



Week Ahead

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 **April 14, 2025**

Headlines Continue to Grab Investors' Attention

It's "Tax Week" – which generally drains liquidity from the markets temporarily, but then we get a recovery as April is one of the better performing months of the year.

Equity markets remain extremely oversold, so good news could lead to rallies, but any negative news, particularly during the earnings season, can cause some volatility to the downside. Late last Friday, the Trump Administration gave us a little positive news on the tariff front with President Trump announcing exemptions for several products, including smartphones, computers, semiconductor chips, solar cells, flat panel TV displays, flash drives and memory cards. These exemptions looked like a win for Technology companies, but over the weekend more news came out, creating confusion over these exemptions. This morning, the market and Technology companies are rallying, but we need to be prepared for further updates and changes on electronics and other tariffs.

Great Inflation Data Last Week, But Rates Rose. Why?

Last week, both the Consumer Price Index (CPI) and the Producer Price Index (PPI) came in significantly better (i.e., lower) than expected, showing that pressures are easing on inflation. Normally, the fixed income market would respond by rallying, driven by expectations of lower interest rates. But this did not happen. In fact, the opposite happened: rates rose. Why? The global investment world was unsettled by the U.S. changing its policy on tariffs overnight. There are countries now that may not want to own as many U.S. assets, including stocks, bonds, and Treasuries. Heavy selling pressure in the bond market last week drove prices down, pushed yields higher, and weighed heavily on the U.S. dollar. Historically, the dollar tends to rise during periods of heightened volatility as a safe-haven asset, making last week's pressure on the dollar a highly unusual move. We also had gold rising exponentially. President Trump's decision to delay his tariffs for 90 days not only rallied equities but also eased the trading stresses in the bond market. *This suggests to us that the Trump Administration is paying very close attention to how the capital markets are trading and that they don't want a major event to further drive asset prices down sharply.*

A Weaker U.S. Dollar Does Have Benefits Of Higher Corporate Profits

Earnings season for 1Q25 officially started last Friday with several of the major banks reporting with better than expected earnings. Many corporate CEOs may decide not to provide future earnings guidance until they have more clarity on the tariffs situation. So, in the absence of that clarity, we may get some choppiness during earnings season. But taking a longer term view out a few quarters, a lower U.S. dollar should help earnings for many of the international companies as approximately 40% of earnings for the companies in the S&P 500 comes from overseas.

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Sharp Moves In 10-Year Treasury Yields Last Week

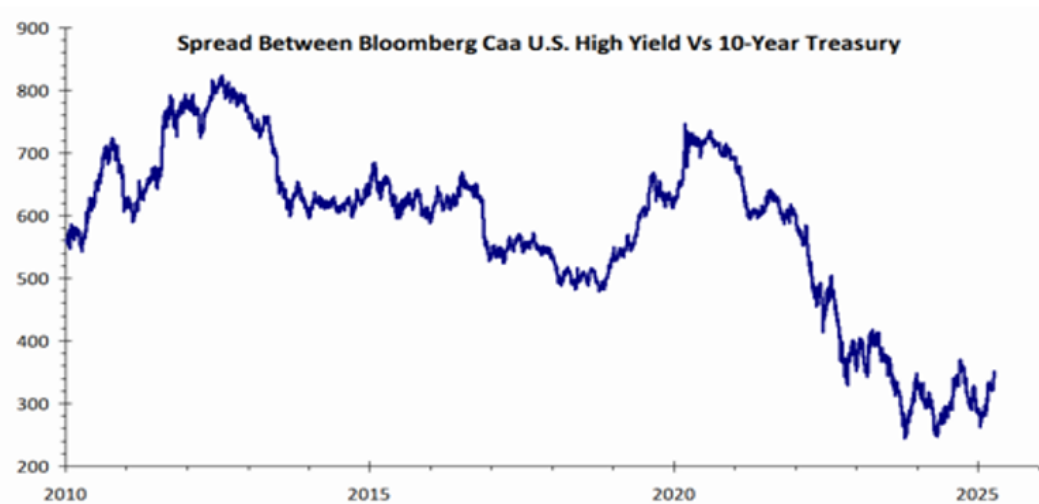
There was extreme volatility in the fixed income markets last week, and we saw the 10-Year Treasury yield move sharply higher, but it respected resistance near 4.5%. Based on the breakdown in yields, we would not have expected such a sharp move higher, especially with much better-than-expected inflation data last week. There could be a shift in global asset allocation occurring – reducing exposure to U.S. assets due to the recent tariff jockeying. But we believe the rise in the Treasury yield to be a temporary move and that interest rates overall are trending down.

