



Week Ahead

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Week of April 15, 2024

As You'd Expect, It's All About Expectations

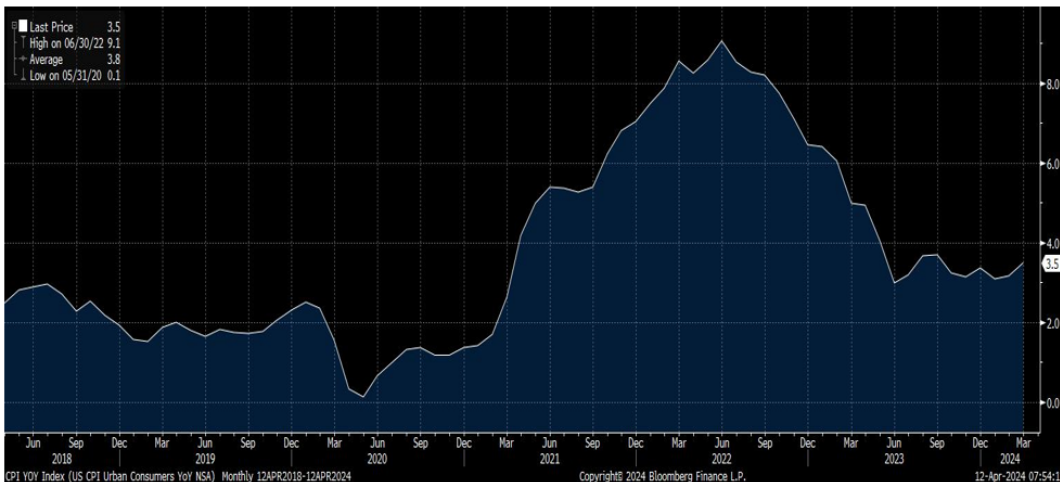
Last week, inflation data came out on the Consumer Price Index (CPI) and the Producer Price Index (PPI) with the reports essentially canceling each other out – but creating equity market volatility and a spike up in interest rates.

CPI reported first and came in hotter than expected, kicking off the volatility moves in the markets. Then PPI came in softer than expected and the markets rallied. Looking at year-to-year data, inflation shows it has become sticky, staying near current levels – this is especially true on the Services side. Remember CPI and PPI data are both backward looking. For a forward-looking perspective, we turn to wages/earnings as the historically best predictor of inflation. Average hourly earnings year-to-year are still falling. This suggests inflation should have the ability to continue to trend downward this year. As a reminder, the Federal Reserve's preferred measure of inflation, Core PCE (the Personal Consumption Expenditures Price Index), is already at 2.8%.

