




Week Ahead

The Longo Group
 Advisors: Ted Longo, Steve Longo, &
 Chris Collins
 985-445-1042 | Toll-Free 833-475-6646

Week of May 20, 2024

Dow Hits 40,000 Milestone As Inflation Fears Ebb

Equity and bond markets are telling us that inflation is not a major concern as interest rates fall sharply and the Dow Jones Industrial Average (DJIA) closes above the 40,000 milestone, putting the Dow in new record territory, alongside the S&P 500 and Nasdaq 100.

Last week, producer prices came in higher than expected – but revisions were sharply down – and consumer prices came in soft enough that all this inflation data was good enough to pick equities up and push rates down. Inflation fears are definitely ebbing, if not disappearing. Also fueling the equity market’s rally is the continued parade of corporate earnings coming in significantly higher than expectations. With profit margins stable to improving and interest rates falling, we see the valuations of the price-earnings multiple expanding.

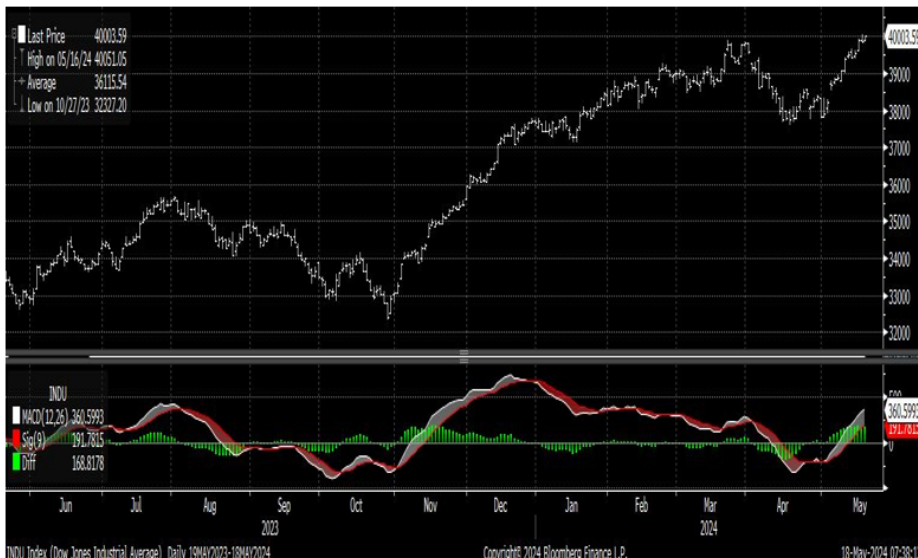
There has been much concern over the health of the consumer, but last week’s earnings report from Walmart (WMT) showed the consumer is alive and still spending, sending the stock soaring up 7% and reaching a record high.

All these new record highs are supported by market breadth (as measured by the Bloomberg NYSE cumulative advance-decline line) also hitting record highs. The Bull is charging, and we expect the Bull to run through the summer months.

The leadership remains Technology and Tech-related, with the leadership broad index NYSE FANG+ also hitting a record all-time high. But the most important observation is that this index had a massive multi-year breakout of an inverted head and shoulders pattern, pointing to a sustainable rally and ongoing new highs. Semiconductors also continue to be leaders but have not yet reached new highs.

Dow Jones Industrial Average Joining the Record High Club

DJIA With Daily Moving Average Convergence/Divergence On A Buy Signal



NYSE Cumulative Advance-Decline Line At Record Highs!



