



Week Ahead

Robert Gilliland
Managing Director



August 18, 2025

Mixed Signals For Interest Rates From Consumer And Producer Price Data

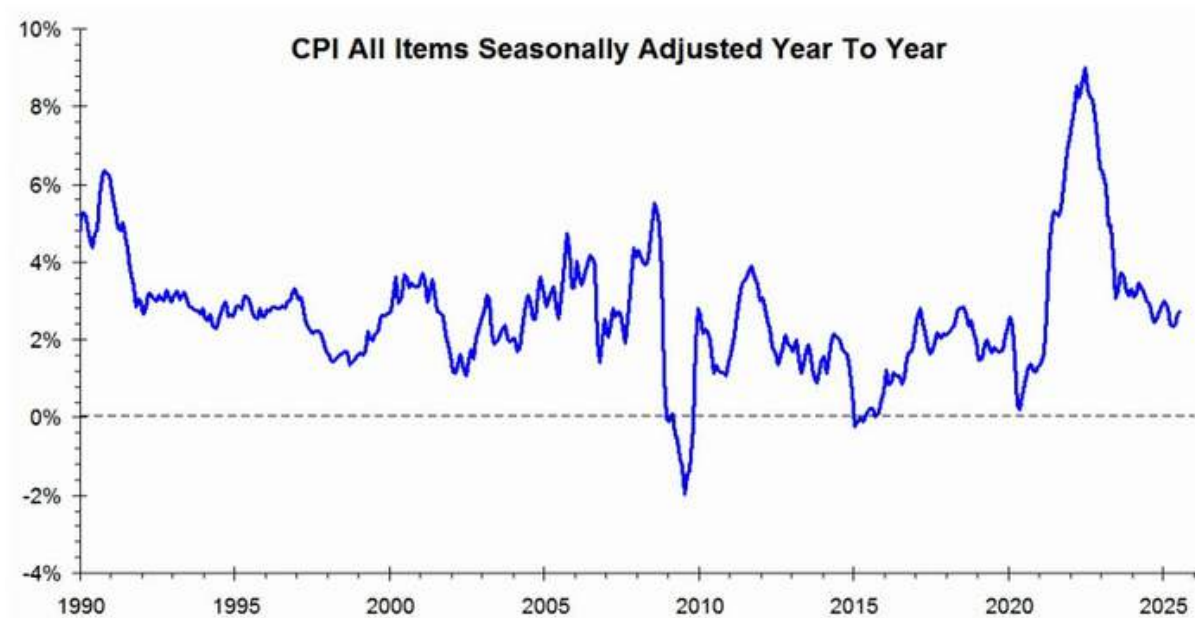
With markets near historic highs, investors are weighing the odds that the Federal Reserve (Fed) will lower rates at the next meeting of its Federal Open Market Committee (FOMC) on September 19.

President Trump has made it clear he wants rate cuts – most presidents prefer rate cuts. The Fed, particularly Fed Chair Jerome Powell, has made it clear that it prefers to wait. Mixed signals from the Consumer Price Index (CPI) and the Producer Price Index (PPI) last week left the Treasury bond market disappointed and investors wondering what the FOMC might do about rates.

CPI Better Than Expected

The market expected CPI to rise 2.8% year-over-year, but it came in slightly lower at 2.7% year-over-year. This was widely perceived to make way for the FOMC to lower short-term interest rates by as much as 50 basis points, or 0.50%, at its September 19 meeting. Stocks rallied and Treasury bonds rallied along with them, pushing down interest rates.

CPI Rose 2.7% Year-Over-Year In July



Source: Bureau of Labor Statistics, Sanctuary Wealth, August 12, 2025



August 18, 2025

PPI Worse Than Expected

PPI was expected to rise 2.5% year-over-year, but surprised to the upside, coming in at 3.3% year-over-year. This deflated expectations that the FOMC would lower short-term rates at all, much less by 0.50%. Bond prices fell and interest rates rose, but stocks were mixed: the S&P 500 eked out a marginal gain, while the Dow Jones Industrial Average (DJIA) posted a slight loss.

PPI Rose 3.3% Year-Over-Year In July



Source: Bureau of Labor Statistics, Sanctuary Wealth, August 14, 2025

Tactical Rise In Rates Expected – Longer Term Trend Is Down

Both the 2- and 10-year Treasury yields can technically rally within a downtrend. In our view, 10-year Treasuries could rise to near 4.4%, and 2-year Treasuries could rise to about 3.9%. This is bullish for the U.S. dollar but negative for equities. Such movement could be a catalyst for a seasonal correction that often occurs between the end of August and the middle of October.

