

 February 10, 2025

Trump Moves Fast, Markets Hold Steady—For Now

There's been a lot thrown at the markets over the past three weeks since Donald Trump returned to the White House.

The equity and bond markets have had to digest lots of news: from threatened tariffs and headline-grabbing executive orders to the regular parade of corporate earnings and highly anticipated economic releases. Yet, the markets appear to be holding strong (so far) in a seasonally weak month. They've sometimes whipsawed back and forth as investors have watched how formerly "normal" ways of doing things have been upended. One publication we follow described Trump's rapid series of executive actions as "shock and awe." Another accurate term for his political artistry seems to be "flood the zone," a phrase coined by Trump ally Steve Bannon in 2017.

⇒ **Newsweek**

Steve Bannon's 'Flood the Zone' Strategy Explained Amid Trump Policy Blitz

Published Feb 06, 2025 at 4:32 PM EST

By **Peter Aitken**
Politics Weekend Editor

The technique isn't new. Last week, we compared Trump to Teddy Roosevelt for carrying a big stick. This week the comparison is Franklin Roosevelt. While FDR and DJT share little on the surface, both spoke plainly to the public—a trait they may owe to their New York roots (just like Teddy). Another parallel: a blizzard of executive orders overwhelming opposition. FDR signed over 300 a year, many in his first 100 days. Trump, who has praised FDR before, seems just as eager to move fast. The result is market volatility—which, to their credit, the markets have been able to digest and manage. But again, we say "so far."

≡ **Bloomberg**

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What Trump Learned About the Oval Office in Four Years Away

He's no FDR, but the two presidents have at least one thing in common.

By **Mark Milian**

February 3, 2025 at 11:15 AM CST

Threat Of Tariffs Fades From The Front Page... For Now?

In what appears to be the shortest trade war on record, last Monday – just hours before a 25% tariff on goods from her country were due to take effect – Mexican President Claudia Sheinbaum announced a deal to delay them. She agreed to post 10,000 Mexican troops to her northern border to cut down on illegal crossings and the illegal export of fentanyl, one of Trump's main demands. Shortly after, Canadian Prime Minister Justin Trudeau announced that Canada would also cooperate in cutting down the transport of fentanyl and, while he did not place troops on the border (the Canada-U.S. border is 3x the length of the Mexico-U.S. border), he did pledge assistance from Canadian authorities in clamping down on illegal crossings. The fright that struck the markets the week prior suddenly faded into relief.

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The New York Times
Mexico Deploys 10,000 National Guard Members to U.S. Border: What to Know
 President Claudia Sheinbaum's government said the National Guard members had redeployed to 18 cities and towns along the U.S.-Mexico border as part of a deal to delay U.S. tariffs.
 By James Wagner
 Reporting from Mexico City
 Feb. 4, 2025

CBC
NEWS
With tariff threat paused for now, Poilievre renews call for Parliament to resume
 Conservative leader called for troops on the border before 30-day reprieve announced
 Catharine Tanney - CBC News -
 Posted: Feb 03, 2025 2:15 PM CST | Last Updated: February 3

Then, last Friday, President Trump announced that he will impose reciprocal tariffs to ensure U.S. exports are “treated evenly” by America's trading partners. The markets again reacted negatively. While we don't believe Trump is looking to start a trade war, this appears to be his strategy to push other countries into negotiations over their own trade barriers. Ultimately, we expect this approach to be successful, but in the meantime, the uncertainty it creates is weighing on both stock and bond markets. In our view, choppy' is the best way to describe market conditions for the foreseeable future.

