



May 12, 2025

Monday Opens With China Trade Deal – Equities, Yields, Oil, Bitcoin Up, Gold Down We have been of the view that the April 7th low of 4835 on the S&P 500 was the low, and we did not have to test it based on the strength of the equity market rally.

We have had buy signals for weeks on the equity market and continue to get more. On Monday morning, we woke up to a temporary deal on tariffs with China for 90 days. Stocks, yields, oil and bitcoin are rallying sharply, with gold falling. We believe this deal will allow the equity markets to rally into the summer, with the S&P 500 likely to test the all-time high of 6147. We maintain a 12-month forecast on the S&P 500 of 6550, so we remain buyers of this market.

Two Steps Forward, One Step Back

Last week the Federal Reserve (Fed) held its monthly FOMC (Federal Open Market Committee) meeting and, as expected by the market, there was no change in interest rates. Fed Chair Jerome Powell said the economy is "in a good place to wait and see," highlighting the Fed's cautious approach in assessing future data before making any policy changes. In speaking to the impact of tariffs over time, Powell used the word "uncertainty" or implied "uncertainty" several times during the press conference. So far employment data is still strong. Inflation data has been behaving, but last week, unit labor costs came in higher than expected, causing concern that inflation was impacting the 10-year Treasury yield, moving it higher. However, 5-year Break evens are not reflecting concerns over inflation.

Earnings continue to come in better than expected, but the big news last week was the tariff deal with the United Kingdom and the meeting over the weekend with China to discuss tariffs.

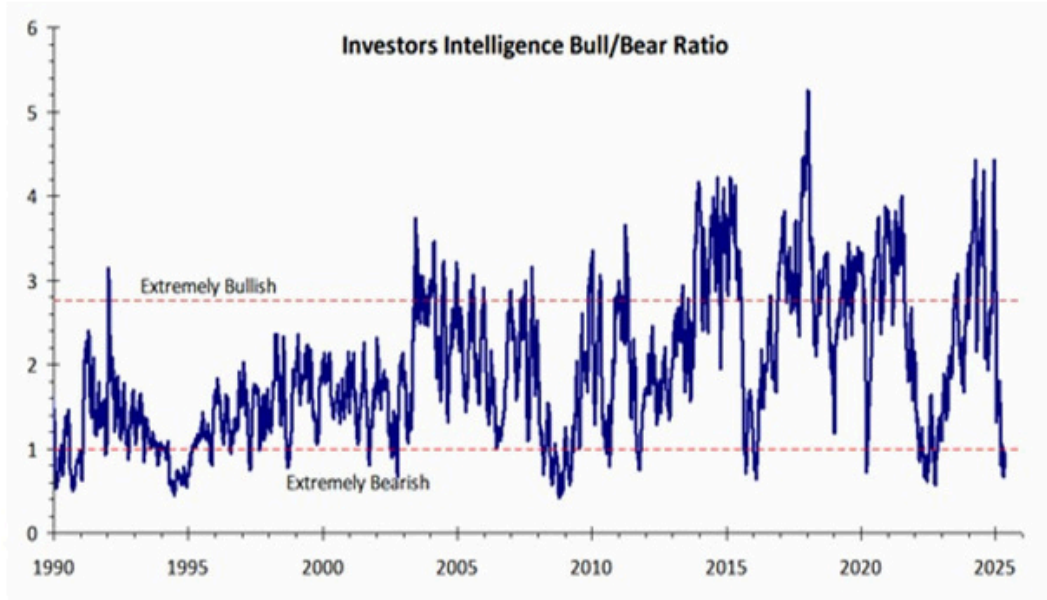
Economic data and tariff deals – and the market response to both – could be a *"two steps forward one step back"* process, but the trend for the market and the tariffs is on the upside.

