



CONCENTURE
WEALTH MANAGEMENT

Concenture Corner

Robert Gilliland
Managing Director



June
2024

Executive Summary

Artificial intelligence (AI) is the elephant in the room that everyone DOES want to talk about. And they should... because it's still a challenge for investors to get their heads wrapped around the extent of AI's impact. AI is the catalyst for an enormous paradigm shift in... everything.

So, it should be no surprise that the central theme for our market outlook remains AI. We do not believe investors or much of the industry have yet to recognize the immense impact AI will have at every level of society and the economy. At the same time, it is rapidly becoming integrated into everyday life, appearing in drive-through restaurants as well as computer interfaces. Soon, AI will be everywhere, literally.

In our view, AI will fundamentally transform the way we live and do business in much the same way as personal computers, the internet, and smartphones have changed how we live and do business over the past 40 years.

**So Starts
The Summer Of
Love For All
Things AI**

Nvidia Follows The Apple Model, AMD Follows The Microsoft Model

Nvidia is leading the pack in artificial intelligence (AI), improving its hardware at breakneck speed, faster than anything we've seen in the past 30 years. Nvidia's chief competitor, AMD, is lagging behind but still progressing at a rapid pace as well.

The business strategies of each company have revealed a pattern we've seen before in Technology. Nvidia is pursuing a proprietary system strategy: it owns and builds its hardware, it supplies the software, it even supplies the data centers for AI implementation. This is the same strategy Apple is famous for. Plus, the "face of Nvidia" is its charismatic co-founder/CEO Jensen Huang, who is quite well spoken and presents with a theatrical flair – much like Apple's Steve Jobs!

Meanwhile, AMD is following an open platform strategy. It is seeking long-term strategic partners and inviting open source providers to exploit its platform. This is the strategy Microsoft pursued in the PC wars of the '80s and early '90s. AMD's CEO Lisa Su is more deliberate and less flashy than Nvidia's Huang, but she is highly competent and experienced – not someone to bet against!

Now we don't pretend to know which strategy will win in the long run, but it's undeniable that Nvidia is well on its way to becoming the largest company in the world by market capitalization.

