

September 29, 2025

Stocks Breathe A Sigh Of Relief With Inflation Tracking As Expected

The Federal Reserve (Fed) began a new rate-cutting cycle with a 25-basis-point reduction on September 17, aiming to support the labor market, while balancing its dual mandate of keeping inflation in check.

That's why last week's Core PCE (Personal Consumption Expenditures) report carried particular weight with markets. PCE came in as expected at 2.9%, and both the stock and bond markets responded with a sigh of relief that it was not worse than expected. The Fed's inflation target is 2%, a level they don't expect to reach for several more years. In fact, Core PCE hasn't been at 2% since early 2021, nearly four years ago.

Core Personal Consumption Expenditures (PCE) Remains Elevated



Source: Bloomberg, September 26, 2025



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Government Shutdowns Don't Have A Major Impact On Equities Historically

Risks are rising that we get at a temporary shut down in the government. This sounds terrible, but the country has been here many times before. Historically, there is really little to no impact on the stock market when a shutdown occurs. However, there have been times when the S&P 500 has reacted with a modest correction. Currently, with equity markets overbought and trading at an elevated 23x price-to-earnings ratio, we could enter the month of October with some volatility. We have been expecting a 5%-10% pullback. But keep in mind that October is the time of year we would expect good buying opportunities for the seasonal year-end rally.

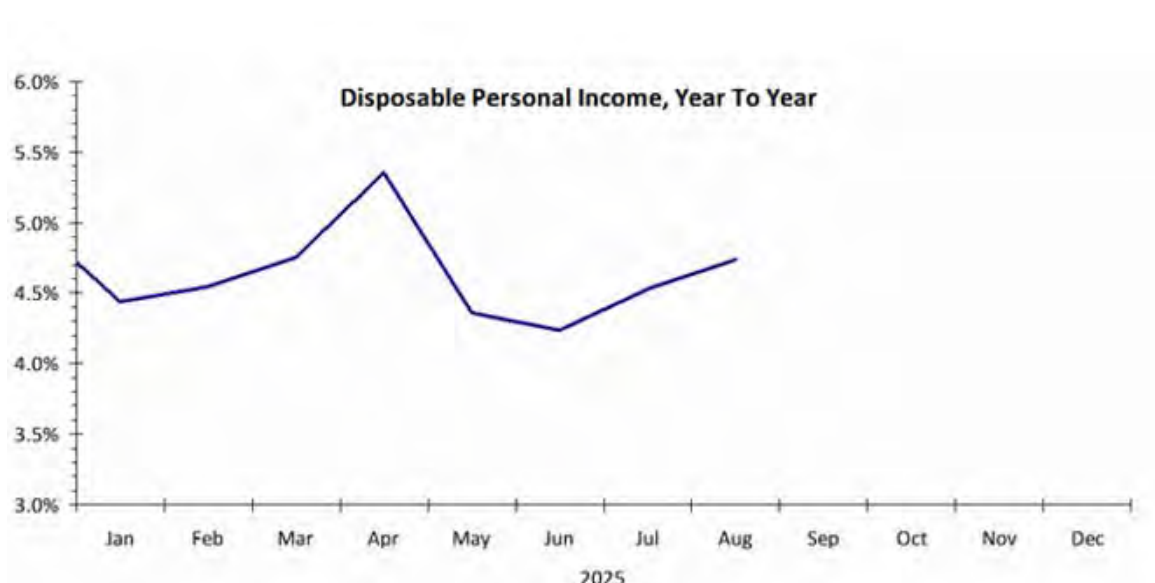
Historical Government Shutdowns And S&P 500 Performance

