



 **March 31, 2025**

It's Tariff Week

The Trump Administration is set to announce its retaliatory tariffs against America's trading partners on Wednesday, referred to as "Liberation Day" by President Trump.

Amid the uncertainty surrounding these impending tariffs, the market is struggling to price in their potential impact. The equity market needs clarity.

Earnings season officially begins on April 11th with the Banks reporting; investors will be focused on both first-quarter performance and CEO commentary on the prospects for their companies in the quarters ahead. Recent comments from CEOs whose companies have already reported earnings have had a more cautionary tone. The combination of tariffs and earnings season is likely to bring about continued volatility. But many of the equity market models we work with are signaling attractive levels for long-term investors.

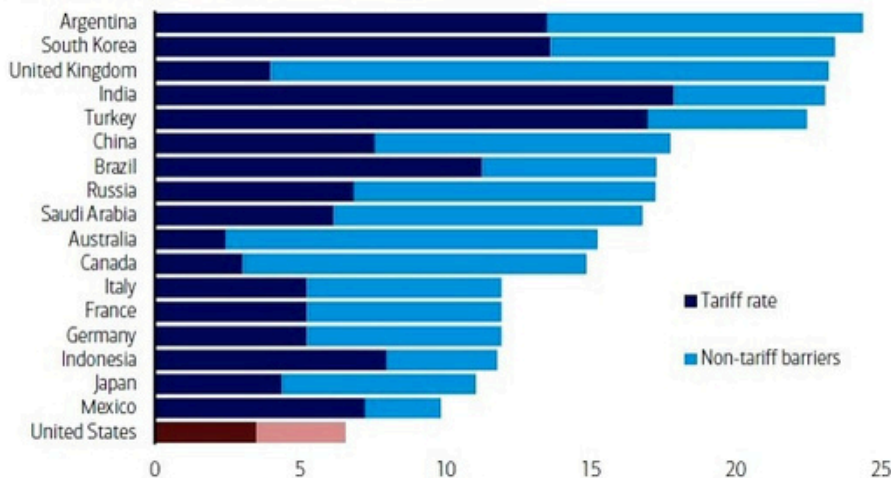
Why President Trump Is Focused On Tariffs

A chart from Bank of America (BofA) clearly shows how heavily the U.S. is tariffed and taxed by other countries — and what the U.S. imposes in return. This week we face reciprocal tariffs on April 2 that go into effect on April 3, along with the 25% tariffs on non-U.S. manufactured autos.

BofA Says The U.S. Has The Lowest Trade Barriers Among Major Trading Nations

Exhibit 5: "Free trade"

G20 trade barriers by type, data as of 2022 to 2023, %



Source: BofA Research Investment Committee, World Bank, PWC; tariff rate = MFN simple average, barriers = average ad valorem equivalent; UN Trade and Development data used for non-tariff barriers in Saudi Arabia, China, Türkiye, India, and South Korea; Non-tariff barriers include regulations, rules of origin, and quotas.

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The Administration Imposed Auto Tariffs Last Week

The Trump Administration imposed a 25% tariff on automobiles and automotive parts not manufactured in the U.S. last week. Shares in Ford, General Motors and Stellantis declined, as did automakers in Europe, Japan, and South Korea. However, Hyundai pledged to invest \$21 billion in the U.S. in order to avoid any tariffs.