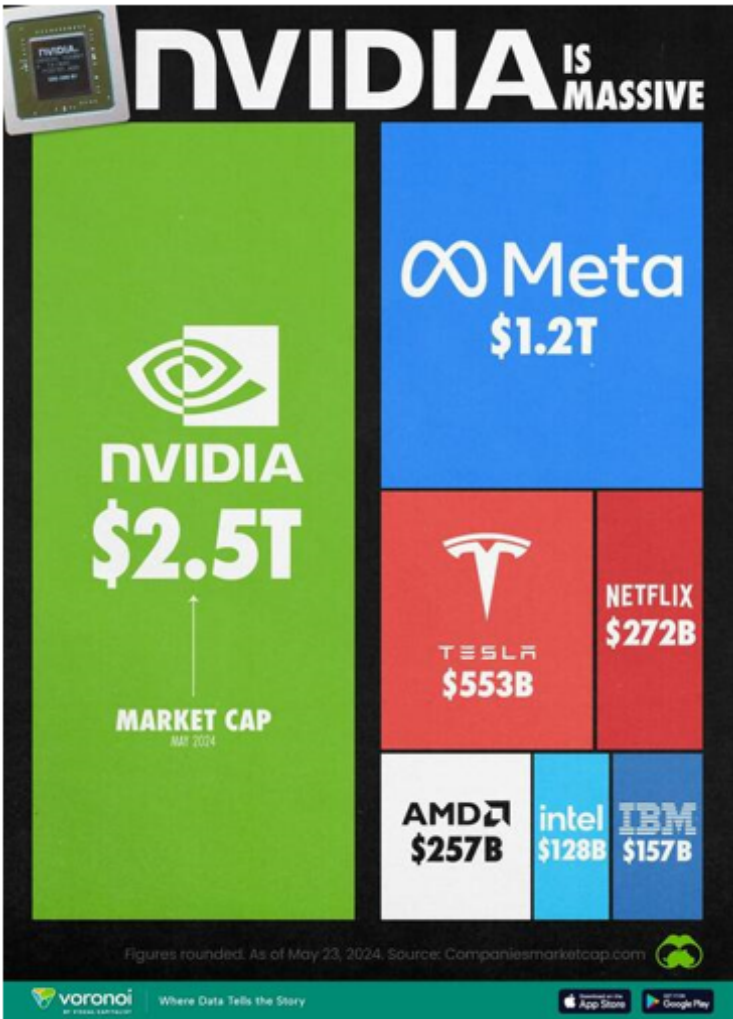
 **CNN** Business Markets Tech Media

Nvidia surpasses Apple to become the second-largest public company in the US

By  Nicole Goodkind, CNN
🕒 2 minute read · Updated 4:50 PM EDT, Wed June 5, 2024

Source: StockCharts.com, retrieved June 5, 2024

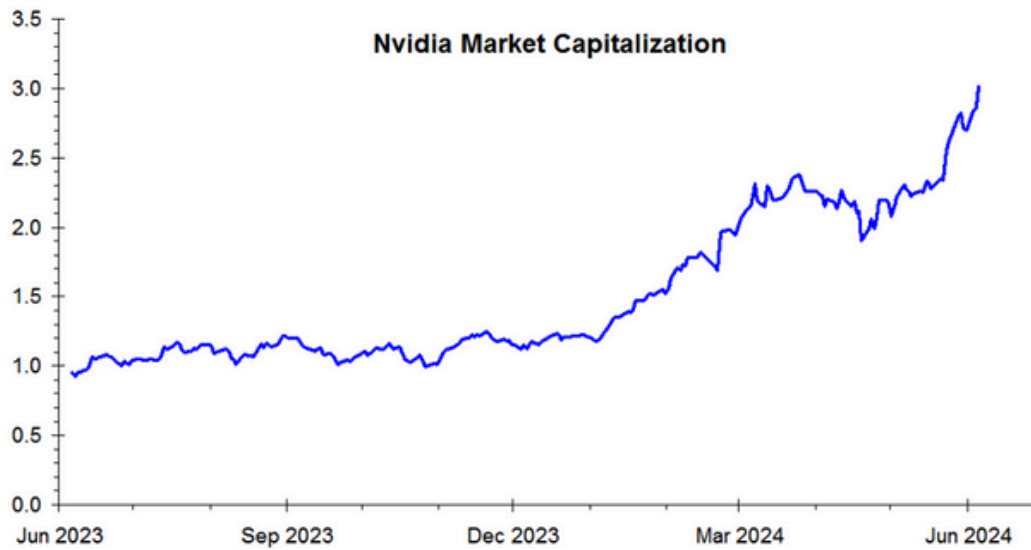
Nvidia Is Larger In Market Capitalization Than A Portfolio Of Important Tech Stocks



Source: VisualCapitalize.com, retrieved May 28, 2024



Nvidia's Market Cap Soared From \$2.5T To \$3.0T In 9 Trading Days (May 23 To June 5)



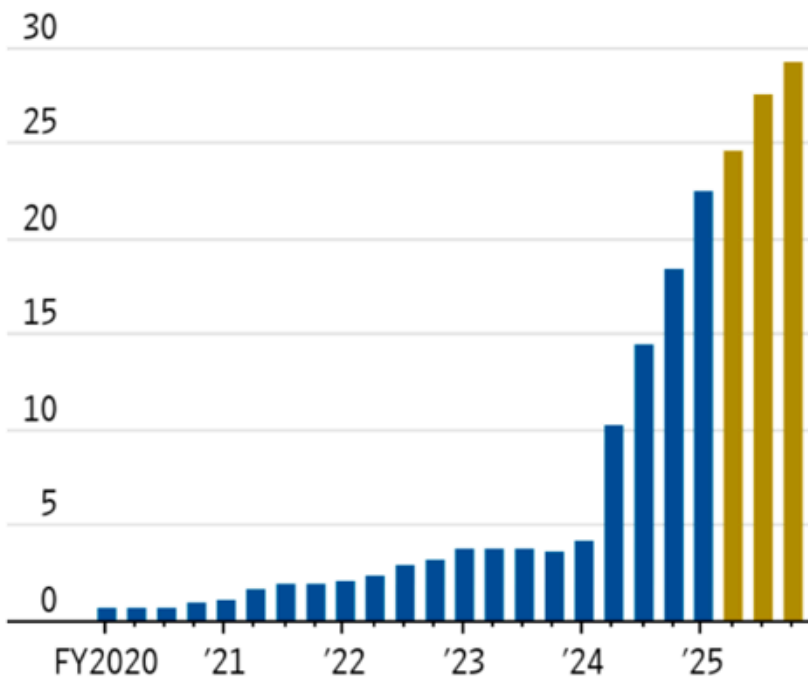
Source: Bloomberg, Sanctuary Wealth, June 6, 2024

Nvidia's Revenue Increasingly Driven By Data Centers

Plugged In

Nvidia's data center revenue per fiscal quarter

\$35 billion



Note: Fiscal year ends January. Last three quarters of FY25 are projections.

