



June 30, 2025

Explosive Tariffs Give Way To The Market Fireworks Of New Record Highs

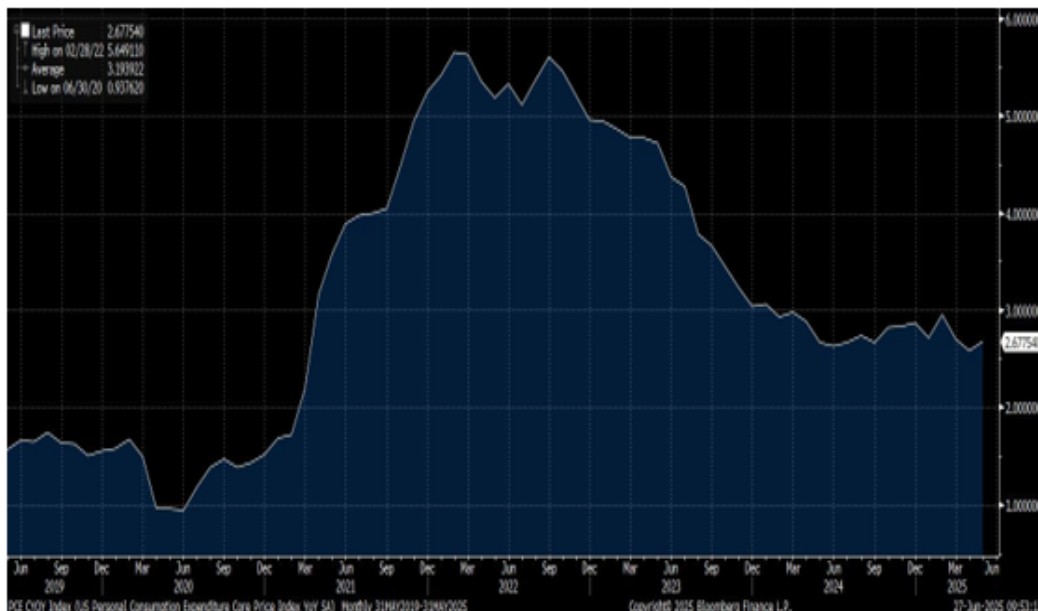
What A Year So Far – From Bear To Bull In 2 Months

The year started off strong, but the tariffs announced on April 2 proved worse than expected, so stocks corrected some 20%, sending the market into Bear territory – only to bottom and rally 27% – reaching record highs in just 2 months' time. This is one of the fastest declines / recoveries in the history of the equity market. No wonder investors have been nervous. The volatility in 2025 has been extraordinary. But, as we always advise, investors need to be patient. The underlying driving theme of the global economy is the next generation of technology, which is being used and developed at the fastest pace in history. Back when tariffs dominated the headlines, we made the case that the underlying fundamentals of artificial intelligence, robotics, virtual reality, blockchain, and Web 3.0 hadn't gone away – and would eventually return to the spotlight. Now here we are, with innovation once again leading the charge and pushing equities to new all-time highs.

Core Personal Consumption Expenditure

The favorite inflation gauge of the Federal Reserve (Fed) is the Core PCE (Personal Consumption Expenditures Price Index), which, last Friday, came in for the month of May a little higher than expected. The year-to-year growth stayed modest at 2.7%. But concerns remain that inflation can tick higher near 3.0% – thanks to the tariffs – and this is keeping the Fed on hold with interest rates despite President Trump's call for a rate cut.