President	Start	End	Days	S&P 500		From Start to End	Performance from day shutdown started				Performance from day shutdown ended			
				Start	End		+4 Weeks	+13 Weeks	+26 Weeks	+52 Weeks	+4 Weeks	+13 Weeks	+26 Weeks	+52 Weeks
Ford	Thu Sep 30, 1976	Mon Oct 11, 1976	11	105.24	101.64	-3.4%	-3.4%	1.6%	-6.5%	-8.9%	0.0%	5.2%	-3.2%	-5.7%
Carter	Fri Sep 30, 1977	Thu Oct 13, 1977	13	96.53	93.46	-3.2%	-4.1%	-1.5%	-7.6%	6.2%	-0.9%	1.8%	-4.5%	9.7%
Carter	Mon Oct 31, 1977	Wed Nov 9, 1977	9	92.34	92.98	0.7%	4.0%	-3.2%	5.8%	2.9%	3.3%	-3.9%	5.0%	2.2%
Carter	Wed Nov 30, 1977	Fri Dec 9, 1977	9	94.83	93.65	-1.2%	-0.1%	-8.1%	2.5%	-1.1%	1.2%	-6.9%	3.8%	0.1%
Carter	Sat Sep 30, 1978	Wed Oct 18, 1978	18	102.54	100.49	-2.0%	-7.8%	-6.3%	-1.0%	6.6%	-5.9%	-4.4%	1.0%	8.8%
Carter	Sun Sep 30, 1979	Fri Oct 12, 1979	12	109.32	104.49	-4.4%	-8.0%	-1.4%	-7.9%	15.6%	-3.8%	3.2%	-3.6%	20.9%
Reagan	Fri Nov 20, 1981	Mon Nov 23, 1981	3	121.71	121.60	-0.1%	1.9%	-7.0%	-5.6%	12.6%	2.0%	-6.9%	-5.5%	12.7%
Reagan	Thu Sep 30, 1982	Sat Oct 2, 1982	2	120.42	121.51	0.9%	10.9%	16.5%	27.0%	38.9%	9.9%	15.5%	25.9%	37.6%
Reagan	Fri Dec 17, 1982	Tue Dec 21, 1982	4	137.49	138.61	0.8%	6.7%	9.0%	23.0%	18.1%	5.8%	8.1%	22.0%	17.2%
Reagan	Thu Nov 10, 1983	Mon Nov 14, 1983	4	164.41	166.58	1.3%	0.5%	-5.5%	-2.7%	2.6%	-0.8%	-6.7%	-4.0%	1.3%
Reagan	Sun Sep 30, 1984	Wed Oct 3, 1984	3	166.10	162.44	-2.2%	-0.5%	0.1%	8.8%	9.1%	1.8%	2.4%	11.2%	11.6%
Reagan	Wed Oct 3, 1984	Fri Oct 5, 1984	2	162.44	162.68	0.1%	2.2%	1.8%	10.3%	13.3%	2.1%	1.7%	10.1%	13.1%
Reagan	Thu Oct 16, 1986	Sat Oct 18, 1986	2	239.53	235.97	-1.5%	1.5%	10.8%	19.8%	24.4%	3.0%	12.5%	21.6%	26.3%
Reagan	Fri Dec 18, 1987	Sun Dec 20, 1987	2	249.16	249.54	0.2%	1.2%	8.8%	8.6%	10.9%	1.0%	8.6%	8.5%	10.7%
H.W. Bush	Fri Oct 5, 1990	Tue Oct 9, 1990	4	311.50	305.10	-2.1%	0.1%	3.0%	20.5%	22.4%	2.2%	5.2%	23.0%	25.0%
Clinton	Tue Nov 14, 1995	Sun Nov 19, 1995	5	589.29	596.85	1.3%	5.0%	12.1%	12.9%	23.8%	3.7%	10.7%	11.5%	22.2%
Clinton	Sat Dec 16, 1995	Sat Jan 6, 1996	21	616.34	618.46	0.3%	-2.4%	4.1%	8.0%	18.2%	-2.7%	3.7%	7.7%	17.8%
Obama	Tue Oct 1, 2013	Thu Oct 17, 2013	16	1695.00	1733.15	2.3%	4.5%	9.0%	11.2%	16.4%	2.2%	6.6%	8.8%	13.8%
Trump	Sat Jan 20, 2018	Tue Jan 23, 2018	3	2810.30	2839.13	1.0%	-2.8%	-5.0%	-0.3%	-5.0%	-3.8%	-6.0%	-1.3%	-5.9%
Trump	Fri Feb 9, 2018	Sat Feb 10, 2018	1	2619.55	2656.00	1.4%	6.4%	4.1%	8.2%	3.4%	4.9%	2.7%	6.7%	2.0%
Trump	Sat Dec 22, 2018	Fri Jan 25, 2019	34	2416.58	2664.76	10.3%	10.5%	15.9%	22.1%	33.3%	0.2%	5.1%	10.7%	20.9%
Average						0.0%	1.3%	2.8%	7.5%	12.6%	1.2%	2.8%	7.4%	12.5%

Source: Congressional Research Service, Sanctuary Wealth, September 26, 2025

Consumers Maintain A Healthy Level Of Disposable Income

Personal income is a useful gauge of consumer health. Adjusting for taxes gives us disposable income, which is an even better measure. Currently, disposable income is growing at 4.7% and trending positive, which is another sign the economy should continue to grow.



