



June 2, 2025

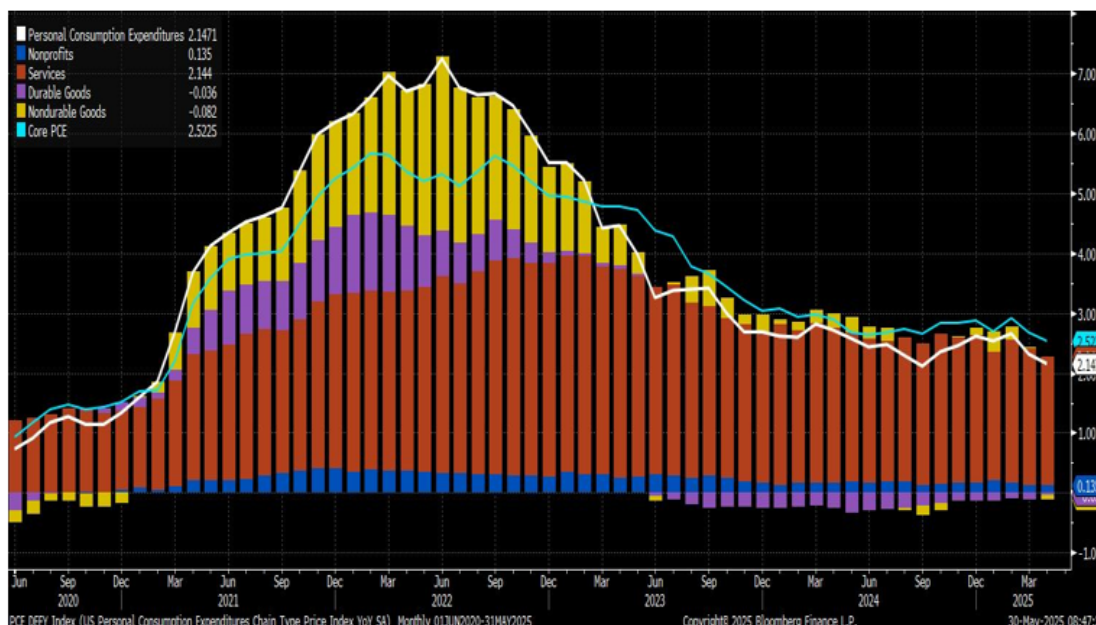
Market Tug Of War: Tariffs Vs. AI

The equity market has been in a tug of war between pricing in tariffs and pricing in artificial intelligence (AI). In our view, the AI trade is back and the equity market has already priced in the tariff trade.

We have often mentioned that the equity market discounts six months in advance. Well, we're moving close to this timeframe. The market is pricing in growth in the economy and no recession. The consumer still has money. Personal income came in last Friday much stronger than expected. Plus, savings are growing at 4.9% and the savings-income combination is bullish for consumer spending, which should continue to advance the U.S. economy.

Inflation Still Trending Down

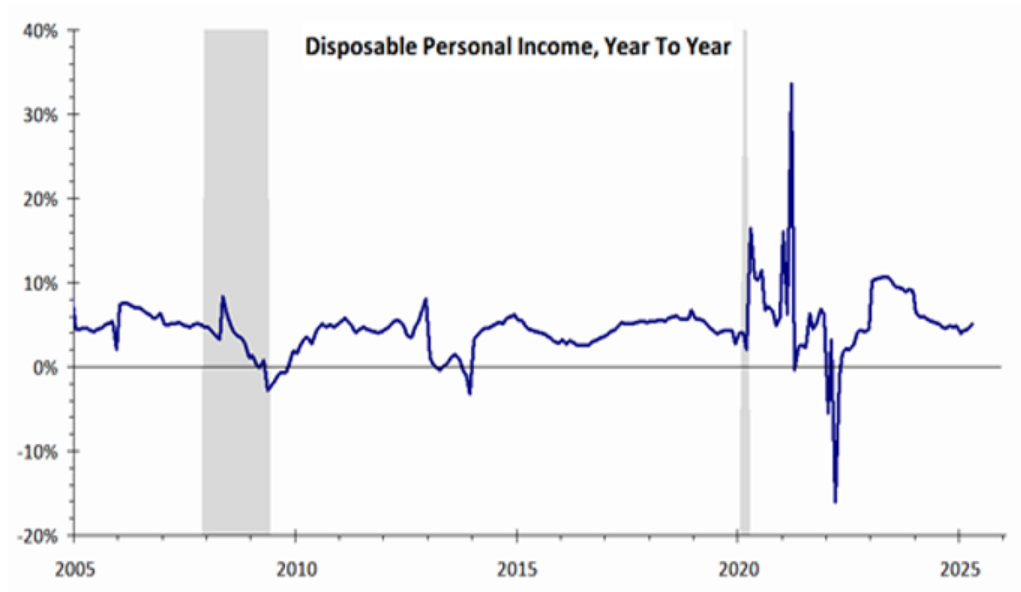
Core Personal Consumption Expenditures (PCE) Still Trending Down



