



July 21, 2025

The Summer Melt Up... Will It Continue?

The summer rally is in full swing with a classic melt up – the euphoric flip side of a meltdown.

We believe the equity market is looking past the tariffs and inflation data and focusing on economic growth and looking ahead at earnings into 2026. The One Big Beautiful Bill continues to provide money to the consumer and economy, and this is helping risk assets. The Generating Educational New Investment in U.S. Students (GENIUS) Act, which sets regulations for stablecoins, is driving the crypto market higher. Markets are firmly risk-on right now. July is seasonally a very strong month with stocks then peaking in August and falling into a correction in the fall months of September/October. These traditional seasonal patterns appear to be playing out. In addition, this market is still following the pattern of 2018, which points to continued highs with seasonal weakness in the autumn months.

S&P 500 Today Compared To 2018



Source: Standard & Poor's, Sanctuary Wealth, July 18, 2025

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S&P 500 Break Of 6319 Points To Continue Rally Near 6669

Price momentum is driving stock prices higher; to paraphrase Sir Isaac Newton: an object in motion stays in motion, and that's exactly what we're seeing in the equity market now. To determine the next direction of motion, we look at the Fibonacci levels for the S&P 500. A sustainable break above 6319 would point to a continued rally toward 6669 or an additional rally of 5.5%. We maintain the S&P 500 can reach 7000 by year-end and 7200 by 1Q 2026.

S&P 500 Fibonacci Levels



What Can Drive Prices Higher? Free Cash Flow

Companies are growing cash levels. Yes, money is growing based on the Free Cash Flow measure for the S&P 500 companies. When we examine the S&P 500 to Free Cash Flow, it has been trending higher, and we expect this measure to grow significantly. Historically, Free Cash Flow has been an excellent factor in measuring stock performance and the market. Remember the surge in this measure during the 1990s when the internet was introduced! We believe the innovations of today – Artificial Intelligence, Blockchain, Crypto, Virtual Reality, Web 3.0 – are having the type of impact the internet did – but on steroids! This means the growth in Free Cash Flow should be significantly higher.





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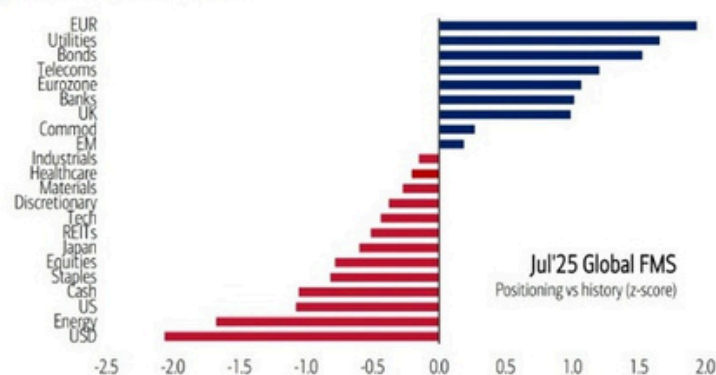
U.S. Dollar And Equities Significantly Underweight Globally – Bullish

Looking at the Bank of America Global Fund Manager Survey from July shows that global investors remain significantly underweight U.S. dollars, equities including Technology, and they also have significant cash levels relative to history. This is a contrarian bullish reading, particularly for the U.S. dollar and U.S. equities.

Global Positioning Favoring Euro, Utilities and Bonds; Most Underweight USD

Chart 21: Relative to history FMS OW the Euro, utilities, bonds vs UW US\$S, energy, US stocks

FMS positioning vs history (z-score)



This chart shows FMS investor positioning relative to the average long-term positioning (past ~20 years).

Relative to history, investors are overweight the Euro, utilities, & bonds...

... and are underweight the US dollar, energy, and US stocks.

Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

The Consumer Still Has Strong Buying Power

The consumer is still spending robustly with Bank of America card spending for the week of July 12th up 4.5%, and for July 11th up 3.3% based on year-over-year data. Amazon Prime Day really boosted spending. Retail sales for June came in last week up 0.6%, much stronger than the expected estimate of 0.1%. With a strong consumer, we should have a strong economy. And the Atlanta GDPNow model is estimating 2Q25 GDP to be 2.4%. Remember: a strong economy leads to strong corporate earnings.

