The Longo Group
Independent Financial Firm

Week Ahead

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Week of April 8, 2024

Strong Economic Data, Strong Jobs Data And Loud Fed Speak

A minor NY-area earthquake was not the only thing to rattle Wall Street last week. Stronger ISM manufacturing data, along with conflicting and confusing commentary from a boatload of Federal Reserve officials, drove market volatility.

One of the more hawkish commentators was Minneapolis Fed President Neel Kashkari who, in an interview with Pensions & Investments, went as far as to say, “If we continue to see inflation moving sideways, then that would make me question whether we need to do those rate cuts at all". He also noted that if inflation continued to come in stronger than hoped, he anticipates the Fed would hold its benchmark policy rate at the current 5.25%-5.50% range for a longer period of time. If that still did not work, further rate increases are "not off the table” according to Kashkari, but “they are also not a likely scenario given what we know right now," he said. The market is now pricing in a low probability of a June cut and looking toward July or September for the first cut.

Adding to last week’s market volatility was the spike in crude oil above $85, as the geopolitical tensions continue to rise in the Middle East, specifically between Israel and Iran. There is a technical breakout in WTI crude oil that points to a continued rally to higher prices near $95. This is supporting a rally in Energy stocks, and the S&P 500 Energy sector is attempting a 15-year breakout. Energy stocks remain the best value within the market, with strong cash flows and dividends.

Weekly WTI Crude Oil Prices Breaking Out – Next Stop Could Be $95

Week of April 8, 2024

S&P 500 Energy Sector Attempting A 15-Year Breakout To All-Time Highs

March Jobs Data Surprises To The Upside

The March non-farm and private payroll employment data came in shockingly stronger than expected, following the preliminary data from the ADP national employment report. The unemployment rate came in as expected at 3.8%, but the labor force participation rate came in higher than expected, at 62.7% versus 62.6%. On the positive side, average hourly earnings year-to-year came in as expected at 4.1%, which is below last month's number of 4.3%. Overall, the employment picture is just another sign that the economy remains robust; the Atlanta GDPNow estimates the economy is growing at 2.5%. *The U.S. economy is the strongest major economy in the world.* Last week's data certainly supports no rate cut anytime soon!

Interest rates have been volatile, depending on the day, the data, and the latest news. However, the 2-year Treasury yield has been capped below both the 200-day moving average at 4.75% and the 10-year Treasury yield at 4.40%. This is supporting equities – which do remain overbought, so pullbacks can happen at any time. Prepare for some bucking.

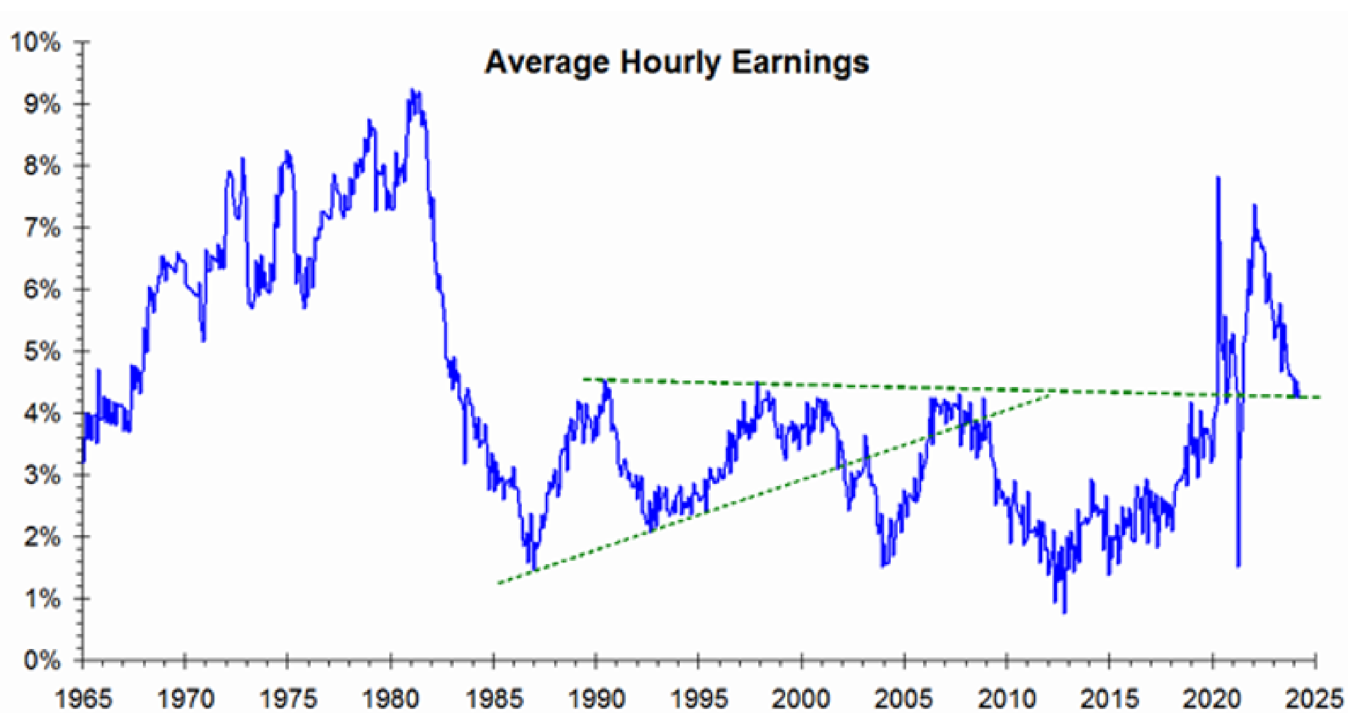
2-Year Treasury Yield Remains Below The 200-Day Moving Average Of 4.75%