Source: Wall Street Journal, retrieved May 24, 2024



VanEck Semiconductor ETF (SMH) Improving Along With Its Relative Strength Index (RSI) And Moving Average Convergence/Divergence (MACD) Indicator



AI Impacts Rest Of The Economy And The Market

We've seen a citation from S&P Global Market Intelligence's 451 Research, which believes that electricity demand in the U.S. will rise from 473 GW (gigawatts) in 2023 to 482 GW in 2027, an increase of almost 2% over four years, about a half-percentage point per year. That's a huge increase... about 2½ GW this year. How big is that? Think of it like this: Feeds into the U.S. electric power grid must be broken into pieces no larger than 2½ GW. For reference, that's the size of the (very controversial) Diablo Canyon nuclear power plant in California – which took 18 years to construct!

On a worldwide basis, the International Energy Agency (IEA) expects data centers alone to increase electricity consumption from 460 TWH (terawatt hours) in 2022 to 1000 TWH in 2026, an increase of over 20% per year. Granted, terawatt hours are not the same thing as gigawatts, but 1000 TWH works out to 114 GW (if the electric plants are running continuously at full capacity). Again, how big is that? According to IEA, 114 GW is almost one quarter of the entire electricity-generating capacity the U.S. reached in 2023. We're looking at enormous increases in demand!

And that demand of course translates into a huge amount of demand for new power plants and equipment. And remember: all those generators, capacitors, transformers, and wires for transporting electricity from the plant where it's produced to the locations where it's consumed require ... Copper! We're talking about an astonishing amount of copper that is needed... and frankly, it's far more than what global copper producers can deliver.

AI Is Driving 'the Next Industrial Revolution.' Wall Street Is Cashing In.

Old-school stocks in the utilities, energy and materials sectors are outpacing the wider market

By Charley Grant

May 27, 2024 5:30 am ET

Source: Wall Street Journal, retrieved May 27, 2024

The business world has not neglected artificial intelligence (AI). Savvy business directors know they must discover how to use and exploit this innovative technology in order to remain competitive and profitable. Back during the dot-com boom of the late '90s, many firms claimed to have internet presence before they actually had it. We're hearing an echo of that today as many firms are claiming AI "connections" before they actually exist. The reality will eventually shake out, but in our view, that's still years away, toward the end of this decade.



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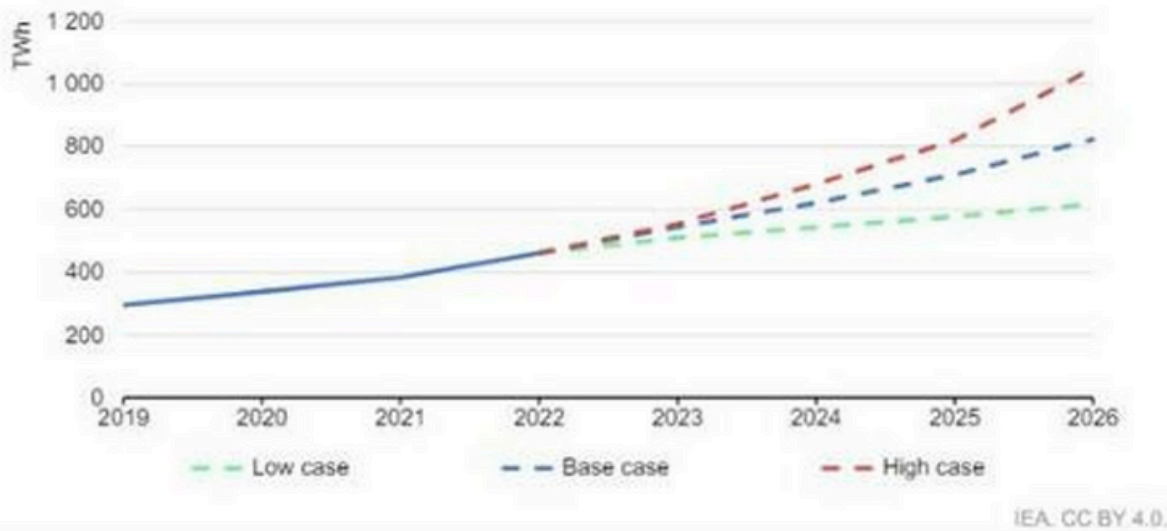
Electricity grids creak as AI demands soar

Chris Baraniuk, Technology reporter

Source: Wall Street Journal, retrieved May 27, 2024

There is not enough electricity to go around: electric power generation must expand dramatically to meet the rapidly growing demands of artificial intelligence (AI), electric vehicles, and cryptocurrency transactions.

Global electricity demand from data centres, AI, and cryptocurrencies, 2019-2026



Source: International Energy Agency, retrieved May 21, 2024

There are many stocks in the Electrical Equipment group that stand to profit from a large expansion of electric power generation and transport; one example is GE Vernova. Back in March of this year, General Electric split into three companies. GE Vernova became the successor company that includes GE Power, GE Renewable Energy, GE Digital, and GE Energy Financial Services. For decades, the core business of General Electric was centered on the world of transformers, capacitors, high voltage cables, and other electric power products – all of which now reside within GE Vernova.

