CONCENTURE
WEALTH MANAGEMENT

Concenture Corner

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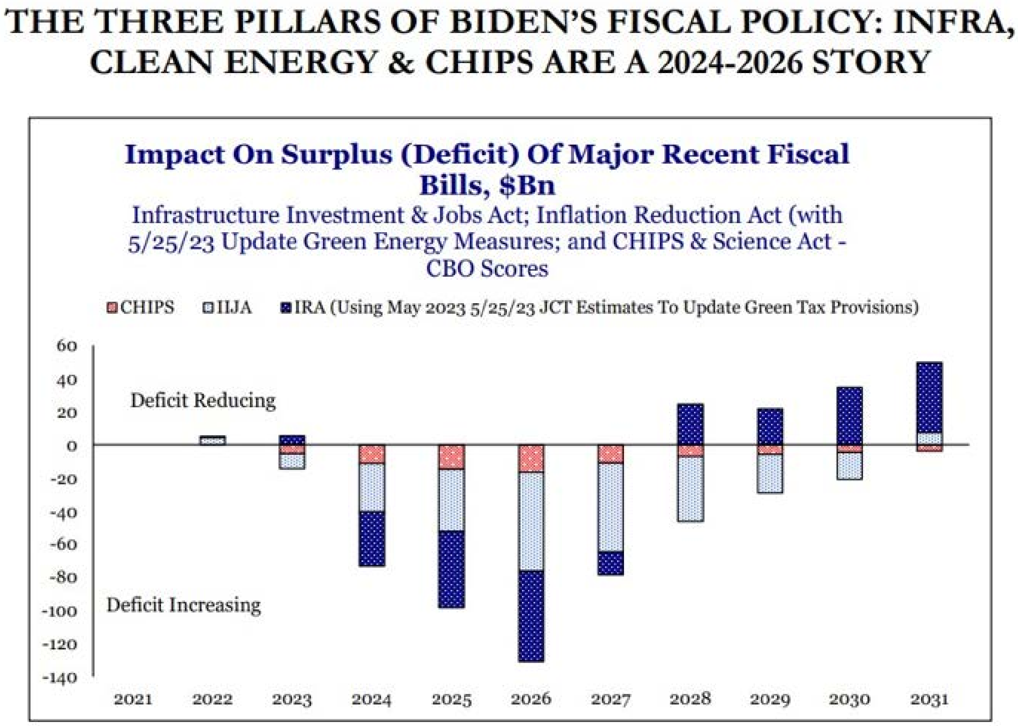
Executive Summary

There is always the unexpected! Of all things, Taylor Swift's Eras Tour and Beyoncé's Renaissance Tour have added significantly to consumer spending over the past several months, resulting in stronger economic growth – this has been a shock to economists and frankly to the world. Both tours are expected to generate nearly $5 Billion each – that's $10 Billion in consumer spending in the U.S. alone.

The Atlanta Fed GDPNow model (not an official Fed forecast) is predicting 5.6% 3Q23 real GDP growth. This is growth that the Federal Reserve is likely to see as above-trend economic growth. Well, this is good for corporate profits and it's reflected in steadily rising earnings estimates for the S&P 500. The estimated earnings growth rate now stands at 11%-12% for 2024, which is quite strong. Companies have also learned to run their businesses more efficiently, with improving margins being a highlight of 2Q23 earnings.

Speaking of 2024, it's a Presidential election year. (Can't wait, right?) Don't be surprised if President Biden tries to stimulate economic growth. But his recent legislation already increases spending, which will begin to kick into high gear in 2024-2026. The Fed is expected to be on hold with interest rates but stressing higher for longer. The Fed is data dependent, and if the economic data is as expected or softer, then a hold on interest rates is what we'll get. But if the data shows any signs of inflation or even risk to inflation, then the Fed is likely to raise rates again. Fed Chair Jerome Powell closed his Jackson Hole comments with his consistent theme of "Keeping At It" —a nod to the book title of former Fed Chair Paul Volcker, the crusher of inflation in the early 1980s. This indicates that Chair Powell is committed to also crushing inflation and will do what is necessary to accomplish this task.



