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August 17, 2026

Softer Inflation Gives Summer Rally a Boost

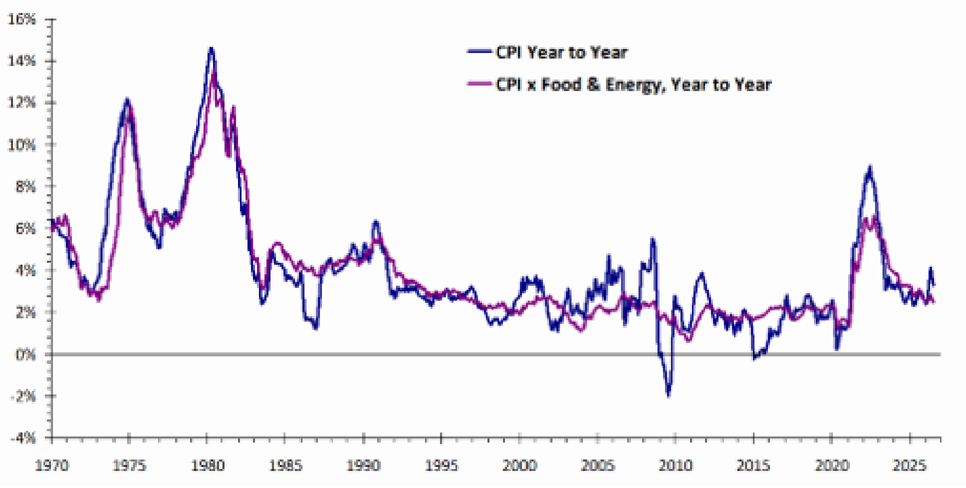
Softer-than-expected Consumer Price Index (CPI) and Producer Price Index (PPI) readings last week reinforced the view that inflation pressures are moderating. This pushed interest rates lower, particularly the 2-Year Treasury yield.

The bumper crop of earnings that has been announced so far is averaging 30% above expectations – this is powering stocks to record highs. If this level remains as the actual "beat number" for the quarter, it will mark the highest earnings surprise reported by the S&P 500 index since FactSet began tracking this metric in 2008. Earnings are up 51% year over year, putting the index on track for a second consecutive quarter of earnings growth above 25% and a seventh consecutive quarter of double-digit growth. Revenues for the quarter rose more than 15% year over year, the strongest pace since the fourth quarter of 2021. Five sectors delivered at least double-digit revenue growth: Energy, Information Technology, Communication Services, Financials, and Real Estate.

Consumer Price Inflation Data Easing

The July CPI report showed headline inflation rising just 0.1% month over month and 3.4% year over year. The surprise was that the previous month's reading was revised down to – 0.4%. Core CPI (excluding food and energy) advanced 0.2% month over month and 2.5% year over year, the slowest annual core reading since early 2021. The softer inflation data eased concerns about interest rate hikes later this year.

CPI And CPI Less Food And Energy Year Over Year



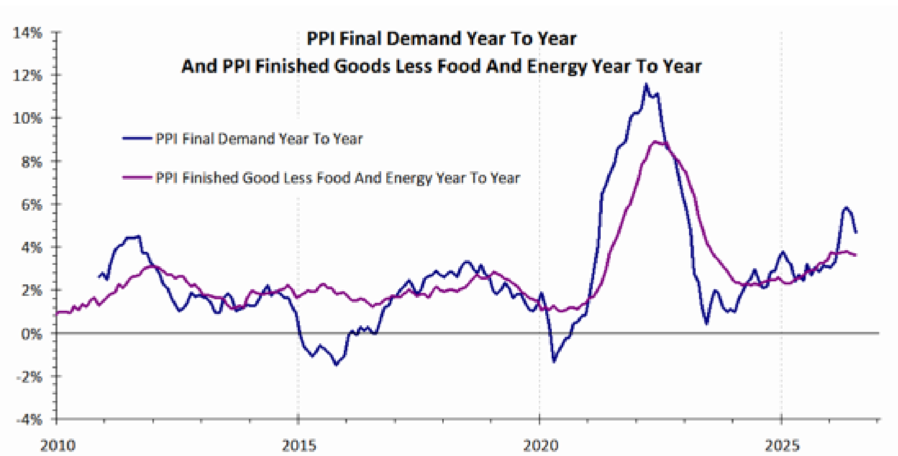
Source: Bureau of Labor Statistics, Sanctuary Wealth, August 12, 2026

August 17, 2026

PPI Confirms The Disinflationary Trend

The Producer Price Index (PPI) came in below expectations, with the month-over-month reading at 0.0%, versus the expected 0.2%, and the year-over-year reading at 4.7%, below the expected 4.9%. PPI excluding food and energy came in slightly above expectations, but the market focused on the softer overall data. Declining energy and food input costs are feeding through to wholesale prices, giving the Federal Open Market Committee (FOMC) additional flexibility on interest rate decisions. The market continues to lower expectations of an interest rate hike this year.

