



 **March 3, 2025**

## Tariff Threats Keep Equities In A Correction

**Tariff talk by the Trump Administration is creating uncertainty and investors have decided to take profits across the equity and crypto markets – and even in the gold market. Markets loathe uncertainty. Why?**

Investors tend to either hold back or sell profitable investments, and company managements freeze business development and hiring until there's more clarity. The DOGE (Department of Government Efficiency) firings are also adding to consumer concerns. Uncertainty usually means lower equity prices, and investors retreat from equities toward the safety of cash and Treasury bonds. Treasuries have performed quite well recently, with yields collapsing. We believe that, with all the tariff talk and DOGE actions, the markets are pricing in a slower economy. Remember: it is normal to have three 5% corrections in a year and one 10% correction. The S&P 500 is currently in a correction of about 7%, with the risk of going to 10%; meanwhile, the Nasdaq 100 is having at least a 10% correction, but could go deeper depending on how tariff events unfold. For investors looking to buy – especially technology stocks – we believe this is your buying opportunity. Attractive “buy points” are never on good news, so investors need to take a longer-term view. We believe the markets will find their footing once we get clarity around the tariffs. We maintain our S&P 500 target of 7200-7400 for this year and 10,000-13,000 by the end of the decade. The secular Bull is intact, but the Bucking Bull does not want to be corralled.

## S&P 500 With 200-Day Moving Average And 14-Day Stochastic: Oversold



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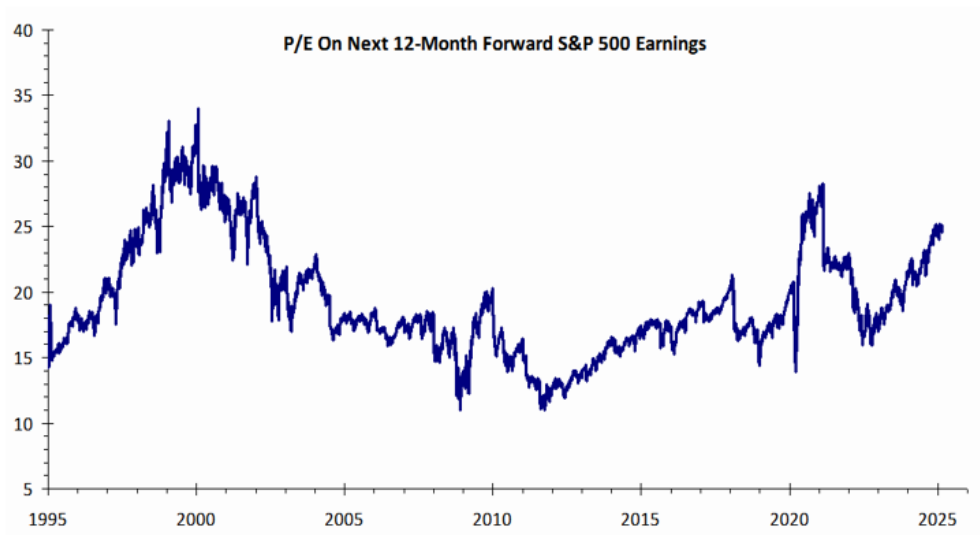
### Nasdaq 100 With 200-Day Moving Average And 14-Day Stochastic: Oversold



### February Is Not A Friendly Month

Let's remember that historically, February tends to be one of the weakest months for equities, likely due to profit-taking after strong gains in the previous year. Profit taking is very normal and is in fact healthy for sustaining longer-run bull trends. The earnings for 4Q24 were extremely strong and significantly above expectations. Valuations within the equity market as measured by the price-earnings multiple were near historical highs (near 25x), and we believe the market has just been repricing market valuations.

### S&P 500 12 Months Forward Price-Earnings Ratio



Source: Bloomberg, Sanctuary Wealth, February 28, 2025

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### What Keeps Us Bullish: No Stress On The Sell-Off

The fixed income market is often a leading indicator of any stress in the markets and the economy. If the economy was nearing a recession, the high-yield bond market would be showing signs of stress – and we don't have this situation. Spreads are tight but there is no significant movement that concerns us.

