



Week Ahead

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May 5, 2025

“Sell In May And Go Away” – Perhaps Not There is an old Wall Street adage to “Sell In May and Go Away”*

based on the idea that stock market

returns are historically weaker between May and October compared to the rest of the year.

The notion is to avoid the summer months – but what if we can continue to rally from May through August? Such optimism may feel wrong, what with a “final” tariff policy still not clarified and confirmed, but remember: markets discount about six months in advance. Two signs of hope: the jobs report last Friday showed an ongoing robust labor market, and corporate earnings have been coming in much better than expected. Plus, the equity market has rallied sharply, and the breadth of the market (as based on the S&P 500) hit a new record high, which itself confirms the rally. The 14-week stochastic has also generated a buy signal. Barring any major setback on the tariff front, it is possible the lows are in, and the market will not test the lows. In our view, a summer rally is expected at this time.

**The expression originated in London as “Sell in May and go away, come back on St. Leger’s Day” (a British horse race in mid-September), reflecting the summer holiday exodus of traders and brokers.*

Could This Equity Market Be Similar To 2018?

Every bear market correction has its own unique characteristics, but patterns among corrections can be similar. The current correction bears a striking resemblance to the 2018 bear market during President Trump’s first term. In both cases, the market declined sharply without a retest and recovered swiftly, reaching a new high within four months. If today’s market follows that pattern, we could be at new highs as early as August.

At this point, the S&P 500 has rallied into resistance near 5600-5700. We expect a test of the 200-day moving average (DMA) at 5746. The market could then trade in a range between 5600 and 5800, forming an inverted head and shoulders pattern that could set the stage for a test of the 6000–6100 level. This would be one of the biggest surprises of the year -- besides the tariffs. If this is the case, the market could close out the year with a positive gain. We introduced a 12-month target of 6550 and maintain this is still achievable. We believe the secular bull market is intact.

Comparison Of S&P 500 2018 Bear Market To Today



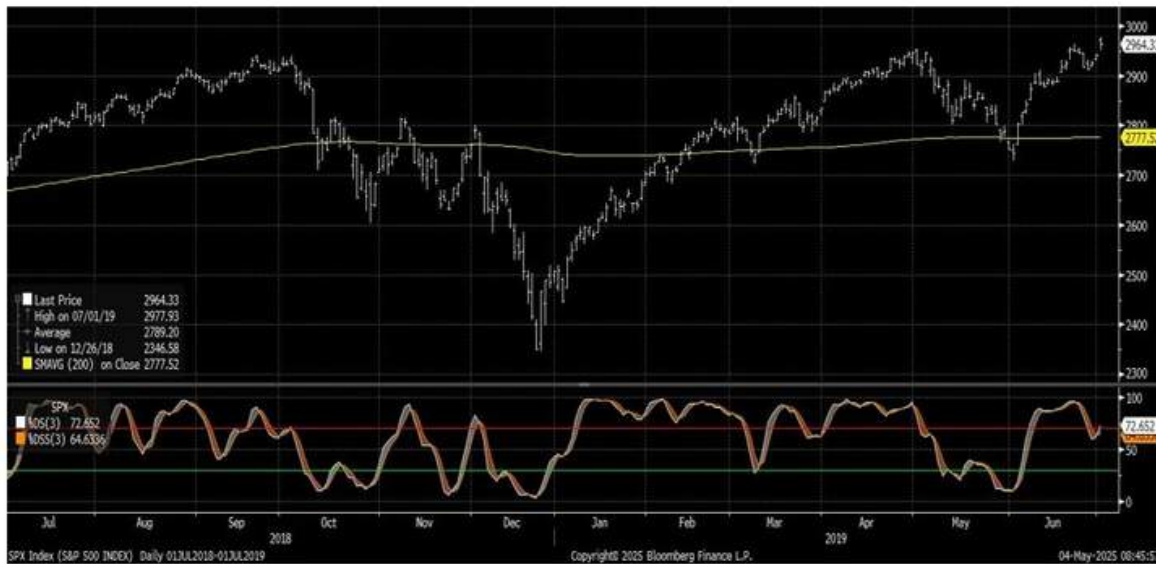


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S&P 500 With 200-DMA and 14-Day Stochastic