Core Personal Consumption Expenditure Year-To-Year At 2.7%

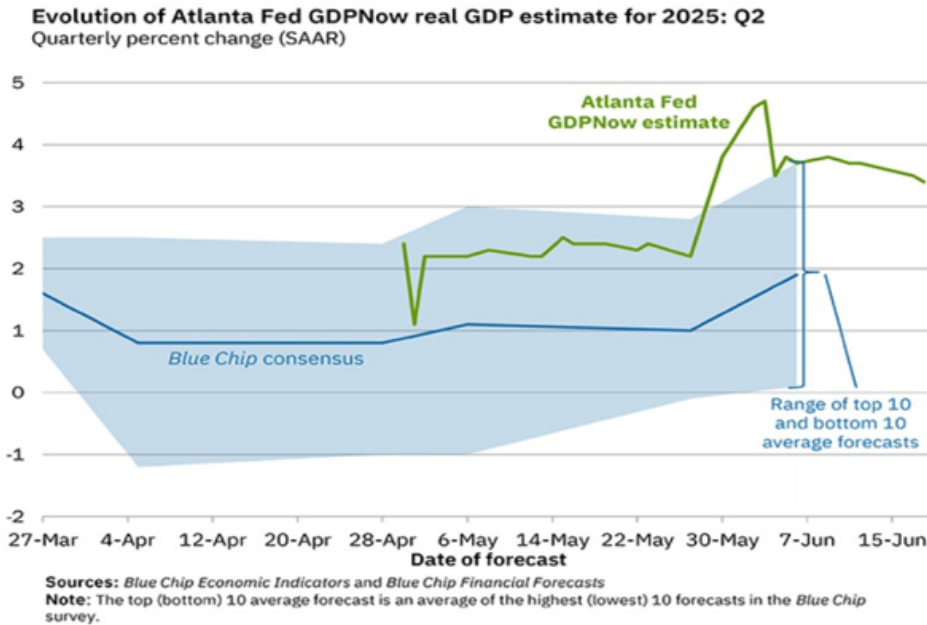




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Economic Growth Projected To Have Strong 2Q Growth

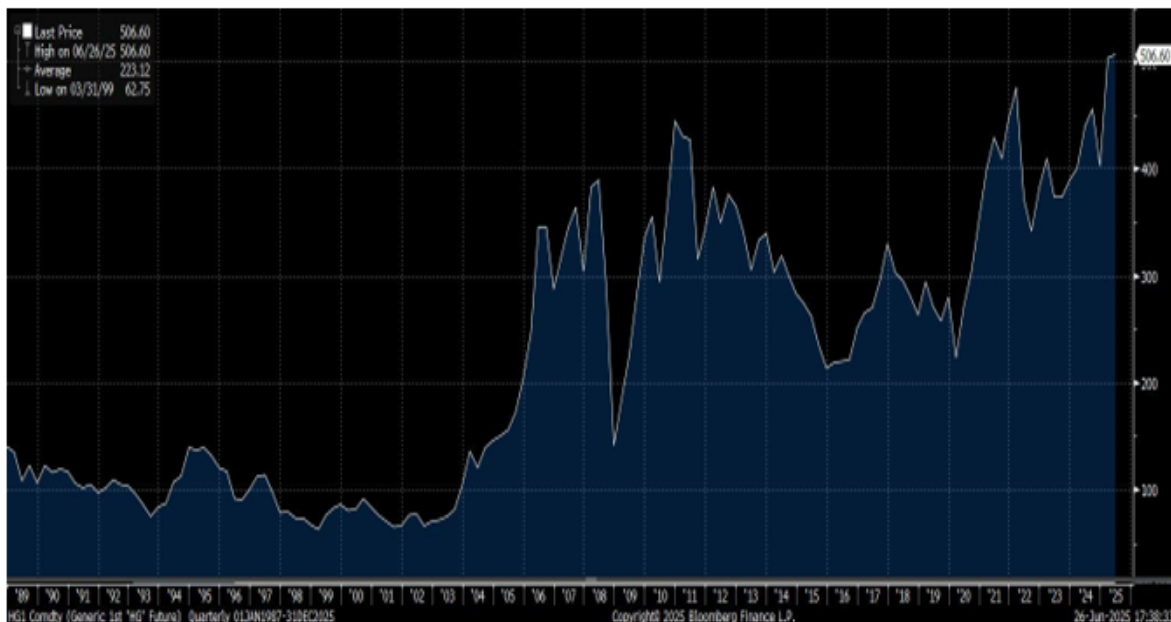
As we are coming to the close of 2Q25, the economy is on a strong path with the Atlanta GDPNow Tracker estimating the quarter's growth rate at 2.9%, which indicates very strong economic growth.



Dr. Copper Confirming The Economy Is Growing

Copper is often called “Dr. Copper” because of its ability to diagnose the health of the global economy, historically. Its recent record-high close suggests both the U.S. and global economies are continuing to expand.