PPI Final Demand And PPI Final Demand Less Food And Energy Year To Year



Source: Bureau of Labor Statistics, Sanctuary Wealth, August 13, 2026

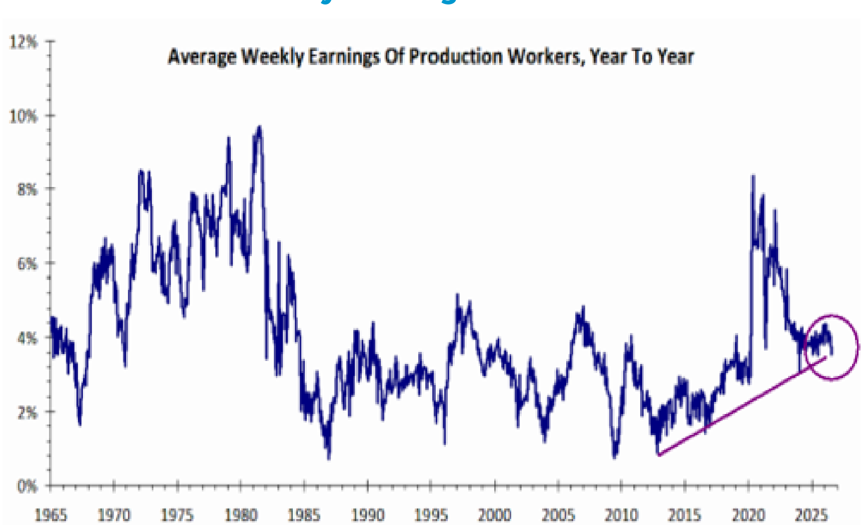
Retail Sales Come in Significantly Below Expectations

July retail sales came in significantly below expectations, declining 0.6% versus expectations for a 0.1% increase. A lower-than-expected number could be due to a drop in sales following the World Cup, which ended on July 19. This surprise is lowering interest rates while pushing out an expected interest rate hike. *We believe Federal Reserve Chair Kevin Warsh is more likely to favor cutting interest rates than raising them, and the latest data increasingly supports that view.*

Wage Growth Is Falling Which Should Ease Inflation

Annual growth in weekly earnings of production workers continues to slow. Weaker wage pressures reduce one of the key arguments for additional rate increases and support the outlook for lower front-end yields. Wage growth is a key indicator of future inflation, and slowing wage growth signals that inflation should ease in the months or quarters ahead.

Annual Growth Weekly Earnings Of Production Workers Is Weakening



Source: Bureau of Labor Statistics, Sanctuary Wealth, August 14, 2026

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August 17, 2026

Two-Year Treasury Yields Breaking Down

Last week, we highlighted that the 2-Year Treasury yield appeared to be breaking down, but we needed confirmation. We got it from the weaker inflation and retail sales data. Our target is a move toward 4.0%–3.8%. Lower interest rates are supportive of higher stock prices. Historically, the trend in the 2-Year has foreshadowed the direction of Fed interest rate policy.

