

August 11, 2025

Markets Face Crosswinds At The Top

Markets remain near historic highs as policy transitions take shape in Washington.

At the Federal Reserve (Fed), President Trump has nominated Stephen Miran to temporarily fill the vacancy on the Fed's Board of Governors created by Adrian Kugler's early resignation. It should be noted that Miran supports lower rates and has criticized Chair Powell's reluctance to ease current policy.

Trade policy is also evolving: tariffs on semiconductors and pharmaceuticals are expected soon, with exemptions for companies investing in U.S. production. These moves reinforce a broader strategy favoring domestic capital formation. Technology firms have pledged more than \$2 trillion in new U.S. investment, focusing heavily on AI (artificial intelligence). A new executive order from Trump is designed to allow retirement plans to access private markets and digital assets, expanding consumer access alternatives. Regulatory engagement with blockchain is also increasing, with Ethereum gaining traction under the GENIUS Act (Guiding and Establishing National Innovation for U.S. Stablecoins Act). Beneath the surface, market-based signals continue to support a constructive outlook that is being driven by productivity gains, industrial re-shoring, and leadership in innovation and growth.

The Fed In Flux

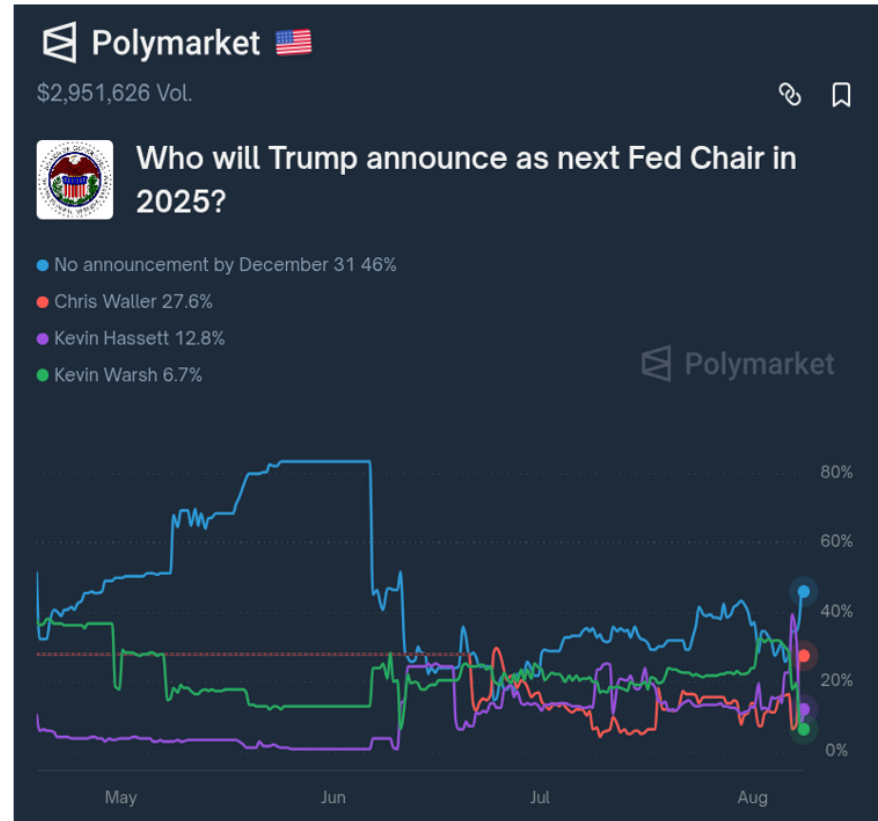
Treasury Secretary Scott Bessent is currently leading the search for a successor to Fed Chair Jerome Powell. The Wall Street Journal reports that the shortlist comprises 10 candidates, including current Fed Governor Christopher Waller; National Economic Council Director Kevin Hassett; former Fed Governor Kevin Warsh; former St. Louis Federal Reserve Bank President James Bullard; and Marc Sumerlin, a former economic adviser to President George W. Bush. As of last Thursday, the crypto-based prediction market Polymarket pegged Waller as the front-runner.

