September 22, 2025

Stocks Continue To March To New Highs

Last week, in reaction to the labor market showing early signs of weakening, the Federal Reserve (Fed) cut interest rates, as expected, by 25 basis points, beginning a new cycle of lowering interest rates.

This marks the first rate cut of 2025 after three cuts late last year that totaled 100 basis points. The Fed has a dual mandate: maximum employment and stable inflation. The Fed has been trying to get inflation back down to 2% but inflation has remained elevated; the Fed does not expect inflation to return to 2% for a few more years. Despite this elevated inflation, the Fed said it needed to support the labor market which is weakening so the FOMC (Federal Open Market Committee) decided to cut rates. The equity markets celebrated the lower rates by marching to new record highs. We remain bullish on the market, but stocks remain very overbought. The risk remains that stocks correct 5.0%-10% or have a temporary sector rotation from Growth to Value. We maintain our year-end target of 7000, rising to 7200 by early next year.

S&P 500 With Weekly Stochastic and Relative Strength Index Both Overbought

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Nasdaq 100 With Weekly Stochastic and Relative Strength Index Both Overbought

Interest Rates Trending Down But Short Term Can Rise

The Treasury market has been pricing in Fed rate cuts, with yields falling sharply over the past month. This has created an oversold condition on both the 2-year and 10-year Treasury yields. In the near term, rates may bounce, but the broader downtrend remains intact. A move higher in yields could result in some equity market volatility, in our view.

2-Year Treasury Yield With Daily Stochastic Oversold: Rates Can Tick Higher

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10-Year Treasury Yield With Daily Stochastic Oversold: Rates Can Tick Higher

Small Caps Joining The Record High List

The Russell 2000 Small Cap Index finally achieved a new record high. This is bullish for the market overall, with more stocks joining the new high list, broadening out the breadth of the market. Yet, we still believe that Mega Cap stocks will continue to be the leaders. Overall, the small cap move tells us that the health of the market is good. This should also bring more confidence to investors that the bull market remains alive and well!

Russell 2000 Small Cap Index: Finally Reaches New Record Highs

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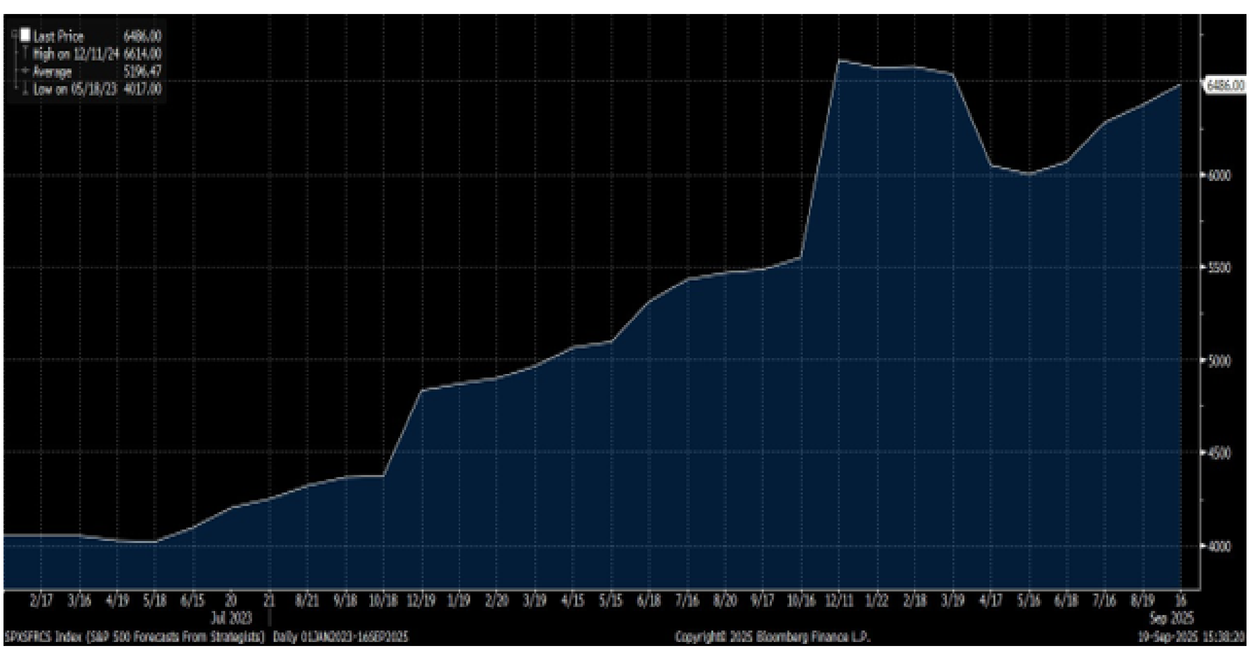
Russell 2000 Relative To The S&P 500: Small Caps Still Lagging Large Caps

Source: Bloomberg, Annotations by Sanctuary Wealth

Equity Strategist Year-End Targets Lagging: Watch For Upgrades

Wall Street equity strategists are looking for the S&P 500 to close the year, on average, at 6486. This target is significantly below the current level of the S&P at 6664. Look for targets on the market to get raised. Higher targets should be bullish for stocks to continue their climb to additional record highs.