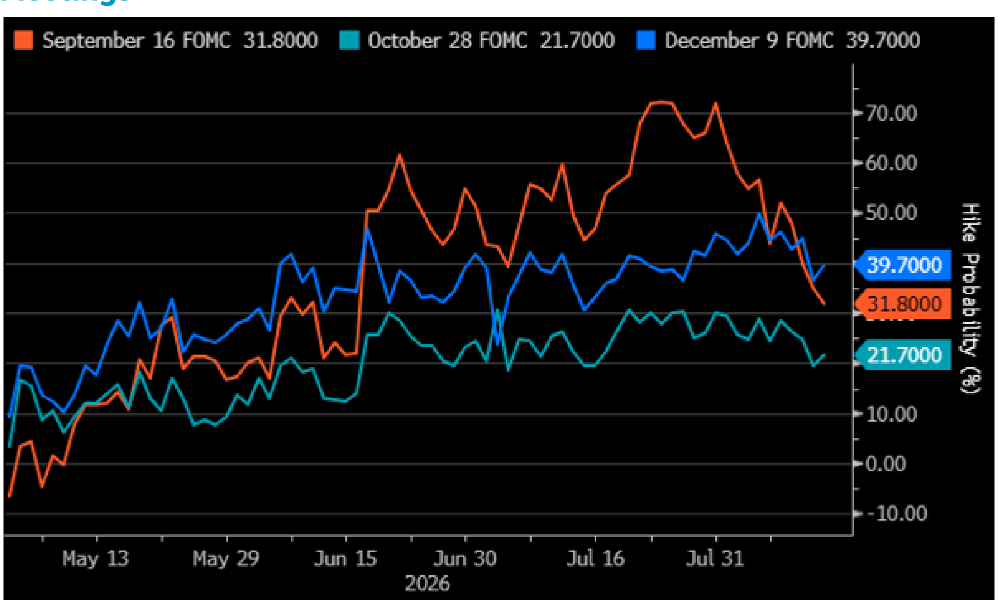
Two-Year Treasury Yields Are Declining

Source: Bloomberg, August 14, 2026

The Odds Of A Near-Term Rate Hike Are Receding

Market-implied odds of a 25-basis-point hike at the September, October, and December FOMC meetings have retreated sharply following this week's soft inflation reports. September probability has fallen from a mid-July peak near 72% to roughly 32%. The term structure now shows December higher than September, suggesting the market sees a higher chance the Fed skips a hike at the September meeting and potentially acts later, if needed.

Implied Probabilities Of A 25 Basis Point Rate Hike At The September, October, And December FOMC Meetings



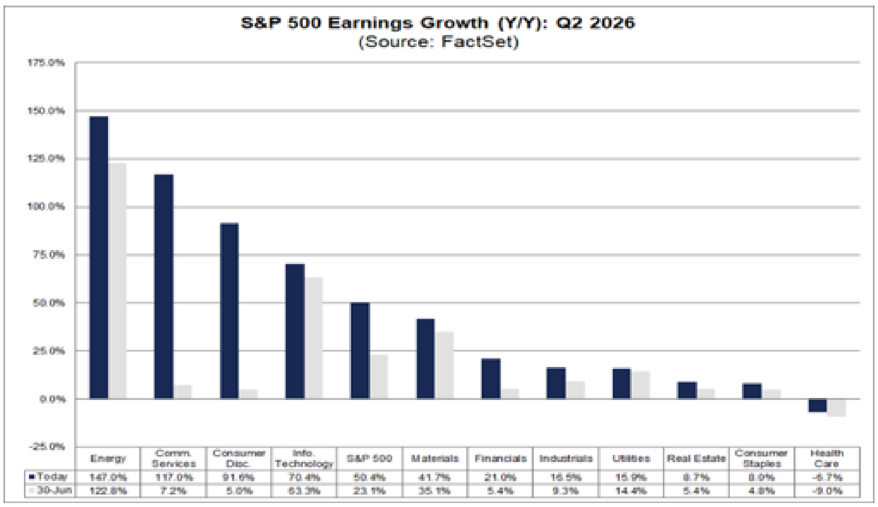
Source: Bloomberg, August 14, 2026

August 17, 2026

Earnings Are Extraordinarily Strong Across Sectors

Ten of the eleven S&P 500 sectors reported positive year-over-year earnings growth in the second quarter. Only the Healthcare sector had a decline in earnings. Energy and Communication Services had year-to-year earnings growth above 100%. Consumer Discretionary and Technology followed with 92% and 70% earnings growth, respectively — also extremely strong results. Part of the strength in 2Q earnings is coming from tariff refunds.

