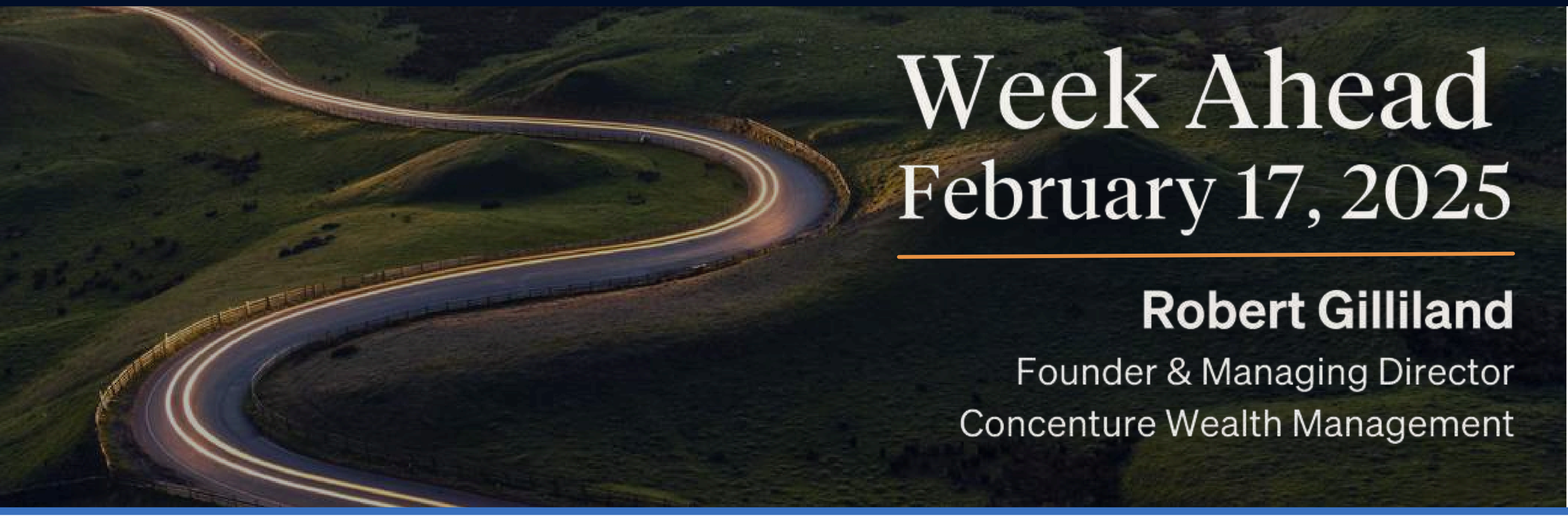
CONCENTURE
WEALTH
MANAGEMENT



February 18, 2025

A Penny For Your Thoughts

Less than four weeks into his second administration (the first non-consecutive presidential administrations since Grover Cleveland won re-election in 1893), President Trump ordered Treasury Secretary Bessent to halt the production of new 1-cent coins at the U.S. Mint, stating that they cost more than 2 cents each to produce.

Eliminating pennies in other countries has not disturbed their economies nor disrupted economic liquidity. It is our view that this is part of the early phase of transitioning from traditional currency in paper and coin to a digital currency world.

Here Comes A Burst Of Liquidity

Markets run on liquidity, and we think we are about to see a liquidity bazooka – an unexpected burst of liquidity over the next several months. We understand that Congress will have difficulty raising the debt ceiling – they just don't have enough votes to get it done at this time. As a result, it will probably take some time to reach an agreement, requiring further negotiations to get a debt ceiling deal passed. Because of this, the Treasury cannot raise new debt – however, it can refinance its existing debt, which is below the current legal limit at this time. So, the Treasury will pay for its current needs out of its Treasury General Account (TGA) at the Federal Reserve (Fed). Note that funds assigned to the TGA are outside the banking system. Now, two things would happen in this situation. First, because there is no new Treasury debt, with only existing debt rolling over, no funds would be extracted from the banking system to purchase new debt. Second, in place of those funds that would have been taken from the banking system for new debt, the Treasury will be spending from its TGA and injecting funds into the banking system. The figures we have seen from Dan Clifton at Strategas indicate that $500 billion is expected to be injected into the banking system by the Treasury from the TGA between now and the end of March – unless Congress agrees to raise the debt ceiling before then. That money will need to find a home. And where's the easiest place to park that kind of money for the short term? Both the stock market and the bond market – because you enter them quickly and easily and exit them just as easily. We believe these actions could very likely support higher stock prices and lower Treasury bond yields in the coming weeks.

