



November 10, 2025

Government Shutdown Surpasses 40 Days – Longest In History

Historically, a U.S. government shutdown does not have a material impact on the economy or the stock market.

But now that we have reached the longest in history – surpassing 40 days – stress in the system is building: government workers not getting paid for almost a month; people who rely on food stamps in need of food; the government forcing a 10% cut in the number of airline flights, with a risk of this increasing further. The shutdown may also be weighing on the stock market – which has been in a corrective phase again despite strong 3Q earnings. On Friday, the stock market was looking like it would close down, but a hint of even temporary resolutions in Washington was enough to have the market rally and close up. This tells us the market wants a resolution on the government shutdown and, once we can get it, the bullish seasonals should kick in and the year-end market rally can begin. Pressures are certainly building to get the government funded again.

Divided Federal Reserve Board: Will There Be Another Interest Rate Cut?

Different opinions are arising over the path forward on interest rates. This is also a reason why the stock market has been correcting. Last week, a dozen speakers from the Federal Reserve (Fed) spoke. The views being expressed appear to be divergent on the next direction of interest rates. As a reminder, the Fed cut interest rates 100 basis points in 2024 and this fall, it cut interest rates again by 50 basis points. The Federal Open Market Committee's (FOMC) current consensus view is that policy is "somewhat restrictive" after the recent rate cuts, so the Fed will proceed slowly and "data-dependently," balancing risks to employment with persistent above-target inflation. (But with the government not reporting economic data during the shutdown, the Fed has been left in a tricky spot.)

While most of the Fed speakers supported this stance, there were other viewpoints. Cleveland Fed President Beth Hammack, who has a vote on the FOMC next year, was the most hawkish, saying policy is "only barely restrictive, if at all," giving the impression she is not in favor of a rate cut. While Fed Governor Stephen Miran, whom President Trump appointed to fill a term that ends in January, argued that stablecoins greatly increase demand for dollars, driving down the natural rate of interest, calling it the "multitrillion-dollar elephant in the room," and favoring additional rate cuts. [Note: Stablecoins are digital dollars that are backed by the purchase of U.S. short-term Treasuries. Stablecoins are new instruments that are not yet fully understood by investors, in our opinion.]

But, in our view, the most important comments came from New York Fed President John Williams, who spoke twice last week. The New York Federal Reserve Bank is the most important in the system. It always has a vote on the FOMC and conducts all Fed interventions in the markets, called "open market operations." Williams said the "low r^* era is still with us." The Fed refers to the natural rate of interest as r^* ("r star"), so this implies he thinks interest rates should be low. The next day, he said the Fed will "soon need to grow its balance sheet," that is, to purchase Treasuries and maintain ample reserves as Quantitative Tightening (QT) ends. Williams clearly favors lower rates. The market is pricing in 66% probability of a rate cut in December.

