



Sanctuary
 Week Ahead
 Robert Gilliland
 Managing Director

 **Week of October 21, 2024**

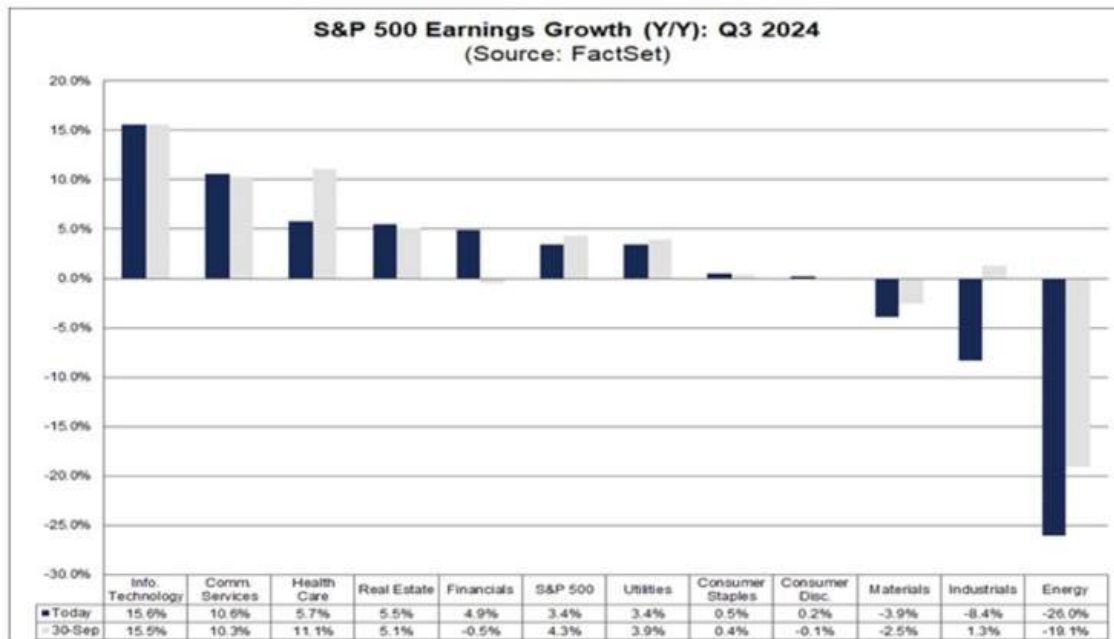
Stocks March Higher Powered By Earnings

We have argued that the most important factor to drive stocks prices is corporate earnings.

We are early in the 3Q24 earnings season and, so far, earnings are beating expectations. Companies that are surprising to the upside are rallying, especially when their corporate outlook for the future is positive. Importantly, when we look at projected earnings of the next 12-months globally, the U.S. is forecast to have the best earnings in the world! Strong earnings growth and the best earnings in the world are powering stocks higher, driving the S&P 500 and Dow Jones Industrial Average to record highs.

Seasonally, equity markets have a powerful rally from mid-October to the end of the year, rallying on average 5%. We maintain the view that we are in a secular bull market and that the S&P 500 can reach 6000 this year.

Year-to-Year 3Q24 Earnings Growth Strongest For Tech & Tech Related



Source: FactSet, October 18, 2024



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The U.S. Has The Strongest Earnings In The World!

Exhibit 11: Consensus 12-month forward EPS growth projections are trending up across regions

Consensus 12-month forward EPS growth estimates (%): US (14.0%) | Europe (8.0%) | Asia Pac (13.0%)



