



Week Ahead

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May 27, 2025

Tariff Tantrums Are Back

Equity markets were marching along happily up until last week when President Trump set off a new volley of tariff tantrums, again causing volatility – but the pullback in equities was modest.

It appears markets are getting used to the tariff negotiations and they are not reacting as violently as they did following Liberation Day (April 2). Over the weekend, President Trump delayed the EU tariffs until July 9th and markets are responding positively. Expect volatility to continue. Short-term markets are overbought with weakening momentum and approaching record highs, so it is normal to have some choppiness (ups and downs). We still believe we are in the start of a summer rally, and that it is possible to be at record highs this summer. Such a move would be one of the biggest surprises this year – outside of the tariffs.

Short-Term Equities Are Overbought And Losing Momentum...

In the short term, with stocks rallying over 20% from the April 7th lows, they now appear overbought and are losing momentum. This points to a correction or choppiness, but the pullback should be mild.

S&P 500 With 14-Day Stochastic And Moving Avg/Convergence Divergence





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...But Intermediate Momentum Is Still Bullish And Improving

Looking at equities on a weekly basis, momentum remains positive and is improving – suggesting a modest pullback could be followed by a summer rally to new highs.

S&P 500 With 14-Week Stochastic And Moving Avg, Convergence/Divergence



What Continues To Amaze Us Is The Similar Pattern Of Today To 2018

A few weeks back, we highlighted how the S&P 500 is trading very similarly to when President Trump was first in office. If the market continues with this pattern, the S&P 500 can be at new highs by August.

Comparison of S&P 500 Today to 2018

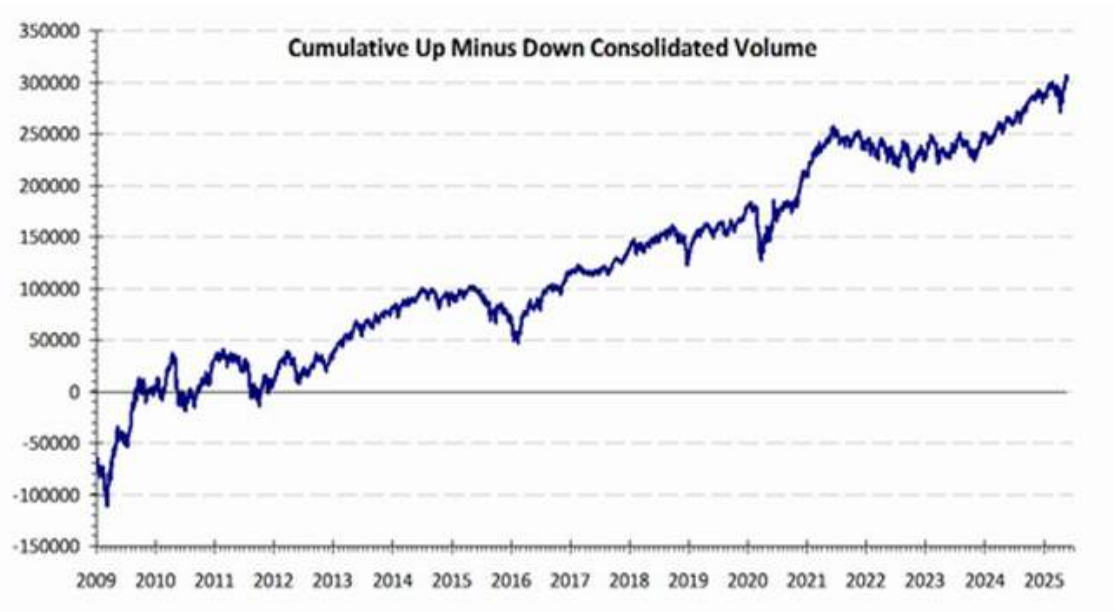




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Net Volume Hits Record All-Time High

Volume is often a leading indicator of stock prices. The cumulative net volume (up minus down) has hit a record all-time high. This also supports the rally in stocks and the potential for new highs.



Source: Bloomberg, Sanctuary Wealth, May 23, 2025

Leadership Remains Growth

Many investors look at Growth stocks versus Value stocks. When earnings are scarce, Growth outperforms, and when earnings are abundant Value stocks outperform. Earnings have been growing but they are selective and still scarce. This points to Growth stocks continuing to outperform.

Russell Growth Vs. Russell Value: Growth The Leader





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Semiconductors Continue To Improve

The leadership in this market has been Technology and Tech-related areas of the market. Semiconductors have been the leading industry. Semiconductors had a sharp correction that we believe is completed and they are performing well again. We need the support of the leadership to get to new highs and maintain them.

