



Concenture
Week Ahead

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Managing Director

 **Week of November 11, 2024**

Americans Voted Their Wallet – Trump Wins Big

History has shown that the money in Americans' wallet can predict the outcome of a Presidential election – and it happened again.

Americans continue to feel the pain of inflation in their buying power despite the economic measures of inflation falling, specifically the CPI (Consumer Price Index). The average American has been complaining about the cost of goods and food for over a year – they have not felt it in their wallets that inflation has in fact dropped. And because Americans did not feel better off under the Biden/Harris Administration, they voted for change – and in a big way. Trump won last week's election by a landslide, winning both the popular vote and the electoral vote. The Senate will be Republican, and while the House of Representatives has not been finalized yet, it is expected that the Republicans will take the House as well. So, it is strongly looking like a full Republican sweep, meaning it is likely Trump can get his agenda through with the Republican-majority support in both houses of the U.S. Congress.

So, what might we expect from a Trump Administration? Most investors are concerned about inflation returning with the implementation of Trump's proposed tariffs – because tariffs wind up blocking lower-cost foreign goods. But let's not forget that Trump used tariffs in his first Administration without inflation rising. When he left office in January 2021, the CPI stood at 1.4%. Trump also measured his success by the performance of the stock market: the S&P 500 rose 70% during his Administration (2016-2020) and that was despite a bear market decline of 20% in 2018. So, let's take a look at the possible investment implications of the second Trump Administration.

Trump Investment Implications

Here's what the market is pricing in for the incoming Trump Administration:

1. Inflation
2. Higher Deficit
3. Pro-Growth With Extended Tax Cuts
4. Stronger U.S. Dollar
5. Yen-Carry Trade
6. Deregulation
7. Deglobalization – "America First"
8. A Crypto Bull Market

The day after the election, the equity market cheered and rose sharply, having its best one-day rally since 1995. Interest rates also rose, driving the U.S. Dollar higher. Crypto also rose sharply as well. Let's dive into the possible longer-term investment trends.