### iShares iBoxx High Yield ETF (HYG): No Signs Of Stress, Steady As It Trades



### Core PCE Saves The Day!

Core PCE (Personal Consumption Expenditures Price Index) for the month of January came in as expected. And despite revisions for December going up -- with stocks so oversold – we finally got a rally. But we expect markets to remain a bit choppy over the coming weeks. Looking ahead, April is a very good month for markets historically – once tax day has passed and the bad news of taxes is behind investors. *As spring warms up, so do the markets – April flowers bring equity blooms.*

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### Lower 10-Year Treasury Yields Is An Administration Goal

President Trump said that one of his goals is to reduce the yield on the benchmark 10-year Treasury bond, a point reiterated by Treasury Secretary Bessent. While we believe that a secular bottom occurred during Covid, we also believe yields (rates) are currently in a cyclical decline. Lower Treasury yields will permit the federal government to refinance its debt at lower cost over the long run, which we believe will be a very bullish event if achieved. This is now expected to take place, but in the quarters ahead, according to Bessent. Near-term 10-year Treasuries are nearing our target of 4.2%. Should this not hold, the next support level is 4.0%. As for the 2-year Treasury, there is good support near 4.0%-3.9%.

### 2-Year Treasury Yield Nearing 4.0%



### 10-Year Treasury Yield Nearing 4.0%



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## Tariffs Are Not All Negative, They Can Bring Positives

A positive impact of tariffs is that capital investment that would have been made outside the United States stay in or come back to the U.S. The U.S. has already begun to de-globalize after the supply shortages of Covid. This trend is just continuing under the threat of tariffs. Apple (AAPL) has committed to invest \$500 billion in U.S. plant and production over the next four years. Meta (META) has committed \$200 billion in domestic investments. General Motors (GM) has said that if tariffs are a permanent fixture, it will have to weigh moving production from outside the U.S. back to domestic plants, which would create new jobs for Americans. These actions build upon previously existing plans by Taiwan Semiconductor to build fabrication plants in the U.S. and to potentially assist Intel in its chip production, the important American chip company which has been struggling.

Overtime if this “reshoring” and domestic investment continue, the manufacturing economy would improve (it’s been in a bear trend since the late 90s), the U.S. job market would remain robust, and more jobs should boost America’s median household incomes. This was one of Trump’s campaign platforms and part of his “America First” agenda.

## Apple Has Pledged To Invest \$500 Billion Over The Next Four Years

*The New York Times*

### Apple Vows to Build A.I. Servers in Houston and Spend \$500 Billion in U.S.


The company pledged the multibillion-dollar investment over the next four years and said it would create 20,000 jobs. The Texas facility is set to open in 2026.



By Meaghan Tobin, Tripp Mickle and Jason Karaian

Meaghan Tobin reported from Taipei, Taiwan; Tripp Mickle from San Francisco; and Jason Karaian from London.

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 Reuters World Business Markets