Copper Hits New Closing Record High

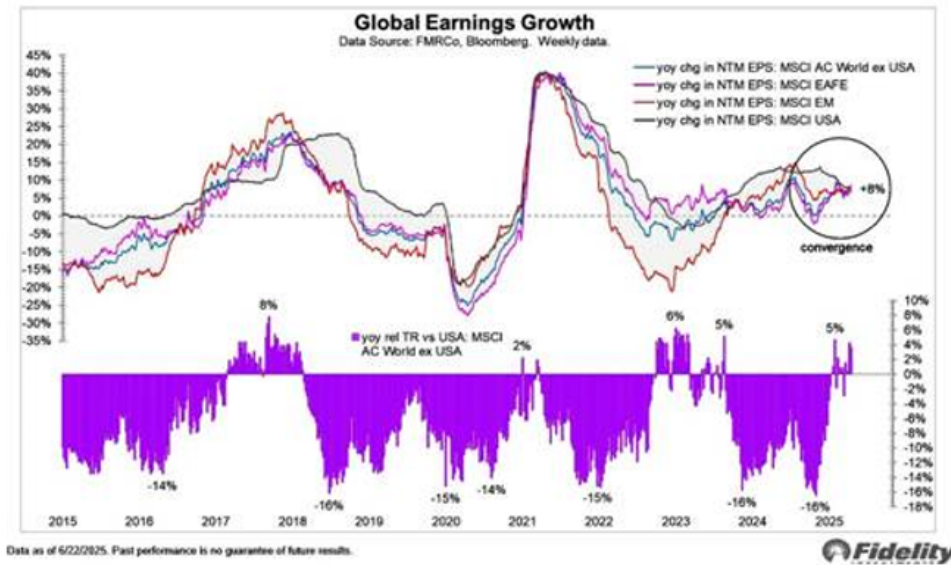




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Global Earnings Growing

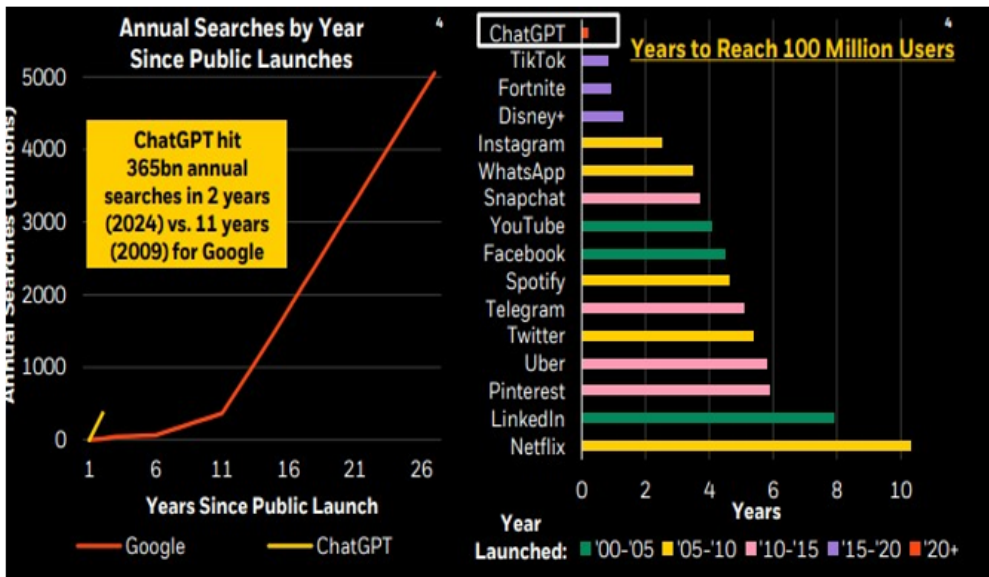
Global earnings have troughed and are growing and most likely to be impacted by spending on artificial intelligence, robotics, blockchain, virtual reality, and Web3.0 – as well as on Defense. This new wave of Technology is delivering the greatest and fastest tech growth in history. We believe productivity gains have not yet been priced into the longer-term growth potential in global corporate earnings. Separately, spending on Defense is also set to rise with most members of NATO committing to spend up to 5.0% of their GDP on military budgets. This should also have a positive impact on capital expenditure and earnings growth.



We Are In A New Era Of Technology Innovation

We have been making the case for years that the world entered the Digital Era in 2000 and that technology and innovation will be the relentless engine of global markets and economies. Most recently, the adoption and use of new technologies like ChatGPT and DeepSeek is the fastest in the history of new technologies entering the marketplace.

Artificial Intelligence Tech The Fastest Adopted Technology Ever!



Source: BlackRock, June 26, 2025



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Tech & Tech-Related Companies Are Aggressively Spending On Cap Ex

No company wants to be left behind in the race to develop and participate in this new technology wave of artificial intelligence. The infrastructure buildout is enormous and will cost billions of dollars. There have been concerns and fears that there will not be a capital return on this investment. Well, so far, the return on equity (ROE) is the highest in the Tech sector and significantly above the general market as measured by the S&P 500. The Tech ROE is nearly 30% versus the S&P 500 at 18%.