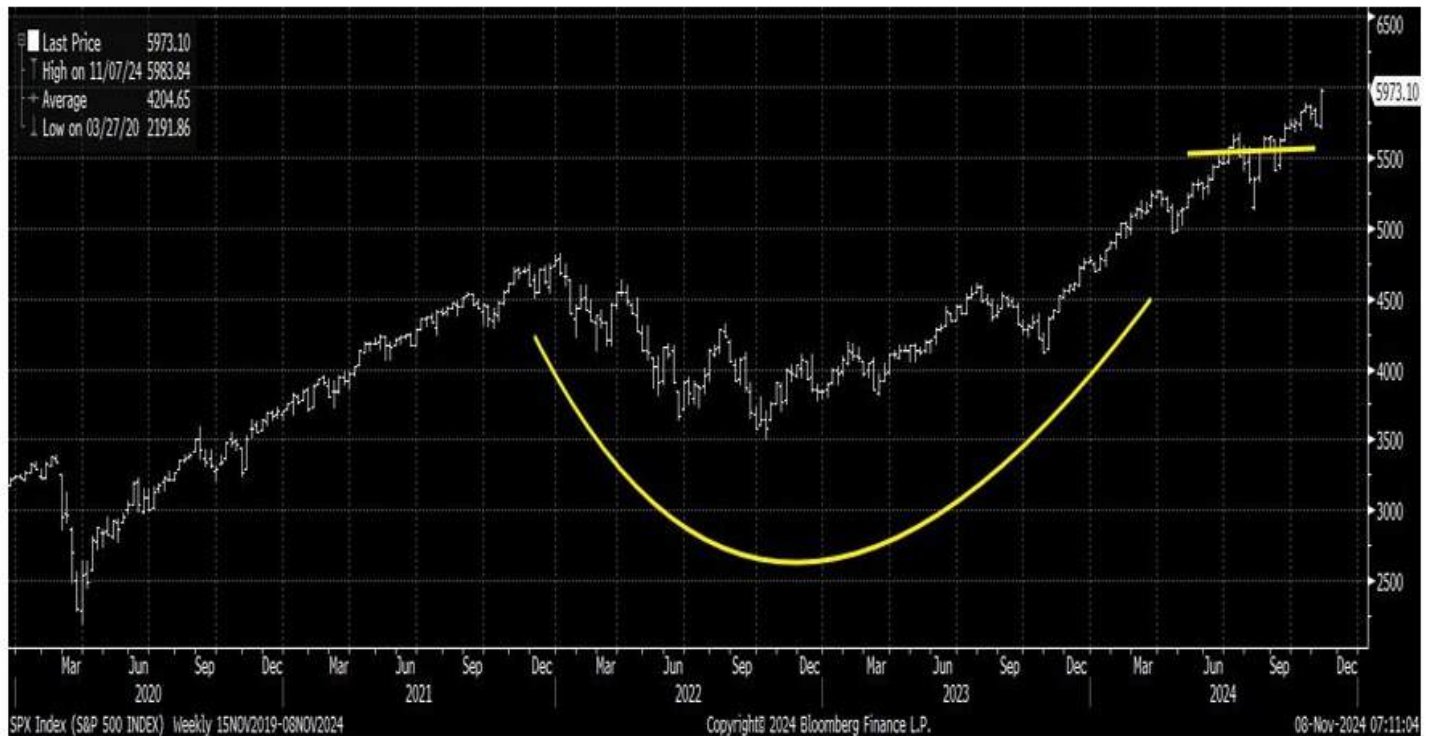


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The Equity Market Is Pricing In A Stronger Economy & Stronger Corporate Profits

The equity market is technically positioned to continue the strong bull market rally. The market is pricing in pro-growth with the expected extension of the tax cuts. In technical analysis, the S&P 500 has a sizable base called a “cup and handle” formation that has broken to the upside. This points to significantly higher highs in the market. We have expected the S&P 500 to hit 6000 by the end of this year. In our view, the index may exceed this level and could charge toward 6100-6200. Looking into 2025, we believe the S&P 500 could have the Bull charging toward 7400, delivering an additional 20% upside from current levels. This happened before in history: from 1995-2000, the equity market ran up 20% or more for 5 years in a row. That period was the last time we experienced a major technological advancement, driven by the productivity enhancement ranging from personal computers and networks to the proliferation of the internet. Today, productivity is being enhanced by blockchain and artificial intelligence (AI) – and it’s possible that investors are actually underestimating how these technologies will impact the global economy and corporate profits. The U.S. is the center of the development of AI and will most likely continue to benefit from further overseas investment into the U.S. equity markets.