Source: Bureau of Economic Analysis, Sanctuary Wealth, September 26, 2025

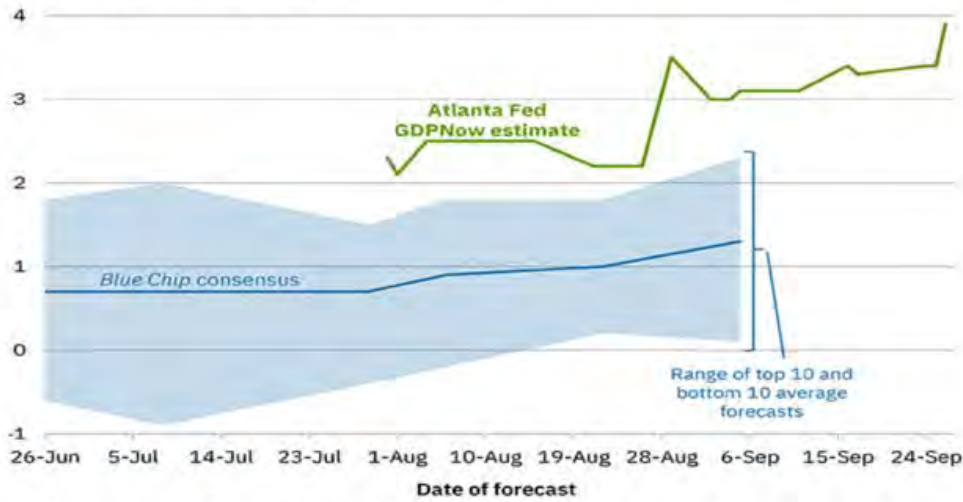


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2Q GDP Revised Upward From 3.3% to 3.8%

Last week we received the final revised data point for 2Q GDP with an uptick to 3.8% from 3.3% -- this represents a significant revision. The Atlanta GDPNow Tracker estimates 3Q GDP at 3.9%. But most economists have their economic forecasts significantly below this estimate.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q3
Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Historical Government Shutdowns And S&P 500 Performance

Source: Federal Reserve Bank of Atlanta, September 26, 2025

New Major Breakouts: U.S. Banks, Japan, China

We are getting new all-time highs in small cap stocks, which we highlighted last week. The U.S. Banks are another area of the equity market recording highs. Their strong performance is another confirmation we are in a strong bull market.