Source: Standard & Poor's, Bloomberg, Sanctuary Wealth, June 26, 2025



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Summer to Sizzle: July Seasonally A Positive Month

Historically, the month of July has a positive return. Although equity markets are currently overbought and can have a minor pullback, we expect the market to sizzle this summer. August often is the month of the summer peak with the fall months having a consolidation of the gains within the year. We believe the market is currently following seasonal patterns.

The risk to this view lies in the “One Big Beautiful Bill Act (H.R. 1),” which still awaits a vote by the Senate. The bill includes provisions to raise the debt ceiling as part of the broader budget. Depending on how the situation unfolds, markets could experience some choppiness.

But a rally to new highs this year should continue to drive stocks toward our target of 7200 for the S&P 500.

S&P 500 Monthly Seasonality Chart Showing July Historically Up



Source: Bloomberg, June 27, 2025

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Sector Readings: Still No Change As Communication Services Remains Strongest, Health Care Weakest, Technology Improving

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, Communication Services remained top-ranked, Health Care remained in last place, with Technology continuing to improve.

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

	Jun 27	Jun 20	Jun 13	Jun 6	May 30	May 23	May 16	May 9
Consumer Discretionary	5	6	6	6	4	5	3	7
Consumer Staples	8	8	7	7	7	6	7	3
Energy	9	7	9	10	10	10	10	10
Financials	4	4	5	3	2	4	1	1
Health Care	11	11	11	11	11	11	11	11
Industrials	3	3	3	2	3	2	2	4
Information Technology	2	2	2	4	6	7	6	8
Materials	7	9	8	9	9	8	9	9
Communication Services	1	1	1	1	1	1	4	5
Utilities	6	5	4	5	5	3	5	2
Real Estate	10	10	10	8	8	9	8	6

Source: Bloomberg, Sanctuary Wealth, June 27, 2025

OBOS List: Information Technology Overbought, Health Care Oversold

This is our 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 Overbought / Oversold List as of 27 June 2025

rank	S&P Sector	normalized Oscillator
1	Information Technology	1.2095 <i>Overbought</i>
2	Industrials	0.6312 <i>Near Overbought</i>
3	Communication Services	0.4244 <i>Neutral</i>
4	Consumer Discretionary	0.3786
5	Utilities	-0.3240
6	Consumer Staples	-0.3778
7	Financials	-0.4261
8	Real Estate	-0.5932 <i>Neutral</i>
9	Materials	-0.7911 <i>Near Oversold</i>
10	Energy	-0.8667
11	Health Care	-2.7267 <i>Oversold</i>

Source: Bloomberg, Sanctuary Wealth, June 27, 2025



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Market Performance: Gold Remains The Best Performing Asset Year To Date

