



January 27, 2025

The New Administration Hits The Ground Running

Last week saw the beginning of the second Trump Administration with a flurry of executive orders and new initiatives.

As we anticipated in our 2025 Year Ahead report, Trump's "America First" policy is drawing investment capital into the U.S. from abroad. The U.S. has the nicest house on the global block of ugly economies, which has allowed for the country to enjoy significant equity outperformance vs. other stock markets and economies around the world. The policies of the new administration, with their lighter regulatory touch, are perceived as business-friendly, and are therefore luring investors from abroad. The presence of Mukesh Ambani, head of India's Reliance Industries, and Bernard Arnault, CEO of French luxury goods maker LVMH at Trump's inauguration was indicative of this impact; in fact, afterwards, luxury company stocks began to move abroad. And this is what Trump is doing: he's building a tight alliance of very wealthy corporate leaders worldwide, marshaling their support and investment for his goals. Key players in this network include the American tech CEOs, all billionaires: Zuckerberg (Meta Platforms), Bezos (Amazon) and of course Musk (Tesla, Space X, and X), who were all present at the inauguration.

Trump's Policies Draw In Foreign Capital

Newsweek

Trump's Call With Saudi Crown Prince Results in \$600B Pledge to US

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Source: Newsweek, January 23, 2025

LVMH ADR (LVMUY) (Top) With Relative Price To S&P 500 (Bottom)



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Hermes ADR (HESAY) (Top) With Relative Price To S&P 500 (Bottom)



Stargate Poised To Open Portals to New Frontiers

For the markets, an important initiative is Stargate, an Artificial Intelligence (AI) venture with OpenAI, Softbank, Oracle, and investment firm MGX of Abu Dhabi. Key technology partners at the outset are ARM, the British semiconductor and software design company, Microsoft, Nvidia, Oracle, and OpenAI. The venture claims an initial investment of \$100 billion, and while that has been disputed, the CEO of ARM has described financial backing as "quite solid." Technology stocks responded positively to this news. We continue to favor Technology and Tech-related companies. We see Semiconductors as market leadership – with Software as the emerging leadership.

VanEck Semiconductor ETF (SMH) (Top) With Relative Price To S&P 500 (Bottom)

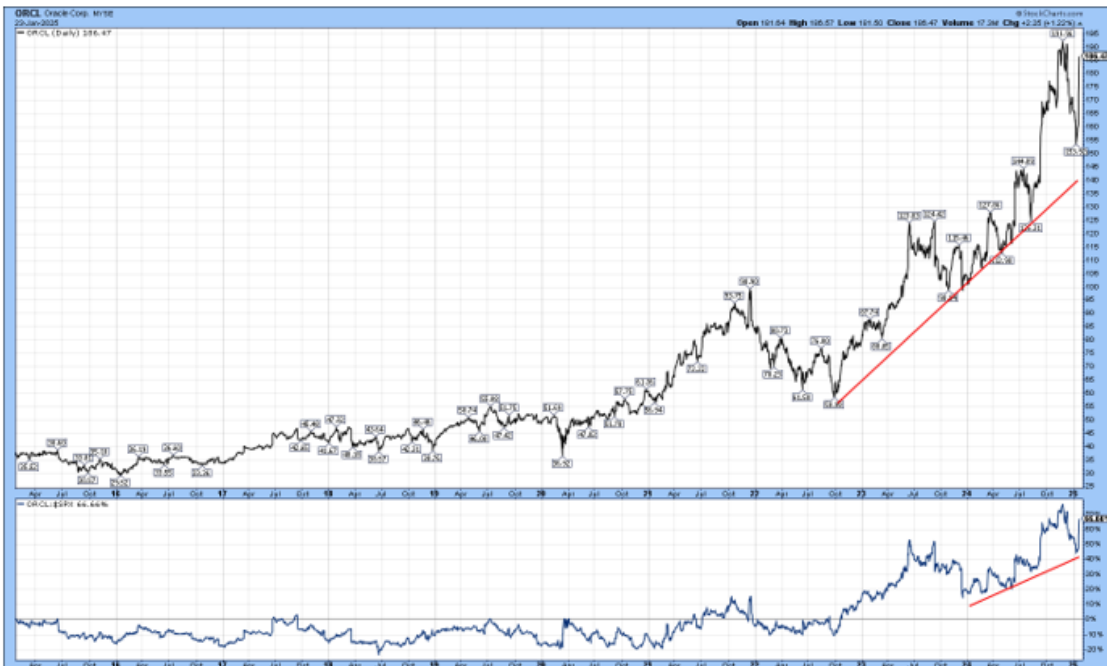


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iShares Tech-Software Sector ETF (IGV) (Top) With Relative Price To S&P 500 (Bottom)



Oracle (ORCL) (Top) With Relative Price To S&P 500 (Bottom)



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CEOs Are Excited About Productivity Gains From Artificial Intelligence (AI)

In addition to the excitement around The Stargate Project initiative, CEOs meeting in Davos, Switzerland last week, trumpeted their gains in productivity from the adoption of artificial intelligence. Generative AI uses patterns and structures to produce new data based on natural language prompts. OpenAI’s DALL-E, which generates images based on natural language descriptions, is a good example of productivity gains. While other AI systems produce computer code, some are already being used to identify and diagnose illnesses and even seek new drugs and treatments.