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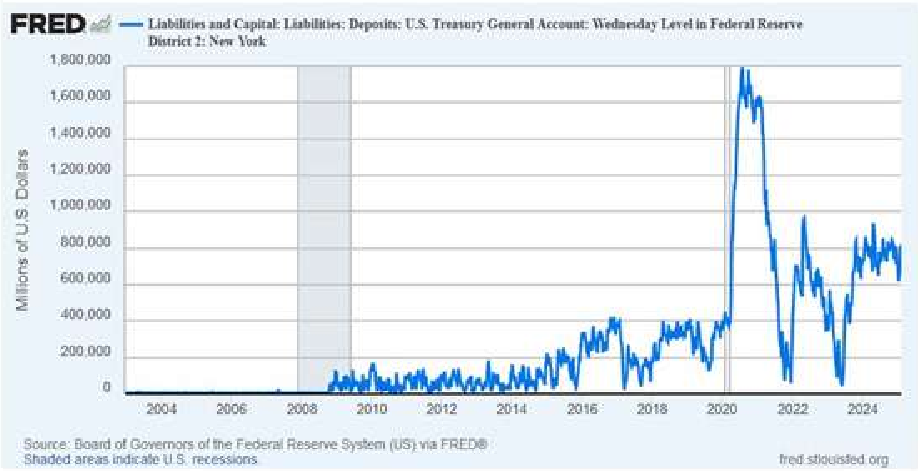
The Treasury General Account At The Fed Currently Stands Just North Of $815 Billion



If The Liquidity Boost Occurs, 10-Year Treasury Yields Can Fall

10-Year Treasury Yield Trending Down & A Break Of 4.3% = 4.2% - 4.1%

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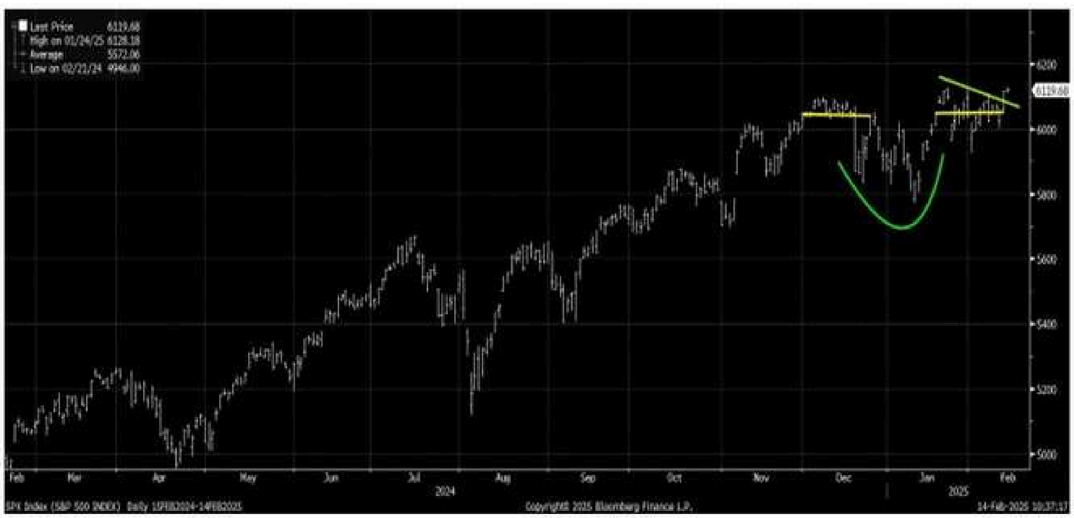
Tariffs And Trade

Last Thursday, President Trump said that his Administration is evaluating reciprocal tariffs on nations that impede the import of U.S. goods. However, he did not impose the tariffs immediately – which is what some investors had feared he'd do. We believe his comments were bid to pry open foreign markets to more American exports, something that should be good for companies with exposure to international business. The equity markets cheered by rallying. We maintain our target range of 7200-7400 for the S&P 500 this year.