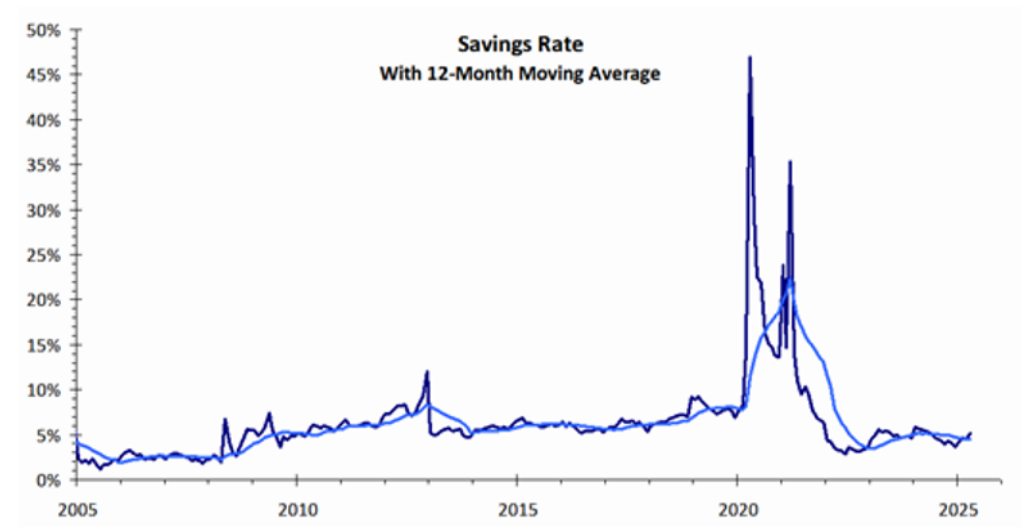


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Disposable Personal Income Is Growing



Consumer Saving Rate Is Rising



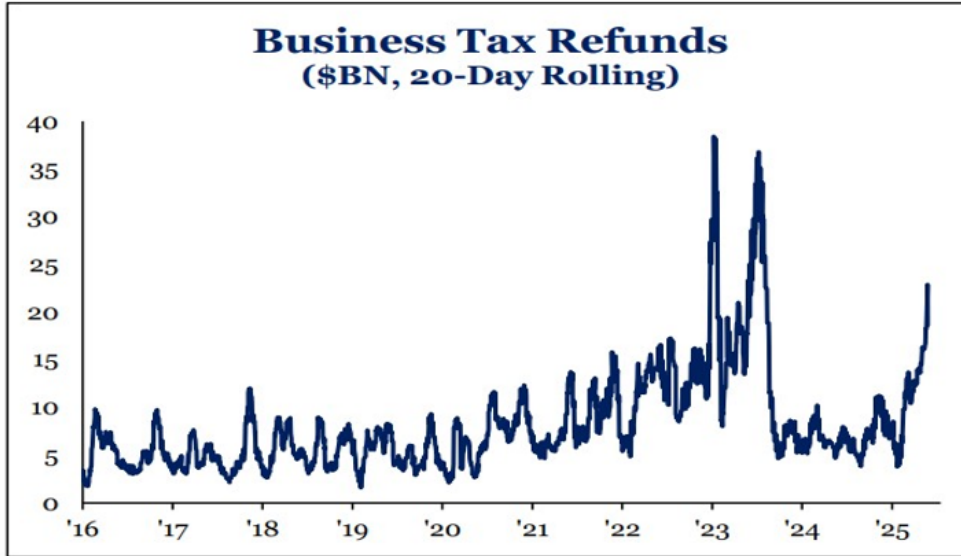
Source: Bureau of Economic Analysis, Sanctuary Wealth, May 30, 2025



