# Sanctuary Corner

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Chief Investment Strategist

May
2024

## April Showers (And Thunderstorms) Give Way To May Flowers

## Executive Summary

Historically, April has proven to be a down month, so the 5% correction the market experienced during the month is not out of line. (We typically see 5% corrections three times a year.) But following the April rains (and occasional downpours), we can expect stocks to rally in May – and in fact, there's been an early start as markets have thus far rallied. Why? There are three keys to the market blossoming right now: the Federal Reserve has taken the possibility of hiking interest rates this year off the table completely; fears about inflation are clearly ebbing; and corporate earnings continue to roll in significantly above expectations.

The Fed also gave us a pleasant surprise with its approach to ongoing Quantitative tightening: the market was expecting the Fed to cut the amount it's running off of its balance sheet from $60 billion a month down to $30 billion. But the Fed is going a bit further and is actually dropping down to $25 billion a month. This slowing the pace of run-off is a form of easing by the Fed.

According to Strategas, the Fed's decision to slow quantitative tightening combined with the Treasury's decision to finance the deficit through Treasury bills will add $273 billion of additional liquidity through the end of September. This liquidity must be deployed somewhere, and that probably means much of it will go into risk assets, including equities.

Seasonally, markets are typically up in the summer – peaking in August, before correcting sharply in September. This creates a bottoming and buying opportunity in October. But – here's the thing: in 2024, all of this additional liquidity that's been injected into the markets might just change the seasonality in a more positive way. It's too early to tell, but stay tuned!

Our long-term strategic outlook centers on two pillars:

- The first pillar is the tremendous increase in productivity and profitability that we foresee from artificial intelligence (AI) and the deployment of capital to support these technological advancements and the underlying required infrastructure. *Who benefits?* Technology & tech-related companies, Industrials, and select Utilities.

- The second pillar is the massive amount of liquidity currently in the financial system –liquidity that must be deployed somewhere in the economy or else mopped up by the central bank. *Where did it come from?* The ramp up began back in 2008-2009, when the Fed rolled out its zero interest rate policy and grew its balance sheet during the Great Financial Crisis – and did it again during Covid (2020-2022), leading to an unprecedented increase to the Federal balance sheet, now standing at $9.0T. Yes: nine trillion dollars.

The major economic and market phenomena we're experiencing – sticky inflation, stagnation of high interest rates, continued growth in the economy, strong corporate earnings, and rising stock prices – are all aligned with the current state of excess liquidity and advancing technologies.

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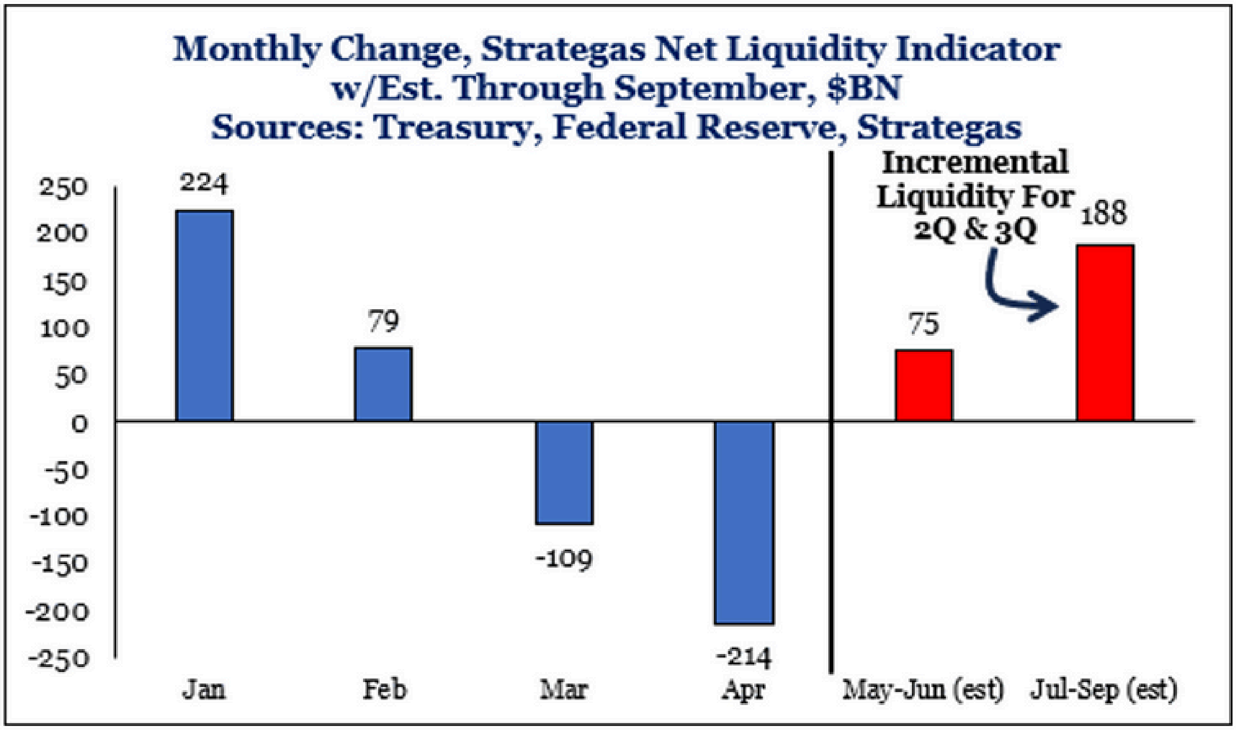
## The Fed And Treasury Will Add $273 Billion To The Financial System By The End Of September

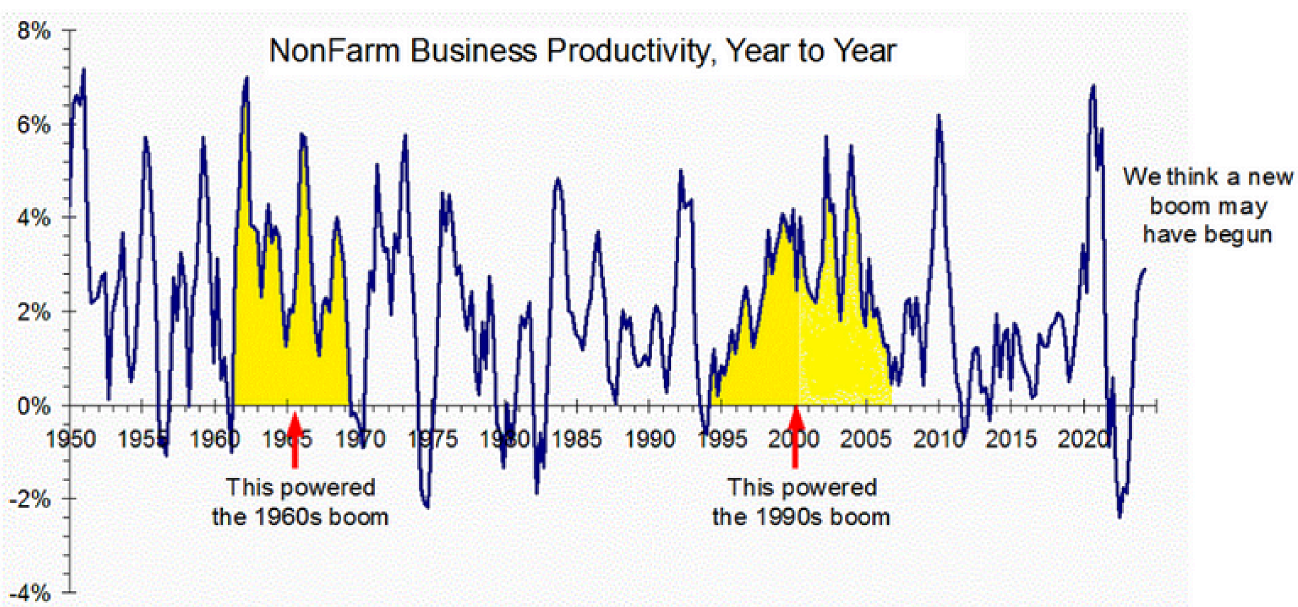



*Source: Strategas, retrieved May 6, 2024*

## Artificial Intelligence – Our Central Theme

Our central theme remains the rise and implementation of artificial intelligence (AI) in the global economy.

