TOVA WEALTH
PLANNING & INVESTMENTS

The Corner

August
2025

A Slowing Bull Gathers Strength for a Longer Ride

Executive Summary

The secular bull market continues to charge ahead in a summer rally driven by robust economic growth, consumer resilience, and transformative technologies such as Artificial Intelligence (AI), Blockchain, Web 3.0, Virtual Reality (VR), and Robotics. Strong corporate earnings, rising profit margins, healthy returns on equity, along with nearly $7.1 trillion in money funds allow for further gains. Our year-end target for the S&P 500 is 7000 with 7200 being reached next year. Our secular bull market target sees the S&P 500 reaching 12,000–13,000 by 2029–2030. We believe that any seasonal weakness can provide investors with opportunities to enter into positions at more attractive levels.

Tracking Tech To Tariffs

We have been positive on Technology and Tech-related companies, making the argument that AI, Web 3.0, Blockchain, VR, and Robotics are driving corporate profits and strong profit margins for these companies, and this trend is likely to continue into the remainder of the decade, in our view. This is the time of the Digital Era which we believe should drive strong productivity gains. Let's review some of these important factors that are driving this new era of gains.

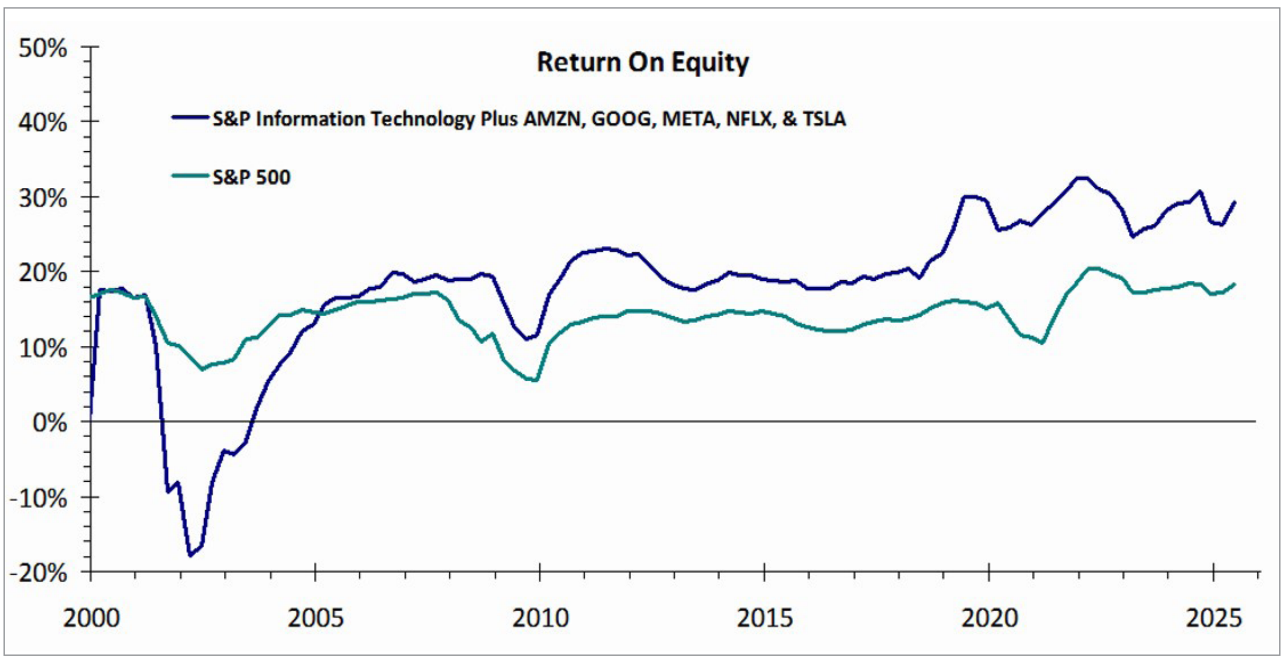
Return On Equity

Return on equity (ROE) measures how efficiently a company generates profit. The more efficient the company, the higher the ROE. Shareholders' equity is the difference between a company's assets — what it owns — and its liabilities — what it owes. Shareholders' equity is what's left over: the net worth, if you will. The ROE is the company's profits as a percent of that net worth, of the equity.

But it isn't just the ROE that's important. The trend in a company's ROE over time is also important. If it's rising, the company is improving, and that's a good thing. If it's falling, there might be something wrong. ROE can even be negative if the company is losing money.

At the end of 2Q25, the S&P 500 had a ROE of 18.25%. It's been in a rising trend since the Great Financial Crisis (GFC) 15 years ago. The S&P Information Technology sector, along with the tech-related stocks Amazon, Alphabet, Meta, Netflix, and Tesla, had an ROE of 29.28%, which was more than 11% higher than the S&P 500's ROE. The ROE of these stocks has been improving since early 2002, following the end of the Dot-Com Boom of the 1990s. This is a new technology cycle, and that's driving the ROE higher and faster than the broad market.