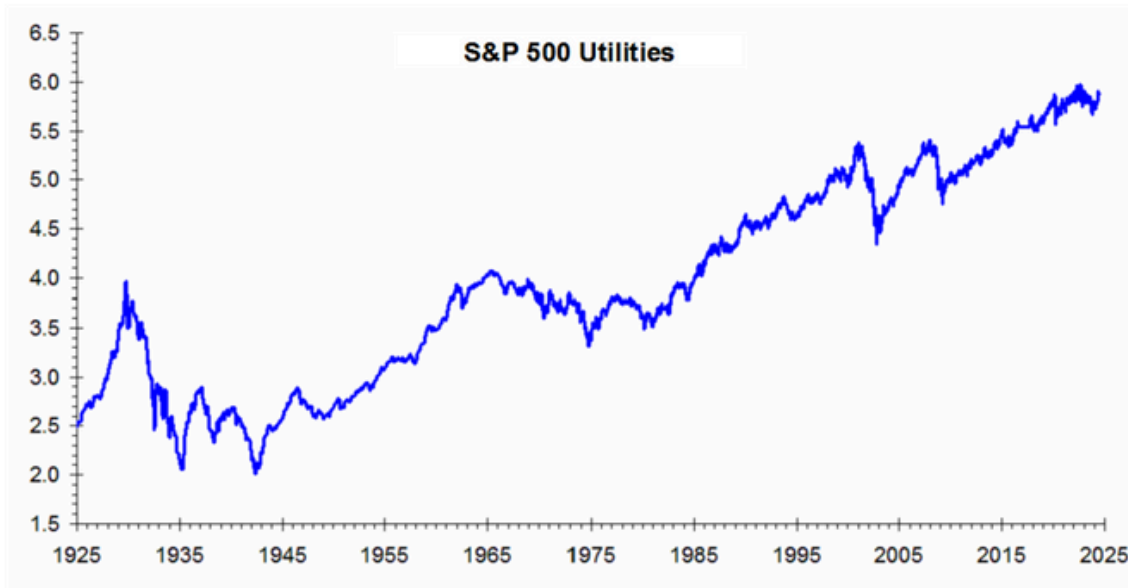
GE Vernova Stands To Benefit From Exploding Demand In Electricity



Source: StockCharts.com, retrieved June 5, 2024



Utilities Have Not Been Growth Stocks In Over A Century



Source: Bloomberg, Sanctuary Wealth, June 7, 2024

ENGINEERING AND TECHNOLOGY



The amount of copper needed to build EVs is 'impossible for mining companies to produce'

Tanya Weaver

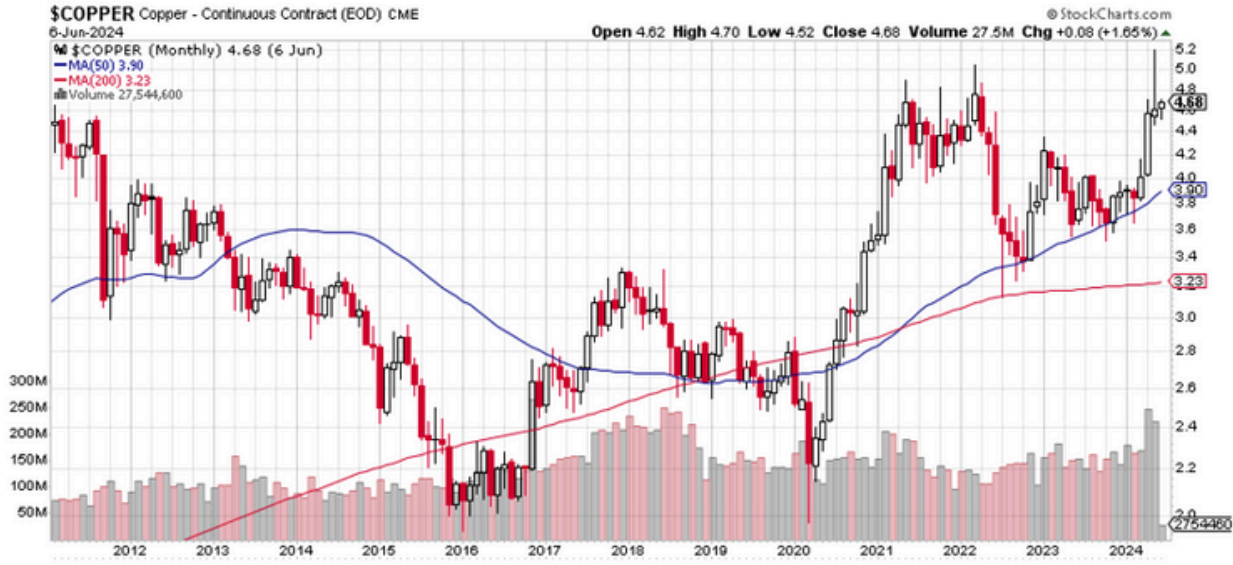
Thu 16 May 2024

Copper cannot be mined quickly enough to keep up with current policies requiring the transition to electric vehicles (EVs), according to a University of Michigan study.