Source: BofA Predictive Analytics, MSCI, IBES, Refinitiv

Source: Bank of America, October 2024

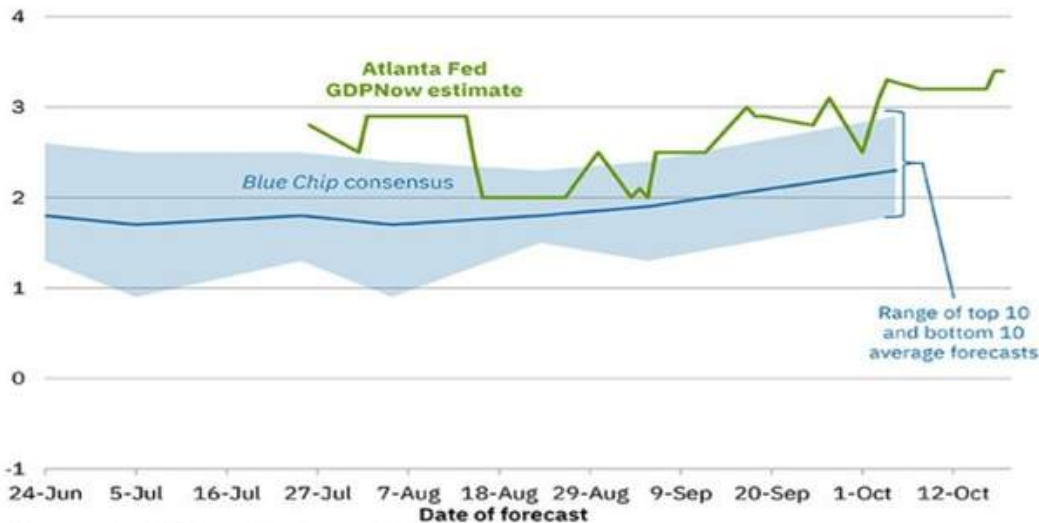
BofA GLOBAL RESEARCH

3Q GDP Forecast To Grow Above 3%

There is a strong correlation between economic growth and corporate earnings. The Atlanta Fed GDPNow estimated that GDP growth for 3Q24 is running at a 3% level. Economists have needed to raise their GDP estimates this year, which has also been a positive support for the equity market. This model can have volatility, but the point is that the economy is growing – and at a healthy pace. Supporting the economy is the Federal Reserve recalibrating interest rates lower to the neutral rate (r*). Strong economic growth should lead to continued strong earnings, allowing the equity markets to continue to march to new record highs.

GDP Growth Expected To Remain Robust

Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q3
Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Source: Atlanta Federal Reserve, October 18, 2024

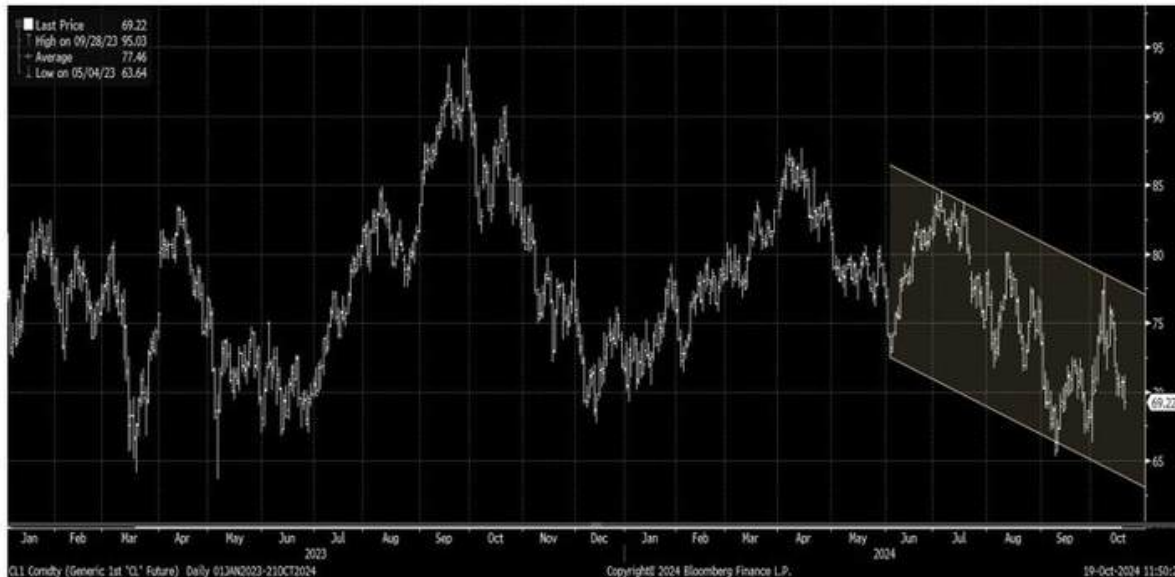


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Crude Oil Has Fallen Sharply, Supporting Earnings & Consumer Spending

WTI crude oil has fallen sharply since the high of \$87 this year, taking many investors by surprise, given the current geopolitical tensions, particularly in the Middle East. The reason for lower oil prices is that the supply and demand for oil is out of balance with more supply than demand. One main reason for the imbalance is the outlook for weaker economic growth resulting from China lowering its demand for oil. Technically, WTI oil is trending toward \$65. Lower oil prices boost corporate profits for two reasons: they act like a tax cut for consumers, allowing them to spend more, and a portion of corporate expense is reduced.