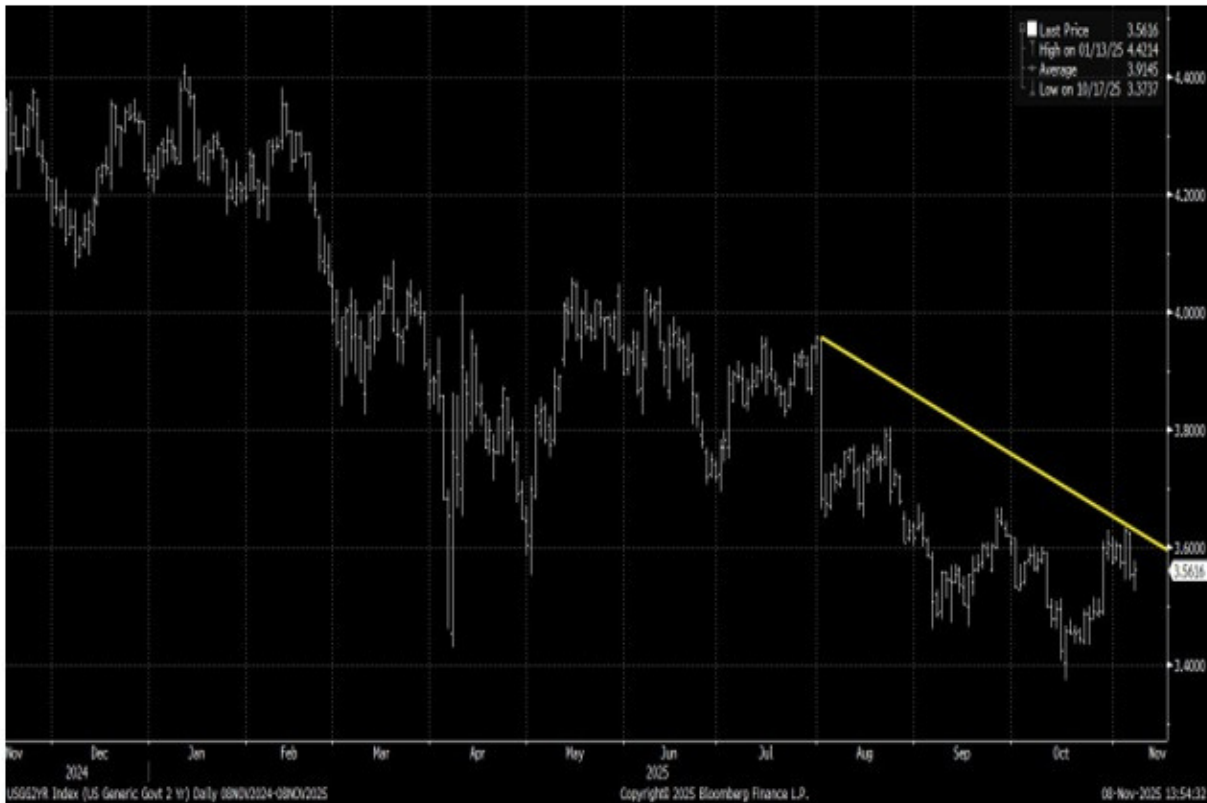


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The 2-Year Treasury Yield Is Signaling Lower Rates

The 2-Year Treasury yield often is a good predictor of what the Fed will be doing with interest rates. In the short-term, the 2-Year yield looks to be trending downward and is in a trading range of 3.6%-3.4%. The yield would have to rise above 3.7% to signal a reversal of the downtrend. The downtrend in yield would indicate the Fed is likely to continue cutting interest rates.

2-Year Treasury Yield Biased To The Downside



Source: Bloomberg with Annotations by Sanctuary Wealth

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Equity Markets Like Lower Interest Rates

The equity market tends to like lower interest rates, and lower rates should continue to allow the stock market to have a year-end rally. A resolution on the government shutdown should have a positive impact on stocks. We are also in the tail-end of 3Q earnings season, which has come in much better than expected, with earnings rising 13%. According to FactSet, "If 13.1% is the actual growth rate for the quarter, it will mark the fourth consecutive quarter of double-digit (year-over-year) earnings growth for the index. It will also mark the ninth consecutive quarter of year-over-year earnings growth for the index." FactSet went on to say, "Eight of the eleven sectors are reporting (or have reported) year-over-year growth, led by Information Technology, Financials, Utilities, Materials, and Industrials sectors."

We continue to anticipate a year-end rally, pushing the S&P 500 to 7000.

S&P 500 With 14-day Stochastic Approaching An Oversold Reading





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Sector Readings: Information Technology Still Strongest, Consumer Staples Still Weakest

Information Technology remained in the lead position last week, while Communication Services stayed in second place. These two sectors have swapped the top two positions for the past 21 weeks, beginning June 13. Utilities jumped to third place. Consumer Staples is still in last place, followed by Materials and Real Estate.

A tactical sector rotation is underway, relieving overbought and oversold conditions within the market. We maintain that Growth sectors should continue to outperform Value sectors.

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.