Exhibit 1: Total card spending per household (HH) was up 4.5% year-over-year (y/y) in the week ending Jul 12

Aggregated daily card spending growth per HH by major category, Jul 5 – Jul 12 (y/y % change of the 7-day moving average (ma) of spending levels)

	7/12	7/11	7/10	7/9	7/8	7/7	7/6	7/5
Total card spending	4.5%	3.3%	1.4%	2.2%	1.7%	1.8%	1.4%	1.0%
Retail ex-autos	4.6%	2.7%	0.4%	0.8%	-0.1%	-0.3%	-0.8%	-0.9%
Airlines	-4.2%	-4.4%	-5.0%	-5.5%	-5.9%	-6.5%	-7.7%	-7.5%
Lodging	-3.5%	-3.1%	-4.5%	-4.7%	-4.6%	-4.5%	-3.6%	-1.9%
Entertainment	-1.1%	-6.1%	-9.2%	-10.2%	-9.9%	-11.2%	-11.1%	-11.4%
Restaurants & bars	4.1%	2.2%	-0.2%	0.4%	0.2%	-0.2%	-0.8%	-0.3%
Transit	11.2%	10.8%	11.6%	13.3%	12.1%	10.9%	10.5%	8.9%
Gas	-7.5%	-7.4%	-9.2%	-8.4%	-8.3%	-8.2%	-7.5%	-7.5%
Clothing	3.8%	1.0%	-0.6%	0.2%	0.0%	0.1%	-0.4%	0.2%
Furniture	-1.0%	-2.4%	-3.3%	-2.3%	-2.3%	-2.6%	-2.9%	-4.5%
Department store	2.3%	-1.6%	-5.0%	-4.6%	-5.0%	-5.1%	-5.2%	-4.4%
Home improvement	-5.8%	-5.2%	-6.3%	-5.8%	-5.9%	-6.2%	-6.1%	-7.2%
Online electronics	9.8%	9.5%	6.1%	5.5%	4.5%	4.3%	4.8%	3.7%
Grocery	1.1%	-0.4%	-2.0%	-0.5%	-0.4%	-0.5%	-1.2%	-1.3%
General Merchandise	5.0%	2.9%	0.7%	2.2%	1.7%	2.4%	1.7%	1.5%
Total B&M retail	0.0%	-1.6%	-3.6%	-2.4%	-2.5%	-2.6%	-2.9%	-3.0%
Total online retail	16.8%	14.7%	11.8%	10.5%	7.4%	6.7%	6.1%	6.1%
Total card debit	4.8%	3.3%	0.7%	2.7%	2.2%	2.3%	1.9%	1.2%
Total card credit	4.2%	3.3%	2.3%	1.6%	1.0%	1.0%	0.7%	0.8%



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2Q Earnings Season Expected To Be Strong

According to FactSet, last week “the blended expected earnings growth rate for the S&P 500 for the second quarter is 4.8%, which would mark the lowest earnings growth reported by the index since Q4 2023 (4.0%). Given that most S&P 500 companies report actual earnings above estimates, what is the likelihood the index will report earnings growth of 4.8% for the quarter? Based on the average improvement in the earnings growth rate during the earnings season, the index will likely report year-over-year growth in earnings above 9% for the second quarter.” We believe there’s a high likelihood that companies will beat earnings this quarter. This will also help the markets to trade higher. But keep in mind: the equity market is already looking to price in 2026... so these earnings are important, but the market is pricing in stronger earnings growth than analysts are estimating.

FactSet is reporting that, at this early stage, the second quarter earnings season for the S&P 500 is off to a strong start compared to expectations. Both the percentage of S&P 500 companies reporting positive earnings surprises and the magnitude of earnings surprises are above their 10-year averages. Overall, 12% of the companies in the S&P 500 have reported and 83% have reported actual EPS above estimates, which is above the 5- and 10-year averages.

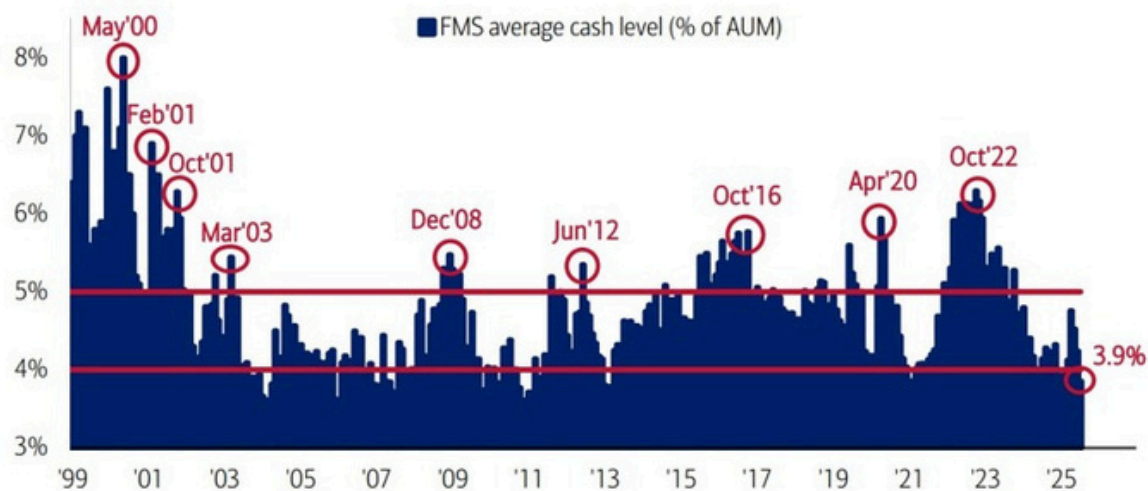
RISK: Short-Term Cash Levels Have Dropped – A Risk Going Into Aug-Oct