Earnings Growth Year-To-Year 2Q 2026 Up Dramatically



	Energy	Comm. Services	Consumer Disc.	Info. Technology	S&P 500	Materials	Financials	Industrials	Utilities	Real Estate	Consumer Staples	Health Care
Today	147.0%	117.0%	91.6%	70.4%	50.4%	41.7%	21.0%	16.5%	15.9%	8.7%	8.0%	-6.7%
30-Jun	122.8%	7.2%	5.0%	63.3%	23.1%	35.1%	5.4%	9.3%	14.4%	5.4%	4.8%	-9.0%

Source: FactSet, August 7, 2026

WSJ

Tariff Refunds Are Here—and Turbocharging Earnings

Apple, Nike and FedEx are just a few companies recovering big sums relatively quickly, and some are passing at least a share on to customers

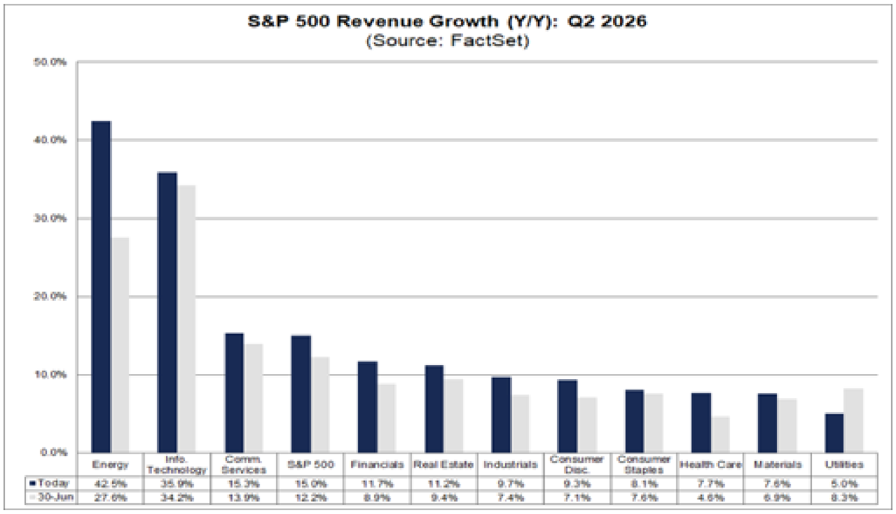
By Theo Francis and Celia Bernhardt

Aug. 12, 2026 9:33 pm ET

August 17, 2026

Revenue Growth Remains Powerful

S&P 500 revenue growth for 2Q26 reached 15% year over year, the highest pace since the fourth quarter of 2021. Energy led with more than 40% growth, followed by Information Technology with 36%. *Strong top-line expansion provides a solid foundation for continued earnings momentum. Business backlogs have been rising, indicating demand remains strong within the economy.*

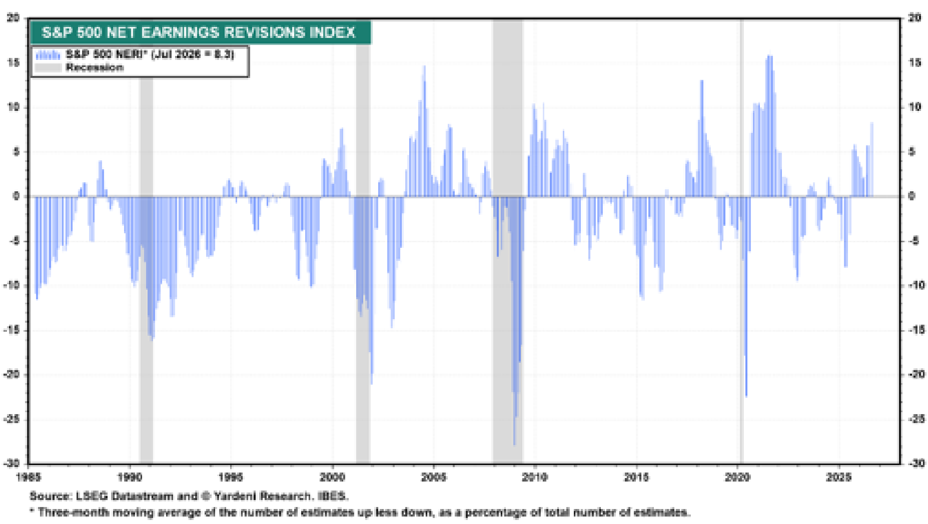


Source: FactSet, August 7, 2026

Net Earnings Revisions Rise Sharply

Analyst net earnings revisions continue to rise substantially, supporting higher stock prices in the months ahead. Seasonally, earnings estimates tend to fall as we move into the third and fourth quarters. Estimates rising sharply now point to the strength of earnings power in this AI-driven business cycle. Revisions to earnings estimates are the strongest models for predicting the direction of stock prices. The rate of increases in earnings estimates for the S&P 500 is a strong confirmation that we remain in a secular bull market. *Our S&P 500 target for this year is 8,225, which was raised up in June from 7500.*

Net Earnings Revisions Rising Sharply, A Positive Sign For Stocks



Source: Yardeni.com, August 14, 2026

August 17, 2026

Market Breadth Confirms Record Highs In Stocks

The S&P 500 cumulative advance-decline line has reached a new all-time high. Broad participation across stocks reduces the risk of a narrow, fragile rally and reinforces the secular uptrend.