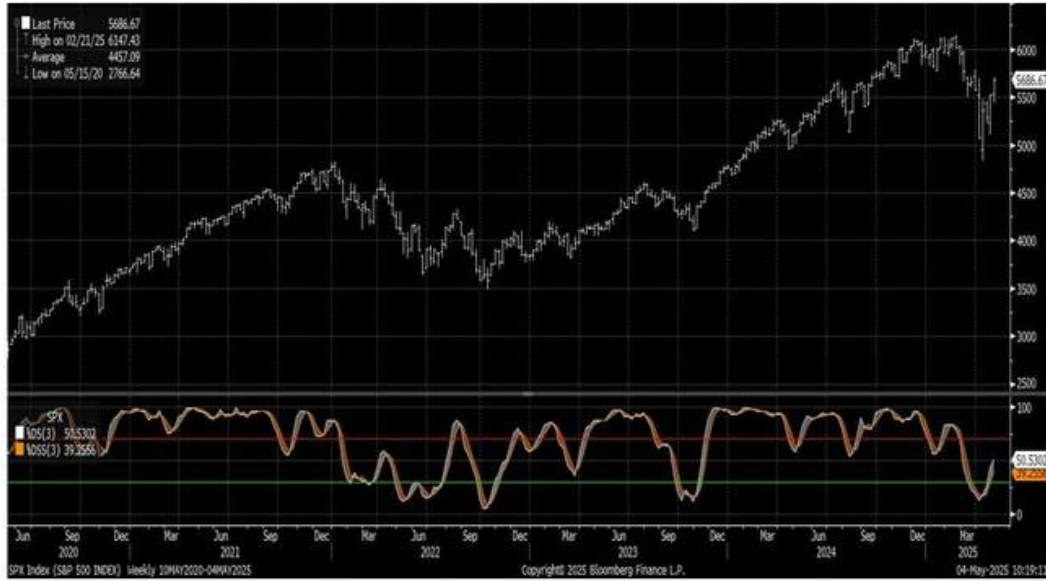
S&P 500 With 200-DMA and 14-Day Stochastic From 2017-2018





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S&P 500 With 14-Week Stochastic Buy Signal



Bloomberg Cumulative S&P 500 Advance-Dcline Line (Market Breadth) Hits Record High



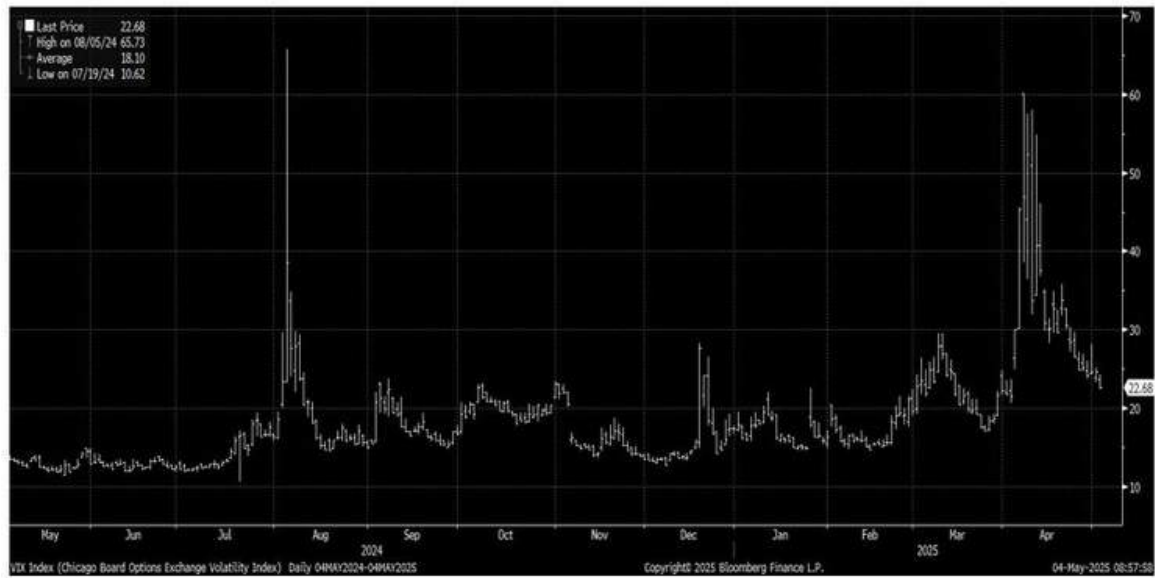


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Volatility Confirms Continued Rally

The CBOE Volatility Index (VIX), often referred to as the market's "fear gauge," spiked to 60 earlier this year but has since declined sharply and appears likely to fall further. Lower volatility generally supports rising equity prices. We don't view the VIX as flashing a sell signal until it approaches 10 or below. At its current level of 22, the index remains in what we consider a buy zone.