Short-term cash levels have fallen to a level that generates a tactical sell signal, according to Bank of America. This just confirms to us the risk from Aug-Oct is a correction of 5%-10%.

Fund Manager Survey Has Short-Term Cash Levels Fall To A Tactical Sell Reading

Chart 3: FMS cash level drops to 3.9%, triggering "sell signal"

BofA Global FMS average cash level (%)



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Source: Bank of American Fund Manager July Survey

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Ethereum Rallies On Stablecoin Legislation

Stablecoins trade on the Ethereum platform. With the passage of the GENIUS Act, Ethereum, which has lagged Bitcoin (BTC), is finally rallying. ETH's first technical move targets \$4000-\$4100. A move above \$4108 would point to a test of the all-time high of \$4866. !

Ethereum Rallies On GENIUS Act



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Sector Readings: Information Technology Strongest, Health Care Remains Weakest

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 1-11 with 1 being the strongest and 11 the weakest. Last week, Information Technology was still top-ranked with Communication Services and Industrials in the top three, while Health Care stayed in last place followed by Energy. Growth sectors are clearing winning over Value.

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

	Jul 18	Jul 11	Jul 4	Jun 27	Jun 20	Jun 13	Jun 6	May 30
Consumer Discretionary	5	5	5	5	6	6	6	4
Consumer Staples	7	8	8	8	8	7	7	7
Energy	10	9	9	9	7	9	10	10
Financials	4	4	4	4	4	5	3	2
Health Care	11	11	11	11	11	11	11	11
Industrials	3	3	3	3	3	3	2	3
Information Technology	1	1	1	2	2	2	4	6
Materials	8	6	6	7	9	8	9	9
Communication Services	2	2	2	1	1	1	1	1
Utilities	6	7	7	6	5	4	5	5
Real Estate	9	10	10	10	10	10	8	8

Source: Bloomberg, Sanctuary Wealth, July 18, 2025

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OBOS List: Information Technology Overbought; Health Care, Consumer Staples, Real Estate, And Utilities Oversold

Last week, the Overbought/Oversold list relieved some of the oversold sectors. Earnings growth is concentrated in Information Technology, which is overbought, along with Industrials, which is near overbought. At the oversold end, Real Estate and Utilities have exposure to interest rates, Consumer Staples is defensive in a Growth environment, and Health Care is still a patient in intensive care.

Our tactical sector rotation model uses 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 18 July 2025

rank	S&P Sector	normalized Oscillator
1	Information Technology	1.9616 <i>Overbought</i>
2	Industrials	0.6705 <i>Near Overbought</i>
3	Communication Services	0.4666 <i>Neutral</i>
4	Consumer Discretionary	0.0664
5	Energy	-0.3373
6	Financials	-0.5720 <i>Neutral</i>
7	Materials	-0.6324 <i>Near Oversold</i>
8	Utilities	-1.0382 <i>Oversold</i>
9	Real Estate	-1.1386
10	Consumer Staples	-2.5213
11	Health Care	-2.9334

Source: Bloomberg, Sanctuary Wealth, July 18, 2025



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Market Performance: Gold Remains The Best Performing Asset Year To Date, Followed Strongly By Bitcoin

