



CONCENTURE
WEALTH MANAGEMENT

Concenture Corner

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2023

Executive Summary

Equity markets have entered a seasonal correction that typically lasts into the fall months with important market bottoms often reached in the month of October. Earnings estimate revisions, which are one of the best predictors of stock prices, are seeing estimates rise. This gives us confidence that this is a correction within a bull market. However, continued higher interest rates will be a challenge for the market.

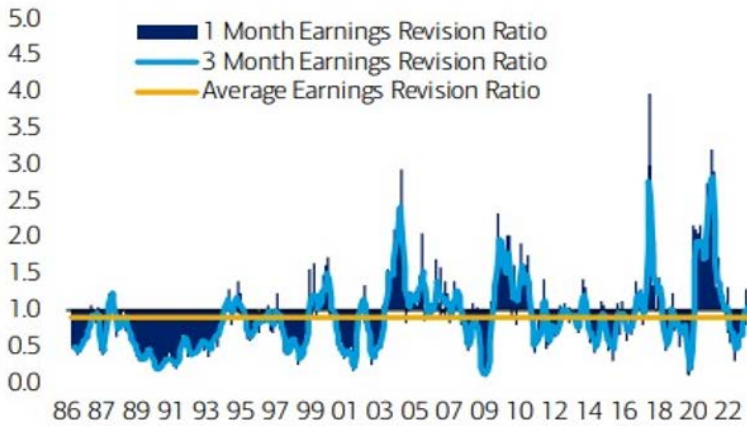
Long Treasury bond yields appear to be breaking to the upside, which could track rates to the 5% area. This will attract investors away from equities to bonds and even to cash. Potential strong buyers of bonds are retired investors who would welcome a guaranteed interest income of 5%. If rates do rise, it will keep pressure on both the bond market and the equity market.

Buy the Dip



Three Month Earnings Estimate Revision Is Now 1.04x

S&P 500 earnings estimate revision ratio, 1/86-7/23



Source: BofA US Equity and Quant Strategy, I/B/E/S

BofA GLOBAL RESEARCH

Source: Bank of America, August 6, 2023

S&P 500 With Price Momentum Indicators Point To A Choppy Correction

Taking a look at short-term price momentum indicators on the S&P 500 and Nasdaq 100, the only indicator oversold is the 14-day Stochastic. The Relative Strength Index (RSI) and Moving Average/Convergence Divergence (MACD) still have more work to do to indicate the market has bottomed, at least short term. One of these indicators oversold could signal a choppy market ahead, with volatility up and down.