WTI Crude Oil Has Fallen Sharply On Excess Supply – Trending Toward \$65



S&P 500 At Record Highs But Very Overbought

Many did not expect the S&P 500 to be at a record high in October as the months of September and October are seasonally very volatile. November is the month with seasonally very strong rallies. But at the current moment, the S&P 500 – rallying strongly since September – finds itself very overbought. So, some bucking of the Bull should not be ruled out, especially as we enter into the home stretch of the Presidential election (15 days as of today). But we remain confident that even if stocks have a pullback, the fundamental backdrop is strong, and it should support continued new highs in the equity market.

S&P 500 At Record Highs But Technically Overbought





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Market Breadth Supports New Highs In S&P 500

Outside of better earnings supporting higher stock prices, the breadth of the equity market has broadened out with the NYSE Cumulative Advance-Decline Line also reaching record highs, confirming the record highs in the S&P 500.

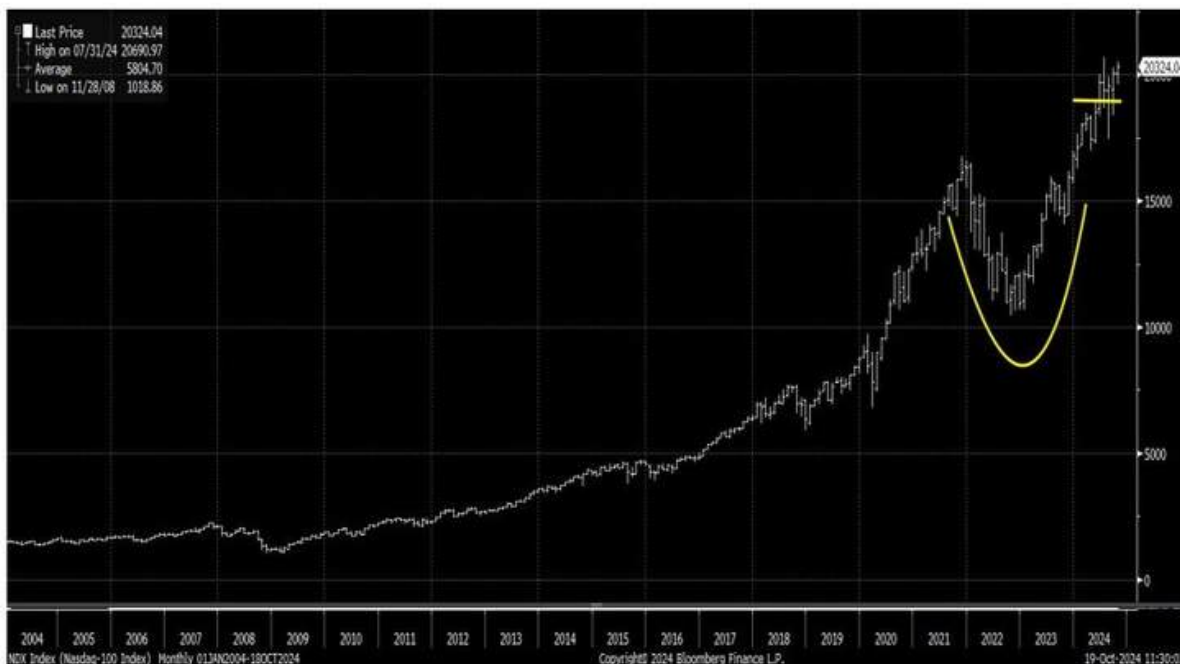
Bloomberg NYSE Cumulative Advance-Decline Line Also At Record Highs



Nasdaq 100 Is Not As Overbought & We Expect New Record Highs

The part of the equity market that has taken more time to consolidate is Technology and Technology-related sectors, which are both strongly represented in the Nasdaq 100. The Nasdaq 100 has not reached new record highs yet, but we anticipate this to happen as the strongest earnings are expected from this area of the market.