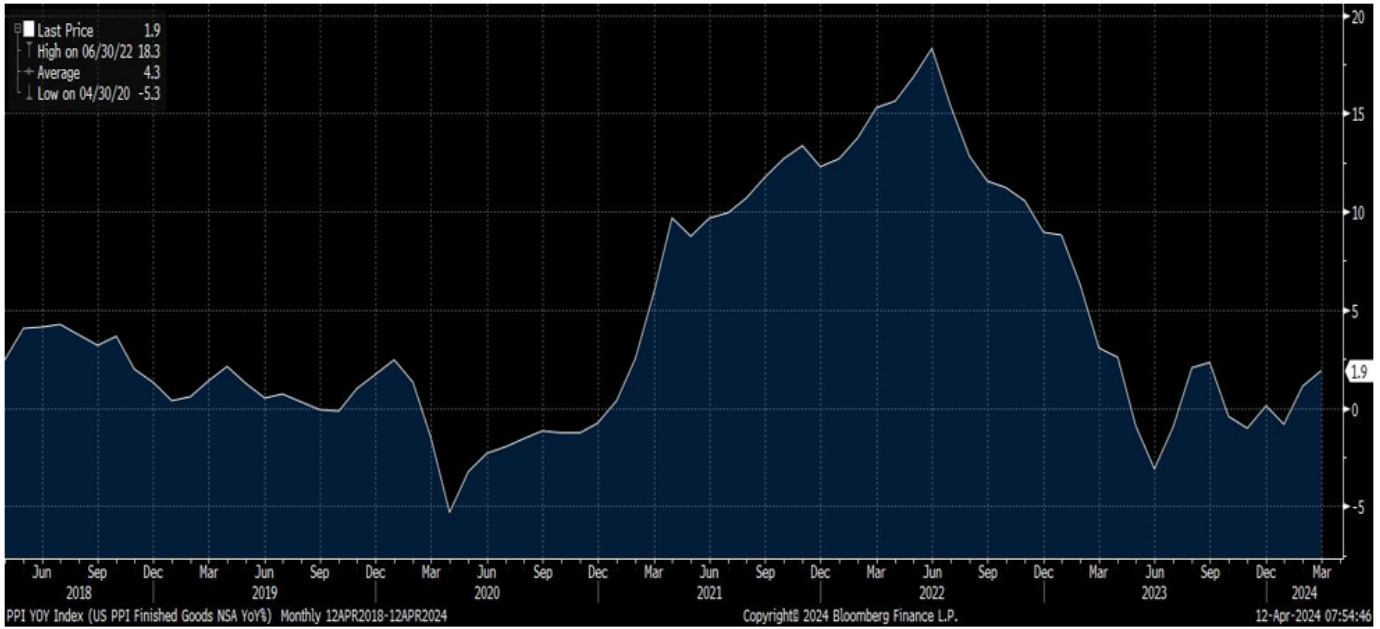
But with stronger economic growth and sticky inflation, interest rates have spiked up and look to want to move higher. The big move happened at the long end of the interest rate curve. The 10-Year Treasury yield broke above resistance and could continue to move higher, near 4.7%. The 2-Year Treasury yield surged to 5%, near major resistance. The 2-Year can now fluctuate in a range between 4.8% and 5.0%. With equity market valuations likely fully valued, higher interest rates cause the equity market to reprice lower to adjust for the higher rates. So, expect both fixed income and equity markets to maintain some level of volatility.

Expectations on a first interest rate cut by the Fed have now moved from June to September at the earliest. Remember that last year the market expected rate cuts and got none – yet the equity market rallied 24% by year-end. The most important factor to the equity market is earnings, and earnings bottomed last year, then began to improve which supported the rally through 2023. The upswing also came from an improving economy as corporate management successfully navigated an inflationary and higher interest rate environment.

