

August 4, 2025

## Dog Days Of Summer

**As we head into August, the market is showing signs of fatigue. While the S&P 500 remains near record highs, the rally has lost some of its earlier energy.**

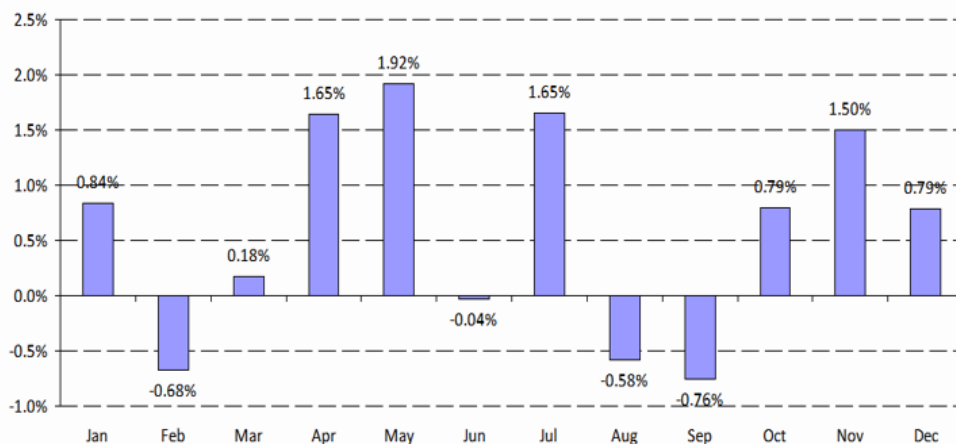
July's jobs report came in light, with only 73,000 new payrolls added – well below expectations – and perhaps an early sign that the labor market is beginning to cool. Meanwhile, the Federal Reserve (Fed) opted to keep interest rates unchanged last week as expected, but the decision wasn't unanimous. For the first time since 1993, two FOMC members dissented, voting in favor of a rate cut. The Fed's current stance remains mildly restrictive, with ongoing balance sheet reduction quietly draining liquidity from the system, which is estimated to be about a 50-basis point tightening. Following the announcement of significant revisions in employment figures for June and May (downward of a combined 258,000 jobs!), along with surprisingly weak numbers for July, President Trump fired the head of the Bureau of Labor Statistics on Friday, and later that day, a member of the Federal Reserve Board resigned. In addition to all this, Trump announced tariffs against over 60 countries, ranging from 10% to 41% – they're due to take effect on Thursday August 7. Markets responded with a decidedly cautious tone. However, we wouldn't be surprised to see more volatility during August, a month known as a market peak that leads to a correction during the months of September and October.

## Possible Rough Waters When Autumn Arrives

We note that equity markets have some risks near-term. First, while September and October are typically seasonally weak, August and September have averaged declines in the first year after a presidential election, dating back to 1952. Second, we note that downside volume has been rising over the past 3 months. We are cautious about possible market volatility as we approach the autumn months. Nevertheless, we would use any downside as an opportunity to take equity positions. We believe the secular bull market is intact, and that any sell-off should be used to the advantage of long-positioned investors.

