

## Concenture Week Ahead

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### Week of December 23, 2024

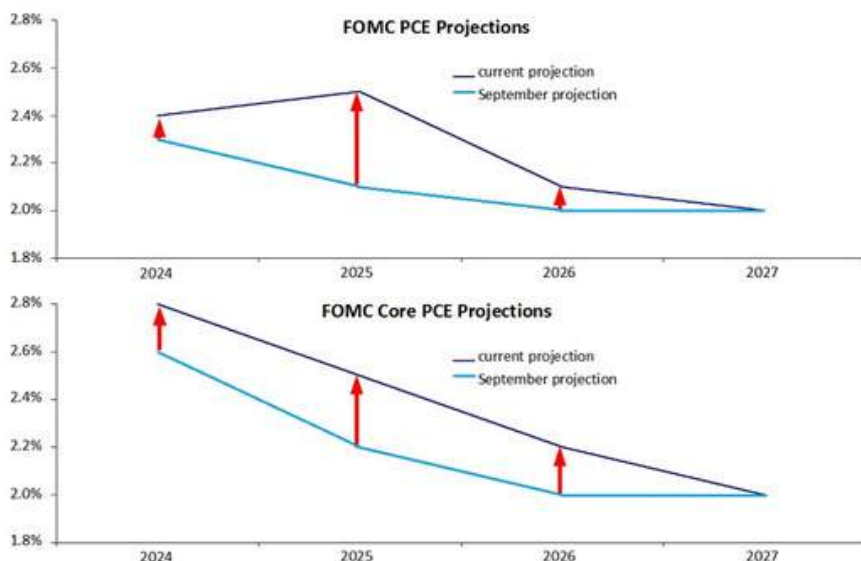
#### We Have All Been Here Before

#### The Federal Open Market Committee (FOMC) meeting last week resulted in a 25 basis point cut as expected.

The Dot Plot showed only two interest rate cuts for next year, a change from the original expectation for four cuts. But none of this was a big surprise to the markets. However, what caught the markets off guard – and markets don't like surprises – was that the FOMC slightly raised its outlook for inflation over the next two years (see accompanying table). Some in the industry believe the Federal Reserve (Fed) is preparing for the possible inflationary impact of the Trump Administration.

The markets reacted strongly to this FOMC meeting. Interest rates across the yield curve spiked higher and equities reacted violently with a sharp selloff. We also must remember that liquidity is much lighter at this time of year, and markets can have sharper movements than normal. We recently highlighted that yields were likely to push higher, impacting equities negatively, but we did not expect this movement to happen so soon. The Core PCE (Personal Consumption Expenditures Price Index) – the Federal Reserve's favorite inflation gauge – came in last Friday a touch better than expected, helping to ease some of the anxiety over inflation. Equities historically rally during a holiday week, and we're moving into the strongest seasonal bullish period called the Santa Rally (last 5 trading days of December + first 2 of January). We believe stocks will rally into year-end as we have indicator readings with a buy signal. But we have to acknowledge that the equity market is in a period of correction and consolidation after its outstanding performance this year. We see a correction only of 5%-10% as we move into early next year. Our forecast for the S&P 500 next year is to reach a range of 7200-7400.