Whoever it might be, if Trump announces a candidate for Fed Chair, Powell could be rendered a "lame duck" for the remainder of his term, reducing his influence over Fed decisions – particularly on interest rates.



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Polymarket Weighs In On The Likely Successor To Powell, But Does Not Yet Include Latest Names



Source: Strategas, August 8, 2025



WSJ

Trump's Team Expands Search for Fed Chair, Adding New Names to List

The president's advisers are reviewing new contenders, including former St. Louis Fed President James Bullard and Marc Sumerlin, a former George W. Bush adviser

By [Brian Schwartz](#) and [Nick Timiraos](#)

Aug. 8, 2025 3:22 pm ET

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Near-Term Risk: Two-Year Treasury Yields Rise Causing Market Volatility

Two-year Treasury yields often lead the federal funds rate, which is fixed by the FOMC (Federal Open Market Committee). With market expectations of a cut in the Fed funds rate in perhaps only a few weeks, the 2-year yield has fallen. However, near term, the risk is rising that rates could back-up a bit, with the 14-day stochastic signaling a buy. *Risk is that 2-year yields rise near 3.9% as new economic data, such as inflation data, may not support a rate cut, causing rates to rise temporarily, negatively impacting stocks.*

Two-Year Treasury Yields (Top) With Stochastics (Bottom): Target 3.9%



Two-Year Treasury Yields (Top) With Stochastics (Bottom): Target 3.9%

Tariffs Continue To Haunt The Headlines

The White House announced a 25% reciprocal tariff on India, citing the country's energy ties to Russia. Switzerland also faces a 39% tariff. On the flip side, Trump waived 100% semiconductor tariffs for companies investing in U.S. production. Companies not building domestically will face new sector tariffs on chips and pharmaceuticals this week.

WSJ
Trump Exempts Tech Companies That Invest in U.S. From 100% Chip Tariffs

Step offers relief to Apple, which announced another \$100 billion investment

By *Amrith Ramkumar*, *Natalie Andrews* and *Rolfe Winkler*

Updated Aug. 6, 2025 6:59 pm ET

 August 11, 2025

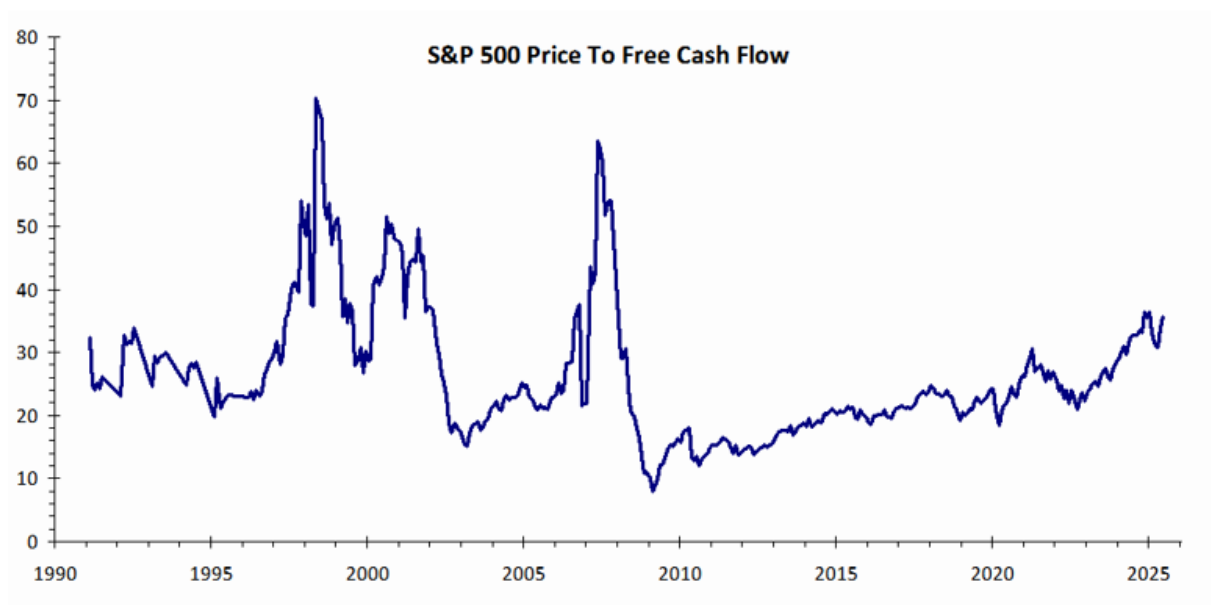
Companies Expect Tax Cuts To Boost Bottom Lines

