NOBLE WEALTH PARTNERS

A WORD FROM
JEFF KILBURG
Chief Investment Officer

SANCTUARY ASSET MANAGEMENT

CIO CORNER

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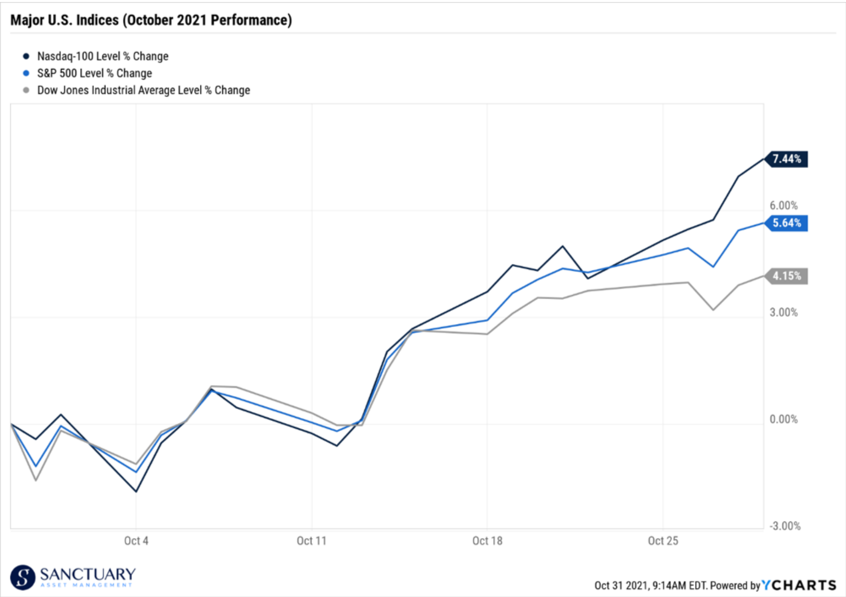
The stock market was certainly a treat rather than a trick in October. U.S. equities rocketed higher in October after the recent uptick in volatility which certainly caused anxiety amongst investors. The month marked a significant rebound from September, where the major indexes all declined.

All three major U.S. indices closed at record highs, and the S&P 500 and Nasdaq recorded their best months since November 2020. The Nasdaq gained 7.2% for October closing at 15,498, while the S&P 500 gained 6.9% to end up and over the significant level of 4,600 at 4,605. The Dow rose 5.8% for its best month since March finishing at 35,819.

This persevering rally in stocks impresses me in the face of rising inflation, slightly higher interest rates and even Q3 earnings reports weakness in giant tech names like Amazon and Apple. Discipline investing and more importantly, remaining invested, was critical during the September volatility, while some investors sounded the alarm, panicked, and sold stocks. I remain constructive and optimistic on the major U.S. averages for the remainder of the year despite the various and consistent concerns that remain in the marketplace

Fed Watch: Global focus is on the Federal Reserve's November meeting as the table is set for the FOMC meeting to announce its first big step away from the extraordinary easing policies put in place to fight the Covid-19 pandemic. The central bank is widely expected to message to the marketplace that it will begin to reduce or "taper" its $120 billion in monthly bond purchases coupled with intentions to end the program entirely by the middle of 2022. However, the markets may react more to what Fed Chair Powell has to say about persistent inflation. At the last FOMC meeting, Powell admitted inflation could persist into 2022 amid predictions that the central bank would agree to taper bond purchases at its November meeting.



Treasury Secretary Janet Yellen spoke to CNBC last week, saying she was hopeful that the administration's infrastructure package would be approved soon, and she does not believe it will add to the inflation problems the U.S. has been experiencing. "It will boost the economy's potential to grow, the economy's supply potential, which tends to push inflation down, not up," Yellen stated during a live "Worldwide Exchange" interview. Important to remember that Yellen has struggled with forecasting inflation expectations, like so many others of our governmental leadership.

