



Week Ahead

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Portfolio Manager



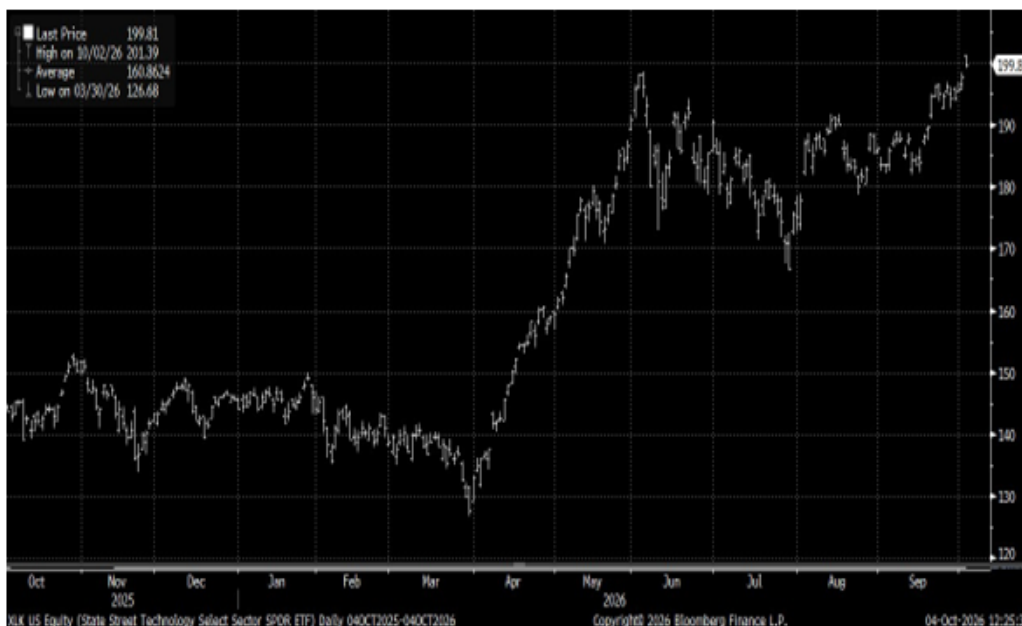
October 5, 2026

September Better Than History - Entering October With Tech Breakout

The month of September historically is the worst performing month with an average S&P 500 decline of 2.6% over the past five years.

This year, the S&P 500 fell only 0.45% and the Nasdaq 100, which is technology heavy, rallied 3.2%. October traditionally is a good buying month with the seasonal year-end rally beginning the last week of October. *Technology has broken out to new highs, which is a strong bullish signal that the year-end rally may have already begun.*

S&P Technology Breaks Out To Record High





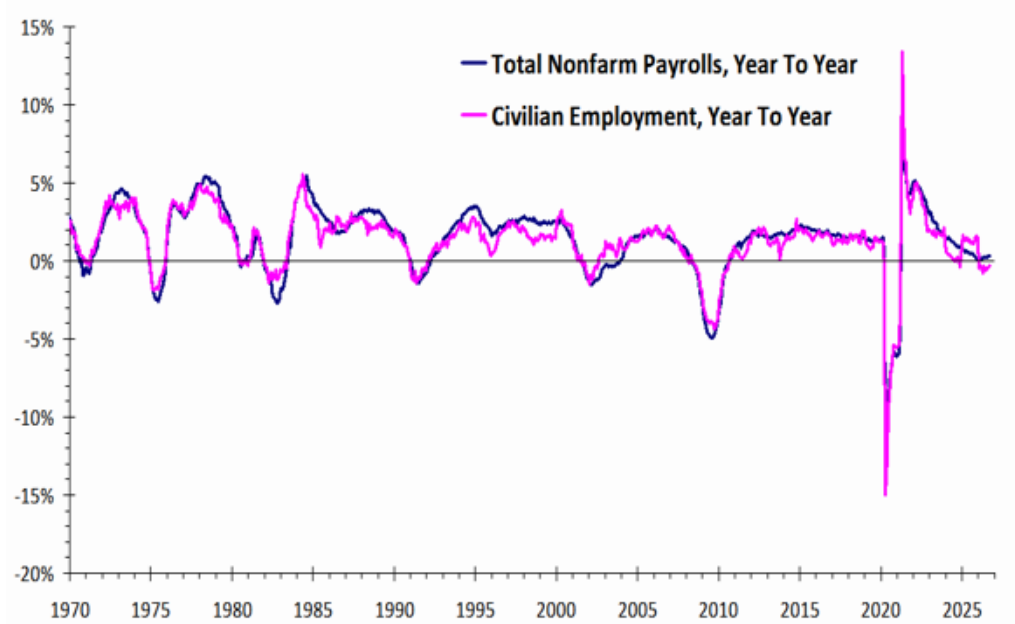
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Employment Report Showed Weakness In September

The Federal Open Market Committee (FOMC) raised the fed funds rate 25 basis points on September 16. Their comments characterized economic activity as “expanding at a solid pace,” while Federal Reserve (Fed) Chair Kevin Warsh stated that “the labor side of the Fed’s congressional remit is in good shape.” This position has largely driven the market’s concern that the Fed is going to continue to raise interest rates. But Friday’s report on nonfarm payrolls by the Bureau of Labor Statistics (BLS) was considerably weaker than expected, and the unemployment rate ticked up one tenth of a percent to 4.2%. More worrisome, however, was civilian employment from BLS’s Household Survey – which measures a wider group, including farmers, self-employed people, and sole proprietor firms. Although the Household Survey captures only about 2.6% more workers than nonfarm payrolls (roughly 4 million more people), civilian employment is more sensitive to economic changes than nonfarm employment, which is based on employers’ reports. Friday’s data calls into question the Fed’s assumption that it need not worry about economic expansion.