S&P 500 Positioned For The Bull Trend To Run Charging Toward 7400



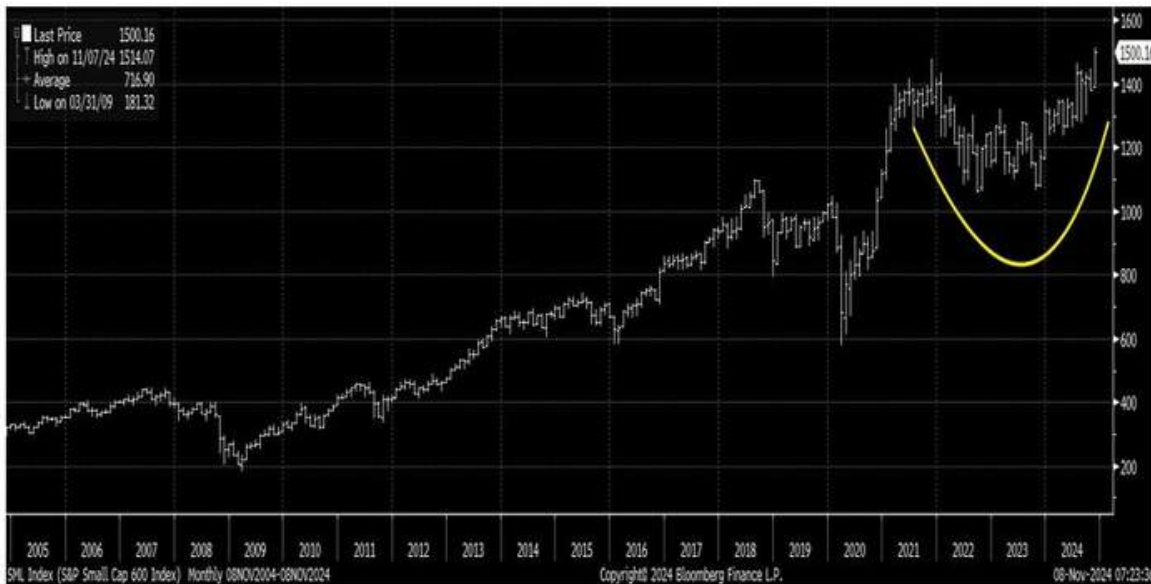


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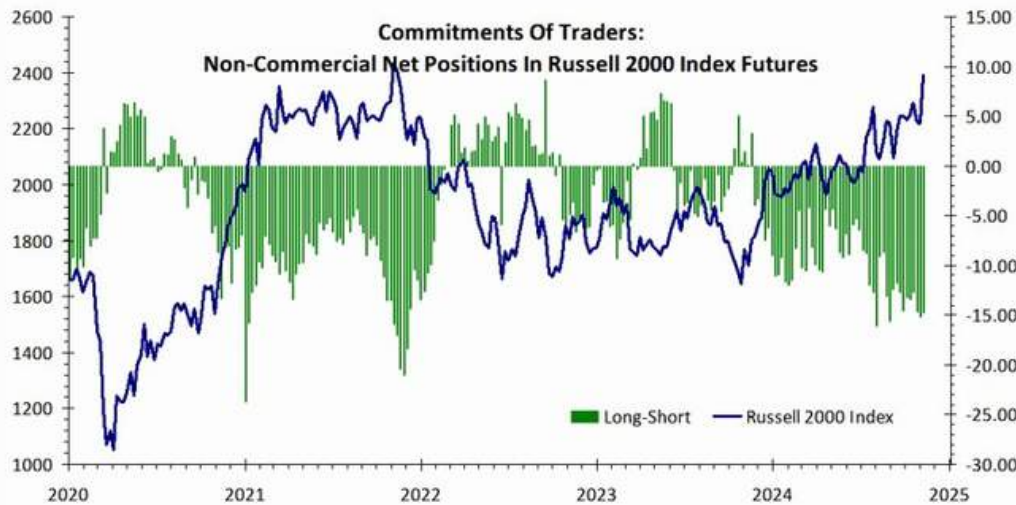
Small Caps Surge With The Focus On Making America Great Again

Small caps surged 6% on the Trump win. With the expected continuation of deglobalization and a focus on getting manufacturing back to the U.S., small caps rose sharply. The S&P 600 Small Cap Index broke out of a major saucer base (think “smile” shape), pointing toward continued highs. Historically, small cap stocks outperform the broader market (S&P 500) in January, and this has come to be known as the January Effect. It can arrive early, and we believe we are already experiencing the January Effect. We also believe small caps can continue to outperform into the end of the year and into early next year. Fast money, i.e., hedge funds and CTAs are short small cap stocks. They may begin to cover these positions, driving small caps significantly higher. But we are not convinced small caps will outperform throughout all of next year. We maintain Mega-Caps are the leaders of the Bull market, but we are willing to own small caps for the next six to twelve months.

S&P 600 Small Cap Index Finally Breaks To New Highs



Fast Money (Hedge Funds, CTAs) Are Short Small Caps – Is Big Short Covering Coming?



Source: Commodity Futures Trading Commission, November 8, 2024



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How High Can Interest Rates Rise?

In light of the expected inflationary policies from the Trump Administration, interest rates are rising. With Republicans having the majority of legislative control in Washington, it is expected that the Trump Administration will drive the U.S. deficit higher. But remember: a higher deficit is also pro-growth – because, as long as the budget offsets the spending, interest rates do not need to rise too much.

Let's examine the trend in interest rates and how high they can go. In the accompanying chart of the 2-Year Treasury yield, the trend has clearly broken to the upside, indicating the deflationary trend is over. The rate rose to the 5% area where it met strong resistance. We do believe longer-term rates are rising, but near-term, we believe interest rates can fall – possibly, in time, down to 3.0%-2.5%, tracking the Federal Reserve's (Fed) intention of moving interest rates to neutral or r^* . The Fed cut interest rates last week by 25 basis points, indicating it's on the path of recalibrating rates out of the restrictive range to neutral, which is believed to be around 3.5%.

As for the 10-Year Treasury yield, the rate has clearly broken to the upside, but it is facing very strong resistance near 5%. The rate appears capped near 5%, which would not be bearish and would suggest that economic growth could remain strong – which would most likely keep corporate profits strong.

These moves indicate to us that investors may be overly concerned about higher rates. They are concerned about the deficit and that, with higher-deficit spending, the bond market will buck by pushing rates higher. We are in the camp that believes these worries are overdone and that interest rates are more likely to continue to decline into 2025.

