



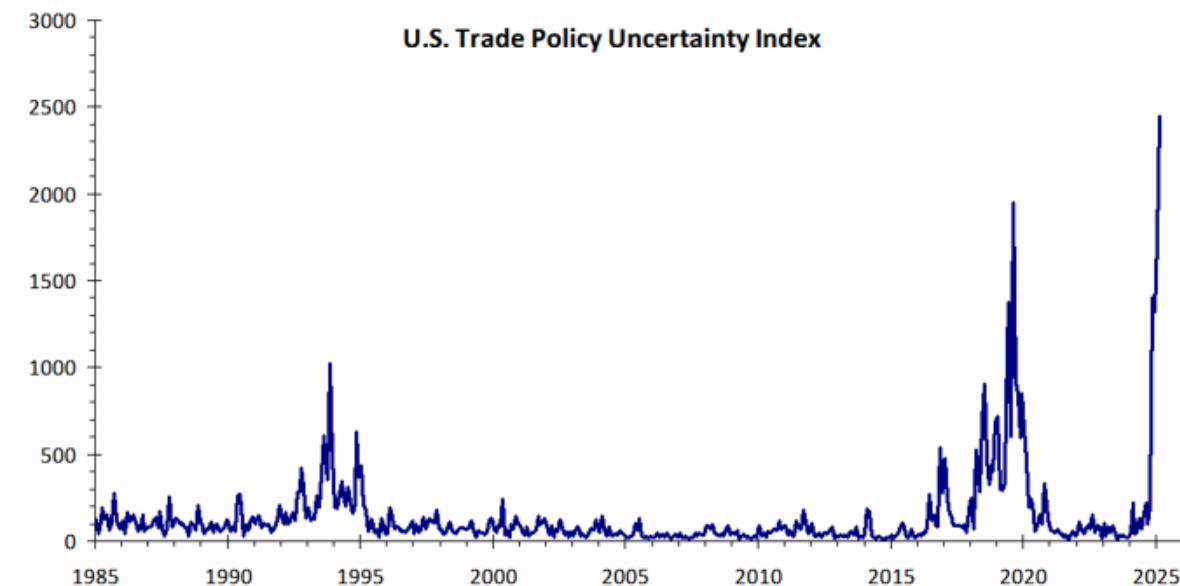
 **March 10, 2025**

Tariff Tantrums Continue

President Trump continues to announce tariffs, some of them rather stiff, against nations he accuses of blocking American exports with tariffs and non-tariff trade barriers; he is also waging this trade war to fight against drugs coming into the U.S.

We continue to believe this is a strategy to pry open foreign markets to American goods; however, there is some evidence the Trump Administration intends to use tariffs as a way to raise revenue for the federal government, which means that some tariffs would be permanent. Initial tariffs are against the U.S.'s three largest trading partners: Canada, Mexico, and China. Our understanding is that Trump intends to impose tariffs before negotiating as a means of impressing upon the global trading system that the U.S. is serious about its intentions. This has led to considerable uncertainty in business planning for companies with global customers and supply chains – and has created significant fear among investors, worried about the overall impact on the economy and the markets. The Federal Reserve's Beige Book, released last week, also had many comments relating to uncertainty. DOGE (Department of Government Efficiency) is also adding to these worries. There is no way to “dodge DOGE,” so we anticipate continued uncertainty leading to continued volatility in all markets.

