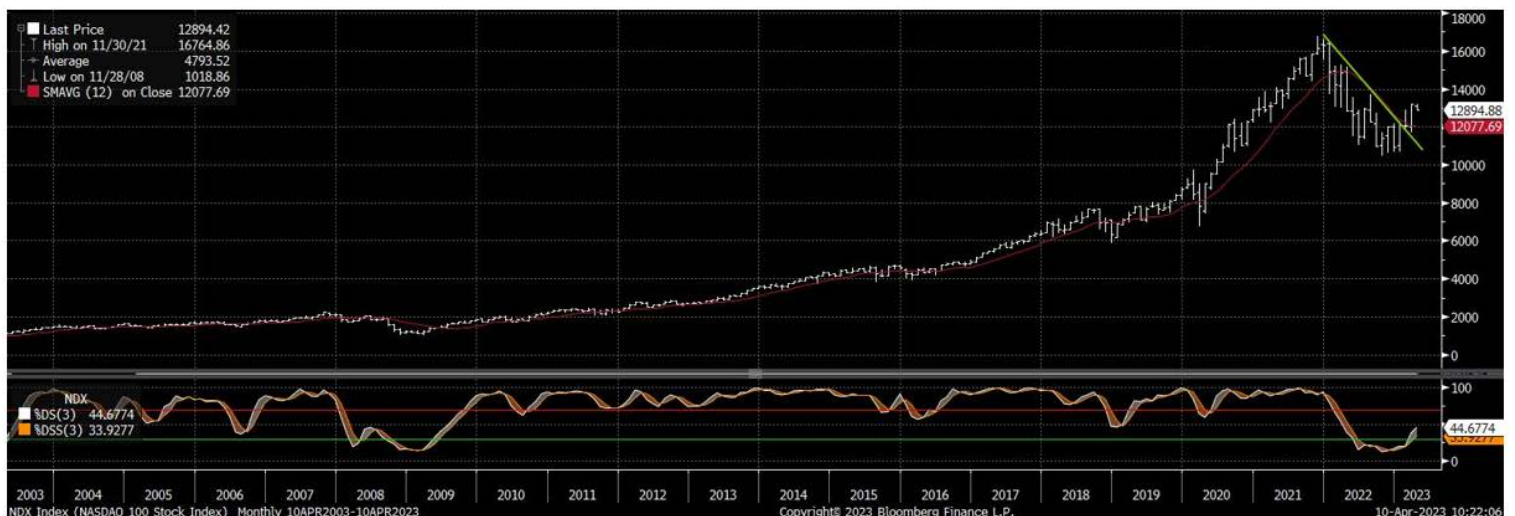
The S&P 500 has remained in a trading range with a bias to the upside. Resistance range is 4100-4200 and support range is 3800-3700. The 14-month Stochastic that we have been highlighting since last December has given a buy signal. The Nasdaq 100 has reversed a downtrend and is also showing a 14-month Stochastic buy signal. The Russell 2000 Small-Cap Index has a weak buy signal and is range-bound. Of course, one wouldn't expect a buy signal given significantly higher interest rates, contracting earnings, a forward price-earnings multiple near 18x, and a banking crisis that may or may not be resolved. However, good buying opportunities never appear amid good news. Very simply, for investors with a 12-month outlook, we believe stock prices will be higher next April than where they are today.