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

	Nov 7	Oct 31	Oct 24	Oct 17	Oct 10	Oct 3	Sep 26	Sep 19
Consumer Discretionary	5	3	5	5	5	5	5	3
Consumer Staples	11	11	11	10	11	11	10	9
Energy	7	8	10	11	9	9	7	10
Financials	8	7	7	6	6	6	6	5
Health Care	6	6	6	7	7	8	11	11
Industrials	4	4	4	4	4	3	3	4
Information Technology	1	1	1	1	1	1	2	2
Materials	10	10	9	8	8	7	8	7
Communication Services	2	2	2	2	2	2	1	1
Utilities	3	5	3	3	3	4	4	6
Real Estate	9	9	8	9	10	10	9	8

Source: Bloomberg, Sanctuary Wealth, November 7, 2025

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OBOS List: Health Care Is Now Overbought, Consumer Staples And Materials Oversold

While earnings growth is strongest in Information Technology the market is correcting the strongly divergent overbought and oversold conditions we have seen over the past half year. Health Care, which has languished so badly, is now overbought because, as a defensive sector, it has not declined in price while others have. Consumer Staples and Materials are oversold, while Industrials, which have done well through most of the year, is near oversold.

The extreme overbought and oversold readings that prevailed over the summer continue to shift, leading the market into a tactical sector rotation.

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 7 November 2025

<i>rank</i>	<i>S&P Sector</i>	<i>normalized Oscillator</i>
1	Health Care	1.0546 <i>Overbought</i>
2	Communication Services	0.4043 <i>Neutral</i>
3	Consumer Discretionary	0.3627
4	Information Technology	0.0996
5	Energy	0.0494
6	Utilities	-0.0621
7	Financials	-0.5141
8	Real Estate	-0.5732 <i>Neutral</i>
9	Industrials	-0.8607 <i>Near Oversold</i>
10	Materials	-1.2633 <i>Oversold</i>
11	Consumer Staples	-1.7311

Source: Bloomberg, Sanctuary Wealth, November 7, 2025



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Market Performance: Gold Remains The Best Performing Asset Year-To-Date By Far

	Last 11/7/2025	Month End 10/31/2025	Month to Date	Quarter End 9/30/2025	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 11/7/2024	Year To Year
S&P 500	6728.80	6840.20	-1.6%	6688.46	0.6%	5881.63	14.4%	5973.10	12.7%
NASDAQ Composite	23004.54	23724.96	-3.0%	22660.01	1.5%	19310.79	19.1%	19269.46	19.4%
NASDAQ 100	609.74	629.07	-3.1%	600.37	1.6%	511.23	19.3%	513.54	18.7%
Russell 2000	2432.82	2479.38	-1.9%	2436.48	-0.2%	2230.16	9.1%	2382.69	2.1%
S&P Consumer Discretionary Sector	1932.73	1963.14	-1.5%	1917.97	0.8%	1831.16	5.5%	1720.39	12.3%
S&P Consumer Staples Sector	855.43	848.70	0.8%	871.10	-1.8%	853.65	0.2%	858.99	-0.4%
S&P Energy Sector	684.72	674.74	1.5%	682.82	0.3%	654.85	4.6%	714.70	-4.2%
S&P Financial Sector	877.20	870.44	0.8%	896.86	-2.2%	804.44	9.0%	810.89	8.2%
S&P Health Care Sector	1701.64	1680.03	1.3%	1623.95	4.8%	1604.75	6.0%	1736.46	-2.0%
S&P Industrials Sector	1296.99	1311.71	-1.1%	1306.11	-0.7%	1115.65	16.3%	1188.20	9.2%
S&P Information Technology Sector	5707.65	5960.13	-4.2%	5612.00	1.7%	4609.52	23.8%	4640.79	23.0%
S&P Materials Sector	543.78	541.60	0.4%	570.71	-4.7%	529.77	2.6%	599.01	-9.2%
S&P Real Estate Sector	260.14	257.60	1.0%	264.79	-1.8%	255.92	1.6%	270.61	-3.9%
S&P Communications Sector	422.49	429.97	-1.7%	422.60	0.0%	341.66	23.7%	334.16	26.4%
S&P Utilities Sector	455.13	452.13	0.7%	443.18	2.7%	384.95	18.2%	394.42	15.4%
S&P 500 Total Return	14929.63	15173.95	-1.6%	14826.80	0.7%	12911.82	15.6%	13081.53	14.1%
3 month Treasury Bill Price	99.04	99.05	0.0%	99.01	0.0%	98.92	0.1%	98.87	0.2%
3 month Treasury Bill Total Return	266.50	266.29	0.1%	265.32	0.4%	256.97	3.7%	255.19	4.4%
10 Year Treasury Bond Future	112.86	112.67	0.2%	112.50	0.3%	108.75	3.8%	110.19	2.4%
10 Year Treasury Note Total Return	315.91	315.15	0.2%	313.63	0.7%	293.94	7.5%	296.38	6.6%
iShares 20+ Year Treasury Bond ETF	89.57	90.29	-0.8%	89.37	0.2%	87.33	2.6%	91.33	-1.9%
S&P Municipal Bond Total Return	288.81	288.63	0.1%	285.56	1.1%	278.14	3.8%	276.35	4.5%
iShares S&P National Municipal Bond NAV	107.02	107.22	-0.2%	106.35	0.6%	106.40	0.6%	106.25	0.7%
S&P 500 Investment Grade Corporate Bond Total Return	496.91	498.07	-0.2%	495.91	0.2%	465.24	6.8%	469.40	5.9%
S&P Investment Grade Corporate Bond	92.86	93.10	-0.3%	93.02	-0.2%	90.28	2.9%	91.53	1.5%
S&P Investment Grade Corporate Bond Total Return	530.02	530.99	-0.2%	528.51	0.3%	495.89	6.9%	499.44	6.1%
SPDR Bloomberg High Yield Bond ETF	96.76	97.39	-0.6%	97.99	-1.3%	95.47	1.4%	96.86	-0.1%
iShares iBoxx High Yield Corporate Bond ETF	80.33	80.80	-0.6%	81.19	-1.1%	78.65	2.1%	79.67	0.8%
Gold	4001.26	4002.92	0.0%	3858.96	3.7%	2624.50	52.5%	2706.71	47.8%
Bitcoin	103837.91	109428.01	-5.1%	114640.81	-9.4%	93714.04	10.8%	75959.78	36.7%