2-Year Treasury Yields Can Back Up To 3.9%





August 18, 2025

10-Year Treasury Yields Can Back Up To 4.4%



S&P 500 Price Momentum Indicators Weakening, Signaling Seasonal Weakness Ahead

While we believe we are in a secular bull market with higher highs and higher lows, the market can still experience cyclical downturns. When we look at recent activity in the S&P 500, we see price momentum slowing. We're on the lookout for a short-term dip in stock prices. What might initiate this is unclear – it could be a brief rise in interest rates, additional turmoil in the saga of tariffs and trade, etc. – but we believe the market is vulnerable to a decline. Still, keep in mind that we expect new highs to be achieved by the end of the year.

S&P 500 Stochastic (Top), MACD (Middle), And RSI (Bottom) – All Signal Slower Price Momentum





 **August 18, 2025**

Breadth Continues To Expand

Market breadth, the running sum of the number of rising stocks less the number of declining stocks, is a solid measure of whether the average stock trading in the market is rising or falling. The cumulative breadth of the S&P 500 has been rising since President Trump announced his tariff policy in early April, and it's still climbing. For now, market prices remain in an upward swing.

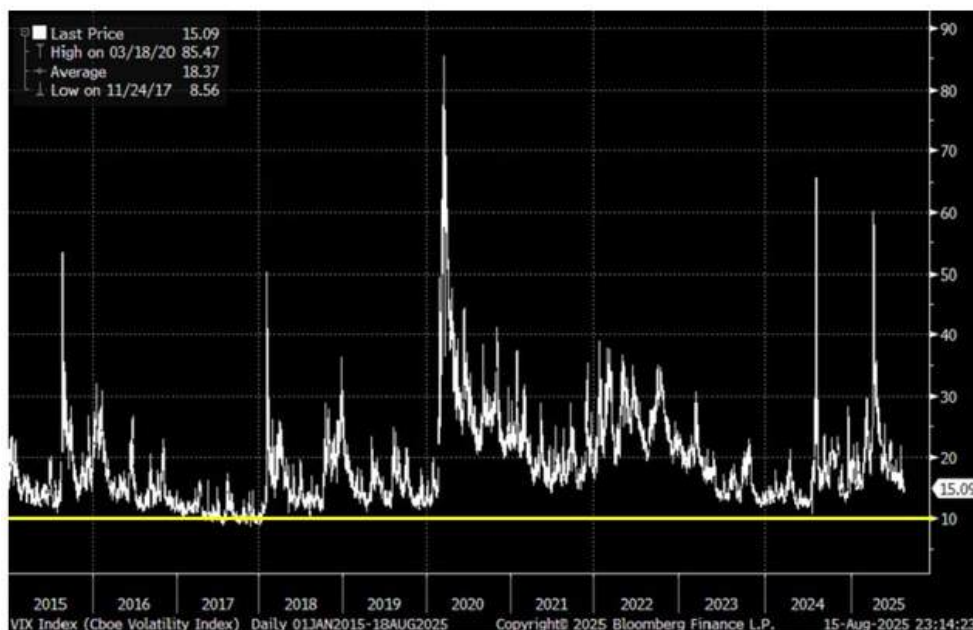
S&P 500 Cumulative Market Breadth Still Strong – Signaling Trend Still Bullish



VIX Signals Room for Stocks to Climb

The Cboe Volatility Index (VIX) gauges investor sentiment, with readings above 20 often reflecting heightened fear – a potential buy signal – and readings near 10 suggesting complacency, which can precede a pullback. Right now, the VIX remains comfortably above complacency levels at 15, indicating that stocks are likely to move higher. But keep in mind that stocks often peak in August and have a seasonal correction in September, with stocks making a significant bottom in October before a year-end rally.

The Cboe Volatility Index (VIX) Indicates That Stock Prices Can Still Rise





 **August 18, 2025**

Consumer Incomes Are Still Rising

Almost 70% of the U.S. economy relies upon consumer spending. Consumers spend when they have jobs and their incomes are rising. The jobs market is “in balance,” as the Fed recently stated. Incomes are rising, too. Disposable personal income (i.e., income after taxes) is growing near

its average year-over-year rate of the past 20 years at 4.3%. We think this is positive for the economy and for Consumer Discretionary stocks.