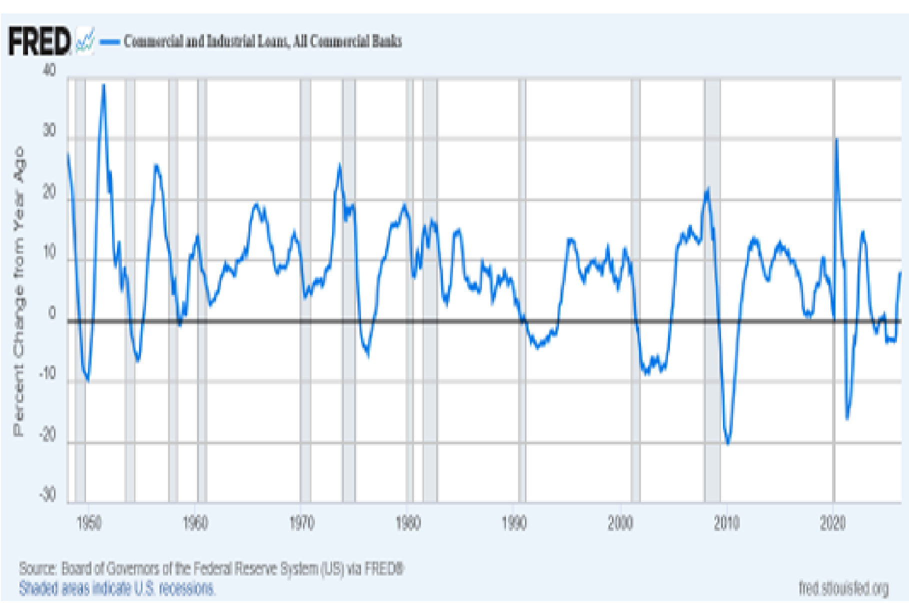
S&P 500 Cumulative Advance-Decline Hits Record High

Source: Bloomberg, Sanctuary Wealth, August 14, 2026

Commercial And Industrial Loans Support Expansion

Commercial and Industrial (C&I) loans are expanding at an 8% annual rate. This indicates ongoing business investment and credit demand, consistent with an expanding economy, even if the pace remains below prior cycle peaks. This is bullish for bank earnings going forward.

C&I Loans Are Rising At 8% Annually



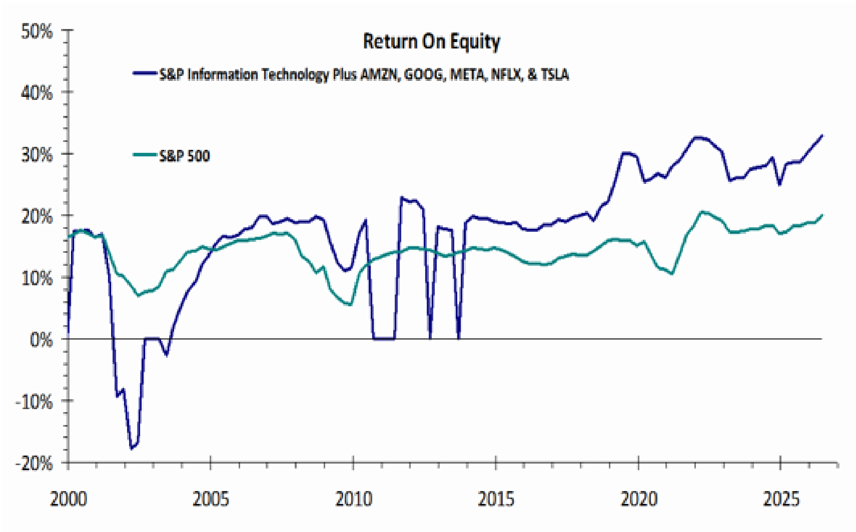
Source: St Louis Federal Reserve FRED, August 14, 2026

August 17, 2026

Return on Equity Favors Technology

Return on Equity (ROE) is a key measure of how efficiently a company generates profits from shareholders' capital and one of Warren Buffett's preferred indicators of business quality. At 33%, ROE among Technology stocks remains substantially higher than the 20% for the broader S&P 500. This differential continues to support the sector's long-term leadership within the secular bull market.