Reuters

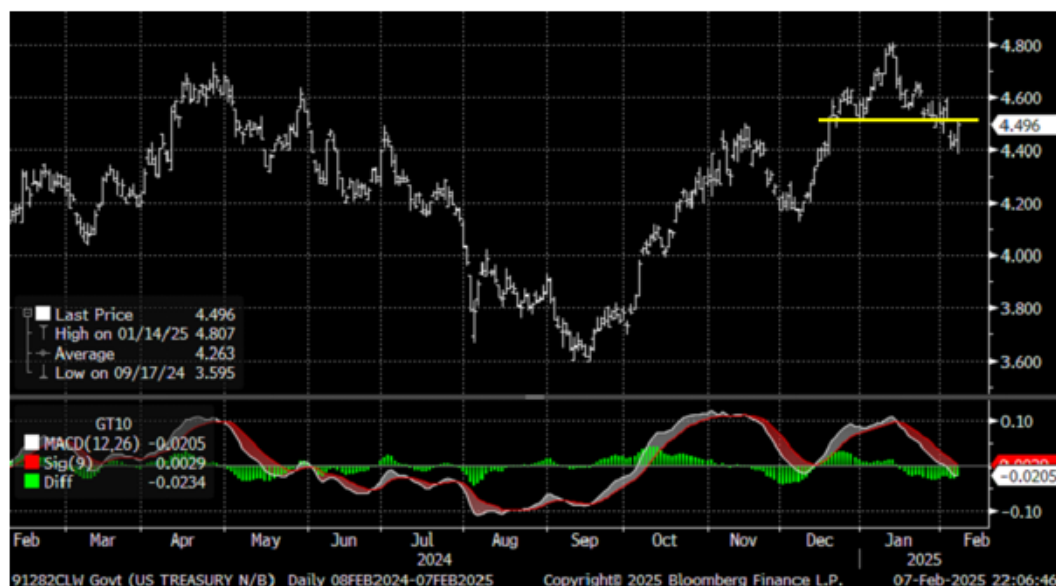
Trump says he will announce reciprocal tariffs on many countries next week
 By Jarrett Renshaw and David Morgan
 February 7, 2025 5:50 PM CST

Treasuries Look Healthy

Newly minted Treasury Secretary Scott Bessent made no changes in the Treasury's quarterly refunding announcement last Wednesday morning. He announced that President Trump and the Treasury were focused not on short-term rates, but on the 10-year Treasury yield. We think this is a good choice: stock prices and the long-term investment decisions of companies are more closely related to 10-year Treasury yields (and the longer-term rates in general) than to short-term rates. We expect Bessent to work to lower longer Treasury yields so that he can lock in lower yields as the administration tries to tame the deficit. The 10-year Treasury note responded well to this news.

10-year Treasury Yields Break Below Their Head-And-Shoulders Pattern. Our Target is 4.2%

10-year Treasury Yield (Top) With Moving Average Convergence/Divergence (Bottom)



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Revised Employment Data Implies The Fed Will Remain On Hold

Employment data for 2024 was revised downward by about 600,000 jobs last Friday in the Bureau of Labor Statistics' normal annual revisions. January job gains were 143,000, and while still strong, they came in shy of expectations, with unemployment at 4.0%, also a little less than expected. This led investors to conclude that the Federal Reserve (Fed) will maintain its current policy of wait-and-watch for the foreseeable future. Treasury rates rose a bit, but not substantially. We still expect 10-year Treasury yields to decline to around 4.2%.

Majority of Earnings Beating Expectations So Far

To date, 310 companies, 62% of the S&P 500, have reported fourth quarter earnings. Of those, nearly 77% beat earnings expectations, equal to the 5-year average of 77% and better than the 10-year average of 75%, according to FactSet. Year-over-year growth so far has been 16.4%. All in all, a good report so far, and while not every company has excelled, a healthy majority of them have.

Technology stocks have divided into two camps, one that is rising on a focus on software and consumer demand, another that is languishing a bit as investors digest the price gains achieved over the past year. We are concerned about "indigestion" in semiconductor stocks and reiterate our shift to Software. Palantir (PLTR) is a standout software company.