Consumer Price Index Year-to-Year At 3.5%: Modest Uptick



Producer Price Index Year-To-Year At 1.9%: Modest Uptick But Below 2%



Average Hourly Earnings All Employees Year-to-Year: Still Falling



 **Week of April 15, 2024**

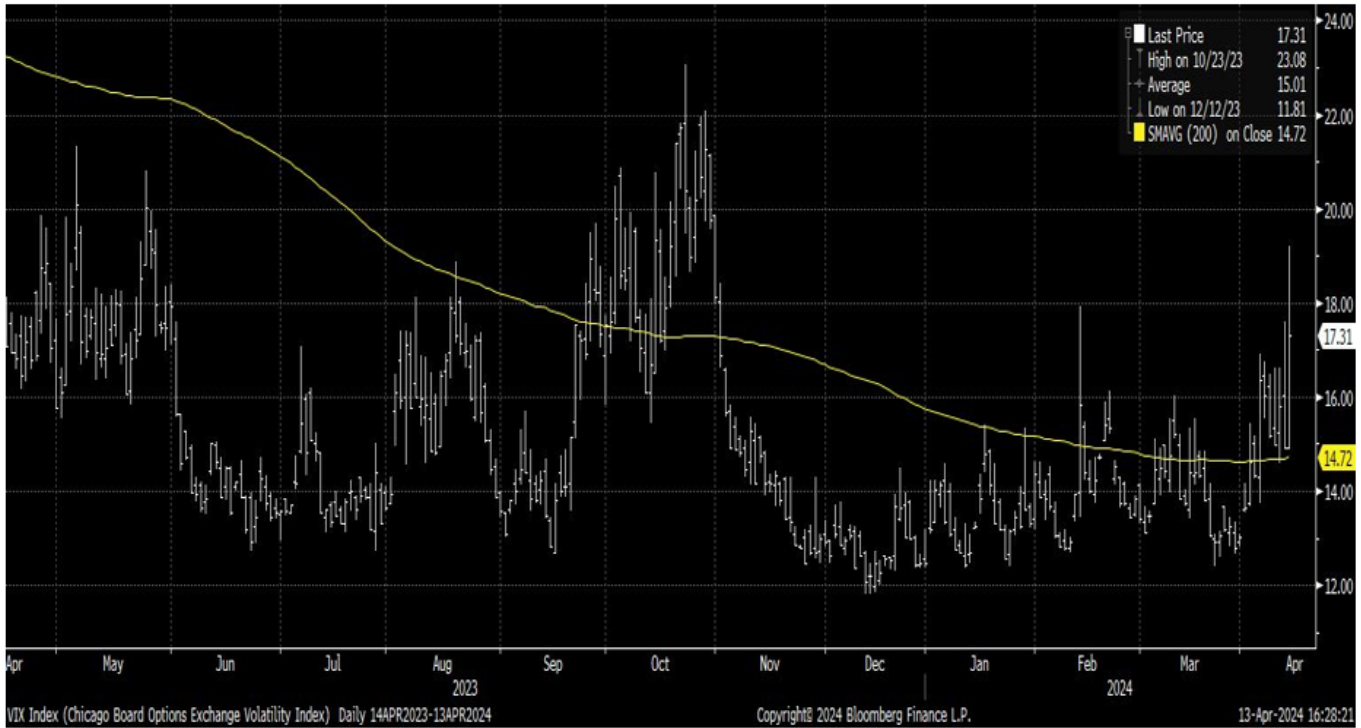
10-Year Treasury Yield Spikes Higher: Risk Rates Continue To Rise Near 4.7%



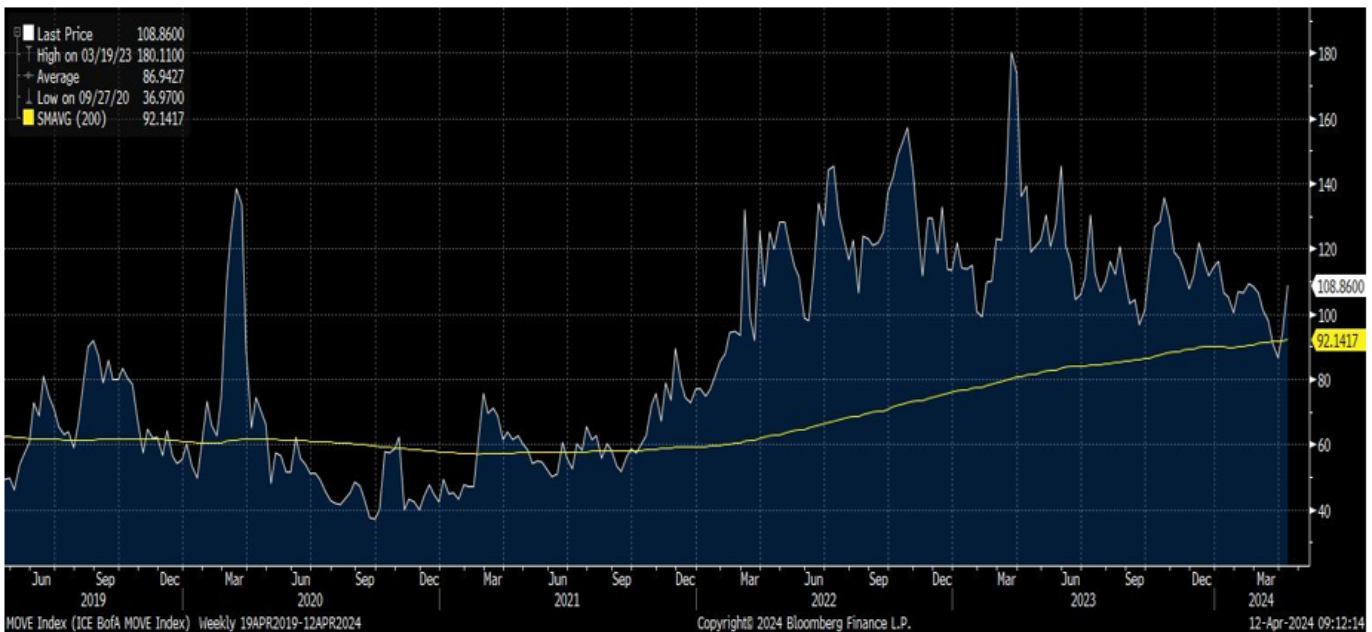
2-Year Treasury Yields: Spike Higher Into Strong Resistance Near 5%