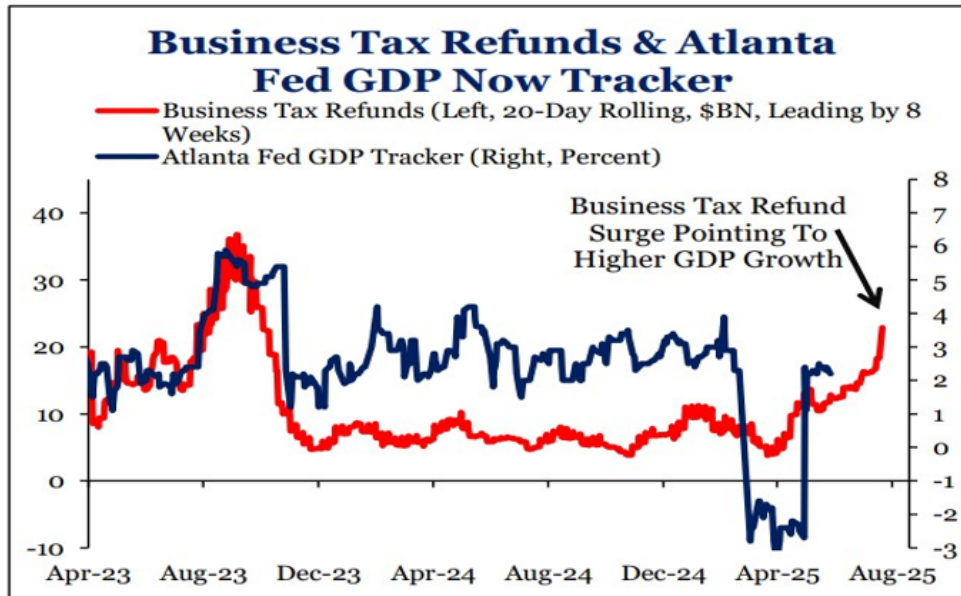
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Strategas Highlights On May 30: BUSINESS TAX REFUNDS ARE SURGING, PROVIDING AN UNDERAPPRECIATED STIMULUS TO THE ECONOMY

With all the earnings and tariff talk, the market is missing what Strategas is highlighting: that business tax funds are surging – which is providing stimulus for the economy. Note the correlation of improving business taxes to the Atlanta GDPNow Tracker.



Source: Strategas, May 30, 2025



Source: Strategas, May 30, 2025



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Corporate Profits Still Growing Vs. GDP But Slowing

Points To Growth Stocks Outperforming

Corporate Profits Are Growing Vs. GDP But Slowing



Source: Bureau of Economic Analysis, Sanctuary Wealth, May 30, 2025

Reintroducing 7200 Target On S&P 500 Over The Next 12-Months

The S&P 500 is pricing in that tariffs will eventually be settled and will not cause much damage to corporate profits. We believe that AI, robotics, virtual reality and Web 3.0 will continue to drive the equity market with Technology and Tech-Related sectors producing the earnings that can drive stocks higher. Remember: a scarce earnings environment drives Growth stocks. The S&P 500 has had a sharp recovery from the lows in April. We continue to anticipate a summer rally, though some sideways trading remains likely in the near term. The accompanying chart shows what might be a developing inverted head and shoulders pattern in the S&P 500; in technical analysis, this is a formation often seen as a bullish signal.

If we are correct, we believe this pattern will allow in time for the S&P 500 to reach our original target this year of 7200, which is just over a 20% gain from today's level. The market may not get there this year, but we do believe it's a level we get to in 2026. Our longer-term target remains 10,000-13,000, which, in our view, will be reached at the end of the decade. So, we remain buyers of this equity market.