## August And September Are Often Rough In The First Year Of A Presidential Term

Average Monthly S&P 500 Returns In The First Year After Election Since 1952

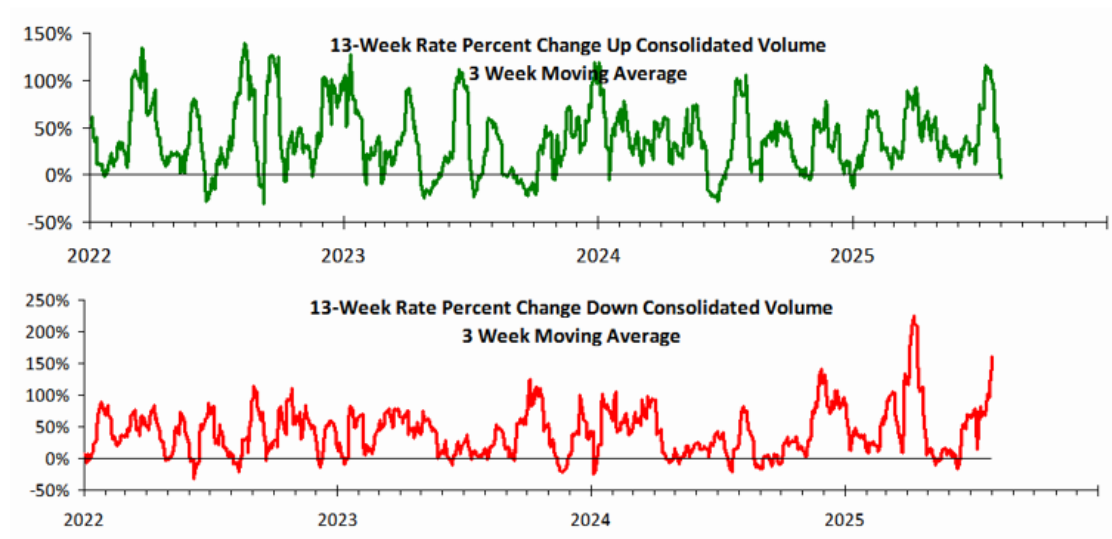


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## Volume Is A Leading Indicator Of Market Price

Volume leads price and we are beginning to get more downside volume versus up volume. This is showing a loss of price momentum and that we may have already entered a period of seasonal weakness for the market.

## Downside Volume Is Rising While Upside Volume is Declining



Source: Standard & Poor's, Sanctuary Wealth, August 1, 2025

## Federal Reserve Announces No Change In Interest Rates Due To Strong Economic Data

The initial report for second quarter gross domestic product (GDP) showed a 3.0% annualized rate of growth, exceeding market estimates. Personal consumption expenditures (PCE) rose 2.8%, also exceeding expectations. Nonfarm payrolls rose by 73,000 jobs in July, below estimates, while unemployment remained steady at 4.2%. More significantly, payrolls for May and June were revised down by nearly 260,000 jobs. Meanwhile, the Job Opening and Labor Turnover Survey (JOLTS) for June, a report delayed by one month, showed a decline in new job openings. But this was offset by a tightening in the labor supply as immigration reform reduced the number of job applicants. Last Friday afternoon, President Trump fired the Commissioner of the Bureau of Labor Statistics, which tracks wage and employment figures.

The FOMC (Federal Open Market Committee), which sets monetary policy for the Federal Reserve (Fed), announced no change in policy last Wednesday. Fed Chair Powell's noted that the FOMC's reasoning was that economic growth has "moderated," the labor market remains "solid," but inflation "remains somewhat elevated." For the first time since 1993, there were two dissenting votes, while the majority of the 12 FOMC members preferred to maintain a steady policy. Note that the recent GDP growth rate for 2Q25 did come in strong, supporting the Fed's decision to not cut interest rates.

Last Friday afternoon, Adriana Kugler, a one of the seven members of the Fed's Board of Governors and a voter on the FOMC, announced that she is resigning her position, effective August 8. Governors at the Fed serve 14-year terms. Kugler had been appointed in 2023 and has since backed Fed Chair Powell's decisions. President Trump can now nominate someone to fill the remainder of her term which would have expired at the end of January 2026.

The markets considered Fed Chair Powell's answers to questions by reporters mildly bearish. Besides leaving rates unchanged, the Fed also decided to continue shrinking its balance sheet, a process known as quantitative tightening or QT, which reduces net liquidity in the financial system. It is estimated that the current QT has tightened monetary policy by 50 basis points. Markets run on liquidity, so tighter liquidity can lead to choppy conditions.

