



May 19, 2025

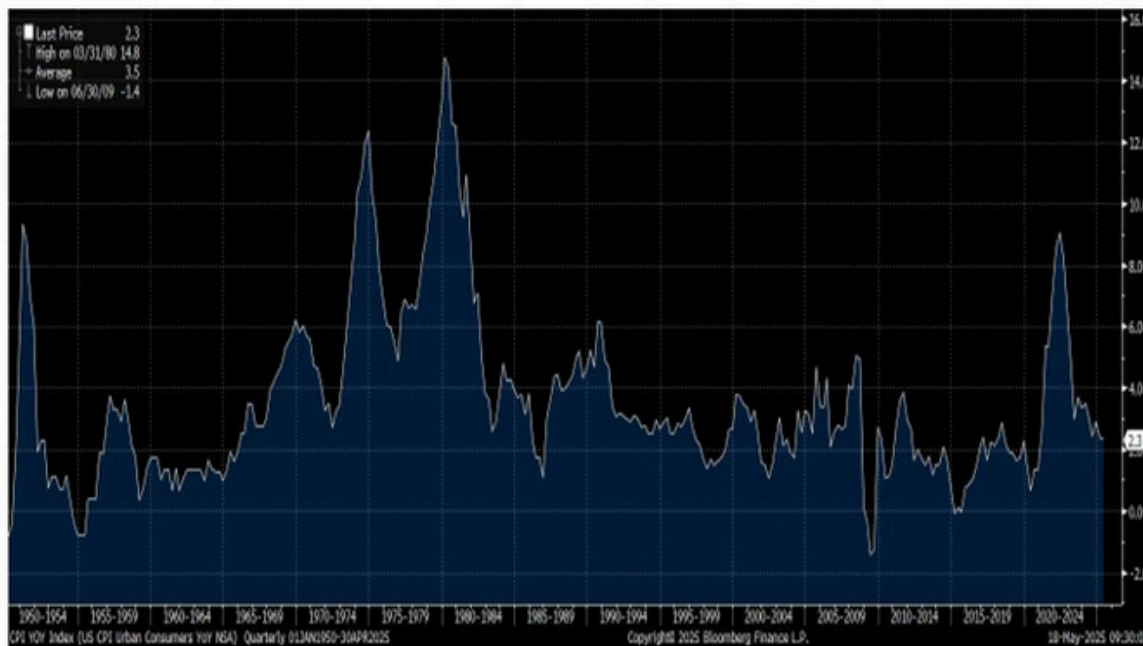
A Potpourri Of Thoughts On The Economy & Markets

As we vacationed in Florida this past week, there was no sign of a consumer slowdown in spending with every hotel and restaurant fully packed. This week, we offer a potpourri of thoughts on the economy and markets.

There is no sign of an economic contraction and the bear market in stocks has now turned back to a Bull. There remain many concerns over tariffs and what they mean for the economy and investments, but currently, we don't see any major negatives. In fact, we see the opposite. We expect a summer rally, and this rally could test the record highs and even make new highs. But as the market approaches the highs, we expect choppiness to return. It takes time for a market to challenge its old highs. But if the data continues to be positive, we could be sitting with new highs this summer. *If the market can break and hold new highs, the target for the S&P 500 would move to 6400. This would be a nearly 7.5% return – so, once again, we see that patience is the virtue of investing.*

Inflation Data Continues To Fall, Giving Some Cushion To Tariffs

Consumer Price Index Year-To-Year At 2.3%



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Producer Price Index Year-To-Year At 0.4%



Atlanta GDPNow Real GDP Estimating The Economy Is Growing At 2.4% Q2

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q2
 Quarterly percent change (SAAR)