Source: Strategas, September 2023

Short interest rates are hovering near 5% and long rates are 4.3% with a risk of going to 5%. Yes, this will add to the losses in bonds, but the move will also provide retirees with a long-term attractive risk-free rate that has not been available for over 16 years. Should bonds close the year with a negative return, it would be three years of losses, which has not occurred in 250 years according to Bank of America –an extreme anomaly! Bonds traditionally add not only a coupon (yield) for income, but also stability in a portfolio. As we have said before, there is no easy way to go from zero interest rates, which is not normal, to a normal interest rate environment (meaning higher interest rates). *The pain will eventually pay off in portfolios. We would focus on a barbell approach of owning both the short and long end of the curve.*

The Bull is Still Charging but Pausing

Equity markets are overbought and have entered a seasonally challenging period, which historically lasts into October, so expect markets to be choppy. We have been calling for a 5%-10% correction on the S&P 500 and 10%-16% on the Nasdaq 100. We do believe higher highs are achieveable later this year and into next year. We think stocks could trend to 5200-5400 for the S&P 500 if the 4637 level is broken to the upside, a 12%-17% gain from that breakout level. So, we expect a strong year-end rally. Therefore, we remain buyers of equities. On the sector level, Technology is expected to maintain leadership. Our focus is on Semiconductors and Software & Services. Other sectors we believe will continue to outperform are Communications Services, Industrials, and Energy, which is now positioned to also move higher. Interest-sensitive sectors, such as Financials, Real Estate, and Utilities, should continue to lag. Defensive sectors, such as Consumer Staples and Healthcare, look to underperform going into year-end. Consumer Discretionary should maintain its outperformance as long as consumers keep spending. Materials remain more neutral.

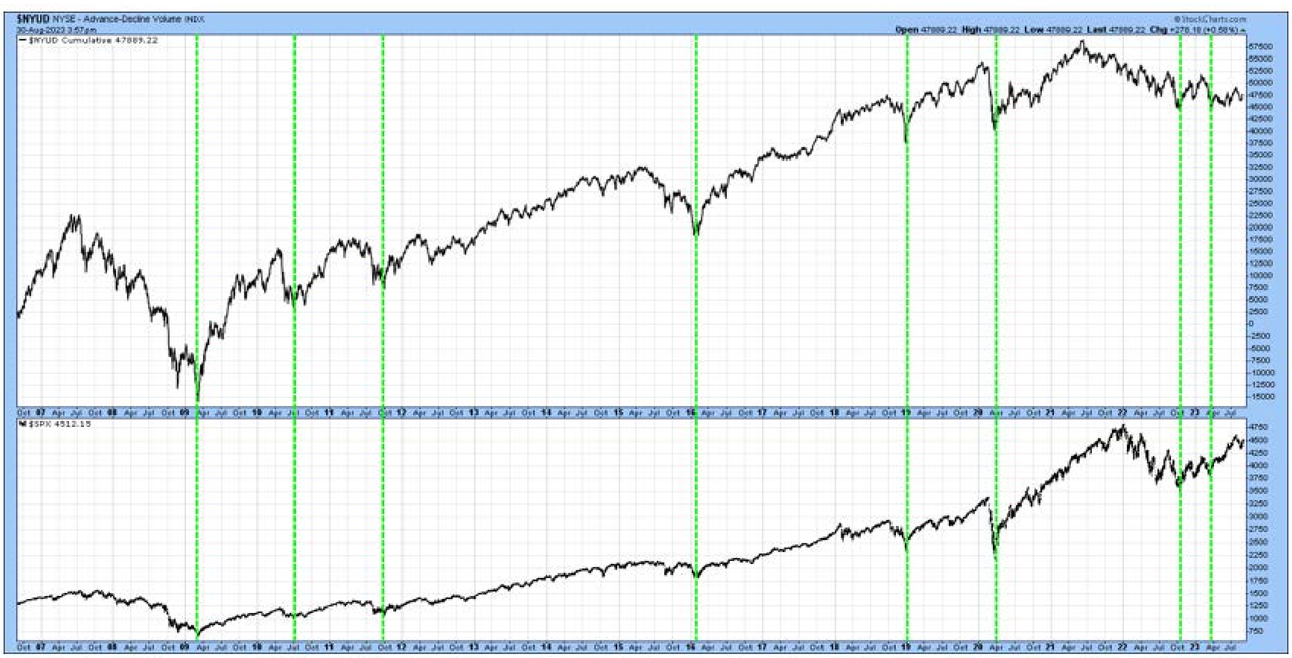
We prefer Cyclical Growth exposure, and believe Financials will hold Value back. The best Value in the market is Energy. We also favor Large Cap over Small Cap. Again Financials, particularly regional banks, are holding small caps back despite their attractive valuations.

