



September 2, 2025

Stocks March To New Record Highs, Saying All Is Good

Back on April 2, President Trump's self-proclaimed Liberation Day, it was hard to see that stocks would march into the summer months reaching new record highs.

But here we are. And the equity market is saying "all is good" – emphatically. But how could this be? Well, there are two immediate answers to consider: 2Q25 earnings season was significantly stronger than what investors had been pricing in, and the strongest growth has come from Technology and Communication Services. These are both Growth sectors, and Growth continues to outperform Value – emphatically.

S&P 500 Second Quarter 2025 Earnings And Sales

Technology and Communication Services Have Blowout Earnings Growth

| Sector | Earnings | | Sales | |
|------------------------------|--------------|--------------|-------------|-------------|
| | YoY% | QoQ% | YoY% | QoQ% |
| Consumer Disc. | 4.5% | 20.5% | 5.2% | 12.0% |
| Consumer Staples | (0.1%) | 9.8% | 2.1% | 11.9% |
| Energy | (18.6%) | (5.4%) | (6.7%) | (0.7%) |
| Financials | 11.4% | 10.0% | 5.7% | 1.8% |
| Health Care | 7.6% | (2.3%) | 10.8% | 5.4% |
| Industrials | 0.5% | 10.0% | 3.6% | 7.0% |
| Technology | 21.0% | 4.7% | 15.0% | 5.4% |
| Materials | (3.2%) | 28.3% | 2.8% | 11.1% |
| Real Estate | 3.1% | 2.2% | 6.5% | 4.3% |
| Communication Services | 44.2% | 37.8% | 8.9% | 5.1% |
| Utilities | (1.2%) | (23.2%) | 7.6% | (11.8%) |
| S&P 500 | 11.2% | 10.0% | 6.2% | 5.8% |
| ex. Financials | 11.1% | 10.0% | 6.3% | 6.4% |
| ex. Energy | 12.9% | 10.7% | 7.3% | 6.3% |
| ex. Fins & Energy | 13.3% | 10.9% | 7.5% | 7.0% |

Source: FactSet, BofA US Equity & Quant Strategy

Source: Bank of America, August 2025



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Growth Is Leading Value



Source: Stockcharts.com, Sanctuary Wealth

Core PCE Comes In As Expected – Keeps Rate Cut On The Table

Last Friday, Core PCE (Personal Consumption Expenditure Price Index) data was released, coming in as expected with year-to-year growth in inflation at 2.9%. The July report had that statistic at 2.8%, so we see that inflation remains elevated. But “on the Street,” it’s all about expectations, and with this inflation data coming in as expected, the market is pricing in a 25 basis point interest rate cut at the September meeting of the FOMC (Federal Open Market Committee). In his August 22 speech at Jackson Hole, Federal Reserve (Fed) Chair Jerome Powell said the Fed was open to a rate cut. As long as this week’s employment report comes close to expectations, the market will indeed expect a rate cut. Cutting interest rates stimulates both the economy and risk assets. So, lowering interest rates is bullish for the stock market. The hope now is that mortgage rates will also begin to come down, helping the beleaguered real estate market.

The Consumer Remains Resilient with Income Growing

Personal income continues to grow year-to-year by 5% – a good level – which is allowing the consumer to remain resilient.