VanEck Semiconductors With Relative To S&P 500



Aerospace & Defense Still Has Leadership At Record Highs

One industry group that is hitting record highs is Aerospace & Defense. With war still raging in both Gaza and Ukraine, and now with the investment in a Golden Dome missile defense system for the U.S., we expect this area of the market to continue to perform well.

Invesco Aerospace & Defense ETF With Relative To S&P 500





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Concerns And Risk Remain On Long Interest Rates

With the U.S. having twin deficits (Federal and Trade), there is some concern over interest rates rising due to investors not wanting to own U.S. Treasury debt. The short end of the curve is fine, with interest rates trading down, however, longer paper – 10 years and beyond – has seen rates staying high. Looking at the 10-year Treasury yield, we see significant resistance at 5%; we don't expect rates to surpass this level. We have been saying we believe the 10-year Treasury yield would trade in a range of 4.0%-5.0% and so far, this year, it has. We are watching to see if the yield breaks a range between 4.0% and 4.8% to determine the next major move.

10-Year Treasury Yield With Major Resistance At 5.0%



The Total Return On Bonds Looks To Still Be In An Uptrend

Looking at the total return for bonds, the trend remains up. If bonds were moving into a bear trend, we would expect returns to roll over and begin to fall. We are not there yet.



Source: Bloomberg, Sanctuary Wealth, May 23, 2025



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Bitcoin Breaks Resistance To New Record High – Targeting \$150,000

Bitcoin (BTC), one of the riskiest assets, just moved to a record high. It is the second best performing asset this year. Technically, the next move targets \$150,000.

Bitcoin (Top) With Relative To S&P 500 (Bottom)



Disclaimer: Comments regarding Cryptocurrencies or Cryptocurrency-based securities are for informational purposes only. No part of this communication should be construed as investment advice and is not to be considered a solicitation with respect to the purchase or sale of any Cryptocurrency-related product.

What We Are Watching

Large cap stocks continue to outperform relative to small caps. The relative ratio of large versus small cap stocks is approaching a major resistance level. Large cap, particularly mega cap stocks, have been in a secular bull market, while small caps are in a secular bear market. These cycles can last up to 15 years plus. A break above resistance would point to continued leadership in large cap stocks.

S&P 500 (Large Cap) Vs. Russell 2000 (Small Cap)

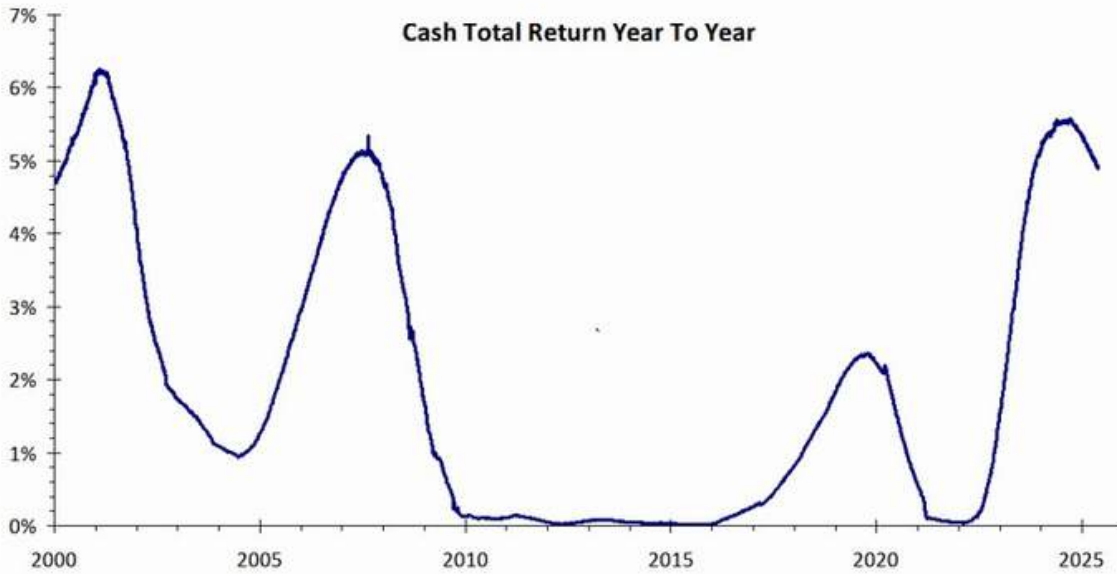




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Cash Total Returns Look To Have Peaked!