#### The Fed Raised Its Inflation Projections At Last Week's FOMC Meeting



Source: Federal Open Market Committee, Sanctuary Wealth, December 21, 2024



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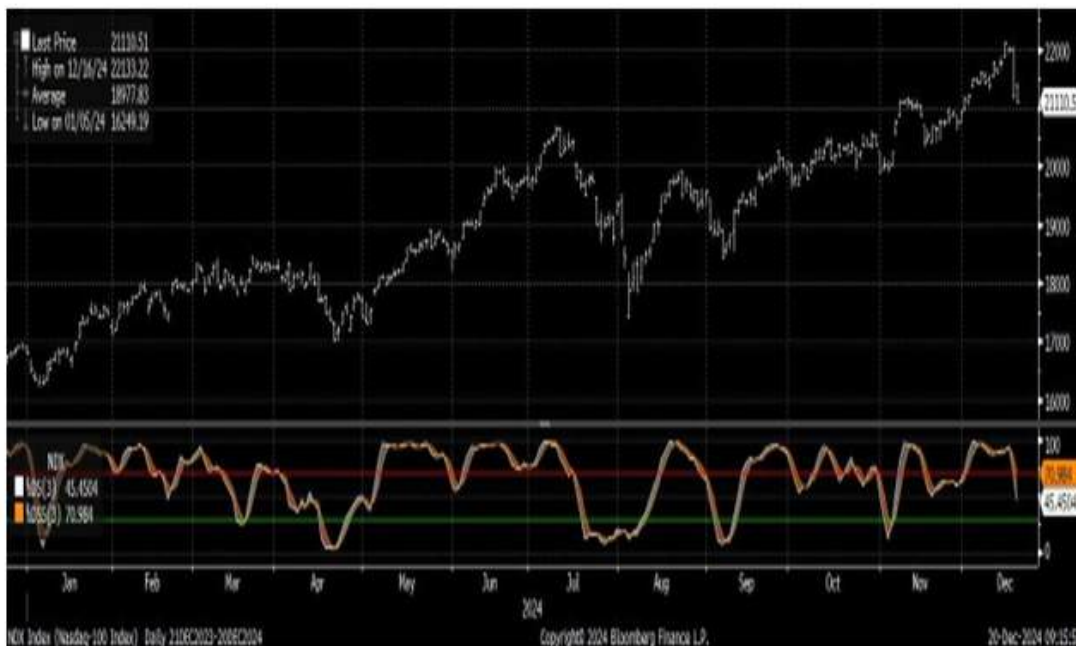
## Equity Markets Correcting Quickly With Buy Signals

The new inflation forecast and update from the FOMC caused the equity markets to respond violently with a sharp pullback. As a result, the CBOE VIX volatility index spiked higher, near 30, which is in the buy zone (20 or higher signals a buy). The 14-Day Stochastic price momentum indicator is correcting quickly and approaching an oversold reading for the S&P 500. The Nasdaq 100 will need more time to get near an oversold reading. The breadth of the equity market has been weak, and this recent sell-off has moved the McClellan Advance-Decline Oscillator to a buy reading. So, net net, expect equities to rally into year-end and possibly early January.

### S&P 500 With 14-Day Stochastic Approaching Oversold



### Nasdaq 100 With 14-Day Stochastic In A Correction



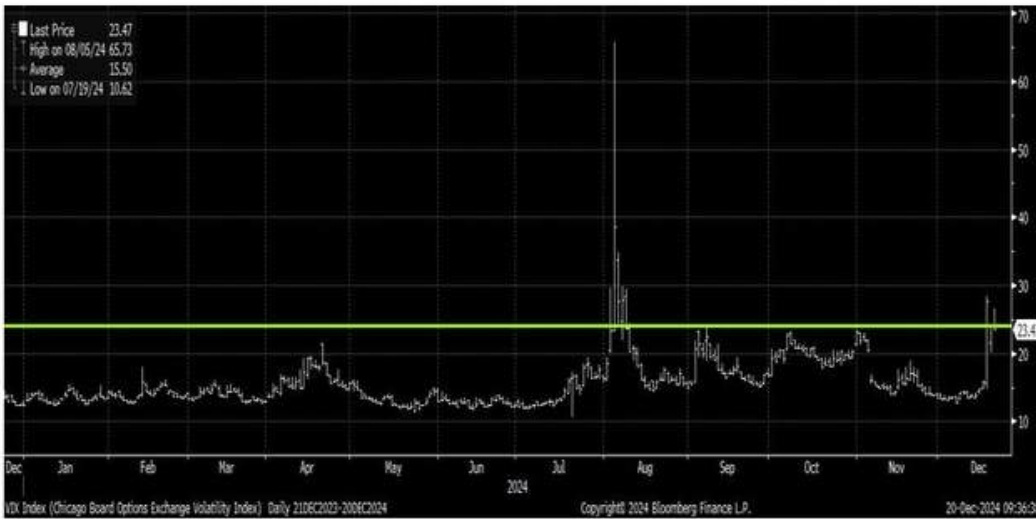


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### McClellan Advance-Decline Oscillator Generates A Buy Signal At -200