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**CNBC**

## Trump fires commissioner of labor statistics after weaker-than-expected jobs figures slam markets

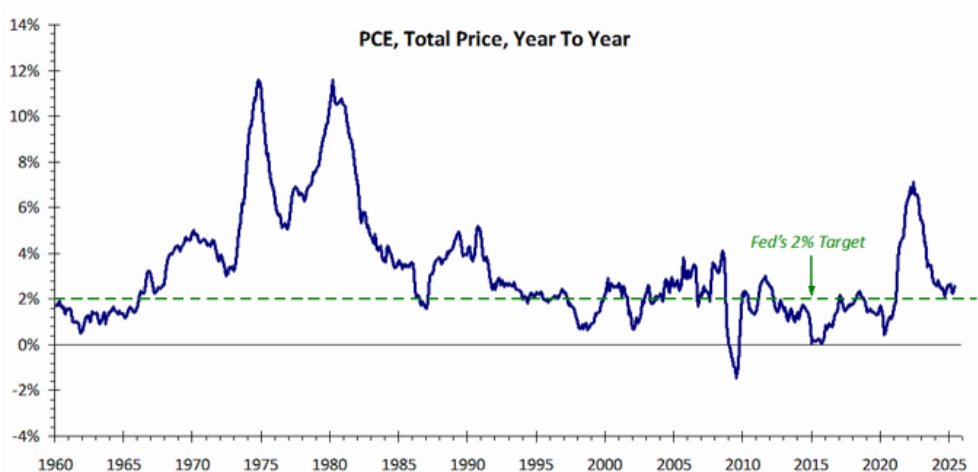
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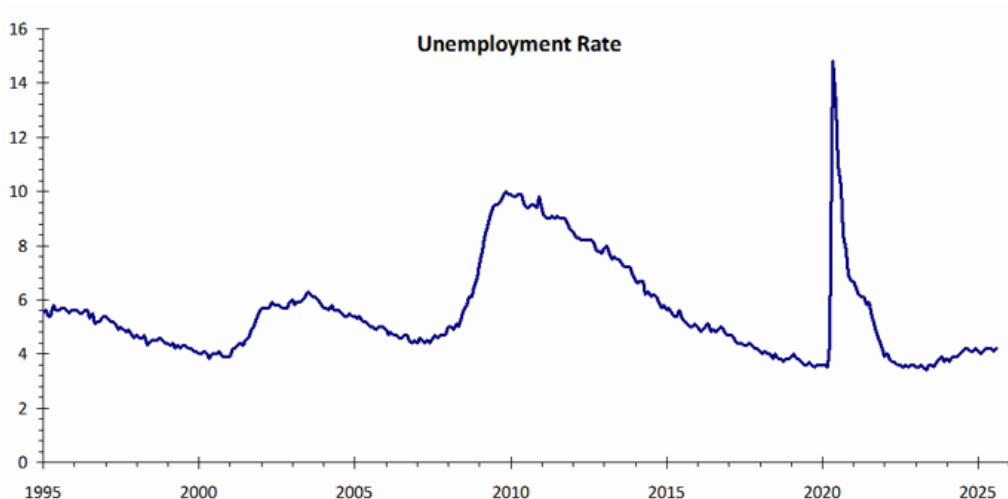
President Donald Trump on Friday fired the Bureau of Labor Statistics commissioner, hours after the agency reported that job growth in the U.S. had slowed to a near-halt.

### PCE, The Fed's Preferred Inflation Measure, Is Still More Than The Fed's 2% Target



Source: Bureau of Economic Analysis, Sanctuary Wealth, August 1, 2025

### Unemployment Remains Quite Low At 4.2%



Source: Bureau of Labor Statistics, August 1, 2025

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## 2Q Earnings Stronger Than Expected

We are about two-thirds through of the S&P 500 reporting season with earnings coming in stronger than expected. Both the percentage of S&P 500 companies reporting positive earnings surprises and the magnitude of earnings surprises are above their 10-year averages, according to FactSet.

## Profit Margins Are Expanding, Boosting Earnings

Given concerns in the market about tariffs and higher costs, what is the S&P 500 reporting for a net profit margin for Q2? Well, FactSet has reported that the blended net profit margin for the S&P 500 for 2Q25 is 12.3%, above the year-ago net profit margin (12.2%) and above the 5-year average (11.8%).