Return On Equity For Technology-Related Stocks Exceeds That Of The Broad Market



Source: Standard & Poor's, Bloomberg, Sanctuary Wealth, August 10, 2025

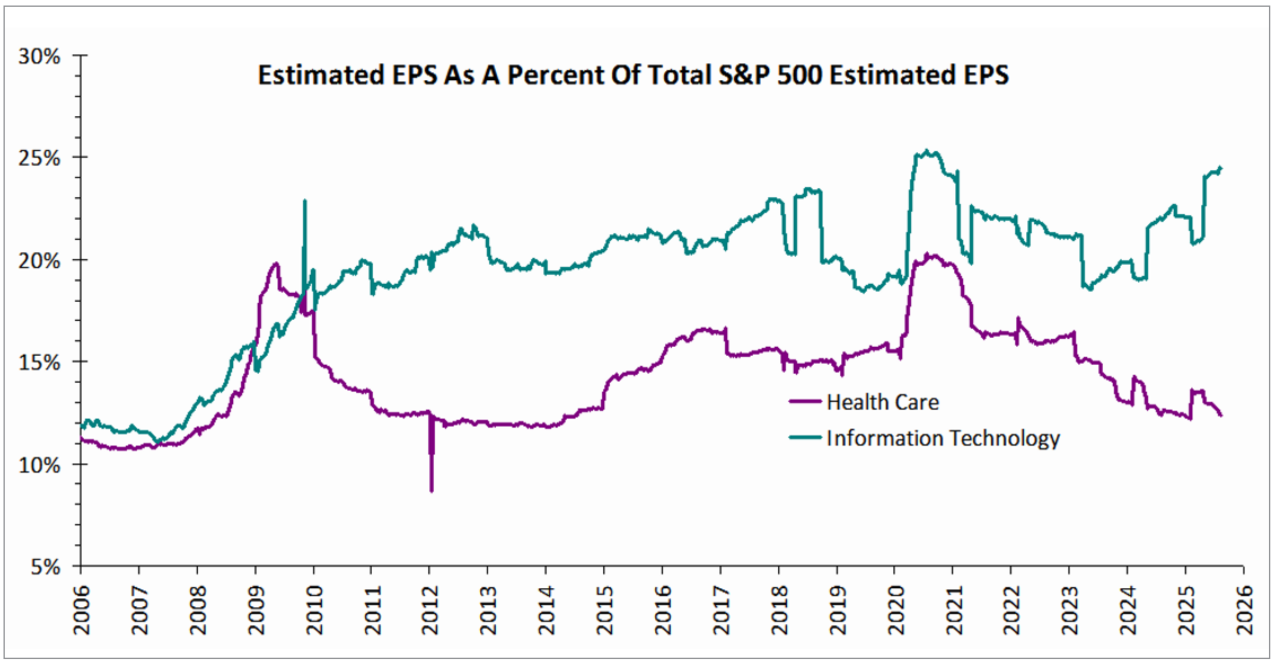
Earnings Growth

You want earnings to grow in the stocks you hold, but you don't base your decisions on how they performed in the past. That's like driving in a rear-view mirror. You should base your decisions on what you think is going to happen. If you think things will improve, you want to own the stock. If you think they're going to get worse, maybe you'd prefer to look someplace else. The S&P 500 discounts out about six months ahead – so looking forward on the direction of earnings is important.

Analysts are paid to examine companies as closely as they can and estimate what they think a company will earn. They estimate the costs of doing business, the revenues, and any changes that are likely to affect the company's business. Companies like Bloomberg, FactSet, and DataStream track analysts' estimates, and we can aggregate those estimates on a sector or industry basis.

Let's look at Information Technology and Health Care, two important sectors in the economy and both quite large. Analysts' estimates for Information Technology are near 20-year highs and rising. Their estimates for the Health Care sector are near 20-year lows and falling. We're bullish on Technology, but we've been saying for a while that Health Care is in intensive care – a sector undergoing a restructuring under President Trump's administration. The difference between analysts' earnings expectations for these sectors is one reason why they're moving in opposite directions. The stock prices reflect this trend, with Technology stocks up 16.9% year-to-date and Healthcare down 3.8% year-to-date.

Expectations For Technology Earnings Are Improving, But Not For Health Care



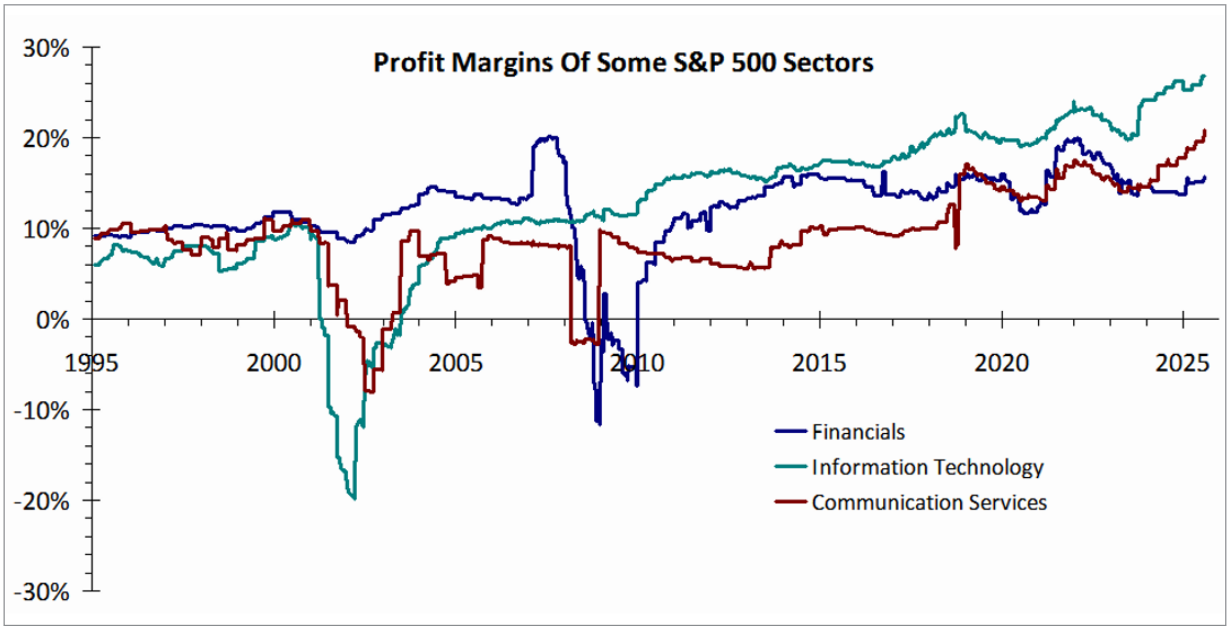
Source: Bloomberg, Sanctuary Wealth, August 10, 2025

Profit Margins

Profit margin is net earnings divided by revenue. To keep as much revenue as a company can, it looks to control expenses and charge what the market will bear for goods and services. Like ROE and earnings estimates, we'd also like to see a rising trend in profit margin.

We're seeing rising profit margins in Information Technology, Communication Services, and Financials — the top three S&P sectors by margin. Information Technology leads at 26.8%, followed by Communication Services at 20.9%, and Financials at 15.6%. All are trending higher, with Technology and Communication showing especially strong improvement.