CNBC
South Korea's Hyundai announces \$21 billion U.S. investment
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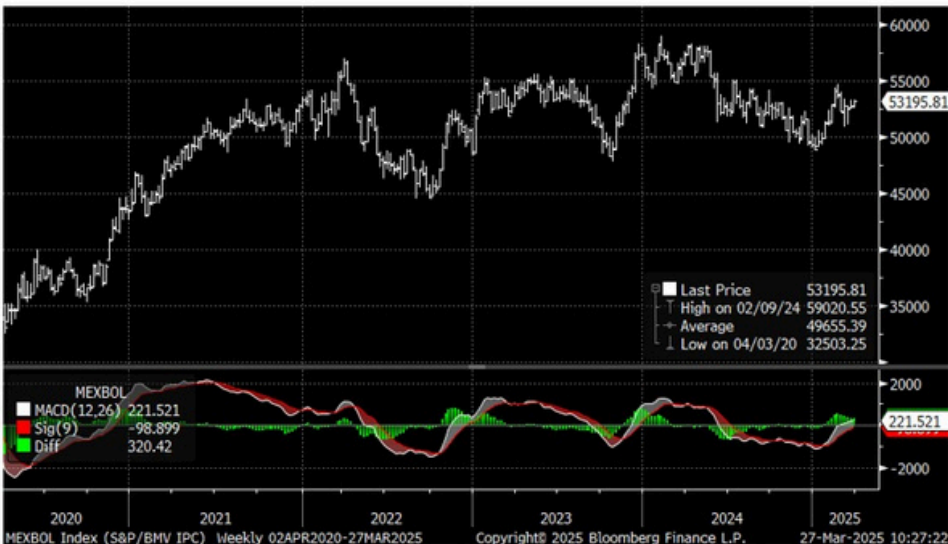
Tariffs On Canada, Mexico & Europe Are Not Negatively Impacting Their Stock Markets

The markets of the major trading partners of the U.S. are rallying with Canada and Europe near record all-time highs. The equity markets generally discount events 6 months ahead. These equity markets are indicating that investors believe that U.S. tariffs do not pose a long-term risk to corporate earnings in those countries. The positive spin is that the tariffs are not going to be as bad as investors fear. Stay-tuned!

S&P/Toronto Stock Exchange Composite Index (Top) MACD (Bottom)



S&P/BMV IPC Mexico Index (Top) With MACD (Bottom)



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EURO STOXX 50 Index With MACD (Bottom)



Making And Building A Stock Market Bottom Takes Time And Patience

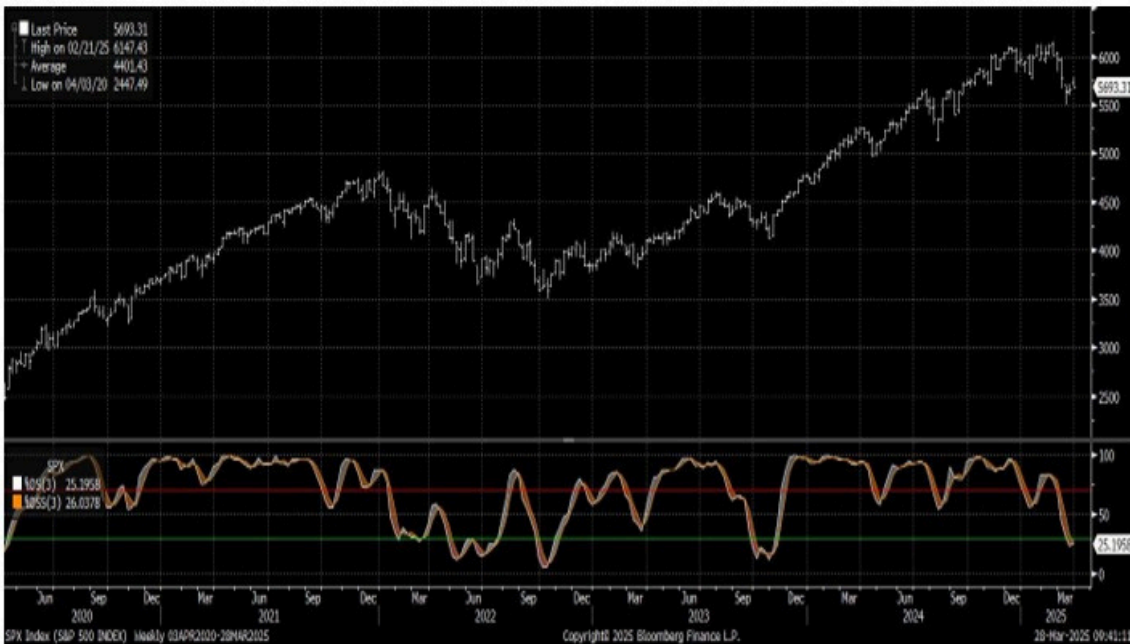
The S&P 500 has had a 10% correction, which normally happens once a year. Recovering from a correction takes time and could be a month or more. Historically, lows of a correction get tested and it's possible to make a new low in the testing process. Trump's tariffs could be the catalyst that begins the testing process. The S&P 500 has had a rally that has made the market overbought short-term. The good news is the weekly 14-week stochastic is finally oversold. The breadth of the market is also pointing to a rotation and not a bear market trend. Volume is also confirming this. So, because of the tariffs, we expect more volatility this week, but we will be looking for a test of the low.