S&P 500 With MACD, Stochastic And RSI Price Momentum Indicators



Source: StockCharts.com, August 11, 2023

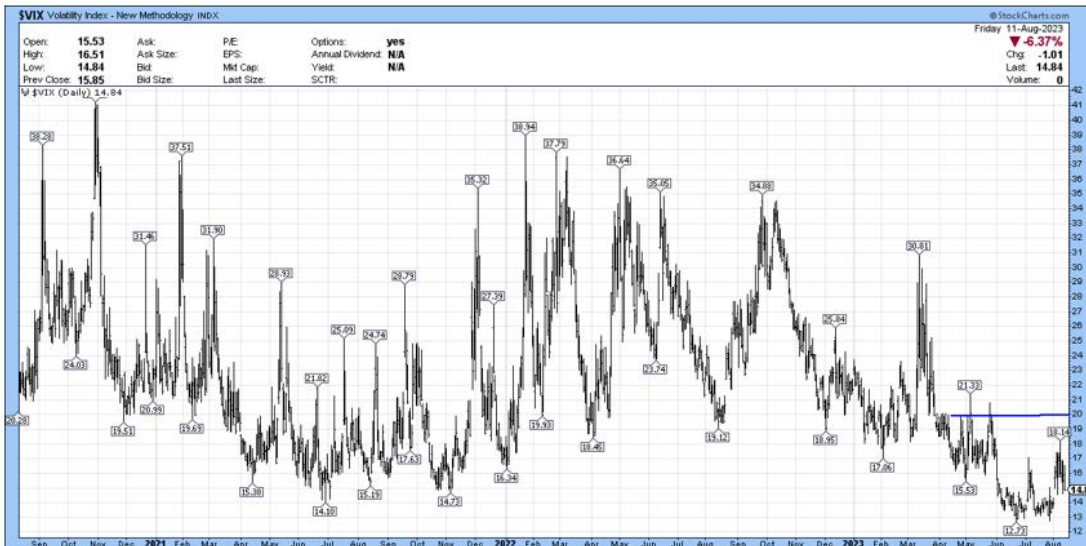


Nasdaq 100 With MACD, Stochastic And RSI Price Momentum Indicators



Source: StockCharts.com, August 11, 2023

VIX Volatility Index – Volatility Rising



Source: StockCharts.com, August 11, 2023



Consumers Remain Confident - Good For Spending



Source: Conference Board, last update July 2023, chart produced August 11, 2023

Seasonal Correction For Equity Markets

Equity markets have entered a seasonal correction. The S&P 500 can correct 5%-10% off the July highs, while the Nasdaq can correct as much as 10%-16%. It is typical for markets to correct one-third to one-half of market moves and still maintain the trend that they are in. The current trend is up, and we expect this uptrend to continue when the correction is done. The seasonal pattern is that stocks peak in the summer months and enter a correction into the fall months with a major low often being set in October, followed by a strong seasonal year-end rally. So we expect volatility for the coming weeks and months. We are buyers of this pullback.

Cyclical stocks, especially technology stocks, are most likely to have the largest correction, as these stocks are up the most. But we expect technology to maintain its leadership.

Nasdaq 100 With Fibanocci Levels Off The Lows Of December 2022



Source: Bloomberg, August 12, 2023

[illegible]

S&P 500 Technology Sector Correcting In An Uptrend



Source: StockCharts.com, August 11, 2023



Banks Under Pressure, Too

Banks enjoyed a rally from the March-April regional bank crisis, but they are also now in a corrective phase. Recently, Moody's Investors Service downgraded 10 regional banks and put several other banks on watch for a downgrade -- these actions have renewed concerns about the health of the sector with the risk of higher rates. One bright spot is that second quarter earnings did come in better than expected for Banks. But that does not outweigh: (1) the Moody's downgrades (2) the pressure to pay higher rates on deposits, (3) credit tightening standards, and (4) the breakout in long bond yields which has renewed concerns about the value of the bond securities these banks are holding. In light of all that, we are of the view that Banks are value traps, meaning the stocks are cheap but not expected to hold rallies.

Furthermore, a Fitch Ratings analyst told CNBC, "The ratings agency cut its assessment of the industry's health in June, a move that analyst Chris Wolfe said went largely unnoticed because it didn't trigger downgrades on banks." The analyst also said, "Another one-notch downgrade of the industry's score, to A+ from AA-, would force Fitch to reevaluate ratings on each of the more than 70 U.S. banks it covers."

A risk of a downgrade in the Banks will likely keep the stocks under pressure and/or they will underperform the market.

KBW Bank Index



Source: StockCharts.com, August 8, 2023



KRE SPDR S&P Regional Banking ETF NYSE • BATS

Options: **yes**
 Annual Dividend: **1.53667**
 Yield: **3.25%**
 SCTR (ETF): **3.7**

Open: **47.71** Ask: **47.29** P/E: **15.3667**
 High: **47.80** Ask Size: **300** EPS: **3.12**
 Low: **46.85** Bid: **47.28** Mkt Cap: **3.36B**
 Prev Close: **49.04** Bid Size: **200** Last Size: **3.7**

Tuesday 8-Aug-2023 10:30 am
 Chg: **-3.58%**
 Last: **47.28**
 Volume: **6,274,546**

1d KRE (Daily) 47.28

The chart displays the daily price of KRE from 2019 to 2023. The price starts around 42.27 in early 2019, peaks at 53.39 in late 2019, drops to 42.51 in early 2020, and then rises to a high of 75.51 in late 2022. It then declines to 44.20 in early 2023 and recovers to 47.28 by late 2023. A blue trendline is drawn from the peak at 75.51 down to the current price at 47.28. The bottom chart shows the 10-day moving average, which follows a similar pattern, starting around 0.011, dropping to 0.008 in early 2020, and then rising to 0.011 in late 2022 before declining to 0.008 in early 2023 and recovering to 0.011 by late 2023.