S&P 500 Could Be Forming An Inverted Head & Shoulders Pattern

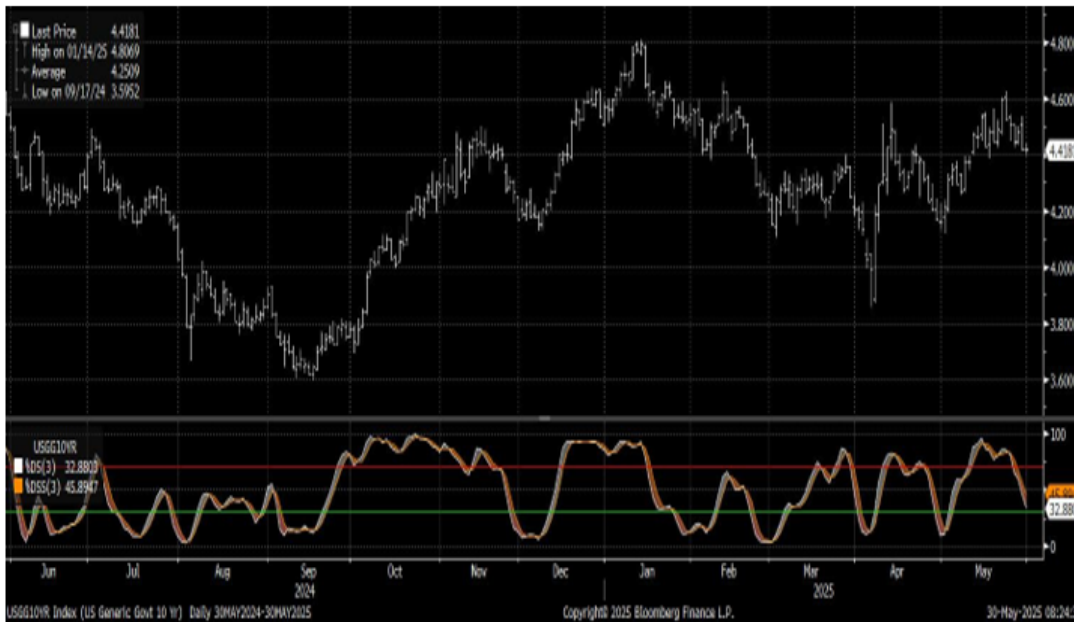


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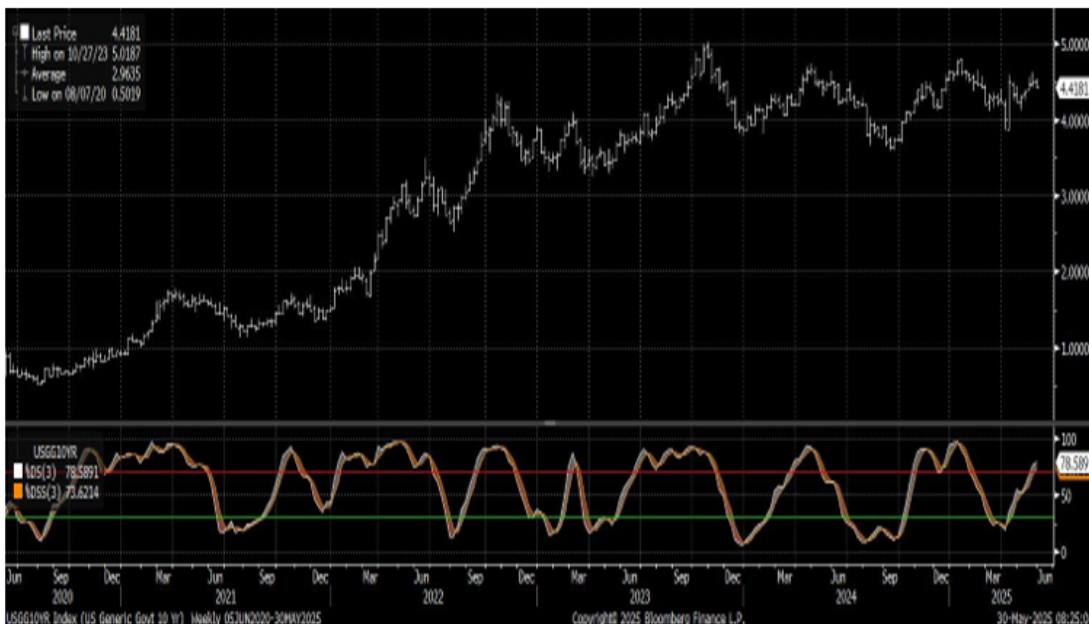
10-Year Treasury Yield Trending Down Not Up

With April Core Personal Consumption Expenditures (PCE) coming in as expected at 2.5%, the pressure on longer rates is easing. Technically the price momentum is pointing to an easing on the 10-year Treasury yield. We do not see this rate moving toward 5.0% but trending toward 4.2%. We maintain that the 10-year Treasury remains in a trading range of 4.0%-5.0%. Note in the monthly chart that yields are basically unchanged over the past 17 years.

