

Week Ahead

Ted Longo, Steve Longo, & Chris Collins
985-445-1042 | 833-475-6646
info@longogroup.net | www.longogroup.net



October 20, 2025

Spooky Headlines Create Buying Opportunity

Tariffs are nothing new to the markets, but they did get spooked by President Trump's recent threat of additional tariffs on China.

Earnings season started with the major banks announcing blowout positive earnings; the only negative headlines came from two regional banks. Zions Bancorp disclosed it would be taking a \$50 million charge-off in Q3 tied to two commercial & industrial (C&I) loans in its California unit. Then Western Alliance disclosed it has sued Cantor Group V, LLC, accusing the firm of fraud in relation to a revolving credit facility. Meanwhile, JPMorgan Chase CEO Jamie Dimon opined during the firm's Q3 earnings call that there are cockroaches in the economy. All this sent stocks down sharply. (Remember: corrections don't happen on good news!) With the major banks posting strong earnings, the results reinforce that the broader banking system remains healthy — and that the problems facing those regional banks appear isolated and do not represent a systemic risk to the economy. As for tariffs, President Trump soothed equity markets Friday by admitting that his threatened tariffs on China “are not sustainable.”

We have been looking for a pullback of 5%-10% in the equity market since September, and we are in this pullback now. October creates buying opportunities for the seasonal year-end rally. We remain buyers on this pullback, looking for the S&P 500 to reach 7000 by year-end.

Equity Markets Are Oversold, Holding 50-Day Moving Average

Both the S&P 500 and the Nasdaq 100 are oversold short-term, holding their 50-day moving average. If earnings continue to outpace expectations, equities may stabilize rather than slip into a deeper 10% correction. The government shutdown is already priced into the market, and we believe a resolution would be received positively. According to prediction market Kalshi, traders now expect the government shutdown to last about 40 days. The key economic report to draw market attention this week will be the release of the Consumer Price Index (CPI). The Bureau of Labor Statistics (BLS) recalled essential staff to complete the CPI report in time for the Federal Reserve (Fed) policy meeting set for October 28-29.

The Cboe VIX Volatility Index has spiked into the 20-30 range, a “buy zone.” With markets oversold and volatility elevated, we believe this is a correction that is creating a buying opportunity.



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Equities Oversold Holding 50-Day Moving Average

S&P 500 With 14-Day Stochastic And 200-Day Moving Average



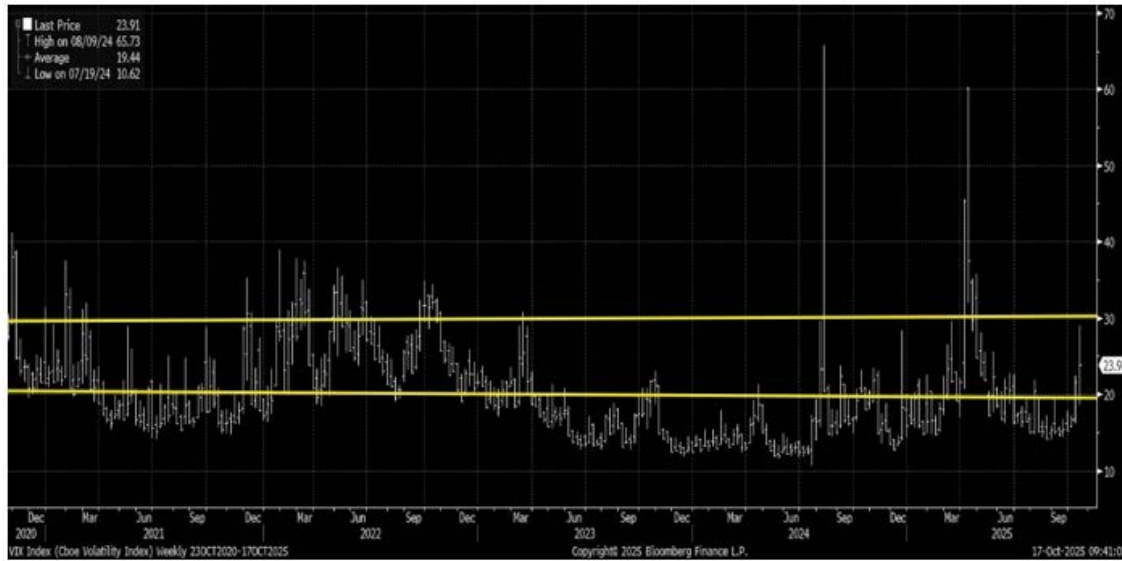
Nasdaq 100 With 14-Day Stochastic And 200-Day Moving Average