Nasdaq 100: Expect New Record Highs



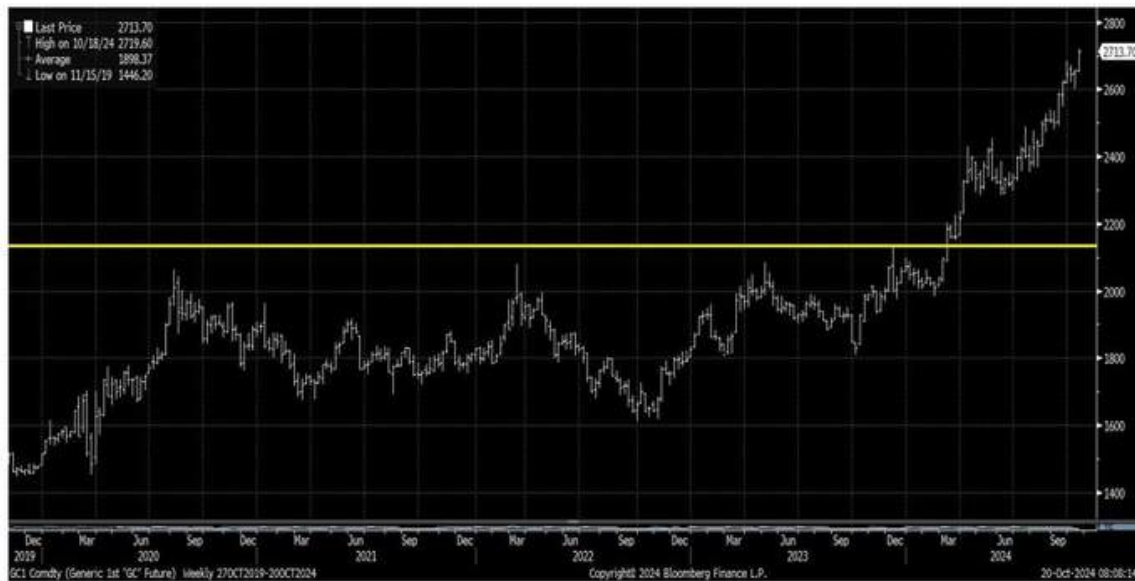


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Gold Also Glittering At Record Highs

Gold has also been marching to new record highs. Why? It could be current geopolitical worries, ongoing fears of future inflation, the concern over the potential weakness in the U.S. Dollar (due to the high Federal debt level), or any combination of the three. How much Gold has rallied this year has been a big surprise to investors. Gold is outperforming the equity market – it's up 32% versus the S&P 500 up 23% and the Nasdaq 100 up 21%. With a very huge base breakout in Gold, we expect gold to continue to reach new glittering heights. We believe that, over the coming years, Gold could be marching toward \$4000.

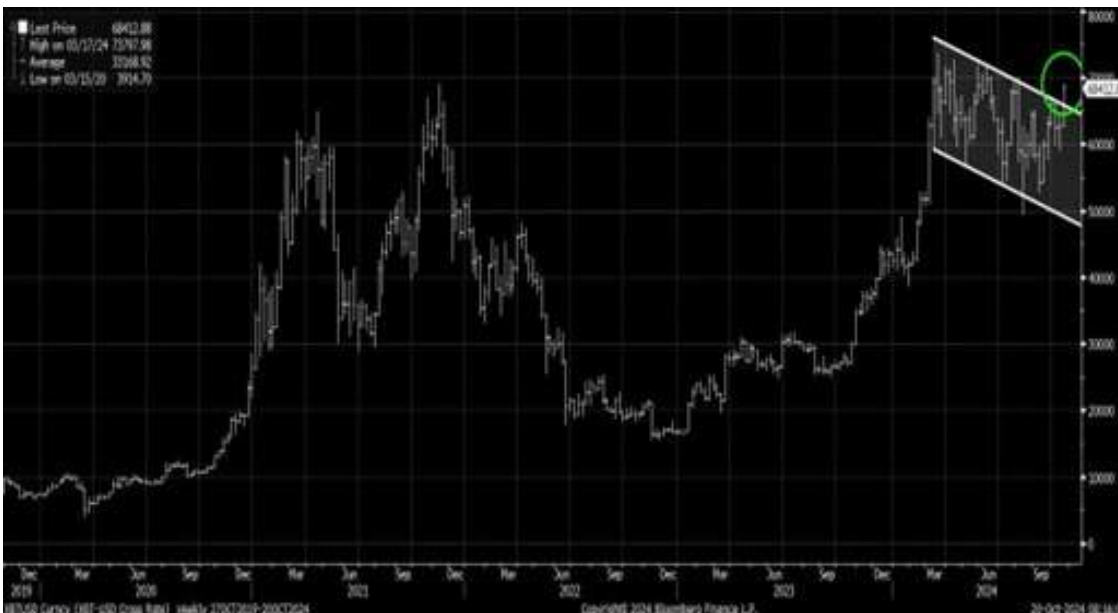
Gold With Major Breakout To Record Highs: Gold To March Higher



