The Longo Group
Independent Financial Firm

September 8, 2025

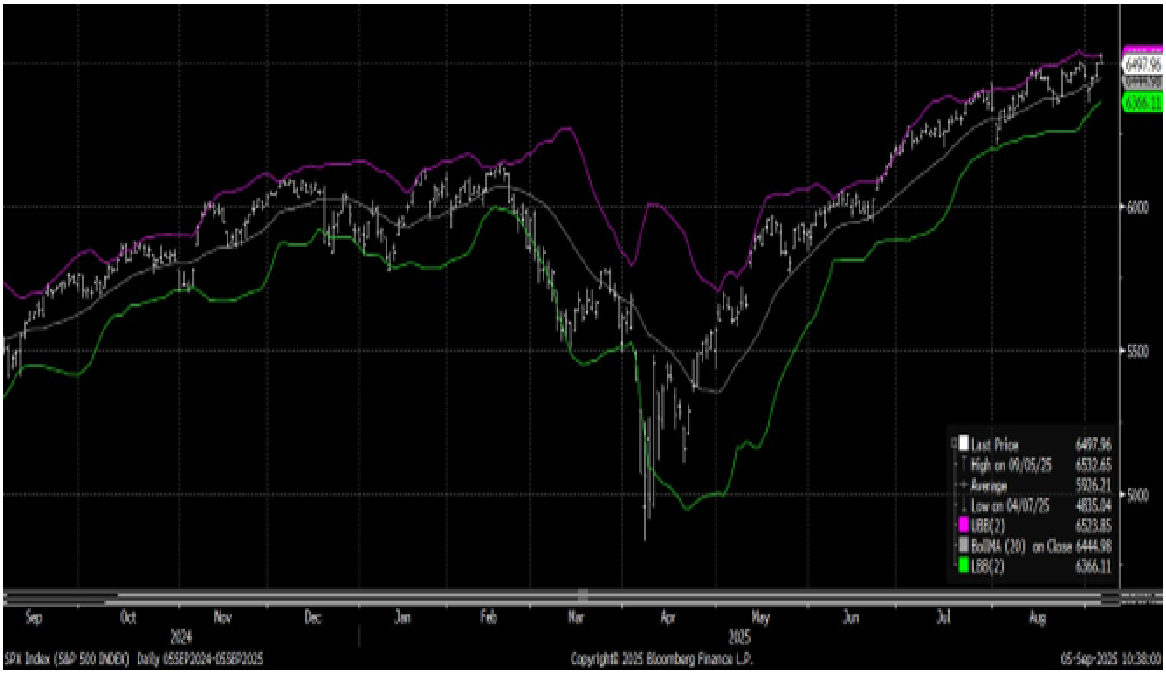
August Employment Data Locks In Expected Rate Cut

Last week, the August employment report came in weaker than expected, with a mild uptick in the unemployment rate to 4.3% from 4.2%.

But on the positive side, average hourly wages ticked down to 3.7%. The market is now expecting a 25 basis point interest rate cut by the Federal Reserve (Fed) this month to support a weaker labor market. The market is also expecting additional interest rate cuts later this year. But with this week's release of the Producer Price Index (PPI) and Consumer Price Index (CPI), any sign that inflation is firming could rule out further rate cuts. What all this means is that volatility is to be expected.

The expected September rate cut is driving interest rates down on the 2-Year and 10-Year Treasury yields, a move that we have been anticipating. Last Friday, the equity market started the trading session up on the lower rates, hitting record highs, but quickly turned around and fell into negative territory. This is not surprising as stocks are extended with high valuations. Historically, September is the weakest month of the year with October typically one of the best buying opportunities. We expect some downside and consolidation within a 5.0%-10.0% range or choppiness with sector rotation. We still anticipate a rally into year-end with the S&P 500 hitting 7000 by year-end. Our longer-term projection is for the S&P 500 to hit 10,000-13,000 by the end of the decade.

S&P 500 With Bollinger Bands Showing Stocks Extended



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Lower Interest Rates Bullish For Economy & Stocks Later This Year

A weaker jobs report supports the Fed cutting rates, and this is having a positive impact on short-term rates, with the 2-Year Treasury yield continuing to decline toward support near 3.4%. A break in this level could see rates trending toward 3.0%. This should be stimulative for the economy and support the job market, which in turn is expected to be bullish for stocks into year-end.

