



Concenture
Week Ahead
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 Week of August 12, 2024

Equity Markets Recover But Will It Last?

The global equity markets were pummeled last Monday as the Japanese yen strengthened significantly, forcing leveraged investors in the yen carry trade out of their positions. *How much more of the yen carry trade needs to unwind?*

Given that this is a global trade, we may never know the exact amount. But we can look at the Commitments of Traders report and examine the positions of fast money traders. First, the most important thing to note is that the short position or borrowing in yen was at a record – and it was just above the size of shorting seen during the Great Financial Crisis in 2008-2009. Most of the yen short positions have been covered (see accompanying chart). This should allow for reduced volatility in the markets over the coming weeks.

Yen Non-Commercial (Traders) Commitments Of Traders Report Shows Shorts Almost Closed



Source: Commodity Futures Trading Commission, Bloomberg, Sanctuary Wealth, August 9, 2024



CONCENTURE WEALTH MANAGEMENT

Week of August 12, 2024

With Stocks Very Oversold, A Rally Looks To Be Coming Our Way

Both the S&P 500 and Nasdaq 100 have been and remain extremely oversold. Both indexes held the 200-day moving average – which is a positive. Price momentum looks to be bottoming in the 14-day Stochastic. For the leadership index, NYSE FANG+, price momentum has bottomed out and has given a tactical buy signal. The index also held its 200-day moving average. We believe over the coming weeks, the equity markets can rally. But we do expect volatility to come back in the September/October timeframe. So, for investors who have not yet rebalanced their portfolios, it would be a good opportunity, in our view, to rebalance during this anticipated rally.

S&P 500 & 14-Day Stochastic: Price Momentum Has Bottomed, A Rally Should Be Coming



Nasdaq 100 & 14-Day Stochastic: Price Momentum Has Bottomed, A Rally Should Be Coming





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Leadership Technology Stay Intact With Tactical Buy Signal

NYSE FANG+ With 14-Day Stochastic Buy Signal



What Would Spark The Rally? Liquidity Is Coming!

Strategas wrote on August 9 : “Yesterday the IRS announced plans to release the first 50k of delayed Employee Retention Tax Credits, or roughly 3 percent of the backlogged applications. Our back-of-the-envelope calculation suggests this is about \$4.3bn in payments, which is not a major change, but more is coming this Fall with another \$20bn in the pipeline. The IRS is under pressure from Congress and the courts to pay out the claims and we expect up to \$80bn in payments. The timing of these payments is arriving just as the U.S. consumer and employment are slowing. The \$150bn of payments made last year had an immediate impact on small business hiring and, 55 days after the payments started, the Atlanta Fed GDPNow began to accelerate.” *What perfect timing for the equity markets – and for the economy – especially as we near the Presidential election!*

2-Year Yields Hold Key To Whether Recession Is On The Way

With weaker economic data coming in, concerns have been raised as to whether the U.S. is in a recession or is heading towards one. We do not believe the U.S. is currently in a recession. But the economy is clearly slowing. We think the best indicator to keep an eye on is the 2-Year Treasury yield. We believe yields have peaked. The recent sharp fall in the 2-Year rate held critical support at 3.5% as global markets sold off (rates had gone as low as 3.6%). We believe the risk is that support levels break in 2025, raising the chance of a significant slowdown in the economy. If the economy does slow down significantly, it would put pressure on the earnings growth rate for the S&P 500. For investors still sitting with cash, we would take the back-up in rates as an opportunity to lock in these higher rates as the Federal Reserve is expected to lower rates by at least 1.0% in the coming quarters.



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2-Year Treasury Yield: Holds Support Levels But Top Appears To Be In Place



Utilities And Real Estate Getting More Buy Signals

We had the best monthly buy signals using the 14 Monthly Stochastic on the S&P 500 Utilities and Real Estate indexes back in late June. Now we are getting monthly buy signals on the Moving Average Convergence/Divergence Indicator (MACD). To us, this is a clear signal that interest rates will be coming down in the months ahead, as Utilities and Real Estate are very rate sensitive sectors. *We are buyers here.*