Profit Margins Are Strong And Rising For Information Technology, Communications Services And Financials

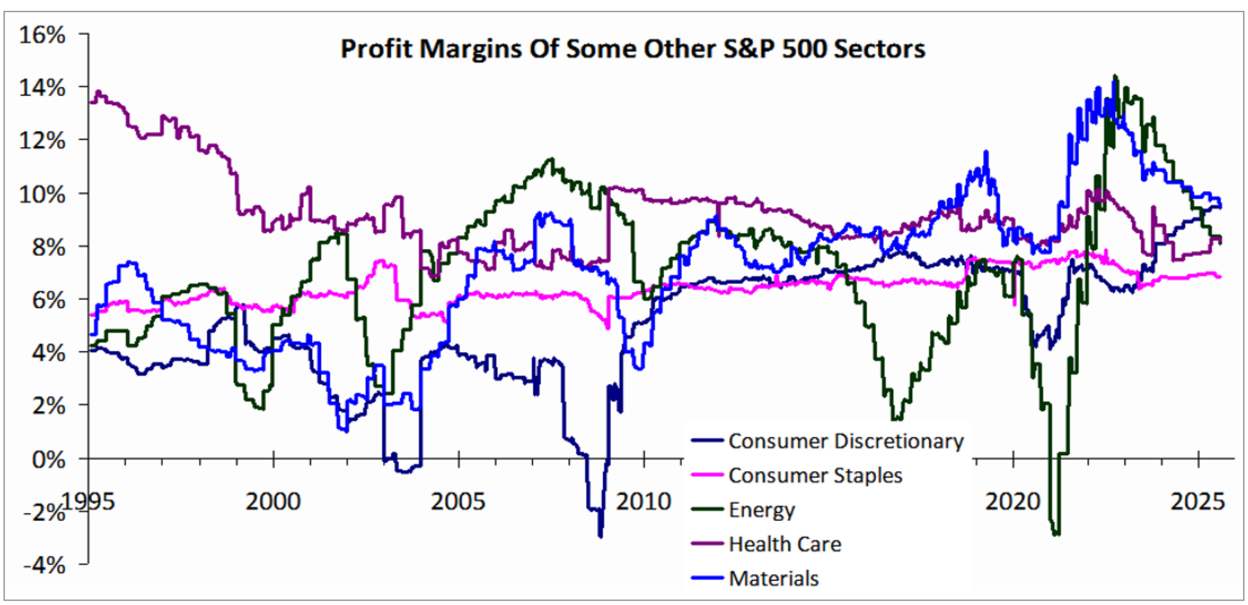


Source: Bloomberg, Sanctuary Wealth, August 10, 2025

Profit Margins Of Some Other S&P 500 Sectors

By comparison, some of the other S&P 500 sectors have profit margins that partly explain their relative weakness. The five we show here all have profit margins between 6.5% and 9.5%. Materials (9.5%) and Energy (8.4%), the two Natural Resources sectors, have falling profit margins. Health Care has a profit margin of 8.25%, but it isn't improving. Consumer Staples has a low profit margin of 6.8%, but that's fairly steady, which is one reason these stocks are considered defensive stocks: they generally continue without much interruption even when the economy is weak. Consumer Discretionary, however, has a profit margin of 9.5%, and it's improving.

Weaker Profit Margins Usually Lead To Weaker Stock Prices



Source: Bloomberg, Sanctuary Wealth, August 10, 2025

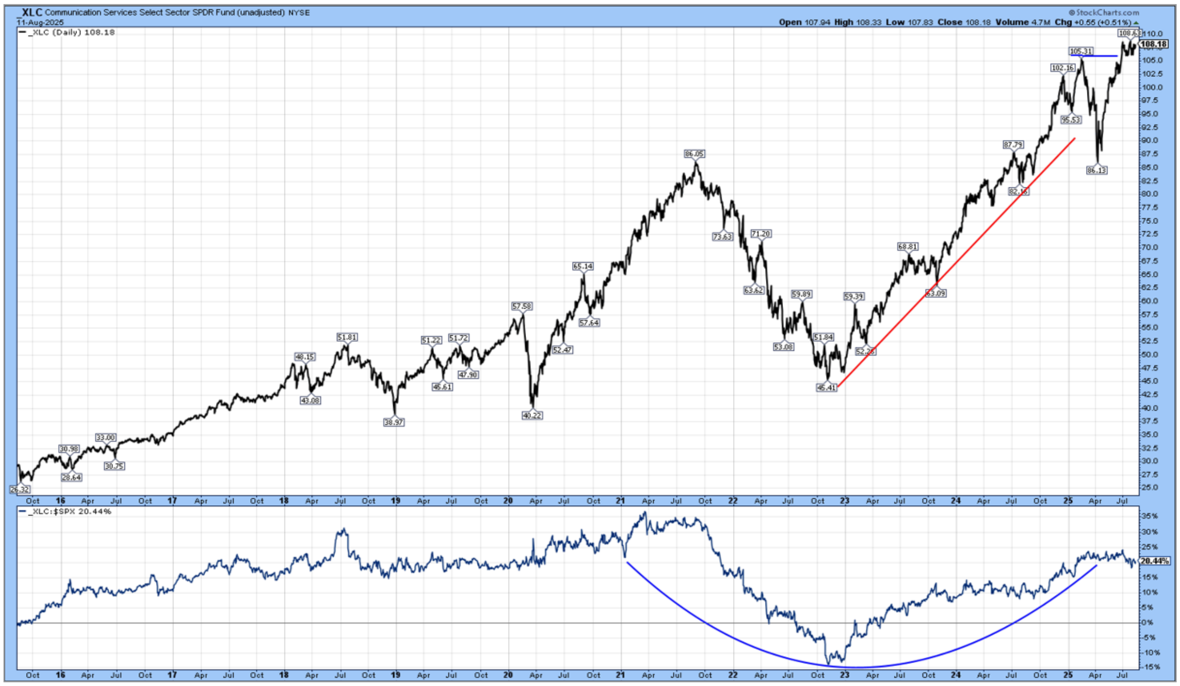
ROE, Earnings Expectations And Profit Margins Support Growth Over Value

Information Technology and Communication Services have performed well not only because the story around them is strong, but because the data and analysis back it up. These make up the core of Growth stocks and that strength is helping Growth outperform Value. ***We continue to believe that Growth is in a Mega Bull market cycle.***

Another Strong Breakout For Growth Vs. Value – Confirmation Growth Is Leadership

iShares Information Technology ETF (IYW) (Top) With Relative Price To S&P 500 (Bottom) – Relative New High Confirms Bull Trend

SPDR Communications Services ETF (XLC) (Top) With Relative Price To S&P 500 (Bottom)