10-Year Treasury Yield Has Sharp Swing From Low 3.85% To 4.58%



High Yield Spreads Widen But No Alarm Bells Ring

Last week, spreads between high yield and U.S. Treasuries did widen but not to levels that signal serious market stress or a looming economic slowdown, in our view.



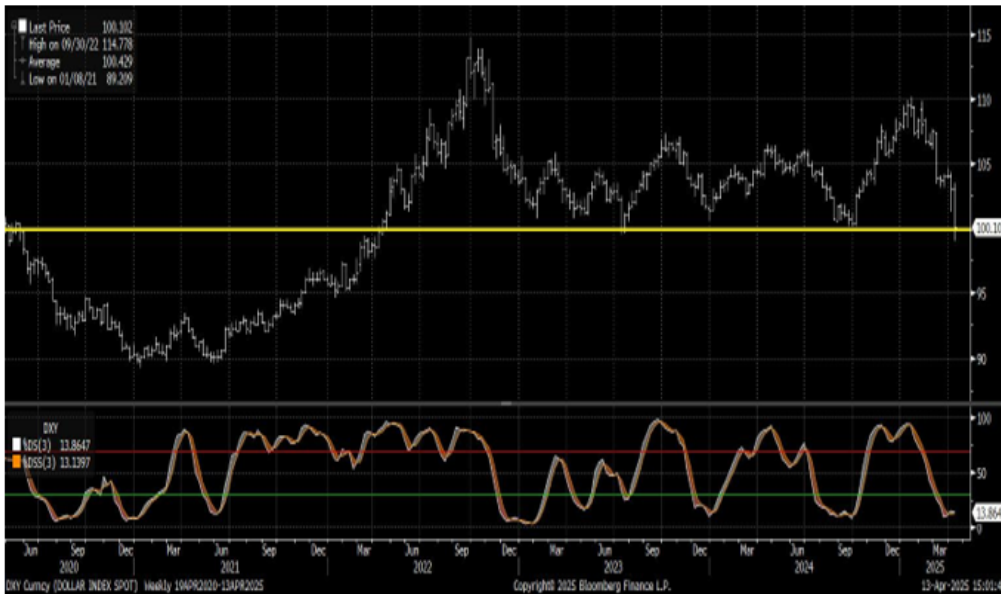
Source: Bloomberg, Sanctuary Wealth, April 11, 2025

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U.S. Dollar Holds Important Support And Is Very Oversold

The U.S. Dollar has fallen sharply, by 9% since January. Last week, it closed at an important support level at 100 on the spot dollar index. The U.S. Dollar has been in a wide neutral range from 110-100 since 2022. The weekly stochastic is very oversold. Technically, we would expect the dollar to hold here and begin to strengthen. A break of support of 100 would be technically significant, suggesting the U.S. Dollar continues to weaken to the 95 level.