The Consumer Remains Resilient with Income Growing



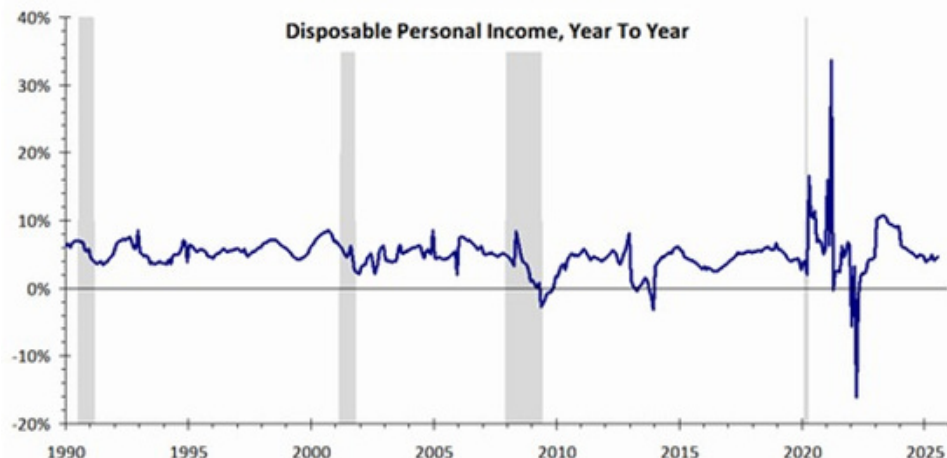
Source: Bureau of Economic Analysis, Sanctuary Wealth, August 29, 2025



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Disposable Personal Income Growth Also Strong

Disposable income is an after-tax measure of consumer income. This "after-tax income" is the money available for saving or for spending on both necessities and discretionary items. Economists and government agencies use disposable income data to measure and forecast consumer spending, evaluate economic health, and compare economic performance across nations. The data reported last Friday continues to show a strong consumer as disposable personal income is growing at 4.6% year-to-year.

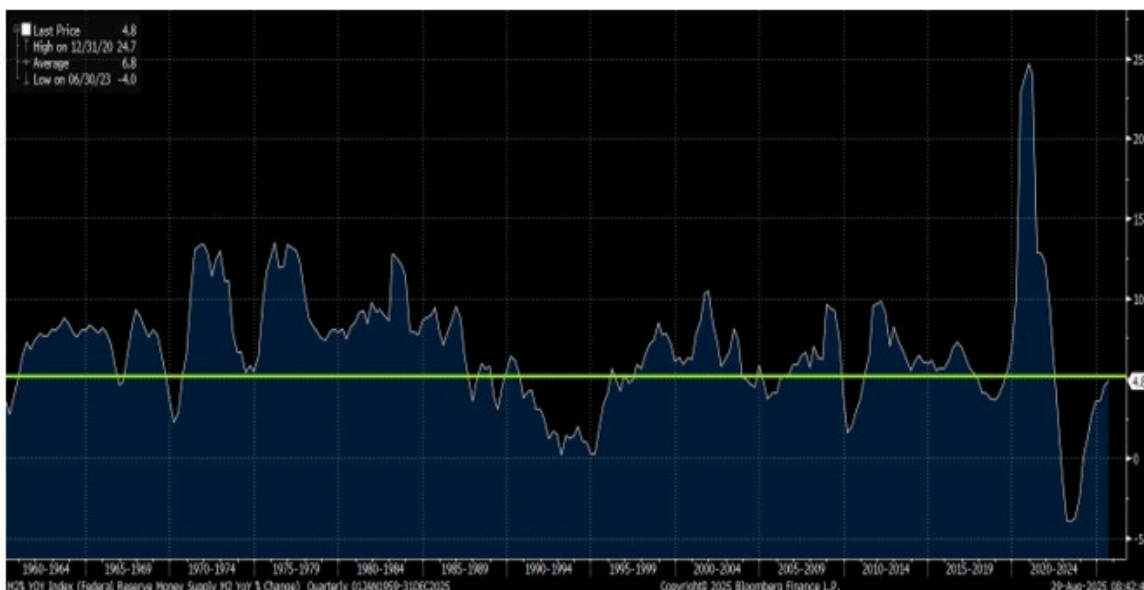


Source: Bureau of Economic Analysis, Sanctuary Wealth, August 29, 2025

Money Supply Remains Strong & Has Normalized

Money Supply is a measure of liquidity for the equity market. M2 is a broad economic measure of the total money circulating in an economy, encompassing highly liquid funds like currency and checking account deposits (M1), along with near-liquid assets such as savings accounts, money market mutual funds, and small time deposits (such as CDs under \$100,000). This M2 measurement helps economists and central banks assess economic health, potential inflation, and the overall availability of money for spending and investment. Currently, M2 is growing at nearly 5%, a level that, historically, is a good healthy growth rate. This is bullish for stocks.