## Artificial Intelligence Should Increase Productivity




*Source: Bureau of Labor Statistics, Sanctuary Wealth, May 2, 2024*

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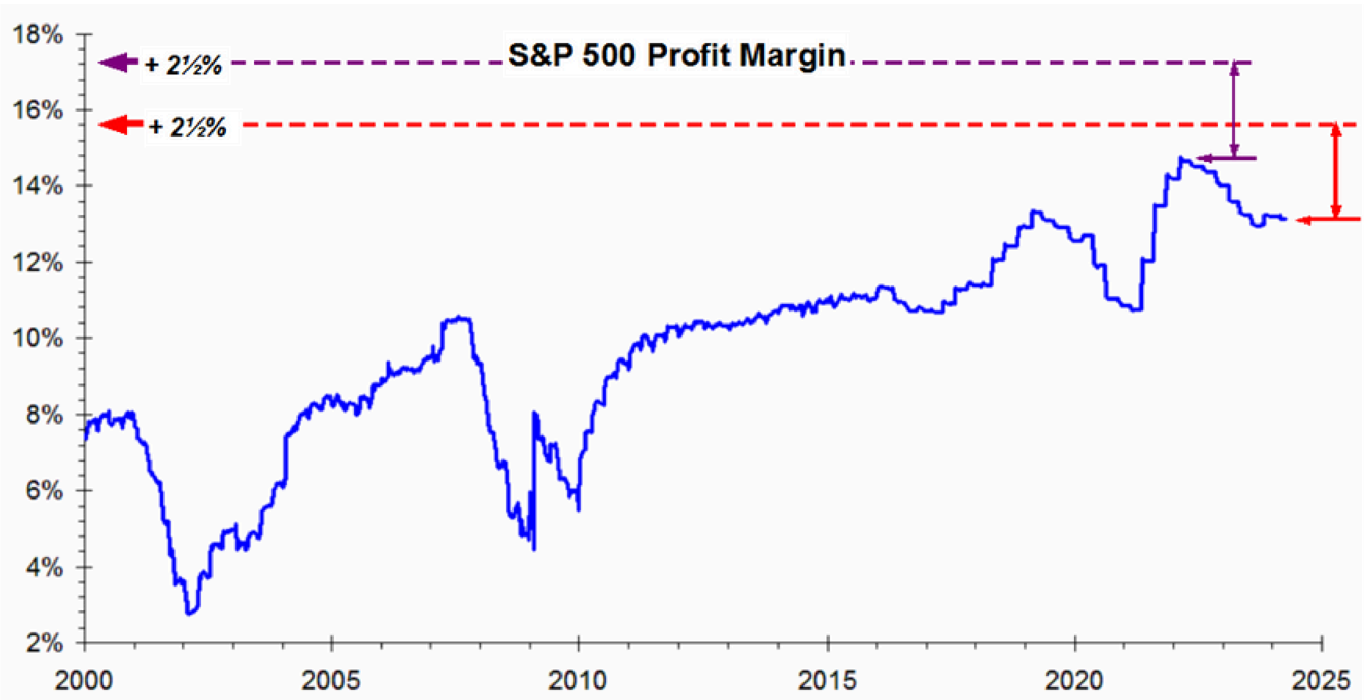
There was a boom in productivity in the 1960s, powered by technological advances in the NASA Apollo program (primarily, miniaturization and electronics), plus innovation in military technology during the Vietnam War. Equity markets peaked about halfway through the decade, in 1965.

There was another large productivity boom in the late 1990s, when computers went mainstream, and the internet became publicly available. This boom also lasted about 10 years, with markets peaking about halfway through the period, at the beginning of 2000.

We believe another productivity boom, driven by AI, may have begun, with a potential peak toward the end of the current decade. The full impact of an AI productivity boom on profit margins and earnings cannot easily be overstated. We believe AI may add 2.5% to corporate profit margins. We also believe higher profit margins will, in turn, permit investors to attribute higher price-earnings ratios to stocks.

### Our View: Higher Productivity Might Add 2.5 % To Profit Margins

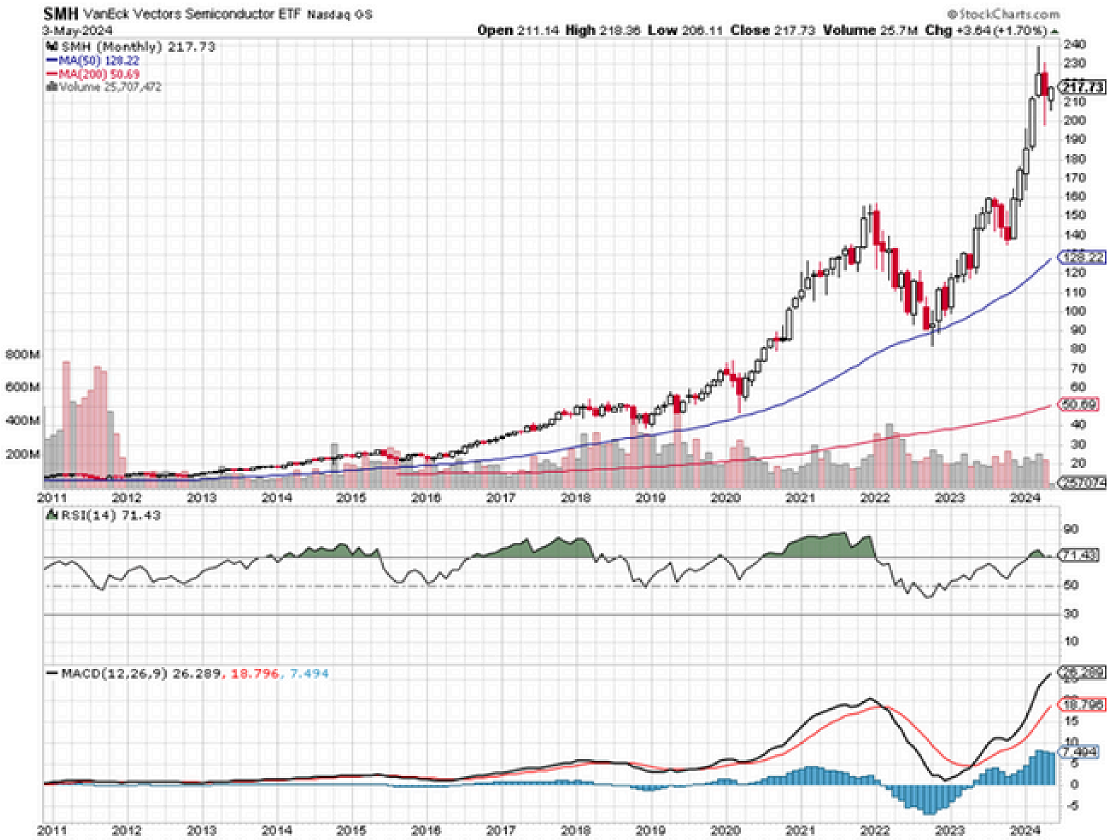



*Source: Standard & Poor's, Sanctuary Wealth, April 10, 2024*

So far, Leadership in this boom has been concentrated among the semiconductor developers and manufacturers, a group that has performed very strongly over the past 10 years or so. Remember: semiconductor chips are the brains of a computer; you can't advance computing without first advancing your chips.

We expect this move to continue for a while longer, boosted by the CHIPS and Science Act of 2022, which subsidizes construction of chip manufacturing in the U.S., bringing the newest technology back to American shores. This is a global effort – Taiwan Semiconductor makes the finest chips, AMSL in the Netherlands makes the optical instruments that make those chips, and Zeiss in Germany makes the mirrors that make AMSL's technology possible; however, most of the gains have been realized by U.S. manufacturers, such as Nvidia. At the outset, Nvidia was focused on developing chips able to accelerate the processing of videos inside computer games – but its chip technology has been so groundbreaking, the company has basically reinvented the computer and is now the tip of the spear for the AI revolution.

## Leadership Of Semiconductors As Represented By The Van Eck Vectors Semiconductor ETF (SMH)




*Source: StockCharts.com, May 5, 2024*

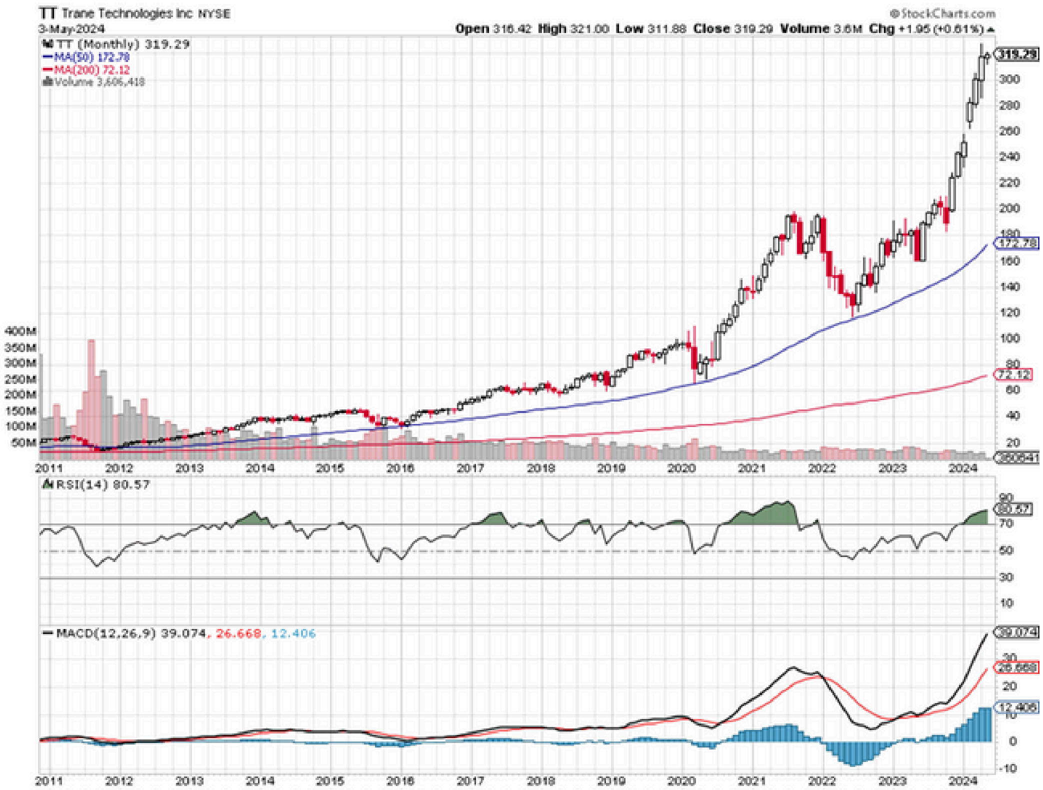
## It's A Modern Day Gold Rush! So, Where Are The AI "Pick-And-Shovel" Companies?