Disposable Personal Income Is Still Growing, Supporting Consumer Spending



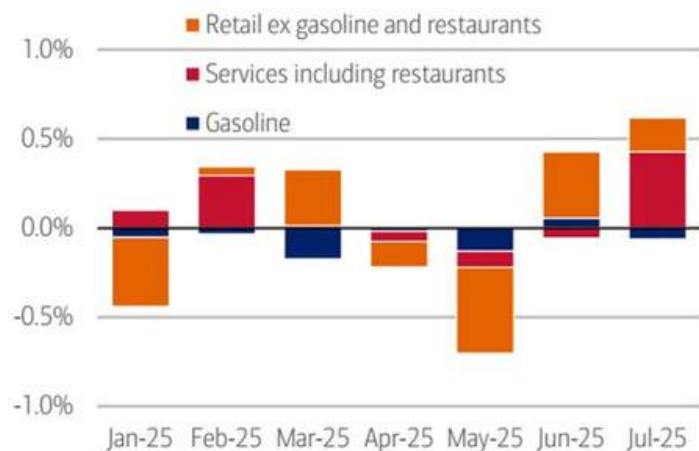
Source: Bureau of the Census, Sanctuary Wealth, July 31, 2025

Bank Of America Data Shows Consumer Spending Is Rising

According to the Bank of America Institute, consumer spending grew in June and July after contracting in May. We note strong spending on consumer services in July.

Exhibit 2: Retail and services spending both rose in July

Contribution to MoM total credit and debit card spending growth by category, based on Bank of America card data (monthly, SA, percentage points (pp))



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Source: Bank of America Institute, August 11, 2025



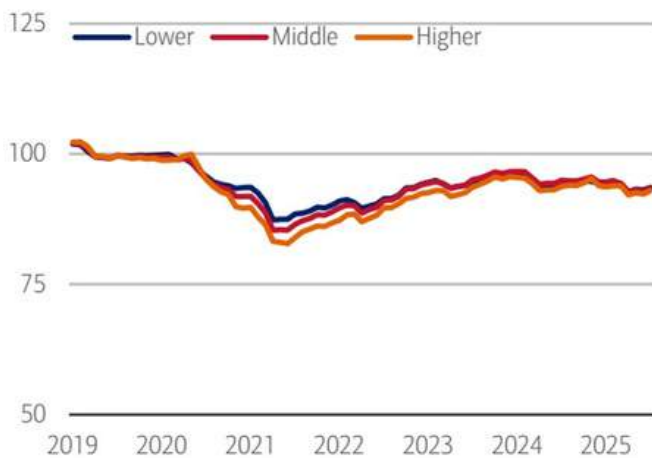
August 18, 2025

Consumers Can Continue To Spend

Bank of America Institute also reports that households at all income levels that use credit cards are below revolving balance levels seen in 2019, leading Bank of America Institute to conclude that credit card “borrowing capacity” also looks solid.

Exhibit 16: The share of those who carry credit card balances is below 2019 levels for all income groups

Ratio of households with a revolving balance to total households in Bank of America credit card data, by household income terciles (monthly, index 2019 average = 100)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Source: Bank of America Institute, August 11, 2025

Have Consumer Discretionary Stocks Made A Bottom Relative To The Broad Market?

Consumer spending remains strong. Much of the recent increase in CPI and PPI came from services, driven largely by consumer activity, as we've noted. While the Consumer Discretionary sector – which includes Automobiles & Components, Consumer Durables & Apparel, Consumer Services, and Discretionary Distribution & Retail – has yet to reach new all-time highs, it may have established a relative price bottom, as we see in the lower half of the accompanying chart.

SPDR Consumer Discretionary ETF (XLY) (Top) With Relative Price To S&P 500 (Bottom)





August 18, 2025

Q2 Earnings Deliver: Top- and Bottom-Line Surprises

According to Bank of America, S&P 500 earnings delivered strong beats on both the top and bottom line. With 90% of companies reporting, 2Q EPS has been revised up by 6% since July 1 and is on track to grow 11% year-over-year (the third consecutive quarter of double-digit growth). The breadth of EPS beats has been strong (73% beat vs. the 59% historical average), but the bigger story is on the revenue side: 78% of companies topped expectations (vs. the 59% historical average), marking the strongest breadth of revenue beats since 2Q21.

Bank of America went on to say that, looking forward, there have been no cuts to 3Q earnings estimates so far. Typically, analysts trim estimates in the quarter before earnings season, but since July 1 estimates have actually been revised up ~10 bps, compared with the typical 2% cut at this stage. While many companies continue to cite near-term caution around tariffs, and “weak demand” mentions have ticked up, overall corporate sentiment and guidance have improved. The ratio of above vs. below consensus earnings guides is tracking at 1.4x in July and August, so far, well above the long-term average of 0.8x.