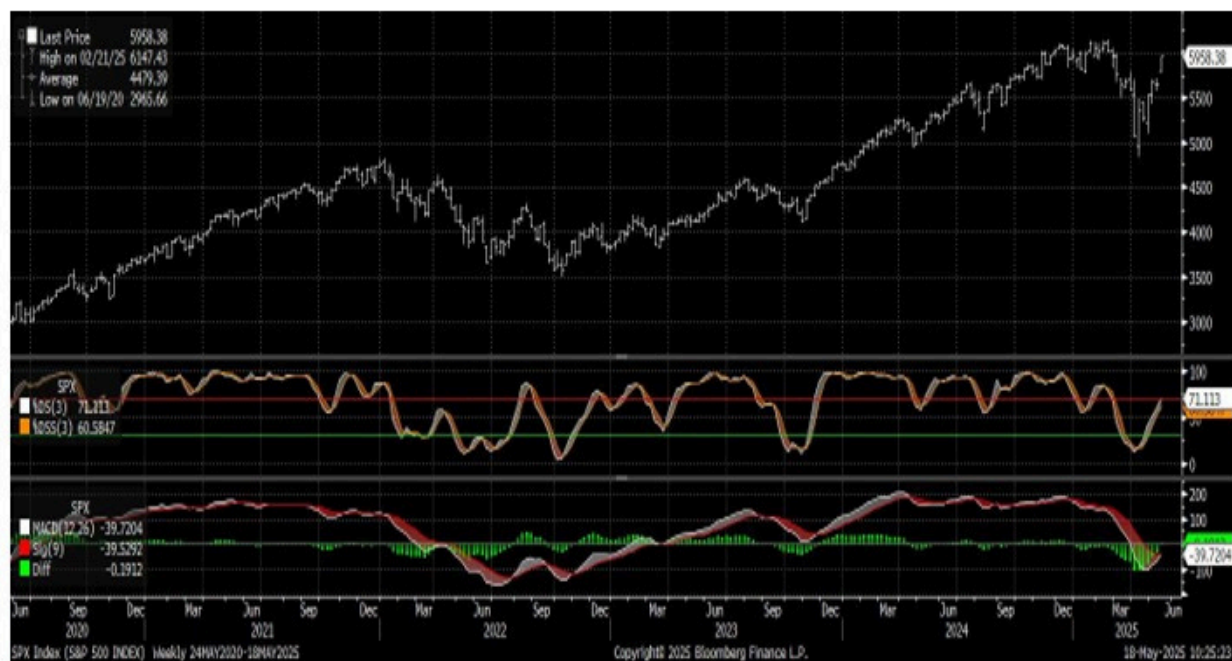
Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

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S&P 500 Weekly Momentum Remains Very Bullish To Allow New Highs

S&P 500 Weekly Stochastic & Moving Average/Convergence Divergence



Growth Stocks Still The Leaders

Russell 1000 Growth vs. Value





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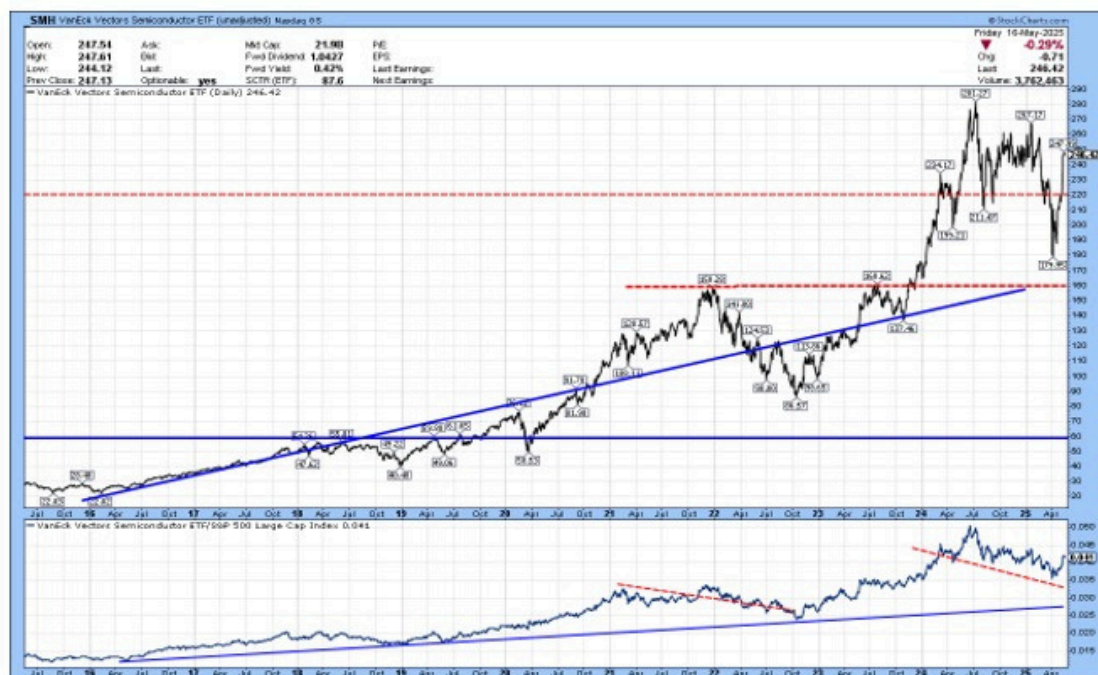
Cyclicals Still Leaders Pointing to Economic Growth Not Contraction