Market Breadth – Steadily Improving

Source: StockCharts.com, August 29, 2023

Market Breadth Collapses During A Bear Cycle – This Already Happened In Oct '22 – Breadth Looks To Steadily Improve

Advance-Decline Line With Important Lows with the S&P 500



Source: StockCharts.com, August 30, 2023

Concenture Wealth Corner - **September 2023**

Short & Long Interest Rates Trending Up – Risk Is No Peak Yet

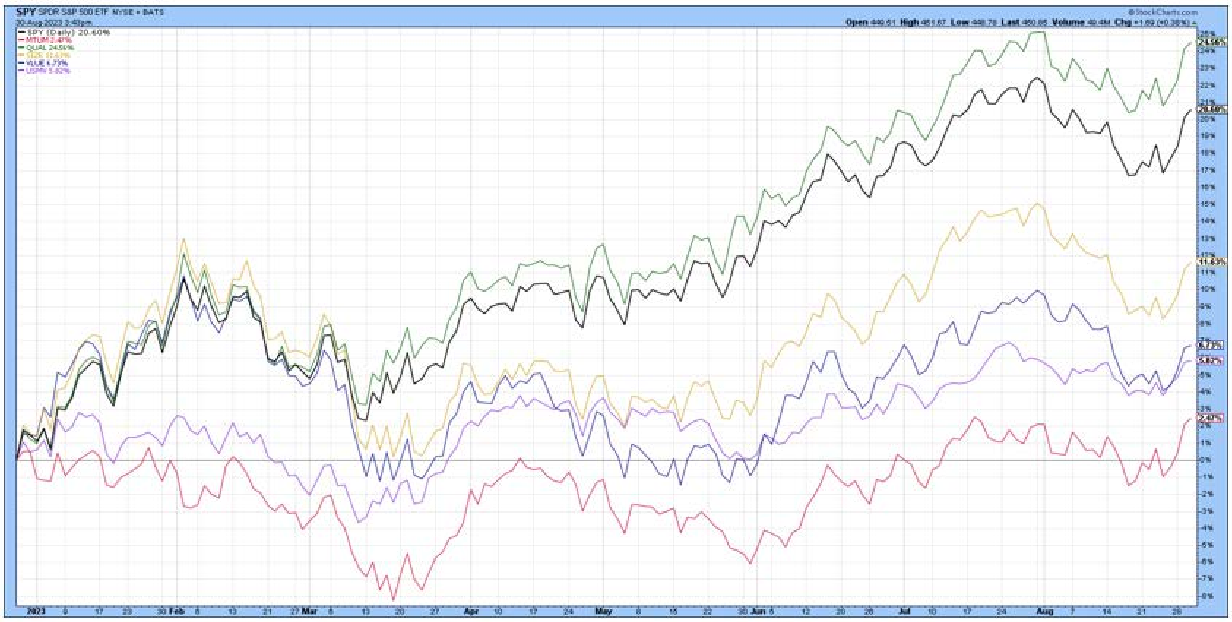
Source: StockCharts.com, August 30, 2023

ETF Factor Based: Quality Is The Best Performing Factor While Momentum Is The Worst

Source: StockCharts.com, August 30, 2023

Concenture Wealth Corner - **September 2023**

Factor-Based ETF Performance Year-to-Date



Source: StockCharts.com, August 30, 2023

A Visit With The 11 S&P Sectors

This month, we review the long-term trends in the 11 S&P sectors in the market. The following charts illustrate the sectors along with several technical measures. There is a glossary of definitions of the technical measures that are presented in the charts.

Year-to-date, Cyclical Growth sectors have significantly outperformed despite the most aggressive rate hike in history, from 0% to 5.25%. This was not expected as we entered 2023. An important fact about markets: *Growth outperforms in a scarce earnings environment, and we have had a recession in earnings. Value outperforms when earnings are abundant. We still remain in a scarce earnings environment.*

S&P Sector Returns From January 2023-August 2023

Source: Bloomberg, August 2023

Concenture Wealth Corner - **September 2023**

The Following Charts Have In Order, Sector Relative Price Chart, MACD, ETF Sector Price Chart With Moving Averages, Volume, RSI, SCTR and CTM. Glossery of Terms at the End of this Report

Technology SPDR ETF (XLK): Leadership Sector Expected To Test Highs & Potential To Reach New Highs