S&P 500 With 14-Day Stochastic With An Overbought Reading



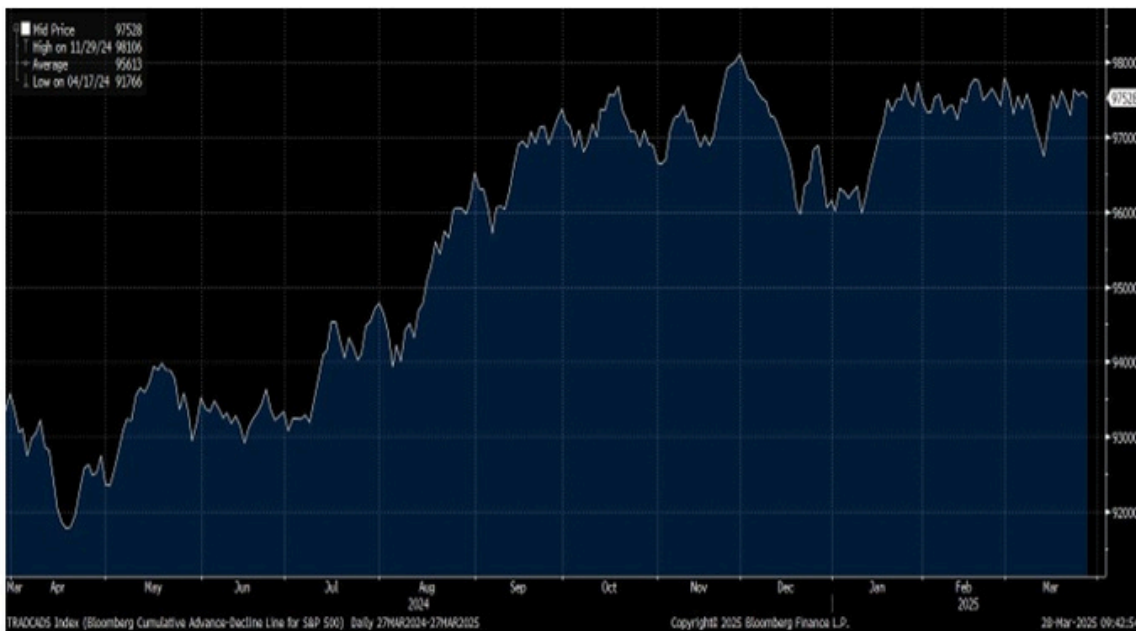
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S&P 500 14-Week Stochastic With An Oversold Reading



Breadth Of The Market Is Signaling A Rotation Is Still In Place

S&P 500 Bloomberg S&P 500 Cumulative Advance-Dcline Line



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Net Up Volume Remains In An Uptrend Still Generating A Buy Signal