S&P 500 Price Momentum Indicators Weakening, Signaling Seasonal Weakness Ahead

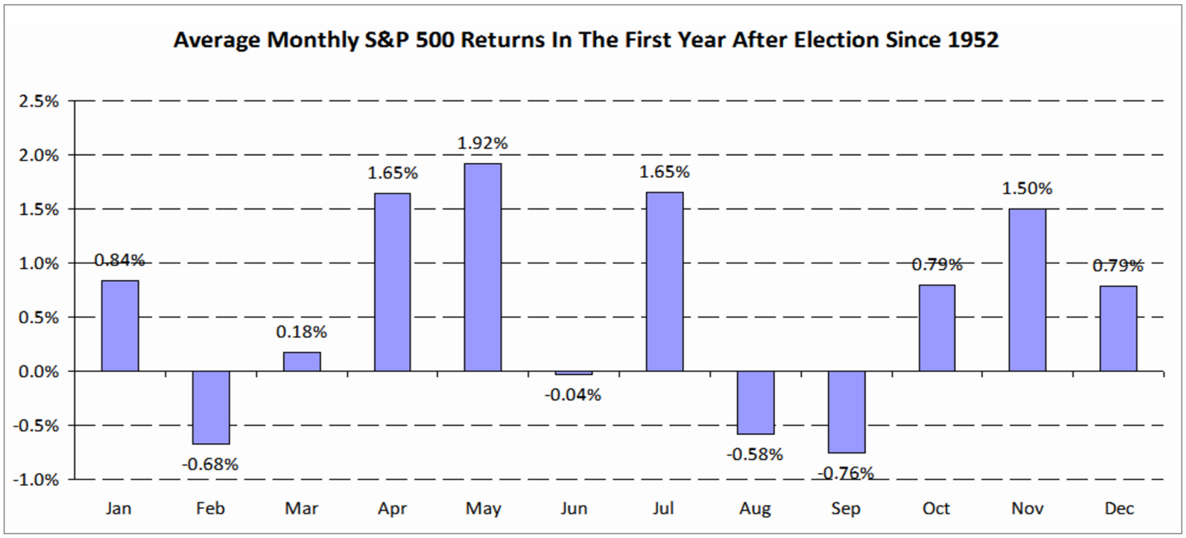
While we believe we are in a secular bull market with higher lows and higher highs, the market can still experience cyclical downturns. When we look at recent activity in the S&P 500, we see price momentum slowing. We're on the lookout for a short-term dip in stock prices. What might initiate this is unclear – a brief rise in interest rates, additional turmoil in the saga of tariffs and trade – but we believe the market is vulnerable to a decline. Still, keep in mind that we expect new highs to be achieved by the end of the year.

S&P 500 Stochastic (Top), MACD (Middle), And RSI (Bottom) – All Signal Slower Price Momentum

Seasonal Weakness Is Not Uncommon, But Not Preordained

There is often a seasonal downturn in stocks from late August until mid-October, particularly in the first year following a presidential election. However, this does not occur every time, and in some years, a strong rally has occurred instead. We are watching the market closely for any signs of weakness, but for now, breadth and earnings remain strong.

Late Summer Slides Sometimes Occur The Year Following A Presidential Election



Source: Standard & Poor's, Sanctuary Wealth, August 11, 2025

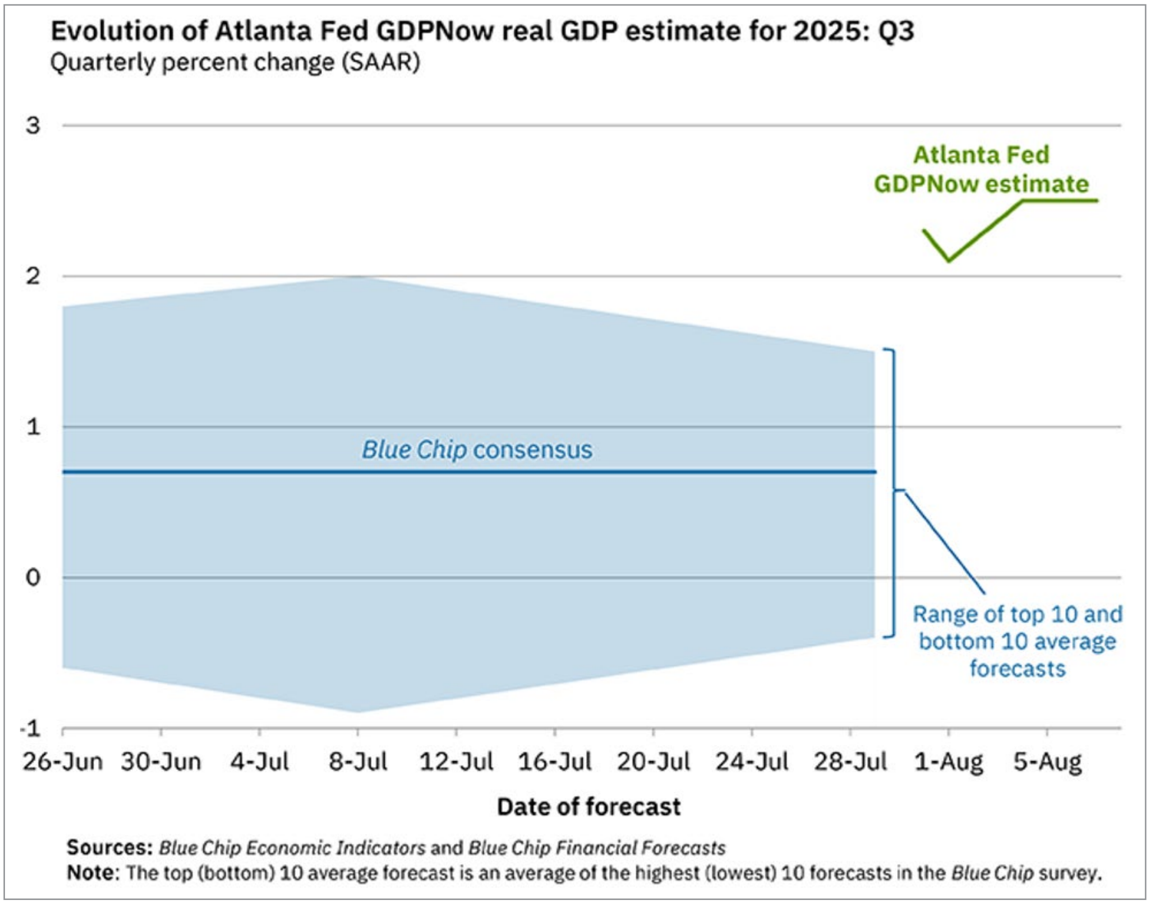
Breadth Continues To Expand

Market breadth, the running sum of the number of rising stocks less the number of declining stocks, is a solid measure of whether the average stock trading in the market is rising or falling. The cumulative breadth of the S&P 500 has been rising since the tariff announcement in early April, and it's still climbing. For now, market prices remain in an upward swing.