2-Year Treasury Yield: In Uptrend But Near-Term Trending Down





📅 November 4, 2024

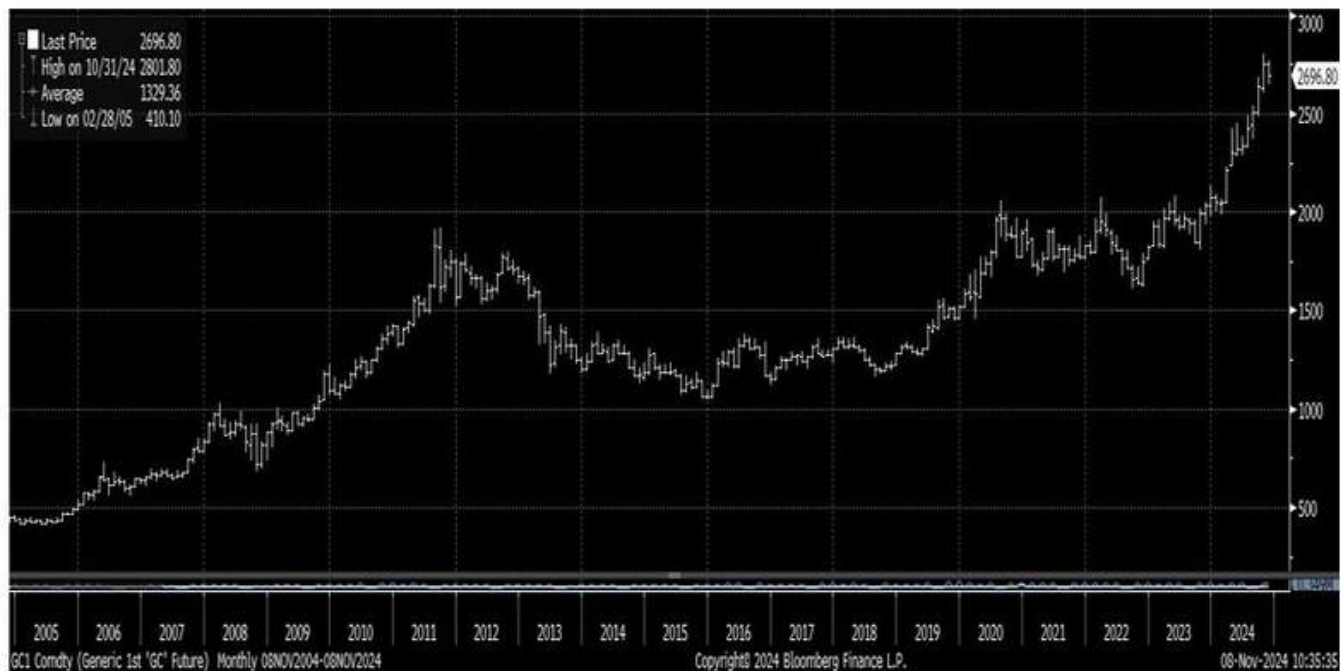
10-Year Treasury Yield Can Remain Stable & Capped Near 5%



Gold & Silver Glitter & Serve As Hedges For Inflation

Gold historically has been used as a hedge against inflation. Gold has had a significant breakout, pointing to the metal going significantly higher. Near-term, the metal can correct as it is very extended. However, we are targeting a long-term move to \$4000. Central banks, particularly China, have been strong buyers of the metal, also helping to drive prices higher. Silver has followed suit, breaking out, but it is not near a record high. We believe silver could test its record all-time high near \$50.

Gold With A Multi-Year Breakout: Long-Term Target \$4000





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Silver With A Major Breakout To Test Record Highs Near \$50



US Dollar To Remain Strong

Our view has been and continues to be that the U.S. dollar remains strong. What many investors are not pointing out, is that the U.S. Dollar index has reversed a major downtrend pointing to a stronger dollar. Fast money is essentially flat the dollar and can become a buyer, also driving the dollar higher. In addition, we believe the Yen-carry trade is likely to be put back on.