Sector Readings: Information Technology Still 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, Information Technology remained top-ranked followed by Communication Services and Industrials, while Health Care has been in last place for the 15th consecutive week (since May 9), behind Energy. Growth sectors continue to dominate Value sectors.

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

	Aug 15	Aug 8	Aug 1	Jul 25	Jul 18	Jul 11	Jul 4	Jun 27
Consumer Discretionary	5	5	6	5	5	5	5	5
Consumer Staples	8	7	7	8	7	8	8	8
Energy	10	10	8	10	10	9	9	9
Financials	6	6	5	4	4	4	4	4
Health Care	11	11	11	11	11	11	11	11
Industrials	3	3	3	3	3	3	3	3
Information Technology	1	1	1	1	1	1	1	2
Materials	7	8	9	7	8	6	6	7
Communication Services	2	2	2	2	2	2	2	1
Utilities	4	4	4	6	6	7	7	6
Real Estate	9	9	10	9	9	10	10	10

Source: Bloomberg, Sanctuary Wealth, August 15, 2025



August 18, 2025

OBOS List: Information Technology and Communication Services Overbought; Health Care, Consumer Staples, Real Estate, Utilities, Materials, and Energy Oversold

Last week, the Overbought/Oversold list became more sharply divided. Earnings growth is concentrated in Information Technology and Communication Services, both of which are overbought. At the oversold end are Financials, Materials, Real Estate, Consumer Staples, and Health Care, which is still in intensive care. 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. **In a market correction, we would expect the Growth sectors to correct the most and Value to improve relative to the market particularly Health Care. But we don't see any long-term leadership coming from Value.**

Sector Overbought / Oversold List as of 15 August 2025

rank	S&P Sector	normalized Oscillator
1	Information Technology	2.1112
2	Communication Services	1.0913 <i>Overbought</i>
3	Consumer Discretionary	-0.4132 <i>Neutral</i>
4	Industrials	-0.5130 <i>Neutral</i>
5	Utilities	-0.6561 <i>Near Oversold</i>
6	Energy	-0.8945
7	Financials	-1.1688 <i>Oversold</i>
8	Materials	-1.2907
9	Real Estate	-1.6599
10	Consumer Staples	-1.7619
11	Health Care	-2.4520

Source: Bloomberg, Sanctuary Wealth, August 15, 2025



August 18, 2025

Market Performance: Gold Remains The Best Performing Asset Year To Date, Followed Closely By Bitcoin