The employment landscape is changing in ways that may require us to rethink traditional models. Two important factors – immigration trends and the retirement of baby boomers – are reshaping the pool of available workers. It may take time before strategists and markets fully understand how these structural changes affect employment and what they mean for interpreting labor market data.

Employment Year-Over-Year Has Fallen Sharply



Source: Bureau of Labor Statistics, Sanctuary Wealth, October 2, 2026



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The Bear Is Visiting The Bond Market

Yields have risen sharply across the yield curve, causing bond prices to also fall sharply. The 10-year Treasury yield has reached levels not seen since June 2007. There is no universally agreed-upon definition of a bear market for bonds, comparable to the 20% decline commonly used for equities. But with the 10-year yield rising from 4.08% a year ago to 5.23% today – a move of roughly 115 basis points – bond prices have fallen significantly. A bond with a 10-year duration would have lost roughly 10%–12% in price over that period. One could make the case that the Bear is visiting the fixed income market.

It is our view that the 10-year Treasury yield should hold near current levels, especially following a very weak employment report. But yields need to be monitored closely. A break above the 2007 high could bring forecasts of the long end of the curve moving toward 6.0%.

We believe yields are normalizing. Interest rates near 0.0% to 3.0% are historically unusual; a range of 5.0%–6.0% is more consistent with the longer-term historical average at the long end of the yield curve.

10-Year Treasury Yields Highest Since June 2007



Source: Bloomberg. Annotations by Sanctuary Wealth, October 2, 2026

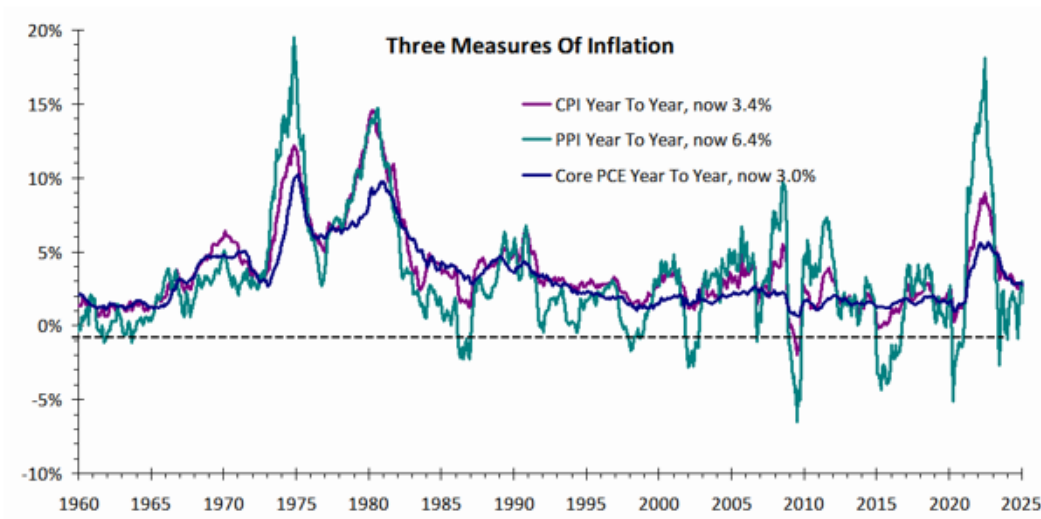


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Inflation Data Softer Than Expected

Readings from Personal Consumption Expenditures (PCE) and Core PCE (excluding food and energy) were softer than expected after data revisions. The good news is that PCE, the Fed's preferred measure of inflation, did not signal another rate increase right away. However, most of the Fed officials on the speaking circuit last week expressed a hawkish tone, positing that inflation was too high and needed tamping down. The market is pricing in one more interest rate increase in December and several more next year.

Inflation Pressures Might Be Easing

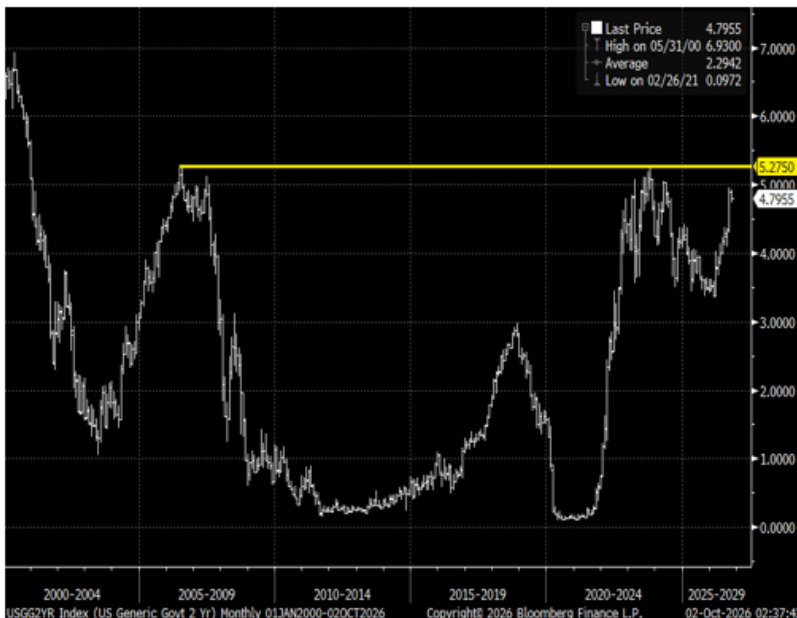


Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Sanctuary Wealth, September 30, 2026