S&P 500 Index Attempting A Breakout Of A Bullish Consolidation

S&P 500 Could Be Breaking Out From An Inverted Head And Shoulders Pattern; A Happy Smile Is Bullish



Tariffs Are Affecting The US Dollar

One of the effects of the threat of reciprocal tariffs has been a lower U.S. dollar. The dollar rallied until Trump's inauguration and has since consolidated at a generally higher level. We remain U.S. dollar Bulls longer-term. We expect other countries to resume their policies of devaluing their currencies against the U.S. dollar to gain a trade advantage. This is a "race to the bottom" in currencies, where each nation follows a policy of weakening its own currency to boost its exports.

US Dollar Index (DXY) (Top) With Moving Average Convergence/Divergence (Bottom)

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Last Week's CPI Numbers Spooked The Markets

By now, everyone knows that last week's Consumer Price Index (CPI) results were a little higher than expected, by one- or two-tenths of one percent year-to-year. Fixed income markets reacted sharply, pushing the next expected interest rate cut by the Fed from mid-September to the end of October. The 10-year Treasury bond yield rose sharply, interrupting what seemed to be an imminent decline in yields.

Last Thursday, Producer Price Index (PPI) results were two-tenths of one percent higher than expected on a year-to-year basis, and 10-year Treasury bond yields fell back to where they were before CPI was reported. The markets calmed down as some of the components of the inflation data that are also in the Core PCE (Personal Consumption Expenditures Price Index) did not rise.

With tariffs on hold and appearing less severe, stronger-than-expected earnings, combined with a potential liquidity bazooka in the coming weeks, should drive Treasury yields down. Lower yields should boost equity markets, which have a bullish consolidation, in our view.

Financials Benefit From A Lower Rate Environment

The new expected deregulatory environment, coupled with the liquidity flowing into the market, is beneficial to Financial stocks. Banks and capital market firms are expecting a resurgence in initial public offerings (IPOs) and mergers & acquisitions (M&A) activity, driven by looser banking regulations and more relaxed rules compared to those introduced under the Basel III Endgame reforms following the Great Financial Crisis of 2007-2009. Such a rebound most likely would boost the earnings for banks and capital markets firms and it's getting priced into their stocks already. JP Morgan (JPM) continues to hit record highs and Robinhood (HOOD), an online financial services platform, has gained investor attention and has rallied sharply.

JP Morgan (JPM) (Top) With Relative Price To S&P 500 (Bottom)

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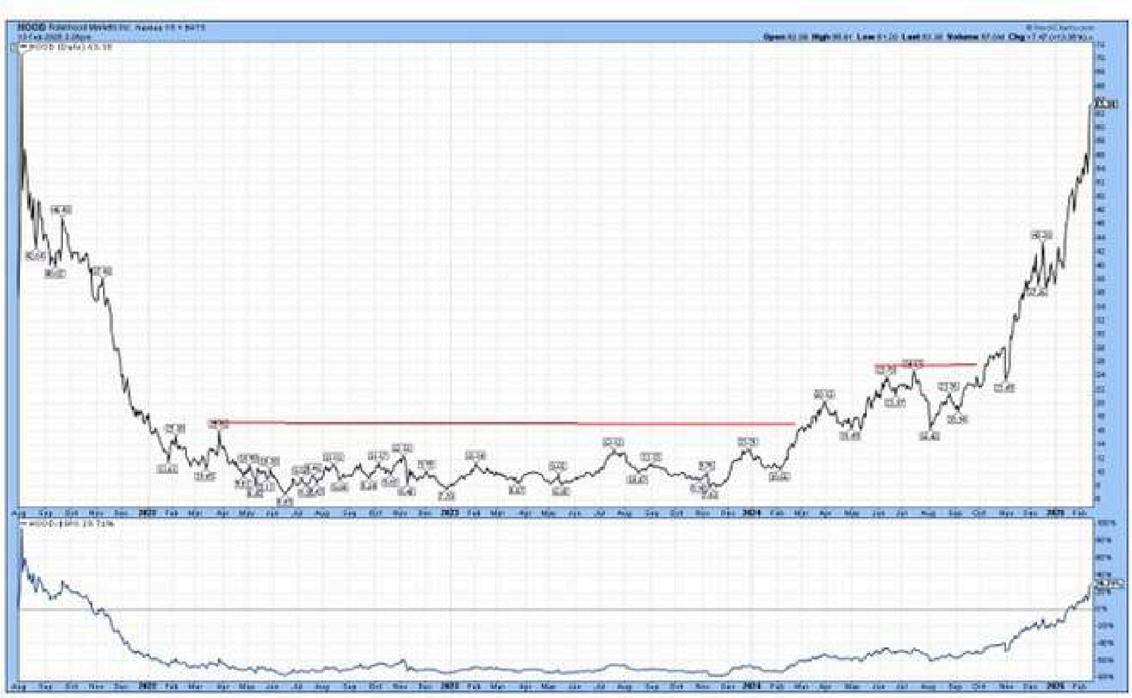
Robinhood (HOOD) (Top) With Relative Price To S&P 500 (Bottom)