2-Year Treasury Yields Continue To Decline

Source: Bloomberg, Annotations by Sanctuary Wealth

10-Year Treasury Yield Continues To Also Fall

The longer end of the yield curve is also seeing interest rates fall. The 10-Year Treasury yield is breaking support levels, targeting 4.0%. The yield may stabilize around 4.0% but we see this yield eventually falling toward support near 3.7%-3.6%. This should be positive for mortgage rates to also fall, helping the real estate market. Mortgage rates could be falling toward 6.0%. According to CNBC last Friday, mortgage rates had the largest one-day drop in over a year.

10-Year Treasury Yields Breaking Support Targeting 4.0%

Source: Bloomberg, Annotations by Sanctuary Wealth

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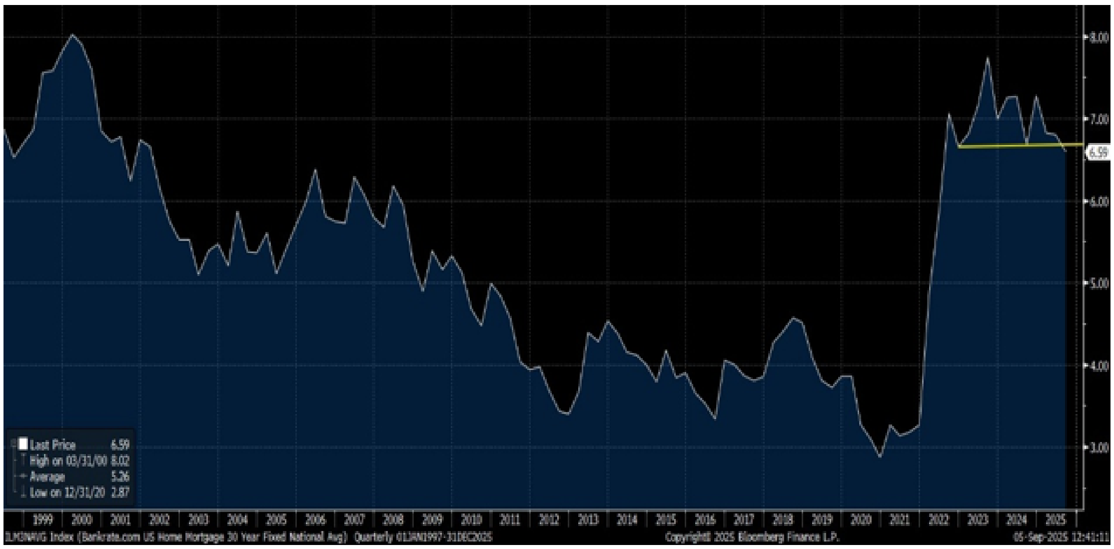
30-Year Mortgage Rates Breaking Support: Next Level 6.0%?



Source: Bloomberg, Annotations by Sanctuary Wealth

Lower Rates Driving Gold & Silver Higher

The precious metals market remains in a bull market with both gold and silver continuing to rally. Gold hit new all-time highs. We have been expecting gold to reach $4000, and this recent breakout reinforces that trend. Silver has broken from a long-term trading range, pointing to a test near records at $45. Metal stocks have been responding to these bullish moves, and we have been bullish on the gold mining junior stocks with a major recent breakout. This trend should continue, with these stocks rallying on the back of higher gold prices.

Gold Tracking Toward $4000

Source: Bloomberg, Annotations by Sanctuary Wealth

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Silver Tracking Toward $45

Source: Bloomberg, Annotations by Sanctuary Wealth

VanEck Gold Mining Junior ETF (GDXJ) Breakout Rally Continues

Source: Bloomberg, Annotations by Sanctuary Wealth

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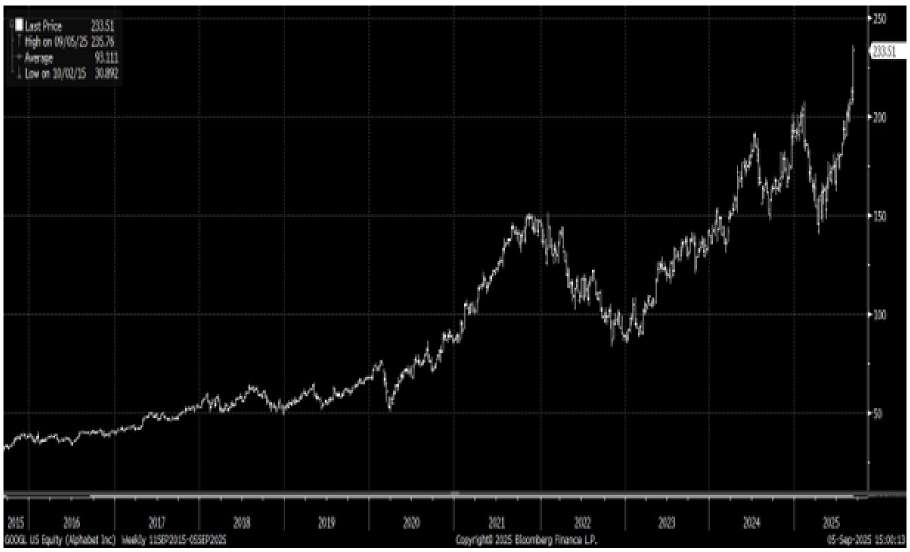
A Mega Cap Tech Stock That Just Broke Out To New Record Highs