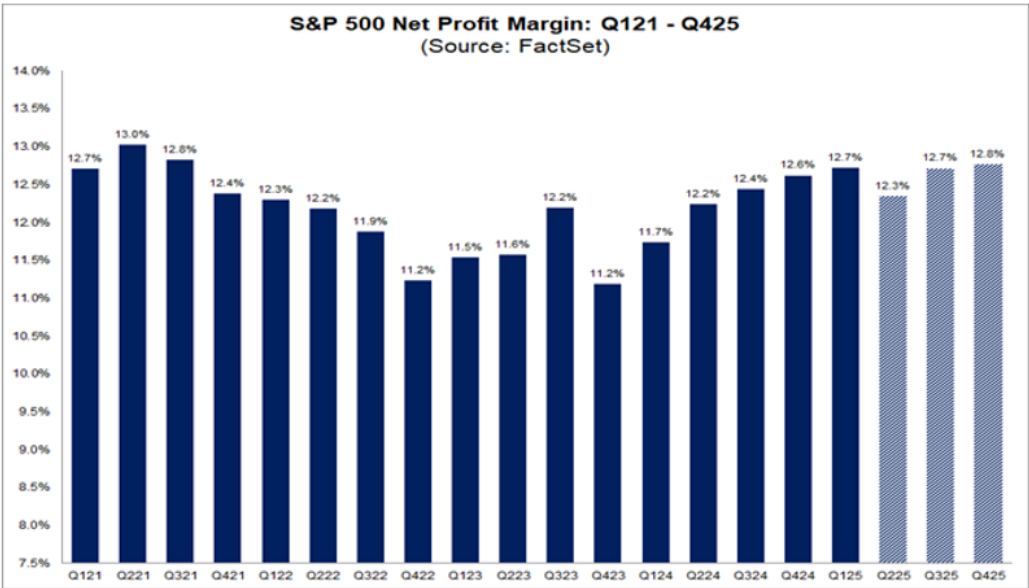
In fact, this quarter marks the fifth consecutive quarter that the S&P 500 is reporting a net profit margin above 12%. At the sector level, only three sectors are reporting a year-over-year increase in their net profit margins in 2Q25 compared to 2Q24: Communication Services (14.2% vs. 11.6%), Information Technology (24.8% vs. 24.0%), and Financials (19.6% vs. 18.8%).



Monday, July 28 2025

# S&P 500 Reporting Net Profit Margin Above 12% for the 5th Straight Quarter

## FactSet Estimates Net Profit Margins For 3Q25 And 4Q25 Are Above 12%



Source: FactSet, July 28, 2025

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## Microsoft stock pops 9% on earnings beat as Azure annual revenue tops \$75 billion

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- Microsoft said revenue jumped 18% from a year earlier.
- The company reported revenue from Azure and cloud services for the first time, with sales exceeding \$75 billion for fiscal 2025.



## Meta Q2 Revenue Smashes Wall Street's Estimates In 10th-Straight Earnings Beat

By Ty Roush, Forbes Staff.

Published Jul 30, 2025, 04:14pm EDT, Updated Jul 30, 2025, 04:23pm EDT

### Margin Debt Grew With Market Capitalization But Not A Concern

FINRA reported that margin debt exceeded \$1 trillion for the first time in June. While this is a milestone in the markets, it is not alarming. Margin debt grows as the equity market rallies, so you need a comparison to determine if the level of debt is alarming. The equity market capitalization as measured by the Wilshire Index, which measures the market capitalization of all US-traded stocks, exceeds \$63 trillion. Looking at the ratio of margin debt to market capitalization, we see the ratio is near its all-time lows. So, the debt level is not excessive. There is plenty of room for this ratio to expand.

### Margin Debt As A Percent Of US Market Capitalization Is Very Low, So Not Alarming



Source: FINRA, Bloomberg, Sanctuary Wealth August 1, 2025

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## Yields Are Collapsing

We have been of the belief that yields on the 10-Year Treasury yield would range between 5.0% and 4.0% this year. Earlier in the year, yields approached 5.0%, but have been declining since, recently breaking key support around 4.25% and potentially heading toward 4.0%. This should be a positive for the economy and mortgage rates.