	Last 6/27/2025	Month End 5/30/2025	Month to Date	Quarter End 3/31/2025	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 6/27/2024	Year To Year
S&P 500	6173.07	5911.69	4.4%	5611.85	10.0%	5881.63	5.0%	5482.87	12.6%
NASDAQ Composite	20273.46	19113.77	6.1%	17299.29	17.2%	19310.79	5.0%	17858.68	13.5%
NASDAQ 100	548.09	519.11	5.6%	468.92	16.9%	511.23	7.2%	481.61	13.8%
Russell 2000	2172.53	2066.29	5.1%	2011.91	8.0%	2230.16	-2.6%	2038.34	6.6%
S&P Consumer Discretionary Sector	1769.09	1717.38	3.0%	1575.40	12.3%	1831.16	-3.4%	1512.77	16.9%
S&P Consumer Staples Sector	893.07	917.35	-2.6%	892.71	0.0%	853.65	4.6%	823.67	8.4%
S&P Energy Sector	653.00	619.34	5.4%	715.75	-8.8%	654.85	-0.3%	695.32	-6.1%
S&P Financial Sector	864.51	845.93	2.2%	829.46	4.2%	804.44	7.5%	681.64	26.8%
S&P Health Care Sector	1562.71	1543.45	1.2%	1702.26	-8.2%	1604.75	-2.6%	1701.63	-8.2%
S&P Industrials Sector	1242.86	1207.31	2.9%	1109.72	12.0%	1115.65	11.4%	1031.13	20.5%
S&P Information Technology Sector	4916.56	4524.41	8.7%	4019.98	22.3%	4609.52	6.7%	4359.81	12.8%
S&P Materials Sector	555.53	544.68	2.0%	541.98	2.5%	529.77	4.9%	556.59	-0.2%
S&P Real Estate Sector	258.63	261.57	-1.1%	262.90	-1.6%	255.92	1.1%	239.68	7.9%
S&P Communications Sector	376.65	352.61	6.8%	319.75	17.8%	341.66	10.2%	315.32	19.5%
S&P Utilities Sector	413.16	414.48	-0.3%	400.81	3.1%	384.95	7.3%	350.12	18.0%
S&P 500 Total Return	13641.10	13049.13	4.5%	12360.21	10.4%	12911.82	5.6%	11954.51	14.1%
3 month Treasury Bill Price	98.90	98.91	0.0%	98.93	0.0%	98.92	0.0%	98.66	0.2%
3 month Treasury Bill Total Return	262.41	261.55	0.3%	259.66	1.1%	256.97	2.1%	250.42	4.8%
10 Year Treasury Bond Future	111.81	110.75	1.0%	111.22	0.5%	108.75	2.8%	110.25	1.4%
10 Year Treasury Note Total Return	308.41	304.47	1.3%	303.73	1.5%	293.94	4.9%	292.70	5.4%
iShares 20+ Year Treasury Bond ETF	87.39	86.28	1.3%	91.03	-4.0%	87.33	0.1%	93.52	-6.6%
S&P Municipal Bond Total Return	277.23	275.70	0.6%	277.48	-0.1%	278.14	-0.3%	273.30	1.4%
iShares S&P National Municipal Bond NAV	104.13	103.89	0.2%	105.21	-1.0%	106.40	-2.1%	106.65	-2.4%
S&P 500 Investment Grade Corporate Bond Total Return	481.27	475.34	1.2%	475.67	1.2%	465.24	3.4%	455.54	5.6%
S&P Investment Grade Corporate Bond	91.42	90.62	0.9%	91.30	0.1%	90.28	1.3%	90.20	1.4%
S&P Investment Grade Corporate Bond Total Return	513.40	507.22	1.2%	507.15	1.2%	495.89	3.5%	484.59	5.9%
SPDR Bloomberg High Yield Bond ETF	96.94	95.91	1.1%	95.30	1.7%	95.47	1.5%	94.51	2.6%
iShares iBoxx High Yield Corporate Bond ETF	80.34	79.57	1.0%	78.89	1.8%	78.65	2.1%	77.33	3.9%
Gold	3274.33	3289.25	-0.5%	3123.57	4.8%	2624.50	24.8%	2327.73	40.7%
Bitcoin	107169.81	104597.81	2.5%	82421.29	30.0%	93714.04	14.4%	61418.85	74.5%

Source: Bloomberg, Sanctuary Wealth, June 27, 2025

Sparkling Week

This week, we start the second half of the year with eyes still on jobs, tariffs, and global events – and seat belts properly fastened.

Well, it certainly has not been a boring year for investors so far. If you looked at your portfolio in January and did not check on it again until today, you'd have no idea how much volatility unfolded in between. This is exactly why we always say to have patience when investing. We also say that politics do not impact stock returns, earnings do!

With earnings season set to begin in the coming weeks, Q2 2025 forecasts are coming in strong – firmly in the double-digit range.

Meanwhile, this week sees the Fourth of July holiday landing on Friday, so it is safe to say it should be a light week of trading. The most important data for investors this week will be all about jobs, with ADP, JOLTS and the actual June jobs reports being released. Investors will be looking to parse the numbers to see if they support a slowing job market – which might give the Fed room to lower rates. Historically this is a good week for stocks – so we could expect positive gains, but with markets overbought, don't be surprised by a bit of chopiness. Still, we should be able to celebrate with fireworks again with new highs continuing into the summer months.



Calendar

Mon.

9:45 am Chicago Business Barometer (PMI)
Earnings Progress Software*

Tue.

9:45 am S&P final U.S. manufacturing PMI
10:00 am Construction spending, Job openings, ISM manufacturing
TBA Auto sales
Earnings Constellation Brands

Wed.

8:15 am ADP employment
Earnings UniFirst

Thu.

8:30 am Initial jobless claims, U.S. employment report, U.S. unemployment rate, U.S. hourly wages, U.S. trade deficit
9:45 am S&P final U.S. services PMI
10:00 am Factory orders, ISM services

Fri.

None scheduled, July 4 holiday

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

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