Alphabet (GOOGL), parent of Google, received a significant antitrust ruling last Wednesday on September 3, a U.S. federal judge declined to order a breakup of Google's business, allowing the company to retain control of its Chrome browser and Android operating system. However, the ruling requires Google to share certain search-related data with competitors and prohibits the company from forcing device makers to pre-install its full suite of apps—like Chrome and Search—as a condition for accessing the Google Play Store. This has removed any uncertainty about Google's fate and lifted the stock price, breaking it out to new record highs.

Alphabet (GOOGL) Breaks Out Finally To Record High



Banks Also Breaking Out, Hitting Records

The KBW Bank Index has reached an all-time high. Bank stocks are positively responding to the lower interest rate environment. Banks are an important part of the economy, supporting both business growth and the consumer. Banks are the heartbeat of the economy and they are beating in a positive way. Their upward trend points to a continued economic growth. As of September 4, the Atlanta GDPNow economic tracker is expecting 3Q25 growth at 3.0%. The 2Q25 growth rate was 3.3%. The economy remains strong and lower interest rates should continue to support our growing economy.

KBW Bank Index Breaking Out To All-Time Highs

Source: Bloomberg, Annotations by Sanctuary Wealth

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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 took the leading position, followed by Information Technology and Consumer Discretionary, which moved up one place. Health Care remained in last place for the 18th consecutive week, since May 9, followed by Energy, which slipped two places, and Real Estate. Growth sectors continue to outperform Value sectors.

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

	Sep 5	Aug 29	Aug 22	Aug 15	Aug 8	Aug 1	Jul 25	Jul 18
Consumer Discretionary	3	4	4	5	5	6	5	5
Consumer Staples	8	10	8	8	7	7	8	7
Energy	10	8	10	10	10	8	10	10
Financials	5	5	6	6	6	5	4	4
Health Care	11	11	11	11	11	11	11	11
Industrials	4	3	3	3	3	3	3	3
Information Technology	2	2	1	1	1	1	1	1
Materials	7	7	7	7	8	9	7	8
Communication Services	1	1	2	2	2	2	2	2
Utilities	6	6	5	4	4	4	6	6
Real Estate	9	9	9	9	9	10	9	9

Source: Bloomberg, Sanctuary Wealth, September 5, 2025

OBOS List: Information Technology And Communication Services Near Overbought; Consumer Staples Oversold

Last week, the Overbought/Oversold list continued to relieve its formerly extreme overbought and oversold conditions. There were no outright overbought sectors for the first time since June 27, or 10 weeks. Earnings growth remains strongest in Information Technology and Communication Services, which are near overbought. The only outright oversold sector was Consumer Staples. Real Estate, Health Care, Utilities, and Industrials were all near oversold. We believe the market is in a sector rotation to relieve the overbought and oversold conditions. Keep in mind that equity markets tend to revert to the mean when extremes occur, and we believe this is now occurring.

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 5 September 2025

rank	*S&P Sector*	*normalized Oscillator*	
1	Information Technology	0.9600	
2	Communication Services	0.6790	*Near Overbought*
3	Energy	0.1529	*Neutral*
4	Consumer Discretionary	-0.3032	
5	Materials	-0.3335	
6	Financials	-0.3816	*Neutral*
7	Industrials	-0.7189	*Near Oversold*
8	Utilities	-0.7985	
9	Health Care	-0.9586	
10	Real Estate	-0.9587	
11	Consumer Staples	-2.0436	*Oversold*