2-Year Yields Higher But Respecting Resistance

With inflation data remaining elevated and the Fed on a mission to get inflation back to 2.0%, the front of the yield curve has risen sharply into resistance. With the recent weaker employment report and softer inflation data, we expect the 2-year Treasury yield to hold below 5.0%.

2-Year Treasury Yields Should Hold Below 5.0%



Source: Bloomberg, Annotations by Sanctuary Wealth, October 2, 2026



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Entering 3Q26 Earning Season, EPS Expected To Remain Solid

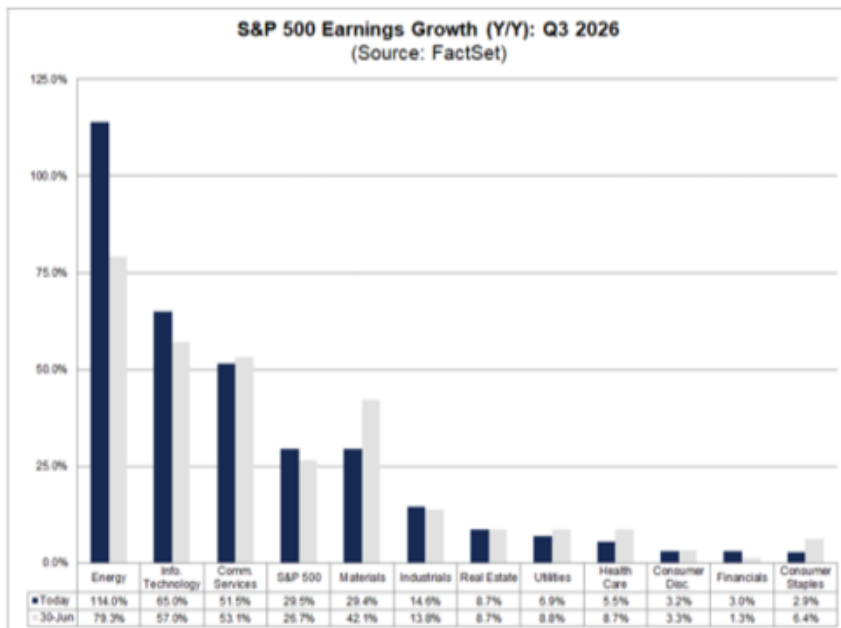
According to FactSet, analysts and companies have been more optimistic than normal in their earnings outlooks for the third quarter. As a result, estimated earnings for the S&P 500 for the third quarter are higher today compared to expectations at the start of the quarter. *The S&P 500 is forecast to report earnings growth above 25% for the third straight quarter.*

In terms of guidance, both the number and percentage of S&P 500 companies issuing positive EPS guidance for Q3 2026 are higher than average. Due to the upward revisions to earnings estimates by analysts and the positive EPS guidance issued by companies, the estimated (year-over-year) earnings growth rate for Q3 2026 is higher today relative to the start of the third quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 29.5%, compared to the estimated (year-over-year) earnings growth rate of 26.7% on June 30.

All 11 sectors are projected to report year-over-year growth. Five of these 11 sectors are predicted to report double-digit growth, led by the Energy, Information Technology, Communication Services, and Materials sectors.

For Q4 2026, analysts are calling for earnings growth of 27.6%. For CY 2026, analysts are predicting (year-over-year) earnings growth of 32.4%. This is exceptionally strong earnings growth and should allow the S&P 500 to continue to reach record highs. We maintain our S&P 500 year-end target of 8,225.

Energy, Technology & Communication Services Strongest EPS For 3Q26



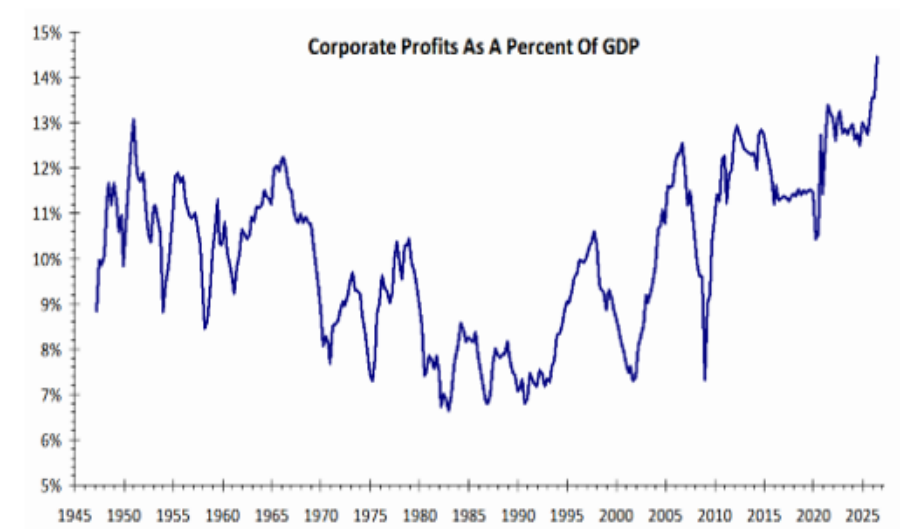
Source: FactSet, October 2, 2026



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Corporate Profits As A Percent Of GDP At An All-Time High