S&P 500 Cumulative Market Breadth Still Strong – Signaling Trend Still Bullish

The Economy Is Still Growing

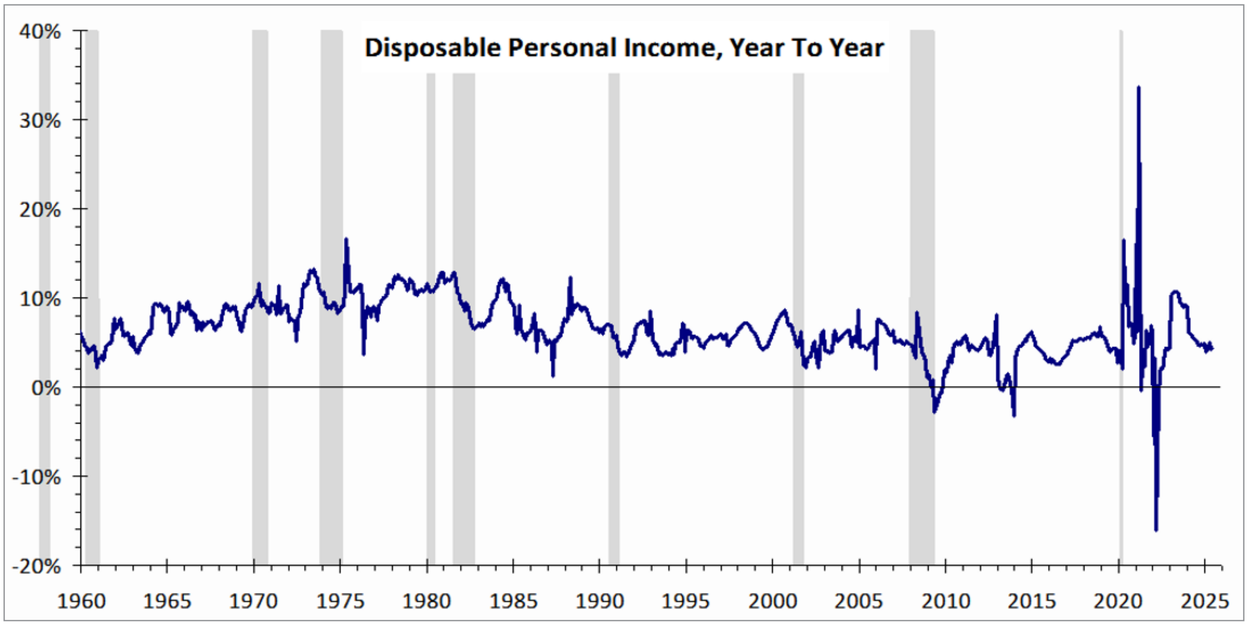
The Atlanta Federal Reserve Bank releases a running estimate of gross domestic product (GDP) several times a month. Their most recent estimate suggests GDP will be growing 2.5% during the 3Q25, well above the consensus estimate, which is less than 1.0%. Remember: 2Q25 growth came in at 3.0%. The U.S. economy is strong, especially relative to other global economies.



Consumer Incomes Are Still Rising

Almost 70% of the U.S. economy relies upon consumer spending. Consumers spend when they have jobs and their incomes are rising. The jobs market is "in balance," as the Federal Reserve (Fed) recently stated. Incomes are rising, too. Disposable personal income (i.e., income after taxes) is growing near its average year-over-year rate of the past 20 years at 4.3%. We think this is positive for the economy and for Consumer Discretionary stocks.

Disposable Personal Income Is Still Growing, Supporting Consumer Spending



Source: Bureau of the Census, Sanctuary Wealth, July 31, 2025

SPDR Consumer Discretionary ETF (XLY) (Top) With Relative Price To S&P 500 (Bottom)

Tactical Rise In Rates Expected – Longer Term Trend Is Down

Both the 2- and 10-year Treasury yields can technically rally within a downtrend. In our view, 10-year Treasuries could rise to near 4.4%, and 2-year Treasuries could rise to about 3.9%. This is bullish for the U.S. dollar but negative for equities. Such movement could be a catalyst for a seasonal correction.

2-Year Treasury Yields Can Back Up To 3.9%

10-Year Treasury Yields Can Back Up To 4.4%

Talk About Tariffs

The tariff and trade landscape changes daily, making it hard for investors to track what's happening now — and what might come next. Yet one thing is clear: the dire predictions of economic collapse have not materialized. History helps explain why. After World War II, the General Agreement on Tariffs and Trade (GATT), part of the Marshall Plan, encouraged U.S. consumers to buy from allied nations to help rebuild those economies. We lowered tariffs, foreign producers flourished, and American industry gradually lost ground. Today, new trade policies aim to reverse that trend and restore domestic manufacturing strength.

Where Tariffs Stand Today

As best we can determine, here's where things stand in mid-August.

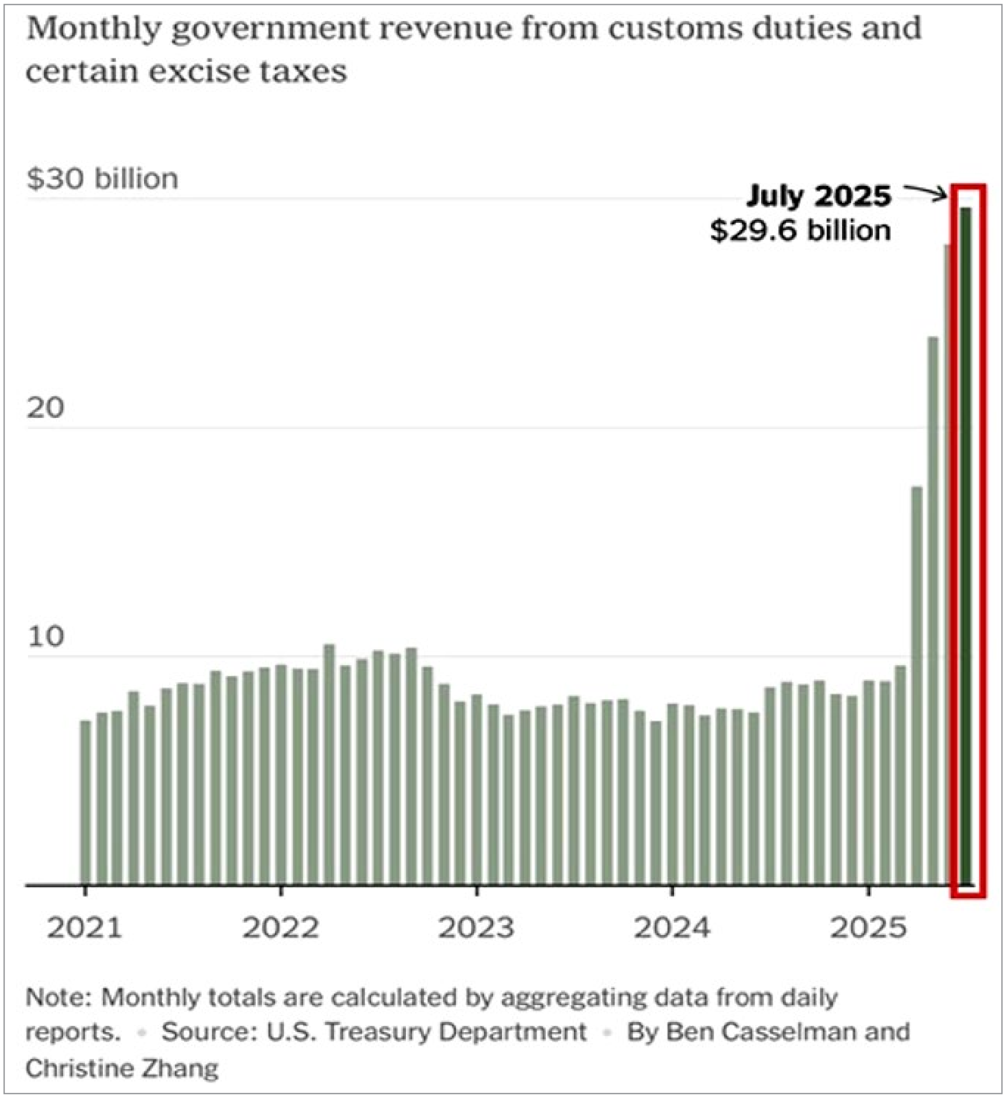
There is a universal tariff of 10% on all imports, except from Canada and Mexico, which are covered separately under the United States-Mexico-Canada Agreement (USMCA). There is a series of factors that can raise the base tariff rate.