The California Gold Rush (1848-1855) not only helped to populate northern California, but it stimulated American and global economies. Sacramento, the capital of California, was founded during this period, while San Francisco moved from being a sleepy port to a major city. Many historic firms launched or expanded in those years, including Wells Fargo (whose founders also started American Express in NYC and greatly expanded the company westward); Levi Strauss & Co., which sold resilient clothing to the gold rush miners; and even The Ghirardelli Chocolate Company, whose confections were sold to the miners as high calorie treats. The Gold Rush sparked the drive for the Transcontinental Railroad and even the construction of the Panama Canal. All this economic activity still reverberates 170 years later.

Smaller Gold Rush firms consolidated into large, heavily capitalized mining companies that could more efficiently extract and export the gold. But despite the immediate impact and profitability of these companies, the longer-lasting firms have been those that sold picks, shovels, food and clothing to the miners – as well as to the sailors who worked through the coastal ports, and to the farmers, merchants and tradesmen who came to populate the overall area.

So, where will we find the pick-and-shovel companies supporting our new Gold Rush, the AI productivity boom? Let's look at the basic needs of the AI industry.

## AI Computers Run Hot. AI Needs Lots Of AC. Trane Technology Provides Cooling. The Relative Strength Index (RSI) And Moving Average Convergence-Divergence (MACD) Indicators Are Strong.




*Source: StockCharts.com, May 5, 2024*

Trane Technologies (TT) provides industrial heating, ventilation, and air conditioning equipment. Note that, just as the Van Eck Vectors Semiconductor ETF (SMH) has expanded over the past decade, Trane has followed suit: computers and servers produce enormous amounts of heat that must be dissipated. Cooling equipment also requires a tremendous amount of water. The water can be recycled as long as it's not in a desert environment. We are also watching for water companies that might prove profitable.

While water may be recyclable, electricity is produced and consumed on demand. Over the past several years, there has been a growing emphasis on renewable power in Europe and the U.S., but renewable power, such as solar and wind, is simply not up to the task of producing sufficient and consistent electricity required for AI – let alone for electric vehicles and blockchain mining.

This challenge necessitates the manufacture of new equipment, including generators, transformers, and miles and miles of transmission lines, which, by the way, require enormous amounts of copper! (According to the Copper Development Association, annual copper demand for electricity grids is projected to grow from 5 million tons in 2020 to nearly 10 million tons by 2040. The current global supply is insufficient to meet this demand, and development of a new copper mine – from resource discovery through to the start of production – takes at least 15 years.) If there are any pullbacks in the market, we would consider being buyers of companies that are well-positioned in this supply chain as the "picks & shovels" for the AI Gold Rush. One such company we currently favor is Southern Copper Corp (SCCO).

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### The S&P 500 Electrical Equipment Index Is A Bit Extended Now But Has Longer-Run Prospects. RSI Is Strengthening, And MACD Is Strong.


*Source: StockCharts.com, May 5, 2024*

### Copper Prices Could Advance After A Pullback. RSI Is Strong, And MACD Is Strengthening.


*Source: StockCharts.com, May 5, 2024*

Electricity plants require fuel, and natural gas is a good solution since it can be relatively easily installed, so that means gas-fed plants can be brought online for production relatively quickly. But coal remains a stable source of electricity not only in the U.S. but globally. CNBC reports that idled nuclear plants may be recalled to production to meet growing electric power demand. And since nuclear plants rely on uranium, we see that uranium prices have already begun to rise.

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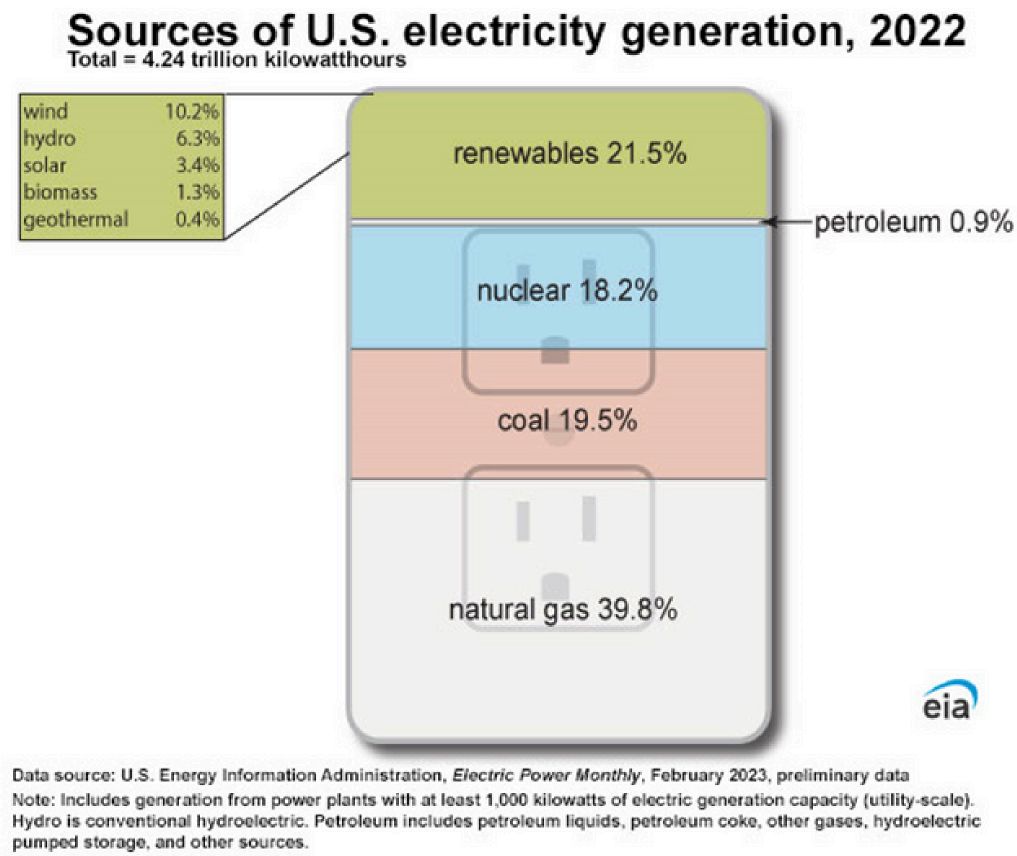
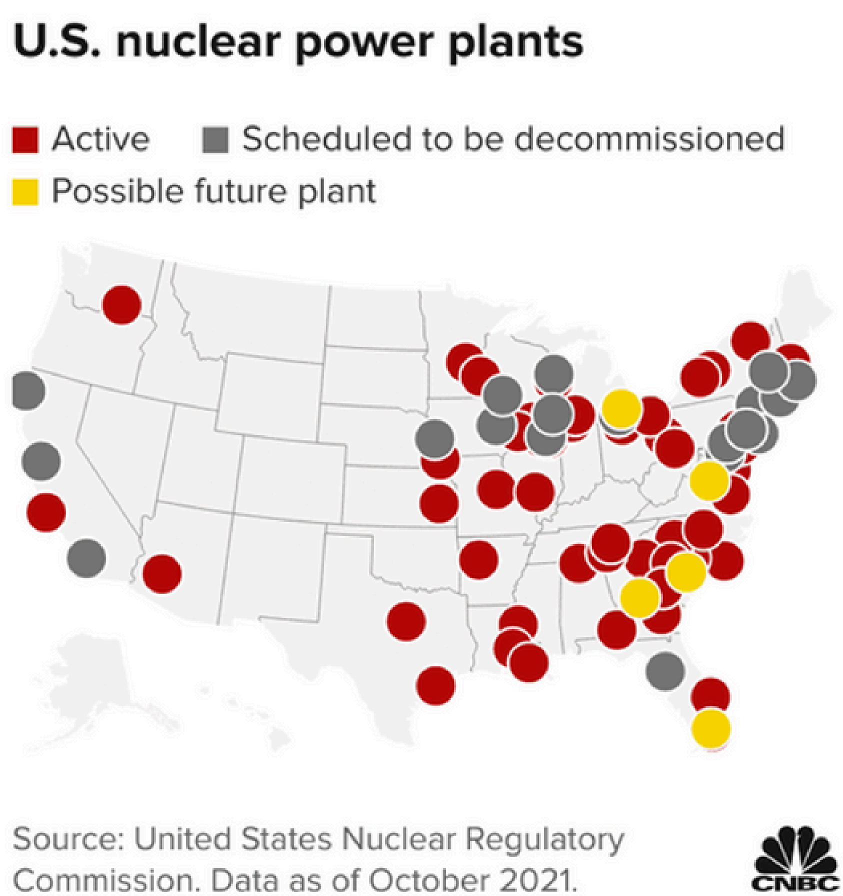