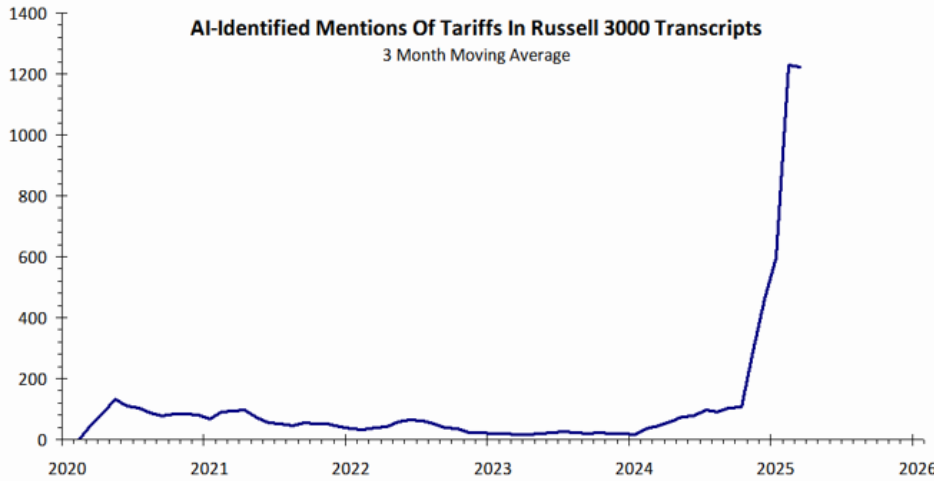
US Trade Policy Uncertainty Surpasses Previous High Under First Trump Administration



Source: Baker, Bloom and Davis at www.PolicyUncertainty.com, Sanctuary Wealth, March 6, 2025

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Tariffs Have Become A Theme In Corporate Earnings Calls



Source: Bloomberg, Sanctuary Wealth, March 6, 2025

Treasury Secretary Bessent Says Economy Is Going To Have A Natural Adjustment

Last Friday, Treasury Secretary Bessent spent thirty minutes on CNBC's Squawk Box discussing the Trump Administration's recent policies. He said, "There is going to be a natural adjustment as we move away from public spending to private spending. The market and the economy have just become hooked. We've become addicted to this government spending, and there's going to be a detox period." We take these comments to mean the Administration is willing to endure some short-term pain for a long-term gain for the U.S. economy. President Trump even said in his State of the Union address last Tuesday that, because of tariffs, there "may be ... an adjustment period. We had that before ... and I said just bear with me." These phrases – "detox" and "just bear with me" – indicate investors should continue to be braced for volatility. So, let's look at where we are in the current equity market correction.

Equity Market In A Correction – How Low Can It Go?

Pullbacks and corrections are a normal part of the equity market and investing. It is normal to have three 5% corrections and one 10% correction per year, and a bear market correction of 20% about every four years. When the market is in a secular bull market, stocks return to the previous highs and make new highs after all corrections, even after bear market moves. We maintain that we are currently in a secular bull market. Furthermore, we maintain that a secular bear market will not arrive until the S&P 500 reaches 10,000-13,000.

Today we believe the equity market is not in a bear market liquidation of assets, but in a rotation of Cyclical to Defensive sectors. Rotations keep a bull market alive. The market is trying to price in the Trump Administration's new policies, which are not very clear yet. When we look at the advance-decline line of the S&P 500, which measures the breadth of the market, it is staying steady and not breaking down, which indicates a rotation.

S&P 500 Cumulative Advance-Dcline Line Shows Rotation Not A Bear Trend



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The McClellan Oscillator looks at the breadth of the market and it is approaching a buy level at -200, but it's not there yet. So, this indicator suggests that we should expect a continuation of the current market volatility and correction.

McClellan Advance-Decline Oscillator Generates A Buy At -200: We Are Close



S&P 500 Is Oversold Short-Term But Not Responding, So More Volatility Coming

The S&P 500 has been in oversold territory for weeks without staging a strong rally, though it is attempting to hold its 200-day moving average. If this level does not hold, the equity market will most likely need the 14-week stochastic to reach an oversold reading before finding a bottom. We are close but not there yet. So, how far can the market correct? We are expecting at least a 10% move, but the market can overshoot this level, which is not uncommon, especially with so much uncertainty plaguing the market. Support levels near 5200-5400 would indicate a 12%-15% move. *We are almost there!* We also expect the leadership of Technology to resume its rally, and it has corrected more sharply. So, we remain buyers. But what are we looking for that would signal a bottom?