### 10-Year Treasury Yields Are Declining, Targeting 4.0%



### 2-Year Treasury Yields Are Also Falling Sharply

Even at the short end of the curve, we have rates breaking down on 2-year Treasury yields, targeting a move toward 3.5%.

### 2-Year Treasury Rates Are Also Collapsing, Targeting 3.5%





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## Secular Bull Markets Are Spreading Worldwide

We believe equity markets are entering a secular upside around the world, the first time we've ever seen this. The Vanguard World Stock Index has moved to record all-time highs. Normally bull markets run in some countries, while stock prices contract in others as capital flow moves around the globe. This time, however, global liquidity appears strong enough to power equity markets globally.

Japan's broad TOPIX Index has set new all-time highs, initiating a new secular bull market for the first time in decades. The base of this market is 35 years, breaking the previous high set at the end of 1989.

## Japan's TOPIX Has Broken Out From A 35-Year Base, Initiating A New Bull Market



## Vanguard Total World Stock ETF (VT) (Top) With Moving Average Convergence/Divergence (Bottom) With Strong Positive Momentum



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## Sector Readings: Information Technology Still Strongest, Health Care Weakest

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 1-11 with 1 being the strongest and 11 the weakest.

Last week, Information Technology was still top-ranked with Communication Services and Industrials completing the top three, while Health Care remained in last place, followed by Real Estate. Growth sectors continue to lead Value.

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

|                        | Aug 1 | Jul 25 | Jul 18 | Jul 11 | Jul 4 | Jun 27 | Jun 20 | Jun 13 |
|------------------------|-------|--------|--------|--------|-------|--------|--------|--------|
| Consumer Discretionary | 6     | 5      | 5      | 5      | 5     | 5      | 6      | 6      |
| Consumer Staples       | 7     | 8      | 7      | 8      | 8     | 8      | 8      | 7      |
| Energy                 | 8     | 10     | 10     | 9      | 9     | 9      | 7      | 9      |
| Financials             | 5     | 4      | 4      | 4      | 4     | 4      | 4      | 5      |
| Health Care            | 11    | 11     | 11     | 11     | 11    | 11     | 11     | 11     |
| Industrials            | 3     | 3      | 3      | 3      | 3     | 3      | 3      | 3      |
| Information Technology | 1     | 1      | 1      | 1      | 1     | 2      | 2      | 2      |
| Materials              | 9     | 7      | 8      | 6      | 6     | 7      | 9      | 8      |
| Communication Services | 2     | 2      | 2      | 2      | 2     | 1      | 1      | 1      |
| Utilities              | 4     | 6      | 6      | 7      | 7     | 6      | 5      | 4      |
| Real Estate            | 10    | 9      | 9      | 10     | 10    | 10     | 10     | 10     |

Source: Bloomberg, Sanctuary Wealth, August 1, 2025



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## OBOS List: Information Technology And Industrials Overbought; Health Care, Consumer Staples, and Real Estate Oversold

Last week, the Overbought/Oversold list continued to relieve some of the oversold sectors. Earnings growth remains concentrated in Information Technology, which is overbought along with Industrials. At the oversold end, Real Estate has exposure to interest rates, while Consumer Staples and Health Care, which is in intensive care, are both defensive sectors in a Growth-powered secular bull market.

Our tactical sector rotation model uses 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 1 August 2025

| rank | S&P Sector             | normalized<br>Oscillator     |
|------|------------------------|------------------------------|
| 1    | Information Technology | 1.9001                       |
| 2    | Industrials            | 1.0577 <i>Overbought</i>     |
| 3    | Communication Services | 0.4724 <i>Neutral</i>        |
| 4    | Consumer Discretionary | -0.2112                      |
| 5    | Financials             | -0.5154 <i>Neutral</i>       |
| 6    | Materials              | -0.7079 <i>Near Oversold</i> |
| 7    | Energy                 | -0.8944                      |
| 8    | Utilities              | -0.9027                      |
| 9    | Real Estate            | -1.1682 <i>Oversold</i>      |
| 10   | Consumer Staples       | -2.4487                      |
| 11   | Health Care            | -2.7489                      |