With a strong earnings season so far this year and expectations for earnings to remain robust, corporate profits should continue to grow. Remarkably, corporate profits as a percentage of GDP have reached an all-time high, based on data going back to 1945. Strong profits support additional highs in the S&P 500. Our longer-term target remains 10,000-13,000, and this data supports the continued run of the secular bull market.

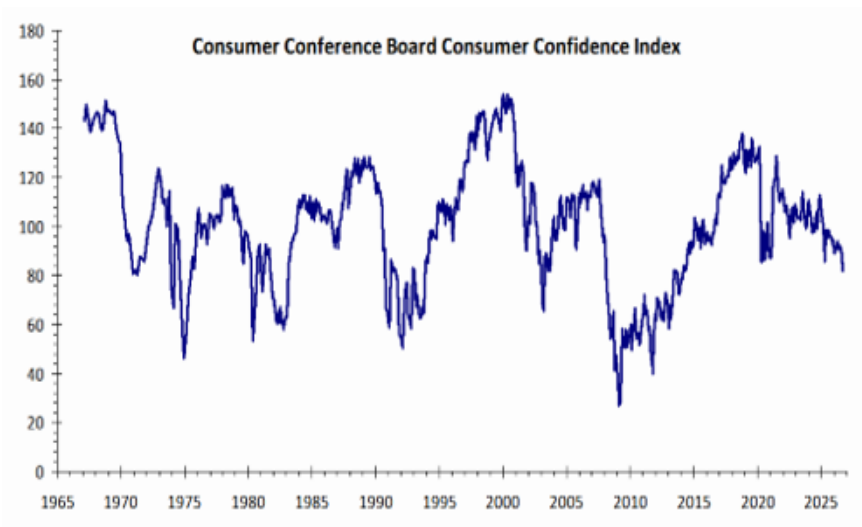


Source: Bureau of Economic Analysis, Sanctuary Wealth, October 1, 2026

Consumer Confidence Is Weakening

The Conference Board reported that its initial measure of consumer confidence for September declined from 88.6 to 81.9. This is not surprising given that energy prices have remained elevated. Lower confidence could also impact the midterm elections.

Conference Board Consumer Confidence Is Weak



Source: Conference Board, Bloomberg, Sanctuary Wealth, September 29, 2026



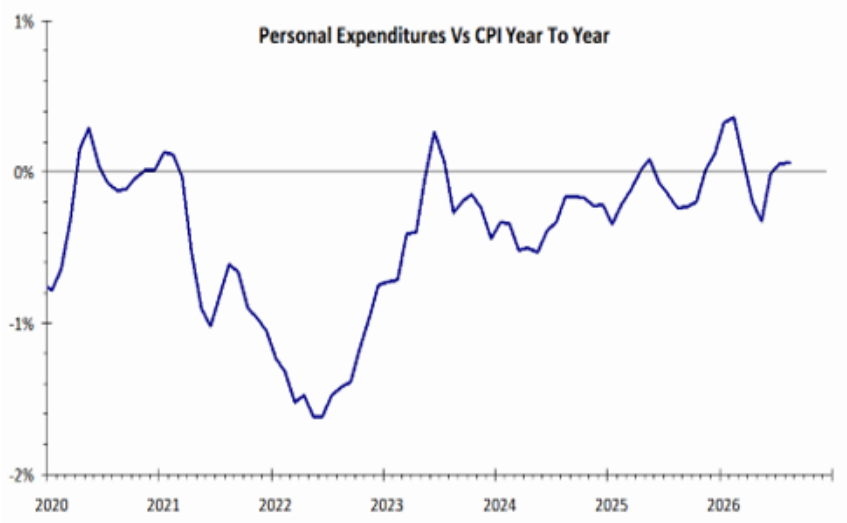
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Nevertheless, Consumers Continue To Spend

Last week's figures from the Bureau of Economic Analysis (BEA) showed that August consumer spending increased year-over-year, even after accounting for inflation. Bank of America is also reporting strong spending across all income brackets, with lower-income consumers now showing stronger spending growth than middle- and higher-income consumers. Adding to the positive picture, the Mastercard Economics Institute recently forecast an increase in holiday spending, with particularly strong growth expected online. Full employment is likely an important contributor to continued strength in consumer spending.

Remember: watch what consumers do, not what they say.