Return On Equity Is Stronger Among Technology Stocks Than The Rest Of The Market



Source: Standard & Poors', Bloomberg, Sanctuary Wealth, August 14, 2026

Gold Appears to Have Bottomed

Our technical analysis suggests gold prices have found a base near $4,000. The SPDR Gold Shares ETF (GLD) and related stochastic oscillators point to a very oversold and improving price momentum following the recent correction. We maintain a target on Gold of $5,000. We believe Gold is a good hedge to have in portfolios.

SPDR Gold Shares ETFs (GLD) (Top) With Weekly Stochastics (Bottom)

Source: Bloomberg, Sanctuary Wealth, August 14, 2026

August 17, 2026

Junior Gold Miners Offer Leverage To Higher Gold Prices

Gold mining equities, particularly the more leveraged junior producers, stand to benefit if Gold prices resume their advance. The VanEck Junior Gold Miners ETF (GDXJ) shows similar technical oversold conditions, with price momentum starting to turn positive.

VanEck Junior Gold Miners ETF (GDXJ) (Top) With Weekly Stochastics (Bottom)

Source: Bloomberg, Sanctuary Wealth, August 14, 2026

August 17, 2026

Sector Readings: Information Technology First, Followed By Energy And Industrials; Utilities Still In Last, Then Consumer Discretionary And Communication Services

Information Technology retained its first place last week, followed by Energy and Industrials. Utilities remained in last place; Consumer Discretionary and Communication Services brought up the next two bottom slots.

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 to 11, with 1 being the strongest and 11 the weakest.

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

	Aug 14	Aug 7	Jul 31	Jul 24	Jul 17	Jul 10	Jul 3	Jun 26
Consumer Discretionary	10	8	10	11	11	11	11	11
Consumer Staples	8	9	8	9	8	8	7	8
Energy	2	3	1	1	1	2	5	3
Financials	4	5	5	6	6	9	8	9
Healthcare	5	2	2	4	4	4	3	5
Industrials	3	4	4	3	3	3	2	2
Information Technology	1	1	3	2	2	1	1	1
Materials	6	6	7	7	7	7	4	6
Communication Services	9	10	11	10	9	6	9	10
Utilities	11	11	9	8	10	10	10	7
Real Estate	7	7	6	5	5	5	6	4

Source: Bloomberg, Sanctuary Wealth, August 7, 2026

August 17, 2026

OBOS List: Healthcare And Financials Still Overbought, Industrials Near Overbought. Communication Services And Consumer Discretionary Oversold; Consumer Staples Near Oversold.

Healthcare and Financials were again overbought last week, while Industrials were near overbought. Communication Services and Consumer Discretionary were oversold once more, and Consumer Staples were near oversold. Extreme overbought and oversold conditions we witnessed over the past several weeks have been relieved by the market's rotation.