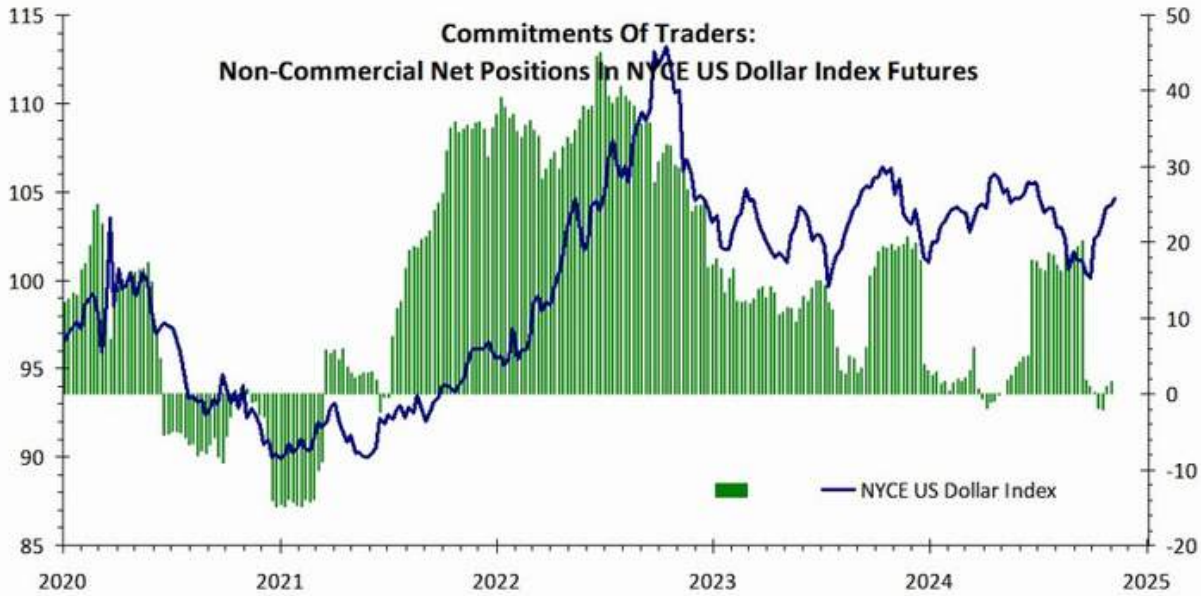
US Dollar In Uptrend: Expect A Strong Dollar





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Fast Money (Hedge Funds, CTAs) Can Buy US Dollars



Source: Commodity Futures Trading Commission, November 8, 2024

Yen-Carry Trade Likely To Come Back On



Source: Commodity Futures Trading Commission, November 8, 2024



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US Dollar/Yen: Carry-Trade Likely To Continue Expect Weaker Yen



Deregulation To Help Banks & Big Tech

Banks break out relative to the S&P 500 as the market expects the incoming Trump Administration to favor deregulation and support mergers & acquisitions (M&A). Basel III End Game regulation is now not expected to be as restrictive, providing stronger earnings for the banks. In addition, many investors are expecting there will be mergers within the banking industry.

Deregulation is expected to benefit big Tech as 40% of the current market cap of the equity market is under investigation by the Department of Justice. Under a Trump Administration, this is expected to be relaxed – a move that would support big Technology companies moving higher, which of course includes the Magnificent 7. We measure this by looking at the Nasdaq 100, which we call the Digital Index, as it comprises many of the big Tech and Tech-related companies. These are the companies that are also the beneficiaries of AI.

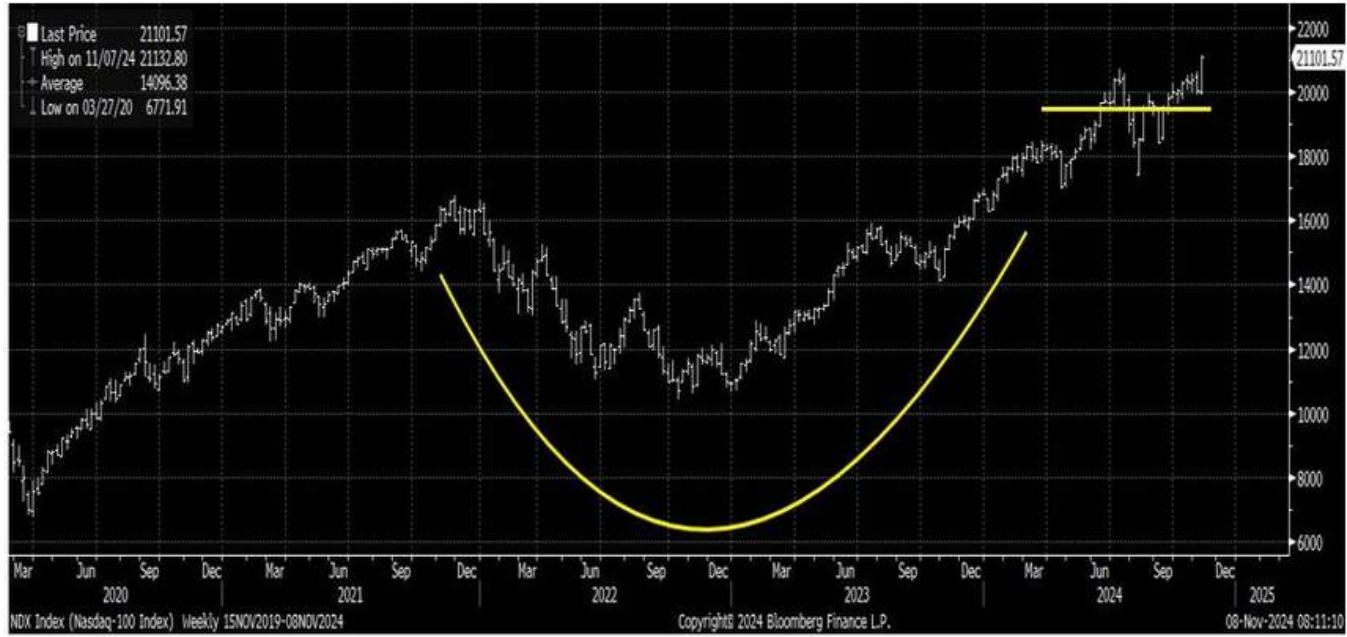
KBW Bank Index (KRE) Relative To The S&P 500