Cash returns are falling, which indicates short-term interest rates are likely to continue to fall. The short end of the yield curve should continue to perform well, but, in our view, you should lock in your rates soon.



Source: Bloomberg, Sanctuary Wealth, May 23, 2025

Sector Readings: Technology Continues To Improve While Communication Services Moves To Top Ranked and Lowest Ranked Health Care Remains In Intensive Care

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 1-10 with 1 being the strongest and 10 the weakest. Last week, Health Care remained in last place, while Communication Services rose to top-ranked. Technology continues to improve.

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

	May 23	May 16	May 9	May 2	Apr 25	Apr 18	Apr 11	Apr 4
Consumer Discretionary	5	3	7	7	7	10	8	8
Consumer Staples	6	7	3	3	1	1	1	1
Energy	10	10	10	11	9	8	11	10
Financials	4	1	1	1	3	3	2	3
Health Care	11	11	11	10	8	7	7	5
Industrials	2	2	4	5	5	5	5	6
Information Technology	7	6	8	8	10	11	10	11
Materials	8	9	9	9	11	9	9	9
Communication Services	1	4	5	4	4	6	6	7
Utilities	3	5	2	2	2	2	3	2
Real Estate	9	8	6	6	6	4	4	4

Source: Bloomberg, Sanctuary Wealth May 23, 2025



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OBOS List: Industrials And Utilities Most Overbought And Health Care Most Oversold Technology And Communication Services Showing Strongest Improvement

This is our new tactical sector rotation model using 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 Rankings By 40-, 26-, And 13-Week Average Relative Price Performance

Sector Overbought / Oversold List as of 23 May 2025

rank	S&P Sector	normalized Oscillator
1	Industrials	1.9828
2	Utilities	1.0037 <i>Overbought</i>
3	Consumer Staples	0.6217 <i>Near Overbought</i>
4	Financials	0.4617 <i>Neutral</i>
5	Real Estate	0.3805
6	Materials	-0.1211
7	Information Technology	-0.1372
8	Energy	-0.2063
9	Communication Services	-0.4941 <i>Neutral</i>
10	Consumer Discretionary	-0.8506 <i>Near Oversold</i>
11	Health Care	-1.1156 <i>Oversold</i>

Source: Bloomberg, Sanctuary Wealth, May 23, 2025



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Market Performance: Gold and Bitcoin Remain The Best Performing Assets