S&P 500 Utilities With Monthly MACD Buy Signal





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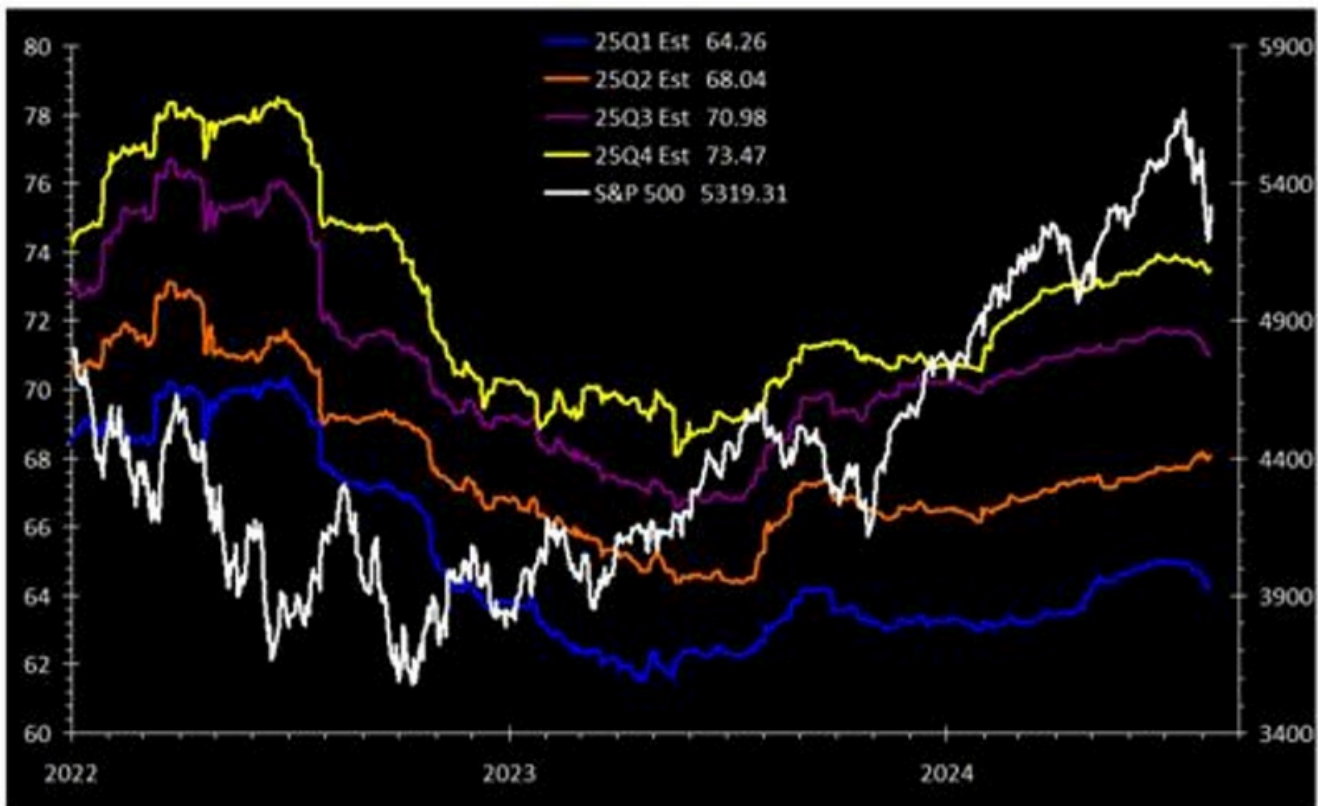
S&P 500 Real Estate With Monthly MACD Buy Signal



2Q24 Earnings Are Strong But The Market Is Shifting To The Earnings Outlook For 2025

Equity markets discount 6 months out, so, with this in mind, the market is beginning to price in earnings for 2025. The market already knows earnings for 2024 have been strong and are likely to remain strong. So, *what exactly does the market expect?* Based on the data available, it appears analysts are forecasting slightly lower earnings for the S&P 500 in 2025 (see accompanying chart). It is still early in the cycle for 2025 earnings, but we believe the risk of disappointing earnings for 2025 is in fact beginning to rise.