Week of April 8, 2024

10-Year Treasury Yield Remains Below Resistance Of 4.40%

A Positive: Average Hourly Earnings Have Been Falling

Wages are a key to the direction of inflation. Inflation reports (CPI, PPI, Core PCE) are important, but they look backwards – not forward. Having wages stable to falling should be a positive for keeping inflation in check, going forward.



Source: Bureau of Labor Statistics, April 5, 2024

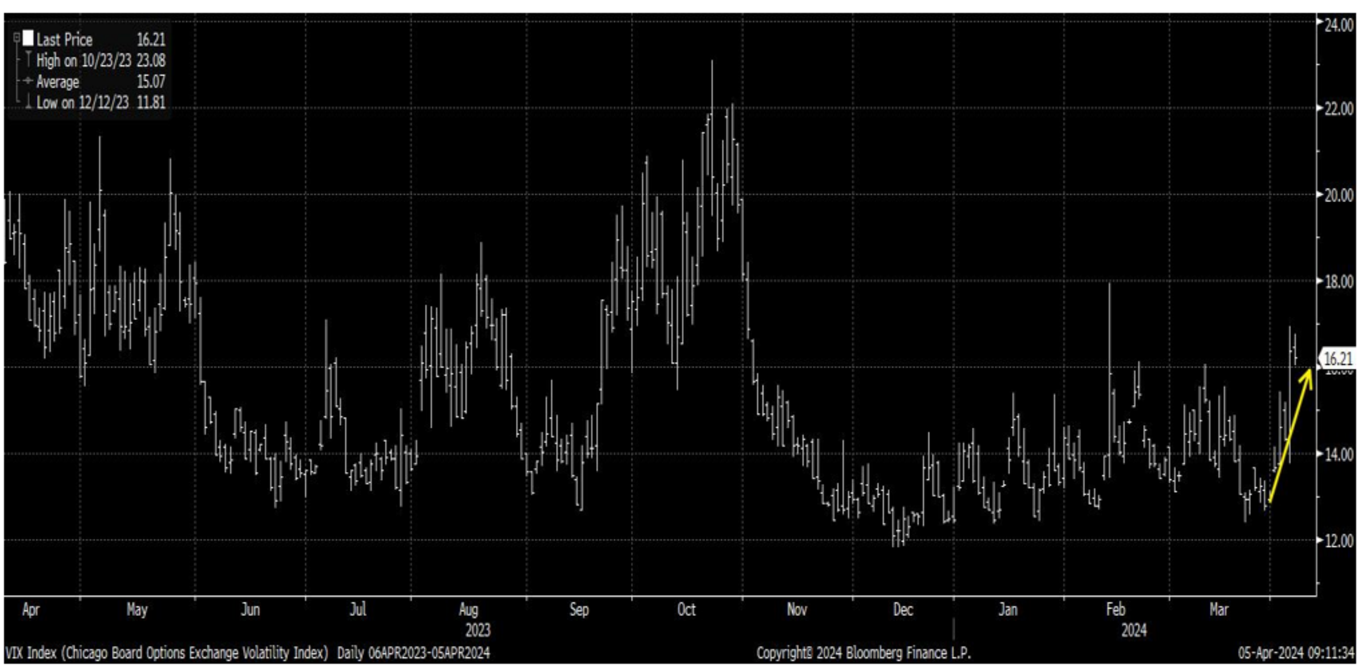
Week of April 8, 2024

Market Reset Won't Eclipse Opportunity To Buy On Any Pullback

Equity markets are showing signs of fatigue. Last week, there was a brief rise in interest rates due to stronger economic data and firm Fed Speak, which shook the markets – but it was higher oil prices that proved to be the catalyst, rocking the market with a spike in volatility. Following a strong first quarter, equity markets appear to be resetting. We view this as being healthy for markets. With the economy staying strong, we expect earnings to remain robust, so we'll continue to be buyers on any pullback. We don't believe the market knows yet how to price in the coming productivity gains from artificial intelligence (AI) – which we expect to be substantial across all industries in the economy. We have compared this move in stocks to the period of the dotcom boom of 1995-2000 and how it drove equity prices sharply higher. In our view, the markets are in the early stages of an AI boom, similar to 1995.

S&P 500 With 14-Day Stochastic and Relative Strength Index: Momentum Waning

VIX Volatility Index Spikes Higher



Week of April 8, 2024

Strong Dr. Copper Supports A Strong U.S. Economy

As we've explained in the past, copper is commonly seen as a measure of the health of the U.S. economy, and as a result, it's been dubbed Dr. Copper. Copper is holding its breakout. The economy will need more electricity to support EV vehicles, blockchain computing and now, more importantly, the machines that will support the growing demand for artificial intelligence (AI). Copper is a key component to building out the electrical grid. So, demand is forecast to rise for the metal at a time when the supply of copper is constrained. Augmenting the current copper supply will take years for existing mining operations. Expect copper to remain firm. This is translating into higher prices for copper-related companies. Southern Copper (SCCO) has had a multi-year breakout from a major head-and-shoulders bottom (which is also known as an inverse head-and-shoulders pattern).