Source: Bloomberg, Sanctuary Wealth, September 5, 2025

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

	Last 9/5/2025	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 9/5/2024	Year To Year
S&P 500	6481.50	6460.26	0.3%	6204.95	4.5%	5881.63	10.2%	5503.41	17.8%
NASDAQ Composite	21700.39	21455.55	1.1%	20369.73	6.5%	19310.79	12.4%	17127.66	26.7%
NASDAQ 100	576.06	570.40	1.0%	551.64	4.4%	511.23	12.7%	461.04	24.9%
Russell 2000	2391.05	2366.42	1.0%	2175.04	9.9%	2230.16	7.2%	2132.05	12.1%
S&P Consumer Discretionary Sector	1889.68	1860.03	1.6%	1753.81	7.7%	1831.16	3.2%	1499.33	26.0%
S&P Consumer Staples Sector	890.24	887.23	0.3%	897.10	-0.8%	853.65	4.3%	890.29	0.0%
S&P Energy Sector	662.25	686.39	-3.5%	648.68	2.1%	654.85	1.1%	664.42	-0.3%
S&P Financial Sector	881.05	896.53	-1.7%	871.95	1.0%	804.44	9.5%	746.66	18.0%
S&P Health Care Sector	1603.65	1598.13	0.3%	1572.52	2.0%	1604.75	-0.1%	1797.86	-10.8%
S&P Industrials Sector	1272.95	1284.04	-0.9%	1249.13	1.9%	1115.65	14.1%	1073.98	18.5%
S&P Information Technology Sector	5244.49	5234.57	0.2%	4964.64	5.6%	4609.52	13.8%	4093.19	28.1%
S&P Materials Sector	582.00	584.18	-0.4%	556.09	4.7%	529.77	9.9%	572.39	1.7%
S&P Real Estate Sector	264.27	265.17	-0.3%	260.30	1.5%	255.92	3.3%	273.31	-3.3%
S&P Communications Sector	420.76	400.45	5.1%	377.94	11.3%	341.66	23.2%	294.29	43.0%
S&P Utilities Sector	421.73	426.24	-1.1%	414.79	1.7%	384.95	9.6%	387.21	8.9%
S&P 500 Total Return	14358.11	14304.68	0.4%	13712.71	4.7%	12911.82	11.2%	12029.72	19.4%
3 month Treasury Bill Price	99.00	98.96	0.0%	98.93	0.1%	98.92	0.1%	98.73	0.3%
3 month Treasury Bill Total Return	264.64	264.42	0.1%	262.44	0.8%	256.97	3.0%	253.00	4.6%
10 Year Treasury Bond Future	113.39	112.50	0.8%	112.13	1.1%	108.75	4.3%	114.75	-1.2%
10 Year Treasury Note Total Return	315.25	312.52	0.9%	309.38	1.9%	293.94	7.2%	306.16	3.0%
iShares 20+ Year Treasury Bond ETF	88.56	86.60	2.3%	88.25	0.4%	87.33	1.4%	99.57	-11.1%
S&P Municipal Bond Total Return	281.62	279.26	0.8%	277.66	1.4%	278.14	1.3%	278.86	1.0%
iShares S&P National Municipal Bond NAV	104.89	104.30	0.6%	104.29	0.6%	106.40	-1.4%	107.84	-2.7%
S&P 500 Investment Grade Corporate Bond Total Return	494.14	488.90	1.1%	483.50	2.2%	465.24	6.2%	475.64	3.9%
S&P Investment Grade Corporate Bond	93.00	92.17	0.9%	91.77	1.3%	90.28	3.0%	93.29	-0.3%
S&P Investment Grade Corporate Bond Total Return	526.73	521.75	1.0%	515.54	2.2%	495.89	6.2%	505.30	4.2%
SPDR Bloomberg High Yield Bond ETF	97.51	97.51	0.0%	97.27	0.2%	95.47	2.1%	96.62	0.9%
iShares iBoxx High Yield Corporate Bond ETF	80.87	80.86	0.0%	80.65	0.3%	78.65	2.8%	79.24	2.1%
Gold	3586.69	3447.95	4.0%	3303.14	8.6%	2624.50	36.7%	2516.76	42.5%
Bitcoin	111644.51	107800.31	3.6%	107606.61	3.8%	93714.04	19.1%	56074.06	99.1%

Source: Bloomberg, Sanctuary Wealth, September 5, 2025

Inflation On Everyone's Minds

This week inflation data will shore up expectations for rate cuts... or not.

The market is expecting the Fed to cut interest rates several times by year-end, and that expectation is putting downward pressure on rates. But the PPI and CPI data to be released this week will help determine the extent and timing of any cuts. We expect continued equity market volatility, but, in our view, volatility always brings opportunities. We continue to see the Bull charging ahead, with stocks continuing to reach new record highs through year-end.

Calendar

Mon.	3:00 pm Consumer credit
Tue.	6:00 am NFIB optimism index
Wed.	8:30 am Core PPI Earnings Chewy*
Thu.	8:30 am Core CPI, Initial jobless claims 2:00 pm Monthly U.S. federal budget Earnings: Adobe
Fri.	10:00 am Consumer sentiment (prelim)

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

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