Over 100 companies cited expectations of business tax benefits in their projections for coming quarters as a result of the One Big Beautiful Bill (OB BB) which was passed last month. We believe this could support higher equity prices later in the year.

Free Cash Flow Is An Indicator Of Corporate Health

Free cash flow is how much cash a company has left over after operations and capital asset maintenance. It excludes non-cash expenses but includes expenditures on equipment and non-capital assets. Free cash flow can be distributed to creditors and stockholders without interrupting operations. The ratio of a stock's price to its free cash flow is one measure of whether or not the stock is cheap or expensive. Right now, that ratio is far from the expensive levels we have seen in the past, indicating that stock prices still have room to rise.

Free Cash Flow Should Benefit From Lower Taxes



Source: Bureau of Labor Statistics, Sanctuary Wealth, August 8, 2025



WSJ

Cash Windfall From Trump's Tax Law Is Starting to Show Up at Big Companies

Investors are watching boosts to free cash flow as estimates of tax savings trickle out

By [Jonathan Weil](#)

Aug. 4, 2025 5:30 am ET



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Technology Gets A Tailwind

Nearly every major tech firm has promised to put more into their U.S. operations, resulting in over \$2 trillion in new pledges in the past seven months, according to The Wall Street Journal. Meta, Microsoft, and Apple have pledged more than \$250 billion in U.S. AI investment for next year; there have been additional commitments from OpenAI, Alphabet, and Nvidia. OpenAI reached an agreement with the U.S. General Services Administration to offer enterprise ChatGPT access government-wide for only \$1. This tremendous capital investment could provide a tailwind to the U.S. economy later this year, in our view.

Silicon Valley's AI Spend Goes Berserk as Microsoft Starts Cashing In

Ece Yildirim

Published August 3, 2025

Tech giants reported eye-watering figures linked to artificial intelligence investment.

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





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Ethereum And Blockchain Are Accelerating Economic Activity

As we described in our recent stablecoin white paper, blockchain provides programmable money, a financial operating system where code can move funds and enforce contracts. Ethereum was launched a decade ago and has since become the most widely adopted and flexible system, accounting for nearly 50% of all stablecoin activity. Many financial institutions recognize Ethereum for its reliability and resilience, viewing it as a stable asset class that maintains uptime and consistency in a volatile market. With the GENIUS Act now law, regulators are engaging with blockchain platforms like Ethereum rather than opposing them. Ethereum is central to that effort.

Ethereum turns 10: From scrappy experiment to Wall Street's invisible backbone

PUBLISHED SAT, AUG 2 2025-2:42 PM EDT UPDATED SAT, AUG 2 2025-8:03 PM EDT



- Ten years after launch, Ethereum has evolved from a scrappy experiment to the hidden infrastructure powering Wall Street's next generation of finance.
- Major institutions from BlackRock to Robinhood are building directly on Ethereum's rails, cementing its role as the backbone for stablecoins, tokenized stocks, and instant global payments.