Date	Price
2019-01-01	42.27
2019-06-01	53.39
2020-01-01	42.51
2020-06-01	48.30
2020-12-01	51.39
2021-06-01	54.46
2021-12-01	57.78
2022-06-01	55.21
2022-12-01	56.28
2023-01-01	75.51
2023-02-01	72.13
2023-03-01	64.24
2023-04-01	62.72
2023-05-01	64.25
2023-06-01	64.35
2023-07-01	64.17
2023-08-01	44.20
2023-09-01	46.90
2023-10-01	44.51
2023-11-01	47.28

10d KRE:SPX 0.011

Banks Downgraded By Moody's

Source: FactSet, Moody's, August 14, 2023



Banks With Outlook Changed From Stable To Negative By Moody's

Bank	Ticker	Rating	Outlook
PNC Financial Services Group	PNC	a2	NEG
Capital One Financial	COF	a3	NEG
Citizens Financial Group	CFG	a3	NEG
Fifth Third Bancorp	FITB	a3	NEG
Huntington Bancshares	HBAN	a3	NEG
Regions Financial	RF	a3	NEG
Cadence Bank	CADE	baa1	NEG
FNB	FNB	baa1	NEG
Simmons First National	SFNC	baa1	NEG
Ally Financial	ALLY	baa2	NEG
Bank OZK	OZK	baa2	NEG

Source: FactSet, Moody's, August 14, 2023

Banks Placed On Review For Potential Downgrade By Moody's

Bank	Ticker	Rating
Bank of New York Mellon	BK	a1
Northern Trust	NTRS	a1
State Street	STT	a1
Cullen/Frost Bankers	CFR	a2
Truist Financial	TFC	a2
U.S. Bancorp	USB	a2

Source: FactSet, Moody's, August 14, 2023



Energy Fuels Higher

Energy stocks have done very well the last few years but then found themselves under a correction – which now looks to be completed. Below we look at the Invesco S&P 500 Equal Weight Energy ETF (RSPG), which gives a more balanced look at the sector than the sector's two heavyweight stocks XOM and CVX, and this ETF has broken out to the upside. But even when we use the cap-weighted S&P 500 Energy Sector index, it too has broken out. Small cap energy stocks have also broken out the upside. This is a broad-based move for the sector. Higher crude oil prices are helping the sector to rally. Crude oil price momentum is improving, so this rally in crude looks to be sustainable. This is a sector we favor longer-term.

Invesco S&P 500 Equal Weight Energy ETF - Breakout!



Source: StockCharts.com, August 9, 2023

S&P 500 Equal Weight Energy ETF - Breakout!