### CBOE VIX Volatility Index Signals Buy





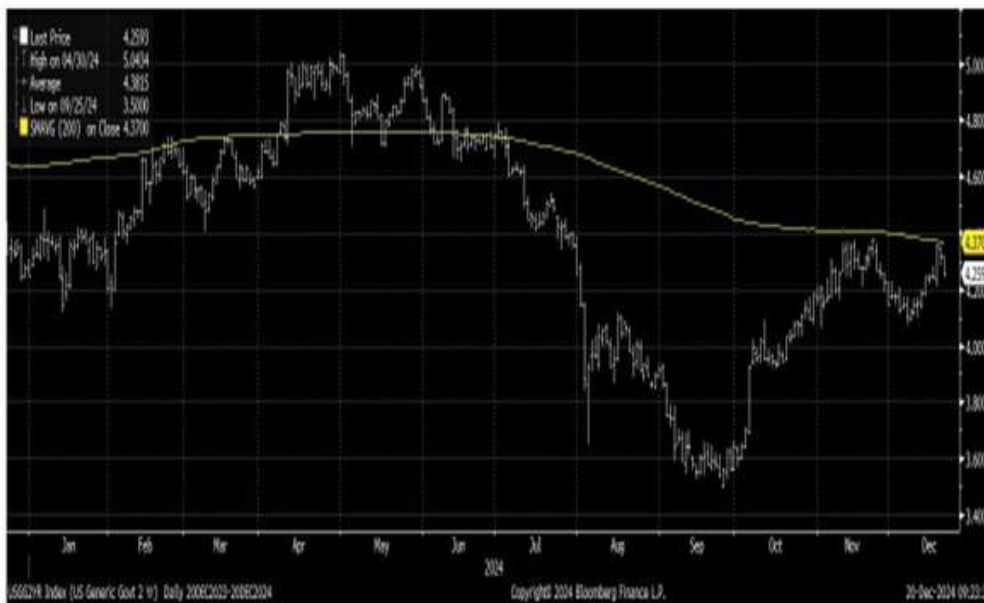
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## Yields Spike Higher But Respecting Resistance

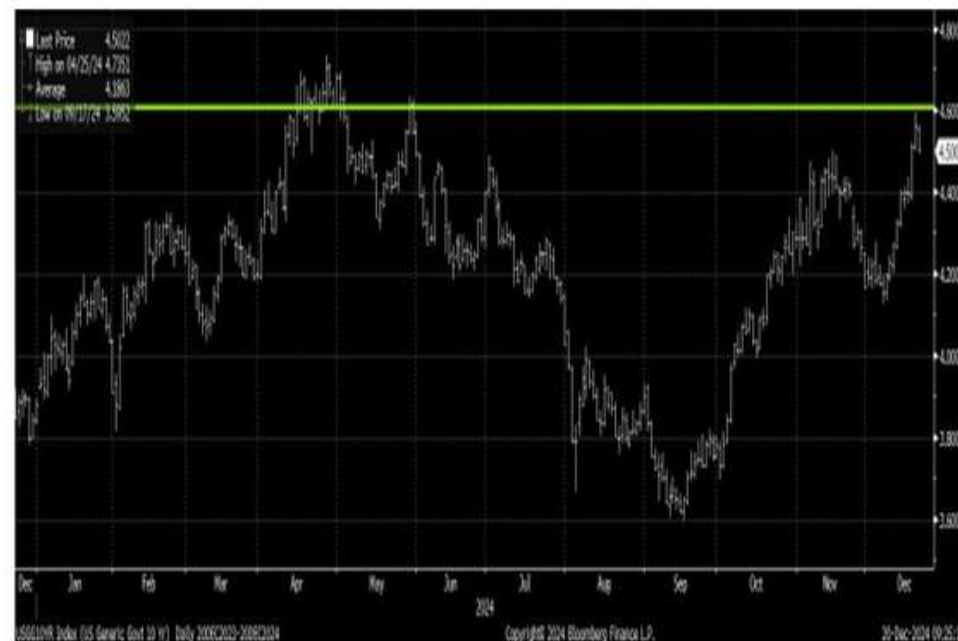
The fixed income markets do not like inflation, so yields rise as expected inflation rises. The long end of the yield curve sees interest rates rise in a strong economy. We now have both. The good news is that yields are respecting their resistance levels. This should calm the equity markets. But there is risk later next year that the 10-year Treasury yield continues to rise, with risk to the 5% area. We expect 2-year yields to trend down but can rally from time to time.

The Atlanta GDPNow model is estimating 4Q24 growth of 3.1%. This is significantly above what many economists are projecting. Importantly, a stronger economy translates into strong corporate earnings, which are forecast to be up sharply in 2025.

## 2-Year Treasury Yields Respecting Resistance Near 200-Day Moving Average



## 10-Year Treasury Yields Respecting Resistance At 4.6%







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## The New Year Brings Fireworks For Corporate Earnings With CY 2025 Earnings Outlook At 15%

According to FactSet last week, Wall Street analysts expect the S&P 500 to report double-digit earnings growth in calendar year (CY) 2025. The estimated (year-over-year) earnings growth rate for CY 2025 is 14.8%, which is above the trailing 10-year average (annual) earnings growth rate of 8.0% (2014 – 2023).