- **Trade Deficits/Non-Reciprocal Trade:** Higher tariffs (e.g., 15%–50%) are imposed on countries with trade deficits or perceived non-reciprocal trade practices, aiming to protect U.S. industries and encourage reshoring. Examples include Brazil (50%) and Canada (35%).
- **Fentanyl:** Tariffs on Canada, Mexico, and China (e.g., 20% on China, 35% on Canada) were introduced to address alleged fentanyl trafficking.
- **National Security:** Tariffs on steel (50%), aluminum (50%), copper (50%), and autos (25%) are justified under national security concerns to bolster domestic production.
- **Transshipment:** Additional 40% tariffs apply to goods transshipped to avoid higher tariffs (e.g., China exporting to the U.S. through Vietnam or Indonesia).
- **Retaliatory Actions:** Countries like Canada and China have imposed retaliatory tariffs (e.g., Canada's 25% on U.S. steel, aluminum, and consumer goods; China's 10%–15% on U.S. agricultural products) in response to U.S. tariffs.
- **Sector-Specific Protections:** High tariffs on copper (50%) and pharmaceuticals (proposed up to 200%) target critical industries.

The Effect Of Higher Tariffs On Federal Revenue

One immediate effect of higher tariffs has been a boost in revenue for the Federal government. July revenue from tariffs was roughly triple that of the previous four years. If it remains at that level, it would add nearly a quarter-trillion dollars to the revenue the government collects over the next 12 months.

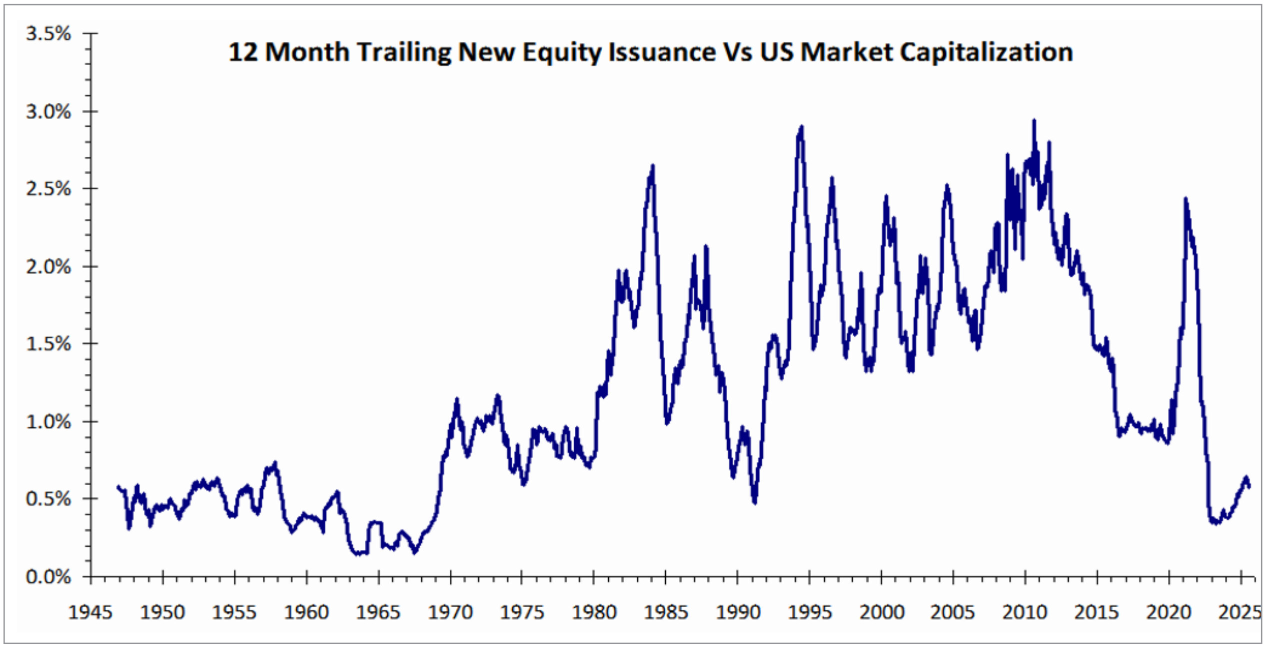
Tariff revenue rose in July



Initial Public Offerings: Fannie Mae And Freddie Mac

We expected a new cycle of initial public offerings (IPOs) to begin, and several high-profile launches have already been successful. We anticipate more to come — and the Trump Administration may soon add to the momentum. Fannie Mae and Freddie Mac, which purchase mortgages, were taken into conservatorship following the Great Financial Crisis. Their stocks trade over-the-counter now. The Administration announced on August 8 that it might sell $30 billion worth of stock in Fannie and Freddie later this year. This would not be an initial public offering, but rather a secondary offering – meaning the stock is already publicly traded and the company is selling additional shares to the public. However, this is welcome news to finance stocks, and possibly to home buyers as well, since Fannie and Freddie exist to boost the housing market.