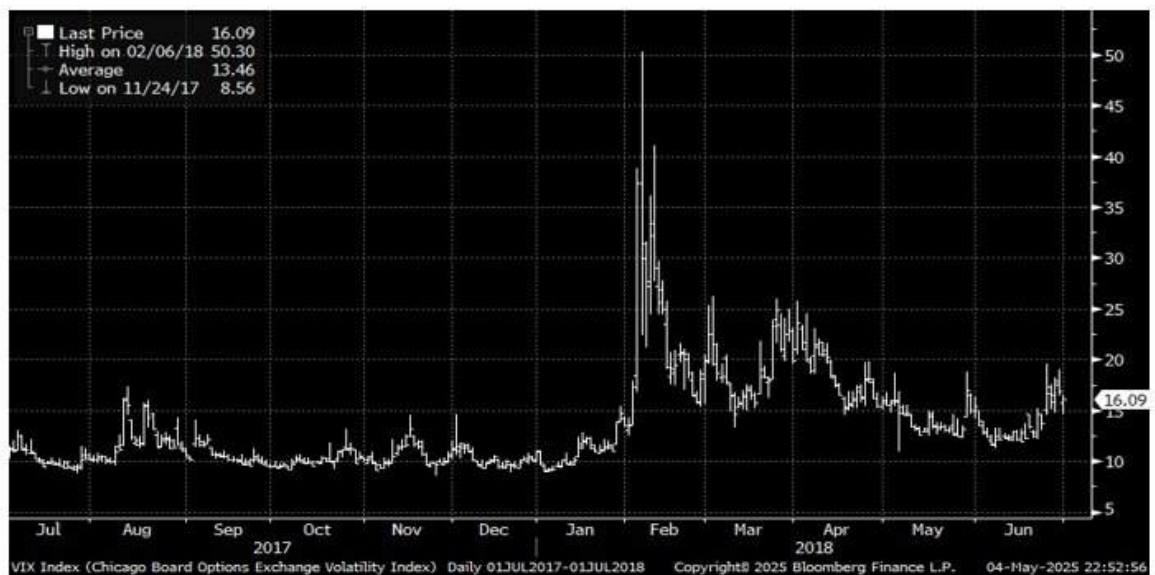
VIX Volatility Index Falling & Looks To Continue To Fall



Similar VIX Index Spike & Sharp Fall In 2018

The VIX had a similar pattern in 2018 where it rose sharply up toward 50 and fell just as sharply, supporting the equity market rally.

VIX Volatility Index Falling & Looks To Continue To Fall





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Earnings Are Robust So Far For 1Q25

This has been a surprisingly strong earnings season, with results so far coming in well above expectations. Corporate commentary has also been relatively positive — particularly from Technology companies. According to FactSet, both the percentage of S&P 500 companies reporting positive earnings surprises and the magnitude of those surprises are above the 10-year averages for those stats. As a result, the S&P 500 is reporting higher earnings for the first quarter today relative to the end of last week and relative to the end of the quarter. *The index is also reporting double-digit earnings growth for the second consecutive quarter.*

The blended earnings growth rate for the first quarter is 12.8% today, compared to an earnings growth rate of 10.1% last week, and an earnings growth rate of 7.2% at the end of the first quarter (March 31). If 12.8% holds as the actual growth rate for the quarter, it will mark the second consecutive quarter of double-digit earnings growth for the S&P 500. It will also mark the seventh consecutive quarter of year-over-year earnings growth. This earnings season is showing the positive momentum companies had entering 2025. Eight of the eleven sectors are reporting year-over-year growth, led by Health Care, Communications Services, Information Technology, and Utilities. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by Energy.