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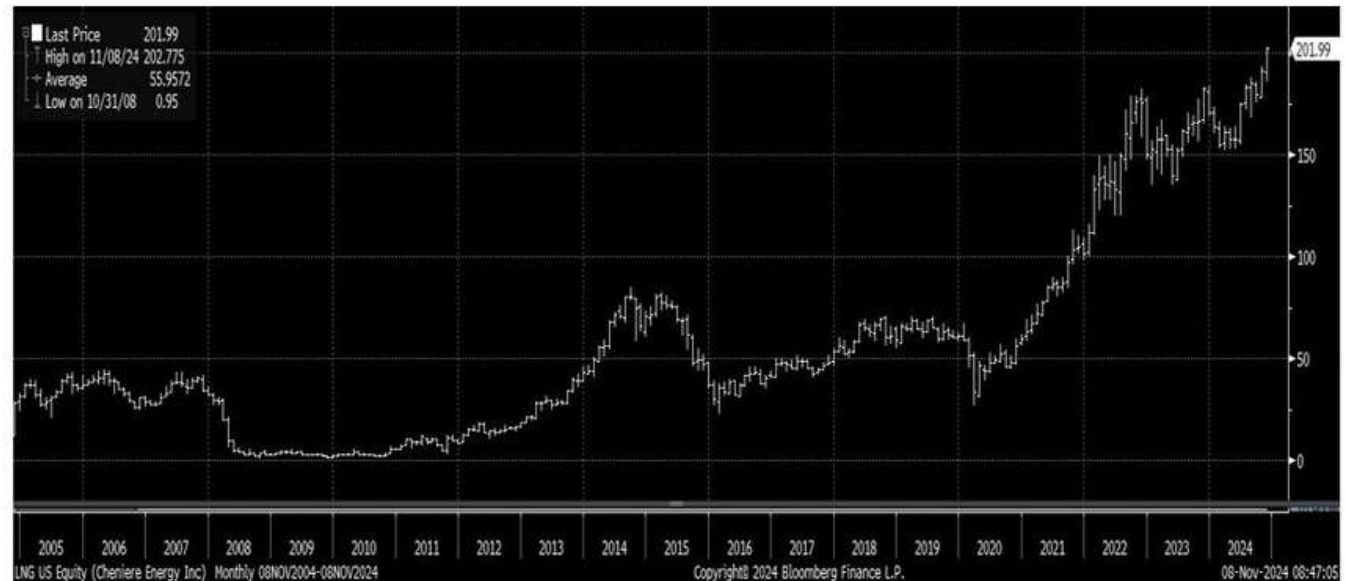
Nasdaq 100 (QQQ): Huge Cup and Handle Base Breakout Pointing To New Highs



Deregulation To Help LNG

Deregulation is also expected to help the Liquid Natural Gas (LNG) market by removing emissions testing and allowing more and faster exports. Looking at Cheniere Energy (LNG), a company in the LNG business, we see the stock has broken out to record highs.