S&P 500 Consumer Discretionary vs. Consumer Staples



Semiconductors Are Still The Leadership & Resuming Upward Trend

VanEck Semiconductor ETF (Top) With Relative To S&P 500 (Below)



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Interest Rates Could Temporarily Rise

Last Friday, Moody's downgraded the U.S. credit rating one notch to Aa1 from Aaa, citing growth in government debt. The agency said, "This one-notch downgrade on our 21-notch rating scale reflects the increase over more than a decade in government debt and interest payment ratios to levels that are significantly higher than similarly rated sovereigns." Moody's was the only agency keeping the U.S. sovereign debt at the highest credit rating, and this brings the 116-year old agency in line with its rivals. Although this is not a new rating, it can put pressure on interest rates this week, we do not expect rates to rise dramatically or change their trends. *But a rise in rates could add volatility to the equity market.*

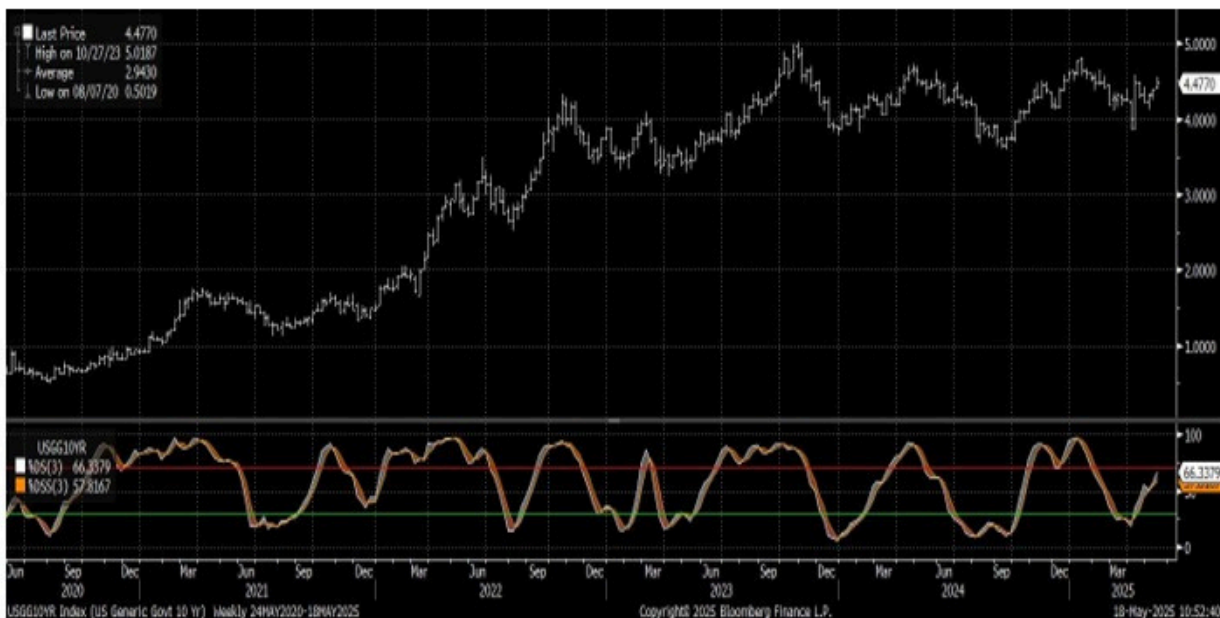
2-Year Treasury Yield Could Rise Near Term: Resistance 4.4%