S&P 500 With 200-DMA, 14-Day Stochastic Oversold Reading & Support Levels

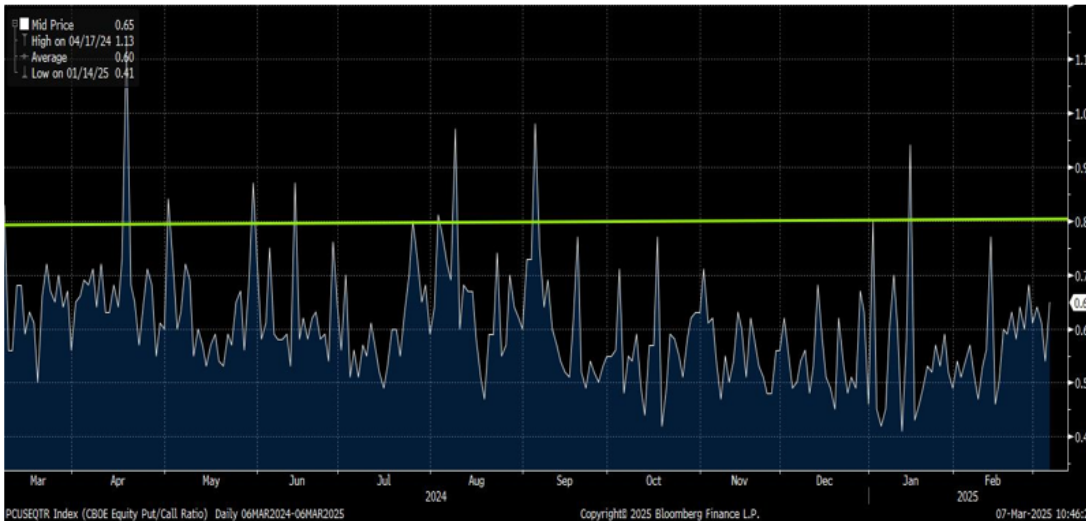


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We Need More Signs Of Panic In the Put/Call Ratio & The VIX

Equity markets bottom on panic, often called capitulation. To signal this capitulation, we would like to see the Cboe put/call ratio rise sharply to at least 0.80. We also might need a higher move in the Cboe VIX (volatility index) near 27-30. Investors should be prepared for more volatility over the coming weeks, especially since the Trump Administration is still negotiating tariffs. With reciprocal tariffs anticipated to take hold on April 2nd, we expect the Bucking Bull to hang around – so hold on tight. Times like these are the hardest for investors, but those who can remain patient should be rewarded.

Cboe Put/Call Ratio Shows No Panic Yet – Need A Move to 0.80 Or Higher



Cboe VIX Index Spike Near 27-30 Would Signal A Buy



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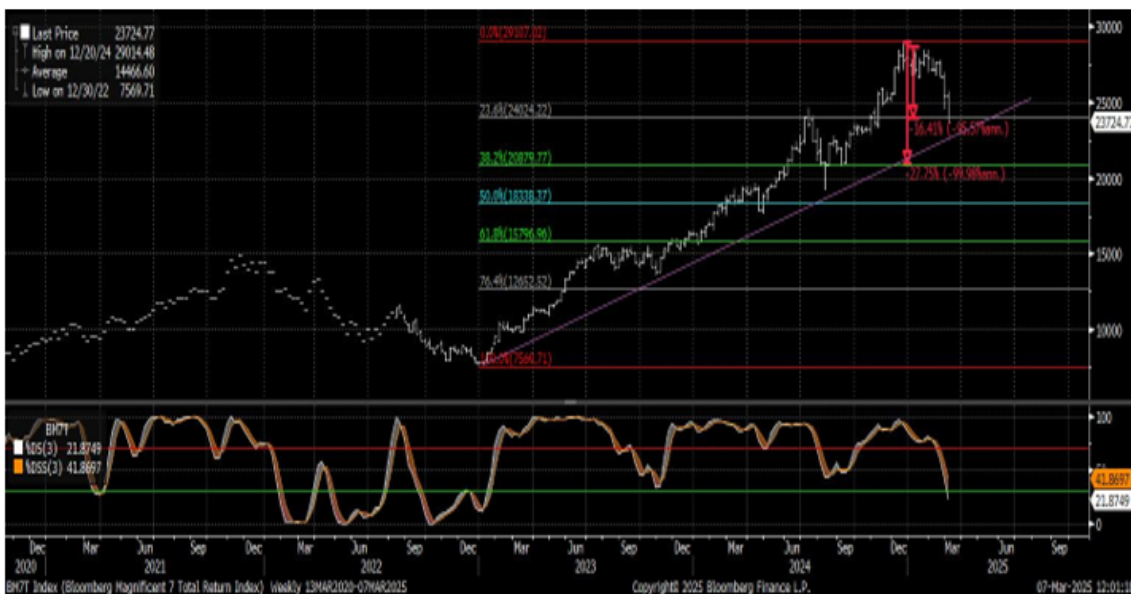
S&P 500 With 14-Week Stochastic Still Correcting Overbought Reading