KBW Bank Index At Record Highs



Source: Bloomberg, September 26, 2025

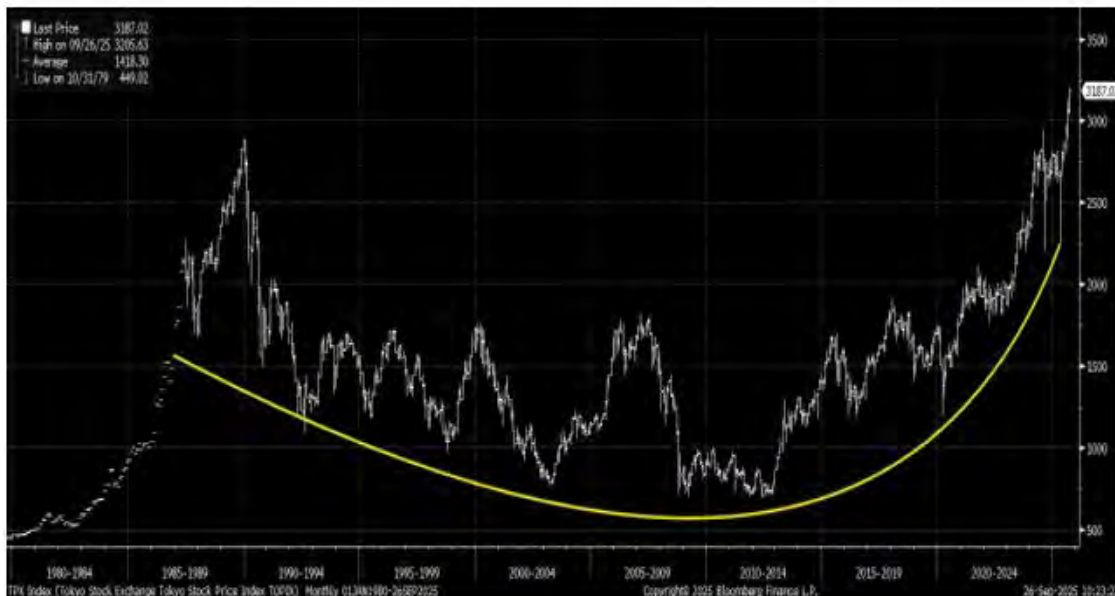


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Japan Continues To Hit Record Highs After 35-Year Secular Bear Market

One of our favorite markets outside the U.S. is Japan. Japan's equity market went nowhere for 35 years. Well, this has clearly changed with the Tokyo Stock Exchange Index continuing to march to new record highs. We believe Japan is in a new secular bull market that can be in place for 15-20 years.

Tokyo Stock Exchange Continues To Hit Record Highs



Source: Bloomberg, Sanctuary Wealth, September 26, 2025

Chinese Technology Stocks Breaking Out

The KraneShares China Internet ETF (KWEB) has just broken out from an almost four-year trading range. Technology is the leadership sector in the bull market that is charging globally. Joining the bull run is Chinese technology.



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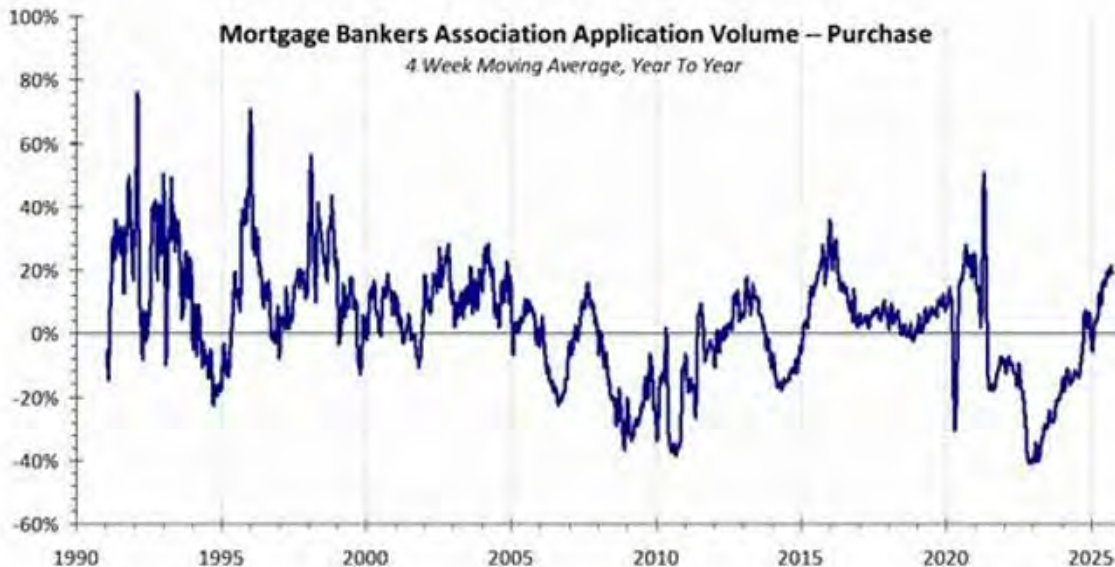
KraneShares China Internet ETF (KWEB) Breaking From Multi-Year Base



Source: Bloomberg, Sanctuary Wealth, September 26, 2025

Surprising Chart of the Week: Mortgage Applications

Despite lofty housing costs, mortgage applications are trending higher. That's a bullish signal for consumer strength and the broader economy.



Source: Mortgage Bankers Association, September 26, 2025



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Sector Readings: Communication Services Strongest, Health Care Still 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, Communication Services remained in the leading position for the 5th consecutive week, followed by Information Technology, also for the 5th week. Health Care remained in last place for the 21st consecutive week, since May 9, followed by Consumer Staples and Real Estate. Growth sectors continue to outperform Value sectors.