IPOs At Lowest Levels Compared To Market For 50 Years. There Is Room To Grow



Source: Bloomberg, Sanctuary Wealth, August 9, 2025

WSJ

Trump Preparing IPO for Fannie Mae and Freddie Mac Later This Year

Some officials believe offering could raise around $30 billion and value firms at roughly $500 billion or more combined

By Corrie Driebusch Follow *, AnnaMaria Andriotis* Follow *and Gina Heeb* Follow

Updated Aug. 8, 2025 6:05 pm ET

WSJ

Bain Considers Late 2025 IPO of Bob's Discount Furniture

The private-equity firm is looking to hire bankers to work on the deal

By Lauren Thomas Follow *and Ben Glickman* Follow

Aug. 11, 2025 5:15 pm ET

CNBC

Crypto exchange Bullish prices IPO at $37 per share, above expected range, ahead of NYSE debut

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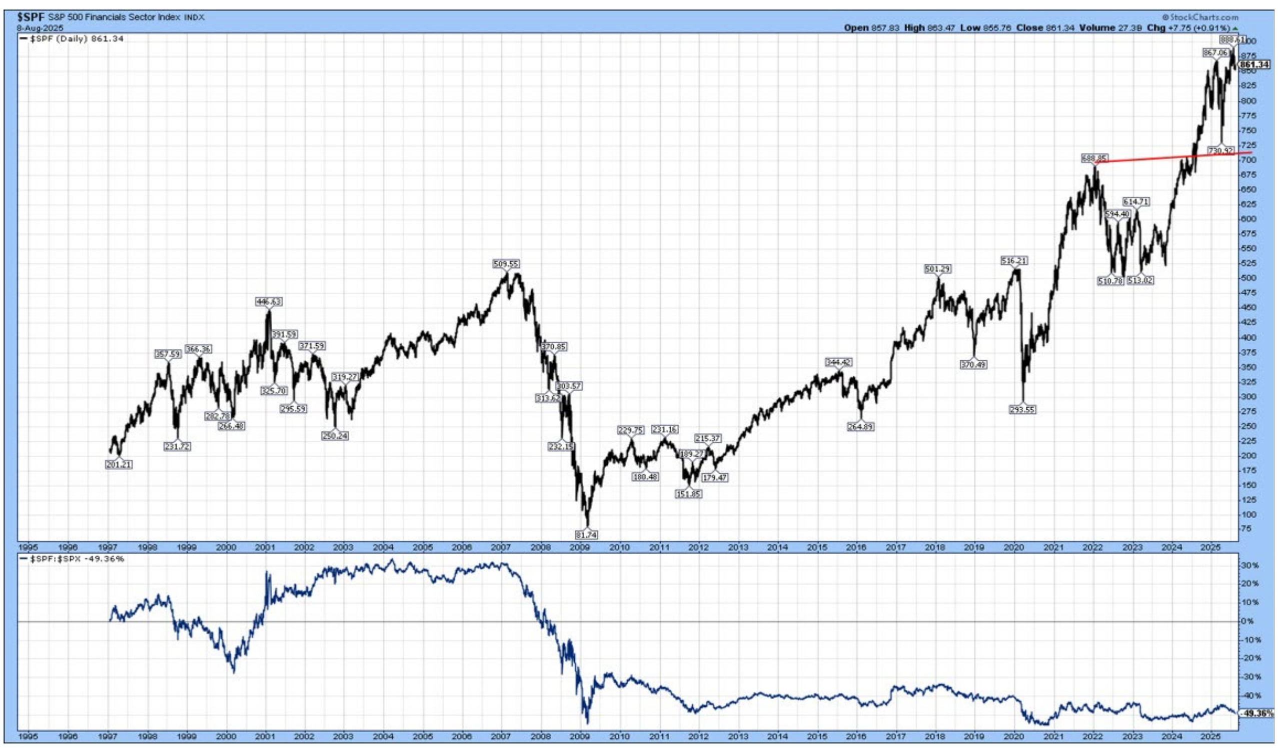
- Bullish, a cryptocurrency exchange and owner of crypto news site CoinDesk, priced its initial public offering at $37 per share, above the expected range of $32 to $33.
- The IPO price gives the company a total market value of $5.4 billion.
- The shares will trade on the New York Stock Exchange under ticker symbol "BLSH."

Financial Stocks Would Benefit From A Rise In Public Offerings

Financial firms with investment banking that launch IPOs should benefit from a bullish cycle in new offerings.



Stablecoins Lock In U.S. Dollar Dominance

The recent passage of the GENIUS Act (Guiding and Establishing National Innovation for U.S. Stablecoins Act) strengthens the case for U.S. dollar stablecoins. These are cryptocurrencies pegged 1:1 to the U.S. dollar and backed by U.S. Treasuries and other high-quality assets, and they are now well-positioned to become the preferred settlement method for a sizable share of global trade — about $33 trillion in 2024, according to the United Nations Conference on Trade and Development (UNCTAD) organization. Because there is a legal framework set forth in statutory law and regulatory guidance from Congress, we expect dollar-denominated stablecoins to replace many older means of settling trade, or to become embedded in existing systems. This strengthens the position of the U.S. dollar as the preferred international settlement currency and should increase demand for dollars.

U.S. Dollar Index Holds Long-Term Support

On A Shorter-Term Basis, Dollar Has Rallied With MACD (Bottom) Positive

Crypto Remains In A Bull Market

Not only stablecoins, but major cryptocurrencies remain in a bull market. Bitcoin (BTC), designed as an alternative to national currencies, has made a new all-time high, marking a price breakout. Based on technical projections, we believe that Bitcoin could reach $150,000 by year-end.

Bitcoin Breakout With Buy Signal On MACD. Technical Target $150,000

Ethereum Blockchain Is More Than Currency

Ethereum (ETH) uses a different, more efficient consensus, or proof of transaction, from Bitcoin. It is faster to settle, usually in seconds rather than minutes, and is less expensive to settle. Ethereum is also designed to incorporate programmatic contracts – self-enforcing "smart contracts" – and applications into its blockchain, while Bitcoin only records transactions. Bitcoin permits only a fixed, limited number of bitcoin (21 million), while Ethereum has no limit on supply. Ethereum seeks to become the foundation for Web 3, "the putative next generation of the web's technical, legal, and payments infrastructure." Technically, Ethereum should test its all-time high of $4867 and if it clears and stays above this level, the next technical projection is $6500.