Bitcoin Has Major Upside Breakout

Bitcoin is the best performing asset this year, up over 60% year-to-date. But it may not feel this way as it has been consolidating. From a technical perspective, Bitcoin has experienced a high level of consolidation for nearly the whole year, following a surge at the start of 2024. Last week Bitcoin broke to the upside and the technical measurement of Bitcoin points to another leg of the rally toward \$100,000.

Bitcoin Breaks Out from a 1-Year Consolidation



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Market Performance

	Last 10/18/2024	Month End 9/30/2024	Month to Date	Quarter End 9/30/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 10/19/2023	Year To Year
S&P 500	5864.67	5762.48	1.8%	5762.48	1.8%	4769.83	23.0%	4278.00	37.1%
NASDAQ Composite	18489.55	18189.17	1.7%	18189.17	1.7%	15011.35	23.2%	13186.17	40.2%
NASDAQ 100	494.47	488.07	1.3%	488.07	1.3%	409.52	20.7%	359.97	37.4%
Russell 2000	2276.09	2229.97	2.1%	2229.97	2.1%	2027.07	12.3%	1702.70	33.7%
S&P Consumer Discretionary Sector	1595.78	1605.41	-0.6%	1605.41	-0.6%	1418.09	12.5%	1216.55	31.2%
S&P Consumer Staples Sector	881.31	887.78	-0.7%	887.78	-0.7%	762.32	15.6%	713.52	23.5%
S&P Energy Sector	695.26	676.47	2.8%	676.47	2.8%	640.05	8.6%	703.32	-1.1%
S&P Financial Sector	792.12	754.16	5.0%	754.16	5.0%	626.35	26.5%	544.27	45.5%
S&P Health Care Sector	1784.70	1796.48	-0.7%	1796.48	-0.7%	1590.36	12.2%	1497.94	19.1%
S&P Industrials Sector	1177.27	1147.06	2.6%	1147.06	2.6%	964.73	22.0%	843.88	39.5%
S&P Information Technology Sector	4526.74	4403.72	2.8%	4403.72	2.8%	3397.16	33.3%	2951.79	53.4%
S&P Materials Sector	616.97	607.70	1.5%	607.70	1.5%	539.62	14.3%	480.13	28.5%
S&P Real Estate Sector	280.54	280.46	0.0%	280.46	0.0%	251.58	11.5%	206.44	35.9%
S&P Communications Sector	315.65	314.60	0.3%	314.60	0.3%	246.00	28.3%	229.91	37.3%
S&P Utilities Sector	416.16	410.28	1.4%	410.28	1.4%	321.92	29.3%	297.76	39.8%
S&P 500 Total Return	12840.30	12608.07	1.8%	12608.07	1.8%	10327.83	24.3%	9231.73	39.1%
3 month Treasury Bill Price	98.84	98.85	0.0%	98.85	0.0%	98.66	0.2%	98.63	0.2%
3 month Treasury Bill Total Return	254.58	253.94	0.3%	253.94	0.3%	243.98	4.3%	241.33	5.5%
10 Year Treasury Bond Future	112.22	114.28	-1.8%	114.28	-1.8%	112.89	-0.6%	105.42	6.4%
10 Year Treasury Note Total Return	301.09	305.92	-1.6%	305.92	-1.6%	294.12	2.4%	272.73	10.4%
iShares 20+ Year Treasury Bond ETF	93.87	98.10	-4.3%	98.10	-4.3%	98.88	-5.1%	82.77	13.4%
S&P Municipal Bond Total Return	279.68	280.82	-0.4%	280.82	-0.4%	272.94	2.5%	251.69	11.1%
iShares S&P National Municipal Bond NAV	107.77	108.52	-0.7%	108.52	-0.7%	108.42	-0.6%	101.02	6.7%
S&P 500 Investment Grade Corporate Bond Total Return	473.43	478.79	-1.1%	478.79	-1.1%	455.89	3.8%	411.52	15.0%
S&P Investment Grade Corporate Bond	92.45	93.58	-1.2%	93.58	-1.2%	91.76	0.8%	84.16	9.9%
S&P Investment Grade Corporate Bond Total Return	503.33	508.34	-1.0%	508.34	-1.0%	482.66	4.3%	438.91	14.7%
SPDR Bloomberg High Yield Bond ETF	97.09	97.79	-0.7%	97.79	-0.7%	94.73	2.5%	87.96	10.4%
iShares iBoxx High Yield Corporate Bond ETF	79.80	80.30	-0.6%	80.30	-0.6%	77.39	3.1%	71.78	11.2%
Gold	2721.46	2634.58	3.3%	2634.58	3.3%	2062.98	31.9%	1974.46	37.8%
Bitcoin	68419.60	63785.09	7.3%	63785.09	7.3%	41935.34	63.2%	28728.04	138.2%