The Magnificent 7 At Important Support

The weekly chart of the Magnificent 7 with 14-week stochastic and Fibonacci levels indicate this index is not oversold yet and is testing important support. These Technology-related stocks have rallied more sharply than the S&P 500, which points to a deeper correction. Currently the index is at important support, based on Fibonacci levels. If this does not hold, more downside of a correction should be anticipated. The total correction should be in the range of 16%-28%. We expect the uptrend to remain intact. We still remain buyers of Technology.

Magnificent 7 Fibonacci Levels Indicate A Total Correction Of 16%-28%



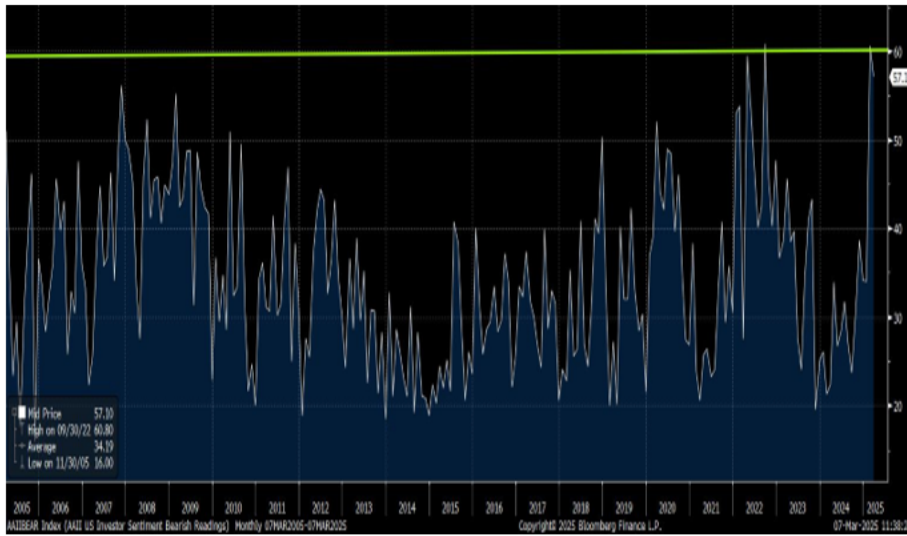
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There Are Signs Of A Bottom Emerging

A Contrarian Buy Signal From Individual Investors

The AII Bearish reading for individual investors is flashing a contrarian buy signal. Investors have reached a panic level of sentiment at 60 over their outlook for the equity market over the next six months. This bearish view is not surprising given all the daily news on Trump's tariffs, the DOGE's firings, and the pulling of budgets for various government programs.