Source: Engineering & Technology, retrieved May 17, 2024



Copper Supply Constrained – How Long Will Copper Prices Be Constrained?



Interest Rates: Ready To Drop?

10-Year Treasury Yields Appear To Have Peaked For Now



Source: Bloomberg, Sanctuary Wealth, June 7, 2024



Likewise, 2-Year Treasury Yields Appear Likely To Decline: May Be In A Trading Range



Source: Bloomberg, Sanctuary Wealth, June 7, 2024

Inflation Expectations Remain Low

Breakeven inflation rates represent a measure of expected inflation derived from Treasury constant maturities and comparable Treasury Inflation-Protected Securities (TIPS). The 5-year breakevens are currently measuring inflation at around 2.3%. This should be a positive for the Federal Reserve's decision makers, as they're hoping for the data to anchor inflation enough to support interest rate cuts. It's our view that the Fed would like to lower rates before the November presidential election, likely in September, if the data is supportive.

5 Year Breakevens



Source: Bloomberg, Sanctuary Wealth, June 7, 2024



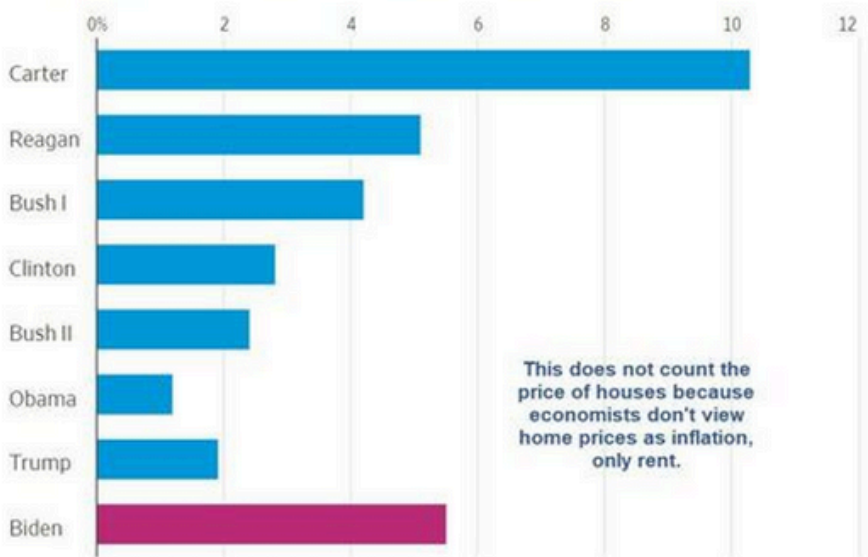
Chart 2: Biggest outperformance of corporate vs government bonds in past 100 years
US corporate vs government bond returns