NYSE FANG+ Index Has Massive Multi-Year Breakout & Hits New Highs

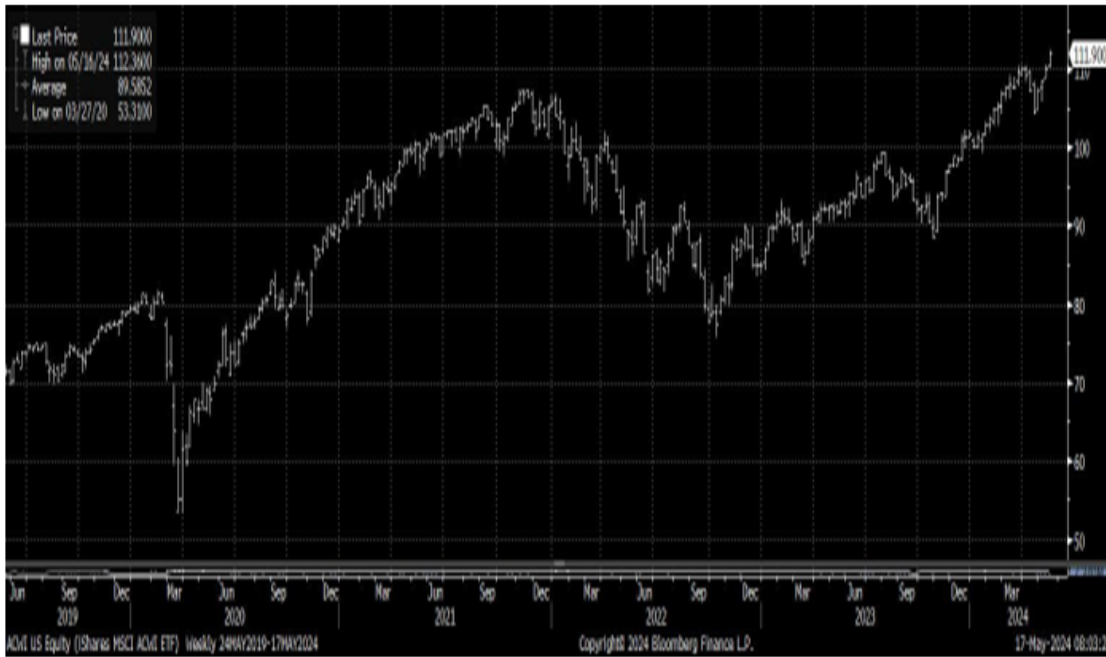


 **Week of May 20, 2024**

World Markets Also Charging Ahead With New Record Highs

The Japanese Nikkei 225 index reached an all-time high in March, and in Europe, the indexes for the equity markets in the UK, Germany and France all recently hit record highs. The iShares MSCI All Country World Index (ACWI) ETF reached a record all-time high. *No question about it: the world is in a "Charging Bull" market.*

iShares MSCI All-Country World Index Reaches All-Time High: The Bull Is Global



Emerging Markets Show A Heartbeat

Even the Emerging Markets, which have lagged significantly and way off their highs, are beginning to show a heartbeat by breaking out. China now appears to have bottomed.

iShares MSCI Emerging Markets ETF Finally On The Move



Interest Rates Fall Sharply

Interest rates have plummeted as fears of inflation have ebbed. The upward trendline for rates is now clearly broken. In our view, rates for the cycle have peaked. Look for the Federal Reserve to try to begin lowering rates before the U.S. presidential election.

2-Year Treasury Yields Break Uptrend: Cycle Peak



10-Year Treasury Yields Break Uptrend: Cycle Peak



Initial Public Offerings Show Improvement

New IPOs are trending higher – yet another bullish sign for equity markets. In the accompanying chart, we look at Renaissance IPO ETF (IPO), which tracks an index of companies that have recently completed an initial public offering and are listed on a U.S. exchange.

Renaissance IPO ETF (IPO) – IPOs Gradually Improving Which Is Bullish



What's Next: Equity Market Bull Trend Is Strong... 6000-7000 For S&P 500?

The S&P 500 has had a significant technical breakout: the trend channel, in effect since the lows of 2009, with the top of the channel set in 2021-2022, is now being challenged. A clear break above this channel points to a longer-term target for the S&P 500 at 6000 or an additional 13% move above last Thursday's close (5/16/24). Importantly, using point and figure charts, which measure the supply and demand of pricing, we see that 7000 is achievable longer-term or a 30% plus move. [Note: back in the February 26th edition of The Week Ahead, we first indicated that "Our longer-term projected target has moved to a range of 6100-7000 from just 5144."]

What all this is telling us is simple: Staying invested over the coming years should prove to generate strong returns in equity portfolios. As we have been saying, this is a secular bull market, and we don't see this Bull peaking until later in the decade. We remain Bulls and continue to recommend buying equities.

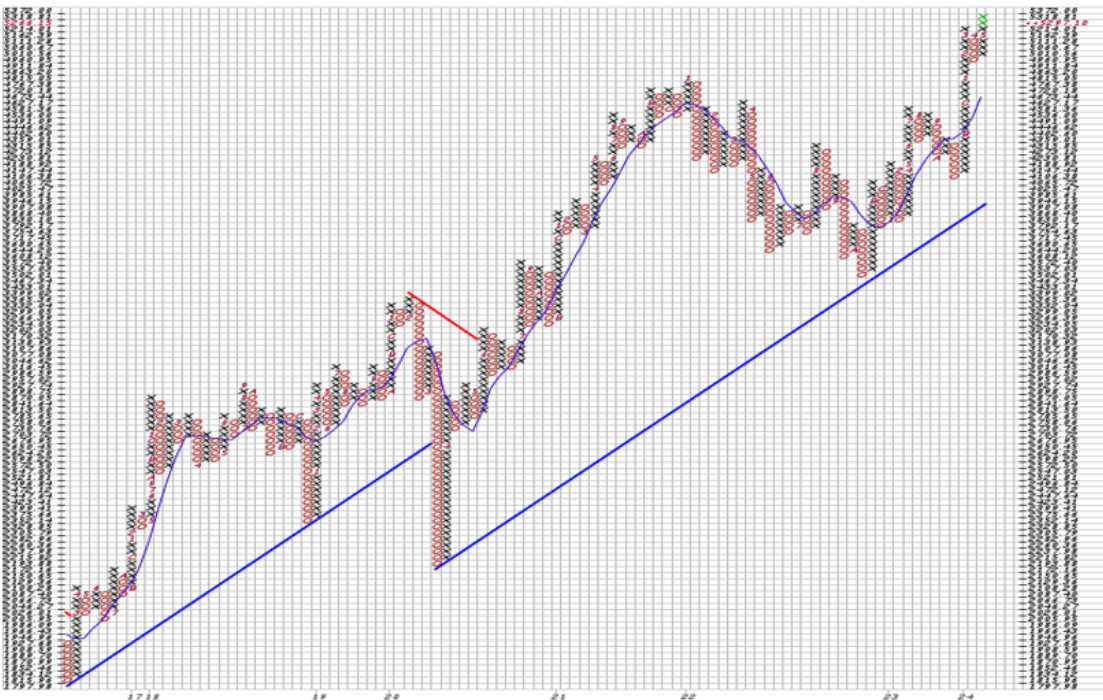
S&P 500 Monthly Chart With Trend Channels: Breaking Out?