Healthcare Stocks Rebounding From Oversold Position: There's Value But Not Leadership

It is not uncommon for Healthcare stocks to sell off following conservative electoral victories, driven by the expectation that a new conservative administration will tighten federal healthcare spending. What often happens is that this sell-off is somewhat overdone, and the stocks then rebound to more reasonable levels. We believe that might be happening now. While we do not favor the Healthcare sector over the long term, we are watching the rebound. Healthcare is a Value sector, and, in our view, not a leadership sector.

iShares U.S. Healthcare ETF (IYH) (Top) With Relative Price To S&P 500 (Bottom)

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We Believe Leadership Still Resides With Technology

We believe leadership in this market still resides with Technology and Tech-related stocks. Leadership within this sector, however, is changing hands from semiconductor manufacturers to software makers as the industry learns how to apply artificial intelligence (AI). We believe AI will enhance productivity and drive corporate earnings growth, much like past technological advancements did: in the 1950s through post-war innovations, in the late 1960s and early 1970s with computers and the Race to the Moon, in the 1980s with personal computers, and in the 1990s with the rise of the internet.

iShares Tech-Software Sector ETF (IGV) Relative To Van Eyck Semiconductor ETF (SMH)

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Market Performance

	Last 2/14/2025	Month End 1/31/2025	Month to Date	Quarter End 12/31/2024	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 2/15/2024	Year To Year
S&P 500	6114.63	6040.53	1.2%	5881.63	4.0%	5881.63	4.0%	5029.73	21.6%
NASDAQ Composite	20026.77	19627.44	2.0%	19310.79	3.7%	19310.79	3.7%	15906.17	25.9%
NASDAQ 100	538.15	522.29	3.0%	511.23	5.3%	511.23	5.3%	434.51	23.9%
Russell 2000	2279.98	2287.69	-0.3%	2230.16	2.2%	2230.16	2.2%	2061.48	10.6%
S&P Consumer Discretionary Sector	1848.32	1911.57	-3.3%	1831.16	0.9%	1831.16	0.9%	1445.11	27.9%
S&P Consumer Staples Sector	898.50	869.70	3.3%	853.65	5.3%	853.65	5.3%	775.57	15.9%
S&P Energy Sector	681.76	667.95	2.1%	654.85	4.1%	654.85	4.1%	649.74	4.9%
S&P Financial Sector	860.45	855.91	0.5%	804.44	7.0%	804.44	7.0%	660.49	30.3%
S&P Health Care Sector	1686.57	1710.76	-1.4%	1604.75	5.1%	1604.75	5.1%	1690.30	-0.2%
S&P Industrials Sector	1163.78	1171.34	-0.6%	1115.65	4.3%	1115.65	4.3%	1004.31	15.9%
S&P Information Technology Sector	4681.09	4474.24	4.6%	4609.52	1.6%	4609.52	1.6%	3679.31	27.2%
S&P Materials Sector	565.59	559.03	1.2%	529.77	6.8%	529.77	6.8%	533.78	6.0%
S&P Real Estate Sector	264.23	260.37	1.5%	255.92	3.2%	255.92	3.2%	243.23	8.6%
S&P Communications Sector	371.67	372.33	-0.2%	341.66	8.8%	341.66	8.8%	275.03	35.1%
S&P Utilities Sector	401.05	395.93	1.3%	384.95	4.2%	384.95	4.2%	310.36	29.2%
S&P 500 Total Return	13443.10	13271.38	1.3%	12911.82	4.1%	12911.82	4.1%	10910.31	23.2%
3 month Treasury Bill Price	98.92	98.93	0.0%	98.92	0.0%	98.92	0.0%	98.66	0.3%
3 month Treasury Bill Total Return	258.38	257.93	0.2%	256.97	0.5%	256.97	0.5%	245.59	5.2%
10 Year Treasury Bond Future	109.31	108.84	0.4%	108.75	0.5%	108.75	0.5%	110.72	-1.3%
10 Year Treasury Note Total Return	297.03	295.27	0.6%	293.94	1.1%	293.94	1.1%	289.06	2.8%
iShares 20+ Year Treasury Bond ETF	89.15	87.76	1.6%	87.33	2.1%	87.33	2.1%	93.30	-4.4%
S&P Municipal Bond Total Return	279.51	279.15	0.1%	278.14	0.5%	278.14	0.5%	272.08	2.7%
iShares S&P National Municipal Bond NAV	106.29	106.63	-0.3%	106.40	-0.1%	106.40	-0.1%	107.75	-1.4%
S&P 500 Investment Grade Corporate Bond Total Return	470.55	467.57	0.6%	465.24	1.1%	465.24	1.1%	448.52	4.9%
S&P Investment Grade Corporate Bond	90.82	90.44	0.4%	90.28	0.6%	90.28	0.6%	90.08	0.8%
S&P Investment Grade Corporate Bond Total Return	501.58	498.63	0.6%	495.89	1.1%	495.89	1.1%	476.28	5.3%
SPDR Bloomberg High Yield Bond ETF	96.68	96.76	-0.1%	95.47	1.3%	95.47	1.3%	94.42	2.4%
iShares iBoxx High Yield Corporate Bond ETF	79.76	79.72	0.1%	78.65	1.4%	78.65	1.4%	77.14	3.4%
Gold	2882.53	2798.41	3.0%	2624.50	9.8%	2624.50	9.8%	2004.40	43.8%
Bitcoin	97503.15	102110.01	-4.5%	93714.04	4.0%	93714.04	4.0%	51371.31	89.8%