10-Year Treasury Yield With Daily Stochastic



10-Year Treasury Yield With Weekly Stochastic





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10-Year Treasury Yield With Monthly Stochastic



Sector Readings: Communication Services Still Top Ranked While Lowest Ranked Health Care Remains In Intensive Care

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 1-10 with 1 being the strongest and 10 the weakest. Last week, Health Care remained in last place and Communication Services stayed top-ranked. Technology continues to improve.

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

	May 30	May 23	May 16	May 9	May 2	Apr 25	Apr 18	Apr 11
Consumer Discretionary	4	5	3	7	7	7	10	8
Consumer Staples	7	6	7	3	3	1	1	1
Energy	10	10	10	10	11	9	8	11
Financials	2	4	1	1	1	3	3	2
Health Care	11	11	11	11	10	8	7	7
Industrials	3	2	2	4	5	5	5	5
Information Technology	6	7	6	8	8	10	11	10
Materials	9	8	9	9	9	11	9	9
Communication Services	1	1	4	5	4	4	6	6
Utilities	5	3	5	2	2	2	2	3
Real Estate	8	9	8	6	6	6	4	4

Source: Bloomberg, Sanctuary Wealth, May 30, 2025



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OBOS List: Industrials Most Overbought And Health Care Most Oversold

This is our new tactical sector rotation model using 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 30 May 2025

<i>rank</i>	<i>S&P Sector</i>	<i>normalized Oscillator</i>
1	Industrials	2.2611 <i>Overbought</i>
2	Utilities	0.7005 <i>Near Overbought</i>
3	Consumer Staples	0.5579 <i>Neutral</i>
4	Financials	0.4381
5	Materials	0.2225
6	Communication Services	0.0975
7	Real Estate	-0.0286
8	Information Technology	-0.2821
9	Consumer Discretionary	-0.3437 <i>Neutral</i>
10	Energy	-0.6520 <i>Near Oversold</i>
11	Health Care	-1.5251 <i>Oversold</i>

Source: Bloomberg, Sanctuary Wealth, May 30, 2025

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Market Performance: Gold Remains The Best Performing Asset YTD

	Last 5/30/2025	Month End 4/30/2025	Month to Date	Quarter End 3/31/2025	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 5/30/2024	Year To Year
S&P 500	5911.69	5569.06	6.2%	5611.85	5.3%	5881.63	0.5%	5235.48	12.9%
NASDAQ Composite	19113.77	17446.34	9.6%	17299.29	10.5%	19310.79	-1.0%	16737.08	14.2%
NASDAQ 100	519.11	475.47	9.2%	468.92	10.7%	511.23	1.5%	451.55	15.0%
Russell 2000	2066.29	1964.12	5.2%	2011.91	2.7%	2230.16	-7.3%	2056.60	0.5%
S&P Consumer Discretionary Sector	1717.38	1570.08	9.4%	1575.40	9.0%	1831.16	-6.2%	1421.31	20.8%
S&P Consumer Staples Sector	917.35	902.34	1.7%	892.71	2.8%	853.65	7.5%	812.39	12.9%
S&P Energy Sector	619.34	617.47	0.3%	715.75	-13.5%	654.85	-5.4%	690.87	-10.4%
S&P Financial Sector	845.93	811.11	4.3%	829.46	2.0%	804.44	5.2%	681.64	24.1%
S&P Health Care Sector	1543.45	1637.04	-5.7%	1702.26	-9.3%	1604.75	-3.8%	1647.70	-6.3%
S&P Industrials Sector	1207.31	1111.41	8.6%	1109.72	8.8%	1115.65	8.2%	1030.92	17.1%
S&P Information Technology Sector	4524.41	4083.59	10.8%	4019.98	12.5%	4609.52	-1.8%	3972.26	13.9%
S&P Materials Sector	544.68	529.86	2.8%	541.98	0.5%	529.77	2.8%	569.05	-4.3%
S&P Real Estate Sector	261.57	259.37	0.8%	262.90	-0.5%	255.92	2.2%	233.65	11.9%
S&P Communications Sector	352.61	321.68	9.6%	319.75	10.3%	341.66	3.2%	294.58	19.7%
S&P Utilities Sector	414.48	400.99	3.4%	400.81	3.4%	384.95	7.7%	361.43	14.7%
S&P 500 Total Return	13049.13	12276.39	6.3%	12360.21	5.6%	12911.82	1.1%	11402.10	14.4%
3 month Treasury Bill Price	98.91	98.93	0.0%	98.93	0.0%	98.92	0.0%	98.65	0.3%
3 month Treasury Bill Total Return	261.55	260.57	0.4%	259.66	0.7%	256.97	1.8%	249.39	4.9%
10 Year Treasury Bond Future	110.75	112.22	-1.3%	111.22	-0.4%	108.75	1.8%	108.55	2.0%
10 Year Treasury Note Total Return	304.47	307.54	-1.0%	303.73	0.2%	293.94	3.6%	286.99	6.1%
iShares 20+ Year Treasury Bond ETF	86.28	89.47	-3.6%	91.03	-5.2%	87.33	-1.2%	89.84	-4.0%
S&P Municipal Bond Total Return	275.70	275.92	-0.1%	277.48	-0.6%	278.14	-0.9%	268.91	2.5%
iShares S&P National Municipal Bond NAV	103.96	104.39	-0.4%	105.21	-1.2%	106.40	-2.3%	105.42	-1.4%
S&P 500 Investment Grade Corporate Bond Total Return	475.34	475.64	-0.1%	475.67	-0.1%	465.24	2.2%	448.81	5.9%
S&P Investment Grade Corporate Bond	90.62	90.99	-0.4%	91.30	-0.7%	90.28	0.4%	89.23	1.6%
S&P Investment Grade Corporate Bond Total Return	507.22	507.29	0.0%	507.15	0.0%	495.89	2.3%	477.81	6.2%
SPDR Bloomberg High Yield Bond ETF	95.91	94.71	1.3%	95.30	0.6%	95.47	0.5%	93.95	2.1%
iShares iBoxx High Yield Corporate Bond ETF	79.57	78.60	1.2%	78.89	0.9%	78.65	1.2%	76.86	3.5%
Gold	3289.25	3288.71	0.0%	3123.57	5.3%	2624.50	25.3%	2343.07	40.4%
Bitcoin	104597.81	94581.18	10.6%	82421.29	26.9%	93714.04	11.6%	68469.51	52.8%