Earnings Season: I am pleased with the solid start to earnings season as growth remains a strong undercurrent even though supply issues are quite tangible. The good news is that we have a supply issue, not a demand issue, as the consumer is extremely healthy. Despite the recent disappointing earnings results from Big Tech (AMZN & AAPL) and persistent global supply chain issues, the stock market has been raking in record new highs and focusing on solid earnings. About half of the S&P 500 reported quarterly results to close the month and more than 80% of them beat earnings estimates from Wall Street analysts. S&P 500 companies are expected to grow profit by 38.6% year over year.

Amazon and Apple each fell short of expectations, citing labor and supply chain challenges. Amazon shares dropped 2.1% after the e-commerce giant badly missed earnings and revenue expectations for the third quarter. (Please keep in context as Amazon still had over $110B in revenue in the quarter, hard to fathom that is a miss.) Apple stock fell 1.8% after the tech giant's quarterly revenue fell short of expectations due to larger-than-expected supply constraints on iPhones, iPads and Macs. It was the first time Apple's revenues have missed Wall Street estimates since May 2017. Again, a supply issue...not a demand issue. One tech highlight, Microsoft rose to surpass Apple as largest listed company in the world by market cap. MSFT is now worth $2.49 trillion.

Fun fact: The combined revenue of the four largest U.S. companies hit a record $1.24 trillion over the last 12 months, which is larger than the GDP of all but 14 countries. (Apple $AAPL: $366B, Microsoft $MSFT: $176B, Google $GOOGL: $239B, Amazon $AMZN: $458B)

Tesla: Elon Musk: Tesla's rally (10/29/21 close at $1,114) makes Elon Musk the richest person in the world, now worth more than Bill Gates and Warren Buffett combined. Tesla joined the trillion-dollar market cap club after Hertz announced that it would buy 100,000 Tesla Model 3's. The stock closed that day up more than 12% on that news, to $1,024.86. Tesla joins Apple, Microsoft, Amazon and Alphabet—with Microsoft now King of the Hill.

Infrastructure: Market sentiment also was helped by developments in Washington. Last week, President Joe Biden announced a framework for a $1.75 trillion social spending deal. Democrats struggled to reach a deal on the "soft infrastructure" bill, fighting over a billionaires' tax and paid family leave, only to be greeted by a $1.85 trillion compromise White House plan. President Biden pitched the package on Capitol Hill, included in the plan: a 15% minimum corporate tax and surtaxes on higher incomes. Talks continue.

Jobs Jobs Jobs: After October's disappointing jobs report and a lackluster GDP number, November's nonfarm payrolls report will test the strength of the U.S. economic recovery. The Fed needs this data before a tapering decision is implemented. The jobs number "bar" has been lowered as expectations are only for 385K new jobs, after the NFP missed expectations in each of the last two months.

Bitcoin Bonanza: The first U.S. bitcoin futures-based ETF launched. ProShares (ticker: BITO) allows investors to buy and sell the assets outside of the unregulated cryptocurrency exchanges. The ProShares ETF uses bitcoin futures contracts, which are traded and regulated at the CME Group in Chicago. The ETF saw one of the biggest first days on record, raking in $550 million, and after a week of trading, has more than $1.2 billion in AUM. It is unclear if and when the Securities and Exchange Commission will approve a "spot" bitcoin ETF that would invest directly into the cryptocurrency.

Positioning: I remain constructive on equity markets, and I believe that the grind higher for stocks will persist through the holidays based on several similar themes I have previously discussed. As forecasted the 10-year note remains subdued and tethered to 1.5%. This is critical for the marketplace and keeps the housing market trajectory intact. Fed policy remains accommodative and even with tapering imminent, the Fed will still be in asset purchase mode through Q2 of 2022. Lastly, the extraordinary $4.5 trillion in cash on the sideline serves as a safety net or a floor for stocks as the September 5% pullback we endured saw cash deployed strategically and swiftly. An active and dynamic model portfolio consistently has been a favored approach as the search for alpha never ends.

For assistance, please contact:

Contact:
14 North Erie Street
Suite 2b
Toledo, Ohio 43604
mnoble@noblewealtpartners.com
noblewealthpartners.com

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