Source: Bloomberg, Sanctuary Wealth, August 1, 2025



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## Market Performance: Gold And Bitcoin Remain The Best Performing Assets YTD

|  | Last<br>8/1/2025 | Month<br>End<br>7/31/2025 | Month<br>to<br>Date | Quarter<br>End<br>6/30/2025 | Quarter<br>to<br>Date | Year<br>End<br>12/31/2024 | Year<br>to<br>Date | Year<br>Ago<br>8/1/2024 | Year<br>To<br>Year |
|--|------------------|---------------------------|---------------------|-----------------------------|-----------------------|---------------------------|--------------------|-------------------------|--------------------|
| S&P 500  | 6238.01          | 6339.39                   | -1.6%               | 6204.95                     | 0.5%                  | 5881.63                   | 6.1%               | 5446.68                 | 14.5%              |
| NASDAQ Composite                                     | 20650.13         | 21122.45                  | -2.2%               | 20369.73                    | 1.4%                  | 19310.79                  | 6.9%               | 17194.14                | 20.1%              |
| NASDAQ 100   | 553.88           | 565.01                    | -2.0%               | 551.64                      | 0.4%                  | 511.23                    | 8.3%               | 459.66                  | 20.5%              |
| Russell 2000   | 2166.78          | 2211.65                   | -2.0%               | 2175.04                     | -0.4%                 | 2230.16                   | -2.8%              | 2186.16                 | -0.9%              |
| S&P Consumer Discretionary Sector                    | 1735.16          | 1799.72                   | -3.6%               | 1753.81                     | -1.1%                 | 1831.16                   | -5.2%              | 1482.39                 | 17.1%              |
| S&P Consumer Staples Sector                          | 879.17           | 874.57                    | 0.5%                | 897.10                      | -2.0%                 | 853.65                    | 3.0%               | 843.46                  | 4.2%               |
| S&P Energy Sector                                    | 655.08           | 666.91                    | -1.8%               | 648.68                      | 1.0%                  | 654.85                    | 0.0%               | 694.15                  | -5.6%              |
| S&P Financial Sector                                 | 855.28           | 870.57                    | -1.8%               | 871.95                      | -1.9%                 | 804.44                    | 6.3%               | 717.43                  | 19.2%              |
| S&P Health Care Sector                               | 1527.29          | 1518.42                   | 0.6%                | 1572.52                     | -2.9%                 | 1604.75                   | -4.8%              | 1761.08                 | -13.3%             |
| S&P Industrials Sector                               | 1267.14          | 1285.95                   | -1.5%               | 1249.13                     | 1.4%                  | 1115.65                   | 13.6%              | 1062.17                 | 19.3%              |
| S&P Information Technology Sector                    | 5112.52          | 5220.69                   | -2.1%               | 4964.64                     | 3.0%                  | 4609.52                   | 10.9%              | 4106.25                 | 24.5%              |
| S&P Materials Sector                                 | 549.12           | 553.28                    | -0.8%               | 556.09                      | -1.3%                 | 529.77                    | 3.7%               | 578.50                  | -5.1%              |
| S&P Real Estate Sector                               | 259.22           | 259.89                    | -0.3%               | 260.30                      | -0.4%                 | 255.92                    | 1.3%               | 262.42                  | -1.2%              |
| S&P Communications Sector                            | 380.26           | 386.65                    | -1.7%               | 377.94                      | 0.6%                  | 341.66                    | 11.3%              | 299.95                  | 26.8%              |
| S&P Utilities Sector                                 | 435.58           | 435.08                    | 0.1%                | 414.79                      | 5.0%                  | 384.95                    | 13.2%              | 376.49                  | 15.7%              |
| S&P 500 Total Return                                 | 13796.83         | 14020.46                  | -1.6%               | 13712.71                    | 0.6%                  | 12911.82                  | 6.9%               | 11887.54                | 16.1%              |