M2 Money Supply Year-to-Year Growth Near 5%



Source: Bloomberg, Sanctuary Wealth



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IPOs Growing Indicating The Bull Is Still Running

Initial Public Offerings (IPOs) are companies going public and historically an IPO cycle picks up as a bull market matures and gains confidence. The Renaissance IPO ETF has broken to the upside, signaling we are likely moving into a bullish cycle for IPOs. This is a bullish indication for the equity markets.

Renaissance IPO ETF Breaking Out



Source: Bloomberg, Sanctuary Wealth

Capital Markets Sector Hits Record – Strong Trend

Another sign of a strong equity market is when the Capital Markets sector is strong. The SPDR Capital Markets ETF (KCE) has broken out from a multi-year base and continues to trend upward, hitting record highs recently. This is another bullish indication the equity market remains in a bull market.

SPDR Capital Markets ETF (KCE) – Hits Record Highs



Source: Bloomberg, Sanctuary Wealth



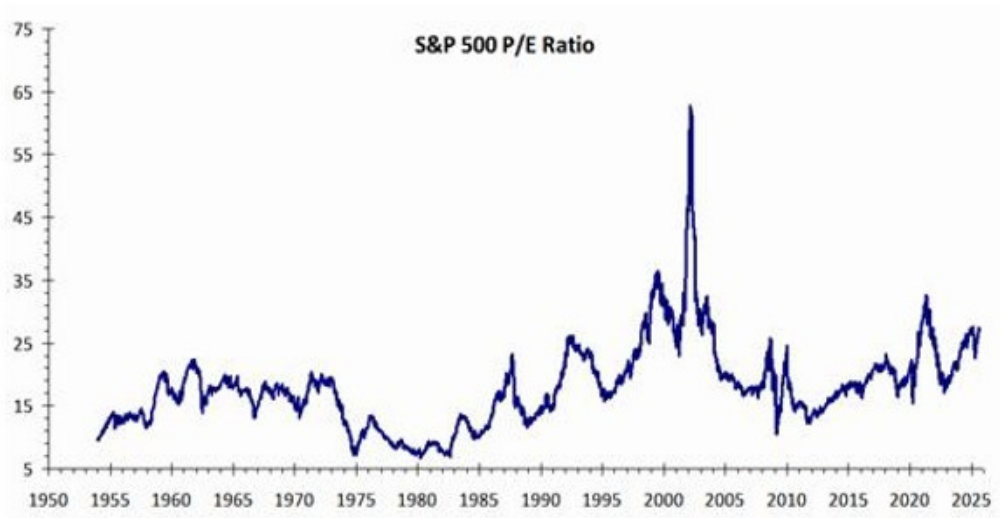
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What Are The Risks? Valuation, Sentiment and Seasonality