Source: Bloomberg, Sanctuary Wealth, February 14, 2025

Can The S&P 500 Break Out? We Think So.

This is a week where sudden market movement could catch everyone by surprise.

This week, shortened by President's Day, is sparse for economic data, the most important of which will housing starts and existing home sales data. We will be watching to see if the S&P 500 can break out and reach new record highs this week – it's trying hard, and we believe it can. Markets are distracted by all of Trump's executive orders, his talk about tariffs, and investors' handwringing about multiples and valuations… no one's expecting a breakout. We think the S&P 500 can do it.

We are in the tail end of earnings reports and on Wednesday, the Fed will release the minutes of the FOMC (Federal Open Market Committee) meeting of January 29, which was the "hawkish" meeting that roiled the markets a bit. With a strong economy and robust labor force, plus higher CPI and PPI data, the market continues to expect only one interest rate cut this year for later in the fall.

Calendar

Mon. President's Day holiday 9:30 am Philadelphia Fed President Patrick Harker speaks 10:20 am Fed Governor Michelle Bowman speaks 6:00 pm Fed Governor Christopher Waller speaks

Tue. 8:30 am Empire State manufacturing survey

10:00 am Home builder confidence index

10:20 am San Francisco Fed President Daly speaks

1:00 pm Fed Vice Chair for Supervision Michael Barr speaks

Earnings: Blackbaud, Medtronic, Bumble, Unisys

Wed. 8:30 am Housing starts, Building permits

2:00 pm Minutes of Fed's January FOMC meeting

5:00 pm Fed Vice Chair Philip Jefferson speaks

Earnings: Analog Devices, Bausch + Lomb, Klaviyo, Bausch Health

Thu. 8:30 am Initial jobless claims, Philadelphia Fed manufacturing survey

9:35 am Chicago Fed President Austan Goolsbee speaks

10:00 am U.S. leading economic indicators

2:30 pm Fed Vice Chair for Supervision Michael Barr speaks

5:00 pm Fed Governor Adriana Kugler speaks

Earnings: Walmart, Constellium, Cushman & Wakefield, Booking Holdings,

Fri. 9:45am S&P flash U.S. services PMI, S&P flash U.S. manufacturing PMI

10:00am Consumer sentiment (final), Existing home sales

11:30 pm Fed Vice Chairman Philip Jefferson speaks, San Francisco Fed President Mary Daly opening remarks

Earnings: TXNM Energy

*Earnings reflect highlights

Source: CNBC, Kiplinger's, MarketWatch

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