2-Year Treasury Yield With 100-Week Moving Average & Stochastic



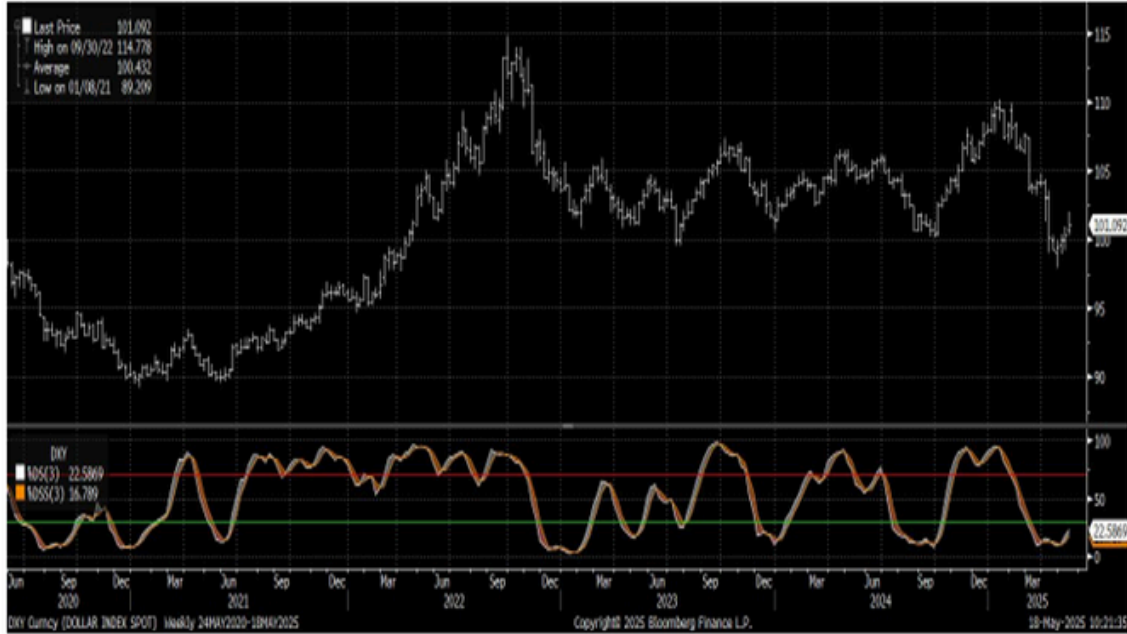
10-Year Treasury Yield Momentum Up Resistance 4.7%-5.0%

10-Year Treasury Yield With Weekly Stochastic With Positive



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U.S. Dollar Very Oversold & Can Rally While Gold Is Correcting In An Uptrend Higher Interest Rates Supports A Higher U.S. Dollar U.S. Dollar Index With Weekly Stochastic



Gold With Weekly Stochastic & Moving Average Convergence/Divergence





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Sector Readings: The Leadership Of Technology Continues To Improve

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. Financials is the strongest sector, which is positive for the economy. Technology has bottomed, in our view, and continues to improve, which also bodes well for the equity market. Energy and Health Care are the weakest sectors and represent the Value area of the market, shown as the weakest segment.