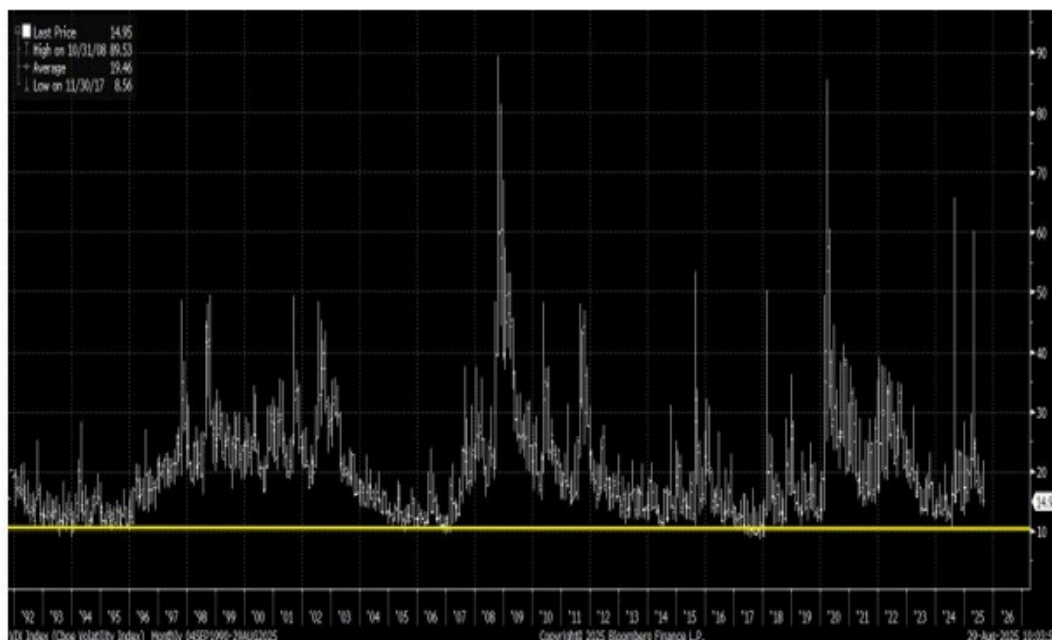
The valuation of the market is elevated based on price/earnings (P/E) and price-to-book (P/B). What this tells us is that the market is priced for only good news. If any negative or bearish news comes out, stocks are likely to have a pullback. Sentiment is saying the same thing, while the Cboe Volatility Index (VIX) has been falling near levels that suggest investors are complacent. This is a contrarian indicator saying too many bulls are in the market, and the risk is rising that the Bear will emerge for a period of time. This is happening as we enter the seasonally weakest month of the year for the market – September, which over the past 10 years has corrected by 2%. So, buckle up: the Bull is likely to

dosome bucking. But we remain bullish going into year-end, with our target on the S&P 500 at 7000. We remain buyers on weakness.

Price/Earnings Ratio Is Elevated Based On History



Cboe VIX Volatility Index Falling Near Risk Levels Near 10



Source: Bloomberg, Sanctuary Wealth



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Sector Readings: Information Technology Strongest, Health Care Still 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, Communication Services took the lead position, followed by Information Technology, which slipped one notch to second place. Health Care remained in last place for the 17th consecutive week, since May 9, followed by Consumer Staples, which swapped places with Energy. Growth sectors continue to outperform Value sectors.

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

| | Aug 29 | Aug 22 | Aug 15 | Aug 8 | Aug 1 | Jul 25 | Jul 18 | Jul 11 |
|------------------------|--------|--------|--------|-------|-------|--------|--------|--------|
| Consumer Discretionary | 4 | 4 | 5 | 5 | 6 | 5 | 5 | 5 |
| Consumer Staples | 10 | 8 | 8 | 7 | 7 | 8 | 7 | 8 |
| Energy | 8 | 10 | 10 | 10 | 8 | 10 | 10 | 9 |
| Financials | 5 | 6 | 6 | 6 | 5 | 4 | 4 | 4 |
| Health Care | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Industrials | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Information Technology | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Materials | 7 | 7 | 7 | 8 | 9 | 7 | 8 | 6 |
| Communication Services | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Utilities | 6 | 5 | 4 | 4 | 4 | 6 | 6 | 7 |
| Real Estate | 9 | 9 | 9 | 9 | 10 | 9 | 9 | 10 |

Source: Bloomberg, Sanctuary Wealth, August 29, 2025



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OBOS List: Information Technology Overbought, Consumer Staples Oversold