Consumer Spending Continues To Rise Year-Over-Year

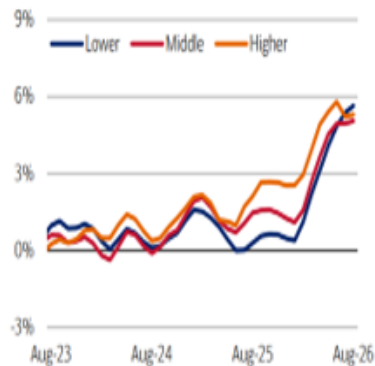


Source: Bureau of Economic Analysis, Sanctuary Wealth, September 30, 2026

Bank of America Reporting Consumer Spending Remains Strong

Exhibit 7: Lower-income households' total card spending growth is stronger than all income cohorts

Total card spending per household by income tercile (three-month moving average, YoY%, SA)

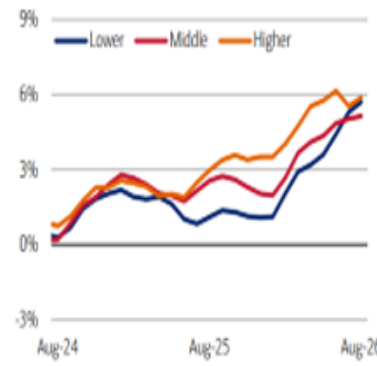


Source: Bank of America internal data

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Exhibit 8: Discretionary spending continued to converge across income groups

Discretionary card spending per household by income tercile (three-month moving average, YoY%, SA)



Source: Bank of America internal data

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Source: Bank of America Institute, September 2026



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Holiday Spending Is Forecast To Be Up Especially Online



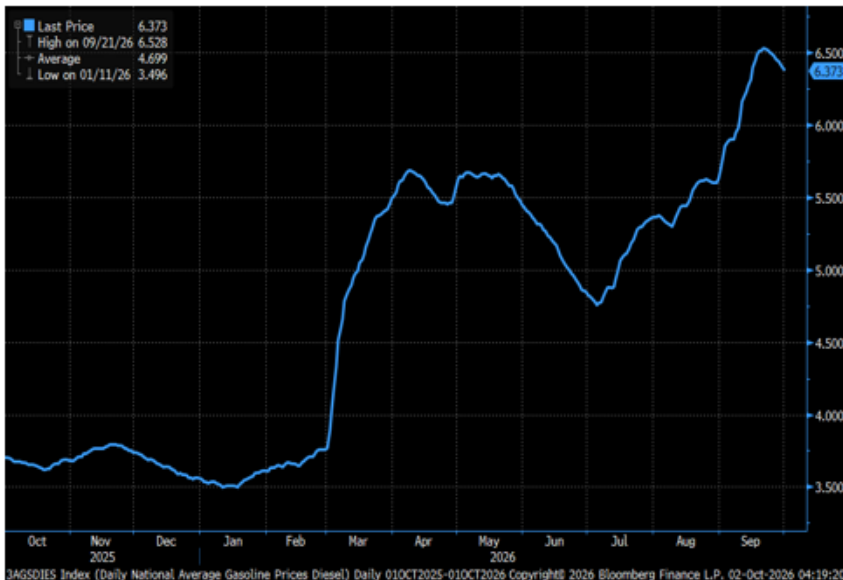
Source: Mastercard Economic Institute, September 2026

Have Diesel Prices Peaked?

Both truckers and railroads depend upon diesel to fuel the machines that move almost all the goods transported across the United States. The cost of diesel remains near all-time highs and is a major contributor to inflation pressures. Cass Freight tracks trucking shipments and expenditures. Shipments are flat to down, but expenditures are rising, with the cost per shipment up more than 16% year-over-year.

Last week, the G7 announced they will release 100 million barrels of emergency oil and diesel stocks. The release, coordinated with the International Energy Agency (IEA), will take place over the next four months, with the initial focus on diesel. Maybe diesel prices have peaked.

Diesel Prices Are Near All-Time Highs

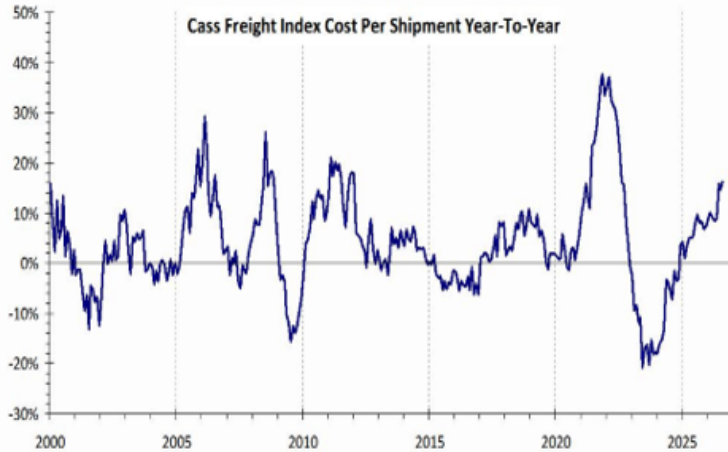


Source: American Automobile Association (AAA), Bloomberg, October 2, 2026



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Diesel Costs Are Driving Up Shipping Costs



Source: Cass Freight, Sanctuary Wealth, October 1, 2026

Anthropic Reported To Be Targeting An IPO Next Month

Bloomberg reported on October 1 that Anthropic is seeking to go public as soon as the middle of November. According to the article, formal marketing could start the week of November 9, with trading before Thanksgiving on November 26. Bloomberg attributed this information to “people familiar with the matter,” rather than to Anthropic.