VIX Equity Volatility Index Spikes Higher And Holding Above The 200-Day Moving Average



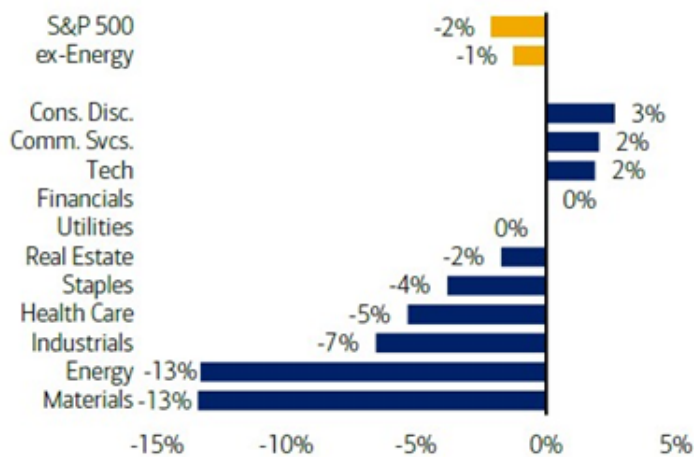
ICE BofA MOVE Bond Volatility Index Spikes Up Above 200-Day Moving Average



Earnings Season Begins With Growth Expected From Consumer, Tech & Communications Services

According to Bank of America, 4Q23 was another strong quarter for earnings, beating consensus by 4% and EPS growth accelerating at +8% year-over-year. 1Q24 EPS has been cut by 2% YTD – which is smaller than a typical 4% cut into earnings. It's worth noting that this cut has been led by Energy and Materials. Consensus is looking for a deceleration to +4% year-over-year despite easier comparables. Bank of America is expecting a 4% beat of estimates or 7% year-over-year. The sectors expected to report stronger earnings for the quarter are Consumer Discretionary, Technology, and Communications Services (this sector houses Alphabet, Meta, Netflix and Disney). So, *the strong earnings trend continues with the consumer and tech & tech-related companies driving earnings.*

Revision to consensus 1Q24 earnings estimates over the last 3 months



Source: FactSet, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

April 11, 2024

Equity Market Enters A Correction – Don't Worry We Expect Blossoms At The End

The equity market has entered a correction and is currently testing the 50-day moving average near 5111. If this level does not hold, the risk is a move toward the 100-day moving average, near 4900. Sticky inflation, causing interest rates to rise, triggered the corrective move. Over the weekend, Iran launched an attack on Israel as expected, and Israel successfully defended itself from the missile barrage. The G7 condemned the attack. Ongoing developments and mounting geopolitical tensions in hot spots around the world demand constant attention.