Wall Street Strategists Average Year-End Target For The S&P 500: Below Today's Level



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Investors Becoming More Confident In The Bull Market With IPOs Breaking Out

An initial public offering (IPO) marks the moment a private company begins trading publicly on the equity markets. As investors build confidence that the equity market is in a bull trend, we typically see more companies go public, and their stocks often respond with strong early performance. We can follow this trend using the Renaissance IPO ETF, which has been trading sideways for the past three years. Now it is finally breaking out of this range – a bullish signal for the overall market.

Renaissance IPO ETF Breaking Out!

September 22, 2025

Sector Readings: Communication Services 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, Communication Services retained its leading position, followed by Information Technology and Consumer Discretionary for the third week in a row. Health Care remained in last place for the 20th consecutive week, since May 9, followed by Energy. Growth sectors continue to outperform Value sectors.

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

	Sep 19	Sep 12	Sep 5	Aug 29	Aug 22	Aug 15	Aug 8	Aug 1
Consumer Discretionary	3	3	3	4	4	5	5	6
Consumer Staples	9	8	8	10	8	8	7	7
Energy	10	10	10	8	10	10	10	8
Financials	5	5	5	5	6	6	6	5
Health Care	11	11	11	11	11	11	11	11
Industrials	4	4	4	3	3	3	3	3
Information Technology	2	2	2	2	1	1	1	1
Materials	7	7	7	7	7	7	8	9
Communication Services	1	1	1	1	2	2	2	2
Utilities	6	6	6	6	5	4	4	4
Real Estate	8	9	9	9	9	9	9	10

Source: Bloomberg, Sanctuary Wealth, September 20, 2025

OBOS List: Communication Services Overbought, Information Technology Near Overbought; Consumer Staples, Real Estate, Health Care, And Energy Oversold

Earnings growth remains strongest in Communication Services, which is overbought, and Information Technology, which is near overbought. There are four outright oversold sectors, Energy, Health Care, Real Estate, and Consumer Staples, the latter being the most oversold. Differences in earnings growth reasserted themselves last week.

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.

Sector Overbought / Oversold List as of 19 September 2025

rank	*S&P Sector*	*normalized Oscillator*	
1	Communication Services	1.6670	*Overbought*
2	Information Technology	0.6210	*Near Overbought*
3	Consumer Discretionary	0.5068	*Neutral*
4	Financials	-0.5609	*Neutral*
5	Utilities	-0.7093	*Near Oversold*
6	Materials	-0.7279	
7	Industrials	-0.9897	
8	Energy	-1.2022	*Oversold*
9	Health Care	-1.2789	
10	Real Estate	-1.3840	
11	Consumer Staples	-1.9681	

Source: Bloomberg, Sanctuary Wealth, September 20, 2025

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Market Performance: Gold Is The Best Performing Asset Year-To-Date