≡ Bloomberg

Anthropic Targets Mega-IPO Before Thanksgiving Holiday

By Bailey Lipschultz

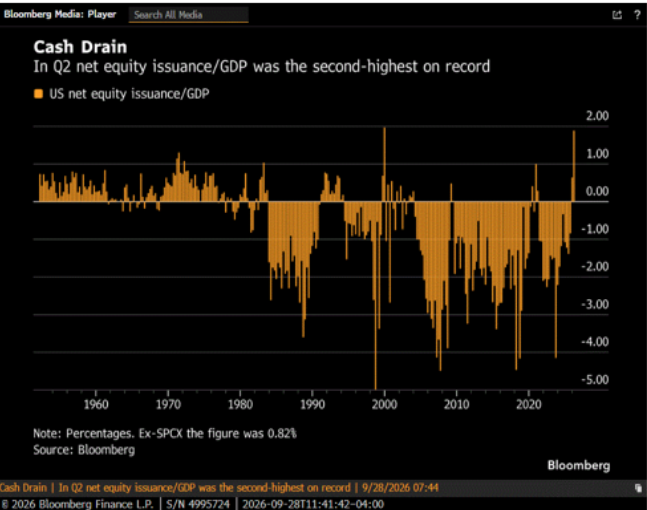
October 1, 2026 at 12:27 PM CDT

Updated on October 1, 2026 at 4:04 PM CDT

Equity Issuance May Finally Be On The Rise

There has been a great deal of angst expressed in some quarters about the massive investments being made in “bricks and mortar” and in intellectual property. We note that before 1980, the United States was a net investing country. We believe this is an important point to keep in mind: the U.S. has been under-investing for 45 years.

IPOs Vs. GDP Is Rising – But Until 1980, Americans Were Net Investors



Source: Bloomberg, September 28, 2026

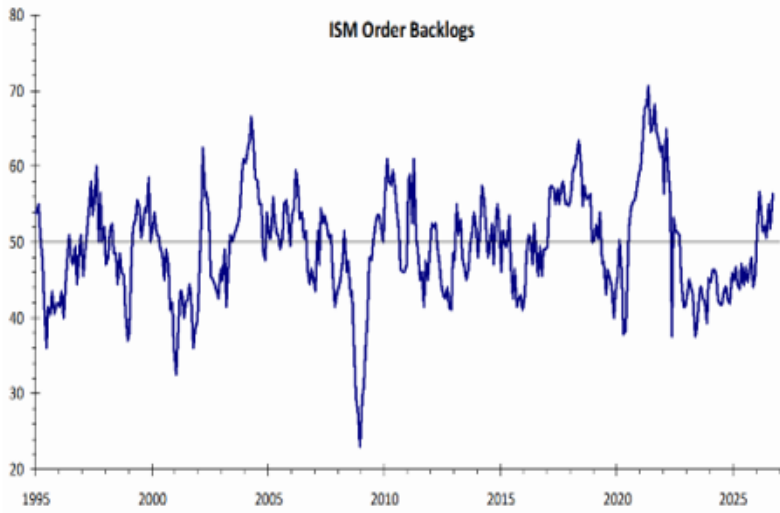


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Investment In Technology Are Boosting The Sector, Especially Semiconductors

We note that when the Institute of Supply Management (ISM) delivered its manufacturing report last week, there was a drumbeat of things in short supply: semiconductors, electrical equipment, electronic equipment, DRAM and other memory. Information Technology is the only sector that is up on a 1-week, 2-week, 3-week, and 4-week basis, and semiconductor stocks are the leaders of this secular bull market. Backlogs are a strong indicator of an economy that is growing.

Institute Of Supply Management (ISM) Order Backlogs Are Rising



Source: Institute Of Supply Management, Sanctuary Wealth, October 1, 2026

Semiconductors Reverse Downtrend - Expecting Test of Highs

VanEck Semiconductor ETF (SMH) (Top) With Stochastic (Bottom)



Source: Bloomberg, Annotations by Sanctuary Wealth, October 2, 2026



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Data Centers In The Sky

Objections to data centers were driven primarily by two concerns: their effects on electricity prices and the demand for water needed for cooling. One way to remove these objections is to remove the data centers – literally. SpaceX (SPCX) has discussed building data centers in space, in Earth's orbit. There, data centers can be powered by electricity generated by solar power, where orbits can be arranged to provide continuous power. Cooling is an issue, but NASA's James Webb Space Telescope already successfully and continuously cools one of its instruments to -447°F, close to absolute zero (-459°F). SpaceX recently placed in space one of Alphabet's (Google, GOOGL) new tensor processing unit (TPU) chips for artificial intelligence (AI) in order to test how it functions. We suspect this may lead to data centers in orbit sooner than many people realize.

CNBC

SpaceX launches Google AI chips into orbit in push toward space-based data centers

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Alphabet Oversold And In A Strong Uptrend

Alphabet (GOOGL) (Top) With Weekly Stochastics (Bottom)



Source: Bloomberg, Annotations by Sanctuary Wealth, October 3, 2026



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Sector Readings: Information Technology, Energy, And Healthcare Lead; Utilities, Real Estate, And Consumer Discretionary Lag

Information Technology again led the rankings, followed by Energy, then Healthcare. The Utilities sector has been the market laggard 9 weeks in a row, followed by Real Estate, then Consumer Discretionary.

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 to 11, with 1 being the strongest and 11 the weakest.