Source: StockCharts.com, August 9, 2023

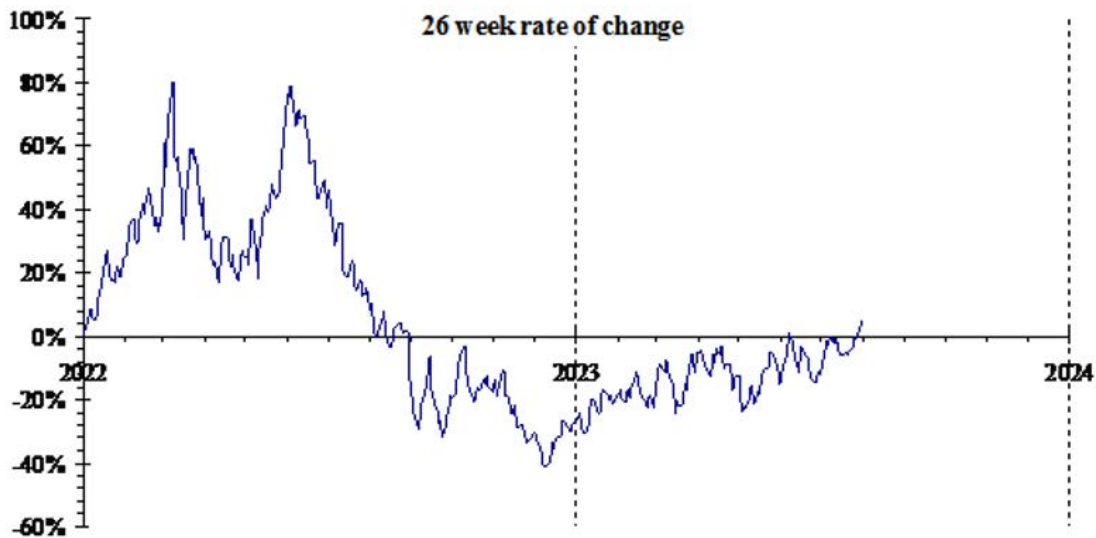


Oil Prices Firming And Firming Against The CRB Commodity Index



Source: Bloomberg, Federal Reserve Bank of St. Louis; last update July 28, 2023, chart produced August 9, 2023

WTI Crude Oil - Momentum Improving



Source: Bloomberg, Federal Reserve Bank of St. Louis; last update July 28, 2023, chart produced August 9, 2023



Invesco S&P Small Cap Energy ETF - Breakout!