*Source: Energy Information Agency, retrieved May 1, 2024*




*Source: CNBC.com, retrieved April 29, 2024*

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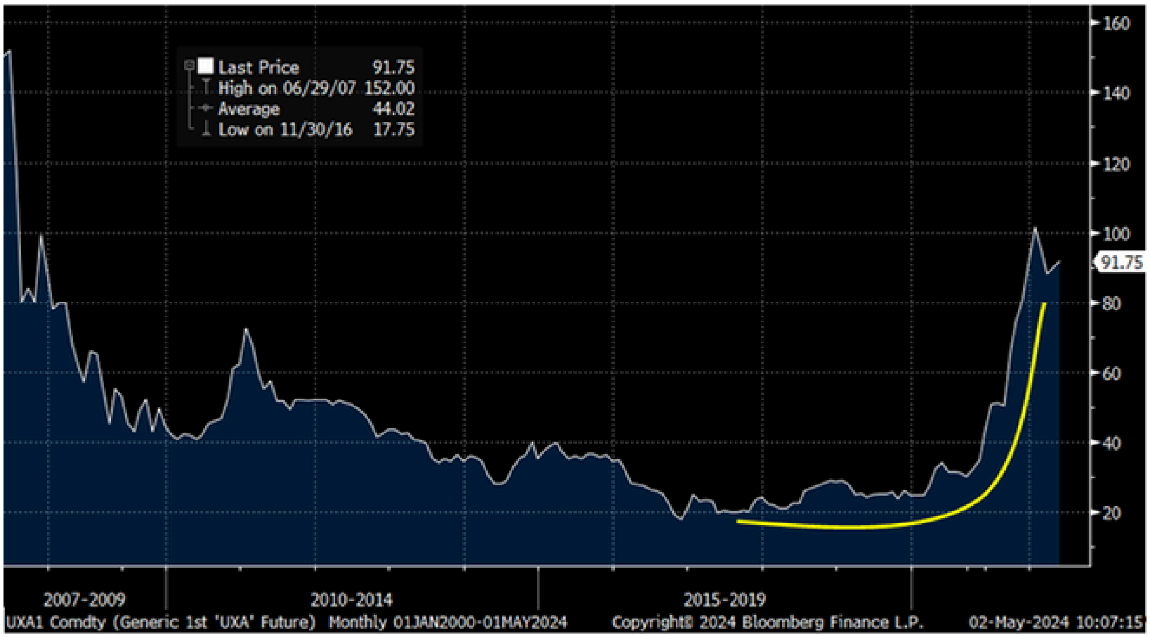
### Uranium Prices Per Pound Have Risen Sharply




*Source: Bloomberg, Sanctuary Wealth, May 2, 2024*

### A Side Note On Blockchain And Electricity Demand

Before we leave this discussion on electricity, let's take a moment to discuss blockchain.

Blockchain is an electronic ledger like any other journal ledger of transactions, except that it is kept in multiple places, and its entries are cryptographically linked. That means every transaction is linked to the prior entry in the chain, and that linking continues on and on with each new entry. This makes blockchain transactions invulnerable to corruption or elimination. Blockchain authenticates all transactions and keeps a record of each one.

We believe blockchain is likely to become the preferred means of recording securities transactions, real estate transactions, wills, estates, and most other legal and financial transactions worldwide. Blockchain is a technological innovation that, in our view, will become a booming industry in and of itself.

But let's get back to our electricity problem...
Distributed blockchain requires extreme amounts of power to create. It is estimated that in 2022, blockchain calculations for bitcoin consumed more electric power than the entire nation of Austria. Blockchain applications will only expand going forward, consuming even more electricity. This is in addition to the new electric power demands from artificial intelligence.

Add to this electric power demands from electric vehicles, which while they may not be practical solutions in every case, are excellent solutions in many urban areas around the world.

We think that, going forward, U.S. domestic electric power demand will continue to grow significantly, and global electric power demands are likely to explode (no pun intended), particularly as China, India, and Africa (specifically Nigeria) begin to adopt blockchain along with artificial intelligence.

### The Other Gold Rush: Gold

In our view, gold is being bid stronger for several reasons:

1. Central banks are increasingly attracted to gold. Investors, especially from countries at odds with the U.S., are purchasing gold as a safe haven in response to recent U.S. actions, such as the seizure of Russian state reserves held in U.S. Treasuries. Even allies, wary of the substantial U.S. federal deficits, see gold as a protective measure against potential economic instability. As traditional reserves, gold remains a staple for central banks, which continue to uphold this practice.

2. China is heavily invested in gold, being both the largest producer and (along with India) consumer in the world. The Chinese central bank has been discreetly accumulating gold for years, and it is suspected that their declared reserves significantly underrepresent their actual holdings. Plus, the government has encouraged its citizens to invest in gold. Given China's strict capital transfer regulations, purchasing gold domestically or abroad has become a strategy for those looking to move wealth offshore. Although bitcoin is illegal in China, there was a notable interest in bitcoin mining, and it's believed that considerable Chinese bitcoin purchases have been converted into gold overseas.

3. Gold hedges inflation. Gold is the traditional hedge against inflation. Nobel Prize-winning economist Milton Friedman famously remarked, "Inflation is always and everywhere a monetary phenomenon." Gold is one of the tried and true hedges against monetary inflation.

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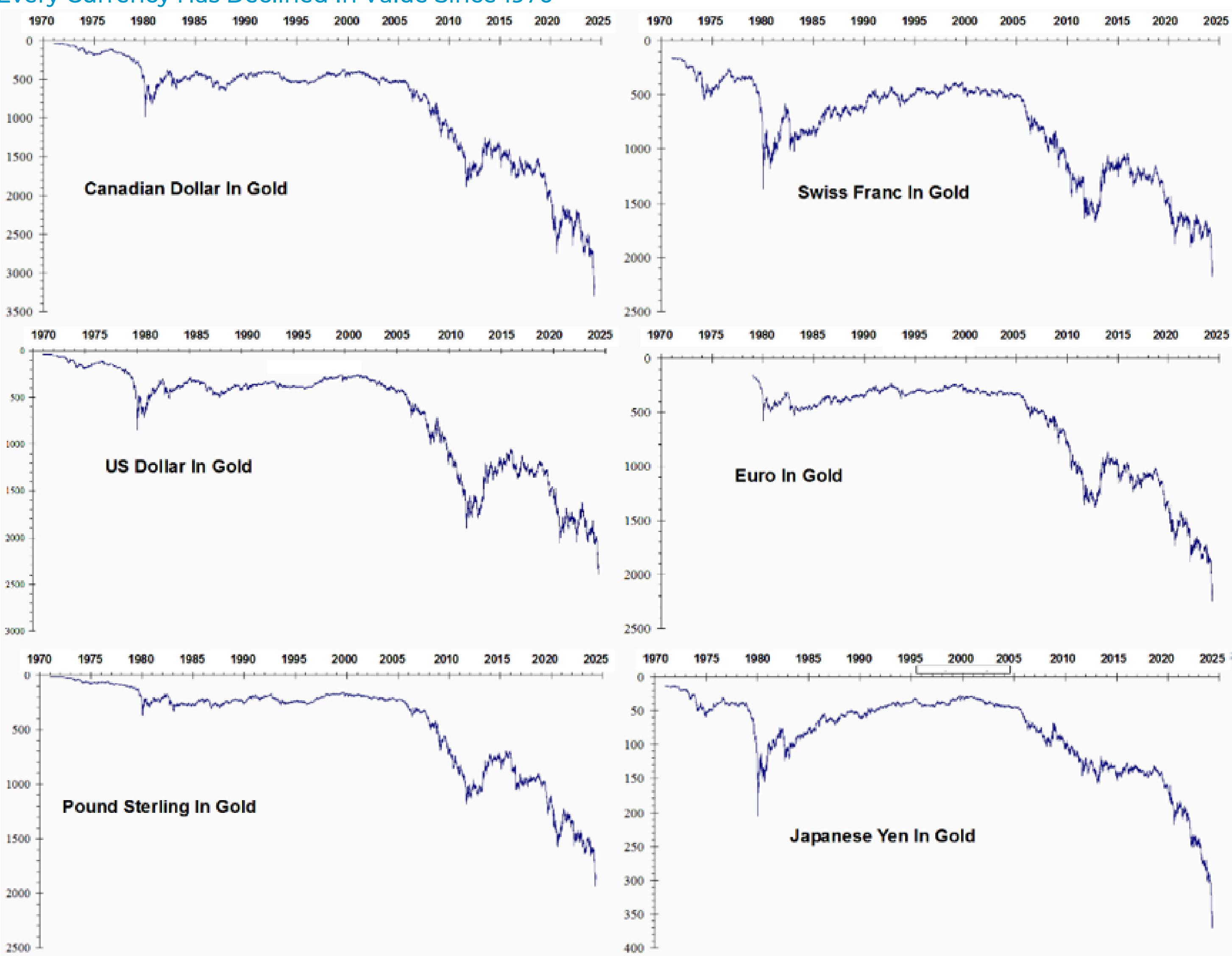
## The Race To The Bottom

Before the 1970s, in the days of fixed exchange rates, finance ministers determined where to set their currency exchange rates. Modern currency markets emerged with the move to floating exchange rates around 1970. Since then, there has been a "race to the bottom" in exchange rates as every nation competes for a larger share of the international export trade market. This is known as "competitive devaluation" – it's a kind of "currency war."

Governments are often unwilling to take any type of economic action that might cause fiscal pain to the consumer. So, what do they do instead? They choose to manipulate their currencies as a means of effecting economic change – a path that is perhaps more expedient than enacting legislation and likely less politically risky than any action that might hurt consumers in their wallets.