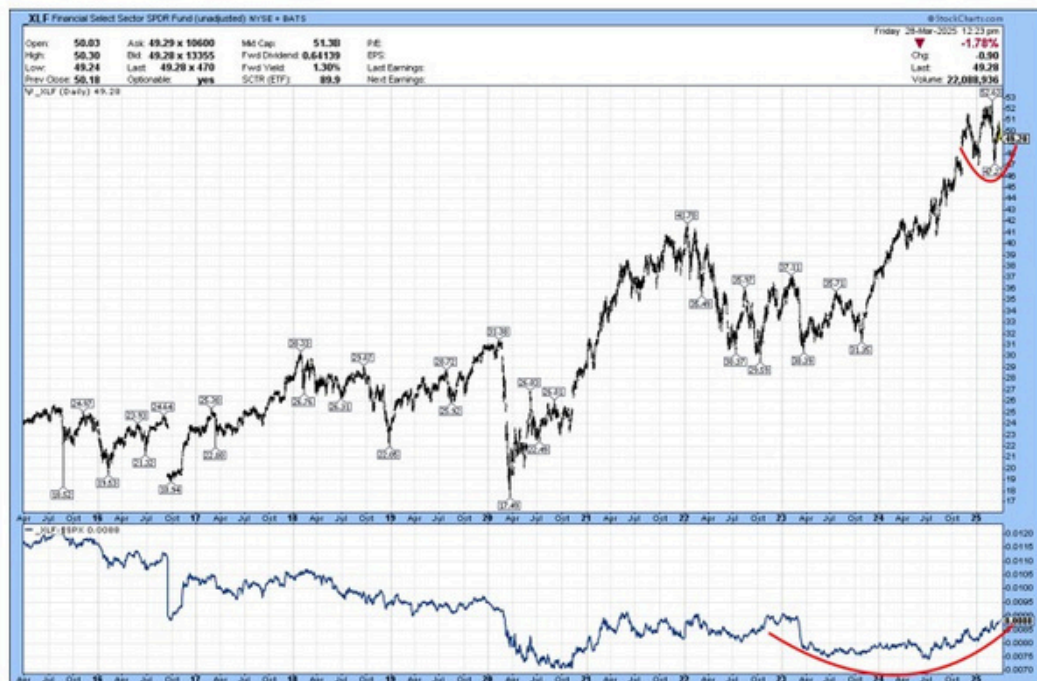


Source: Bloomberg, Sanctuary Wealth, March 27, 2025

Financials Not Showing A Recession

Financials, particularly the banks, are the heartbeat of the economy. When we look at the Financials, they are holding up well in the correction and performing well, relative to the overall market. This is another bullish indicator, suggesting the recent movement is just a market correction.

S&P Financials ETF (XLF) (Top) With Relative To S&P 500 (Bottom)



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What If The Lows Don't Hold On A Test?

It is normal for markets to test their lows, and it is often the case that the low is undercut a bit. We've already had an intraday low at 5505 on the S&P 500, which is a correction of 10.50% off its high. That level might be undercut a bit on a test, and it can take months for the bottoming process to build. If the test of the low is accompanied by improving price momentum, it is a signal of a positive and bullish test. We still need more time for this!

But what if the test of the low does not hold? The next levels to test would result in a 15%-20% correction. This is not our base case. But if the market does decline this much, what happens once the market bottoms? It is likely the Federal Reserve (Fed) will cut interest rates several times over the next year, and the Fed is already easing up on quantitative tightening, selling less Treasuries on the balance sheet – and they are likely to stop all together. In essence, this is a form of cutting interest rates. Plus, we already have the 100 basis points cut last year. So, easing monetary conditions should stimulate risk assets. We maintain that the equity market remains in secular bull market, which indicates new highs are achievable.

Income, Spending & Inflation Data Not Bad

Last Friday, we received personal income and spending data along with Core Personal Consumption Expenditures (PCE). Income is still growing; spending is slowing, though it is still occurring; and inflation was mainly in line. The spending data was consistent with comments out recently from the CEO of Bank of America saying their data shows consumer spending for the first 2½ months was up 6%.

Yields Falling & Inflation Expectations In The Market Falling

Last week yields fell and the 10-year Treasury yield can continue to trend downward. The support level is 4.1%. A break of this level would point to 3.60%. Lower yields suggest inflation is not a problem at this time. Five-year Breakevens confirm this with yields in a range. Equity markets testing the lows and/or poor corporate outlooks announced during earnings calls could be the catalysts that drive yields lower. We continue to like owning yield within the market.

10-Year Treasury Yield With Support Line At 4.1%



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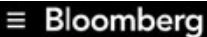
5-Year Breakevens Still Showing Tame Inflation Expectations In The Market



Artificial Intelligence Continues To Expand Into Daily Life

We've noticed that talk about artificial intelligence (AI) has died down a bit recently. But AI is becoming more integrated into daily life than ever before. We think AI is one of the most important technological advances in decades, perhaps in centuries.