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

	Sep 26	Sep 19	Sep 12	Sep 5	Aug 29	Aug 22	Aug 15	Aug 8
Consumer Discretionary	5	3	3	3	4	4	5	5
Consumer Staples	10	9	8	8	10	8	8	7
Energy	7	10	10	10	8	10	10	10
Financials	6	5	5	5	5	6	6	6
Health Care	11	11	11	11	11	11	11	11
Industrials	3	4	4	4	3	3	3	3
Information Technology	2	2	2	2	2	1	1	1
Materials	8	7	7	7	7	7	7	8
Communication Services	1	1	1	1	1	2	2	2
Utilities	4	6	6	6	6	5	4	4
Real Estate	9	8	9	9	9	9	9	9

Source: Bloomberg, Sanctuary Wealth, September 27, 2025

OBOS List: Communication Services Overbought, Information Technology Near Overbought; Consumer Staples, Real Estate, Health Care, And Energy Oversold

Earnings growth remains strongest in Communication Services, which is near overbought. There are two outright oversold sectors, Consumer Staples and Health Care, while Industrials, Materials, and Real Estate are near oversold. The extreme overbought conditions that dominated in recent weeks are beginning to ease as market breadth improves, though some segments remain oversold.

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 26 September 2025

rank	S&P Sector	normalized Oscillator
1	Communication Services	0.8594 <i>Near Overbought</i>
2	Information Technology	0.5358 <i>Neutral</i>
3	Consumer Discretionary	0.1249
4	Energy	0.0350
5	Utilities	-0.0210
6	Financials	-0.5708 <i>Neutral</i>
7	Real Estate	-0.6788 <i>Near Oversold</i>
8	Materials	-0.8251
9	Industrials	-0.8718
10	Health Care	-1.0647 <i>Oversold</i>
11	Consumer Staples	-1.6283

Source: Bloomberg, Sanctuary Wealth, September 27, 2025



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Market Performance: Gold Is Still The Best Performing Asset Year-To-Date

		Last 9/26/2025	Month End 8/29/2025	Month to Date	Quarter End 6/30/2025	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 9/26/2024	Year To Year
SPX	S&P 500	6643.70	6460.26	2.8%	6204.95	7.1%	5881.63	13.0%	5745.37	15.6%
CCMP index	NASDAQ Composite	22484.07	21455.55	4.8%	20369.73	10.4%	19310.79	16.4%	18190.29	23.6%
QQQ index	NASDAQ 100	595.97	570.40	4.5%	551.64	8.0%	511.23	16.6%	489.47	21.8%
RTY index	Russell 2000	2434.32	2366.42	2.9%	2175.04	11.9%	2230.16	9.2%	2209.87	10.2%
S5COND	S&P Consumer Discretionary Sector	1918.05	1850.03	3.1%	1753.81	9.4%	1831.16	4.7%	1611.15	19.0%
S5CONS	S&P Consumer Staples Sector	867.75	887.23	-2.2%	897.10	-3.3%	853.65	1.7%	887.13	-2.2%
S5ENRS	S&P Energy Sector	703.64	686.39	2.5%	648.68	8.5%	654.85	7.5%	657.03	7.1%
S5FINL	S&P Financial Sector	896.65	896.53	0.0%	871.95	2.8%	804.44	11.5%	749.17	19.7%
S5HLTH	S&P Health Care Sector	1580.59	1598.13	-1.1%	1572.52	0.5%	1604.75	-1.5%	1786.28	-11.5%
S5INDU	S&P Industrials Sector	1291.77	1284.04	0.6%	1249.13	3.4%	1115.65	15.8%	1139.87	13.3%
S5INFT	S&P Information Technology Sector	5537.00	5234.57	5.8%	4964.64	11.5%	4609.52	20.1%	4420.81	25.2%
S5MATR	S&P Materials Sector	565.17	584.18	-3.3%	556.09	1.6%	529.77	6.7%	612.76	-7.8%
S5RLST	S&P Real Estate Sector	263.64	265.17	-0.6%	260.30	1.3%	255.92	3.0%	277.82	-5.1%
S5TELS	S&P Communications Sector	426.53	400.45	6.5%	377.94	12.9%	341.66	24.8%	310.59	37.3%
S5UTIL	S&P Utilities Sector	440.94	426.24	3.4%	414.79	6.3%	384.95	14.5%	404.46	9.0%
Stocks	S&P 500 Total Return	14725.99	14304.68	2.9%	13712.71	7.4%	12911.82	14.1%	12569.13	17.2%
3m Tbill.p	3 month Treasury Bill Price	99.01	98.96	0.0%	98.93	0.1%	98.92	0.1%	98.85	0.2%
Cash	3 month Treasury Bill Total Return	265.26	264.42	0.3%	262.44	1.1%	256.97	3.2%	253.82	4.5%
TYA	10 Year Treasury Bond Future	112.27	112.50	-0.2%	112.13	0.1%	108.75	3.2%	114.41	-1.9%
Bonds	10 Year Treasury Note Total Return	312.84	312.52	0.1%	309.38	1.1%	293.94	6.4%	306.10	2.2%
TLT US Equity	iShares 20+ Year Treasury Bond ETF	88.90	86.60	2.7%	88.25	0.7%	87.33	1.8%	98.06	-9.3%
SAPIMAIN	S&P Municipal Bond Total Return	285.00	279.26	2.1%	277.66	2.6%	278.14	2.5%	280.38	1.6%
MUBNV	iShares S&P National Municipal Bond NAV	106.14	104.30	1.8%	104.29	1.8%	106.40	-0.2%	108.36	-2.0%
SP5IGBIT	S&P 500 Investment Grade Corporate Bond Total Return	494.44	488.90	1.1%	483.50	2.3%	465.24	6.3%	478.68	3.3%
SPUIGBD	S&P Investment Grade Corporate Bond	92.82	92.17	0.7%	91.77	1.1%	90.28	2.8%	93.62	-0.9%
SPUIGBDT	S&P Investment Grade Corporate Bond Total Return	527.08	521.75	1.0%	515.54	2.2%	495.89	6.3%	508.32	3.7%
JNK	SPDR Bloomberg High Yield Bond ETF	97.85	97.51	0.3%	97.27	0.6%	95.47	2.5%	97.54	0.3%
HYG	iShares iBoxx High Yield Corporate Bond ETF	81.08	80.86	0.3%	80.65	0.5%	78.65	3.1%	80.16	1.1%
Gold	Gold	3759.98	3447.95	9.0%	3303.14	13.8%	2624.50	43.3%	2672.38	40.7%
BTC	Bitcoin	109361.22	107800.31	1.4%	107606.61	1.6%	93714.04	16.7%	64678.85	69.1%