Last week, the Overbought/Oversold list saw continued relief of some of the more extreme overbought and oversold conditions. Earnings growth remains strong in Information Technology, which is overbought. The only outright oversold sector was Consumer Staples, though Health Care, Real Estate, Industrials, and Utilities were all near oversold. 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 29 August 2025

| rank | S&P Sector | normalized Oscillator |
|------|------------------------|------------------------------|
| 1 | Information Technology | 1.0559 <i>Overbought</i> |
| 2 | Communication Services | 0.5915 <i>Neutral</i> |
| 3 | Consumer Discretionary | -0.2443 |
| 4 | Energy | -0.3296 |
| 5 | Financials | -0.5271 |
| 6 | Materials | -0.5557 <i>Neutral</i> |
| 7 | Utilities | -0.6273 <i>Near Oversold</i> |
| 8 | Industrials | -0.6429 |
| 9 | Real Estate | -0.8448 |
| 10 | Health Care | -0.8767 |
| 11 | Consumer Staples | -1.8049 <i>Oversold</i> |

Source: Bloomberg, Sanctuary Wealth, August 29, 2025



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Market Performance: Gold The Best Performing Asset Year To Date

| | Last 8/29/2025 | Month End 7/31/2025 | Month to Date | Quarter End 6/30/2025 | Quarter to Date | Year End 12/31/2024 | Year to Date | Year Ago 8/29/2024 | Year To Year |
|------------------------------------------------------|-------------------|---------------------------|---------------------|-----------------------------|-----------------------|---------------------------|--------------------|--------------------------|--------------------|
| S&P 500 | 6460.26 | 6339.39 | 1.9% | 6204.95 | 4.1% | 5881.63 | 9.8% | 5591.96 | 15.5% |
| NASDAQ Composite | 21455.55 | 21122.45 | 1.6% | 20369.73 | 5.3% | 19310.79 | 11.1% | 17516.43 | 22.5% |
| NASDAQ 100 | 570.40 | 565.01 | 1.0% | 551.64 | 3.4% | 511.23 | 11.6% | 470.66 | 21.2% |
| Russell 2000 | 2366.42 | 2211.65 | 7.0% | 2175.04 | 8.8% | 2230.16 | 6.1% | 2202.98 | 7.4% |
| S&P Consumer Discretionary Sector | 1860.03 | 1799.72 | 3.4% | 1753.81 | 6.1% | 1831.16 | 1.6% | 1471.84 | 26.4% |
| S&P Consumer Staples Sector | 887.23 | 874.57 | 1.4% | 897.10 | -1.1% | 853.65 | 3.9% | 876.13 | 1.3% |
| S&P Energy Sector | 686.39 | 666.91 | 2.9% | 648.68 | 5.8% | 654.85 | 4.8% | 694.02 | -1.1% |
| S&P Financial Sector | 896.53 | 870.57 | 3.0% | 871.95 | 2.8% | 804.44 | 11.4% | 752.11 | 19.2% |
| S&P Health Care Sector | 1598.13 | 1518.42 | 5.2% | 1572.52 | 1.6% | 1604.75 | -0.4% | 1816.49 | -12.0% |
| S&P Industrials Sector | 1284.04 | 1285.95 | -0.1% | 1249.13 | 2.8% | 1115.65 | 15.1% | 1098.59 | 16.9% |
| S&P Information Technology Sector | 5234.57 | 5220.69 | 0.3% | 4964.64 | 5.4% | 4609.52 | 13.6% | 4253.30 | 23.1% |
| S&P Materials Sector | 584.18 | 553.28 | 5.6% | 556.09 | 5.1% | 529.77 | 10.3% | 587.38 | -0.5% |
| S&P Real Estate Sector | 265.17 | 259.89 | 2.0% | 260.30 | 1.9% | 255.92 | 3.6% | 270.26 | -1.9% |
| S&P Communications Sector | 400.45 | 386.65 | 3.6% | 377.94 | 6.0% | 341.66 | 17.2% | 298.51 | 34.1% |
| S&P Utilities Sector | 426.24 | 435.08 | -2.0% | 414.79 | 2.8% | 384.95 | 10.7% | 383.17 | 11.2% |
| S&P 500 Total Return | 14304.68 | 14020.46 | 2.0% | 13712.71 | 4.3% | 12911.82 | 10.8% | 12219.38 | 17.1% |
| 3 month Treasury Bill Price | 98.96 | 98.92 | 0.0% | 98.93 | 0.0% | 98.92 | 0.0% | 98.73 | 0.2% |
| 3 month Treasury Bill Total Return | 264.42 | 263.40 | 0.4% | 262.44 | 0.8% | 256.97 | 2.9% | 252.73 | 4.6% |
| 10 Year Treasury Bond Future | 112.50 | 111.06 | 1.3% | 112.13 | 0.3% | 108.75 | 3.4% | 113.88 | -1.2% |
| 10 Year Treasury Note Total Return | 312.52 | 307.58 | 1.6% | 309.38 | 1.0% | 293.94 | 6.3% | 303.53 | 3.0% |
| iShares 20+ Year Treasury Bond ETF | 86.60 | 86.92 | -0.4% | 88.25 | -1.9% | 87.33 | -0.8% | 97.53 | -11.2% |
| S&P Municipal Bond Total Return | 279.26 | 276.97 | 0.8% | 277.66 | 0.6% | 278.14 | 0.4% | 277.96 | 0.5% |
| iShares S&P National Municipal Bond NAV | 104.30 | 103.75 | 0.5% | 104.29 | 0.0% | 106.40 | -2.0% | 107.76 | -3.2% |
| S&P 500 Investment Grade Corporate Bond Total Return | 488.90 | 484.28 | 1.0% | 483.50 | 1.1% | 465.24 | 5.1% | 471.90 | 3.6% |
| S&P Investment Grade Corporate Bond | 92.17 | 91.60 | 0.6% | 91.77 | 0.4% | 90.28 | 2.1% | 92.66 | -0.5% |
| S&P Investment Grade Corporate Bond Total Return | 521.75 | 516.60 | 1.0% | 515.54 | 1.2% | 495.89 | 5.2% | 501.52 | 4.0% |
| SPDR Bloomberg High Yield Bond ETF | 97.51 | 96.89 | 0.6% | 97.27 | 0.2% | 95.47 | 2.1% | 96.80 | 0.7% |
| iShares iBoxx High Yield Corporate Bond ETF | 80.86 | 80.38 | 0.6% | 80.65 | 0.3% | 78.65 | 2.8% | 79.33 | 1.9% |
| Gold | 3447.95 | 3289.93 | 4.8% | 3303.14 | 4.4% | 2624.50 | 31.4% | 2521.40 | 36.7% |
| Bitcoin | 107800.31 | 116491.12 | -7.5% | 107606.61 | 0.2% | 93714.04 | 15.0% | 59532.78 | 81.1% |