Cheniere Energy (LNG) Charges To Record All-Time Highs



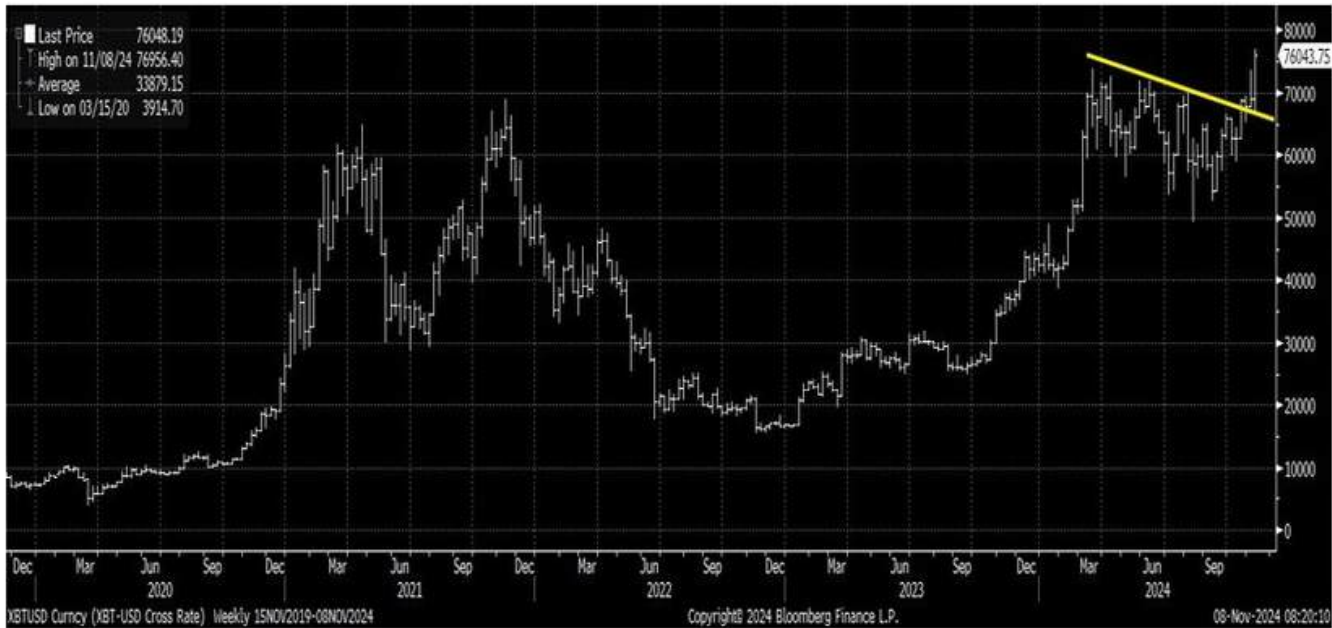


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Bitcoin Surges On Trump Win

President-elect Trump, who attended a Crypto conference earlier this year, has become a vocal supporter of the Crypto space. Bitcoin (BTC), the largest cryptocurrency has surged on the Trump win. We expect BTC to continue its rally, targeting a move towards \$100,000.

Bitcoin Marching Toward \$100,000



Disclaimer: Comments regarding Cryptocurrencies or Cryptocurrency-based securities are for informational purposes only. No part of this communication should be construed as investment advice and is not to be considered a solicitation with respect to the purchase or sale of any Cryptocurrency-related product.