Source: StockCharts.com, August 31, 2023

Semiconductors Still A Favored Industry Leader – Expecting All-Time New Highs

VanEck Semiconductor ETF (SM)

Source: StockCharts.com, August 30, 2023

Communication Services Expected To Outperform The S&P 500

Communication Services SPDR ETF (XLC)

Source: StockCharts.com, August 30, 2023

Concenture Wealth Corner - **September 2023**

Consumer Discretionary Sector Still Showing Strength

Consumer Discretionary SPDR ETF (XLY)

Source: StockCharts.com, August 30, 2023

Concenture Wealth Corner - **September 2023**

Consumer Staples Sector Expected To Remain Weak

Consumer Staples SPDR ETF (XLP)

Source: StockCharts.com, August 30, 2023

Energy Sector Picking Up Momentum And Reversing Downtrend

Energy Sector SPDR ETF (XLE)

Source: StockCharts.com, August 30, 2023

Concenture Wealth Corner - **September 2023**

Financials Remain Weak And Expected To Lag The S&P 500

Financials SPDR ETF (XLF)

Source: StockCharts.com, August 30, 2023

Concenture Wealth Corner - **September 2023**

U.S. Banks: The Weakest In The World Year-To-Date

Source: Strategas, August 31, 2023

Regional Banks Under-performing Big Banks

S&P Regional Bank SPDR ETF (KRE) Relative S&P Bank SPDR ETF (KBE)

Source: Stockcharts.com, September 7, 2023

Concenture Wealth Corner - **September 2023**

Healthcare Sector Expected To Continue To Lag Behind The Market

Healthcare SPDR ETF (XLV)

Source: StockCharts.com, August 30, 2023

Concenture Wealth Corner - **September 2023**

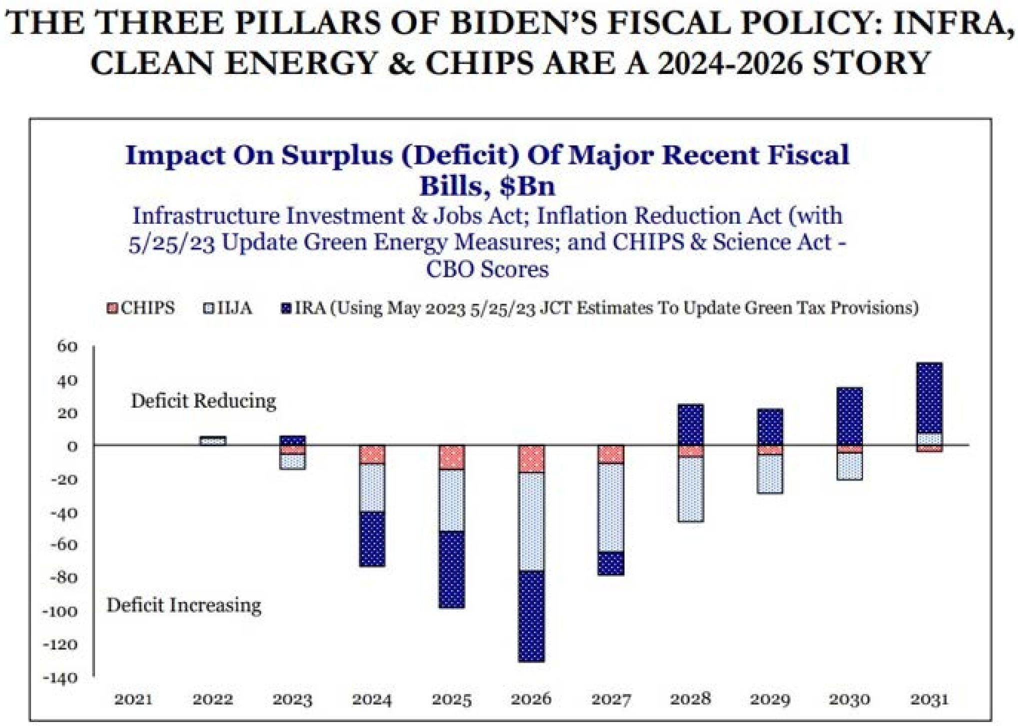
Industrials Are Picking Up Momentum And Have the Ability to Make New Highs A Big Beneficiary Of The Biden Fiscal Spending Legislation Especially On Infrastructure

Industrial SPDR ETF (XLI)

Source: StockCharts.com, August 30, 2023

Concenture Wealth Corner - **September 2023**

From Strategas: In November 2021, Congress passed a new infrastructure bill which doubled the amount of infrastructure spending the U.S. normally passes in a five-year plan. However, that money is historically slow to be spent and, nearly two years later, we are just starting to see the first signs of the money being spent. The impact on GDP has been 0.1% in the past 12 months. Biden's fiscal policy trifecta of infrastructure, clean energy, and CHIPs is a 2024-2026 story.