## Meta in talks for \$200 billion AI data center project, The Information reports

By Reuters

February 25, 2025 8:37 PM CST · Updated 2 days ago

## General Motors Is Weighing Moving Production Back To The U.S.

### AutoGuide

Manufacturers > GM

## Tariffs Force GM To Reconsider Plant Locations Outside America

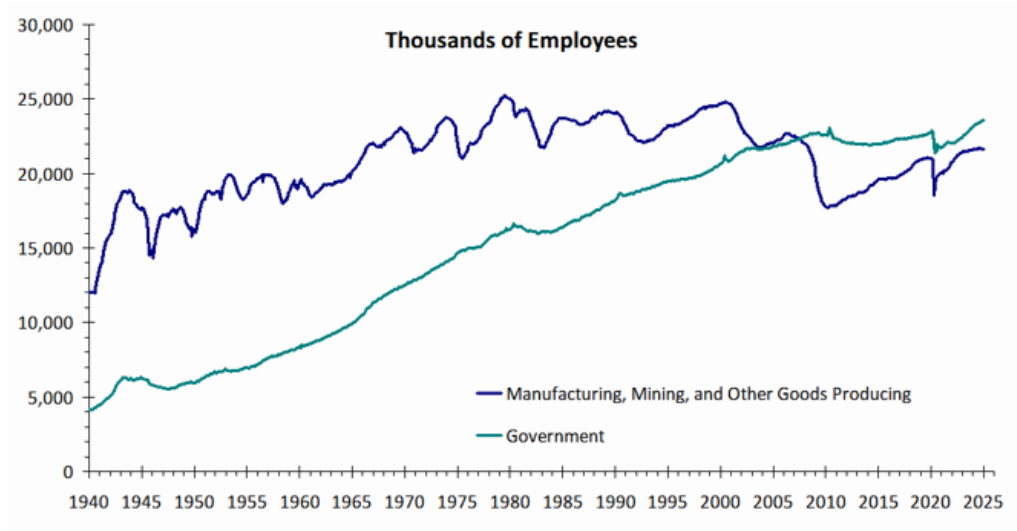


by Michael Accardi

Published: February 20th, 2025

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## Manufacturing Has Shrunk In The US Over The Decades



Source: Bureau of Labor Statistics, Sanctuary Wealth, February 28, 2025

## Quantum Computing Chip Development Is Contagious

In December, Alphabet (Google) announced its quantum computing chip, Willow, to considerable fanfare. Two weeks ago, Microsoft announced that it has made an important step forward in quantum computing with its new Majorana-1 chip. Not to be outdone, Apple announced last week its new quantum computing chip, Ocelot. Quantum computing can solve problems that existing digital computers cannot easily solve because they work with probabilities rather than exact solutions, though they are prone to errors. One of the primary goals in quantum computing is to reduce the likelihood of errors in the results. The method used to accomplish this is repetition of calculations. All of these new chips claim to accomplish this by various means. In the case of Apple's Ocelot, the claim is that it performs with 90% accuracy, meaning that the number of repetitions needed to reduce the error rate to reliable levels is reduced. This accelerates the development of ever more sophisticated artificial intelligence (AI). Now, the productivity gains we anticipate from AI have not yet appeared in the official figures provided by the Bureau of Labor Statistics, but we believe they will eventually prove dramatic – boosting earnings and improving margins in firms that successfully deploy AI.

## We Prefer Cyclical Over The Long Run, But Defensives Are Having Their Day

While the equity market pulls back over concerns of a weaker economy – should the threatened tariffs be implemented – Defensive stocks have been outperforming Cyclical stocks in this correction. Unless the U.S. economy is moving into a recession – and we do not believe it is! – this should be temporary and we expect Cyclical, particularly Technology and Financials to resume their bullish trend.

## SPDR Consumer Cyclical Vs. SPDR Consumer Staples



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## Is Trump Treating The U.S. Government Like A Troubled Company?

With President Trump coming from corporate America, should we be asking ourselves: Is President Trump treating the federal government as if he were the new CEO at a troubled company? A U.S. company in trouble of failing often undergoes a major restructuring, which includes cutbacks in spending and the layoff of employees. Viewing current events, especially the actions of DOGE, we believe that the country is experiencing a “major corporate restructuring.” And the way that it is announced and executed does feel harsh creating a world of uncertainty and bitterness – but this is typical of a restructuring. As we all know and have experienced, corporations do not “feel for people” – they are driven by numbers and data. And this creates an absence of empathy. This is what we’re seeing in Washington, and this is what investors are reacting to.

What we must watch closely is the potential impact of tariffs as well as the cuts and restructuring taking place at the government level. Often over the short run, a restructuring has a negative impact – but over a longer-term, the outcome turns positive. And restructuring takes multiple quarters—if not years. (Just look at Intel as one example of a corporate restructuring whose benefits have not yet been realized.)

As part of this restructuring approach, if the Trump Administration is willing to slow down the economy, or possibly even cause a recession, we would expect interest rates to continue to fall and for equities to have a cyclical bear market. But we are not there yet!!! Still, this is an emerging risk, in our view, which should be watched carefully.

## Gold Also Correcting, But Should Have Support Between \$2800-\$2650

Gold is traditionally a defensive position – but it is currently, in a correction as investors are profit-taking due to market uncertainty. We believe gold might have support between \$2800-\$2650, and we maintain our bullish outlook for gold to move to \$4000 over the coming years. There is long-term demand from central banks, particularly China.