| 3 month Treasury Bill Price                          | 98.93            | 98.92                     | 0.0%                | 98.93                       | 0.0%                  | 98.92                     | 0.0%               | 98.69                   | 0.2%               |
| 3 month Treasury Bill Total Return                   | 263.50           | 263.40                    | 0.0%                | 262.44                      | 0.4%                  | 256.97                    | 2.5%               | 251.70                  | 4.7%               |
| 10 Year Treasury Bond Future                         | 112.20           | 111.06                    | 1.0%                | 112.13                      | 0.1%                  | 108.75                    | 3.2%               | 112.73                  | -0.5%              |
| 10 Year Treasury Note Total Return                   | 310.78           | 307.58                    | 1.0%                | 309.38                      | 0.5%                  | 293.94                    | 5.7%               | 300.82                  | 3.3%               |
| iShares 20+ Year Treasury Bond ETF                   | 87.82            | 86.92                     | 1.0%                | 88.25                       | -0.5%                 | 87.33                     | 0.6%               | 95.31                   | -7.9%              |
| S&P Municipal Bond Total Return                      | 277.86           | 276.97                    | 0.3%                | 277.66                      | 0.1%                  | 278.14                    | -0.1%              | 276.48                  | 0.5%               |
| iShares S&P National Municipal Bond NAV              | 103.79           | 103.75                    | 0.0%                | 104.29                      | -0.5%                 | 106.40                    | -2.5%              | 107.31                  | -3.3%              |
| S&P 500 Investment Grade Corporate Bond Total Return | 487.42           | 484.28                    | 0.6%                | 483.50                      | 0.8%                  | 465.24                    | 4.8%               | 464.92                  | 4.8%               |
| S&P Investment Grade Corporate Bond                  | 92.17            | 91.60                     | 0.6%                | 91.77                       | 0.4%                  | 90.28                     | 2.1%               | 91.68                   | 0.5%               |
| S&P Investment Grade Corporate Bond Total Return     | 519.83           | 516.60                    | 0.6%                | 515.54                      | 0.8%                  | 495.89                    | 4.8%               | 494.54                  | 5.1%               |
| SPDR Bloomberg High Yield Bond ETF                   | 96.35            | 96.89                     | -0.6%               | 97.27                       | -0.9%                 | 95.47                     | 0.9%               | 95.09                   | 1.3%               |
| iShares iBoxx High Yield Corporate Bond ETF          | 79.98            | 80.38                     | -0.5%               | 80.65                       | -0.8%                 | 78.65                     | 1.7%               | 77.96                   | 2.6%               |
| Gold   | 3363.48          | 3289.93                   | 2.2%                | 3303.14                     | 1.8%                  | 2624.50                   | 28.2%              | 2446.26                 | 37.5%              |
| Bitcoin  | 113905.41        | 116491.12                 | -2.2%               | 107606.61                   | 5.9%                  | 93714.04                  | 21.5%              | 64694.03                | 76.1%              |

Source: Bloomberg, Sanctuary Wealth, August 1, 2025

## A Quieter Week, Perhaps?

**This week might see sleepy summer days unless markets react to the latest moves by Trump to rattle the Fed and U.S. trading partners.**

After last week's moves, this week's schedule appears calmer. The only notable economic data is Factory Orders on Monday; International Trade on Tuesday, which might provide new insight into the effects of Trump's tariffs regime; and Consumer Credit on Friday. Most of the larger companies have reported earnings already, and earnings season will begin winding down as the last one-third of the S&P 500 report.



# Calendar

**Mon.**

10:00 am Factory orders  
Earnings Palantir Technologies\*

**Tue.**

8:30 am U.S. trade deficit  
9:45 am S&P final U.S. services PMI  
10:00 am ISM services  
Earnings Apollo Global Management

**Wed.**

2:00 pm Fed. Gov. Lisa Cook and Boston Fed President Susan Collins on panel  
Earnings Thomson Reuters

**Thu.**

8:30 am Initial jobless claims, U.S. productivity, U.S. unit-labor costs  
10:00 am Wholesale inventories, Atlanta Fed President Raphael Bostic speech  
3:00 pm Consumer credit  
Earnings Constellation Energy

**Fri.**

Earnings Under Armour

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

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