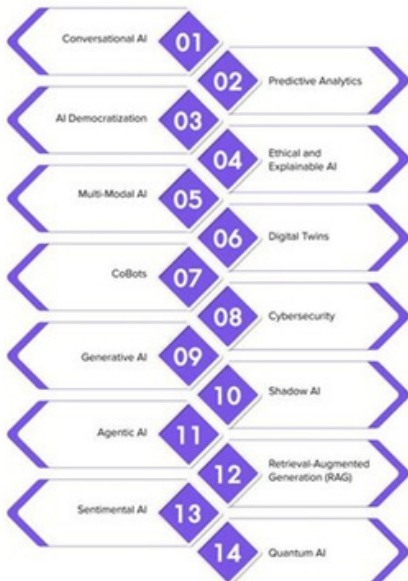
The Artificial Intelligence Boom Has Not Ended



OpenAI Expects Revenue Will Triple to \$12.7 Billion This Year

By Bailey Lipschultz and Shirin Ghaffary
 March 26, 2025 at 2:21 PM EDT

AI Technology Trends to Watch in 2024 and Beyond

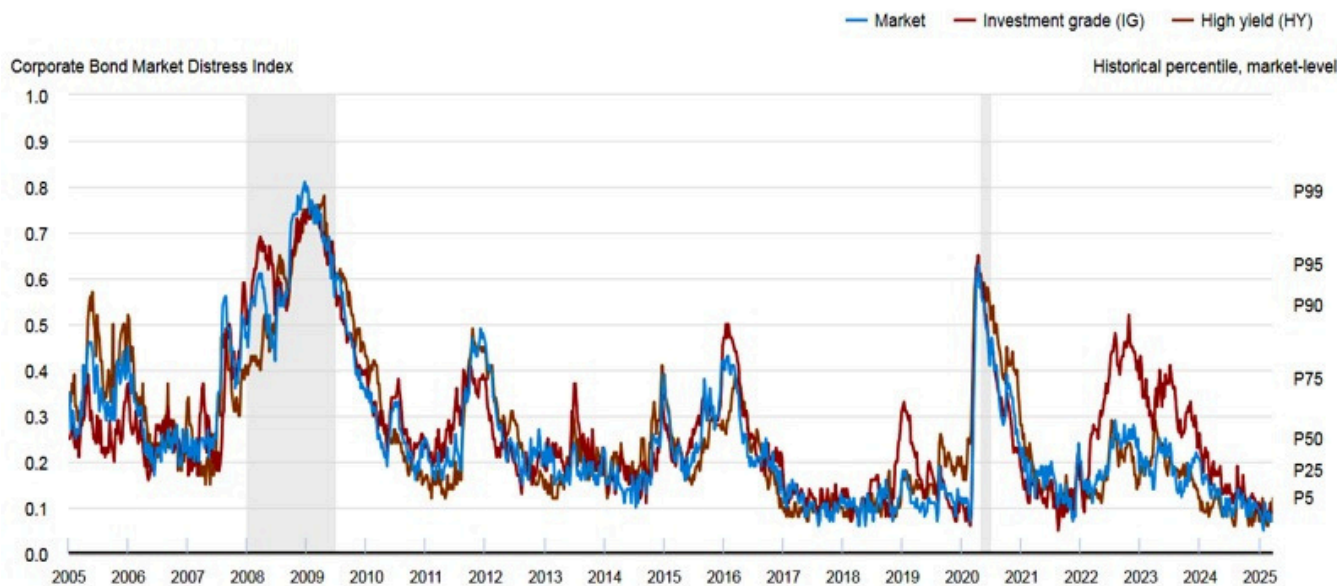


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Corporate Bond Market Shows No Signs Of Distress

The Federal Reserve Bank of New York (New York Fed) maintains an index to measure stress in the corporate bond market. Last week that index fell into the bottom 5% of all readings since its inception in 2005. We interpret this as an indication that there are no serious problems in the fixed income markets or the general economy at this time.