S&P 500 With 2025 Quarterly Earnings Expectations



Source: Bloomberg, August 12, 2024



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WEALTH MANAGEMENT

Week of August 12, 2024

Market Performance

	Last 8/9/2024	Month End 7/31/2024	Month to Date	Quarter End 6/28/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 8/10/2023	Year To Year
S&P 500	5344.16	5522.30	-3.2%	5460.48	-2.1%	4769.83	12.0%	4468.83	19.6%
NASDAQ Composite	16745.30	17599.40	-4.9%	17732.60	-5.6%	15011.35	11.6%	13721.03	22.0%
NASDAQ 100	450.41	471.07	-4.4%	479.11	-6.0%	409.52	10.0%	368.59	22.2%
Russell 2000	2080.92	2254.48	-7.7%	2047.69	1.6%	2027.07	2.7%	1922.62	8.2%
S&P Consumer Discretionary Sector	1399.68	1516.58	-7.7%	1492.14	-6.2%	1418.09	-1.3%	1342.32	4.3%
S&P Consumer Staples Sector	848.26	834.36	1.7%	819.86	3.5%	762.32	11.3%	783.70	8.2%
S&P Energy Sector	686.40	712.42	-3.7%	698.23	-1.7%	640.05	7.2%	676.29	1.5%
S&P Financial Sector	703.87	727.47	-3.2%	684.26	2.9%	626.35	12.4%	578.70	21.6%
S&P Health Care Sector	1746.41	1742.67	0.2%	1700.33	2.7%	1590.36	9.8%	1570.32	11.2%
S&P Industrials Sector	1051.25	1081.94	-2.8%	1031.96	1.9%	964.73	9.0%	919.02	14.4%
S&P Information Technology Sector	4015.16	4249.09	-5.5%	4341.09	-7.5%	3397.16	18.2%	2971.24	35.1%
S&P Materials Sector	558.08	580.51	-3.9%	556.50	0.3%	539.62	3.4%	521.97	6.9%
S&P Real Estate Sector	262.24	258.33	1.5%	241.17	8.7%	251.58	4.2%	234.05	12.0%
S&P Communications Sector	296.49	297.29	-0.3%	310.19	-4.4%	246.00	20.5%	225.95	31.2%
S&P Utilities Sector	373.46	369.64	1.0%	346.33	7.8%	321.92	16.0%	325.71	14.7%
S&P 500 Total Return	11666.50	12052.09	-3.2%	11907.15	-2.0%	10327.83	13.0%	9612.36	21.4%
3 month Treasury Bill Price	98.71	98.68	0.0%	98.66	0.1%	98.66	0.0%	98.64	0.1%
3 month Treasury Bill Total Return	252.07	251.66	0.2%	250.53	0.6%	243.98	3.3%	238.85	5.5%
10 Year Treasury Bond Future	112.95	111.81	1.0%	109.98	2.7%	112.89	0.1%	110.86	1.9%
10 Year Treasury Note Total Return	301.75	298.32	1.1%	292.03	3.3%	294.12	2.6%	285.08	5.8%
iShares 20+ Year Treasury Bond ETF	96.26	94.81	1.5%	91.78	4.9%	98.88	-2.6%	95.59	0.7%
S&P Municipal Bond Total Return	276.93	275.77	0.4%	273.41	1.3%	272.94	1.5%	263.10	5.3%
iShares S&P National Municipal Bond NAV	107.47	107.29	0.2%	106.67	0.8%	108.42	-0.9%	105.82	1.6%
S&P 500 Investment Grade Corporate Bond Total Return	465.42	463.87	0.3%	453.34	2.7%	455.89	2.1%	430.40	8.1%
S&P Investment Grade Corporate Bond	91.68	91.47	0.2%	89.77	2.1%	91.76	-0.1%	88.26	3.9%
S&P Investment Grade Corporate Bond Total Return	495.04	493.39	0.3%	482.45	2.6%	482.66	2.6%	456.54	8.4%
SPDR Bloomberg High Yield Bond ETF	95.05	95.84	-0.8%	94.27	0.8%	94.73	0.3%	91.88	3.5%
iShares iBoxx High Yield Corporate Bond ETF	77.97	78.54	-0.7%	77.14	1.1%	77.39	0.7%	74.94	4.0%
Gold	2431.32	2447.60	-0.7%	2326.75	4.5%	2062.98	17.9%	1912.48	27.1%
Bitcoin	60776.95	64559.96	-5.9%	60118.16	1.1%	41935.34	44.9%	29421.05	106.6%

Source: Bloomberg, Sanctuary Wealth, August 9, 2024

Inflation, Unemployment, Earnings, Oh My

This week we'll get timely data about the economy and the consumer along with corporate earnings.

With mutterings about a recession returning to news headlines (if not the markets themselves), there will be eager eyes awaiting this week's reports on the Producer Price Index (Tues) and the Consumer Price Index (Wed). Adding to the mix will be jobless claims and retail sales data, giving us insight into consumer spending and the unemployment front. And of course, earnings continue throughout the week, with overall positive expectations.

Looking Further Ahead

The Week Ahead will go on hiatus beginning next week, with the next edition scheduled for Tuesday, September 3. While we do not anticipate major market movement during this period, we do want to flag that all eyes will be on the Nvidia (NVDA) earnings announcement, set for August 28. It will be important to hear what the company says about its outlook.



Calendar

Mon.	2:00 pm Earnings*:	Monthly U.S. federal budget Alcon, Ballard Power
Tue.	6:00 am 8:30 am Earnings:	NFIB optimism index Producer price index, Core PPI Home Depot, MSG Sports, ON Semiconductor, Sun Life, XP
Wed.	8:30 am Earnings:	Consumer price index, Core CPI Cisco Systems, Cardinal Health, Dole, UBS
Thu.	8:30 am 9:15 am 10:00 am Earnings:	Initial jobless claims, Empire State manufacturing survey, Philadelphia Fed manufacturing survey, U.S. retail sales, Import price index Industrial production, Capacity utilization Business inventories Walmart, Alibaba Group Holding, Applied Industrial, Applied Materials, H & R Block, Ross Stores
Fri.	8:30 am 10:00 am Earnings:	Housing starts, Building permits Consumer sentiment (prelim), Home builder confidence index Flowers Foods, CI&T

Source: MarketWatch/Kiplinger/CNBC

*Earnings reflect highlights

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