Source: Bloomberg, Sanctuary Wealth, November 7, 2025

Fed Speeches Replace Economic Data And Buffet Speaks

This week, ears will be straining to hear any news that might hint at rate cuts or budget resolutions.

Amid the absence of economic data reports, news will likely remain limited as earnings season winds down, with over 90% of companies having already reported. The final major company to report will be gigantic Nvidia (NVDA), which is set to release results on November 19 after the close. With no new data, Federal Reserve commentary will carry outsized influence, with several policymakers speaking this week. Markets remain focused on any signal of a potential interest rate cut in December, while also watching Capitol Hill for signs of progress on the government funding impasse.

Investors will also be paying close attention to Warren Buffett's farewell letter, released today – a milestone as he steps down after nearly 55 years as CEO of Berkshire Hathaway to serve as Chairman of the Board. The market will be eager to hear what wisdom Buffett imparts as he closes one remarkable chapter and begins another.



Calendar

Mon.

None scheduled

Tue.

Veterans Day holiday, bond market closed
10:25 am Fed governor Michael Barr speaks
6:00 am NFIB optimism index

Wed.

9:20 am New York Fed President John Williams speaks
10:00 am Philadelphia Fed President Anna Paulson speaks
10:20 am Fed governor Chris Waller speaks
12:15 pm Atlanta Fed President Raphael Bostic speaks
12:30 pm Fed governor Stephen Miran speaks
4:00 pm Boston Fed President Susan Collins speaks
Earnings Cisco Systems**

Thu.

8:30 am *Initial jobless claims
8:30 am *Consumer price index
8:30 am *CPI year over year
8:30 am *Core CPI
8:30 am *Core CPI year over year
9:20 am New York Fed President John Williams speaks
12:15 pm St. Louis Fed President Alberto Musalem speaks
12:20 pm Cleveland Fed President Beth Hammack speaks
2:00 pm Monthly U.S. federal budget
3:20 pm Atlanta Fed President Raphael Bostic speaks
Earnings Walt Disney

Fri.

8:30 am *U.S. retail sales
8:30 am *Retail sales minus autos
8:30 am *Producer price index
8:30 am *Core PPI
8:30 am *PPI year over year
8:30 am *Core PPI year over year
10:00 am *Business inventories
10:05 am Kansas City Fed President Jeff Schmid speaks
2:30 pm Dallas Fed President Lorie Logan speaks

*Subject to delay due to government shutdown NA - Not available due to government shutdown

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

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