Source: Bloomberg, Sanctuary Wealth, August 29, 2025

Jobs Data Could Clear Way For Fed To Cut Rates

This week all eyes will be on jobs data with impact reaching both equities and fixed income.

This week is full of economic data releases, but the main focus will be on Friday when we get the August employment data with the market measuring if the Fed can cut rates and by how much. The market today is expecting a 25 basis point cut. We believe the bigger move in fixed income could come from mortgage rates, especially if the market begins to price in not just a September rate cut, but additional cuts in the quarters ahead.

30-Year Mortgage Rates Peaked at 8% And Have Been Falling Since





Calendar

Mon.

LaborDay holiday

Tue.

9:45 am S&P final U.S. manufacturing PMI
10:00 am ISM manufacturing, Construction spending

Wed.

9:00 am St. Louis Fed President Alberto Musalem speaks
10:00 am Job openings, Factory order
1:30 pm Minneapolis Fed President Neel Kashkari speaks
2:00 pm Fed Beige Book
TBA Auto sales
Earnings Dollar Tree, Salesforce*

Thu.

8:15 am ADP employment
8:30 am Initial jobless claims, U.S. productivity (revision), U.S. trade deficit
9:45 am S&P final U.S. services PMI
10:00 am ISM services, Senate Banking nomination hearing for Stephen Miran to be Fed governor
12:05 pm New York Fed President John Williams speaks
7:00 pm Chicago Fed President Austan Goolsbee speaks
Earnings: Broadco,

Fri.

8:30 am U.S. employment report

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

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