Dr. Copper Holds Breakout – That's Bullish For The Economy

Southern Copper (SCCO) Has Multi-Year Breakout

Week of April 8, 2024

Market Performance

	Last 4/5/2024	Month End 3/29/2024	Month to Date	Quarter End 3/29/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 4/6/2023	Year To Year
S&P 500	5204.34	5254.35	-1.0%	5254.35	-1.0%	4769.83	9.1%	4105.02	26.8%
NASDAQ Composite	16248.52	16379.46	-0.8%	16379.46	-0.8%	15011.35	8.2%	12087.96	34.4%
NASDAQ 100	440.47	444.01	-0.8%	444.01	-0.8%	409.52	7.6%	318.05	38.5%
Russell 2000	2063.47	2124.55	-2.9%	2124.55	-2.9%	2027.07	1.8%	1754.46	17.6%
S&P Consumer Discretionary Sector	1457.52	1485.49	-1.9%	1485.49	-1.9%	1418.09	2.8%	1129.59	29.0%
S&P Consumer Staples Sector	792.47	814.23	-2.7%	814.23	-2.7%	762.32	4.0%	787.45	0.6%
S&P Energy Sector	749.39	721.24	3.9%	721.24	3.9%	640.05	17.1%	654.14	14.6%
S&P Financial Sector	691.31	701.32	-1.4%	701.32	-1.4%	626.35	10.4%	531.81	30.0%
S&P Health Care Sector	1671.02	1723.97	-3.1%	1723.97	-3.1%	1590.36	5.1%	1557.33	7.3%
S&P Industrials Sector	1064.12	1066.71	-0.2%	1066.71	-0.2%	964.73	10.3%	827.76	28.6%
S&P Information Technology Sector	3782.91	3821.05	-1.0%	3821.05	-1.0%	3397.16	11.4%	2608.75	45.0%
S&P Materials Sector	584.35	585.16	-0.1%	585.16	-0.1%	539.62	8.3%	501.51	16.5%
S&P Real Estate Sector	240.85	248.16	-2.9%	248.16	-2.9%	251.58	-4.3%	232.97	3.4%
S&P Communications Sector	291.30	284.29	2.5%	284.29	2.5%	246.00	18.4%	196.00	48.6%
S&P Utilities Sector	331.02	333.49	-0.7%	333.49	-0.7%	321.92	2.8%	354.72	-6.7%
S&P 500 Total Return	11311.70	11418.03	-0.9%	11418.03	-0.9%	10327.83	9.5%	8785.70	28.8%
3 month Treasury Bill Price	98.66	98.66	0.0%	98.66	0.0%	98.66	0.0%	98.78	-0.1%
3 month Treasury Bill Total Return	247.47	247.21	0.1%	247.21	0.1%	243.98	1.4%	234.85	5.4%
10 Year Treasury Bond Future	109.66	110.80	-1.0%	110.80	-1.0%	112.89	-2.9%	116.55	-5.9%
10 Year Treasury Note Total Return	288.43	291.09	-0.9%	291.09	-0.9%	294.12	-1.9%	296.34	-2.7%
iShares 20+ Year Treasury Bond ETF	91.39	94.62	-3.4%	94.62	-3.4%	98.88	-7.6%	108.53	-15.8%
S&P Municipal Bond Total Return	270.78	272.69	-0.7%	272.69	-0.7%	272.94	-0.8%	266.18	1.7%
iShares S&P National Municipal Bond NAV	106.51	107.42	-0.9%	107.42	-0.9%	108.42	-1.8%	108.12	-1.5%
S&P 500 Investment Grade Corporate Bond Total Return	448.30	453.46	-1.1%	453.46	-1.1%	455.89	-1.7%	440.87	1.7%
S&P Investment Grade Corporate Bond	89.64	90.59	-1.0%	90.59	-1.0%	91.76	-2.3%	91.27	-1.8%