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

	May 16	May 9	May 2	Apr 25	Apr 18	Apr 11	Apr 4	Mar 28
Consumer Discretionary	3	7	7	7	10	8	8	9
Consumer Staples	7	3	3	1	1	1	1	4
Energy	10	10	11	9	8	11	10	2
Financials	1	1	1	3	3	2	3	1
Health Care	11	11	10	8	7	7	5	8
Industrials	2	4	5	5	5	5	6	6
Information Technology	6	8	8	10	11	10	11	11
Materials	9	9	9	11	9	9	9	10
Communication Services	4	5	4	4	6	6	7	7
Utilities	5	2	2	2	2	3	2	3
Real Estate	8	6	6	6	4	4	4	5

Source: Bloomberg, Sanctuary Wealth, May 16, 2025

OBOS List: Industrials Most Overbought And Consumer Discretionary Most Oversold

Technology and Communication Services are continuing to improve, confirming Growth is returning, versus Value. Our Overbought/Oversold (OBOS) model is a tactical (short-term) 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.

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 16 May 2025

rank	S&P Sector	normalized Oscillator
1	Industrials	1.5322
2	Utilities	1.3908
3	Consumer Staples	1.3727 <i>Overbought</i>
4	Real Estate	0.8229 <i>Near Overbought</i>
5	Financials	0.4878 <i>Neutral</i>
6	Materials	0.4658
7	Energy	-0.0431
8	Information Technology	-0.2312
9	Communication Services	-0.5933 <i>Neutral</i>
10	Health Care	-0.6871 <i>Near Oversold</i>
11	Consumer Discretionary	-1.6183 <i>Oversold</i>

Source: Bloomberg, Sanctuary Wealth, May 16, 2025

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Market Performance: Gold Followed By Bitcoin Are The Best Performing Assets YTD

	Last 5/16/2025	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 5/16/2024	Year To Year
S&P 500	5958.38	5569.06	7.0%	5611.85	6.2%	5881.63	1.3%	5297.10	12.5%
NASDAQ Composite	19211.10	17446.34	10.1%	17299.29	11.1%	19310.79	-0.5%	16698.32	15.0%
NASDAQ 100	521.51	475.47	9.7%	468.92	11.2%	511.23	2.0%	451.98	15.4%
Russell 2000	2113.25	1964.12	7.6%	2011.91	5.0%	2230.16	-5.2%	2096.25	0.8%
S&P Consumer Discretionary Sector	1742.52	1570.08	11.0%	1575.40	10.6%	1831.16	-4.8%	1447.87	20.4%
S&P Consumer Staples Sector	904.64	902.34	0.3%	892.71	1.3%	853.65	6.0%	836.57	8.1%
S&P Energy Sector	650.81	617.47	5.4%	715.75	-9.1%	654.85	-0.6%	711.94	-8.6%
S&P Financial Sector	857.60	811.11	5.7%	829.46	3.4%	804.44	6.6%	700.58	22.4%
S&P Health Care Sector	1549.08	1637.04	-5.4%	1702.26	-9.0%	1604.75	-3.5%	1700.29	-8.9%
S&P Industrials Sector	1215.21	1111.41	9.3%	1109.72	9.5%	1115.65	8.9%	1057.73	14.9%
S&P Information Technology Sector	4578.46	4083.59	12.1%	4019.98	13.9%	4609.52	-0.7%	3915.93	16.9%
S&P Materials Sector	547.13	529.86	3.3%	541.98	1.0%	529.77	3.3%	574.90	-4.8%
S&P Real Estate Sector	263.37	259.37	1.5%	262.90	0.2%	255.92	2.9%	242.78	8.5%
S&P Communications Sector	347.50	321.68	8.0%	319.75	8.7%	341.66	1.7%	295.83	17.5%
S&P Utilities Sector	416.46	400.99	3.9%	400.81	3.9%	384.95	8.2%	365.81	13.8%
S&P 500 Total Return	13145.88	12276.39	7.1%	12360.21	6.4%	12911.82	1.8%	11532.36	14.0%
3 month Treasury Bill Price	98.91	98.93	0.0%	98.93	0.0%	98.92	0.0%	98.65	0.3%
3 month Treasury Bill Total Return	261.12	260.57	0.2%	259.66	0.6%	256.97	1.6%	248.88	4.9%
10 Year Treasury Bond Future	110.33	112.22	-1.7%	111.22	-0.8%	108.75	1.5%	109.48	0.8%
10 Year Treasury Note Total Return	302.93	307.54	-1.5%	303.73	-0.3%	293.94	3.1%	289.71	4.6%
iShares 20+ Year Treasury Bond ETF	86.30	89.47	-3.5%	91.03	-5.2%	87.33	-1.2%	92.01	-6.2%
S&P Municipal Bond Total Return	276.33	275.92	0.2%	277.48	-0.4%	278.14	-0.6%	272.72	1.3%
iShares S&P National Municipal Bond NAV	104.23	104.39	-0.2%	105.21	-0.9%	106.40	-2.0%	106.94	-2.5%
S&P 500 Investment Grade Corporate Bond Total Return	472.35	475.64	-0.7%	475.67	-0.7%	465.24	1.5%	452.51	4.4%
S&P Investment Grade Corporate Bond	90.22	90.99	-0.9%	91.30	-1.2%	90.28	-0.1%	90.04	0.2%
S&P Investment Grade Corporate Bond Total Return	504.00	507.29	-0.6%	507.15	-0.6%	495.89	1.6%	481.29	4.7%
SPDR Bloomberg High Yield Bond ETF	95.74	94.71	1.1%	95.30	0.5%	95.47	0.3%	94.50	1.3%
iShares iBoxx High Yield Corporate Bond ETF	79.42	78.60	1.0%	78.89	0.7%	78.65	1.0%	77.27	2.8%
Gold	3203.65	3288.71	-2.6%	3123.57	2.6%	2624.50	22.1%	2376.86	34.8%
Bitcoin	103712.31	94581.18	9.7%	82421.29	25.8%	93714.04	10.7%	65279.32	58.9%