Sector Readings: Financials Top-Ranked, Tech Improving, Energy Now Last

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, Energy fell to last place, while Financials rose to top-ranked. Technology improving.

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

	May 2	Apr 25	Apr 18	Apr 11	Apr 4	Mar 28	Mar 21	Mar 14
Consumer Discretionary	7	7	10	8	8	9	9	9
Consumer Staples	3	1	1	1	1	4	6	7
Energy	11	9	8	11	10	2	2	4
Financials	1	3	3	2	3	1	1	1
Health Care	10	8	7	7	5	8	8	8
Industrials	5	5	5	5	6	6	5	5
Information Technology	8	10	11	10	11	11	11	11
Materials	9	11	9	9	9	10	10	10
Communication Services	4	4	6	6	7	7	4	3
Utilities	2	2	2	3	2	3	3	2
Real Estate	6	6	4	4	4	5	7	6

Source: Bloomberg, Sanctuary Wealth, May 2, 2025

OBOS List: Staples Stays Most Overbought & Consumer Discretionary Most Oversold

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.



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

Sector Overbought / Oversold List as of 2 May 2025

rank	S&P Sector	normalized Oscillator
1	Consumer Staples	2.8082
2	Utilities	1.2943
3	Real Estate	1.1218
4	Health Care	1.1075 <i>Overbought</i>
5	Financials	0.7950 <i>Near Overbought</i>
6	Materials	0.5686 <i>Neutral</i>
7	Industrials	0.2983
8	Energy	0.0590
9	Communication Services	-0.2413 <i>Neutral</i>
10	Information Technology	-1.1045 <i>Near Oversold</i>
11	Consumer Discretionary	-1.9579

Source: Bloomberg, Sanctuary Wealth, May 2, 2025



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Market Performance: Gold Best Performing, While Bitcoin Outperforming S&P 500

	Last 5/2/2025	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 5/2/2024	Year To Year
S&P 500	5686.67	5569.06	2.1%	5611.85	1.3%	5881.63	-3.3%	5064.20	12.3%
NASDAQ Composite	17977.73	17446.34	3.0%	17299.29	3.9%	19310.79	-6.9%	15840.96	13.5%
NASDAQ 100	488.83	475.47	2.8%	468.92	4.2%	511.23	-4.4%	426.90	14.5%
Russell 2000	2020.74	1964.12	2.9%	2011.91	0.4%	2230.16	-9.4%	2016.11	0.2%
S&P Consumer Discretionary Sector	1604.65	1570.08	2.2%	1575.40	1.9%	1831.16	-12.4%	1443.05	11.2%
S&P Consumer Staples Sector	900.62	902.34	-0.2%	892.71	0.9%	853.65	5.5%	806.96	11.6%
S&P Energy Sector	628.28	617.47	1.8%	715.75	-12.2%	654.85	-4.1%	707.13	-11.2%
S&P Financial Sector	827.90	811.11	2.1%	829.46	-0.2%	804.44	2.9%	672.53	23.1%
S&P Health Care Sector	1613.90	1637.04	-1.4%	1702.26	-5.2%	1604.75	0.6%	1636.72	-1.4%
S&P Industrials Sector	1139.44	1111.41	2.5%	1109.72	2.7%	1115.65	2.1%	1031.71	10.4%
S&P Information Technology Sector	4222.88	4083.59	3.4%	4019.98	5.0%	4609.52	-8.4%	3625.66	16.5%
S&P Materials Sector	535.98	529.86	1.2%	541.98	-1.1%	529.77	1.2%	558.11	-4.0%
S&P Real Estate Sector	263.01	259.37	1.4%	262.90	0.0%	255.92	2.8%	230.17	14.3%
S&P Communications Sector	334.21	321.68	3.9%	319.75	4.5%	341.66	-2.2%	283.62	17.8%
S&P Utilities Sector	405.05	400.99	1.0%	400.81	1.1%	384.95	5.2%	344.41	17.6%
S&P 500 Total Return	12536.20	12276.39	2.1%	12360.21	1.4%	12911.82	-2.9%	11013.91	13.8%
3 month Treasury Bill Price	98.92	98.93	0.0%	98.93	0.0%	98.92	0.0%	98.65	0.3%
3 month Treasury Bill Total Return	260.69	260.57	0.0%	259.66	0.4%	256.97	1.4%	248.37	5.0%
10 Year Treasury Bond Future	111.16	112.22	-0.9%	111.22	-0.1%	108.75	2.2%	108.36	2.6%
10 Year Treasury Note Total Return	304.70	307.54	-0.9%	303.73	0.3%	293.94	3.7%	286.15	6.5%
iShares 20+ Year Treasury Bond ETF	87.73	89.47	-1.9%	91.03	-3.6%	87.33	0.5%	88.94	-1.4%
S&P Municipal Bond Total Return	275.73	275.92	-0.1%	277.48	-0.6%	278.14	-0.9%	270.31	2.0%
iShares S&P National Municipal Bond NAV	104.05	104.39	-0.3%	105.21	-1.1%	106.40	-2.2%	106.06	-1.9%
S&P 500 Investment Grade Corporate Bond Total Return	472.37	475.64	-0.7%	475.67	-0.7%	465.24	1.5%	445.50	6.0%
S&P Investment Grade Corporate Bond	90.36	90.99	-0.7%	91.30	-1.0%	90.28	0.1%	88.88	1.7%
S&P Investment Grade Corporate Bond Total Return	503.89	507.29	-0.7%	507.15	-0.6%	495.89	1.6%	474.31	6.2%
SPDR Bloomberg High Yield Bond ETF	94.57	94.71	-0.1%	95.30	-0.8%	95.47	-0.9%	93.84	0.8%
iShares iBoxx High Yield Corporate Bond ETF	78.54	78.60	-0.1%	78.89	-0.4%	78.65	-0.1%	76.76	2.3%
Gold	3240.49	3288.71	-1.5%	3123.57	3.7%	2624.50	23.5%	2303.83	40.7%
Bitcoin	97063.65	94581.18	2.6%	82421.29	17.8%	93714.04	3.6%	58743.14	65.2%