For A Meaningful Correction, All The Bears Need To Become Bulls

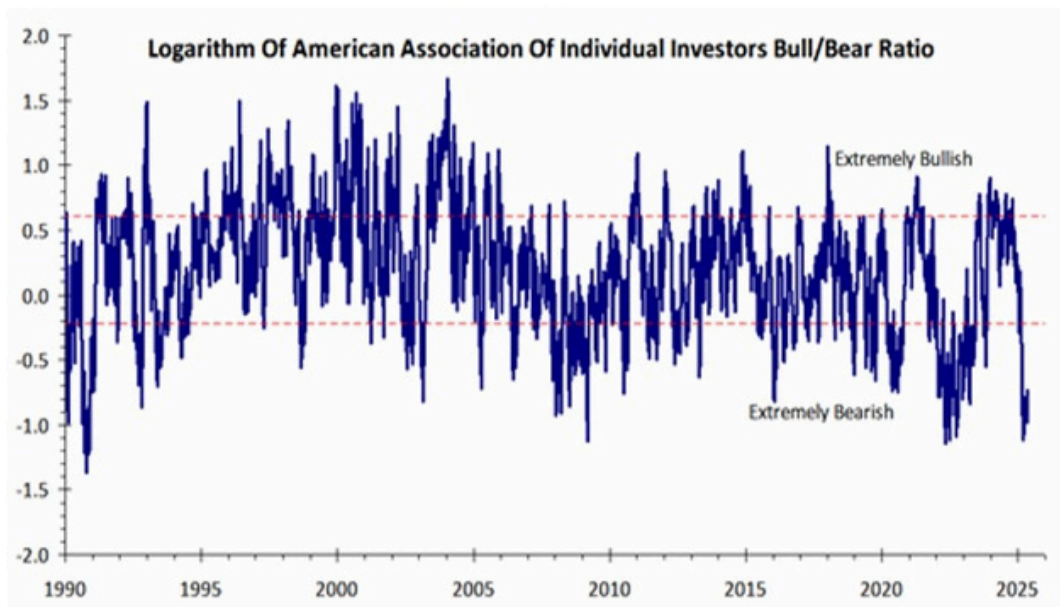
Tariffs – and the concerns over what the tariffs mean for the economy and markets – have created a lot of Bears versus Bulls – on both the professional and retail levels. Sentiment indicators that measure the readings for the Bulls and Bears are clearly into bearish territory, generating buy signals. These are contrarian indicators, meaning when the crowd is all in the same corner, the opposite happens. So, in order to have a meaningful correction, we need all the Bears to turn Bullish.



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Source: Investors Intelligence, Sanctuary Wealth, May 9, 2025



Source: American Association Of Individual Investors, Sanctuary Wealth, May 9, 2025

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Bank Of America Sell Side Indicator Moves More Bullish

The Bank of America Sell Side Indicator (SSI) surveys Wall Street strategists on their views on the S&P 500. This model is another contrarian model, meaning that when strategists are bearish, the model is bullish; and when strategists are bullish, the model is bearish. The tariffs turned the model bullish with so many strategists downgrading their outlook for the equity market. The model is estimating a 14% return over the next 12 months. Our outlook is for the S&P 500 to reach 6550 or another 15% higher in the next 12 months.

Bank Of America Sell Side Indicator Improves

Exhibit 1: Sell side equity sentiment fell 1.6ppt in April, the largest drop in three years

Sell Side Indicator, 8/1985-4/2025



Source: BofA US Equity & Quant Strategy Note: Buy and Sell signals are based on rolling 15-year +/- 1 standard deviation from the rolling 15-year mean. A reading above the red line indicates a Sell signal and a reading below the green line indicates a Buy signal

BofA GLOBAL RESEARCH

S&P 500 Approaching 200-Day Moving Average & Momentum Still Positive

The S&P 500 has rallied 17% off its low of April 7. The S&P is now approaching its 200-day moving average (DMA) at 5747 with momentum still positive. We expect the market to be choppy around this moving average. It is possible an inverted head and shoulders pattern could form. If it does, a break to the upside would allow a challenge of the highs near 6100.