AII U.S. Investor Bearish Reading Reaches A Buy Level



Bank Of America Sell Side Indicator Still Signaling A Positive Return

Bank of America's (BoFA) Sell Side Indicator is based on its survey of Wall Street strategists' asset allocation recommendations. The thresholds for the buy and sell readings are a rolling 15-year +/- 1 standard deviation from the rolling 15-year mean. The indicator has been in use for 35 years and has a very good track record. It is a contrarian indicator: it is bullish when sell side strategists are overly bearish, and bearish when they are overly bullish. Its most recent reading suggests an S&P 500 return of 11% over the next 12 months. So, no bear market signal yet.

Sell Side Analysts Are Bullish, But Not Quite Extremely Bullish

Sell Side Indicator, 8/1985-2/2025



Source: BofA US Equity & Quant Strategy Note: Buy and Sell signals are based on rolling 15-year +/- 1 standard deviation from the rolling 15-year mean. A reading above the red line indicates a Sell signal and a reading below the green line indicates a Buy signal

BofA GLOBAL RESEARCH

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Trump's Confrontation With NATO Has Spurred German and European Rearmament

Another source of uncertainty, particularly for Europe, is Trump's push to end the war in Ukraine while pressuring America's NATO allies over their reliance on U.S. military support—and its financial burden on the United States. The reaction from the Europeans was shock, anger, and a sudden commitment by the Germans to rearm themselves. Friedrich Merz, poised to be the next German chancellor, announced last Tuesday that Germany would spend €400 billion (\$430 billion) on its military, saying that he vowed to do “whatever it takes” to rebuild German military might. The sentiment seems widespread across western Europe. Last Thursday, French President Emmanuel Macron said that France, which has nuclear weapons, will extend its “deterrence” over its European allies. The German government also announced spending €500 billion (\$540 billion) on infrastructure. The equity markets are loving this news whereas the bond market saw rates rise sharply. The huge positive from this fiscal spend should help stimulate a moribund European economy. European equity markets are already pricing this in, with a major breakout to record highs – *signaling the start of a new secular bull run.*

EURO STOXX 50 Index (Top) With Moving Average Convergence-Divergence (Bottom)