Salesforce CEO Marc Benioff claimed that the world is “on the verge” of generative AI “agents,” which he described as “digital labor.” Benioff said that rather than investing directly in AI, Salesforce is partnering with AI firms to produce these AI “agents” that can function as “digital labor” to achieve defined goals such as composing letters or email, scheduling travel, constructing summaries of sales calls, personalizing customer offerings, and developing knowledge bases. As noted above, in our view, Software is the emerging leadership for 2025 – and Salesforce is a leader in the space.

Other CEOs at Davos also described using AI to increase worker productivity. This provided further impetus to the recent positive performance of technology stocks. Productivity gains should be reflected in higher profit margins and continued earnings growth, also leading to stronger GDP growth. Similar booms in productivity also took place in the 1920s, the 1960s, and the 1990s, all of which witnessed surges in stock market prices and household wealth. We expect the same results between now and the end of this decade.

Salesforce (CRM) (Top) With Relative Price To S&P 500 (Bottom)



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Palantir Is An AI Star

Palantir serves as an AI software platform used to identify patterns hidden deep within datasets. It has become critical infrastructure for the U.S. intelligence and military, but it also provides data integration and analysis by corporate clients such as hedge funds, banks, and financial services firms, as well as manufacturers and pharmaceutical firms.

Palantir (PLTR) (Top) With Relative Price To S&P 500 (Bottom)



Alphabet Tops \$200 For The First Time

TECH

Alphabet shares close above \$200 for first time on split-adjusted basis

PUBLISHED FRI, JAN 24 2025 4:06 PM EST | UPDATED FRI, JAN 24 2025 4:51 PM EST

It's the early days of 2025 and we're already seeing new record highs – including the S&P 500 hitting an all-time high last Thursday. Shares of Google parent Alphabet closed above \$200 for the first time on Friday since its stock split. Despite regulatory hurdles and increased competition, the market is generally optimistic about Alphabet's opportunities in AI.

Our target for the S&P 500 in 2025 remains 7200–7400.

A Business-Friendly Regulatory Environment Helps Financials

Financial stocks tend to do better in a less restrictive regulatory environment, which is anticipated under the new Trump Administration. And hand-in-hand with that is the expectation for increased M&A and IPO activity, which should increase earnings for Banks and Capital Markets. Also, having a positively shaped yield curve is improving net interest margins (NIM) – which is expected to continue to increase for Banks. Recent earnings reports from the larger banks came in significantly better than expected, with strong positive outlooks going forward. We believe that Financials can continue to prosper in the coming months, driven by the performance of Banks and Capital Markets.

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iShares Financial ETF (IYF) (Top) With Relative Price To S&P 500 (Bottom)



Invesco KBW Bank ETF (KBWB) (Top) With Relative Price To S&P 500 (Bottom)



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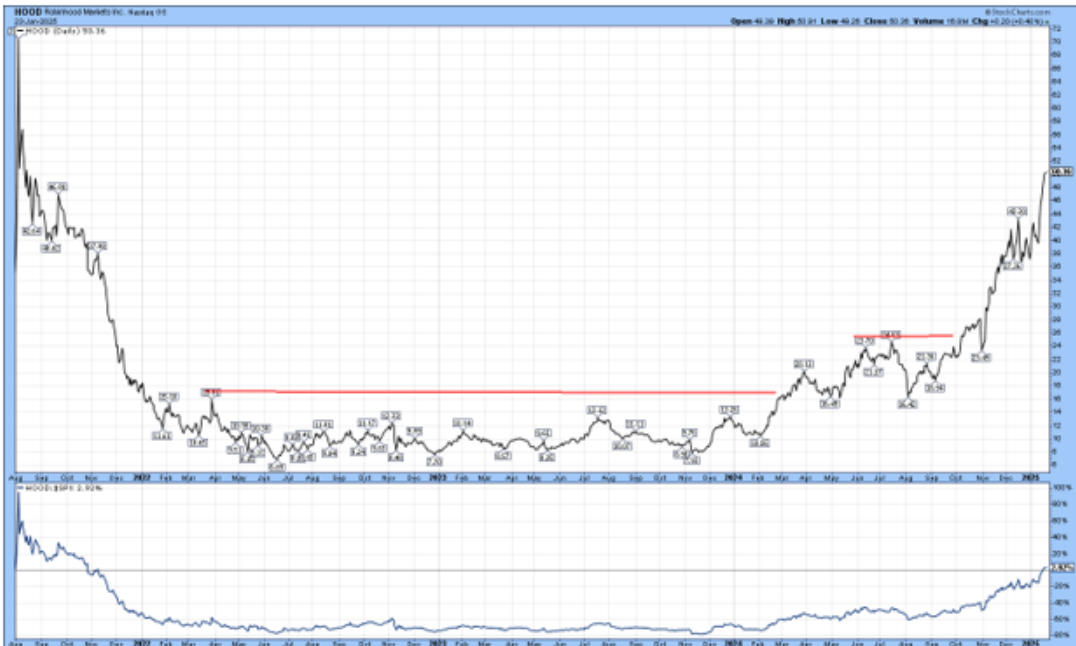
SPDR S&P Capital Markets ETF (KCE) (Top) With Relative Price To S&P 500 (Bottom)