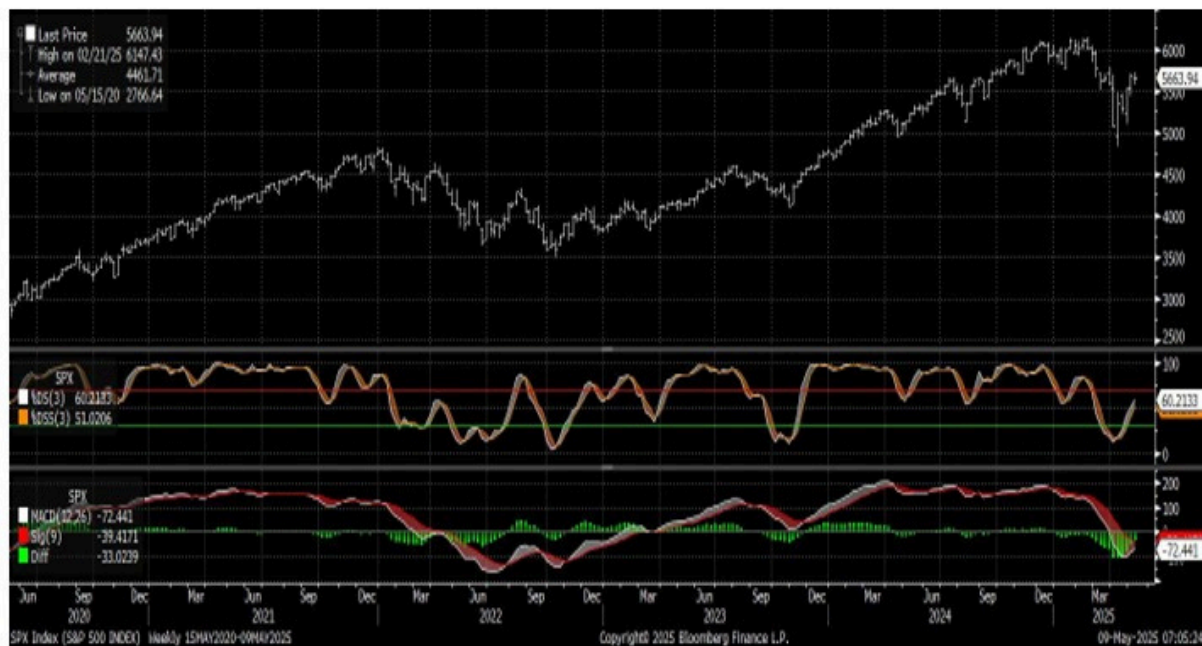
The weekly Stochastic gave a buy signal a few weeks back and the MACD (Moving Average Convergence Divergence) is improving, but we don't have a buy signal yet. This is something we are watching to confirm the S&P 500 can eventually and successfully challenge the 200-day moving average.

S&P 500 With 200-DMA With 14-Day Stochastic And MACD



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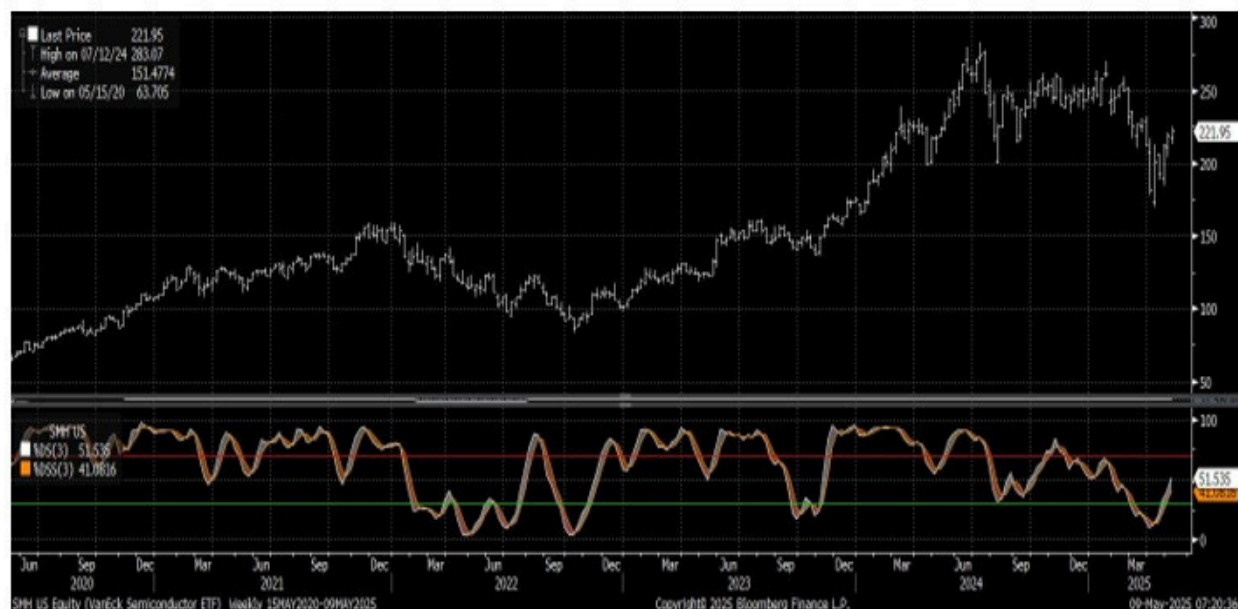
S&P 500 With 14-Week Stochastic And MACD



Leadership of Semiconductors Improving

We have made the argument that Technology is the leader of this secular bull market with Semiconductors as the industry driving this leadership. The group is improving. It held its 200-week moving average and we have a buy signal on the 14-week Stochastic. The monthly Stochastic is approaching an oversold reading. It may be time to look at the semi chip stocks again.