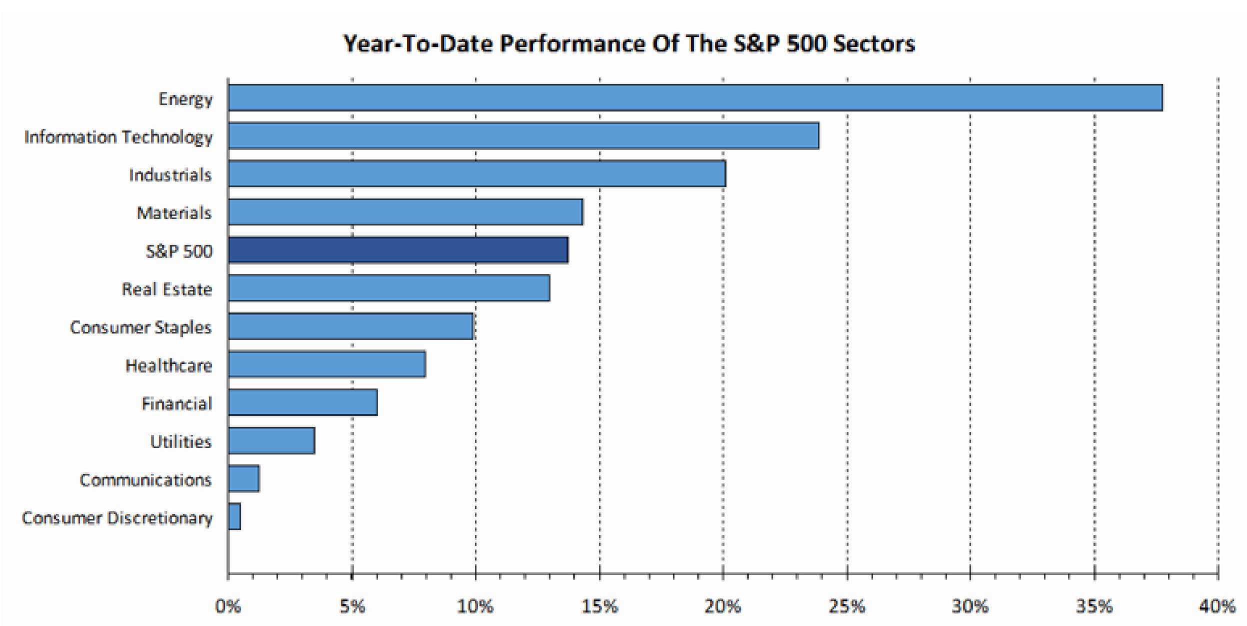
Our tactical sector rotation model uses the S&P 500 GICS sector classifications. We apply a 13-week rate of change methodology that normalizes the rankings from overbought (OB) to oversold (OS). An industry group is overbought when it has risen too far too fast, relative to the rest of the market, based 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 over 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 14 August 2026

rank	*S&P Sector*	*normalized Oscillator*	
1	Healthcare	1.5825	
2	Financials	1.3700	*Overbought*
3	Industrials	0.9164	*Near Overbought*
4	Real Estate	0.0614	*Neutral*
5	Information Technology	-0.0394	
6	Energy	-0.0657	
7	Materials	-0.0848	
8	Utilities	-0.4398	*Neutral*
9	Consumer Staples	-0.9807	*Near Oversold*
10	Consumer Discretionary	-1.0002	*Oversold*
11	Communication Services	-1.8626	

Source: Bloomberg, Sanctuary Wealth, August 14, 2026



Source: Bloomberg, Sanctuary Wealth, August 14, 2026

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Market Performance: Energy Still The Best Performing Asset; Information Technology And Russell 2000 Follow Distantly. Bitcoin Remains Weakest.