Source: Bank of America Global Investment Strategy, Wealth, May 10, 2024

Bond Market's Immediate Concern: Inflation

Average Annual Consumer-Price Inflation In First Presidential Term



Source: Daniel Clifton, Strategas Research Partners

Source: Strategas, retrieved May 14, 2024

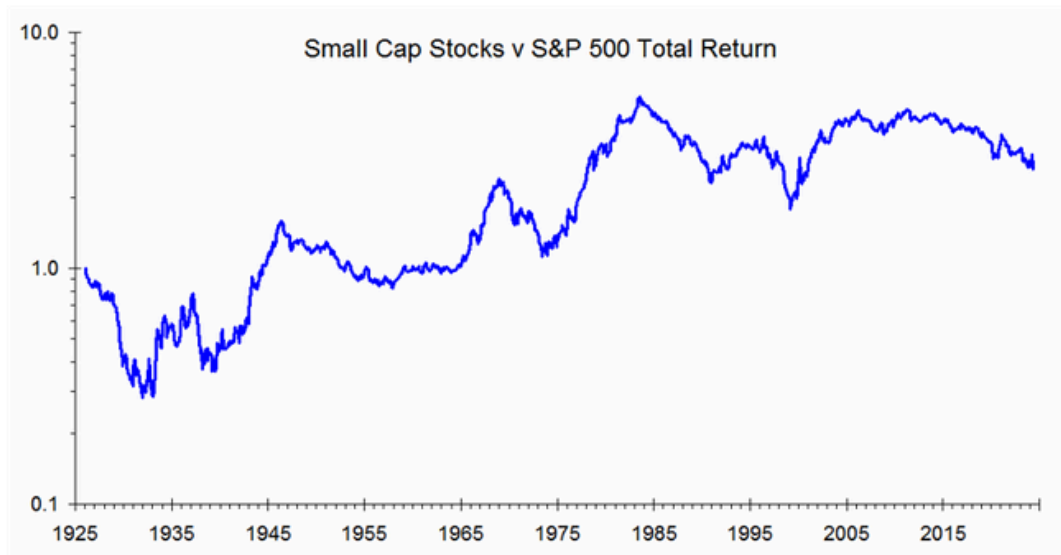
As this is an election year, it's worth remembering that incumbents like to keep their jobs by getting re-elected. In order to accomplish this, we believe the government will do whatever it can to rein in inflation, or at least bring the reported inflation figure in line so that a rate cut by the Federal Reserve is feasible. That move could happen as early as the September 18th meeting of the Federal Open Market Committee (FOMC), but likely before the November presidential election. As of now, the markets give the likelihood of a rate cut about better than 50-50 chance.



This Equity Market Cycle Still Favors Mega Cap Stocks

The earnings power is coming from the Mega Cap stocks. Yes, the Russell 2000 is cheaper, but 30% of the companies within the index are not profitable. In addition, Regional Banks still make up a large portion of the Russell 2000, and last week the Moody's rating agency highlighted several regional banks that are at risk for a credit downgrade, citing commercial real estate concerns. We continue to recommend avoiding the regionals banks.

Small Caps Are Underperforming Large Caps For The Longest Stretch In 100 Years



Source: Ibbotson, Bloomberg, Sanctuary Wealth, June 7, 2024

Dow Jones Industrial Average Won't Give Up

The Dow Jones Industrial Average (DJIA) broke the 40,000 level, a mark it had been anticipating for nearly 30 years, for only one day (as of this writing). But we believe it is a surmountable hurdle and the new tier will be sustainable. Major milestones like this are psychological in nature, and it often takes investors multiple attempts to overcome them.

Dow Jones Industrials Reached 40,000 Level Then Backed Off



Source: Bloomberg, Sanctuary Wealth, June 5, 2024



Market Performance

	Last 6/7/2024	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 6/8/2023	Year To Year
S&P 500	5346.99	5277.51	1.3%	5254.35	1.8%	4769.83	12.1%	4293.93	24.5%
NASDAQ Composite	17133.13	16735.02	2.4%	16379.46	4.6%	15011.35	14.1%	13238.52	29.4%
NASDAQ 100	462.96	450.71	2.7%	444.01	4.3%	409.52	13.0%	353.15	31.1%
Russell 2000	2026.55	2070.13	-2.1%	2124.55	-4.6%	2027.07	0.0%	1880.78	7.8%
S&P Consumer Discretionary Sector	1445.29	1423.51	1.5%	1485.49	-2.7%	1418.09	1.9%	1253.45	15.3%
S&P Consumer Staples Sector	828.01	824.23	0.5%	814.23	1.7%	762.32	8.6%	763.84	8.4%
S&P Energy Sector	683.43	708.04	-3.5%	721.24	-5.2%	640.05	6.8%	624.43	9.4%
S&P Financial Sector	688.05	691.28	-0.5%	701.32	-1.9%	626.35	9.9%	549.44	25.2%
S&P Health Care Sector	1703.44	1670.88	1.9%	1723.97	-1.2%	1590.36	7.1%	1512.14	12.7%
S&P Industrials Sector	1032.74	1042.88	-1.0%	1066.71	-3.2%	964.73	7.0%	865.78	19.3%
S&P Information Technology Sector	4124.37	3972.21	3.8%	3821.05	7.9%	3397.16	21.4%	2916.83	41.4%
S&P Materials Sector	563.60	575.27	-2.0%	585.16	-3.7%	539.62	4.4%	499.75	12.8%
S&P Real Estate Sector	237.46	238.00	-0.2%	248.16	-4.3%	251.58	-5.6%	233.44	1.7%
S&P Communications Sector	301.34	296.23	1.7%	284.29	6.0%	246.00	22.5%	212.11	42.1%
S&P Utilities Sector	353.03	367.47	-3.9%	333.49	5.9%	321.92	9.7%	336.93	4.8%
S&P 500 Total Return	11650.49	11494.70	1.4%	11418.03	2.0%	10327.83	12.8%	9215.87	26.4%
3 month Treasury Bill Price	98.65	98.65	0.0%	98.66	0.0%	98.66	0.0%	98.69	0.0%
3 month Treasury Bill Total Return	249.76	249.50	0.1%	247.21	1.0%	243.98	2.4%	236.71	5.5%
10 Year Treasury Bond Future	109.31	108.80	0.5%	110.80	-1.3%	112.89	-3.2%	113.03	-3.3%
10 Year Treasury Note Total Return	289.36	287.70	0.6%	291.09	-0.6%	294.12	-1.6%	289.80	-0.2%
iShares 20+ Year Treasury Bond ETF	91.50	90.45	1.2%	94.62	-3.3%	98.88	-7.5%	102.06	-10.3%
S&P Municipal Bond Total Return	271.77	269.12	1.0%	272.69	-0.3%	272.94	-0.4%	262.58	3.5%
iShares S&P National Municipal Bond NAV	106.20	105.49	0.7%	107.42	-1.1%	108.42	-2.0%	106.16	0.0%
S&P 500 Investment Grade Corporate Bond Total Return	452.48	450.71	0.4%	453.46	-0.2%	455.89	-0.7%	432.44	4.6%
S&P Investment Grade Corporate Bond	89.84	89.57	0.3%	90.59	-0.8%	91.76	-2.1%	89.15	0.8%
S&P Investment Grade Corporate Bond Total Return	481.47	479.69	0.4%	481.59	0.0%	482.66	-0.2%	457.89	5.2%
SPDR Bloomberg High Yield Bond ETF	93.93	94.35	-0.4%	95.20	-1.3%	94.73	-0.8%	91.59	2.6%
iShares iBoxx High Yield Corporate Bond ETF	76.89	77.13	-0.3%	77.73	-1.1%	77.39	-0.6%	74.70	2.9%
Gold	2293.78	2327.33	-1.4%	2229.87	2.9%	2062.98	11.2%	1965.46	16.7%
Bitcoin	69270.57	67630.41	2.4%	69654.16	-0.6%	41935.34	65.2%	26645.50	160.0%