	Last 5/23/2025	Month End 4/30/2025	Month to Date	Quarter End 3/31/2025	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 5/23/2024	Year To Year
S&P 500	5802.82	5569.06	4.2%	5611.85	3.4%	5881.63	-1.3%	5267.84	10.2%
NASDAQ Composite	18737.21	17446.34	7.4%	17299.29	8.3%	19310.79	-3.0%	16736.03	12.0%
NASDAQ 100	509.24	475.47	7.1%	468.92	8.6%	511.23	-0.4%	453.66	12.3%
Russell 2000	2039.85	1964.12	3.9%	2011.91	1.4%	2230.16	-8.5%	2048.41	-0.4%
S&P Consumer Discretionary Sector	1688.65	1570.08	7.6%	1575.40	7.2%	1831.16	-7.8%	1417.34	19.1%
S&P Consumer Staples Sector	901.29	902.34	-0.1%	892.71	1.0%	853.65	5.6%	821.55	9.7%
S&P Energy Sector	622.00	617.47	0.7%	715.75	-13.1%	654.85	-5.0%	693.15	-10.3%
S&P Financial Sector	831.14	811.11	2.5%	829.46	0.2%	804.44	3.3%	686.24	21.1%
S&P Health Care Sector	1515.99	1637.04	-7.4%	1702.26	-10.9%	1604.75	-5.5%	1686.03	-10.1%
S&P Industrials Sector	1190.01	1111.41	7.1%	1109.72	7.2%	1115.65	6.7%	1046.02	13.8%
S&P Information Technology Sector	4420.10	4083.59	8.2%	4019.98	10.0%	4609.52	-4.1%	3986.10	10.9%
S&P Materials Sector	540.34	529.86	2.0%	541.98	-0.3%	529.77	2.0%	569.80	-5.2%
S&P Real Estate Sector	254.62	259.37	-1.8%	262.90	-3.1%	255.92	-0.5%	233.75	8.9%
S&P Communications Sector	345.33	321.68	7.4%	319.75	8.0%	341.66	1.1%	294.24	17.4%
S&P Utilities Sector	409.98	400.99	2.2%	400.81	2.3%	384.95	6.5%	358.05	14.5%
S&P 500 Total Return	12806.24	12276.39	4.3%	12360.21	3.6%	12911.82	-0.8%	11470.98	11.6%
3 month Treasury Bill Price	98.91	98.93	0.0%	98.93	0.0%	98.92	0.0%	98.65	0.3%
3 month Treasury Bill Total Return	261.36	260.57	0.3%	259.66	0.7%	256.97	1.7%	249.14	4.9%
10 Year Treasury Bond Future	110.08	112.22	-1.9%	111.22	-1.0%	108.75	1.2%	109.03	1.0%
10 Year Treasury Note Total Return	302.50	307.54	-1.6%	303.73	-0.4%	293.94	2.9%	287.98	5.0%
iShares 20+ Year Treasury Bond ETF	84.55	89.47	-5.5%	91.03	-7.1%	87.33	-3.2%	91.11	-7.2%
S&P Municipal Bond Total Return	275.13	275.92	-0.3%	277.48	-0.8%	278.14	-1.1%	270.11	1.9%
iShares S&P National Municipal Bond NAV	103.72	104.39	-0.6%	105.21	-1.4%	106.40	-2.5%	105.87	-2.0%
S&P 500 Investment Grade Corporate Bond Total Return	470.33	475.64	-1.1%	475.67	-1.1%	465.24	1.1%	450.25	4.5%
S&P Investment Grade Corporate Bond	89.83	90.99	-1.3%	91.30	-1.6%	90.28	-0.5%	89.56	0.3%
S&P Investment Grade Corporate Bond Total Return	502.32	507.29	-1.0%	507.15	-1.0%	495.89	1.3%	479.13	4.8%
SPDR Bloomberg High Yield Bond ETF	95.12	94.71	0.4%	95.30	-0.2%	95.47	-0.4%	93.95	1.2%
iShares iBoxx High Yield Corporate Bond ETF	78.95	78.60	0.4%	78.89	0.1%	78.65	0.4%	76.82	2.8%
Gold	3357.51	3288.71	2.1%	3123.57	7.5%	2624.50	27.9%	2329.27	44.1%
Bitcoin	108261.31	94581.18	14.5%	82421.29	31.4%	93714.04	15.5%	67753.41	59.8%

Source: Bloomberg, Sanctuary Wealth, May 23, 2025

A Heavy Week For Economic Data With Inflation Top Of Mind

This week, inflation, rates and equities could all be on the move.

It's a data-heavy week, capped by Friday's key release: the Core PCE (Personal Consumption Expenditure) inflation report – the Federal Reserve's inflation bellwether. Everyone will be watching how interest rates react to the data. If interest rates move up, you can expect equities to pull back as they are overbought with weakening momentum short-term. We continue to believe that any weakness is a buying opportunity. Eyes also will be turning to Nvidia (NVDA), which reports 1st quarter earnings this week on Wednesday.



Calendar

Mon.

Monday, May 26, is a stock market holiday, with the equities and bond markets closed in observance of Memorial Day

Tue.

4:00 am Minneapolis Fed President Neel Kashkari speech in Tokyo
8:30 am Durable-goods orders, Durable-goods minus transportation
9:00 am S&P CoreLogic Case-Shiller home price index (20 cities)
9:30 am Richmond Fed President Tom Barkin TV appearance
10:00 am Consumer confidence
8:00 pm New York Fed President John Williams speech in Tokyo
Earnings AutoZone, Okta*

Wed.

4:00 am Minneapolis Fed President Neel Kashkari speech in Tokyo
2:00 pm Minutes of Fed's May FOMC meeting
Earnings Nvidia, Salesforce

Thu.

8:30 am Initial jobless claims, GDP (First revision), Richmond Fed President Tom Barkin speech
10:00 am Pending home sales
10:40 am Chicago Fed President Austan Goolsbee speech
2:00 pm Fed Governor Adriana Kugler speech
4:00 pm San Francisco Fed President Mary Daly speech
8:25 pm Dallas Fed President Lorie Logan speech
Earnings Costco Wholesale, Best Buy

Fri.

8:30 am Personal income, Consumer spending, Core PCE index, Advanced U.S. trade balance in goods, Advanced retail inventories, Advanced wholesale inventories
9:45 am Chicago Business Barometer (PMI)
10:00 am Consumer sentiment (final)
4:45 pm San Francisco Fed President Mary Daly speech
Earnings Shoe Carnival

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

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