U.S. Dollar With Weekly Stochastic: Very Oversold At Important Support



Trade War Is Not Slowing Down Investment In Artificial Intelligence

Artificial Intelligence (AI) applications are spreading throughout the economy and are likely to get adopted more quickly to enhance productivity and earnings. Data centers are still under construction and expanding. Recent comments from Amazon and Alphabet CEOs on their continued commitment to investing in AI confirm the momentum behind AI adoption. Even during the tariff negotiations, the U.S. administration has okayed direct sales of Nvidia's H20 AI chips to China. *The Digital Era revolution is still underway and should continue to help drive equity prices higher in time.*

Data Center Construction Continues



Amazon CEO Andy Jassy says AI costs will come down over time even as company invests 'aggressively'

PUBLISHED THU, APR 10 2025-6:15 AM EDT



Amazon [has earmarked up to \\$100 billion](#) this year on capital expenditures, with the lion's share going to AI-related projects. The company has been rushing to invest in data centers, networking gear and hardware to meet vast demand for generative AI, which has exploded in popularity since OpenAI released its ChatGPT assistant in late 2022. Amazon has introduced a flurry of AI products,

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bt Business Today

Alphabet to invest \$75 billion in AI-driven data centres despite trade war risks, CEO Sundar Pichai confirms

Business Today Desk
Updated Apr 10, 2025, 10:42 AM IST

The Administration Clears Nvidia Sales To China

INVESTOR'S BUSINESS DAILY®

Nvidia Cleared To Sell H20 AI Chips To China As Trump Backs Off

PATRICK SEITZ | 11:55 AM ET 04/10/2025

Gold Continues Its Rise As Central Banks Seek Traditional Reserves

With its climb to \$3200, Gold has proven to be the "safe haven" during this market cycle. It has been rising for the 18 months as central banks have purchased the metal to bolster their reserves. Individual and institutional investors have also purchased Gold to help stabilize their portfolios. The metal is very extended technically and can have periods of pullbacks. Our target remains \$4000.

Gold Acting As Safe Haven As Prices Rise Sharply



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Challenges Ahead But The Bull Is Still Charging Ahead

We were very optimistic about the economy and equity market earlier this year. We expected Artificial Intelligence (AI) to help drive productivity enhancement, improving not only earnings but profit margins. We are now concerned that corporate profits have peaked in the near-term due to an expected slowing economy, potential employment layoffs, and new tariffs. But as we get full clarity on the tariffs, we expect profit growth to recover. We also expect businesses to adopt AI even faster now to gain productivity enhancements in a slower economy. So, this year, we do risk having a down market, closing near 5500 or a 6.5% correction. But we expect profits to reaccelerate as more clarity appears. The tariff outlook has already begun to improve. Therefore, we do expect the S&P 500 to be able to achieve new highs next year. We introduced a 12-month target on the S&P 500 of 6550 or a 20% gain from current levels.

S&P 500 Very Oversold With Relative Strength Giving A Buy Signal

The S&P 500 is the most oversold since the lows of 2022. The 14-week Stochastic and Relative Strength Index (RSI) are both in the oversold category, with RSI generating a buy signal last week. For long-term investors, we are finding value in the market, and the price-earnings ratio has also fallen sharply.

S&P 500 With 14-Week Stochastic And RSI Oversold & Buy On RSI



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S&P 500 Price-Earnings Ratio Has Contracted Sharply

Near 5-Year Average Lower Z-Score Band



Source: Bloomberg, Sanctuary Wealth, April 11, 2025

Sector Readings: Technology Showing Some Improvement With Utilities Weakening

In our April Corner monthly report, we introduced a new sector model using the S&P 500 GICs sector classifications that looks at price momentum over various periods of time, where we have created a weighted measure of three periods of time. 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. Technology saw a small improvement last week, while Utilities notched downward.

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

	Apr 11	Apr 4	Mar 28	Mar 21	Mar 14	Mar 7	Feb 28	Feb 21
Consumer Discretionary	8	8	9	9	9	5	3	2
Consumer Staples	1	1	4	6	7	3	4	6
Energy	11	10	2	2	4	10	10	10
Financials	2	3	1	1	1	2	1	3
Health Care	7	5	8	8	8	8	9	9
Industrials	5	6	6	5	5	4	7	7
Information Technology	10	11	11	11	11	9	8	4
Materials	9	9	10	10	10	11	11	11
Communication Services	6	7	7	4	3	1	2	1
Utilities	3	2	3	3	2	7	5	5
Real Estate	4	4	5	7	6	6	6	8