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Market Performance

	Last 3/7/2025	Month End 2/28/2025	Month to Date	Quarter End 12/31/2024	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 3/7/2024	Year To Year
S&P 500	5770.20	5954.50	-3.1%	5881.63	-1.9%	5881.63	-1.9%	5157.36	11.9%
NASDAQ Composite	18196.22	18847.28	-3.5%	19310.79	-5.8%	19310.79	-5.8%	16273.38	11.8%
NASDAQ 100	491.79	508.17	-3.2%	511.23	-3.8%	511.23	-3.8%	445.45	10.4%
Russell 2000	2075.48	2163.07	-4.0%	2230.16	-6.9%	2230.16	-6.9%	2084.74	-0.4%
S&P Consumer Discretionary Sector	1637.80	1731.52	-5.4%	1831.16	-10.6%	1831.16	-10.6%	1459.66	12.2%
S&P Consumer Staples Sector	904.89	918.34	-1.5%	853.65	6.0%	853.65	6.0%	802.83	12.7%
S&P Energy Sector	663.95	689.88	-3.8%	654.85	1.4%	654.85	1.4%	665.91	-0.3%
S&P Financial Sector	815.53	866.84	-5.9%	804.44	1.4%	804.44	1.4%	672.67	21.2%
S&P Health Care Sector	1737.30	1734.28	0.2%	1604.75	8.3%	1604.75	8.3%	1707.30	1.8%
S&P Industrials Sector	1134.28	1152.54	-1.6%	1115.65	1.7%	1115.65	1.7%	1035.18	9.6%
S&P Information Technology Sector	4261.71	4411.29	-3.4%	4609.52	-7.5%	4609.52	-7.5%	3844.99	10.8%
S&P Materials Sector	551.59	558.18	-1.2%	529.77	4.1%	529.77	4.1%	564.93	-2.4%
S&P Real Estate Sector	266.57	271.05	-1.7%	255.92	4.2%	255.92	4.2%	248.86	7.1%
S&P Communications Sector	342.04	348.89	-2.0%	341.66	0.1%	341.66	0.1%	272.12	25.7%
S&P Utilities Sector	390.81	400.57	-2.4%	384.95	1.5%	384.95	1.5%	320.74	21.8%
S&P 500 Total Return	12696.90	13098.22	-3.1%	12911.82	-1.7%	12911.82	-1.7%	11198.39	13.4%
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	258.99	258.78	0.1%	256.97	0.8%	256.97	0.8%	246.34	5.1%
10 Year Treasury Bond Future	110.58	111.09	-0.5%	108.75	1.7%	108.75	1.7%	111.66	-1.0%
10 Year Treasury Note Total Return	301.13	302.29	-0.4%	293.94	2.4%	293.94	2.4%	292.44	3.0%
iShares 20+ Year Treasury Bond ETF	90.11	92.43	-2.5%	87.33	3.2%	87.33	3.2%	95.90	-6.0%
S&P Municipal Bond Total Return	280.35	281.95	-0.6%	278.14	0.8%	278.14	0.8%	273.70	2.4%
iShares S&P National Municipal Bond NAV	106.40	107.37	-0.9%	106.40	0.0%	106.40	0.0%	107.97	-1.5%
S&P 500 Investment Grade Corporate Bond Total Return	473.86	476.92	-0.6%	465.24	1.9%	465.24	1.9%	453.43	4.5%
S&P Investment Grade Corporate Bond	91.23	91.86	-0.7%	90.28	1.1%	90.28	1.1%	90.79	0.5%
S&P Investment Grade Corporate Bond Total Return	505.25	508.20	-0.6%	495.89	1.9%	495.89	1.9%	481.33	5.0%
SPDR Bloomberg High Yield Bond ETF	96.11	97.12	-1.0%	95.47	0.7%	95.47	0.7%	94.66	1.5%
iShares iBoxx High Yield Corporate Bond ETF	79.45	80.13	-0.8%	78.65	1.0%	78.65	1.0%	77.38	2.7%
Gold	2909.10	2857.83	1.8%	2624.50	10.8%	2624.50	10.8%	2159.98	34.7%
Bitcoin	86282.15	84212.07	2.5%	93714.04	-7.9%	93714.04	-7.9%	67332.89	28.1%

Source: Bloomberg, Sanctuary Wealth, March 7, 2025

Brace For Inflation Data And More Tariff & DOGE Tantrums

This week we can expect continued uncertainty in the markets from the policy whipsawing in Washington and Trump's desire to obfuscate and confuse.

This week is relatively light on economic data. The most important releases will be the Consumer Price Index (CPI) and the Producer Price Index (PPI), both key measures of inflation that influence Federal Reserve policy decisions. Plus, the release of February's federal budget figures will indicate whether the Department of Government Efficiency (DOGE) has had any impact on the federal deficit so far. No Federal Reserve (Fed) officials are scheduled to speak this week, as the Fed enters its 10-day blackout period ahead of next week's FOMC (Federal Open Market Committee) monetary policy meeting.

On the jobs front, employment data shows that jobs are still being created, though not at the level expected. On the positive side, the wage data does not signal higher inflation, a trend that should be confirmed by the upcoming CPI and PPI releases. We believe it will take several months to determine the impact from the DOGE firings in the employment data.



Calendar

Mon. Earnings: Franco-Nevada, Oracle*

Tue. 6:00 am NFIB optimism index
10:00 am Job openings
Earnings: Dick's Sporting Goods

Wed. 8:30 am Core CPI
2:00 pm Monthly U.S. federal budget
Earnings: Adobe

Thu. 8:30 am Initial jobless claims, Core PPI
Earnings: Dollar General, Ulta Beauty

Fri. 10:00 am Consumer sentiment (prelim)
Earnings: Buckle

*Earnings reflect highlights

Source: CNBC, Kiplinger's, MarketWatch

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3815 River Crossing Pkwy, Suite 200
Indianapolis, IN 46260