## Gold (TOP) With Moving Average Convergence/Divergence (Bottom)



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## Profit Taking Is Also Taking Place In Bitcoin But Trump Is a Buyer

Sunday night, President Trump announced on Truth Social a crypto reserve that would include Bitcoin (BTC), Ethereum (ETH), Solana (SOL), Ripple (XRP) and Cardano (ADA). The first reaction was positive with sharp moves up on the news, but there has been some pullback since the announcement. We believe the administration will build a crypto reserve and, in time, this should be very positive for the adoption of the crypto space as a new asset class. It's important to remember that the crypto market is extremely volatile.

Bitcoin (BTC) and many other crypto tokens were in a sharp correction as investors lock in profits with concerns over the tariffs and a slower economy. BTC broke down from what we believed was a high-level consolidation. BTC is now in a correction and testing the 200-day moving average near \$82,000. If a deeper correction takes place, the next levels of support are \$75,000-\$74,000. Despite this pullback, BTC remains in a bullish uptrend. We maintain our target of \$113,000-\$150,000.

### Bitcoin Holding The 200-Day Moving Average: Support \$82000; \$75,000-\$74,000



*Disclaimer: Comments regarding Cryptocurrencies or Cryptocurrency-based securities are for informational purposes only. No part of this communication should be construed as investment advice and is not to be considered a solicitation with respect to the purchase or sale of any Cryptocurrency-related product.*




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## Market Performance

	Last 2/28/2025	Month End 1/31/2025	Month to Date	Quarter End 12/31/2024	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 2/29/2024	Year To Year
S&P 500	5954.50	6040.53	-1.4%	5881.63	1.2%	5881.63	1.2%	5096.27	16.8%
NASDAQ Composite	18847.28	19627.44	-4.0%	19310.79	-2.4%	19310.79	-2.4%	16091.92	17.1%
NASDAQ 100	508.17	522.29	-2.7%	511.23	-0.6%	511.23	-0.6%	439.00	15.8%
Russell 2000	2163.07	2287.69	-5.4%	2230.16	-3.0%	2230.16	-3.0%	2054.84	5.3%
S&P Consumer Discretionary Sector	1731.52	1911.57	-9.4%	1831.16	-5.4%	1831.16	-5.4%	1485.31	16.6%
S&P Consumer Staples Sector	918.34	869.70	5.6%	853.65	7.6%	853.65	7.6%	789.20	16.4%
S&P Energy Sector	689.88	667.95	3.3%	654.85	5.3%	654.85	5.3%	653.14	5.6%
S&P Financial Sector	866.84	855.91	1.3%	804.44	7.8%	804.44	7.8%	670.05	29.4%
S&P Health Care Sector	1734.28	1710.76	1.4%	1604.75	8.1%	1604.75	8.1%	1686.41	2.8%
S&P Industrials Sector	1152.54	1171.34	-1.6%	1115.65	3.3%	1115.65	3.3%	1022.56	12.7%
S&P Information Technology Sector	4411.29	4474.24	-1.4%	4609.52	-4.3%	4609.52	-4.3%	3748.57	17.7%
S&P Materials Sector	558.18	559.03	-0.2%	529.77	5.4%	529.77	5.4%	550.91	1.3%
S&P Real Estate Sector	271.05	260.37	4.1%	255.92	5.9%	255.92	5.9%	245.41	10.4%
S&P Communications Sector	348.89	372.33	-6.3%	341.66	2.1%	341.66	2.1%	272.50	28.0%
S&P Utilities Sector	400.57	395.93	1.2%	384.95	4.1%	384.95	4.1%	313.71	27.7%
S&P 500 Total Return	13098.22	13271.38	-1.3%	12911.82	1.4%	12911.82	1.4%	11062.11	18.4%
3 month Treasury Bill Price	98.92	98.93	0.0%	98.92	0.0%	98.92	0.0%	98.65	0.3%
3 month Treasury Bill Total Return	258.78	257.93	0.3%	256.97	0.7%	256.97	0.7%	246.09	5.2%
10 Year Treasury Bond Future	111.09	108.84	2.1%	108.75	2.2%	108.75	2.2%	110.44	0.6%
10 Year Treasury Note Total Return	302.29	295.27	2.4%	293.94	2.8%	293.94	2.8%	288.95	4.6%
iShares 20+ Year Treasury Bond ETF	92.43	87.76	5.3%	87.33	5.8%	87.33	5.8%	94.18	-1.9%
S&P Municipal Bond Total Return	281.95	279.15	1.0%	278.14	1.4%	278.14	1.4%	272.74	3.4%
iShares S&P National Municipal Bond NAV	107.37	106.63	0.7%	106.40	0.9%	106.40	0.9%	107.92	-0.5%
S&P 500 Investment Grade Corporate Bond Total Return	476.92	467.57	2.0%	465.24	2.5%	465.24	2.5%	448.78	6.3%
S&P Investment Grade Corporate Bond	91.86	90.44	1.6%	90.28	1.8%	90.28	1.8%	90.01	2.1%
S&P Investment Grade Corporate Bond Total Return	508.20	498.63	1.9%	495.89	2.5%	495.89	2.5%	476.73	6.6%
SPDR Bloomberg High Yield Bond ETF	97.12	96.76	0.4%	95.47	1.7%	95.47	1.7%	94.62	2.6%
iShares iBoxx High Yield Corporate Bond ETF	80.13	79.72	0.5%	78.65	1.9%	78.65	1.9%	77.33	3.6%
Gold	2857.83	2798.41	2.1%	2624.50	8.9%	2624.50	8.9%	2044.30	39.8%
Bitcoin	84212.07	102110.01	-17.5%	93714.04	-10.1%	93714.04	-10.1%	61430.64	37.1%