Point & Figure Long-Term Measures S&P 500 To 7000+

\$SPX S&P 500 Large Cap Index INDEX
 16-May-2024, 16:00 ET, weekly, O: 5,233.08, H: 5,325.49, L: 5,211.16, C: 5,297.10, V: 8477095936, Chg: +74.42 (1.42%)
P&F Pattern Double Top Breakout on 13-May-2024
 Scaling: Percentage [Reversal: 3, Box Size: 1.0%]
 Bullish Price Objective: 7469.34

(c) StockCharts.com



 **Week of May 20, 2024**

Market Performance

	Last 5/17/2024	Month End 4/30/2024	Month to Date	Quarter End 3/29/2024	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 5/18/2023	Year To Year
S&P 500	5303.27	5035.69	5.3%	5254.35	0.9%	4769.83	11.2%	4198.05	26.3%
NASDAQ Composite	16685.97	15657.82	6.6%	16379.46	1.9%	15011.35	11.2%	12688.84	31.5%
NASDAQ 100	451.76	424.59	6.4%	444.01	1.7%	409.52	10.3%	337.27	33.9%
Russell 2000	2095.72	1973.91	6.2%	2124.55	-1.4%	2027.07	3.4%	1784.86	17.4%
S&P Consumer Discretionary Sector	1454.92	1420.81	2.4%	1485.49	-2.1%	1418.09	2.6%	1195.75	21.7%
S&P Consumer Staples Sector	834.43	805.51	3.6%	814.23	2.5%	762.32	9.5%	790.14	5.6%
S&P Energy Sector	721.66	714.95	0.9%	721.24	0.1%	640.05	12.8%	604.88	19.3%
S&P Financial Sector	704.84	671.09	5.0%	701.32	0.5%	626.35	12.5%	543.60	29.7%
S&P Health Care Sector	1703.00	1634.44	4.2%	1723.97	-1.2%	1590.36	7.1%	1521.53	11.9%
S&P Industrials Sector	1059.01	1028.09	3.0%	1066.71	-0.7%	964.73	9.8%	844.69	25.4%
S&P Information Technology Sector	3897.20	3612.61	7.9%	3821.05	2.0%	3397.16	14.7%	2771.43	40.6%
S&P Materials Sector	579.79	558.16	3.9%	585.16	-0.9%	539.62	7.4%	493.48	17.5%
S&P Real Estate Sector	242.76	226.77	7.1%	248.16	-2.2%	251.58	-3.5%	227.22	6.8%
S&P Communications Sector	297.29	277.98	6.9%	284.29	4.6%	246.00	20.8%	209.44	41.9%
S&P Utilities Sector	365.85	338.80	8.0%	333.49	9.7%	321.92	13.6%	334.71	9.3%
S&P 500 Total Return	11546.28	10951.66	5.4%	11418.03	1.1%	10327.83	11.8%	9001.25	28.3%
3 month Treasury Bill Price	98.65	98.65	0.0%	98.66	0.0%	98.66	0.0%	98.69	0.0%
3 month Treasury Bill Total Return	248.99	248.29	0.3%	247.21	0.7%	243.98	2.1%	235.99	5.5%
10 Year Treasury Bond Future	109.19	107.44	1.6%	110.80	-1.5%	112.89	-3.3%	113.92	-4.2%
10 Year Treasury Note Total Return	288.97	283.63	1.9%	291.09	-0.7%	294.12	-1.8%	291.39	-0.8%
iShares 20+ Year Treasury Bond ETF	91.39	88.22	3.6%	94.62	-3.4%	98.88	-7.6%	101.82	-10.2%
S&P Municipal Bond Total Return	272.39	269.77	1.0%	272.69	-0.1%	272.94	-0.2%	262.14	3.9%
iShares S&P National Municipal Bond NAV	106.94	106.10	0.8%	107.42	-0.5%	108.42	-1.4%	106.23	0.7%
S&P 500 Investment Grade Corporate Bond Total Return	451.31	442.92	1.9%	453.46	-0.5%	455.89	-1.0%	430.44	4.8%
S&P Investment Grade Corporate Bond	90.04	88.41	1.8%	90.59	-0.6%	91.76	-1.9%	89.01	1.2%
S&P Investment Grade Corporate Bond Total Return	481.29	471.67	2.0%	481.59	-0.1%	482.66	-0.3%	456.11	5.5%
SPDR Bloomberg High Yield Bond ETF	94.49	93.43	1.1%	95.20	-0.7%	94.73	-0.3%	90.94	3.9%
iShares iBoxx High Yield Corporate Bond ETF	77.28	76.29	1.3%	77.73	-0.6%	77.39	-0.1%	74.12	4.3%
Gold	2415.22	2286.25	5.6%	2229.87	8.3%	2062.98	17.1%	1957.55	23.4%
Bitcoin	66926.63	59868.89	11.8%	69654.16	-3.9%	41935.34	59.6%	26726.05	150.4%