Source: Bloomberg, Sanctuary Wealth, June 7, 2024

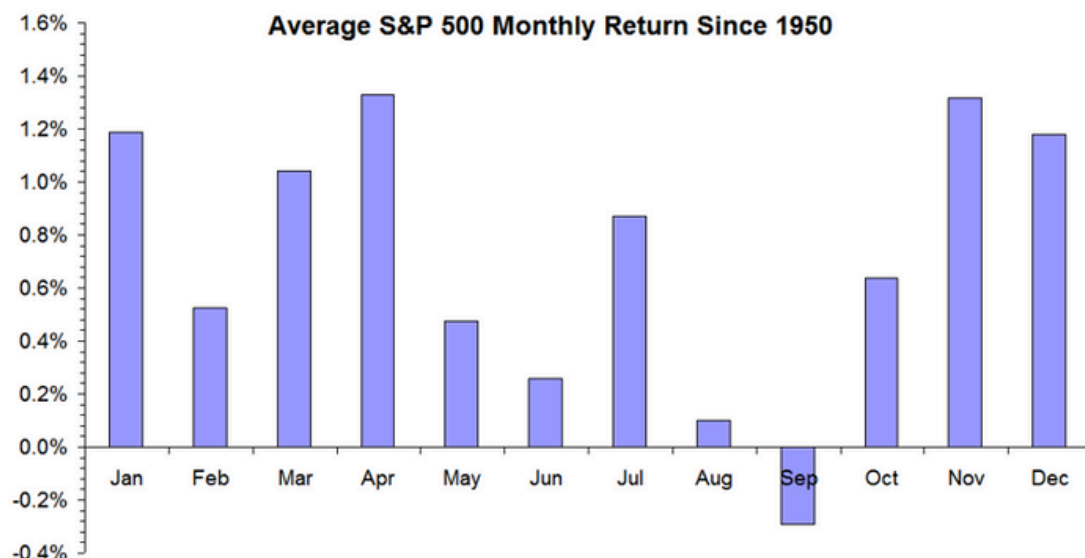
Positioning

We continue to prefer Growth over Value. When earnings are scarce, Growth outperforms, and although earnings are expanding throughout the market, for now, they are concentrated in those industries most affected by artificial intelligence (AI).