	Last 8/15/2025	Month End 7/31/2025	Month to Date	Quarter End 6/30/2025	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 8/15/2024	Year To Year
S&P 500	6449.80	6339.39	1.7%	6204.95	3.9%	5881.63	9.7%	5543.22	16.4%
NASDAQ Composite	21622.98	21122.45	2.4%	20369.73	6.2%	19310.79	12.0%	17594.50	22.9%
NASDAQ 100	577.34	565.01	2.2%	551.64	4.7%	511.23	12.9%	474.42	21.7%
Russell 2000	2286.52	2211.65	3.4%	2175.04	5.1%	2230.16	2.5%	2135.47	7.1%
S&P Consumer Discretionary Sector	1846.34	1799.72	2.6%	1753.81	5.3%	1831.16	0.8%	1470.63	25.5%
S&P Consumer Staples Sector	899.56	874.57	2.9%	897.10	0.3%	853.65	5.4%	860.14	-4.6%
S&P Energy Sector	651.64	666.91	-2.3%	648.68	0.5%	654.85	-0.5%	693.22	-6.0%
S&P Financial Sector	871.30	870.57	0.1%	871.95	-0.1%	804.44	8.3%	722.01	20.7%
S&P Health Care Sector	1585.34	1518.42	4.4%	1572.52	0.8%	1604.75	-1.2%	1779.41	-10.9%
S&P Industrials Sector	1271.74	1285.95	-1.1%	1249.13	1.8%	1115.65	14.0%	1075.62	18.2%
S&P Information Technology Sector	5323.27	5220.69	2.0%	4964.64	7.2%	4609.52	15.5%	4305.70	23.6%
S&P Materials Sector	572.07	553.28	3.4%	556.09	2.9%	529.77	8.0%	569.86	0.4%
S&P Real Estate Sector	259.25	259.89	-0.2%	260.30	-0.4%	255.92	1.3%	262.53	-1.2%
S&P Communications Sector	401.19	386.65	3.8%	377.94	6.2%	341.66	17.4%	298.85	34.2%
S&P Utilities Sector	433.49	435.08	-0.4%	414.79	4.5%	384.95	12.6%	375.58	15.4%
S&P 500 Total Return	14273.57	14020.46	1.8%	13712.71	4.1%	12911.82	10.5%	12106.68	17.9%
3 month Treasury Bill Price	98.95	98.92	0.0%	98.93	0.0%	98.92	0.0%	98.69	0.3%
3 month Treasury Bill Total Return	263.96	263.40	0.2%	262.44	0.6%	256.97	2.7%	252.22	4.7%
10 Year Treasury Bond Future	111.59	111.06	0.5%	112.13	-0.5%	108.75	2.6%	113.50	-1.7%
10 Year Treasury Note Total Return	309.59	307.58	0.7%	309.38	0.1%	293.94	5.3%	302.01	2.5%
iShares 20+ Year Treasury Bond ETF	86.40	86.92	-0.6%	88.25	-2.1%	87.33	-1.1%	97.10	-11.0%
S&P Municipal Bond Total Return	278.68	276.97	0.6%	277.66	0.4%	278.14	0.2%	277.17	0.5%
iShares S&P National Municipal Bond NAV	104.12	103.75	0.4%	104.29	-0.2%	106.40	-2.1%	107.54	-3.2%
S&P 500 Investment Grade Corporate Bond Total Return	487.22	484.28	0.6%	483.50	0.8%	465.24	4.7%	469.12	3.9%
S&P Investment Grade Corporate Bond	91.98	91.60	0.4%	91.77	0.2%	90.28	1.9%	92.26	-0.3%
S&P Investment Grade Corporate Bond Total Return	519.70	516.60	0.6%	515.54	0.8%	495.89	4.8%	498.51	4.3%
SPDR Bloomberg High Yield Bond ETF	96.92	96.89	0.0%	97.27	-0.4%	95.47	1.5%	95.86	1.1%
iShares iBoxx High Yield Corporate Bond ETF	80.46	80.38	0.1%	80.65	-0.2%	78.65	2.3%	78.59	2.4%
Gold	3336.19	3289.93	1.4%	3303.14	1.0%	2624.50	27.1%	2456.79	35.8%
Bitcoin	117370.81	116491.12	0.8%	107606.61	9.1%	93714.04	25.2%	56681.01	107.1%

Source: Bloomberg, Sanctuary Wealth, August 15, 2025

Quiet (Data) Times Allow For Noisy (Fed) News

This will be a big week for the Fed with its annual Jackson Hole meeting poised to make headlines.

Even fewer data points are scheduled to be released this week than last. Housing Starts and Existing Home Sales will offer insight into the still-important housing market.

All eyes will be on the annual Jackson Hole Economic Policy Symposium (August 21–23). Last year, Fed Chair Jerome Powell used his speech there to signal a shift toward rate cuts, so markets will be listening closely for any hints on whether a September cut remains on the table – and by how much. Earnings season is winding down, but reports from Home Depot and Walmart should provide valuable signals on consumer spending. Investors are also awaiting Nvidia's (NVDA) earnings on August 27, a key event given its outsized role in driving market performance.



Calendar

Mon.

10:00am Homebuilder confidence index

Tue.

8:30 am Housing starts, Building permits
Earnings Home Depot*

Wed.

2:00 pm Minutes of Federal Reserve's July FOMC meeting Earnings

Thu.

8:30 am Initial jobless claims, Philadelphia Fed manufacturing survey
9:45 am S&P flash U.S. services PMI, S&P flash U.S. manufacturing PMI
10:00 am Existing home sales, U.S. leading economic indicators
Jackson Hole Economic Policy Symposium
Earnings Walmart

Fri.

Jackson Hole Economic Policy Symposium

Sat.

Jackson Hole Economic Policy Symposium

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

Sanctuary makes no representation as to the accuracy or completeness of information contained herein. Any forward-looking statements are based on assumptions, may not materialize, and are subject to change without notice. The information is based upon data available to the public and is not an offer to sell or solicitation of offers to buy any securities mentioned herein. Any investment discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Investments are subject to risk, including but not limited to market and interest rate fluctuations. Any performance data represents past performance which is no guarantee of future results. Prices/yields/figures mentioned herein are as of the date noted unless indicated otherwise.

All figures subject to market fluctuation and change. Additional information available upon request.

Securities offered through Sanctuary Securities, Member FINRA and SIPC. Advisory services offered through Sanctuary Advisors, LLC, and SEC registered investment advisor.



3815 River Crossing Pkwy, Suite 200
Indianapolis, IN 46260