VanEck Semiconductor ETF (SMH) With 14-Week Stochastic On A Buy Signal



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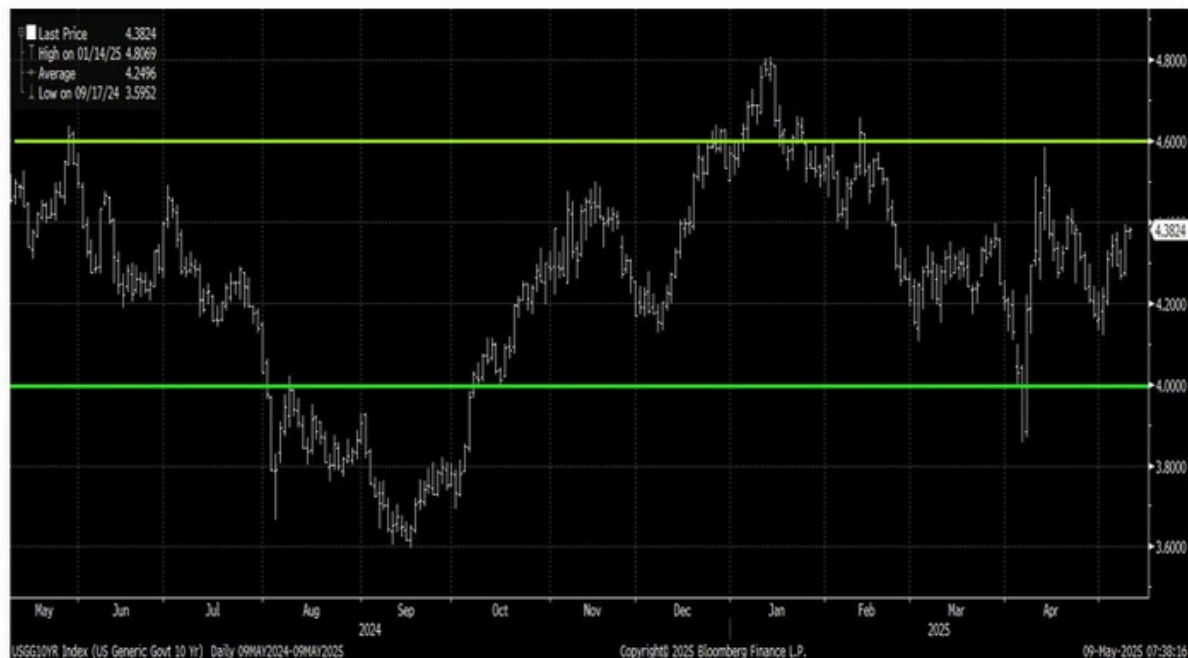
VanEck Semiconductor ETF (SMH) With 14-Week Stochastic Approaching Oversold



10-Year Treasury Yield Is In Trading Range With Downward Bias

The past year has seen the 10-year Treasury yield trade within a tight range of 4.6% on the high side to 4.0% on the low end, with a short-term bias to the downside. Until we know the impact of the tariffs on the economy and inflation, rates are likely to remain range-bound.