VanEck Semiconductor ETF (SMH) (Top) With Relative Price To S&P 500 (Bottom)



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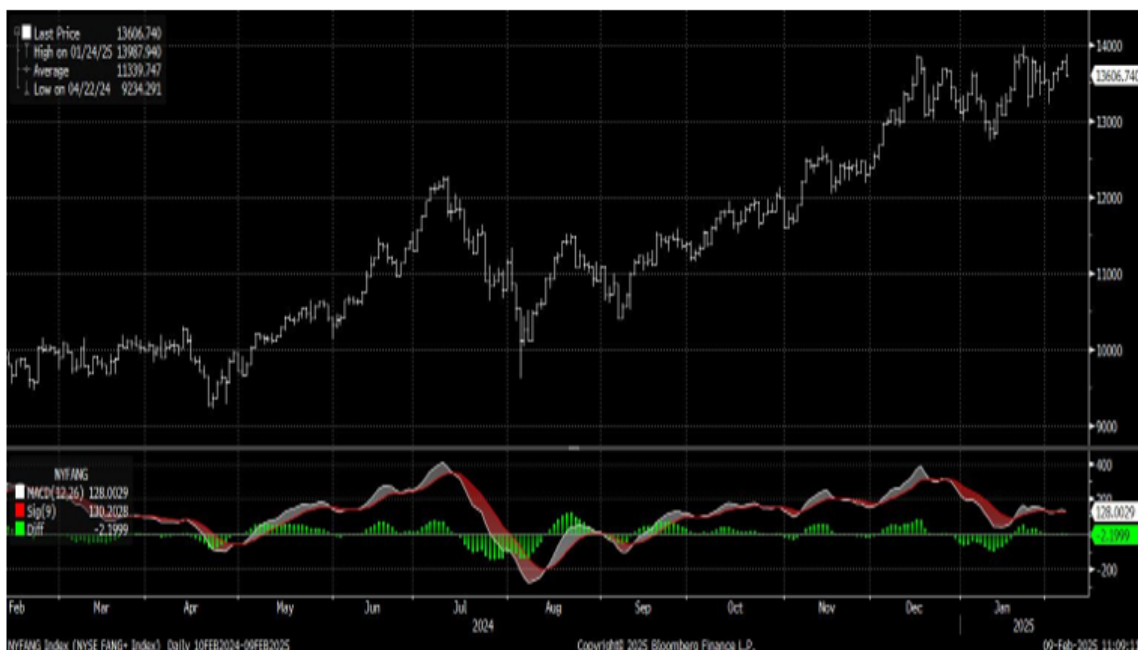
Palantir (PLTR) (Top) With Relative Price To S&P 500 (Bottom)



NYSE FANG+ Index In A Consolidation

The NYSE FANG+ index represents leading technology companies. With Tech and Tech-related stocks performing so well last year, they are taking a break to digest their strong gains by trading sideways as a group. We do not believe they are giving up their leadership role. We expect this consolidation can continue for weeks to a few months.

NYSE FANG + Index (Top) With Moving Average Convergence/Divergence (Bottom)



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S&P Technology Sector Has A Buy Signal

The S&P 500 Information Technology sector has corrected nearly 10%. The sector is holding its 200-day moving average and has a buy signal from the 14-day Stochastic. We maintain that Technology is the leader of the secular bull market. We remain buyers on pullbacks.

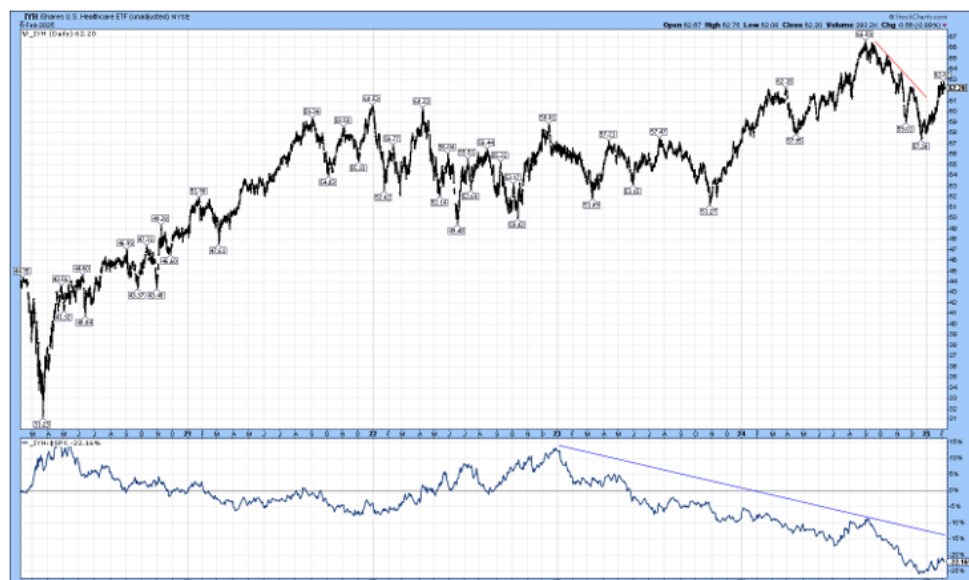
S&P Technology Sector (Top) With 200-DMA And 14-Day Stochastic