At this writing, it appears global leaders are attempting to de-escalate the crisis. We believe the equity market can absorb events without a bear market correction of 20% or more and any move may be limited to only 5%-10%. Crude oil remains the key: as long as WTI crude oil remains below \$100, the economy can continue to expand with the equity market able to recover and resume the rally. But should WTI crude oil move and stay above \$100, the higher cost to business and the consumer would be a drag on the economy and earnings. Should the worst case happen, where an outright war is declared and oil supplies become at risk, we would expect a sharp 20%-30% correction. Again, this is not our base case.

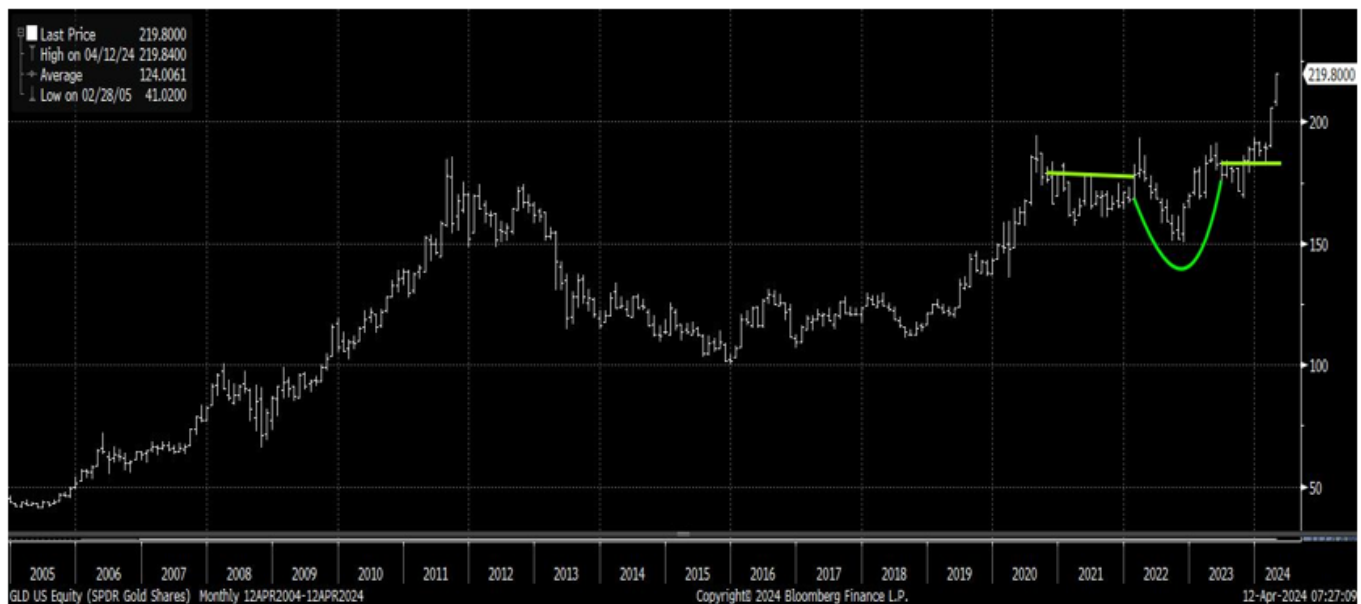
S&P 500 With 14-Day Stochastic With 50- and 100-Day Moving Averages



Precious Metals On The Move With The Strongest Buying From Central Banks

Central Banks, particularly China, have been diversifying their U.S. dollar exposure by buying gold. Also with tensions rising in the Middle East and risk assets under pressure gold historically rallies as an investment hedge. This is also known as a flight to safety.