Source: Bloomberg, Sanctuary Wealth, May 30, 2025

Reading The Economic Tea Leaves

This week is all about jobs, again.

This week's calendar is packed with potential market-moving data. On the jobs front, we'll see the latest JOLTS and ADP reports, offering fresh insights into labor demand and payroll trends. The Fed's Beige Book will provide an anecdotal look at economic conditions across the country, just weeks ahead of the next FOMC meeting. ISM Manufacturing and Services data will also shed light on business sentiment. As always, we're watching how the market reacts, but we remain focused on long-term opportunity, not short-term noise.



Calendar

Sun.

10:00 am San Francisco Fed President Mary Daly TV appearance
8:00 pm Fed Governor Christopher Waller speech

Mon.

9:45 am S&P final U.S. manufacturing PMI
10:00 am ISM manufacturing, Construction spending
10:15 am Dallas Fed President Lorie Logan speech
12:45 pm Chicago Fed President Austan Goolsbee speech
1:00 pm Federal Reserve Chair Jerome Powell opening remarks
TBA Auto sales
Earnings Campbell Soup*

Tue.

10:00 am Factory orders, Job openings
12:45 pm Chicago Fed President Austan Goolsbee speech
1:00 pm Federal Reserve Governor Lisa Cook speech
3:30 pm Dallas Fed President Lorie Logan opening remarks
Earnings Dollar General, CrowdStrike Holdings, Hewlett Packard Enterprise

Wed.

8:15 am ADP employment
9:45 am S&P final U.S. services PMI
10:00 am ISM services
10:15 am Atlanta Fed President Raphael Bostic and Federal Reserve Governor Lisa Cook at Fed listens event
2:00 pm Fed Beige Book
Earnings Dollar Tree

Thu.

8:30 am Initial jobless claims, U.S. trade deficit, U.S. productivity
12:00 pm Federal Reserve Governor Adriana Kugler speech
1:30 pm Philadelphia Fed President Patrick Harker speech
Earnings Broadcom, Cracker Barrel, Lululemon Athletica

Fri.

8:30 am U.S. employment report, U.S. hourly wages, Hourly wages year over year
3:00 pm Consumer credit
Earnings ABM Industries

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

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