New York Fed Corporate Bond Market Distress Index (CMDI) Is Very Low Showing No Stress In The Economy

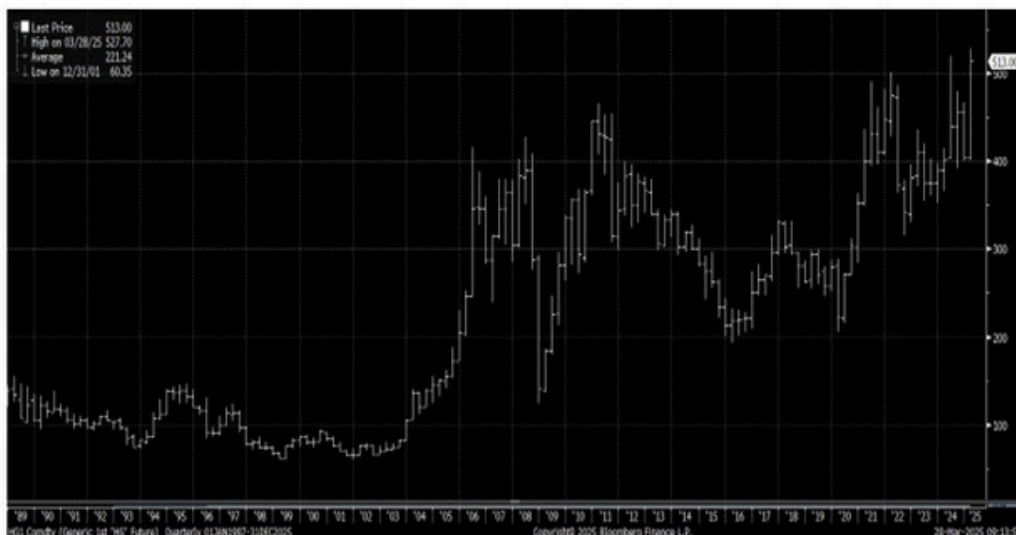


Source: Federal Reserve Bank of New York, March 21, 2025

Doctor Copper Signals A Strengthening Economic Picture

Copper is often called “the commodity with a PhD in economics.” When the price of copper weakens, that typically indicates falling demand for copper, a metal that is required for all sorts of industrial and consumer products. And falling demand indicates a weakening economy. Conversely, rising copper prices usually mean the economy is strengthening. Copper prices just hit a record all-time high. We think this is yet another sign that the economy (including the global economies) is healthy. Moreover, nondefense capital goods orders were still growing year over year in February, indicating the economy is still expanding.

Dr. Copper Prices Hit Record All-Time Highs Indicating A Strong Economy



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Nondefense Capital Goods Orders Were Still Growing Year-To-Year In February, An Indication The Economy Is Still Growing