Source: Bloomberg, Sanctuary Wealth, October 18, 2024

Earnings Set The Table For An Autumn Rally

This week another wave of strong corporate earnings should reinforce the current market breadth.

As earnings season marches on, so too should the current rally. This week we'll hear from some of the Magnificent 7 companies as well as several bellwether consumer-focused companies. Investors will be looking to gobble up corporate earnings data like so much candy corn – but importantly, they'll also be listening to what managements say about their future outlook. We do not expect anything scary – in fact we're anticipating a cornucopia of optimism.



Calendar

Mon.

8:55 am Dallas Fed President Lorie Logan speaks
 10:00 am U.S. leading economic indicators
 5:05 pm Kansas City Fed President Jeff Schmid speaks
 6:40 pm San Francisco Fed President Mary Daly speaks
 Earnings: Sandy Spring Banc, Cadence Bank, W.R. Berkley, Simpson Manufacturing, Zions Bancorp*

Tue.

10:00 am Philadelphia Fed President Patrick Harker speaks
 Earnings: GE Aerospace, Verizon, Comcast, Denny's, General Motors, Invesco, Kimberly-Clark, Moody's, Lockheed Martin, Philip Morris International, Quest Diagnostics, National Bank, Brandywine Realty

Wed.

9:00 am Fed Governor Michelle Bowman speaks
 10:00 am Existing home sales
 2:00 pm Fed Beige Book
 Earnings: AT&T, Boeing, Constellium, General Dynamics, Hilton, Northern Trust, Stifel Financial, TransUnion, Tesla, Ameriprise Financial, Churchill Downs, Core Labs, Kaiser Aluminum, Mattel, Raymond James, Sallie Mae, Wyndham Hotels & Resorts

Thu.

8:30 am Initial jobless claims,
 8:45 am Cleveland Fed President Beth Hammack opening remarks
 9:45 am S&P flash U.S. services PMI, S&P flash U.S. manufacturing PMI
 10:00 am New homes sales
 Earnings: ADT, AllianceBernstein, American Airlines, Dow, First Merchants, Harley-Davidson, Hasbro, KKR, Lear, Northrop Grumman, Southwest Air, Tractor Supply, United Parcel Service, Valero Energy, West Pharmaceutical Services, WEX, Capital One, Federated Hermes, Hartford Financial, Phillips Edison & Company, Universal Health

Fri.

8:30 am Durable-goods orders
 10:00 am Consumer sentiment (final)
 Earnings: Aon, Booz Allen Hamilton, Colgate-Palmolive, HCA, Sanofi, WisdomTree

Source: MarketWatch/Kiplinger/CNBC

*Earnings reflect highlights

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