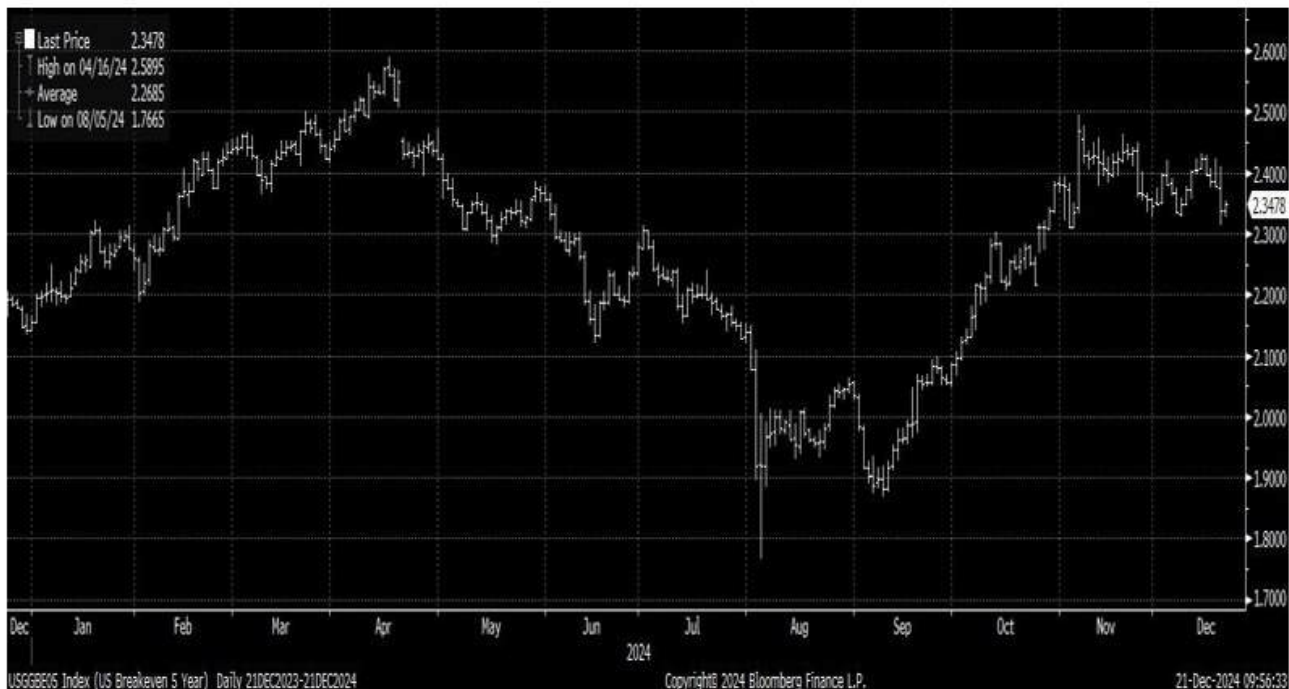
It is interesting to note that analysts believe earnings growth for companies outside the Magnificent 7 [Alphabet (GOOGL), Amazon (AMZN), Apple (AAPL), Meta Platforms (META), Microsoft (MSFT), Nvidia (NVDA), and Tesla (TSLA)] will improve significantly in 2025. While analysts expect the Magnificent 7 companies to report earnings growth of 21% in 2025, they expect the other 493 companies in the S&P 500 to report earnings growth of 13% for 2025. This 13% earnings growth for CY 2025 reflects a substantial improvement to analyst expectations of just over 4% earnings growth for these same companies for CY 2024.

All eleven sectors of the index are predicted to report year-over-year earnings growth in CY 2025. Six of these sectors are projected to report double-digit growth: Information Technology, Health Care, Industrials, Materials, Communication Services, and Consumer Discretionary. Two other sectors (Financials and Utilities) are projected to report year-over-year earnings growth of 9.0%.

## What To Watch For Inflation: Break-evens

Break-even inflation rates are watched closely by the Federal Reserve to measure inflation expectations. Break-even inflation is the difference between the nominal yield on a fixed-rate investment and the real yield (fixed spread) on an inflation-linked investment of similar maturity and credit quality. If inflation averages more than the break-even, the inflation-linked investment will outperform the fixed-rate, and if lower, it will underperform. Here we look at the 5- and 10-year Treasury Break-evens. They are both falling even after this recent uptick in the inflation forecast by the Fed. *This tells us the market is not pricing in higher inflation – we find this to be a bullish sign for bonds and equities.* But should these rates move materially higher, then we would view this movement as a negative.