Robinhood (HOOD) Has Become An Influential Brokerage

Robinhood is a zero-dollar (no commission) broker popular with younger investors. Robinhood allows investors to purchase fractional shares and small quantities with a low barrier to entry and a streamlined user experience. It may perform well in a less intensive regulatory environment, as is expected under the Trump Administration.

Robinhood (HOOD) (Top) With Relative Price To S&P 500 (Bottom)



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Select Energy Stocks May Do Well

The Energy sector faces a Trump policy dilemma. On the one hand, Trump's mantra of "drill baby drill" is liable to drive down oil prices as more product comes to market. Plus, speaking to the Davos audience, Trump asked Saudi Arabia and other OPEC nations to "bring down the cost of oil. Yet, on the other hand, Trump lifted the Biden Administration's restrictions on new liquefied natural gas (LNG) export contracts. The combination leaves the Energy sector as a whole weaker than the rest of the market, but select energy stocks, such as LNG exporters and pipeline companies, could have improved prospects. In the meantime, lower energy prices should be a boon for the economy, as well as the equity and bond markets, reducing both input costs and pressure from inflation. In the Energy sector, we favor pipelines and natural gas.

The Trump Administration Is Promoting Energy Exports



The screenshot shows a news article from the U.S. Department of Energy website. At the top, there is a navigation bar with a hamburger menu icon on the left, the "U.S. Department of ENERGY" logo in the center, and a search icon on the right. The main headline reads "U.S. Department of Energy Reverses Biden LNG Pause, Restores Trump Energy Dominance Agenda". Below the headline, a sub-headline states: "The U.S. Department of Energy, effective today, is ending the Liquefied Natural Gas pause, and returning to regular order." At the bottom of the article preview, it says "Energy.gov" and "January 21, 2025".