S&P 500 Index with 14-Month Stochastic Buy Signal



Source: Bloomberg, April 10, 2023

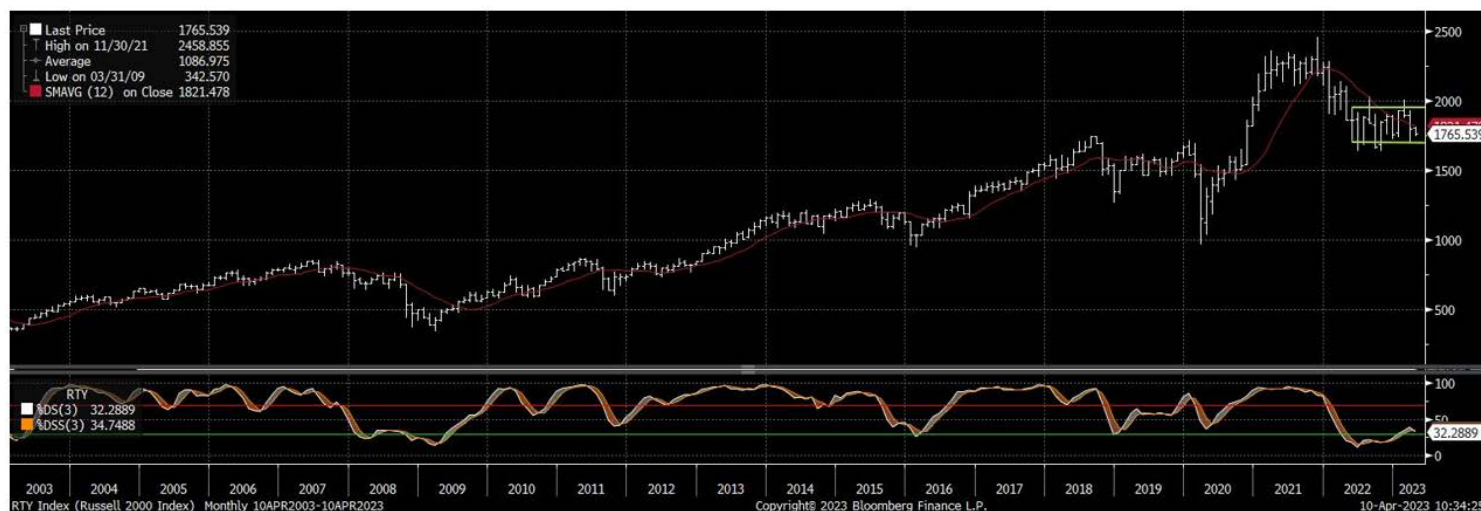
Nasdaq 100 Reverses Downtrend and is on a 14-Month Stochastic Buy Signal



Source: Bloomberg, April 10, 2023

Russell 2000 Small Cap Index on a Weak Monthly Buy Signal

Russell 2000 Index with 14-Monthly Stochastic



Source: Bloomberg, April 10, 2023

Unimpressive Market Breadth Supports A Trading Range-Bound Market

The market rally is weak with cumulative market breadth (advancing issues minus declining issues) not particularly strong. Typically, at major market bottoms, market breadth is strong – showing a broad participation of stocks. The number of stocks participating in this rally is low, however. This will be a concern if the trend continues. For the near-term, current market breadth supports a trading range environment for stocks. In order to strengthen market breadth and truly improve confidence, what the market needs is for bank stocks to bottom and rally!

Bloomberg Cumulative Advance-Dcline Line for NYSE Stocks

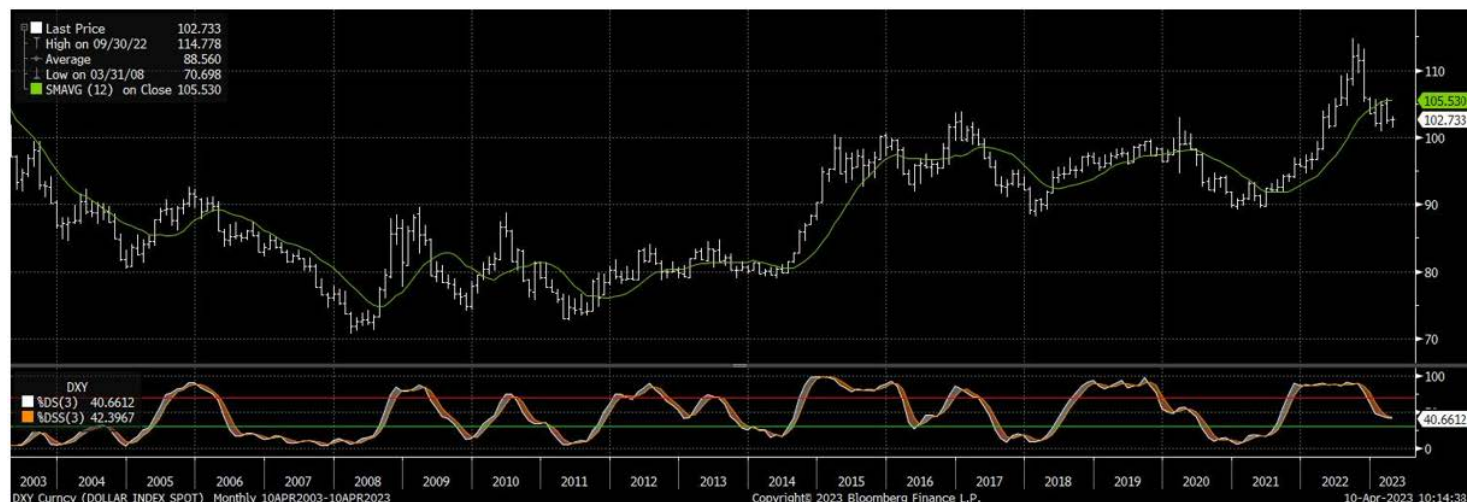


Source: Bloomberg, April 10, 2023

US Dollar Weak – Down to Flat Trading Range

A drop in interest rates at the short end of the yield curve has weakened the US Dollar. If rates remain weak to down, the US Dollar is also likely to remain weak. The 14-month Stochastic is on a sell signal and support levels for the US dollar index are near 101-100.