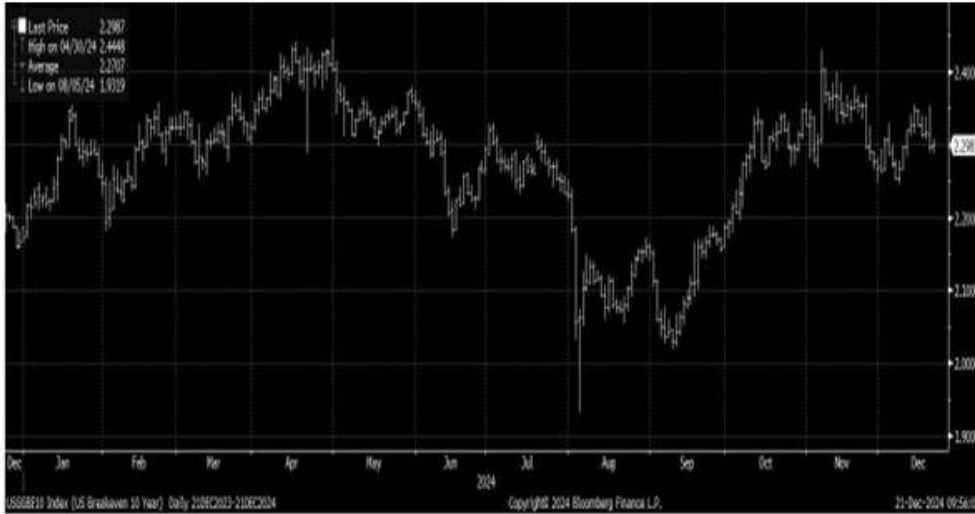
## 5-Year Treasury Break-even Yield: Yields Are Falling Not Pricing In Inflation





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## 10-Year Treasury Break-even Yield: Yields Are Falling Not Pricing In Inflation



## Bitcoin Major Breakout, Positive Momentum With High-Level Consolidation

Bitcoin (BTC) also had a sharp correction last week, bringing it below \$100,000 again. BTC has had a significant technical breakout, and we believe that the token is undergoing what is called a high-level consolidation. The price momentum indicator Moving Average Convergence/Divergence (MACD) still has a very strong upward price momentum. This gives us confidence that what is happening to BTC is only a correction. The technical measured move remains \$113,000 and \$150,000. We believe too much optimism got priced in as Michael Saylor, the CEO of MicroStrategy (MSTR), gave a very long-term projection of BTC of \$13 million. MicroStrategy owns approximately 1.5% of BTC outstanding. Remember the crypto market is relatively new and is extremely volatile. There is also no fundamental way to measure BTC value, so we use technical analysis techniques to get to our measured move projections.

## Bitcoin (BTC) With Moving Average Convergence/Divergence (MACD)



*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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## A Super Cycle For Growth Versus Value

In our Year Ahead Outlook for 2025, we pointed out that we expect that Growth will continue to outperform as Tech and Tech-related companies remain the leaders of this secular bull market. We favor Software in 2025.