Healthcare Stocks Show Some Resilience But Still Seem Woozy

Healthcare stocks have rallied a bit. We think this is mostly a tactical improvement, one playable by nimble investors looking for value. We note that the relative price of the sector is still in a long-term decline, showing the sector is out of favor.

iShares U.S. Healthcare ETF (IYH) (Top) With Relative Price To S&P 500 (Bottom)



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S&P 500 And Nasdaq 100 Remain In Bull Trends

Despite market choppiness since the middle of December, we believe the S&P 500 and the Nasdaq 100 (represented by the QQQ ETF) remain in bull trends. The Moving Average Convergence/Divergence (MACD) indicator for both indexes has bottomed, showing improving price momentum. We do expect equity markets to remain volatile. The Bucking Bull is likely to remain with us. Our target for the S&P 500 remains 7200-7400 for this year.

S&P 500 (Top) With Moving Average Convergence/Divergence (Bottom)



Invesco QQQ Trust (QQQ) (Top) With Moving Average Convergence/Divergence (Bottom)



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Market Performance

	Last 2/7/2025	Month End 1/31/2025	Month to Date	Quarter End 12/31/2024	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 2/8/2024	Year To Year
S&P 500	6025.99	6040.53	-0.2%	5881.63	2.5%	5881.63	2.5%	4997.91	20.6%
NASDAQ Composite	19523.40	19627.44	-0.5%	19310.79	1.1%	19310.79	1.1%	15793.71	23.6%
NASDAQ 100	522.92	522.29	0.1%	511.23	2.3%	511.23	2.3%	432.79	20.8%
Russell 2000	2279.71	2287.69	-0.3%	2230.16	2.2%	2230.16	2.2%	1979.70	15.2%
S&P Consumer Discretionary Sector	1843.18	1911.57	-3.6%	1831.16	0.7%	1831.16	0.7%	1436.11	28.3%
S&P Consumer Staples Sector	883.20	869.70	1.6%	853.65	3.5%	853.65	3.5%	782.31	12.9%
S&P Energy Sector	674.59	667.95	1.0%	654.85	3.0%	654.85	3.0%	645.90	4.4%
S&P Financial Sector	861.13	855.91	0.6%	804.44	7.0%	804.44	7.0%	647.11	33.1%
S&P Health Care Sector	1705.45	1710.76	-0.3%	1604.75	6.3%	1604.75	6.3%	1678.93	1.6%
S&P Industrials Sector	1162.00	1171.34	-0.8%	1115.65	4.2%	1115.65	4.2%	988.70	17.5%
S&P Information Technology Sector	4511.47	4474.24	0.8%	4609.52	-2.1%	4609.52	-2.1%	3686.90	22.4%
S&P Materials Sector	555.87	559.03	-0.6%	529.77	4.9%	529.77	4.9%	522.74	6.3%
S&P Real Estate Sector	263.66	260.37	1.3%	255.92	3.0%	255.92	3.0%	240.58	9.6%
S&P Communications Sector	364.43	372.33	-2.1%	341.66	6.7%	341.66	6.7%	273.16	33.4%
S&P Utilities Sector	396.89	395.93	0.2%	384.95	3.1%	384.95	3.1%	304.44	30.4%
S&P 500 Total Return	13241.34	13271.38	-0.2%	12911.82	2.6%	12911.82	2.6%	10834.36	22.2%
3 month Treasury Bill Price	98.92	98.93	0.0%	98.92	0.0%	98.92	0.0%	98.65	0.3%
3 month Treasury Bill Total Return	258.14	257.93	0.1%	256.97	0.5%	256.97	0.5%	245.33	5.2%
10 Year Treasury Bond Future	109.23	108.84	0.4%	108.75	0.4%	108.75	0.4%	110.75	-1.4%
10 Year Treasury Note Total Return	296.58	295.27	0.4%	293.94	0.9%	293.94	0.9%	290.28	2.2%
iShares 20+ Year Treasury Bond ETF	89.27	87.76	1.7%	87.33	2.2%	87.33	2.2%	94.04	-5.1%
S&P Municipal Bond Total Return	280.30	279.15	0.4%	278.14	0.8%	278.14	0.8%	271.97	3.1%
iShares S&P National Municipal Bond NAV	106.78	106.63	0.1%	106.40	0.4%	106.40	0.4%	107.71	-0.9%
S&P 500 Investment Grade Corporate Bond Total Return	469.27	467.57	0.4%	465.24	0.9%	465.24	0.9%	450.36	4.2%
S&P Investment Grade Corporate Bond	90.67	90.44	0.3%	90.28	0.4%	90.28	0.4%	90.47	0.2%
S&P Investment Grade Corporate Bond Total Return	500.30	498.63	0.3%	495.89	0.9%	495.89	0.9%	477.95	4.7%
SPDR Bloomberg High Yield Bond ETF	96.24	96.76	-0.5%	95.47	0.8%	95.47	0.8%	94.54	1.8%
iShares iBoxx High Yield Corporate Bond ETF	79.35	79.72	-0.5%	78.65	0.9%	78.65	0.9%	77.20	2.8%
Gold	2861.07	2798.41	2.2%	2624.50	9.0%	2624.50	9.0%	2034.52	40.6%
Bitcoin	96019.98	102110.01	-6.0%	93714.04	2.5%	93714.04	2.5%	44188.33	117.3%