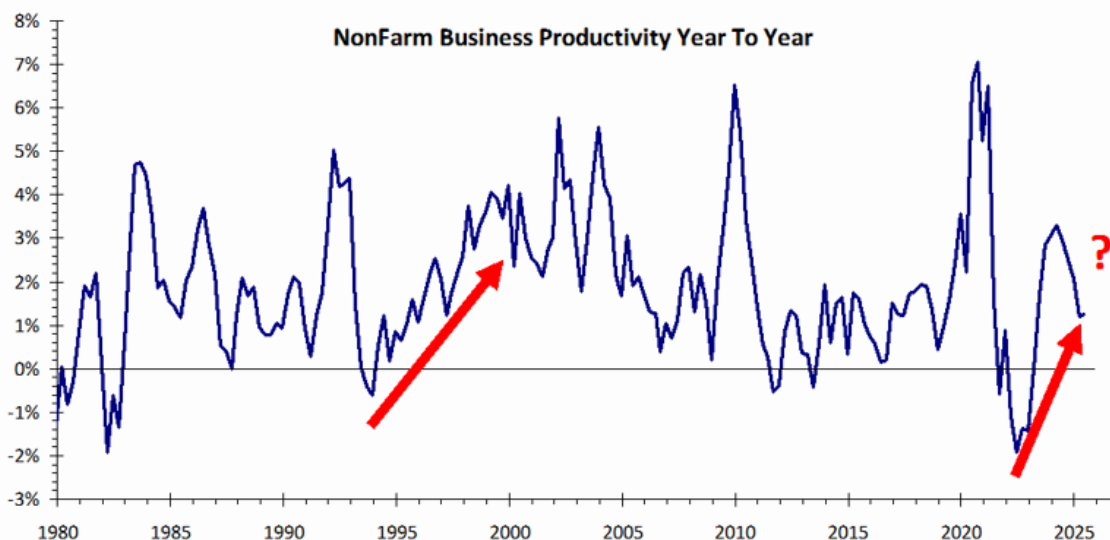
Executive Order To Permit Alternative Investments In Retirement Plans

President Trump signed an executive order Thursday directing the Secretary of Labor to examine changing ERISA rules so that participant-directed defined-contribution retirement savings plans may invest in alternative investments such as private markets, commodities, digital assets, and infrastructure. Recommendations in consultation with the SEC, the Treasury, and any other required Federal regulators will be presented in six months.

Productivity Stronger Than Expected

Nonfarm business productivity grew at a 2.3% annualized rate in the second quarter, better than expected. We believe these gains reflect advances in AI and robotics – a trend we expect to continue.

Productivity Rose In Second Quarter



Source: Bureau of Labor Statistics, Sanctuary Wealth, August 7, 2025



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Japanese Stocks Continue To Rise

The Japanese market peaked at the end of 1989, beginning a long, painful 35 years of underperformance. That ended recently when the broad-based TOPIX index of Japanese stocks at last made a new all-time high, marking the start of a new secular bull market.

Japanese TOPIX Breaks Out To A New Secular Bull Market



Gold Prices Continue To Rise

We mentioned earlier that Swiss exports to the U.S. now have a 39% tariff levied on them. It was initially assumed that this includes gold exports based upon a ruling by U.S. Customs. The announcement of the tariff caused a modest increase in gold prices. However, late in the day last Friday the White House said that President Trump would soon issue an executive order clarifying that imports of gold bars would be exempt from tariffs. Our target for gold this year is \$4000 per ounce.

Gold Prices Are Positioned To Break To The Upside





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WSJ

White House Will Clarify Gold Tariffs

By *Gavin Bade*, Trade and Economic Policy Reporter

President Trump will soon issue an executive order clarifying which tariffs apply to imports of gold bars, a White House official said, after Customs and Border Protection found them to be eligible for high levies.

Gold Stocks Poised to Shine

Gold stocks tend to rise when gold prices climb, often with a short lag. Smaller producers typically show greater leverage to rising prices than larger ones, because the impact on their bottom lines is proportionally bigger. After breaking out from a 13-year base, these stocks have room to rally alongside Gold itself. Note: The price momentum indicators of Stochastic and MACD (Moving Average Convergence Divergence) remain positive.