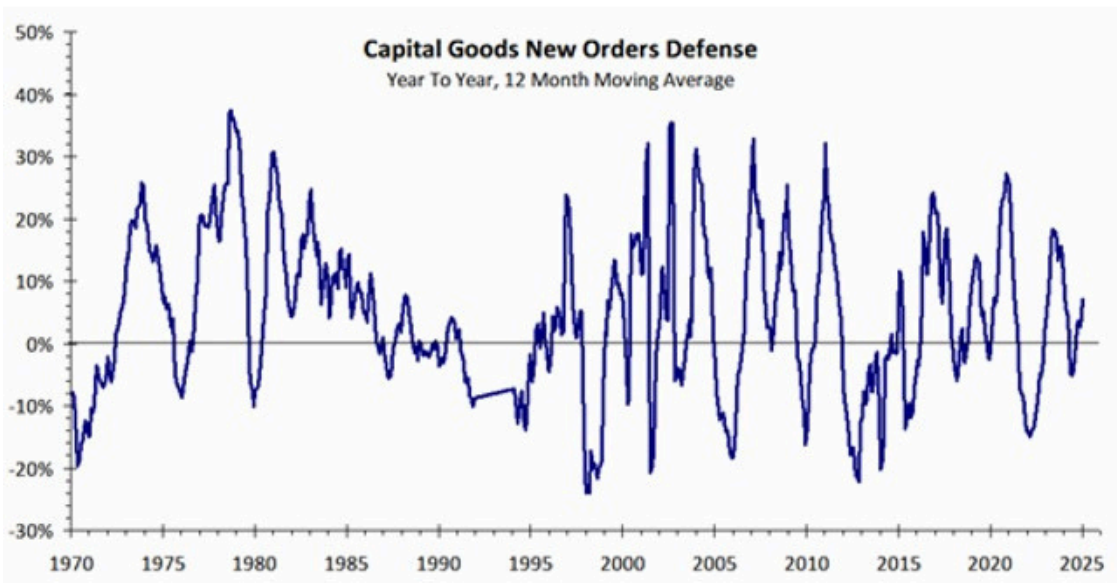


Source: Bureau of the Census, Sanctuary Wealth, March 26, 2025

Defense Spending Is Rising In The U.S. And Abroad

Defense spending is rising around the world. The Global X Defense Tech ETF (SHLD) includes not only U.S. stocks, but also stocks in the U.K., the EU, South Korea, and Japan. With Germany about to spend 1.0 Trillion euros on defense and infrastructure, we think these companies can continue to do well.

New U.S. Defense Orders Are Rising 7.5%



Source: Bureau of the Census, Sanctuary Wealth, March 26, 2025

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Defense Stocks Globally Outperforming

Global X Defense Tech ETF (SHLD) (Top) With Relative Price To S&P 500 (Bottom)



Stablecoins Getting A Lot Of Attention

According to CNBC, in February, Bank of America CEO Brian Moynihan said the Charlotte-based lender could introduce a stablecoin if regulation allows. JPMorgan has been exploring stablecoin development in the form of a digital token to settle transactions, while Goldman Sachs is working on its own tokenization strategy. Wells Fargo has been developing a U.S. dollar-linked stablecoin for internal settlement.

Stablecoins are especially attractive to banks because they can be used to make payments faster, cheaper and more transparent.

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Market Performance

	Last 3/28/2025	Month End 2/28/2025	Month to Date	Quarter End 12/31/2024	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 3/28/2024	Year To Year
S&P 500	5580.94	5954.50	-6.3%	5881.63	-5.1%	5881.63	-5.1%	5254.35	6.2%
NASDAQ Composite	17322.99	18847.28	-8.1%	19310.79	-10.3%	19310.79	-10.3%	16379.46	5.8%
NASDAQ 100	468.94	508.17	-7.7%	511.23	-8.3%	511.23	-8.3%	444.01	5.6%
Russell 2000	2023.27	2163.07	-6.5%	2230.16	-9.3%	2230.16	-9.3%	2124.55	-4.8%
S&P Consumer Discretionary Sector	1578.24	1731.52	-8.9%	1831.16	-13.8%	1831.16	-13.8%	1485.49	6.2%
S&P Consumer Staples Sector	878.39	918.34	-4.4%	853.65	2.9%	853.65	2.9%	814.23	7.9%
S&P Energy Sector	708.15	689.88	2.6%	654.85	8.1%	654.85	8.1%	721.24	-1.8%
S&P Financial Sector	819.20	866.84	-5.5%	804.44	1.8%	804.44	1.8%	701.32	16.8%
S&P Health Care Sector	1687.06	1734.28	-2.7%	1604.75	5.1%	1604.75	5.1%	1723.97	-2.1%
S&P Industrials Sector	1102.69	1152.54	-4.3%	1115.65	-1.2%	1115.65	-1.2%	1066.71	3.4%
S&P Information Technology Sector	4018.80	4411.29	-8.9%	4609.52	-12.8%	4609.52	-12.8%	3821.05	5.2%
S&P Materials Sector	536.26	558.18	-3.9%	529.77	1.2%	529.77	1.2%	585.16	-8.4%
S&P Real Estate Sector	260.61	271.05	-3.9%	255.92	1.8%	255.92	1.8%	248.16	5.0%
S&P Communications Sector	318.99	348.89	-8.6%	341.66	-6.6%	341.66	-6.6%	284.29	12.2%
S&P Utilities Sector	396.59	400.57	-1.0%	384.95	3.0%	384.95	3.0%	333.49	18.9%
S&P 500 Total Return	12290.86	13098.22	-6.2%	12911.82	-4.8%	12911.82	-4.8%	11418.03	7.6%
3 month Treasury Bill Price	98.93	98.92	0.0%	98.92	0.0%	98.92	0.0%	98.66	0.3%
3 month Treasury Bill Total Return	259.63	258.78	0.3%	256.97	1.0%	256.97	1.0%	247.21	5.0%
10 Year Treasury Bond Future	111.20	111.09	0.1%	108.75	2.3%	108.75	2.3%	110.80	0.4%
10 Year Treasury Note Total Return	303.58	302.29	0.4%	293.94	3.3%	293.94	3.3%	291.09	4.3%
iShares 20+ Year Treasury Bond ETF	90.14	92.43	-2.5%	87.33	3.2%	87.33	3.2%	94.62	-4.7%
S&P Municipal Bond Total Return	276.72	281.95	-1.9%	278.14	-0.5%	278.14	-0.5%	272.69	1.5%
iShares S&P National Municipal Bond NAV	104.62	107.37	-2.6%	106.40	-1.7%	106.40	-1.7%	107.42	-2.6%
S&P 500 Investment Grade Corporate Bond Total Return	474.39	476.92	-0.5%	465.24	2.0%	465.24	2.0%	453.46	4.6%
S&P Investment Grade Corporate Bond	91.12	91.86	-0.8%	90.28	0.9%	90.28	0.9%	90.59	0.6%
S&P Investment Grade Corporate Bond Total Return	505.95	508.20	-0.4%	495.89	2.0%	495.89	2.0%	481.59	5.1%
SPDR Bloomberg High Yield Bond ETF	95.21	97.12	-2.0%	95.47	-0.3%	95.47	-0.3%	95.20	0.0%
iShares iBoxx High Yield Corporate Bond ETF	78.80	80.13	-1.7%	78.65	0.2%	78.65	0.2%	77.73	1.4%
Gold	3085.12	2857.83	8.0%	2624.50	17.6%	2624.50	17.6%	2229.87	38.4%
Bitcoin	83758.98	84212.07	-0.5%	93714.04	-10.6%	93714.04	-10.6%	70712.89	18.4%