10-Year Treasury Yield In A Range From 4.6%-4.0% Past Year

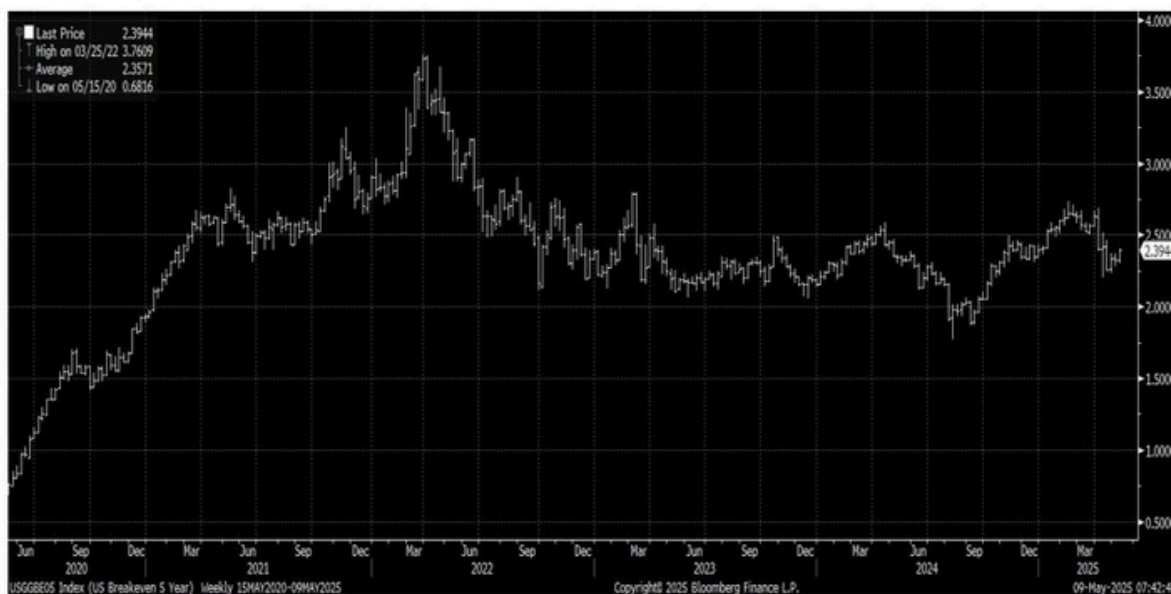


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5-Year Breakevens Stable – No Higher Inflation Getting Priced In

The Fed pays very close attention to see if inflation expectations are stable or “anchored” (their preferred term). The instrument monitored for this is the 5-year Breakeven, which is currently trading in a very stable way. This indicates that the market is not expecting much higher inflation – which should give the Fed the ability to lower interest rates if the economy begins to show any significant signs of slowing.

5-Year Breakevens Showing Stable Inflation Expectations



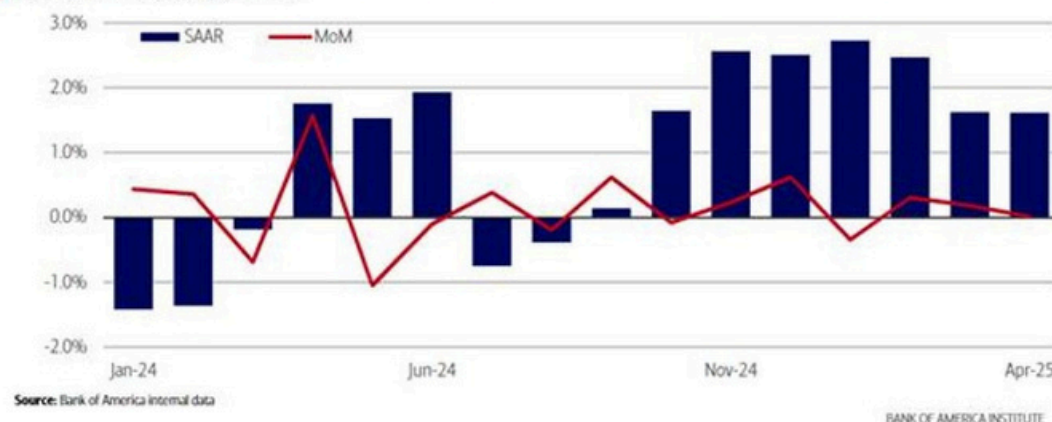
The Consumer Still Spending: Jobs = Money = Spending

As long as the consumer is working and wages are stable-to-growing, the consumer spends. According to Bank of America, its data is still showing that the consumer is spending – albeit that spending has slowed down, but whenever/however the consumer spends, it is beneficial to the economy.

Consumers' momentum remains

Credit and debit card spending per household increased 1% year-over-year (YoY) in April after a gain of 1.1% YoY in March, according to Bank of America aggregated card data. Seasonally adjusted (SA) spending per household was flat month-over-month (MoM), with the seasonally adjusted annualized growth rate (SAAR) remaining at 1.6% again for April (Exhibit 1).