## Every Currency Has Declined In Value Since 1970




*Source: Bloomberg, Sanctuary Wealth, May 2, 2024*

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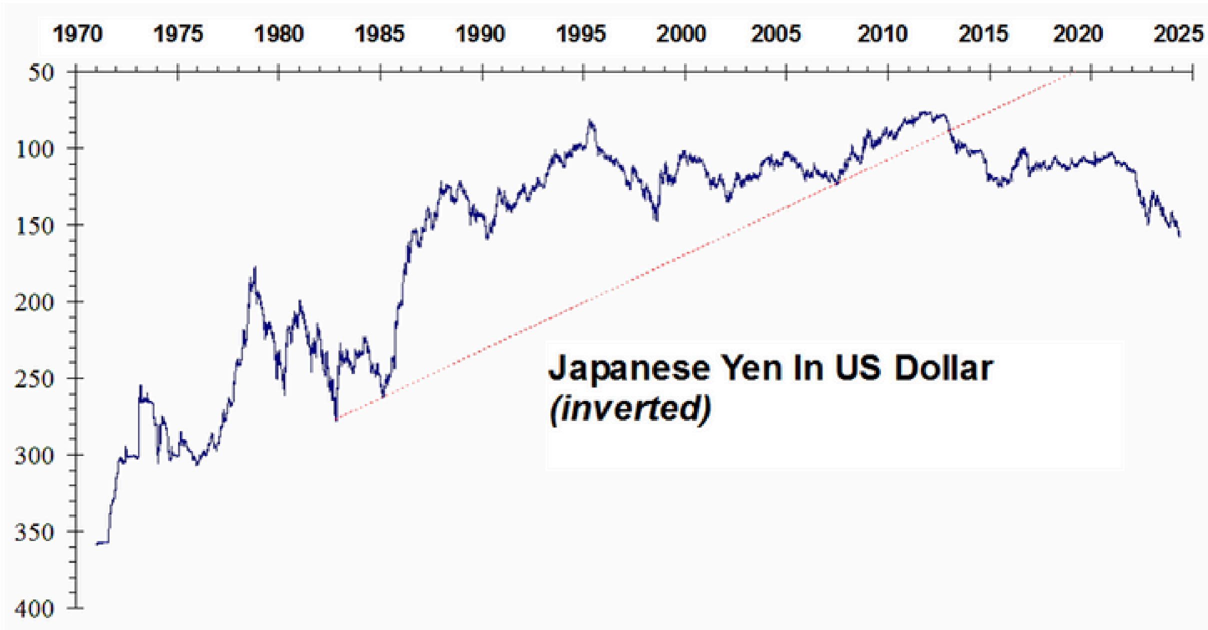
### Japanese Yen Versus US Dollar - A Massive Depreciation Since 2012




*Source: Bloomberg, Sanctuary Wealth, May 2, 2024*

### Intervention Doesn't Change A Currency's Direction

WSJ

# Japan Intervenes After Yen Slides Against the Dollar

The yen has plummeted this year as traders shift bets on U.S. interest rates

*By Kosaku Narioka* Follow *and Weilun Soon* Follow

*Updated April 29, 2024 8:03 am ET*

*Source: Wall Street Journal, retrieved April 30, 2024*

The Bank of Japan intervened at least twice in late April and early May to support the yen at around 160 yen to the U.S. dollar. However, intervention doesn't change the direction of a currency's move, but it can slow the pace of the move. Only policy and interest rates will do that. With the Federal Reserve holding interest rates steady at relatively high levels while the Bank of Japan holds interest rates at relatively low levels, that interest rate differential (known as "interest rate parity") maintains strong downside pressure on the yen.

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## Might China Devalue Its Yuan?

Newsweek

# China May Be Preparing to Deploy Economic 'Nuclear Option'

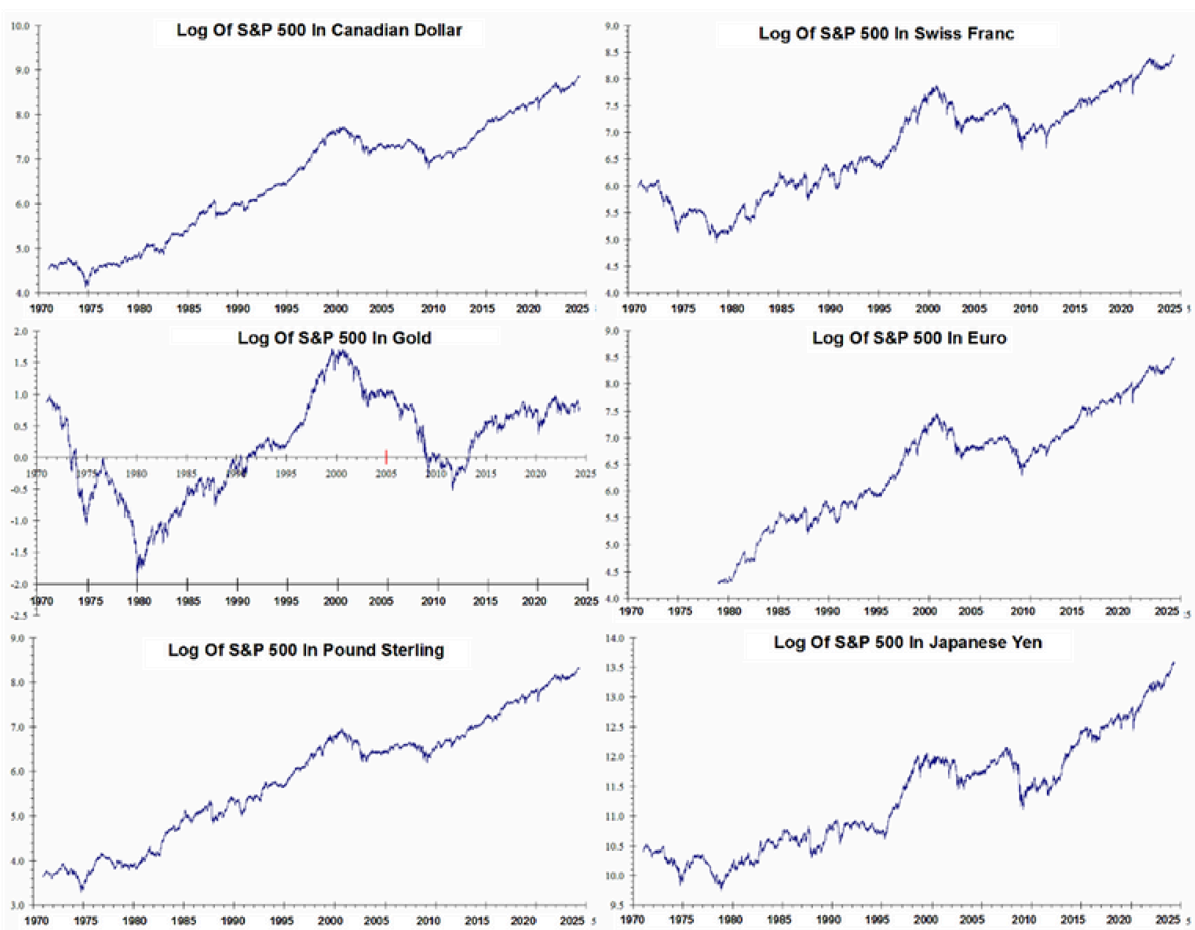
Published Apr 30, 2024 at 4:26 AM EDT

Updated Apr 30, 2024 at 1:52 PM EDT

*Source: Newsweek, retrieved May 1, 2024*

China has not recovered from the Covid Pandemic and its draconian lockdowns. Moreover, many international firms have moved manufacturing production from China to other nations, (e.g., Vietnam, India, Bangladesh) because labor costs have risen in China –but also because of China's increasingly aggressive military posturing, particularly in East Asia and the South China Sea. Chinese real estate is in a risky state: many of the country's citizens worked hard and saved scrupulously to purchase homes only to find themselves in substandard housing – this has led to civil unrest in many cities in China. We believe China may well devalue its yuan in an attempt to draw export trade back to its shores. If that happens, China's most important export going forward might be deflation in a world filled with inflation. Could this help U.S. inflation? This is something we will be monitoring.

## US Stocks Are Setting New All-Time Highs In Every Currency, But Not In Gold




*Source: Bloomberg, Sanctuary Wealth, May 5, 2024*

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Part of what is powering the U.S. equity market is its strength in other currencies. Without currency hedges, non-U.S. investors in U.S. equities gain not only the rising stock prices, but also the currency gains. These investors are less likely to be deterred by stock market corrections because their returns are bolstered by U.S. dollar appreciation vis-à-vis their own currency. Furthermore, non-U.S. investors recognize the unparalleled opportunity to invest in U.S. technology companies who continue to dominate the industry with innovation and progress.

### Powell And The FOMC Stand Pat

The decision by the Federal Open Market Committee (FOMC) to stand pat on interest rates for now – "higher for longer" –boosted the Treasury market as May began. Treasuries had been weaker as yields rose through April. We expected the 10-year Treasury to respect the 4.7% level, and so far, it has done precisely that. Since then, yields have begun to fall as the possibility of interest rate hikes has been taken off the table for 2024 and, overall, fears about inflation continue to ebb.