VanEck Junior Gold Miners ETF (GDXJ) With Stochastics (Middle) And Moving Average Convergence/Divergence (Bottom)




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Sector Readings: Information Technology 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 stayed in last place for the 14th 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 8	Aug 1	Jul 25	Jul 18	Jul 11	Jul 4	Jun 27	Jun 20
Consumer Discretionary	5	6	5	5	5	5	5	6
Consumer Staples	7	7	8	7	8	8	8	8
Energy	10	8	10	10	9	9	9	7
Financials	6	5	4	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	2	2
Materials	8	9	7	8	6	6	7	9
Communication Services	2	2	2	2	2	2	1	1
Utilities	4	4	6	6	7	7	6	5
Real Estate	9	10	9	9	10	10	10	10

Source: Bloomberg, Sanctuary Wealth, August 8, 2025

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

Last week, the Overbought/Oversold list relieved some of the oversold sectors. Earnings growth is concentrated in Information Technology, which is overbought, and in Communication Services, which is near overbought. At the oversold end are Materials, Real Estate, Consumer Staples, and Health Care, which remains in intensive care. Investors looking to take positions in Financial stocks might take advantage of the sector's near oversold condition.

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 8 August 2025

<i>rank</i>	<i>S&P Sector</i>	<i>normalized Oscillator</i>
1	Information Technology	1.8780 <i>Overbought</i>
2	Communication Services	0.6514 <i>Near Overbought</i>
3	Industrials	0.3907 <i>Neutral</i>
4	Utilities	-0.2292
5	Consumer Discretionary	-0.4284
6	Energy	-0.4925 <i>Neutral</i>
7	Financials	-0.8339 <i>Near Oversold</i>
8	Materials	-1.2665 <i>Oversold</i>
9	Real Estate	-1.3777
10	Consumer Staples	-1.9676
11	Health Care	-2.5747