Gold Breaks Out Of A Major Head And Shoulders Bottom – China A Major Buyer



 **Week of April 15, 2024**

Silver Now Looks To Follow The Gold Rush



 **Week of April 15, 2024**

Market Performance

	Last 4/12/2024	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 4/13/2023	Year To Year
S&P 500	5123.41	5254.35	-2.5%	5254.35	-2.5%	4769.83	7.4%	4146.22	23.6%
NASDAQ Composite	16175.09	16379.46	-1.2%	16379.46	-1.2%	15011.35	7.8%	12166.27	33.0%
NASDAQ 100	438.27	444.01	-1.3%	444.01	-1.3%	409.52	7.0%	319.17	37.3%
Russell 2000	2003.17	2124.55	-5.7%	2124.55	-5.7%	2027.07	-1.2%	1796.68	11.5%
S&P Consumer Discretionary Sector	1447.58	1485.49	-2.6%	1485.49	-2.6%	1418.09	2.1%	1142.93	26.7%
S&P Consumer Staples Sector	782.99	814.23	-3.8%	814.23	-3.8%	762.32	2.7%	790.06	-0.9%
S&P Energy Sector	734.96	721.24	1.9%	721.24	1.9%	640.05	14.8%	669.04	9.9%
S&P Financial Sector	666.45	701.32	-5.0%	701.32	-5.0%	626.35	6.4%	541.30	23.1%
S&P Health Care Sector	1618.87	1723.97	-6.1%	1723.97	-6.1%	1590.36	1.8%	1580.81	2.4%
S&P Industrials Sector	1040.47	1066.71	-2.5%	1066.71	-2.5%	964.73	7.9%	846.09	23.0%
S&P Information Technology Sector	3774.45	3821.05	-1.2%	3821.05	-1.2%	3397.16	11.1%	2612.33	44.5%
S&P Materials Sector	566.21	585.16	-3.2%	585.16	-3.2%	539.62	4.9%	513.11	10.3%
S&P Real Estate Sector	233.47	248.16	-5.9%	248.16	-5.9%	251.58	-7.2%	233.52	0.0%
S&P Communications Sector	289.83	284.29	1.9%	284.29	1.9%	246.00	17.8%	196.57	47.4%
S&P Utilities Sector	326.08	333.49	-2.2%	333.49	-2.2%	321.92	1.3%	353.91	-7.9%
S&P 500 Total Return	11139.38	11418.03	-2.4%	11418.03	-2.4%	10327.83	7.9%	8875.65	25.5%
3 month Treasury Bill Price	98.66	98.66	0.0%	98.66	0.0%	98.66	0.0%	98.75	-0.1%
3 month Treasury Bill Total Return	247.71	247.21	0.2%	247.21	0.2%	243.98	1.5%	235.01	5.4%
10 Year Treasury Bond Future	108.69	110.80	-1.9%	110.80	-1.9%	112.89	-3.7%	115.45	-5.9%
10 Year Treasury Note Total Return	286.17	291.09	-1.7%	291.09	-1.7%	294.12	-2.7%	293.84	-2.6%
iShares 20+ Year Treasury Bond ETF	90.29	94.62	-4.6%	94.62	-4.6%	98.88	-8.7%	106.05	-14.9%
S&P Municipal Bond Total Return	270.91	272.69	-0.7%	272.69	-0.7%	272.94	-0.7%	266.85	1.5%
iShares S&P National Municipal Bond NAV	106.57	107.42	-0.8%	107.42	-0.8%	108.42	-1.7%	108.39	-1.7%
S&P 500 Investment Grade Corporate Bond Total Return	445.83	453.46	-1.7%	453.46	-1.7%	455.89	-2.2%	438.09	1.8%
S&P Investment Grade Corporate Bond	89.10	90.59	-1.6%	90.59	-1.6%	91.76	-2.9%	90.67	-1.7%
S&P Investment Grade Corporate Bond Total Return	474.33	481.59	-1.5%	481.59	-1.5%	482.66	-1.7%	462.80	2.5%
SPDR Bloomberg High Yield Bond ETF	93.44	95.20	-1.8%	95.20	-1.8%	94.73	-1.4%	92.61	0.9%
iShares iBoxx High Yield Corporate Bond ETF	76.37	77.73	-1.7%	77.73	-1.7%	77.39	-1.3%	75.42	1.3%
Gold	2344.37	2229.87	5.1%	2229.87	5.1%	2062.98	13.6%	2040.22	14.9%
Bitcoin	67127.64	69654.16	-3.6%	69654.16	-3.6%	41935.34	60.1%	30285.33	121.7%

Source: Bloomberg, Sanctuary Wealth, April 13, 2024

Earnings, More Fed Speak And Additional Data Roll Out, But Middle East Tensions Remain On Watch

This week we'll begin to see the markets shift as 1Q24 earnings are reported.