Source: Bloomberg, Sanctuary Wealth, February 28, 2025

## Tariff Tuesday Is On The Menu

*This is the week that the uncertainty around Trump's tariff threats goes away. Maybe.*

All the economic data coming out this week and even the trickling end to earnings season will take a backseat to the big announcement: Tariff Tuesday. Trump's tariffs against Mexico (25%), Canada (25%), and China (an additional 10%) are due to go into effect at midnight on Tuesday. Maybe they will, maybe they won't. And it's this uncertainty that is keeping all asset classes under pressure. If they are implemented as stated, the U.S. economy will slow down, in our view, but the economies of the rest of the world will slow down even more. Still, we believe the market is not currently pricing in a recession.

Two other things to note: on Friday we'll learn whether the federal government layoffs will be reflected in the February jobs numbers, and this is the last week for Fed speeches before a 10-day communications blackout leading up to the next FOMC (Federal Open Market Committee) meeting on March 18-19.



# Calendar

- Mon.** 9:45 am S&P final U.S. manufacturing PMI  
10:00 am Construction spending, ISM manufacturing  
12:35 pm St. Louis Fed President Musalem speaks  
TBA Auto sales  
Earnings: Okta, California Resources Corp\*
- Tue.** 2:20 pm New York Fed President Williams speaks  
TBA Richmond Fed President Barkin speaks  
Earnings: Target, AutoZone, Best Buy
- Wed.** 8:15 am ADP employment  
9:45 am S&P final U.S. services PMI  
10:00 am Factory orders, ISM services  
2:00 pm Fed Beige Book  
Earnings: Abercrombie & Fitch, Victoria's Secret
- Thu.** 8:30 am Initial jobless claims, U.S. productivity (final), U.S. trade deficit  
10:00 am U.S. trade deficit  
3:30 pm Fed Governor Christopher Waller speaks  
7:00 pm Atlanta Fed President Bostic speaks  
Earnings: BJ's Wholesale, Broadcom, Costco Wholesale, Gap
- Fri.** 8:30 am U.S. jobs report, U.S. unemployment rate, U.S. hourly wages  
10:15 am Fed Governor Michelle Bowman speaks  
10:45 am New York Fed President Williams speaks  
12:20 pm Fed. Governor Adriana Kugler speaks, Fed Chairman Jerome Powell speaks  
3:00 pm Consumer credit  
Earnings: Algonquin Power & Utilities

\*Earnings reflect highlights

Source: CNBC, Kiplinger's, MarketWatch

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3815 River Crossing Pkwy, Suite 200  
Indianapolis, IN 46260