Source: Bloomberg, Sanctuary Wealth, August 8, 2025



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

	Last 8/8/2025	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 8/8/2024	Year To Year
S&P 500	6389.45	6339.39	0.8%	6204.95	3.0%	5881.63	8.6%	5319.31	20.1%
NASDAQ Composite	21450.02	21122.45	1.6%	20369.73	5.3%	19310.79	11.1%	16660.02	28.8%
NASDAQ 100	574.55	565.01	1.7%	551.64	4.2%	511.23	12.4%	448.07	28.2%
Russell 2000	2218.42	2211.65	0.3%	2175.04	2.0%	2230.16	-0.5%	2084.42	6.4%
S&P Consumer Discretionary Sector	1801.32	1799.72	0.1%	1753.81	2.7%	1831.16	-1.6%	1394.02	29.2%
S&P Consumer Staples Sector	906.51	874.57	3.7%	897.10	1.0%	853.65	6.2%	846.66	7.1%
S&P Energy Sector	648.66	666.91	-2.7%	648.68	0.0%	654.85	-0.9%	684.46	-5.2%
S&P Financial Sector	861.34	870.57	-1.1%	871.95	-1.2%	804.44	7.1%	701.28	22.8%
S&P Health Care Sector	1515.33	1518.42	-0.2%	1572.52	-3.6%	1604.75	-5.6%	1738.44	-12.8%
S&P Industrials Sector	1274.95	1285.95	-0.9%	1249.13	2.1%	1115.65	14.3%	1051.05	21.3%
S&P Information Technology Sector	5330.86	5220.69	2.1%	4964.64	7.4%	4609.52	15.6%	3989.59	33.6%
S&P Materials Sector	562.20	553.28	1.6%	556.09	1.1%	529.77	6.1%	558.63	0.6%
S&P Real Estate Sector	258.85	259.89	-0.4%	260.30	-0.6%	255.92	1.1%	260.96	-0.8%
S&P Communications Sector	392.82	386.65	1.6%	377.94	3.9%	341.66	15.0%	293.64	33.8%
S&P Utilities Sector	437.11	435.08	0.5%	414.79	5.4%	384.95	13.5%	372.49	17.3%
S&P 500 Total Return	14134.02	14020.46	0.8%	13712.71	3.1%	12911.82	9.5%	11610.84	21.7%
3 month Treasury Bill Price	98.94	98.92	0.0%	98.93	0.0%	98.92	0.0%	98.69	0.2%
3 month Treasury Bill Total Return	263.74	263.40	0.1%	262.44	0.5%	256.97	2.6%	251.96	4.7%
10 Year Treasury Bond Future	111.83	111.06	0.7%	112.13	-0.3%	108.75	2.8%	112.66	-0.7%
10 Year Treasury Note Total Return	309.99	307.58	0.8%	309.38	0.2%	293.94	5.5%	300.91	3.0%
iShares 20+ Year Treasury Bond ETF	87.29	86.92	0.4%	88.25	-1.1%	87.33	0.0%	95.32	-8.4%
S&P Municipal Bond Total Return	278.52	276.97	0.6%	277.66	0.3%	278.14	0.1%	276.92	0.6%
iShares S&P National Municipal Bond NAV	104.06	103.75	0.3%	104.29	-0.2%	106.40	-2.2%	107.47	-3.2%
S&P 500 Investment Grade Corporate Bond Total Return	486.70	484.28	0.5%	483.50	0.7%	465.24	4.6%	463.82	4.9%
S&P Investment Grade Corporate Bond	91.96	91.60	0.4%	91.77	0.2%	90.28	1.9%	91.40	0.6%
S&P Investment Grade Corporate Bond Total Return	519.13	516.60	0.5%	515.54	0.7%	495.89	4.7%	493.48	5.2%
SPDR Bloomberg High Yield Bond ETF	96.72	96.89	-0.2%	97.27	-0.6%	95.47	1.3%	95.07	1.7%
iShares iBoxx High Yield Corporate Bond ETF	80.22	80.38	-0.2%	80.65	-0.5%	78.65	2.0%	77.98	2.9%
Gold	3397.75	3289.93	3.3%	3303.14	2.9%	2624.50	29.5%	2427.53	40.0%
Bitcoin	116915.22	116491.12	0.4%	107606.61	8.7%	93714.04	24.8%	59537.80	96.4%

Source: Bloomberg, Sanctuary Wealth, August 8, 2025

Key Reports Amid Quiet Times

This week investors will scan data and Fedspeak for insights on tariff impact and future rate cuts.

This week should be relatively quiet in terms of movement. However, we'll get a handful of useful reports, including the Consumer Price Index (CPI), Producer Price Index (PPI), the federal budget, and Treasury International Capital (TIC) flows. These data points will offer insight into the early effects of new tariffs and shifts in trade policy. If CPI and PPI remain constrained, the reports could add further momentum to an FOMC rate cut in six weeks. Several Federal Reserve speakers are scheduled to make the rounds this week, so their comments may make headlines. Earnings season for the second quarter of 2025 is almost over and won't resume until October.



Calendar

Mon.

Earnings AMC Entertainment*

Tue.

6:00 am NFIB optimism index

8:30 am Core CPI

10:00 am Richmond Fed President Tom Barkin speaks, Kansas City Fed President Jeff Schmid speech

2:00 pm Monthly U.S. federal budget

Earnings H & R Block

Wed.

8:00 am Richmond Fed President Tom Barkin speaks

12:30 pm Atlanta Fed President Raphael Bostic speaks

2:00 pm Chicago Fed President Austan Goolsbee speaks

Earnings Cisco Systems

Thu.

8:30 am Initial jobless claims, Core PPI

2:00 pm Richmond Fed President Tom Barkin speaks

Earnings Deere

Fri.

8:30 am U.S. retail sales, Empire State manufacturing survey, Import price index

9:15 am Industrial production, Capacity utilization

10:00 am Business inventories, Consumer sentiment (prelim)

Earnings Flowers Foods

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

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

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