Exhibit 1: Consumers continued to show moderate forward momentum, with spending up 1.6% on an annualized basis in April 2025
 Total credit and debit card spending growth per household, based on Bank of America card data (monthly, MoM%, seasonally adjusted (SA) and 3-month moving average, SAAR, SA)

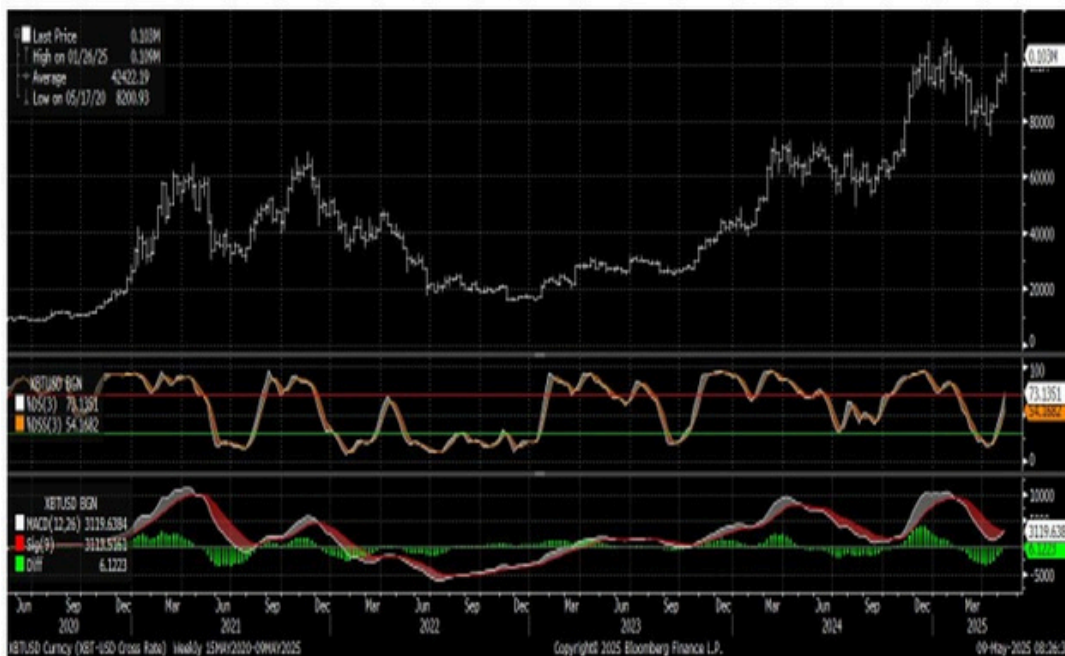


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Bitcoin Resumes Positive Momentum

Bitcoin (BTC) has resumed its upward bias, and we expect it to test the previous highs near \$109,000. The 14-week Stochastic has generated a buy signal, confirming to us that BTC is likely to test its highs and should have the ability to make a new high this year.

Bitcoin (BTC) With 14-Week Stochastic & MACD With Buy Signals



Disclaimer: Comments regarding Cryptocurrencies or Cryptocurrency-based securities are for informational purposes only. No part of this communication should be construed as investment advice and is not to be considered a solicitation with respect to the purchase or sale of any Cryptocurrency-related product.

Sector Readings: Financials Top-Ranked; Healthcare Lowest; Technology Is Improving

Our sector model analyzes S&P 500 GICS sector classifications, using a weighted measure of price momentum across three time periods. We rank each sector from best to worst based upon the average of its 40-, 26-, and 13-week relative price performances. We rank each sector from 1-10 with 1 being the strongest and 10 the weakest. Last week, Health Care fell to last place, while Financials remained top-ranked. Technology appears to have bottomed and is improving. This would be bullish for the equity market, in our view.