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

	Oct 2	Sep 25	Sep 18	Sep 11	Sep 4	Aug 28	Aug 21	Aug 14
Consumer Discretionary	9	10	10	10	8	7	9	10
Consumer Staples	8	9	9	9	10	10	8	8
Energy	2	2	1	1	1	2	1	2
Financials	7	5	4	3	4	3	4	4
Healthcare	3	3	3	4	3	4	2	5
Industrials	5	7	7	6	6	6	6	3
Information Technology	1	1	2	2	2	1	3	1
Materials	6	6	6	5	5	5	5	6
Communication Services	4	4	5	8	9	9	10	9
Utilities	11	11	11	11	11	11	11	11
Real Estate	10	8	8	7	7	8	7	7

Source: Bloomberg, Sanctuary Wealth, October 2, 2026



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OBOS List: Energy And Information Technology Overbought. Industrials, Utilities, Consumer Discretionary, Real Estate, Consumer Staples, Materials, And Financials Oversold.

Energy and Information Technology were overbought last week. Industrials, Utilities, Consumer Discretionary, Real Estate, Consumer Staples, Materials, and Financials were oversold. No sector was near overbought or near oversold last week.

Such a divergence between overbought and oversold sectors is unusual, particularly given the number of oversold sectors.

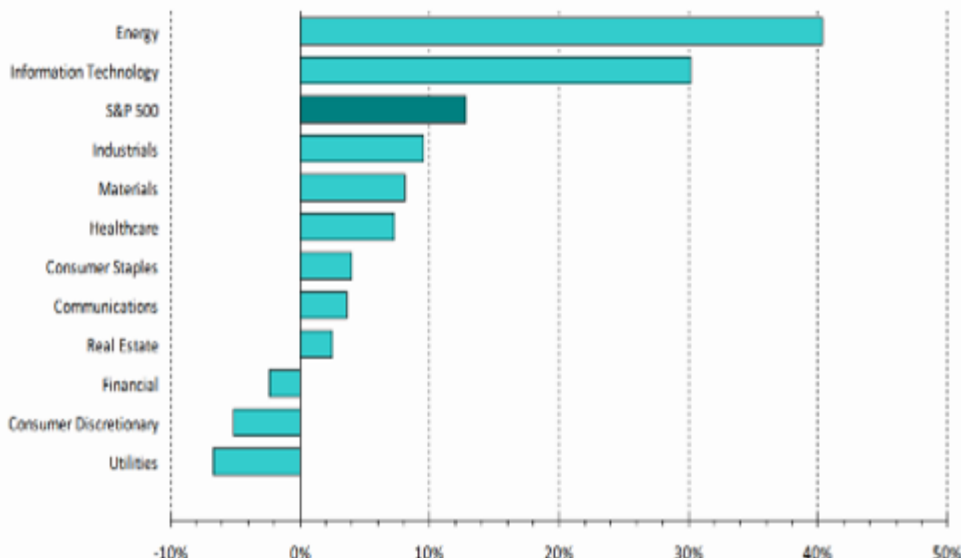
Our tactical sector rotation model uses the S&P 500 GICS sector classifications. We apply a 13-week rate of change methodology that normalizes the rankings from overbought (OB) to oversold (OS). An industry group is overbought when it has risen too far too fast, relative to the rest of the market, based 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 over 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 2 October 2026		
rank	S&P Sector	normalized Oscillator
1	Energy	1.6244
2	Information Technology	1.1974 <i>Overbought</i>
3	Communication Services	-0.1690 <i>Neutral</i>
4	Healthcare	-0.3599 <i>Neutral</i>
5	Financials	-1.0897 <i>Oversold</i>
6	Materials	-1.2029
7	Consumer Staples	-1.2331
8	Real Estate	-1.4601
9	Consumer Discretionary	-1.4755
10	Utilities	-2.0612
11	Industrials	-2.6399

Source: Bloomberg, Sanctuary Wealth, October 2, 2026

Year-To-Date Performance Of The S&P 500 Sectors



Source: Bloomberg, Sanctuary Wealth, October 2, 2026



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Market Performance: Energy Remains Best Performing Asset Year To Date, Then Information Technology. Silver Weakest, Then iShares 20+ Year Treasury Bond ETF