### 10-Year Treasuries Have Respected 4.7% So Far


*Source: Bloomberg, Sanctuary Wealth, May 5, 2024*

### 2-Year Treasuries Have Respected 5.0-5.2%


*Source: Bloomberg, Sanctuary Wealth, May 5, 2024*

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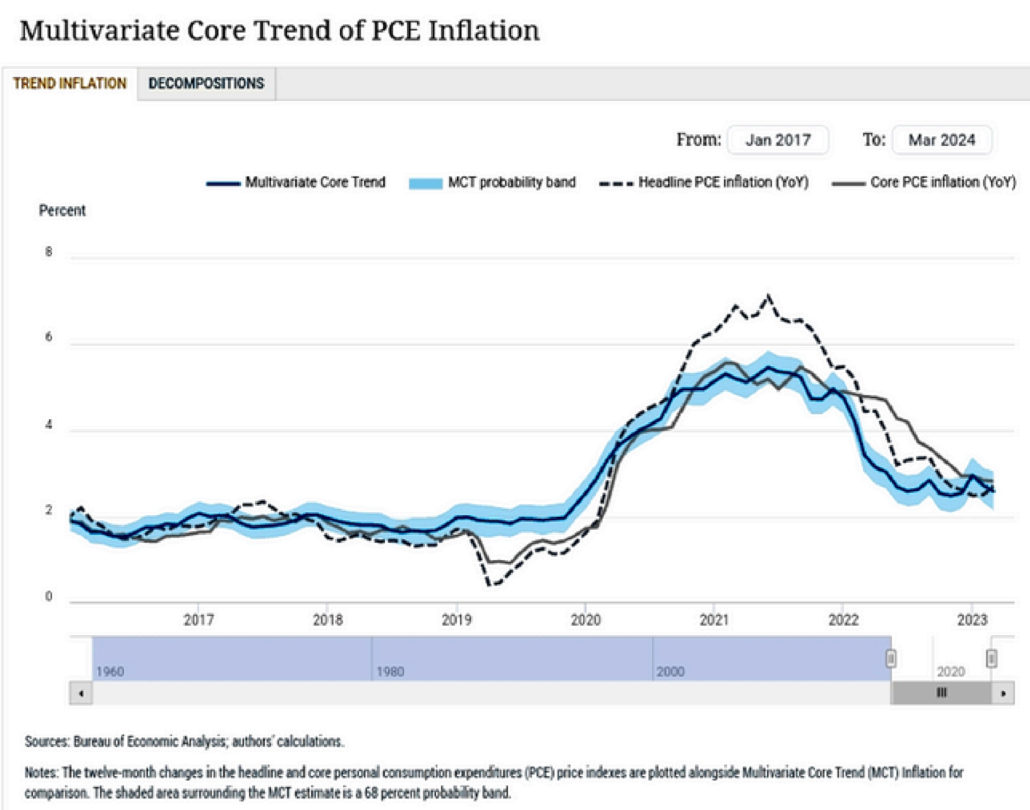
### 5-Year Breakeven Values Indicate Inflation Between 2.1% And 2.8%


Breakeven values are the market yield less the Treasury inflation protected securities yield (TIPS). This is the implied inflation rate. The breakeven values for the 7- and 10-year Treasuries are quite similar: they all imply inflation around 2.0% to 2.75%, not far from the FOMC's target inflation of 2.0%.

On Monday, April 29, before the FOMC meeting would begin the following day, the New York Federal Reserve Bank research staff released a report indicating the core trend of PCE inflation was stable to down. As Core PCE is the Fed's preferred measure of inflation, we suspect this data had an impact on the FOMC's decision to hold rates steady and wait for further developments.

### The New York Fed's Assessment Of Inflation Is Generally Positive




*Source: Federal Reserve Bank of New York, retrieved April 29, 2024*

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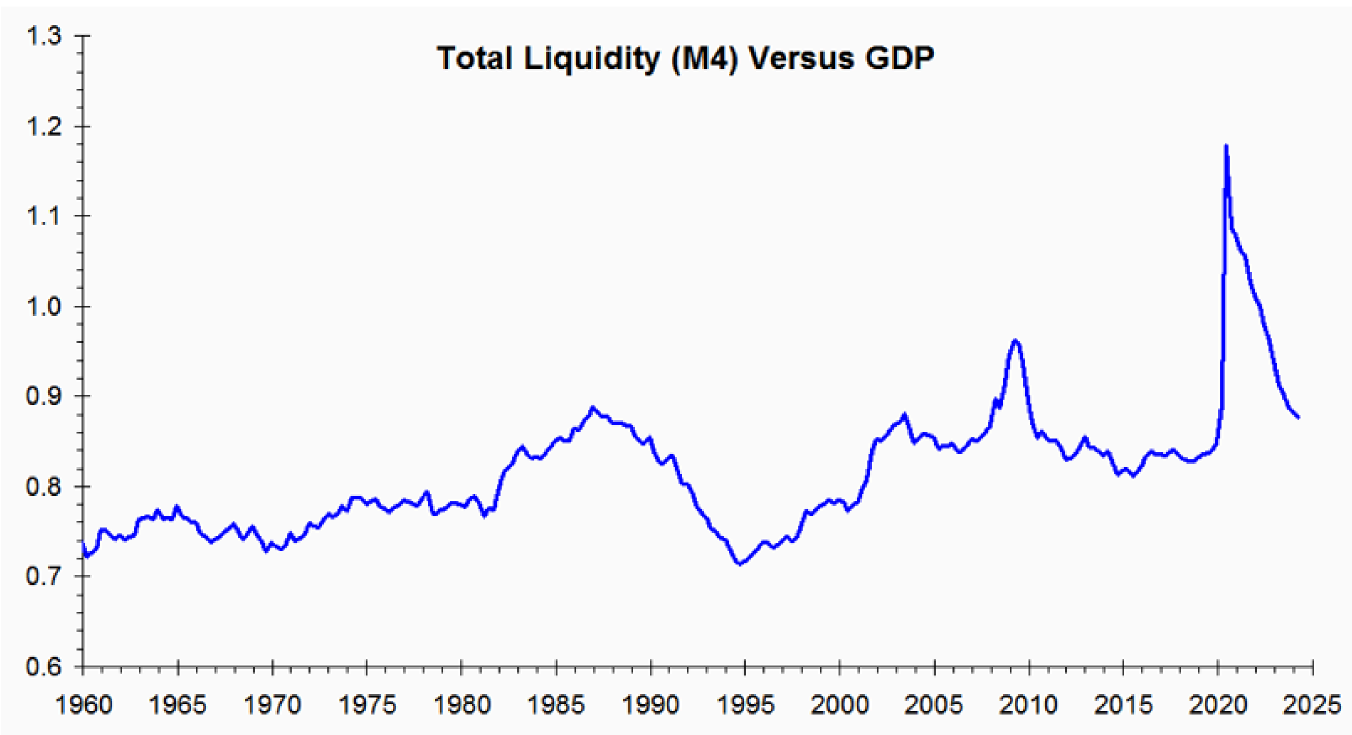
## Liquidity Remains Historically High

Markets run on "liquidity." Unfortunately, "liquidity" is a term often loosely defined that means similar but different things in different contexts. In the accompanying chart, we look at liquidity in terms of M4, a monetary measure that includes everything that can be used as cash. You can clearly see the leap in broad money during the Covid pandemic crisis. This is running off but remains extremely high historically and its inflationary effects can be felt throughout the economy. This excess liquidity has raised the prices on almost anything that can be purchased on credit: food, energy, houses, cars, stocks, bonds, appliances, insurance, etc. This is why we see inflation. To quote Milton Freidman again, "Inflation is always and everywhere a monetary phenomenon." This is why the Fed wants to drain liquidity from the banking system. This is why the Fed is keeping interest rates "higher for longer." And most importantly, this is *why keeping rates high has not crushed the economy.*

## The Economy Has Lots Of Liquidity, But It Is Running Off




*Source: Center for Financial Stability, Federal Reserve Board, Bureau of Economic Analysis, Sanctuary Wealth, April 30, 2024*

## Additional Liquidity Coming Into The Economy

According to Strategas, the Fed's decision to slow quantitative tightening combined with the Treasury's decision to finance the deficit through Treasury bills will add $273 billion of additional liquidity through the end of September. This liquidity must be deployed somewhere, and that probably means much of it will go into equities.

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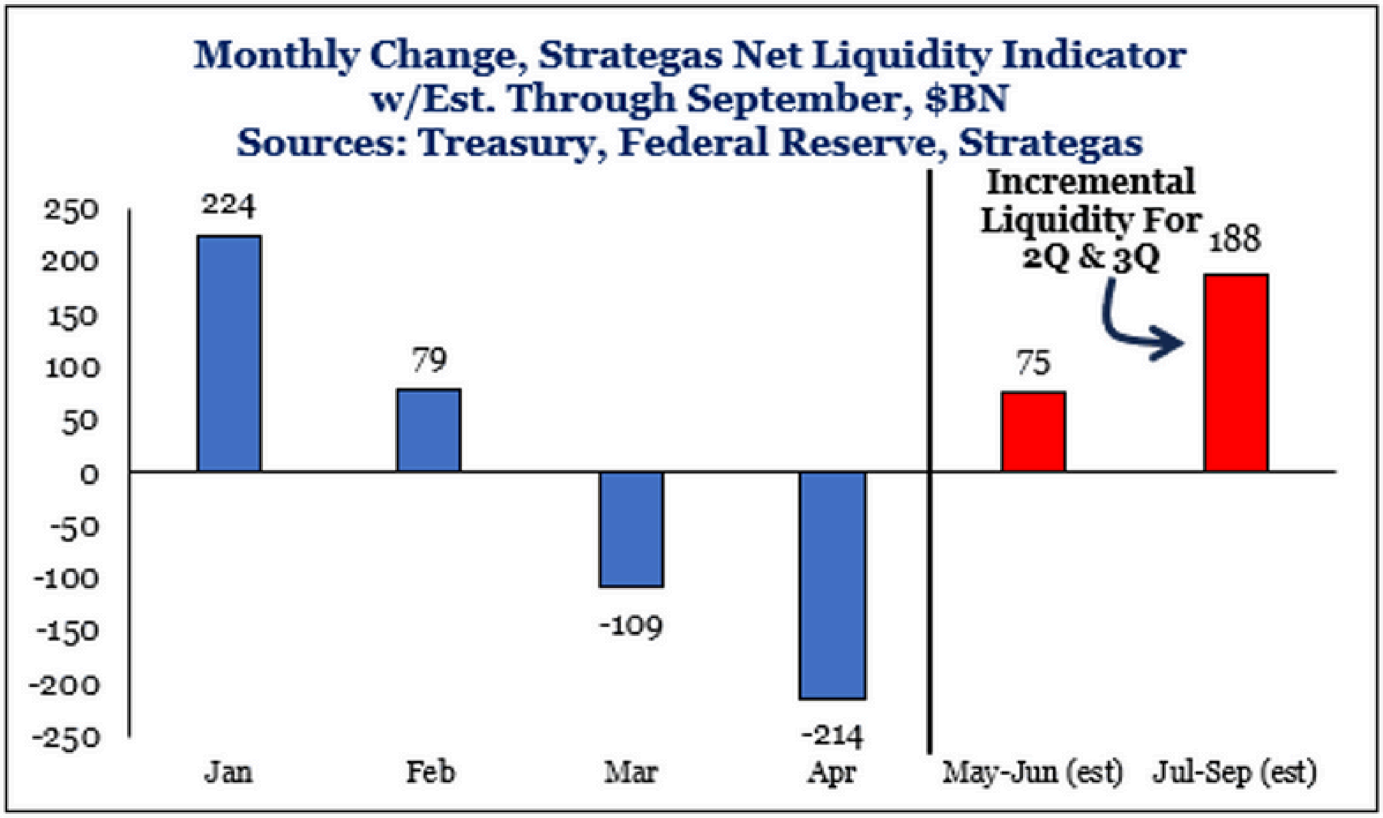
## The Fed and Treasury will add $273 billion to the financial system by the end of September