Source: Bloomberg, Sanctuary Wealth, March 28, 2025

Another Week Of Intense Data... Plus Tariffs!

This week, we'll see a data deluge and perhaps a post-tariff tsunami of backlash.

We expect a volatile week. Wednesday is the day President Trump says his new tariffs will go into effect: that will be the big news for the week.

Labor market data for March will also be released, with Job Openings and Labor Turnover (JOLTS) on Tuesday, ADP payroll data on Wednesday, Challenger job layoffs on Thursday, and finally the highly anticipated nonfarm payroll and unemployment data on Friday. Everyone will be looking to see if the layoffs carried out by the Department of Government Efficiency (DOGE) are impacting the hard data yet.

We'll also see automotive sales for March, along with factory orders and international trade for February. The Fed will be watching this data for guidance on what to do about interest rates, and investors will be watching, too, to try to guess what the Fed will do.

There is more uncertainty in the markets than perhaps ever before; clearly more so than during the Great Financial Crisis of 2008–2009. These days economists and investment strategists simply do not know how to price in all the uncertainty.



Calendar

- Mon.** 9:45 am Chicago Business Barometer (PMI)
- Tue.** 9:00 am Richmond Fed President Thomas Barkin speaks
9:45 am S&P final U.S. manufacturing PMI
10:00 am Construction spending, ISM manufacturing, Job openings
TBD Auto sales
- Wed.** 8:15 am ADP employment
10:00 am Factory orders
4:30 pm Fed Governor Adriana Kugler speaks
Earnings: RH*
- Thu.** 8:30 am Initial jobless claims, U.S. trade deficit
9:45 am S&P final U.S. services PMI
10:00am ISM services
12:30 pm Fed Vice Chairman Philip Jefferson speaks
2:30 pm Fed Governor Lisa Cook speaks
Earnings: Conagra
- Fri.** 8:30 am U.S. employment report, U.S. unemployment rate
11:25 am Fed Chairman Jerome Powell speaks
12:00pm Fed Governor Michael Barr speaks
12:45 pm Fed Governor Christopher Waller speaks

*Earnings reflect highlights

Source: CNBC, Kiplinger's, MarketWatch

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