Sector Rankings By 40-, 26-, And 13-Week Average Relative Price Performance

	May 9	May 2	Apr 25	Apr 18	Apr 11	Apr 4	Mar 28	Mar 21
Consumer Discretionary	7	7	7	10	8	8	9	9
Consumer Staples	3	3	1	1	1	1	4	6
Energy	10	11	9	8	11	10	2	2
Financials	1	1	3	3	2	3	1	1
Health Care	11	10	8	7	7	5	8	8
Industrials	4	5	5	5	5	6	6	5
Information Technology	8	8	10	11	10	11	11	11
Materials	9	9	11	9	9	9	10	10
Communication Services	5	4	4	6	6	7	7	4
Utilities	2	2	2	2	3	2	3	3
Real Estate	6	6	6	4	4	4	5	7

Source: Bloomberg, Sanctuary Wealth, May 10, 2025

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OBOS List: Staples Still Most Overbought, Consumer Discretionary Most Oversold

This is our new tactical sector rotation model using the S&P 500 GICs sector classifications. We apply a 13-week rate of change methodology that normalizes the rankings from overbought (OB) to oversold (OS). An industry group is overbought when it has risen too far too fast, relative to the rest of the market, based upon its normal movement. Conversely, it's oversold when it has lost too much too fast, relative to the rest of the market, based upon its normal movement. Over time, a sector tends to move back toward its normal rate of change, relative to the rest of the market. Overbought sectors tend to slow their pace of gains in relative price, while oversold sectors tend to improve in relative price until they reach their average performance again. Technology and Communication Services are improving in the model, moving from Oversold to Neutral.

Here's our methodology: the overbought-oversold table of sectors measures the 13-week rate of change in the relative price of each sector.

We then average (i.e., smooth) this for 3 weeks and normalize the results. Normalized oscillator values over 1.0 are considered overbought, while those between 0.6 and 1.0 are considered near overbought. Normalized oscillator values below -1.0 are considered oversold, while those between -0.6 and -1.0 are considered near oversold.

Sector Overbought / Oversold List as of 9 May 2025

rank	S&P Sector	normalized Oscillator
1	Consumer Staples	1.8451
2	Utilities	1.3109
3	Real Estate	1.0934 <i>Overbought</i>
4	Industrials	0.9373 <i>Near Overbought</i>
5	Financials	0.5364 <i>Neutral</i>
6	Materials	0.3820
7	Health Care	0.0455
8	Energy	-0.0094
9	Information Technology	-0.1612
10	Communication Services	-0.5835 <i>Neutral</i>
11	Consumer Discretionary	-2.6153 <i>Near Oversold</i>

Source: Bloomberg, Sanctuary Wealth, May 10, 2025

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Market Performance: Gold Continues To Shine with the Best YTD Performance