## Growth To Super Charge Higher In 2025



## iShares Tech Software ETF (IGV) With Major Technical Breakout







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## Market Performance

	Last 12/20/2024	Month End 11/29/2024	Month to Date	Quarter End 9/30/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 12/21/2023	Year To Year
S&P 500	5930.85	6032.38	-1.7%	5762.48	2.9%	4769.83	24.3%	4746.75	24.9%
NASDAQ Composite	19572.60	19218.17	1.8%	18189.17	7.6%	15011.35	30.4%	14963.87	30.8%
NASDAQ 100	518.66	509.74	1.7%	488.07	6.3%	409.52	26.7%	407.77	27.2%
Russell 2000	2242.37	2434.73	-7.9%	2229.97	0.6%	2027.07	10.6%	2017.07	11.2%
S&P Consumer Discretionary Sector	1870.88	1789.44	4.6%	1605.41	16.5%	1418.09	31.9%	1433.50	30.5%
S&P Consumer Staples Sector	865.68	900.88	-3.9%	887.78	-2.5%	762.32	13.6%	749.01	15.6%
S&P Energy Sector	638.92	724.06	-11.8%	676.47	-5.6%	640.05	-0.2%	647.26	-1.3%
S&P Financial Sector	804.29	851.98	-5.6%	754.16	6.6%	626.35	28.4%	620.49	29.6%
S&P Health Care Sector	1603.11	1713.71	-6.5%	1796.48	-10.8%	1590.36	0.8%	1567.63	2.3%
S&P Industrials Sector	1128.15	1214.04	-7.1%	1147.06	-1.6%	964.73	16.9%	953.77	18.3%
S&P Information Technology Sector	4669.54	4558.68	2.4%	4403.72	6.0%	3397.16	37.5%	3386.80	37.9%
S&P Materials Sector	536.53	594.62	-9.8%	607.70	-11.7%	539.62	-0.6%	537.07	-0.1%
S&P Real Estate Sector	254.26	281.69	-9.7%	280.46	-9.3%	251.58	1.1%	249.30	2.0%
S&P Communications Sector	344.45	330.15	4.3%	314.60	9.5%	246.00	40.0%	246.58	39.7%
S&P Utilities Sector	385.43	418.72	-8.0%	410.28	-6.1%	321.92	19.7%	317.22	21.5%
S&P 500 Total Return	13015.66	13227.13	-1.6%	12608.07	3.2%	10327.83	26.0%	10275.30	26.7%
3 month Treasury Bill Price	98.92	98.88	0.0%	98.85	0.1%	98.66	0.3%	98.66	0.3%
3 month Treasury Bill Total Return	256.67	255.95	0.3%	253.94	1.1%	243.98	5.2%	243.60	5.4%
10 Year Treasury Bond Future	108.97	111.19	-2.0%	114.28	-4.6%	112.89	-3.5%	112.67	-3.3%
10 Year Treasury Note Total Return	294.15	299.38	-1.7%	305.92	-3.8%	294.12	0.0%	293.21	0.3%
iShares 20+ Year Treasury Bond ETF	88.31	93.97	-6.0%	98.10	-10.0%	98.88	-10.7%	98.93	-10.7%
S&P Municipal Bond Total Return	277.07	281.36	-1.5%	280.82	-1.3%	272.94	1.5%	272.27	1.8%
iShares S&P National Municipal Bond NAV	105.72	108.15	-2.2%	108.52	-2.6%	108.42	-2.5%	108.19	-2.3%
S&P 500 Investment Grade Corporate Bond Total Return	465.02	473.45	-1.8%	478.79	-2.9%	455.89	2.0%	453.83	2.5%
S&P Investment Grade Corporate Bond	90.36	92.03	-1.8%	93.58	-3.4%	91.76	-1.5%	91.46	-1.2%
S&P Investment Grade Corporate Bond Total Return	495.66	503.62	-1.6%	508.34	-2.5%	482.66	2.7%	480.53	3.1%
SPDR Bloomberg High Yield Bond ETF	95.38	97.36	-2.0%	97.79	-2.5%	94.73	0.7%	94.90	0.5%
iShares iBoxx High Yield Corporate Bond ETF	78.58	80.04	-1.8%	80.30	-2.1%	77.39	1.5%	77.56	1.3%
Gold	2622.91	2643.15	-0.8%	2634.58	-0.4%	2062.98	27.1%	2045.95	28.2%
Bitcoin	96557.17	97460.39	-0.9%	63785.09	51.4%	41935.34	130.3%	44004.47	119.4%

Source: Bloomberg, Sanctuary Wealth, December 23, 2024

## A Holiday Week Traditionally Brings Joy With A Rally

*This is the week we should celebrate our good fortunes and hope for the best for the future of our families, our communities and the world at large.*

For only the fifth time since 1900, Hanukkah begins its eight days of celebration on Christmas Day, December 25. Kwanzaa also starts on December 26. Those days are truly the most important part of the week. Against this backdrop of celebrations, we wish all of you a very blessed and joyous holiday week.

This is our last communication of 2024, so we also wish you a very happy New Year. Be prepared for a little bit of the Bucking Bull in 1Q25 – but good bull riders never give up and we remain buyers of this tape.





# Calendar

- Mon.** 10:00 am Consumer confidence
- Tue.** 8:30 am Durable-goods orders  
10:00 am New home sales  
The stock market will close early at 1 pm Eastern time.
- Wed.** Christmas holiday
- Thu.** 8:30 am Initial jobless claims  
Earnings: Accenture, CarMax, Paychex, FedEx, Nike
- Fri.** 8:30 am Advanced U.S. trade balance in goods, Advanced retail inventories, Advanced wholesale inventories

\*Earnings reflect highlights  
Source: CNBC, Kiplinger's, MarketWatch

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