Source: Bloomberg, Sanctuary Wealth, April 12, 2025

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OBOS List: Staples Most Overbought While Consumer Discretionary Most Oversold

In our April Corner monthly report, we also introduced a 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 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 (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 11 April 2025			
rank	S&P Sector	normalized Oscillator	
1	Consumer Staples	2.8448	
2	Utilities	1.4633	
3	Health Care	1.2772	
4	Financials	1.2443	
5	Real Estate	1.1633	
6	Materials	1.1022	
7	Industrials	1.0984	<i>Overbought</i>
8	Communication Services	-0.1792	<i>Neutral</i>
9	Energy	-0.2299	<i>Neutral</i>
10	Information Technology	-1.5163	<i>Oversold</i>
11	Consumer Discretionary	-2.1424	

Source: Bloomberg, Sanctuary Wealth, April 12, 2025


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Market Performance: Best Performing Is Gold While Consumer Discretionary Is The Worst

	Last 4/11/2025	Month End 3/31/2025	Month to Date	Quarter End 3/31/2025	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 4/11/2024	Year To Year
S&P 500	5363.36	5611.85	-4.4%	5611.85	-4.4%	5881.63	-8.8%	5199.06	3.2%
NASDAQ Composite	16724.46	17299.29	-3.3%	17299.29	-3.3%	19310.79	-13.4%	16442.20	1.7%
NASDAQ 100	454.40	468.92	-3.1%	468.92	-3.1%	511.23	-11.1%	445.37	2.0%
Russell 2000	1860.21	2011.91	-7.5%	2011.91	-7.5%	2230.16	-16.6%	2042.60	-8.9%
S&P Consumer Discretionary Sector	1519.65	1575.40	-3.5%	1575.40	-3.5%	1831.16	-17.0%	1471.25	3.3%
S&P Consumer Staples Sector	885.26	892.71	-0.8%	892.71	-0.8%	853.65	3.7%	790.16	12.0%
S&P Energy Sector	605.93	715.75	-15.3%	715.75	-15.3%	654.85	-7.5%	746.47	-18.8%
S&P Financial Sector	776.43	829.46	-6.4%	829.46	-6.4%	804.44	-3.5%	676.18	14.8%
S&P Health Care Sector	1596.96	1702.26	-6.2%	1702.26	-6.2%	1604.75	-0.5%	1643.79	-2.8%
S&P Industrials Sector	1064.06	1109.72	-4.1%	1109.72	-4.1%	1115.65	-4.6%	1051.71	1.2%
S&P Information Technology Sector	3904.62	4019.98	-2.9%	4019.98	-2.9%	4609.52	-15.3%	3837.39	1.8%
S&P Materials Sector	509.53	541.98	-6.0%	541.98	-6.0%	529.77	-3.8%	576.40	-11.6%
S&P Real Estate Sector	244.25	262.90	-7.1%	262.90	-7.1%	255.92	-4.6%	235.93	3.5%
S&P Communications Sector	310.73	319.75	-2.8%	319.75	-2.8%	341.66	-9.1%	294.21	5.6%
S&P Utilities Sector	387.98	400.81	-3.2%	400.81	-3.2%	384.95	0.8%	328.50	18.1%
S&P 500 Total Return	11818.53	12360.21	-4.4%	12360.21	-4.4%	12911.82	-8.5%	11302.53	4.6%
3 month Treasury Bill Price	98.92	98.93	0.0%	98.93	0.0%	98.92	0.0%	98.65	0.3%
3 month Treasury Bill Total Return	260.05	259.66	0.2%	259.66	0.2%	256.97	1.2%	247.61	5.0%
10 Year Treasury Bond Future	109.73	111.22	-1.3%	111.22	-1.3%	108.75	0.9%	108.11	1.5%
10 Year Treasury Note Total Return	300.06	303.73	-1.2%	303.73	-1.2%	293.94	2.1%	284.61	5.4%
iShares 20+ Year Treasury Bond ETF	86.89	91.03	-4.5%	91.03	-4.5%	87.33	-0.5%	89.81	-3.3%
S&P Municipal Bond Total Return	270.56	277.48	-2.5%	277.48	-2.5%	278.14	-2.7%	270.31	0.1%
iShares S&P National Municipal Bond NAV	102.43	105.21	-2.6%	105.21	-2.6%	106.40	-3.7%	106.34	-3.7%
S&P 500 Investment Grade Corporate Bond Total Return	464.42	475.67	-2.4%	475.67	-2.4%	465.24	-0.2%	445.08	4.3%
S&P Investment Grade Corporate Bond	89.15	91.30	-2.4%	91.30	-2.4%	90.28	-1.3%	88.96	0.2%
S&P Investment Grade Corporate Bond Total Return	495.84	507.15	-2.2%	507.15	-2.2%	495.89	0.0%	473.52	4.7%
SPDR Bloomberg High Yield Bond ETF	92.39	95.30	-3.1%	95.30	-3.1%	95.47	-3.2%	93.45	-1.1%
iShares iBoxx High Yield Corporate Bond ETF	76.74	78.89	-2.7%	78.89	-2.7%	78.65	-2.4%	76.41	0.4%
Gold	3237.61	3123.57	3.7%	3123.57	3.7%	2624.50	23.4%	2372.52	36.5%
Bitcoin	83820.60	82421.29	1.7%	82421.29	1.7%	93714.04	-10.6%	70509.59	18.9%