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Market Performance

	Last 11/8/2024	Month End 10/31/2024	Month to Date	Quarter End 9/30/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 11/9/2023	Year To Year
S&P 500	5995.54	5705.45	5.1%	5762.48	4.0%	4769.83	25.7%	4347.35	37.9%
NASDAQ Composite	19286.78	18095.15	6.6%	18189.17	6.0%	15011.35	28.5%	13521.45	42.6%
NASDAQ 100	514.14	483.85	6.3%	488.07	5.3%	409.52	25.5%	370.07	38.9%
Russell 2000	2399.64	2196.65	9.2%	2229.97	7.6%	2027.07	18.4%	1687.24	42.2%
S&P Consumer Discretionary Sector	1741.51	1580.24	10.2%	1605.41	8.5%	1418.09	22.8%	1259.72	38.2%
S&P Consumer Staples Sector	871.43	861.70	1.1%	887.78	-1.8%	762.32	14.3%	723.45	20.5%
S&P Energy Sector	717.87	681.25	5.4%	676.47	6.1%	640.05	12.2%	631.14	13.7%
S&P Financial Sector	817.12	773.41	5.7%	754.16	8.3%	626.35	30.5%	556.59	46.8%
S&P Health Care Sector	1748.63	1711.50	2.2%	1796.48	-2.7%	1590.36	10.0%	1461.25	19.7%
S&P Industrials Sector	1200.17	1131.09	6.1%	1147.06	4.6%	964.73	24.4%	854.76	40.4%
S&P Information Technology Sector	4624.87	4359.55	6.1%	4403.72	5.0%	3397.16	36.1%	3113.00	48.6%
S&P Materials Sector	593.55	586.14	1.3%	607.70	-2.3%	539.62	10.0%	481.23	23.3%
S&P Real Estate Sector	275.11	270.90	1.6%	280.46	-1.9%	251.58	9.4%	213.09	29.1%
S&P Communications Sector	331.94	320.25	3.7%	314.60	5.5%	246.00	34.9%	228.08	45.5%
S&P Utilities Sector	401.48	405.90	-1.1%	410.28	-2.1%	321.92	24.7%	304.11	32.0%
S&P 500 Total Return	13133.47	12493.74	5.1%	12608.07	4.2%	10327.83	27.2%	9387.59	39.9%
3 month Treasury Bill Price	98.87	98.86	0.0%	98.85	0.0%	98.66	0.2%	98.65	0.2%
3 month Treasury Bill Total Return	255.32	254.95	0.1%	253.94	0.5%	243.98	4.6%	242.09	5.5%
10 Year Treasury Bond Future	110.28	110.47	-0.2%	114.28	-3.5%	112.89	-2.3%	107.53	2.6%
10 Year Treasury Note Total Return	296.67	296.88	-0.1%	305.92	-3.0%	294.12	0.9%	279.06	6.3%
iShares 20+ Year Treasury Bond ETF	92.49	92.45	0.0%	98.10	-5.7%	98.88	-6.5%	87.50	5.7%
S&P Municipal Bond Total Return	278.17	277.16	0.4%	280.82	-0.9%	272.94	1.9%	258.62	7.6%
iShares S&P National Municipal Bond NAV	106.25	106.78	-0.5%	108.52	-2.1%	108.42	-2.0%	103.50	2.7%
S&P 500 Investment Grade Corporate Bond Total Return	471.06	468.10	0.6%	478.79	-1.6%	455.89	3.3%	422.87	11.4%
S&P Investment Grade Corporate Bond	91.79	91.37	0.5%	93.58	-1.9%	91.76	0.0%	86.05	6.7%
S&P Investment Grade Corporate Bond Total Return	500.94	498.19	0.6%	508.34	-1.5%	482.66	3.8%	449.89	11.3%
SPDR Bloomberg High Yield Bond ETF	97.07	96.30	0.8%	97.79	-0.7%	94.73	2.5%	90.25	7.6%
iShares iBoxx High Yield Corporate Bond ETF	79.80	79.14	0.8%	80.30	-0.6%	77.39	3.1%	73.70	8.3%
Gold	2684.77	2743.97	-2.2%	2634.58	1.9%	2062.98	30.1%	1958.55	37.1%
Bitcoin	76529.92	69937.51	9.4%	63785.09	20.0%	41935.34	82.5%	36541.56	109.4%

Source: Bloomberg, Sanctuary Wealth, November 8, 2024

This Week We Get Insights Into Inflation & The Consumer

This week we expect a cornucopia of good news from the economic and sales data.

Lots of meaty data coming our way this week, including CPI, PPI and Retail Sales. As long as the data is inline or close to inline, then stocks can rally. Inflation data is likely to be more important to the bond market. Remember: November is seasonally a very strong month for the equity market, boding well for a strong December. The gains in the stock market are likely to hold and with another strong earnings season and lower interest rates, we should see equities continue to drive to further highs.



Calendar

- Mon.** Veteran's Day holiday, bond market closed
Earnings: Aramark, Luminar Technologies*
- Tue.** 6:00 am NFIB optimism index
10:00 am Fed Gov. Christopher Waller speaks
10:15 am Richmond Fed President Tom Barkin speaks
5:00 pm Philadelphia President Patrick Harker speaks
Earnings: Home Depot, AstraZeneca, Hertz Global, Live Nation, Novavax, Tyson Foods, Instacart, Occidental Petroleum, Spotify, ZoomInfo
- Wed.** 8:30 am Core CPI
9:30 am New York Fed President John Williams delivers welcoming remarks
9:45 am Dallas Fed President Lorie Logan speaks
1:00 pm St. Louis Fed President Alberto Musalem speaks
1:30 pm Kansas City President Jeff Schmid speaks
2:00 pm Monthly U.S. federal budget
Earnings: Dole, Shopify, UBS, Cisco Systems, Sonos
- Thu.** 7:00 am Federal Reserve Gov. Adriana Kugler speaks
8:30 am Initial jobless claims, Core PPI
3:00 pm Federal Reserve Chair Jerome Powell speaks
4:15 pm New York Fed President John Williams speaks
Earnings: Walt Disney, Advance Auto Parts, Sally Beauty, Applied Materials
- Fri.** 8:30 am Import price index, Empire State manufacturing survey, U.S. retail sales
9:15 am Industrial production, Capacity utilization
10:00 am Business inventories
1:15 pm New York Fed President John Williams opening remarks
Earnings: Alibaba Group Holding

Source: MarketWatch/Kiplinger/CNBC

*Earnings reflect highlights

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