	Last 10/2/2026	Month End 9/30/2026	Month to Date	Quarter End 9/30/2026	Quarter to Date	Year End 12/31/2025	Year to Date	Year Ago 10/2/2025	Year To Year
S&P 500	7722.72	7651.54	0.9%	7651.54	0.9%	6845.50	12.8%	6715.35	15.0%
NASDAQ Composite	27190.86	26861.06	1.2%	26861.06	1.2%	23241.99	17.0%	22844.05	19.0%
NASDAQ 100	749.58	739.77	1.3%	739.77	1.3%	614.31	22.0%	605.73	23.7%
Russell 2000	2832.90	2796.86	1.3%	2796.86	1.3%	2481.91	14.1%	2458.49	15.2%
S&P Consumer Discretionary Sector	1829.33	1807.11	1.2%	1807.11	1.2%	1928.43	-5.1%	1917.89	-4.6%
S&P Consumer Staples Sector	899.39	900.55	-0.1%	900.55	-0.1%	864.89	4.0%	864.57	4.0%
S&P Energy Sector	964.73	944.63	2.1%	944.63	2.1%	687.34	40.4%	675.56	42.8%
S&P Financial Sector	890.05	888.55	0.2%	888.55	0.2%	911.60	-2.4%	887.77	0.3%
S&P Healthcare Sector	1937.60	1963.91	-1.3%	1963.91	-1.3%	1805.89	7.3%	1669.62	16.1%
S&P Industrials Sector	1438.60	1413.31	1.8%	1413.31	1.8%	1313.14	9.6%	1305.05	10.2%
S&P Information Technology Sector	7400.25	7267.14	1.8%	7267.14	1.8%	5684.00	30.2%	5679.34	30.3%
S&P Materials Sector	621.10	617.73	0.5%	617.73	0.5%	574.41	8.1%	569.99	9.0%
S&P Real Estate Sector	261.36	262.03	-0.3%	262.03	-0.3%	255.03	2.5%	263.21	-0.7%
S&P Communications Sector	468.67	470.20	-0.3%	470.20	-0.3%	452.39	3.6%	420.27	11.5%
S&P Utilities Sector	404.61	400.64	1.0%	400.64	1.0%	433.81	-6.7%	446.37	-9.4%
S&P 500 Total Return	17321.99	17160.41	0.9%	17160.41	0.9%	15220.46	13.8%	14887.33	16.4%
3 month Treasury Bill Price	98.98	98.97	0.0%	98.97	0.0%	99.09	-0.1%	99.01	0.0%
3 month Treasury Bill Total Return	275.55	275.41	0.0%	275.41	0.0%	268.01	2.8%	265.38	3.8%
10 Year Treasury Bond Future	104.36	104.20	0.1%	104.20	0.1%	112.44	-7.2%	112.92	-7.6%
10 Year Treasury Note Total Return	303.83	303.31	0.2%	303.31	0.2%	316.61	-4.0%	314.87	-3.5%
iShares 20+ Year Treasury Bond ETF	77.48	77.78	-0.4%	77.78	-0.4%	87.16	-11.1%	89.55	-13.5%
S&P Municipal Bond Total Return	281.18	279.51	0.6%	279.51	0.6%	290.00	-3.0%	285.75	-1.6%
iShares S&P National Municipal Bond NAV	101.04	100.70	0.3%	100.70	0.3%	106.85	-5.4%	106.15	-4.8%
S&P 500 Investment Grade Corporate Bond Total Return	485.51	485.30	0.0%	485.30	0.0%	499.46	-2.8%	497.84	-2.5%
S&P Investment Grade Corporate Bond	87.43	87.44	0.0%	87.44	0.0%	92.75	-5.7%	93.34	-6.3%
S&P Investment Grade Corporate Bond Total Return	520.47	520.34	0.0%	520.34	0.0%	532.99	-2.3%	530.44	-1.9%
SPDR Bloomberg High Yield Bond ETF	92.39	92.75	-0.4%	92.75	-0.4%	97.21	-5.0%	97.59	-5.3%
iShares iBoxx High Yield Corporate Bond ETF	76.91	77.21	-0.4%	77.21	-0.4%	80.63	-4.6%	80.93	-5.0%
Gold	4141.19	4157.41	-0.4%	4157.41	-0.4%	4319.37	-4.1%	3856.58	7.4%
Bitcoin	84436.89	83621.23	1.0%	83621.23	1.0%	87647.54	-3.7%	120711.41	-30.1%
Silver	60.36	60.43	-0.1%	60.43	-0.1%	71.66	-15.8%	46.99	28.5%

Source: Bloomberg, Sanctuary Wealth, October 2, 2026

October Starting On Good Footing - Not Too Spooky... Yet

This week it's all about the data - and parsing the latest FOMC meeting minutes.

Last week was packed with economic data and comments from Federal Reserve officials. This week brings fewer of both.

The biggest item should be the Federal Open Market Committee (FOMC) minutes from its September 16 meeting, when it voted to raise interest rates. Traders and investors will scrutinize the minutes for insight into why some FOMC members dissented from the rate hike, the Committee's view on the long end of the Treasury curve, and whether there is any support for Fed Governor Cook's position that the AI infrastructure buildout has "surprisingly persistent" inflation effects. *A dovish surprise could lower Treasury yields and provide another boost to equities.*

On the data side, we'll see S&P Global services and composite purchasing managers' indexes (PMIs) today, along with the ISM services index. The August trade balance arrives Tuesday, followed on Friday by the University of Michigan's preliminary reading on consumer sentiment.



Calendar

Mon.

9:45 AM US Services PMI
10:00 AM ISM Report On Business Services PMI

Tue.

8:30 AM U.S. Trade Balance
6:00 PM FRB Dallas President Lorie Logan participates in Global Perspectives event

Wed.

2:00 PM Federal Open Market Committee meeting minutes
3:00 PM Consumer Credit
Earnings Applied Digital*

Thu.

8:30 AM Weekly Jobless Claims
10:00 AM Monthly Wholesale Trade
1:40 PM Fed speech: St. Louis Fed President Alberto Musalem
Earnings PepsiCo

Fri.

9:30 AM FRB Kansas City President Jeffrey Schmid speaks at Kansas City Economic Outlook event
10:00 AM U. Michigan Prelim Consumer Survey
Earnings Delta Air Lines

* Earnings reflect highlights
Sources: MarketWatch/Kiplinger's

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