Source: Bloomberg, Sanctuary Wealth, September 27, 2025

Government Shutdown Looms

This week, everything rides on the government shutdown – and the jobs data (if we get to see it).

“Are we heading for a government shutdown?” That’s the question on every investor’s mind this week. Against the backdrop of a looming vote in Congress and if a budget deal is not reached, we may enter October with a government shutdown. We have had many shutdowns that have not disrupted the fundamentals of the economy or markets. A shutdown certainly can cause investors some angst, but it has been shown historically that eventually the government’s budget will get funded. With equity markets overbought, we could get some volatility, in our view. If there’s a shutdown, important economic reports may not be released. Which could be disruptive as this week is scheduled to be packed with data – most important of which would be the jobs data (JOLTS, ADP, U.S. Employment Report), given the Fed’s new path of cutting rates. Weak labor data supports future rate cuts, whereas strong data may question whether we get another rate cut in October. So, buckle up, it could be a bumpy week.



Calendar

Mon.

7:30 am Federal Reserve governor Christopher Waller speech
10:00 am Cleveland Fed President Beth Hammack speech
10:00 am Pending home sales
6:00 pm Atlanta Fed President Raphael Bostic speech
Earnings Jefferies

Tue.

6:00 am Federal Reserve Vice Chair Philip Jefferson speech
9:00 am S&P Case-Shiller home price index (20 cities)
9:45 am Chicago Business Barometer (PMI)
10:00 am Job openings
10:00 am Consumer confidence
1:30 pm Chicago Fed President Austan Goolsbee speech
Earnings Nike

Wed.

8:15 am ADP employment
10:00 am Construction spending
9:45 am S&P final U.S. manufacturing PMI
10:00 am ISM manufacturing
TBA Auto sales

Thu.

8:30 am Initial jobless claims
10:00 am Factory orders
10:30 am Dallas Fed President Lorie Logan speech

Fri.

8:30 am U.S. employment report
8:30 am U.S. unemployment rate
8:30 am U.S. hourly wages
8:30 am Hourly wages year over year
9:45 am S&P final U.S. services PMI
10:00 am ISM services
1:40 pm Federal Reserve Vice Chair Philip Jefferson speech

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

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