*Source: Strategas, retrieved May 6, 2024*

## Long-Term Yields In Perspective

Much has been written about how today's high interest rates compare to rates from just a few years ago. We'd like to point out that interest rates today are about normal: What is unusual is that the yield curve is inverted, and risk spreads are historically low!

## The Yield Curve Is Inverted And Spreads Are Historically Low

| | first year | average | median | stdev | max | min | Apr-2024 |
|---|---|---|---|---|---|---|---|
| AAA | 1919 | 5.64 | 4.91 | 2.66 | 15.49 | 2.03 | 5.01 |
| BAA | 1919 | 6.81 | 6.20 | 2.82 | 17.18 | 2.94 | 6.12 |
| 1 year Treasury | 1953 | 4.64 | 4.53 | 3.29 | 16.72 | 0.04 | 5.24 |
| 3 year Treasury | 1953 | 4.91 | 4.74 | 3.35 | 16.22 | -0.02 | 5.38 |
| 5 year Treasury | 1953 | 5.26 | 4.75 | 3.07 | 15.93 | 0.21 | 4.72 |
| 10 year Treasury | 1953 | 5.56 | 4.87 | 2.91 | 15.32 | 0.53 | 4.68 |
| Baa v 1-year Treasuries Ratio | 1953 | 5.51 | 1.55 | 10.91 | 83.02 | 0.91 | 1.17 |
| Baa - 10 Year Treasury Spread | 1953 | 1.92 | 1.88 | 0.82 | 6.20 | 0.29 | 1.44 |
| Baa-Aaa Ratio | 1919 | 1.24 | 1.19 | 0.17 | 2.05 | 1.07 | 1.22 |
| Baa-Aaa Spread | 1919 | 1.17 | 0.95 | 0.69 | 5.64 | 0.32 | 1.11 |
| 10-year to 1-year Treasury Spread | 1953 | 0.91 | 0.85 | 1.09 | 3.45 | -3.07 | -0.56 |
| 10-year to 1-year Treasury Ratio | 1953 | 2.82 | 1.18 | 4.81 | 36.85 | 0.70 | 0.89 |
| Ratio of Baa Yield to 3 month Commercial Paper Rates | 1919 | 5.36 | 1.63 | 10.57 | 89.00 | 0.79 | 1.15 |
| Baa Yield - 3 month Commercial Paper Rate Spread | 1919 | 2.82 | 2.61 | 1.81 | 8.23 | -2.93 | 0.80 |
| 90 day commercial paper | 1857 | 4.57 | 4.62 | 2.87 | 24.00 | 0.05 | 5.32 |

*Source: Bloomberg, Sanctuary Wealth, May 5, 2024*

## Basel III Endgame: Pressure On Banking

The third Basel Accord sets international financial standards for bank capital adequacy, stress testing, and liquidity requirements in an attempt to avoid a repeat of the subprime mortgage meltdown, which led to the Great Financial Crisis. The common phrase for this accord is “Basel III Endgame.”

U.S. bankers have strenuously objected to Basel III Endgame. These rules require banks to raise new capital (in some cases, considerably more capital) while restricting their lending, especially for smaller banks. Increased regulation of bank lending has driven many borrowers to private credit institutions. If Basel III is implemented, bank lending is likely to become more restrictive.

On May 1, during his post-FOMC press conference, Fed Chair Jerome Powell said that while the Federal Reserve is committed to implementing Basel III, it is willing to submit reproposals to meet the objections of U.S. banking institutions.

## JP Morgan’s Jamie Dimon Has Been Outspoken In His Criticism of Basel III

**REGULATION AND COMPLIANCE**

# 'Through the looking glass': Jamie Dimon sounds off on regulatory burden

By **Catherine Leffert** April 24, 2024, 2:36 a.m. EDT 2 Min Read

*Source: American Banker, retrieved May 2, 2024*

## Banking And Commercial Real Estate

Regional banks also face problems from commercial real estate (CRE) lending. Nationwide, CRE is facing serious cash flow problems following the Covid 19 pandemic: in March 2024, 61% of workers were fully on site, 12% of employees were fully remote, and 26% were in a hybrid arrangement (this is according to Techopedia).

The CRE that is empty and near-empty buildings are likely to spell trouble for the regional banks that have CRE loans or commercial mortgage-backed securities (CMBS) on their books. The major banks don’t have significant CRE exposure. Therefore, we don’t expect any major financial disruptions, but from time to time, headlines are likely to draw investor attention.

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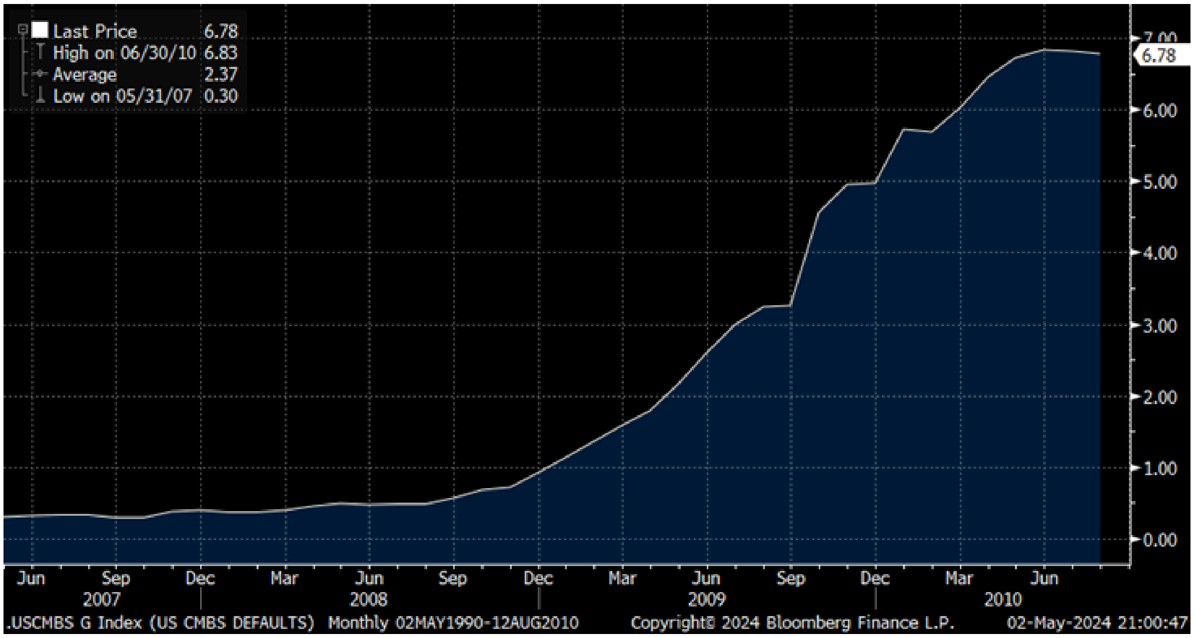
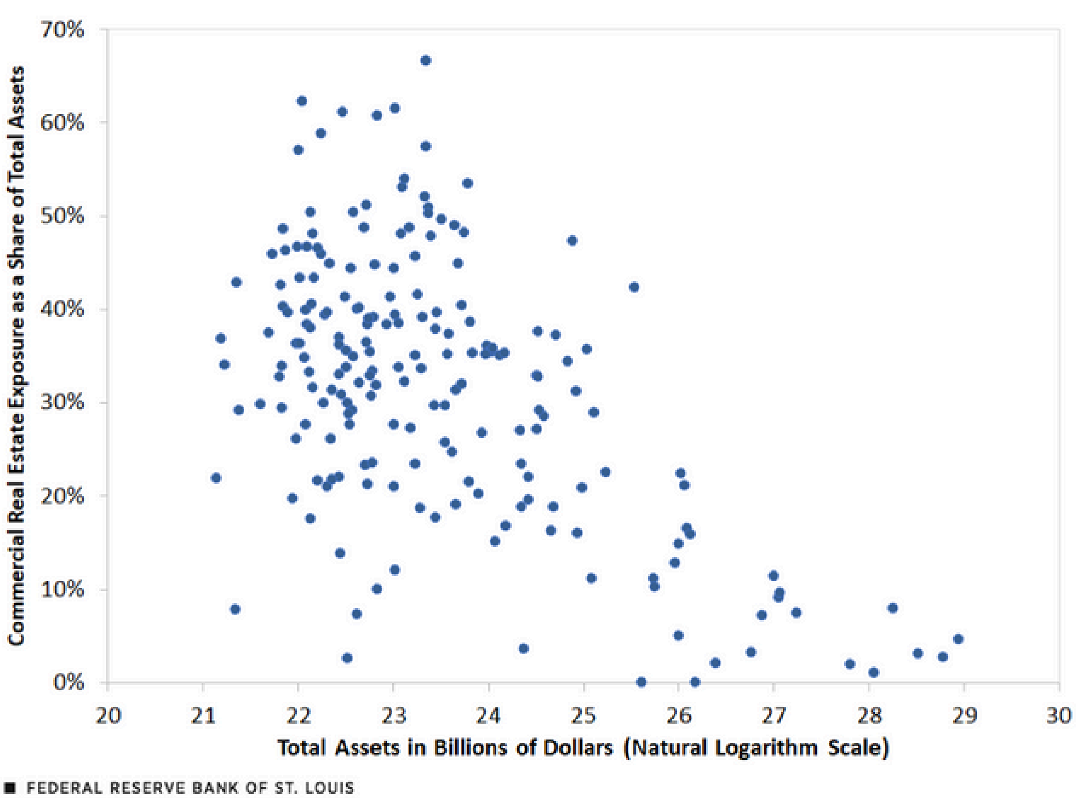
## Commercial Real Estate Defaults Are Elevated