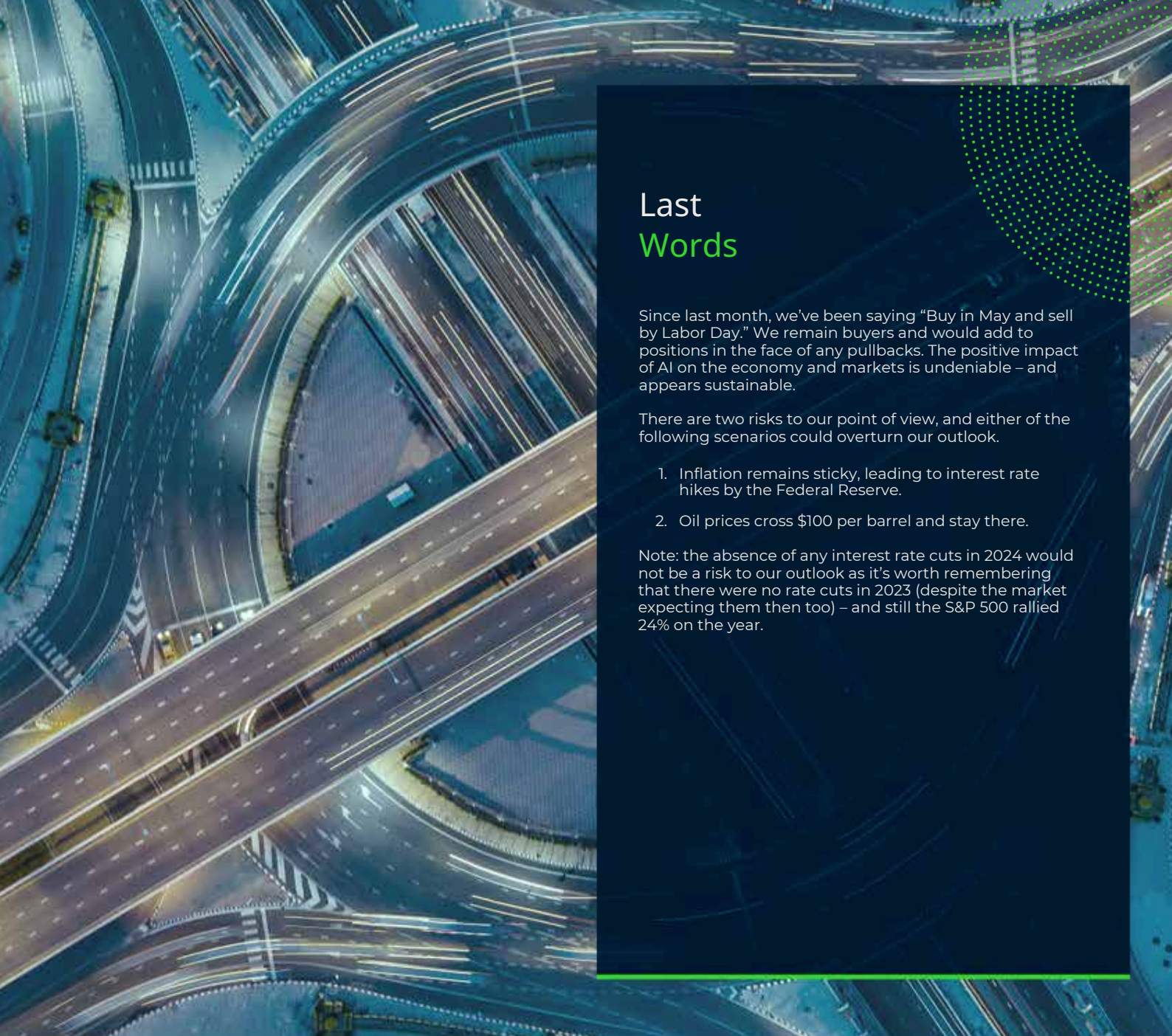
We continue to prefer Large Cap over Small Cap stocks. We draw your attention to the chart displayed earlier in this report, illustrating how Small Caps are currently underperforming Large Caps for the longest stretch in the past 100 years.

Our target for the S&P 500 this year is 5600–5800, which represents gains of about 4½%-8½% from now until the end of the year. Our long-term target for the S&P 500 is 6100–7000.

We expect the market to continue to perform well for many weeks. If there is a hiccup in the market – the Bucking Bull rearing its head – we would not expect to see that until September. Seasonality favors stocks throughout the Summer.



Source: Sanctuary Wealth, June 5, 2024



Last Words

Since last month, we've been saying "Buy in May and sell by Labor Day." We remain buyers and would add to positions in the face of any pullbacks. The positive impact of AI on the economy and markets is undeniable – and appears sustainable.

There are two risks to our point of view, and either of the following scenarios could overturn our outlook.

1. Inflation remains sticky, leading to interest rate hikes by the Federal Reserve.
2. Oil prices cross \$100 per barrel and stay there.

Note: the absence of any interest rate cuts in 2024 would not be a risk to our outlook as it's worth remembering that there were no rate cuts in 2023 (despite the market expecting them then too) – and still the S&P 500 rallied 24% on the year.

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3815 River Crossing Pkwy, Suite 200
Indianapolis, IN 46260

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