Source: StockCharts.com, August 9, 2023

Industrials Correcting With Strong Relative Price - A Favored Sector



Source: StockCharts.com, August 9, 2023



Semiconductors Are Consolidating – Favored Longer-Term



Source: StockCharts.com, August 14, 2023

Growth Vs. Value - Correction Favors Value But Growth Likely To Come Back



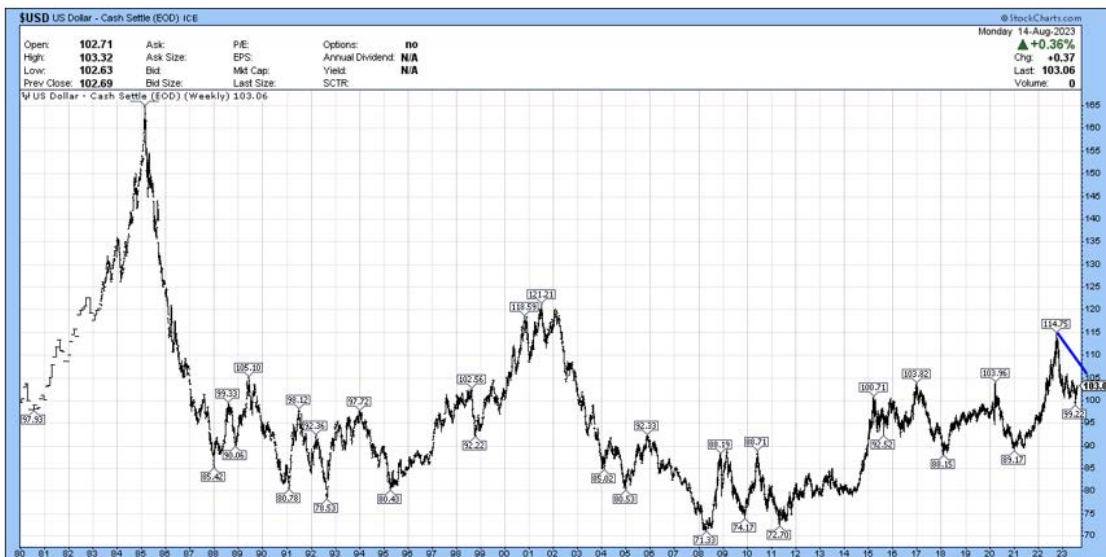
Source: StockCharts.com, August 9, 2023



Europe Vs. S&P 500 - Europe Still Favored

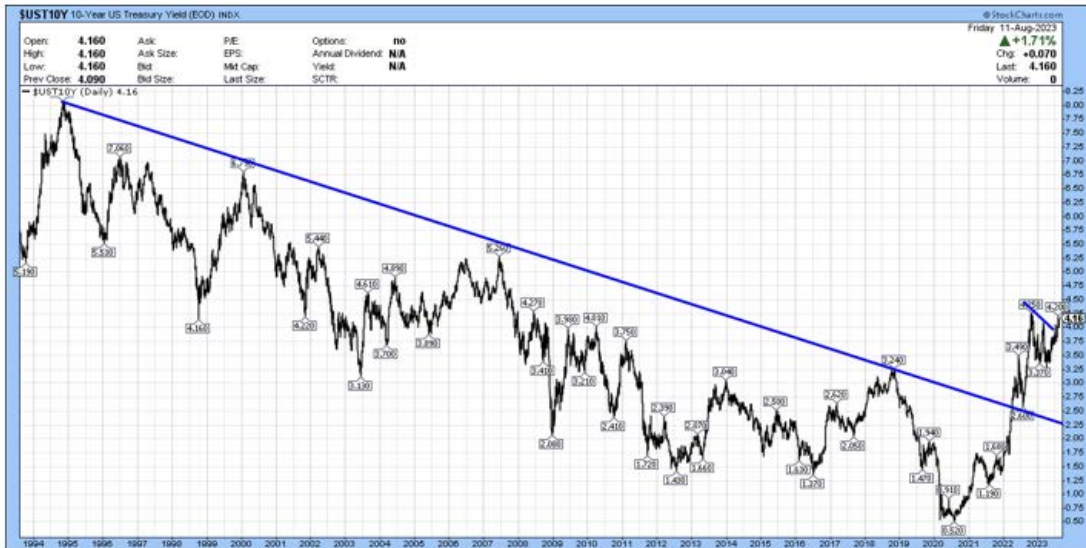


U.S. Dollar Consolidating



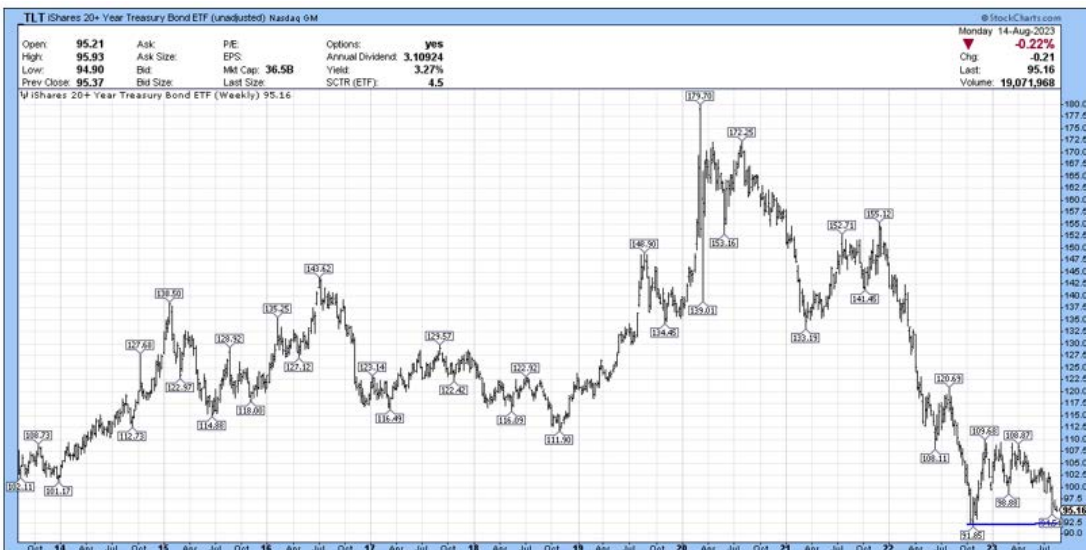


10-Year Treasury Yields Breakout Out - Risk To 4.8%-5%



Source: StockCharts.com, August 14, 2023

TLT 20-Year + Bond ETF - Testing Lows Set Last October/November



Source: StockCharts.com, August 14, 2023

High Yield Bonds Holding Steady

The high yield bond market is holding on. *Why is this important?* This part of the bond market measures “risk-on” and “risk-off.” So we are not seeing any signs – at least yet – of a major risk-off move where yields would spike higher. Fitch Ratings Inc. has concerns about the ability of U.S. junk-bond issuers to pay back their near-term obligations as the Fed continues to raise interest rates. The credit agency expects the high yield default rate to be as high as 5% by the end of this year, as banks tighten credit and interest expense increases, impacting earnings. So, this is an area of the market to watch.