Last Friday, Banks kicked off earnings season. In general, they either met or exceeded expectations, but that news wasn't strong enough to hold a rally in the markets. For the next few weeks, investors will be focused on corporate earnings – as well as the impending Bitcoin halving. What will Bitcoin do once the halving occurs expected somewhere around the 18th-22nd. Like everything else this month, it seems to be a coin toss. (No pun intended.)

Although there may be little clarity, here's what this week's data will tell us. Retail sales numbers will give us a sense where consumer spending stands. Housing data will frame the upcoming buying season. Data on industrial and manufacturing production will show the latest on the infrastructure build as well as its impact on the health of the economy.

On top of the data rolling out, there will be plenty of Fed Speak to listen to and decipher, including an appearance by Fed Chair Jerome Powell on Wednesday.

As the charts above show, both the VIX and MOVE indexes are spiking, so we should expect extended volatility. Despite optimism for earnings, this Bull will continue to buck.



Calendar

Mon.

2:30 am Dallas Fed President Lorie Logan speaks in Tokyo
 8:30 am Empire State manufacturing survey, U.S. retail sales, New York Fed President John Williams TV appearance 10:00 am Business inventories, Home builder confidence index
 8:00 pm San Francisco Fed President Mary Daly speaks
 Earnings: Charles Schwab, Goldman Sachs, M&T Bank

Tue.

8:30 am Housing starts, Building permits
 9:00 am Fed Vice Chair Philip Jefferson speak
 9:15 am Industrial production, Capacity utilization
 1:15 pm Fed Chair Jerome Powell speaks
 Earnings: Bank of America, BNY Mellon, Commerce Bancshares, Fulton Financial, Hancock Whitney, Interactive Brokers, J.B. Hunt Transport, Johnson & Johnson, Morgan Stanley, Northern Trust, Omnicom, PNC, United Airlines, UnitedHealth Group

Wed.

2:00 pm Fed Beige Book
 5:30 pm Cleveland Fed President Loretta Mester speaks
 7:15 pm Fed Governor Michelle Bowman speaks
 Earnings: Abbott Laboratories, Alcoa, ASML, Bank OZK, Brandywine Realty, Citizens Financial Group, Crown Castle, CSX, Discover Financial Services, Equifax, First Horizon, F.N.B. Corp, First Industrial Realty, Kinder Morgan, Prologis, Las Vegas Sands, Rexford Industrial Realty, SL Green Realty, Synovus, Travelers Companies, Wintrust Financial, U.S. Bancorp

Thu.

8:30 am Initial jobless claims, Philadelphia Fed manufacturing survey
 9:05 am Fed Governor Michelle Bowman speaks
 9:15 am New York Fed President John Williams speaks
 10:00 am Existing home sales, U.S. leading economic indicators
 11:00 am Atlanta Fed President Raphael Bostic speaks
 5:45 pm Atlanta Fed President Raphael Bostic speaks
 Earnings: Alaska Air, Ally Financial, Apogee Enterprises, Badger Meter, Blackstone, Comerica, D.R. Horton, Genuine Parts, Glacier Bancorp, Home Bancshares, Iridium Communications, KeyCorp, Manpower, Marsh & McLennan, Netflix, PPG Industries, Snap-On, Texas Capital, Western Alliance Bancorp

Fri.

10:30 am Chicago Fed President Austan Goolsbee speaks
 Earnings: American Express, Fifth Third Bancorp, Huntington Bancshares, Procter & Gamble, Regions Financial, SLB

Source: MarketWatch/Kiplinger

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