Source: Strategas, September 2023

Concenture Wealth Corner - **September 2023**

Materials Have Been A Neural Sector & Appear To Remain Neutral

Materials Sector ETF (XLB)

Source: StockCharts.com, August 30, 2023

Concenture Wealth Corner - **September 2023**

Real Estate Is A Weak Sector & Should Remain Weak As Long As Interest Rates Remain High

Real Estate SPDR ETF (XLRE)

Source: StockCharts.com, August 30, 2023

Utilities Also Are Weak And Should Remain Weak With High Interest Rates

Utilities SPDR ETF (XLU)

Source: StockCharts.com, August 30, 2023

Glossary Of Technical Indicators

The **Relative Strength Index** (RSI), is a popular price momentum oscillator, which measures the speed and change of price movements. The RSI moves up and down (oscillates) between 0 and 100. When the RSI is above 70, it generally indicates overbought conditions; when the RSI is below 30, it indicates oversold conditions. The RSI also generates trading signals via divergences, failure swings, and centerline crossovers. You could also use the RSI to identify the general trend.

The **Moving Average/Convergence Divergence** (MACD) turns two trend-following indicators, moving averages, into a momentum oscillator by subtracting the longer moving average from the shorter one. As a result, the MACD offers the best of both worlds: **trend following and momentum.** The MACD fluctuates above and below the zero line as the moving averages converge, cross and diverge. Because the MACD is unbounded, it is not particularly useful for identifying overbought and oversold levels.

The **StockCharts Technical Rank** (SCTR) indicator score is unique and powerful because it accounts for several time frames, rather than being tethered to a specific one. A stock/ETF must score well with all indicators and all time frames to earn a top indicator score and technical rank. The indicator score puts more weight on the two long-term indicators, which account for 60% of the total score. This makes sense because the long-term trend is the strongest force. The weightings decline as scoring moves to the short-term indicators. The medium-term indicators account for 30% and the short-term indicators account for 10%. Together, the long-term and medium-term indicators account for 90% of the total score.

SCTR shows how a stock/ETF is performing relative to its peers, not a benchmark index. Indices, such as the S&P 500, are dominated by large-caps and may not truly reflect the market as a whole. Instead of benchmarking to one index, SCTR sorts all stocks/ETFs within a specific universe, such as large-caps, mid-caps and small-caps.

SCTR - Large-Cap Breakdown (assuming 500 stocks)

Stocks	Decile	
50	90 to 99.99	Strongest 10%
50	80 to 89.99	Stronger
50	70 to 79.99	Strong
50	60 to 69.99	Above Average
50	50 to 59.99	Average
50	40 to 49.99	Average
50	30 to 39.99	Below Average
50	20 to 29.99	Weak
50	10 to 19.99	Weaker
50	0.00 to 9.99	Weakest 10%

Total = 500

Source: StockCharts.com, September 1, 2023

The **Chande Trend Meter** (CTM) is a trend momentum indicator with a scale of 0 to 100; stocks with a CTM score of 100 are in very strong uptrends. Conversely, stocks with a score of 0 are in very strong downtrends.
This scale can be divided into 5 different levels:

- Stocks with a score of 90-100 are in very strong uptrends
- Stocks with a score of 80-90 are in strong uptrends
- Stocks with a score of 60-80 are in weak uptrends
- Stocks with a score of 20-60 are either flat or in weak downtrends
- Stocks with a score of 0-20 are in very strong downtrends

Definitions courtesy of StockCharts.com

Last Words

With interest rates remaining elevated, stocks trading at a 20x multiple and equities technically extended, a correction would be normal. Then – perfectly timed as we enter the end of summer and into fall – the seasonals point to correction. Corrections refresh a market but often don't feel good and are accompanied by negative news. This is when patience is the key to investing and to focusing on long-term goals and positioning. It is always good to review the goals of a portfolio and determine whether any re-balancing makes sense. We maintain our view to focus on quality investments.

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