Source: Bloomberg, Sanctuary Wealth, May 16, 2025

Housing And Jobs Continue To Demand Attention

This week, all eyes will be on interest rates and their ripple effect in the markets.

In an unexpected twist, Moody's bond rating agency downgraded U.S. debt by one notch, removing its triple A rating. But, in reality, this was just a catch-up move to what other agencies had already done. Moody's warned in 2023 that the U.S. triple-A rating was at risk. Fitch Ratings downgraded the U.S. in 2023, and S&P Global Ratings did so back in 2011. Moody's had held a perfect credit rating for the U.S. since 1917. Despite this being a catch-up move by Moody's, we expect the bond market to react to the news negatively by pushing rates higher temporarily, which in turn most likely puts pressure on equities. Any pressure on equities, we view as a buying opportunity. The economic calendar is light this week, but housing and initial jobless claims will be the most watched data points. There are also a number of Federal Reserve speeches that investors will be paying attention to! Fed Chair Powell has mentioned that current deficit levels are unsustainable, and Fed watchers will be focusing on any comments regarding the Moody's downgrade. Yesterday, on NBC's Meet the Press, Treasury Secretary Scott Bessent told moderator Kristen Welker that Moody's downgrade is a lagging indicator, deflecting the impact of the move.



Calendar

Mon.

8:45 am New York Fed President John Williams speech, Fed Vice Chair Philip Jefferson speech
10:00 am U.S. leading economic indicators
Earnings Target Hospitality*

Tue.

9:00 am Richmond Fed President Tom Barkin speech
9:30 am Boston Fed President Susan Collins participates in Fed Listens event
1:00 pm St. Louis Fed President Alberto Musalem speech
5:00 pm Federal Reserve Governor Adriana Kugler speech
Earnings Home Depot, Viking Holdings

Wed.

12:15 pm Richmond Fed President Tom Barkin and Fed Governor Michelle Bowman take part in Fed Listens event
Earnings Target, Snowflake

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 Existing home sales
2:00 pm New York Fed President John Williams speech
Earnings Advance Auto Parts, Ralph Lauren, Toronto-Dominion Bank

Fri.

9:45 am Kansas City Fed President Jeff Schmid speech
10:00 am New home sales
12:00 pm Federal Reserve Governor Lisa Cook speech
Earnings Booz Allen Hamilton

Sun.

2:40 pm Federal Reserve Chair Jerome Powell commencement address

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

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