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Cboe VIX Volatility Index In the Buy Zone



Source: Bloomberg with Annotations Sanctuary Wealth

Interest Rates Continue To Fall

Speaking at a conference last week, Fed Chair Jerome Powell said it may be time to end Quantitative Tightening (QT), the process whereby the Fed shrinks its balance sheet by selling fixed-income holdings. Stopping this process is a way of easing monetary conditions. With the Fed expected to cut interest rates in October – and possibly again in December – monetary easing should help firm risk assets like equities and spark a seasonal year-end rally.

The 2-year Treasury yield is tracking toward 3% and the 10-year Treasury yield is tracking toward a range of 3.85%-3.80%.

2-Year Treasury Yield Tracking Toward 3%



Source: Bloomberg with Annotations Sanctuary Wealth



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10-Treasury Yield Tracking Toward 3.85%-3.80%



Major Banks Trading Better Than Regional Banks

As mentioned earlier, the third quarter earnings for the major banks came in well above expectations and the stocks rallied sharply. We see no signs of systemic risk within the major banks. Regional banks may have some downside risk, but we also don't see any significant systemic risk. We do expect continued consolidation within the regional banks. We prefer the major banks over the regionals.

BKX Bank Index Testing Major Support After Significant Breakout





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KRE Regional Bank Index In A Correction With Good Support



Source: Bloomberg with Sanctuary Wealth Annotations

Deleveraging In The Crypto Market

The crypto market is undergoing a deleveraging process. That doesn't necessarily change the overall direction of major tokens, though the moves have been sharp. The immediate aftermath saw an estimated \$19 billion to \$20 billion in leveraged positions liquidated across the crypto market, marking one of the largest single-day wipeouts in crypto history. Bitcoin perpetual open interest alone plunged by nearly 50,000 BTC (18.6%) on October 10, the steepest single-day decline since August 2023. While painful for many, this event is widely viewed by analysts as a crucial market reset, purging speculative excess and laying a healthier foundation for the crypto ecosystem's future. When we look at the largest crypto token, Bitcoin, it remains in an uptrend technically and has good support at \$100,000. Despite this sharp correction, the technical target of \$150,000 is still achievable, although this may not happen until next year. It's worth remembering that, historically, the crypto market has exhibited exceptionally high volatility.

Bitcoin Open Interest Dropped Sharply, Negatively Impacting Its Price

Figure 14: Bitcoin Perpetuals: Open Interest



Source: Trading View, October 15, 2025



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Bitcoin Remains In An Uptrend With Support At \$100,000



Source: Bloomberg with Sanctuary Wealth Annotations

DISCLAIMER: Comments regarding Cryptocurrencies or Cryptocurrency-based securities are for informational purposes only. No part of this communication should be construed as investment advice and is not to be considered a solicitation with respect to the purchase or sale of any Cryptocurrency-related product.

Sector Readings: Information Technology Still Strongest, Energy Falls To Weakest

Information Technology remained in the lead position last week, while Communication Services stayed in second place. These two sectors have swapped the top two positions for the past 19 weeks, beginning June 13. Energy fell to last place, followed by Consumer Staples, then Real Estate.