	Last 7/11/2025	Month End 6/30/2025	Month to Date	Quarter End 6/30/2025	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 7/11/2024	Year To Year
S&P 500	6259.75	6204.95	0.9%	6204.95	0.9%	5881.63	6.4%	5584.54	12.1%
NASDAQ Composite	20585.53	20369.73	1.1%	20369.73	1.1%	19310.79	6.6%	18283.41	12.6%
NASDAQ 100	554.20	551.64	0.5%	551.64	0.5%	511.23	8.4%	491.93	12.7%
Russell 2000	2234.83	2175.04	2.7%	2175.04	2.7%	2230.16	0.2%	2125.04	5.2%
S&P Consumer Discretionary Sector	1786.05	1753.81	1.8%	1753.81	1.8%	1831.16	-2.5%	1539.15	16.0%
S&P Consumer Staples Sector	889.39	897.10	-0.9%	897.10	-0.9%	853.65	4.2%	825.46	7.7%
S&P Energy Sector	683.19	648.68	5.3%	648.68	5.3%	654.85	4.3%	690.98	-1.1%
S&P Financial Sector	868.31	871.95	-0.4%	871.95	-0.4%	804.44	7.9%	702.84	23.5%
S&P Health Care Sector	1576.44	1572.52	0.2%	1572.52	0.2%	1604.75	-1.8%	1718.44	-8.3%
S&P Industrials Sector	1271.66	1249.13	1.8%	1249.13	1.8%	1115.65	14.0%	1045.13	21.7%
S&P Information Technology Sector	5044.76	4964.64	1.6%	4964.64	1.6%	4609.52	9.4%	4489.82	12.4%
S&P Materials Sector	574.75	556.09	3.4%	556.09	3.4%	529.77	8.5%	565.14	1.7%
S&P Real Estate Sector	261.04	260.30	0.3%	260.30	0.3%	255.92	2.0%	249.21	4.7%
S&P Communications Sector	371.61	377.94	-1.7%	377.94	-1.7%	341.66	8.8%	313.16	18.7%
S&P Utilities Sector	418.76	414.79	1.0%	414.79	1.0%	384.95	8.8%	359.26	16.6%
S&P 500 Total Return	13839.11	13712.71	0.9%	13712.71	0.9%	12911.82	7.2%	12182.97	13.6%
3 month Treasury Bill Price	98.91	98.93	0.0%	98.93	0.0%	98.92	0.0%	98.66	0.3%
3 month Treasury Bill Total Return	262.85	262.44	0.2%	262.44	0.2%	256.97	2.3%	250.93	4.7%
10 Year Treasury Bond Future	110.72	112.13	-1.3%	112.13	-1.3%	108.75	1.8%	111.16	-0.4%
10 Year Treasury Note Total Return	305.90	309.38	-1.1%	309.38	-1.1%	293.94	4.1%	295.71	3.4%
iShares 20+ Year Treasury Bond ETF	85.79	88.25	-2.8%	88.25	-2.8%	87.33	-1.8%	93.54	-8.3%
S&P Municipal Bond Total Return	277.42	277.66	-0.1%	277.66	-0.1%	278.14	-0.3%	275.02	0.9%
iShares S&P National Municipal Bond NAV	103.96	104.29	-0.3%	104.29	-0.3%	106.40	-2.3%	107.07	-2.9%
S&P 500 Investment Grade Corporate Bond Total Return	480.00	483.50	-0.7%	483.50	-0.7%	465.24	3.2%	459.85	4.4%
S&P Investment Grade Corporate Bond	91.05	91.77	-0.8%	91.77	-0.8%	90.28	0.9%	90.88	0.2%
S&P Investment Grade Corporate Bond Total Return	512.21	515.54	-0.6%	515.54	-0.6%	495.89	3.3%	489.07	4.7%
SPDR Bloomberg High Yield Bond ETF	96.44	97.27	-0.9%	97.27	-0.9%	95.47	1.0%	94.95	1.6%
iShares iBoxx High Yield Corporate Bond ETF	80.03	80.65	-0.8%	80.65	-0.8%	78.65	1.8%	77.78	2.9%
Gold	3355.59	3303.14	1.6%	3303.14	1.6%	2624.50	27.9%	2415.48	38.9%
Bitcoin	117730.81	107606.61	9.4%	107606.61	9.4%	93714.04	25.6%	57553.71	104.6%

Source: Bloomberg, Sanctuary Wealth, July 18, 2025

2Q25 Earnings Remain The Focus This Week

This week, corporate earnings are expected to set the agenda for a continued rally.

With economic reports light this week, the market will stay laser-focused on earnings announcements. Headliners expected to report this week include Alphabet (Google) and Tesla. Crypto is now part of the daily language of the markets, especially with the passage of the GENIUS Act last week setting up the regulation of the stablecoin market.



Calendar

Mon.

10:00am U.S. leading economic indicators
Earnings Agilysys*

Tue.

8:30 am Fed Chair Powell opening remarks at banking conference
Earnings Coca-Cola

Wed.

10:00 am Existing home sales
Earnings Alphabet, Tesla

Thu.

8:30 am Initial jobless claims, S&P flash U.S. services PMI, S&P flash U.S. manufacturing PMI, New home sales
Earnings Sallie Mae

Fri.

8:30 am Durable-goods orders
Earnings Booz Allen Hamilton

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

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