Source: Bloomberg, Sanctuary Wealth, April 11, 2025

Earnings, Tariffs, and Fed Surveys Shape a Short Trading Week

This week, any semblance of policy clarity may bring optimism, if not just relief.

Earnings season kicked off Friday with major bank results and continues this week. Since first-quarter numbers reflect pre-tariff performance, analysts and investors are likely to focus more on forward guidance. However, with the uncertainty around newly announced tariff policies, many CEOs may choose not to offer guidance at all.

This is a holiday-shortened week in the U.S. and Europe, with markets closed on Good Friday. While equity markets will be shut in both regions, U.S. bond markets and banks will remain open. Most markets in Asia will also stay open. Historically, U.S. equities tend to rally into long holiday weekends – and with tariffs lifted on certain electronics and semiconductors, we may get a continued rally in equities this week.

Today, the Federal Reserve Bank (New York Fed) releases its latest survey of inflation expectations – a key indicator for policymakers. If long-term expectations remain “anchored,” the Fed may feel more confident in easing policy without risking persistent inflation. The New York Fed will also publish its regional manufacturing survey tomorrow, followed by a services report on Wednesday. On Thursday, the Philadelphia Federal Reserve Bank releases its own regional business outlook. Most of this week’s other economic data reflects a pre-tariff environment, but that data will feel very outdated in light of recent policy shifts.

We repeat Warren Buffett’s observation and our admonition. “The stock market is the only market where things go on sale and all the customers run out of the store.”

Don’t run out of the store.



Calendar

Mon.

6:00 pm Philadelphia Fed President Patrick Harker speaks
7:40 pm Atlanta Fed President Bostic speaks
Earnings: Goldman Sachs, M&T Bank, Applied Digital*

Tue.

8:30 am Import price index, Empire State manufacturing survey
Earnings: Johnson & Johnson, Bank of America, Citigroup, PNC, United Airlines

Wed.

8:30 am U.S. retail sales
9:15 am Industrial production, Capacity utilization
10:00 am Business inventories, Home builder confidence index
12:00 pm Cleveland Fed President Hammack speaks
Earnings: Abbott Labs, First Horizon, Travelers, U.S. Bancorp, SL Green Realty

Thu.

8:30 am Initial jobless claims, Housing starts, Building permits, Philadelphia Fed manufacturing survey
Earnings: UnitedHealth Group, American Express, Charles Schwab, State Street,

Fri.

8:00 am San Francisco Fed President Mary Daly speaks

*Earnings reflect highlights

Source: CNBC, Kiplinger's, MarketWatch

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