	Last 9/19/2025	Month End 8/29/2025	Month to Date	Quarter End 6/30/2025	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 9/19/2024	Year To Year
S&P 500	6664.36	6460.26	3.2%	6204.95	7.4%	5881.63	13.3%	5713.64	16.6%
NASDAQ Composite	22631.48	21455.55	5.5%	20369.73	11.1%	19310.79	17.2%	18013.98	25.6%
NASDAQ 100	599.35	570.40	5.1%	551.64	8.6%	511.23	17.2%	483.36	24.0%
Russell 2000	2448.77	2366.42	3.5%	2175.04	12.6%	2230.16	9.8%	2252.71	8.7%
S&P Consumer Discretionary Sector	1941.70	1860.03	4.4%	1753.81	10.7%	1831.16	6.0%	1582.45	22.7%
S&P Consumer Staples Sector	877.34	887.23	-1.1%	897.10	-2.2%	853.65	2.8%	882.51	-0.6%
S&P Energy Sector	672.22	686.39	-2.1%	648.68	3.6%	654.85	2.7%	678.74	-1.0%
S&P Financial Sector	900.06	896.53	0.4%	871.95	3.2%	804.44	11.9%	758.03	18.7%
S&P Health Care Sector	1594.45	1598.13	-0.2%	1572.52	1.4%	1604.75	-0.6%	1812.06	-12.0%
S&P Industrials Sector	1290.66	1284.04	0.5%	1249.13	3.3%	1115.65	15.7%	1131.91	14.0%
S&P Information Technology Sector	5520.02	5234.57	5.5%	4964.64	11.2%	4609.52	19.8%	4351.30	26.9%
S&P Materials Sector	576.82	584.18	-1.3%	556.09	3.7%	529.77	8.9%	595.17	-3.1%
S&P Real Estate Sector	261.33	265.17	-1.4%	260.30	0.4%	255.92	2.1%	279.37	-6.5%
S&P Communications Sector	438.54	400.45	9.5%	377.94	16.0%	341.66	28.4%	307.59	42.6%
S&P Utilities Sector	428.83	426.24	0.6%	414.79	3.4%	384.95	11.4%	393.79	8.9%
S&P 500 Total Return	14769.93	14304.68	3.3%	13712.71	7.7%	12911.82	14.4%	12498.59	18.2%
3 month Treasury Bill Price	98.99	98.96	0.0%	98.93	0.1%	98.92	0.1%	98.82	0.2%
3 month Treasury Bill Total Return	265.07	264.42	0.2%	262.44	1.0%	256.97	3.2%	253.59	4.5%
10 Year Treasury Bond Future	112.75	112.50	0.2%	112.13	0.6%	108.75	3.7%	114.73	-1.7%
10 Year Treasury Note Total Return	313.95	312.52	0.5%	309.38	1.5%	293.94	6.8%	306.70	2.4%
iShares 20+ Year Treasury Bond ETF	89.02	86.60	2.8%	88.25	0.9%	87.33	1.9%	99.26	-10.3%
S&P Municipal Bond Total Return	285.96	279.26	2.4%	277.66	3.0%	278.14	2.8%	280.26	2.0%
iShares S&P National Municipal Bond NAV	106.53	104.30	2.1%	104.29	2.1%	106.40	0.1%	108.34	-1.7%
S&P 500 Investment Grade Corporate Bond Total Return	496.35	488.90	1.5%	483.50	2.7%	465.24	6.7%	480.12	3.4%
S&P Investment Grade Corporate Bond	93.21	92.17	1.1%	91.77	1.6%	90.28	3.2%	93.92	-0.8%
S&P Investment Grade Corporate Bond Total Return	528.88	521.75	1.4%	515.54	2.6%	495.89	6.7%	509.57	3.8%
SPDR Bloomberg High Yield Bond ETF	98.09	97.51	0.6%	97.27	0.8%	95.47	2.7%	97.63	0.5%
iShares iBoxx High Yield Corporate Bond ETF	81.26	80.86	0.5%	80.65	0.8%	78.65	3.3%	80.16	1.4%
Gold	3685.30	3447.95	6.9%	3303.14	11.6%	2624.50	40.4%	2586.74	42.5%
Bitcoin	115389.41	107800.31	7.0%	107606.61	7.2%	93714.04	23.1%	63042.10	83.0%

Source: Bloomberg, Sanctuary Wealth, September 20, 2025

Fed Watch: Data and Speeches Loom

This week, the markets will be keying in on initial jobless claims & Core PCE for more "rate-impacting" data, coupled with Fedspeak chatter.

Fresh off a rate cut from the Federal Reserve in response to a weakening labor market, investors will be closely watching Thursday's weekly report on initial jobless claims — a key leading indicator. On the inflation front, the Fed's preferred gauge, Core PCE (Personal Consumption Expenditures), is due Friday and could carry market-moving implications. We believe that any hint of higher inflation may push interest rates higher and stir equity market volatility. Expect plenty of Fedspeak to get some attention as well, with at least 17 scheduled appearances this week. highs. Commentary from Fed Chair Jerome Powell alongside the dot plots will shape expectations for the pace and path of future rate moves.

Calendar

Mon.	10:00 am	St. Louis Fed President Alberto Musalem speech
	12:00 pm	Fed governor Stephen Miran speech
	12:00 pm	Cleveland Fed President Beth Hammack speech
	12:00 pm	Richmond Fed President Tom Barkin speech
Tue.	9:00 am	Fed Vice Chair for Supervision Michelle Bowman speech
	9:45 am	S&P flash U.S. services PMI
	9:45 am	S&P flash U.S. manufacturing PMI
	10:00 am	Atlanta Fed President Raphael Bostic speech
	12:35 pm	Fed Chair Jerome Powell speech
	Earnings	AutoZone*
Wed.	10:00 am	New home sales
	4:10 pm	San Francisco Fed President Mary Daly speech
Thu.	8:30 am	Initial jobless claims, , GDP (third estimate), Advanced U.S. trade balance in goods, Advanced retail inventories, Advanced wholesale inventories, Durable-goods orders
	9:00 am	New York Fed President John Williams opening remarks
	10:00 am	Fed Vice Chair for Supervision Michelle Bowman speech, , Existing home sales
	1:00 pm	Fed gov. Michael Barr speech
	1:40 pm	Dallas Fed President Lorie Logan speech
	3:30 pm	San Francisco Fed President Mary Daly speech
	Earnings	Costco Wholesale
Fri.	8:30 am	Personal income, Core PCE index
	9:00 am	Richmond Fed President Tom Barkin speech
	10:00 am	Consumer sentiment (final)
	1:00 pm	Fed Vice Chair for Supervision Michelle Bowman speech

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