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Market Performance

	Last 1/24/2025	Month End 12/31/2024	Month to Date	Quarter End 12/31/2024	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 1/25/2024	Year To Year
S&P 500	6101.24	5881.63	3.7%	5881.63	3.7%	5881.63	3.7%	4894.16	24.7%
NASDAQ Composite	19954.30	19310.79	3.3%	19310.79	3.3%	19310.79	3.3%	15510.50	28.7%
NASDAQ 100	529.63	511.23	3.6%	511.23	3.6%	511.23	3.6%	426.35	24.2%
Russell 2000	2307.74	2230.16	3.5%	2230.16	3.5%	2230.16	3.5%	1975.88	16.8%
S&P Consumer Discretionary Sector	1895.77	1831.16	3.5%	1831.16	3.5%	1831.16	3.5%	1370.13	38.4%
S&P Consumer Staples Sector	853.33	853.65	0.0%	853.65	0.0%	853.65	0.0%	765.57	11.5%
S&P Energy Sector	694.23	654.85	6.0%	654.85	6.0%	654.85	6.0%	638.97	8.6%
S&P Financial Sector	845.58	804.44	5.1%	804.44	5.1%	804.44	5.1%	640.93	31.9%
S&P Health Care Sector	1681.50	1604.75	4.8%	1604.75	4.8%	1604.75	4.8%	1612.81	4.3%
S&P Industrials Sector	1194.15	1115.65	7.0%	1115.65	7.0%	1115.65	7.0%	961.74	24.2%
S&P Information Technology Sector	4687.66	4609.52	1.7%	4609.52	1.7%	4609.52	1.7%	3636.54	28.9%
S&P Materials Sector	560.25	529.77	5.8%	529.77	5.8%	529.77	5.8%	520.08	7.7%
S&P Real Estate Sector	261.21	255.92	2.1%	255.92	2.1%	255.92	2.1%	242.73	7.6%
S&P Communications Sector	362.66	341.66	6.1%	341.66	6.1%	341.66	6.1%	266.92	35.9%
S&P Utilities Sector	404.23	384.95	5.0%	384.95	5.0%	384.95	5.0%	310.09	30.4%
S&P 500 Total Return	13403.51	12911.82	3.8%	12911.82	3.8%	12911.82	3.8%	10605.13	26.4%
3 month Treasury Bill Price	98.92	98.92	0.0%	98.92	0.0%	98.92	0.0%	98.66	0.3%
3 month Treasury Bill Total Return	257.72	256.97	0.3%	256.97	0.3%	256.97	0.3%	244.84	5.3%
10 Year Treasury Bond Future	108.47	108.75	-0.3%	108.75	-0.3%	108.75	-0.3%	111.31	-2.6%
10 Year Treasury Note Total Return	294.01	293.94	0.0%	293.94	0.0%	293.94	0.0%	291.16	1.0%
iShares 20+ Year Treasury Bond ETF	87.22	87.33	-0.1%	87.33	-0.1%	87.33	-0.1%	93.96	-7.2%
S&P Municipal Bond Total Return	277.81	278.14	-0.1%	278.14	-0.1%	278.14	-0.1%	270.44	2.7%
iShares S&P National Municipal Bond NAV	106.14	106.40	-0.2%	106.40	-0.2%	106.40	-0.2%	107.44	-1.2%
S&P 500 Investment Grade Corporate Bond Total Return	465.75	465.24	0.1%	465.24	0.1%	465.24	0.1%	451.43	3.2%
S&P Investment Grade Corporate Bond	90.16	90.28	-0.1%	90.28	-0.1%	90.28	-0.1%	90.74	-0.6%
S&P Investment Grade Corporate Bond Total Return	496.66	495.89	0.2%	495.89	0.2%	495.89	0.2%	478.68	3.8%
SPDR Bloomberg High Yield Bond ETF	96.81	95.47	1.4%	95.47	1.4%	95.47	1.4%	95.13	1.8%
iShares iBoxx High Yield Corporate Bond ETF	79.75	78.65	1.4%	78.65	1.4%	78.65	1.4%	77.69	2.7%
Gold	2770.58	2624.50	5.6%	2624.50	5.6%	2624.50	5.6%	2020.84	37.1%
Bitcoin	105111.41	93714.04	12.2%	93714.04	12.2%	93714.04	12.2%	39904.41	163.4%

Source: Bloomberg, Sanctuary Wealth, January 24, 2025

Earnings Pump Up The Volume

This week you can expect Technology to sound off with earnings and the Fed to speak softly about inflation.

Last week was a quiet week for data, but this week is fairly active with important economic data, plus a raft of earnings announcements from major tech firms. The most important event should be the FOMC (Federal Open Market Committee) announcement on interest rates this Wednesday. The market expects no change in rates, but investors will be listening closely to Fed Chair Powell's comments for any indication of the FOMC's future policy direction on rates and money supply. Then on Thursday, we'll get the first read on fourth quarter GDP. The market expects a slight decline from a 3.1% annualized real growth rate in 3Q24 to a 2.6% annualized real growth rate in 4Q24. On Friday, we'll see December's Personal Consumption Expenditures (PCE) data, the Fed's preferred measure of inflation. The market currently expects PCE to rise a bit from 2.4% year-to-year in November to 2.5% for December.

There's a heavy load of corporate earnings coming our way this week, led by the Tech sector. As a result, both the equities and fixed income markets will be digesting a lot of news and data – and not be worried so much by the rhetoric around tariffs.



Calendar

- Mon.** 10:00am New home sales
Earnings: AT&T, SoFi Technologies, W.R. Berkley
- Tue.** 8:30am Durable-goods orders
9:00am S&P Case-Shiller home price index (20 cities)
10:00am Consumer confidence
Earnings: Lockheed Martin, Boeing, General Motors, Invesco, Progressive, Qorvo, Starbucks
- Wed.** 8:30am Advanced U.S. trade balance in goods, Advanced retail inventories, Advanced wholesale inventories
2:00pm FOMC interest-rate decision
2:30pm Fed Chair Powell press conference
Earnings: Meta Platforms, Automatic Data Processing, General Dynamics, Hess, Norfolk Southern, UBS, Ameriprise Financial, Microsoft, Tesla
- Thu.** 8:30 am GDP, Initial jobless claims
10:00am Pending home sales
Earnings: Apple, Blackstone, Cardinal Health, Northrop Grumman, Southwest Air, Federated Hermes, Visa
- Fri.** 8:30am Fed Gov. Michelle Bowman speaks, Employment cost index, Core PCE index, Personal income (nominal), Personal spending (nominal)
9:45 am Chicago Business Barometer (PMI)
Earnings: BoozAllenHamilton, RBC Bearings

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

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