	Last 5/9/2025	Month End 4/30/2025	Month to Date	Quarter End 3/31/2025	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 5/9/2024	Year To Year
S&P 500	5659.91	5569.06	1.6%	5611.85	0.9%	5881.63	-3.8%	5214.08	8.6%
NASDAQ Composite	17928.92	17446.34	2.8%	17299.29	3.6%	19310.79	-7.2%	16346.26	9.7%
NASDAQ 100	487.97	475.47	2.6%	468.92	4.1%	511.23	-4.5%	441.02	10.6%
Russell 2000	2023.07	1964.12	3.0%	2011.91	0.6%	2230.16	-9.3%	2073.63	-2.4%
S&P Consumer Discretionary Sector	1617.63	1570.08	3.0%	1575.40	2.7%	1831.16	-11.7%	1464.58	10.4%
S&P Consumer Staples Sector	891.19	902.34	-1.2%	892.71	-0.2%	853.65	4.4%	823.06	8.3%
S&P Energy Sector	630.94	617.47	2.2%	715.75	-11.8%	654.85	-3.7%	720.42	-12.4%
S&P Financial Sector	828.59	811.11	2.2%	829.46	-0.1%	804.44	3.0%	692.13	19.7%
S&P Health Care Sector	1545.09	1637.04	-5.6%	1702.26	-9.2%	1604.75	-3.7%	1668.56	-7.4%
S&P Industrials Sector	1151.49	1111.41	3.6%	1109.72	3.8%	1115.65	3.2%	1062.00	8.4%
S&P Information Technology Sector	4233.71	4083.59	3.7%	4019.98	5.3%	4609.52	-8.2%	3769.40	12.3%
S&P Materials Sector	533.96	529.86	0.8%	541.98	-1.5%	529.77	0.8%	577.47	-7.5%
S&P Real Estate Sector	261.02	259.37	0.6%	262.90	-0.7%	255.92	2.0%	237.73	9.8%
S&P Communications Sector	326.13	321.68	1.4%	319.75	2.0%	341.66	-4.5%	292.77	11.4%
S&P Utilities Sector	407.20	400.99	1.5%	400.81	1.6%	384.95	5.8%	361.95	12.5%
S&P 500 Total Return	12480.31	12276.39	1.7%	12360.21	1.0%	12911.82	-3.3%	11343.55	10.0%
3 month Treasury Bill Price	98.92	98.93	0.0%	98.93	0.0%	98.92	0.0%	98.66	0.3%
3 month Treasury Bill Total Return	260.90	260.57	0.1%	259.66	0.5%	256.97	1.5%	248.62	4.9%
10 Year Treasury Bond Future	110.81	112.22	-1.3%	111.22	-0.4%	108.75	1.9%	109.09	1.6%
10 Year Treasury Note Total Return	304.01	307.54	-1.1%	303.73	0.1%	293.94	3.4%	288.38	5.4%
iShares 20+ Year Treasury Bond ETF	87.05	89.47	-2.7%	91.03	-4.4%	87.33	-0.3%	90.63	-4.0%
S&P Municipal Bond Total Return	276.33	275.92	0.1%	277.48	-0.4%	278.14	-0.7%	272.55	1.4%
iShares S&P National Municipal Bond NAV	104.27	104.39	-0.1%	105.21	-0.9%	106.40	-2.0%	106.89	-2.5%
S&P 500 Investment Grade Corporate Bond Total Return	471.94	475.64	-0.8%	475.67	-0.8%	465.24	1.4%	449.55	5.0%
S&P Investment Grade Corporate Bond	90.21	90.99	-0.9%	91.30	-1.2%	90.28	-0.1%	89.57	0.7%
S&P Investment Grade Corporate Bond Total Return	503.54	507.29	-0.7%	507.15	-0.7%	495.89	1.5%	478.39	5.3%
SPDR Bloomberg High Yield Bond ETF	94.55	94.71	-0.2%	95.30	-0.8%	95.47	-1.0%	94.24	0.3%
iShares iBoxx High Yield Corporate Bond ETF	78.55	78.60	-0.1%	78.89	-0.4%	78.65	-0.1%	77.02	2.0%
Gold	3324.98	3288.71	1.1%	3123.57	6.4%	2624.50	26.7%	2346.33	41.7%
Bitcoin	103195.81	94581.18	9.1%	82421.29	25.2%	93714.04	10.1%	62633.68	64.8%

Source: Bloomberg, Sanctuary Wealth, May 10, 2025

Looking For Good News Among Earnings And The Consumer

This week, we'll be paying attention to inflation data and retail sales.

The earnings season is coming near its end with earnings for 1Q25 up nearly 12% -- much stronger than the market had expected. Looking out to 2026, the price-earnings ratio is 19x, an attractive multiple. If interest rates fall at the front end of the curve, this will become even more attractive. Remember: the market discounts 6 months out, and soon the market will no longer be focusing on the back half of 2025, but into next year instead.

Besides concerns over the economy, the other focus has been inflation and the Consumer Price Index (CPI) and Producer Price Index (PPI) which are both reporting this week. We also get some insight into the consumer with retail sales data – but bear in mind that many consumers purchased ahead of the tariffs, so the data could provide a false reading of what is truly happening today. But markets respond to data, so any good news should help the equity market hold its gains and continue the rally – and for interest rates to remain stable.



Calendar

Mon.

9:25 am Fed Governor Adriana Kugler speech 2:00 pm Monthly U.S. federal budget
Earnings Surgery Partners, Simon Properties*

Tue.

6:00 am NFIB optimism index
8:30 am Core CPI
Earnings Under Armour

Wed.

5:15 am Fed Governor Christopher Waller speech
9:10 am Fed Vice Chair Philip Jefferson speech
5:40 pm San Francisco Fed President Mary Daly speech
Earnings Cisco Systems

Thu.

8:30 am Initial jobless claims, Core PPI, Empire State manufacturing survey, Philadelphia Fed manufacturing survey
8:40 am Fed Chairman Jerome Powell speech
9:15 am Industrial production, Capacity utilization
10:00 am Business inventories, Home builder confidence index
2:05 pm Fed Governor Michael Barr speech
Earnings Walmart, Deere, CAVA Group

Fri.

8:30 am Import price index, Housing starts, Building permits
10:00 am Consumer sentiment (prelim)
Earnings RBC Bearings

*Earnings reflect highlights
Source: MarketWatch/Kiplinger's/CNBC

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