Ethereum Must Clear Record High. Confirmed Breakout Above $4867, Targets $6500

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Crude Oil Prices Weaken

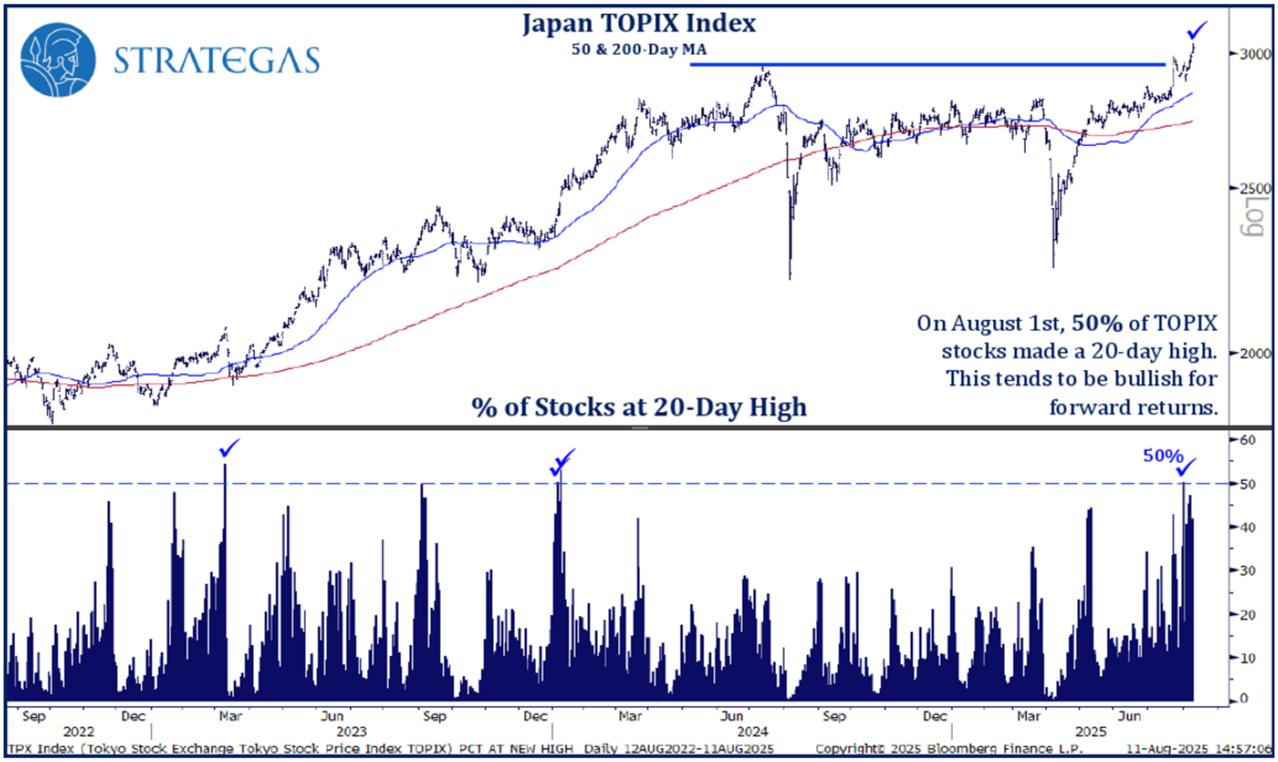
Crude oil prices are an important component of inflation, not only through gasoline prices, but also through heating oil prices, chemical feed prices, electricity costs, and many other components. Prices have been weakening in recent weeks, easing cost pressures across the economy. Lower prices are bullish for consumers, and this also makes it easier for the Fed to cut rates.

Breakdown In Crude Oil Points To Lower Prices Near $60

Japanese Stocks Continue To Rise

The Japanese market peaked at the end of 1989, beginning a long, painful 35 years of underperformance. That ended recently when the broad-based TOPIX index of Japanese stocks at last made a new all-time high, marking the start of a new secular bull market. The market is breaking out on strong breadth as measured by the percentage of stocks above the 20-day high. This confirms the secular breakout.

Japanese TOPIX Confirms Momentum For New Secular Bull Market



Source: Strategas, August 12, 2025

Gold Prices Continue To Rise

The Trump Administration levied a 39% tariff on Swiss exports to the U.S. It was initially assumed that this includes gold bars from Switzerland based upon a ruling by U.S. Customs. That led to a modest increase in gold prices; however, the White House quickly said that President Trump would soon issue an executive order clarifying that imports of gold bars would be exempt from tariffs, and a few days later, Trump announced that “gold will not be tariffed.” Our target for Gold this year is $4000 per ounce.

Gold Prices Are Positioned To Break To The Upside

WSJ

No Tariffs on Gold, Trump Says

By Gavin Bade, Trade and Economic Policy Reporter

The U.S. won’t apply tariffs on imports of gold, President Trump posted on Monday, following a ruling from Customs and Border Protection that had made the precious metal subject to steep duties. “Gold will not be Tariffed!” Trump posted on his Truth Social platform, without further explanation.

Gold Stocks Poised to Shine

Gold stocks tend to rise when gold prices climb, often with a short lag. Smaller producers typically show greater leverage to rising prices than larger ones, because the impact on their bottom lines is proportionally bigger. After breaking out from a 13-year base, these stocks have room to rally alongside Gold itself. Note: The price momentum indicators of Stochastic and MACD (Moving Average Convergence Divergence) remain positive.

VanEck Junior Gold Miners ETF (GDXJ) With Stochastics (Middle) And Moving Average Convergence/Divergence (Bottom)

Last Words

The S&P 500 is well into a summer rally during a secular bull market powered by strong economic growth, consumer resilience, and transformative technologies such as AI, Blockchain, Web 3.0, VR, and Robotics. Corporate earnings are rising, profit margins are strong, and returns on equity support valuations, and there is nearly $7.1 trillion in money funds on the sidelines. We believe that the S&P 500 can reach 7000 by year-end and 12,000–13,000 by the end of the decade. We favor Growth over Value stocks, with Technology and Communication Services in the lead.

Treasury yields can rise temporarily, with 10-year Treasuries possibly backing up to 4.4% while 2-year yields might reach 3.9%. This could initiate seasonal weakness in the stock market that could offer investors opportunities at more attractive levels. We believe any backup in yields or weakness in equities is a seasonal, short-run event that will not derail the secular bull market.

Risks To Our Outlook

- Sustained inflationary pressures that lift 10-year Treasury yields above 5.0%.
- Destabilization in international trade from unexpected tariff escalation that interrupts market momentum.
- A significant rise in unemployment.
- A slowdown in consumer spending or corporate earnings. No such slowdown appears in current data.

Corrections are opportunities, not reversals. Patient investors could find values in this dynamic bull market. Don't miss the sale!

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