Source: Sanctuary Wealth, Bloomberg, May 2, 2025

Clarity On Rates (For Sure) And Clarity On China (Maybe)

This week, we get more earnings, more economic data, and much more talk about tariffs.

Since President Trump's "Liberation Day" announcement about tariffs, the news flow has been non-stop and this week will continue the pace. The China tariff talk has heated up with Trump saying yesterday on *Meet The Press*: "At some point I am going to lower them [tariffs], because otherwise, you could never do business with them [China], and they want to do business very much." If we get any good news on the tariffs with China, the market should continue to hold the recent gains and maybe continue to rally. Supporting that optimism is the ongoing positive 1Q25 earnings results reported by a wide range of companies; we're in the middle of earnings seasons and it's been unexpectedly strong.

This week we will get April ISM Services data which is expected to continue to be strong. And on Wednesday, the Federal Open Market Committee (FOMC) will announce its interest rate decision. Markets widely expect the Fed to hold rates steady, but investors will be closely watching for any signals about future policy moves.

Another old adage that serves Wall Street well is "patience is a virtue." Having said that, we would continue to buy on any pullback in the market.



Calendar

Mon.

9:45am S&P final U.S. services PMI
10:00am ISM services
Earnings: Ares Management, Diamondback Energy*

Tue.

8:30 am U.S. trade deficit
Earnings: Fidelity National Info, Advanced Micro Devices, Wynn Resorts

Wed.

2:00 pm FOMC meeting
2:30 pm Fed Chairman Jerome Powell press conference
3:00 pm Consumer credit
Earnings Walt Disney, Fidelity National, Zillow

Thu.

8:30 am Initial jobless claims, U.S. productivity
10:00 am Wholesale inventories
Earnings Coinbase Global

Fri.

5:55 am Fed Governor Michael Barr speech
6:15 am New York Fed President John Williams speech
6:45 am Fed Governor Adriana Kugler speech
8:30 am Richmond Fed President Tom Barkin speech
10:00 am Chicago Fed President Austan Goolsbee speech
11:30 am Fed Governor Christopher Waller and New York Fed President John Williams on panel
6:45 am Fed Governor Lisa Cook speech
7:45 pm Fed Governor Bowman, St. Louis Fed President Alberto Musalem and Fed Cleveland Fed President Beth Hammack on panel
Earnings Construction Partners

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

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