S&P Investment Grade Corporate Bond Total Return	476.79	481.59	-1.0%	481.59	-1.0%	482.66	-1.2%	465.51	2.4%
SPDR Bloomberg High Yield Bond ETF	93.91	95.20	-1.4%	95.20	-1.4%	94.73	-0.9%	91.89	2.2%
iShares iBoxx High Yield Corporate Bond ETF	76.82	77.73	-1.2%	77.73	-1.2%	77.39	-0.7%	74.84	2.6%
Gold	2329.75	2229.87	4.5%	2229.87	4.5%	2062.98	12.9%	2007.91	16.0%
Bitcoin	67660.41	69654.16	-2.9%	69654.16	-2.9%	41935.34	61.3%	27992.29	141.7%

Source: Bloomberg, Sanctuary Wealth, April 6, 2024

It's Anybody's Game

This week, it will be more inflation data and Fed Speak holding sway over the markets.

We'll get more inflation readings this week, including Core CPI (Consumer Price Index) and Core PPI (Producer Price Index) data. And on top of all the jawboning from various Fed officials last week, we'll get the minutes from the FOMC meeting. Frankly, too much singing from the Fed, especially if the choir is not sharing the same hymnal, only leads to market confusion. With all that has happened recently, we're surprised that yields have not broken out yet. But stay tuned. Everything released this week can be market moving. Brace for the Bucking Bull – it's looking to spring ahead.

Calendar

Mon.	1 pm	Chicago Fed President Austan Goolsbee radio interview
Tue.	6:00 am	NFIB optimism index
	Earnings:	Cognyte Software, Neogen, PriceSmart, SMART Global, Tilray, WD-40
Wed.	8:30 am	Consumer price index, Core CPI, CPI year over year, Core CPI year over year
	8:45 am	Fed Gov. Michelle Bowman speaks
	10:00 am	Wholesale inventories
	12:45 pm	Chicago Fed President Austan Goolsbee speaks
	2:00 pm	Minutes of Fed's March FOMC meeting, Monthly U.S. federal budget
	Earnings:	Delta Air Lines
Thu.	8:30 am	Initial jobless claims, Producer price index, Core PPI, PPI year over year, Core PPI year over year
	8:45 am	Fed Gov. Michelle Bowman speaks
	12:00 pm	Boston Fed President Susan Collins speaks
	12:45 pm	Chicago Fed President Austan Goolsbee speaks
	1:30 pm	Atlanta Fed President Raphael Bostic speaks
	Earnings:	CarMax, Constellation Brands, Fastenal, Lovesac
Fri.	8:30 am	Import price index, Import price index minus fuel
	10:00 am	Consumer sentiment (prelim)
	2:30 pm	Atlanta Fed President Raphael Bostic speaks
	3:30 pm	San Francisco Fed President Mary Daly speaks
	Earnings:	BlackRock, JP Morgan Chase, State Street, Wells Fargo

Source: MarketWatch/Kiplinger

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