Source: Bloomberg, Sanctuary Wealth, February 7, 2025

Powell, Price Indexes And Politics To Make Headlines

This week, inflation, the Fed, and Trump will keep investors on their toes.

This week is relatively quiet on the economic data front, but that doesn't mean markets will be lacking catalysts, not least of which could be a continuation of President Trump's rapid and loud decision-making.

On the economic data side, inflation remains a priority as we get CPI on Wednesday and PPI on Thursday, followed by Industrial Production on Friday. Bond markets will remain hyper-focused on inflation data, searching for signals about the Fed's next move. Meanwhile, corporate earnings announcements are winding down in what appears to be a very positive season.

Fed Chair Powell heads to Capitol Hill this week for his semiannual testimony before Congress—appearing before the Senate Banking Committee on Tuesday and the House Financial Services Committee on Wednesday. It's his first testimony since July, and markets will be listening closely for any hints on the future path of interest rates.

While February is historically a seasonally weaker month for stocks, the tone set by Powell's remarks and inflation data could shape market sentiment heading into the spring.



Calendar

Mon.

Earnings: McDonald's*

Tue.

6:00am NFIB optimism index

8:50 am Cleveland Fed President Beth Hammack speaks

10:00 am Fed Chairman Jerome Powell testifies to Congress

10:20 am San Francisco Fed President Daly speaks

3:20 pm New York Fed President Williams speaks

3:30 pm Fed Governor Michelle Bowman speaks

Earnings: Alcon, Carlyle Group, American International Group

Wed.

8:30 am Core CPI

10:00am Fed Chairman Jerome Powell testifies to Congress

3:30 pm New York Fed President Williams speaks

2:00 pm Atlanta Fed President Bostic speaks, Monthly U.S. federal budget

5:05 pm Fed Governor Christopher Waller speaks

Earnings: CVS Health, Cisco Systems, Wyndham Hotels & Resorts

Thu.

8:30 am Core PPI, Initial jobless claims

Earnings: Hyatt Hotels, Roku, Wynn Resorts

Fri.

8:30am Import price index, U.S. retail sales

9:15 am Industrial production

10:00am Business inventories

3:00 pm Dallas Fed President Lorie Logan speaks

Earnings: Moderna, Portland General Electric

*Earnings reflect highlights

Source: CNBC, Kiplinger's, MarketWatch

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