Source: Bloomberg, Sanctuary Wealth, May 17, 2024

All Eyes On The Dow & NVIDIA Earnings As All Ears Get Filled With Fed Speak

This week NVIDIA earnings can determine whether the Dow at 40,000 will hold!

Including commencement speeches from this past weekend (Fed Chair Powell at Georgetown Law and Fed Board Governor Kugler at UVA), there's a total of eight planned speeches this week, creating a cacophony of Fed Speak – which can move markets early in the week. So, we will be listening – because everything said could reveal the Fed's sentiment about future rate actions. And we will also be reading – because on Wednesday, the minutes from the FOMC meeting of 4/30-5/1 will be released. More fodder for the markets' fixation on the future direction of interest rates and the future movement in AI related companies.

Also on Wednesday, after the market closes, all eyes will be on the earnings announcement from NVIDIA (NVDA). It will also be important to hear what the company says about its business outlook going forward. This could directly impact whether the Dow will hold above the 40,000 mark.

On the economic front, the key data this week will be home sales and durable goods. But frankly, the excitement will be watching the DJIA's staying power at its new milestone.



Calendar

Sun.	3:30 pm Fed Chair Powell prerecorded commencement remarks
Mon.	9:00 am Fed Vice Chair for Supervision Michael Barr speaks, Fed Gov Christopher Waller gives welcoming remarks 10:30 am Fed Vice Chair Philip Jefferson speaks Earnings: Global-E Online, Keysight Technologies, Li Auto, Nordson, Palo Alto Networks, Wix.com, Zoom Video Communications
Tue.	9:00 am Fed Gov. Christopher Waller speaks 11:45 am Fed Vice Chair for Supervision Michael Barr speaks 7:00 pm Cleveland Fed President Loretta Mester, Atlanta Fed President Raphael Bostic and Boston Fed President Susan Collins speak together on panel Earnings: AutoZone, Eagle Materials, James Hardie, Macy's, Modine Manufacturing, Skyline Champion, Toll Brothers, Urban Outfitters, Viasat
Wed.	10:00 am Existing home sales 2:00 pm Minutes of Fed's May FOMC meeting Earnings: Analog Devices, Brady, Dorian LPG, Dycom, Enersys, GDS Holdings, Kingsoft Cloud, LiveRamp, Nvidia, Petco Health and Wellness, Photronics, Snowflake, Sociedad Quimica y Minera, Synopsys, TJX, VF Corp, Vipshop Holdings, Williams-Sonoma, Zuora
Thu.	8:30 am Initial jobless claims, 9:45 am S&P flash U.S. services PMI, S&P flash U.S. manufacturing PMI 10:00 am New home sales 3:00 pm Atlanta Fed President Raphael Bostic speaks Earnings: BJ's Wholesale, Endava, Hamilton Lane, Intuit, KE Holdings, Lions Gate Entertainment, Medtronic, Monroe Muffler, NetEase, Ralph Lauren, Ross Stores, Shoe Carnival, StepStone Group, Titan Machinery, Triumph Group, Weibo, Workday
Fri.	8:30 am Durable-goods orders, Durable-goods minus transportation 9:35 am Fed Gov Christopher Waller speaks 10:00 am Consumer sentiment (final) Earnings: Booz Allen Hamilton, Hubbay Minerals, TransAlta

Source: MarketWatch/Kiplinger

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3815 River Crossing Pkwy, Suite 200
Indianapolis, IN 46260