*Source: Bloomberg, May 2, 2024*

The Federal Reserve Bank of St Louis recently published a report on the size of banks and their exposure to commercial real estate, noting that smaller institutions tend to have more exposure. Considering the overall Banks sector, our preference is for larger banks, because of the Basel III Endgame, and avoiding small and regional banks for their exposure to commercial real estate.

## Smaller Banks Tend To Have More Exposure to CRE




*Source: Federal Reserve Bank of St Louis, retrieved May 2, 2024*

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## The KBW Regional Bank ETF Appears To Be In An Intermediate Term Downtrend. RSI is Middling, And MACD Is Falling.


*Source: StockCharts.com, May 5, 2024*

## History Does Repeat, History Does Repeat

Looking at the 1920s, the period following World War I, we see many similarities to the present day. First, there was a huge boom in global liquidity to finance the war, with unsustainable increases in prices in some quarters of the global economy. At the end of the war, there was a global pandemic – the Spanish Flu which killed an estimated 3% of the world's population – an impact that actually dwarfs the recent Covid 19 pandemic. This was accompanied by a global depression, sharper and deeper than the Great Depression in the U.S. a decade later. Lastly, during this time there were dramatic improvements in technology, transportation, and productivity.

So, how has history been repeated? Pandemic. Surge in liquidity. Surge in technological advancements and resultant productivity increases. Comparing the Dow Jones Industrial Average (DJIA) from the 1920s to the Nasdaq 100 today, we see very similar technical patterns. In 1925, stocks inflated into a bubble and peaked in 1929. Today the Nasdaq is rallying and we believe it may have a similar rally that peaks in 2029-2030. In the late 1920s, margin was the death of stocks – so we will monitor NYSE margin debt very closely during the current rally.

## Nasdaq 100 From 1990-Present

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### A Repeat of the Roaring 20's: DJIA From 1896-1934


### Crude Oil Prices Seem Moderate For Now. RSI is weak, and MACD is declining.


*Source: StockCharts.com, May 5, 2024*

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### Market Performance

| | Last 5/3/2024 | 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 5/4/2023 | Year To Year |
|---|---|---|---|---|---|---|---|---|---|
| S&P 500 | 5127.79 | 5035.69 | 1.8% | 5254.35 | -2.4% | 4769.83 | 7.5% | 4061.22 | 26.3% |
| NASDAQ Composite | 16156.33 | 15657.82 | 3.2% | 16379.46 | -1.4% | 15011.35 | 7.6% | 11966.40 | 35.0% |
| NASDAQ 100 | 435.48 | 424.59 | 2.6% | 444.01 | -1.9% | 409.52 | 6.3% | 316.17 | 37.7% |
| Russell 2000 | 2035.72 | 1973.91 | 3.1% | 2124.55 | -4.2% | 2027.07 | 0.4% | 1718.81 | 18.4% |
| S&P Consumer Discretionary Sector | 1453.33 | 1420.81 | 2.3% | 1485.49 | -2.2% | 1418.09 | 2.5% | 1125.90 | 29.1% |
| S&P Consumer Staples Sector | 809.66 | 805.51 | 0.5% | 814.23 | -0.6% | 762.32 | 6.2% | 796.63 | 1.6% |
| S&P Energy Sector | 706.80 | 714.95 | -1.1% | 721.24 | -2.0% | 640.05 | 10.4% | 600.65 | 17.7% |
| S&P Financial Sector | 674.59 | 671.09 | 0.5% | 701.32 | -3.8% | 626.35 | 7.7% | 524.05 | 28.7% |
| S&P Health Care Sector | 1640.42 | 1634.44 | 0.4% | 1723.97 | -4.8% | 1590.36 | 3.1% | 1542.58 | 6.3% |
| S&P Industrials Sector | 1038.97 | 1028.09 | 1.1% | 1066.71 | -2.6% | 964.73 | 7.7% | 829.44 | 25.3% |
| S&P Information Technology Sector | 3734.81 | 3612.61 | 3.4% | 3821.05 | -2.3% | 3397.16 | 9.9% | 2595.47 | 43.9% |
| S&P Materials Sector | 563.67 | 558.16 | 1.0% | 585.16 | -3.7% | 539.62 | 4.5% | 493.32 | 14.3% |
| S&P Real Estate Sector | 232.06 | 226.77 | 2.3% | 248.16 | -6.5% | 251.58 | -7.8% | 231.23 | 0.4% |
| S&P Communications Sector | 286.53 | 277.98 | 3.1% | 284.29 | 0.8% | 246.00 | 16.5% | 191.90 | 49.3% |
| S&P Utilities Sector | 347.36 | 338.80 | 2.5% | 333.49 | 4.2% | 321.92 | 7.9% | 348.11 | -0.2% |
| S&P 500 Total Return | 11152.76 | 10951.66 | 1.8% | 11418.03 | -2.3% | 10327.83 | 8.0% | 8697.68 | 28.2% |
| 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 | 248.48 | 248.29 | 0.1% | 247.21 | 0.5% | 243.98 | 1.8% | 235.51 | 5.5% |
| 10 Year Treasury Bond Future | 108.86 | 107.44 | 1.3% | 110.80 | -1.7% | 112.89 | -3.6% | 116.56 | -6.6% |
| 10 Year Treasury Note Total Return | 287.51 | 283.63 | 1.4% | 291.09 | -1.2% | 294.12 | -2.2% | 297.55 | -3.4% |
| iShares 20+ Year Treasury Bond ETF | 89.84 | 88.22 | 1.8% | 94.62 | -5.1% | 98.88 | -9.1% | 105.24 | -14.6% |
| S&P Municipal Bond Total Return | 271.15 | 269.77 | 0.5% | 272.69 | -0.6% | 272.94 | -0.7% | 264.45 | 2.5% |
| iShares S&P National Municipal Bond NAV | 106.06 | 106.10 | 0.0% | 107.42 | -1.3% | 108.42 | -2.2% | 107.18 | -1.0% |
| S&P 500 Investment Grade Corporate Bond Total Return | 448.17 | 442.92 | 1.2% | 453.46 | -1.2% | 455.89 | -1.7% | 437.94 | 2.3% |
| S&P Investment Grade Corporate Bond | 89.34 | 88.41 | 1.1% | 90.59 | -1.4% | 91.76 | -2.6% | 90.58 | -1.4% |
| S&P Investment Grade Corporate Bond Total Return | 476.84 | 471.67 | 1.1% | 481.59 | -1.0% | 482.66 | -1.2% | 463.42 | 2.9% |
| SPDR Bloomberg High Yield Bond ETF | 94.27 | 93.43 | 0.9% | 95.20 | -1.0% | 94.73 | -0.5% | 91.18 | 3.4% |
| iShares iBoxx High Yield Corporate Bond ETF | 77.08 | 76.29 | 1.0% | 77.73 | -0.8% | 77.39 | -0.4% | 74.36 | 3.7% |
| Gold | 2301.74 | 2286.25 | 0.7% | 2229.87 | 3.2% | 2062.98 | 11.6% | 2050.28 | 12.3% |
| Bitcoin | 62928.89 | 59868.89 | 5.1% | 69654.16 | -9.7% | 41935.34 | 50.1% | 28884.06 | 117.9% |

*Source: Bloomberg, Sanctuary Wealth, May 5, 2024*

### Positioning

For now, our position is to buy on weakness, preferring Technology and Tech related companies. We continue to prefer Growth over Value, Cyclicals over Defensives, and Mega Caps over Small Caps. We remain overweight in Equities relative to Fixed Income. High interest rates continue to present an opportunity to add duration, as we see interest rates peaking. Accredited accounts should consider diversifying their portfolio with private markets as we see continued growth in both private equity and private credit.

# Last **Words**

We believe the worst of the equity market correction may be behind us, and strong markets in May could lead us into a summer rally early. We would be buyers on weakness in sectors and industries likely to benefit from economic growth and technological advancement.

Considering our full year outlook for 2024, which we continue to support, we again reiterate the two risks to our point of view. Either of the following scenarios could overturn this outlook.

1. Inflation remains sticky, leading to interest rate hikes by the Federal Reserve.
2. Oil prices cross $100 per barrel and stay there.

Note: the absence of any interest rate cuts in 2024 would not be a risk to our outlook as it's worth remembering that there were no rate cuts in 2023 (despite the market expecting them then too) – and still the S&P 500 rallied 24% on the year.

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