SPDR High Yield Bond ETF



iShares iBoxx High Yield Corporate Bond ETF



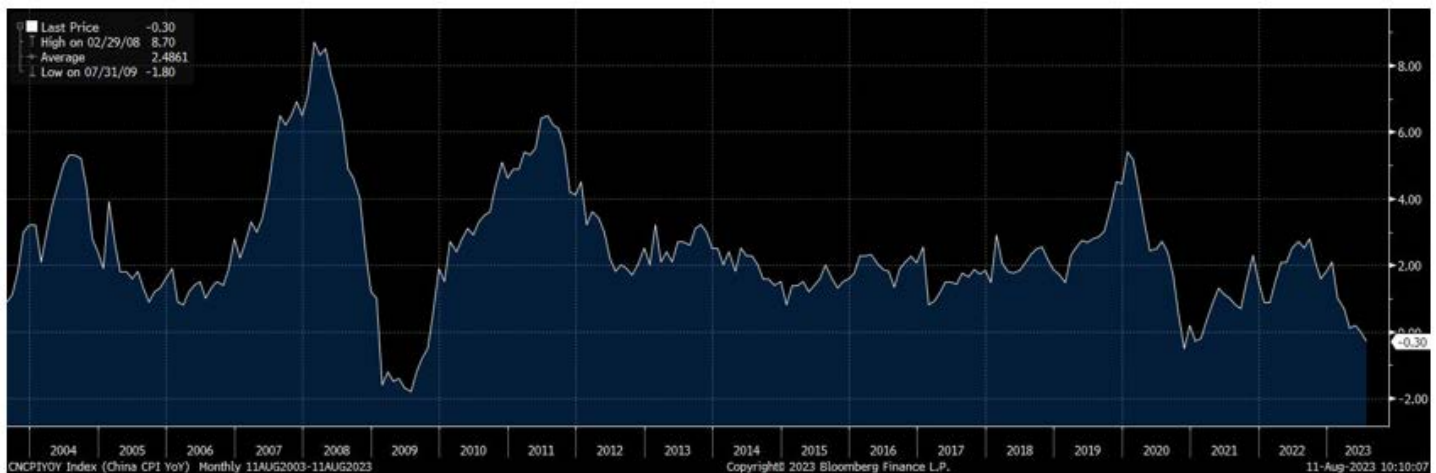


China's Consumer Prices Contract To A Negative 0.3% - Deflation In The Second Largest Economy

We pose these questions as something to ponder seriously: With China's consumer prices falling into negative territory and showing deflation, will this collapse spill over into other economies? And, if yes, is this bullish for falling pricings in the U.S. economy, as well?

Our thinking: the contraction of China's consumer prices can be a positive for global pricing overall to come down.

China Consumer Price Index Year-to-Year



Source: Bloomberg, August 11, 2023



Last Words

The U.S. economy and employment remain strong, keeping a strong consumer and services side of the economy. But the goods side of the economy still remains weak. A strong consumer keeps an economy strong (3Q23 GDP tracking at 4%), but that show of strength will also keep the Fed on watch to still use higher interest rates to try to slow both the economy and employment. We believe this is why the long-end of the Treasury yields is breaking to the upside. We did not anticipate this breakout, as we expected more of a slowdown in the economy. But higher longer interest rates will help investors lock-in attractive income -- income that has not been available since 2008-2009.

We also continue to expect equities to provide solid returns this year, and we are not sellers but buyers of this correction. We maintain that Technology is the leadership of this market, and we favor Semiconductors, Software and Services in this sector. We also favor Industrials as the capital coming to this area is very strong. Energy is a favored sector longer-term, and with crude oil pricing firming, it appears that the sector has bottomed.

For portfolios, we still recommend staying with quality investments.

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