	Last 8/14/2026	Month End 7/31/2026	Month to Date	Quarter End 6/30/2026	Quarter to Date	Year End 12/31/2025	Year to Date	Year Ago 8/14/2025	Year To Year
S&P 500	7785.76	7489.72	4.0%	7499.36	3.8%	6845.50	13.7%	6468.54	20.4%
NASDAQ Composite	26729.16	25373.85	5.3%	26213.72	2.0%	23241.99	15.0%	21710.67	23.1%
NASDAQ 100	731.07	687.99	6.3%	736.40	-0.7%	614.31	19.0%	579.89	26.1%
Russell 2000	3068.42	2931.34	4.7%	3024.37	1.5%	2481.91	23.6%	2299.08	33.5%
S&P Consumer Discretionary Sector	1937.95	1922.36	0.8%	1907.12	1.6%	1928.43	0.5%	1851.33	4.7%
S&P Consumer Staples Sector	950.67	940.96	1.0%	923.02	3.0%	864.89	9.9%	898.95	5.8%
S&P Energy Sector	946.99	912.61	3.8%	810.95	16.8%	687.34	37.8%	653.30	45.0%
S&P Financial Sector	966.56	946.79	2.1%	892.84	8.3%	911.60	6.0%	881.15	9.7%
S&P Healthcare Sector	1949.46	1893.67	2.9%	1852.15	5.3%	1805.89	8.0%	1559.54	25.0%
S&P Industrials Sector	1577.25	1520.75	3.7%	1568.73	0.5%	1313.14	20.1%	1278.76	23.3%
S&P Information Technology Sector	7042.54	6553.95	7.5%	6788.21	3.7%	5684.00	23.9%	5363.55	31.3%
S&P Materials Sector	656.65	627.22	4.7%	638.08	2.9%	574.41	14.3%	572.19	14.8%
S&P Real Estate Sector	288.15	286.59	0.5%	279.70	3.0%	255.03	13.0%	257.50	11.9%
S&P Communications Sector	458.02	456.61	0.3%	454.40	0.8%	452.39	1.2%	399.25	14.7%
S&P Utilities Sector	449.01	450.17	-0.3%	460.68	-2.5%	433.81	3.5%	435.10	3.2%
S&P 500 Total Return	17433.30	16763.43	4.0%	16774.07	3.9%	15220.46	14.5%	14311.81	21.8%
3 month Treasury Bill Price	99.05	99.06	0.0%	99.05	0.0%	99.09	0.0%	98.95	0.1%
3 month Treasury Bill Total Return	274.18	273.79	0.1%	272.87	0.5%	268.01	2.3%	263.87	3.9%
10 Year Treasury Bond Future	108.58	108.00	0.5%	109.89	-1.2%	112.44	-3.4%	111.80	-2.9%
10 Year Treasury Note Total Return	313.73	311.60	0.7%	316.03	-0.7%	316.61	-0.9%	310.12	1.2%
iShares 20+ Year Treasury Bond ETF	82.04	82.25	-0.3%	86.42	-5.1%	87.16	-5.9%	87.02	-5.7%
S&P Municipal Bond Total Return	293.10	291.10	0.7%	296.00	-1.0%	290.00	1.1%	278.69	5.2%
iShares S&P National Municipal Bond NAV	105.81	105.42	0.4%	107.51	-1.6%	106.85	-1.0%	104.12	1.6%
S&P 500 Investment Grade Corporate Bond Total Return	497.75	496.12	0.3%	504.11	-1.3%	499.46	-0.3%	487.87	2.0%
S&P Investment Grade Corporate Bond	90.12	89.96	0.2%	91.57	-1.6%	92.75	-2.8%	92.10	-2.1%
S&P Investment Grade Corporate Bond Total Return	533.00	531.11	0.4%	538.40	-1.0%	532.99	0.0%	520.29	2.4%
SPDR Bloomberg High Yield Bond ETF	95.97	95.68	0.3%	96.37	-0.4%	97.21	-1.3%	96.89	-0.9%
iShares iBoxx High Yield Corporate Bond ETF	79.71	79.48	0.3%	79.97	-0.3%	80.63	-1.1%	80.40	-0.9%
Gold	4376.40	4046.15	8.2%	4008.02	9.2%	4319.37	1.3%	3335.39	31.2%
Bitcoin	62847.48	62899.25	-0.1%	58642.15	7.2%	87647.54	-28.3%	117957.12	-46.7%
Silver	64.68	57.60	12.3%	58.60	10.4%	71.66	-9.7%	38.01	70.2%

Source: Bloomberg, Sanctuary Wealth, August 14, 2026

Lazy Days of Summer? Not For Energetic Markets

This week's economic data and Fed minutes should keep the summer uptrends buzzing along.

The most consequential economic release this week is likely the minutes from the FOMC's July meeting, scheduled for Wednesday. The minutes should offer a clearer window into the internal debate — what Fed Chair Kevin Warsh called a "good family fight" — between officials who see a case for further rate hikes and those who prefer to hold steady amid signs of cooling inflation and softening labor-market data.

Tuesday's industrial production and capacity utilization report will provide a timely read on the manufacturing side of the economy. Housing data will also be in focus, with building permits, housing starts, and pending home sales offering updates on residential activity. The balance of the calendar is dominated by regional manufacturing surveys (Empire State on Monday, Philadelphia Fed on Thursday) and other soft data that tend to move markets less dramatically than the hard numbers or the Fed minutes.

Calendar

Mon.	8:30 AM Empire State Manufacturing Survey 10:00 AM NAHB Housing Market Index
Tue.	8:30 AM Housing Starts 8:30 AM Import Prices 9:15 AM Industrial Production 9:15 AM Capacity Utilization 10:00 AM Pending Home Sales Earnings Home Depot*
Wed.	2:00 PM Federal Open Market Committee meeting minutes published
Thu.	8:30 AM Philadelphia Fed Business Outlook Survey 8:30 AM Weekly Jobless Claims 10:00 AM Leading Indicators Earnings Walmart
Fri.	9:45 AM US Flash Manufacturing PMI 9:45 AM US Flash Services PMI

* Earnings reflect highlights
Sources: MarketWatch/Kiplinger's

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