US Dollar Monthly with 14-Month Stochastic on a Sell Signal

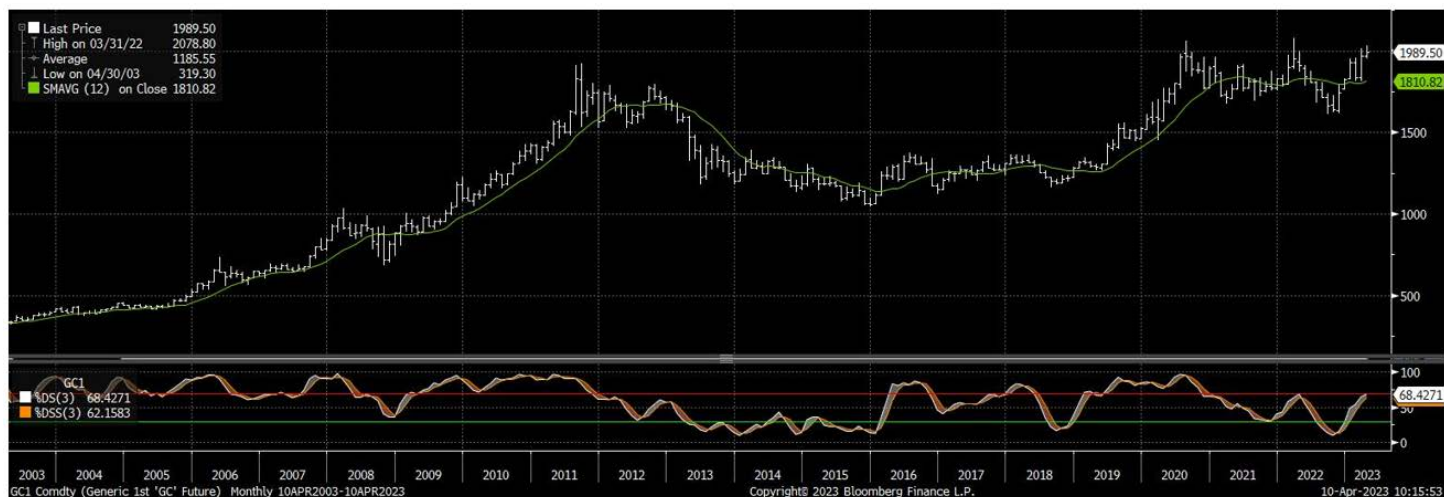


Source: Bloomberg, April 10, 2023

A Weak US Dollar is Bullish for Gold Which has an Upward Bias in a Trading Range

Gold has been in a trading range since 2020 with support at \$1935-\$1900, secondary support at \$1850, and resistance near the all-time high of \$2070-\$2075. A sustained breakout of the all-time high \$2075 would be bullish and suggest a technical move to \$2300-\$2425 or 15%-23% upside move.

Gold Monthly Chart with 14-Month Stochastic



Source: Bloomberg, April 10, 2023



Last Words

How Will April Leave Us? No Worse for the Wear

We maintain that the equity markets remain in a secular bull market – but the near-term risk is for stocks to remain volatile. And shouldn't they? Considering the long parade of rate hikes, the queasy aftertaste of the regional banking debacle, and the notion that an actual recession may still be on the horizon... yes, we should expect volatility.

On the positive side, April has been the top month for returns in the Dow Jones Industrial Average historically. Since 1950 (according to the Stock Traders Almanac), April has clocked an average gain of 1.9% for the Dow. Why? April enjoys both the end of tax season and the start of 2Q earnings. While this may lead to optimistic sentiment, in 2023, we have the bonus of it being the third year of a Presidential Cycle – which traditionally delivers strong gains.

Barring any financial backsliding with the banks, the market has enough going for it to continue its rally. We continue to recommend that you move your portfolios to be balanced between stocks and bonds, growth and value, and large versus small. We remain a champion of Quality. I encourage you to check out the Sanctuary Wealth Investment Council Report for our latest asset and sector recommendations.

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