A sector rotation is underway to relieve the overbought and oversold conditions within the market. We maintain that Growth sectors should continue to outperform Value sectors.

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.

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

	Oct 17	Oct 10	Oct 3	Sep 26	Sep 19	Sep 12	Sep 5	Aug 29
Consumer Discretionary	5	5	5	5	3	3	3	4
Consumer Staples	10	11	11	10	9	8	8	10
Energy	11	9	9	7	10	10	10	8
Financials	6	6	6	6	5	5	5	5
Health Care	7	7	8	11	11	11	11	11
Industrials	4	4	3	3	4	4	4	3
Information Technology	1	1	1	2	2	2	2	2
Materials	8	8	7	8	7	7	7	7
Communication Services	2	2	2	1	1	1	1	1
Utilities	3	3	4	4	6	6	6	6
Real Estate	9	10	10	9	8	9	9	9

Source: Bloomberg, Sanctuary Wealth, October 18, 2025



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OBOS List: Communication Services Overbought; Industrials And Materials Oversold

Earnings growth remains strong in Communication Services, which was overbought last week. Industrials and Materials were oversold, while Consumer Staples, Financials, and Real Estate were near oversold.

The extreme overbought and oversold readings that have prevailed over the past few months appear to be finally shifting and undergoing a tactical sector 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 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 17 October 2025

rank	S&P Sector	normalized Oscillator
1	Communication Services	1.1939 <i>Overbought</i>
2	Utilities	0.5511 <i>Neutral</i>
3	Health Care	0.3897
4	Information Technology	0.3461
5	Consumer Discretionary	-0.3183
6	Energy	-0.5536 <i>Neutral</i>
7	Real Estate	-0.6269 <i>Near Oversold</i>
8	Financials	-0.9791
9	Consumer Staples	-0.9830
10	Materials	-1.0465 <i>Oversold</i>
11	Industrials	-1.3739

Source: Bloomberg, Sanctuary Wealth, October 18, 2025



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

	Last 10/17/2025	Month End 9/30/2025	Month to Date	Quarter End 9/30/2025	Quarter to Date	Year End 12/31/2024	Year to Date	Year Ago 10/17/2024	Year To Year
S&P 500	6664.01	6688.46	-0.4%	6688.46	-0.4%	5881.63	13.3%	5841.47	14.1%
NASDAQ Composite	22679.97	22660.01	0.1%	22660.01	0.1%	19310.79	17.4%	18373.61	23.4%
NASDAQ 100	603.93	600.37	0.6%	600.37	0.6%	511.23	18.1%	491.25	22.9%
Russell 2000	2452.17	2436.48	0.6%	2436.48	0.6%	2230.16	10.0%	2280.85	7.5%
S&P Consumer Discretionary Sector	1873.86	1917.97	-2.3%	1917.97	-2.3%	1831.16	2.3%	1588.60	18.0%
S&P Consumer Staples Sector	886.21	871.10	1.7%	871.10	1.7%	853.65	3.8%	879.76	0.7%
S&P Energy Sector	659.14	682.82	-3.5%	682.82	-3.5%	654.85	0.7%	697.73	-5.5%
S&P Financial Sector	867.99	896.86	-3.2%	896.86	-3.2%	804.44	7.9%	791.96	9.6%
S&P Health Care Sector	1669.18	1623.95	2.8%	1623.95	2.8%	1604.75	4.0%	1776.14	-6.0%
S&P Industrials Sector	1283.98	1306.11	-1.7%	1306.11	-1.7%	1115.65	15.1%	1174.21	9.3%
S&P Information Technology Sector	5632.95	5612.00	0.4%	5612.00	0.4%	4609.52	22.2%	4505.09	25.0%
S&P Materials Sector	559.24	570.71	-2.0%	570.71	-2.0%	529.77	5.6%	614.10	-8.9%
S&P Real Estate Sector	264.27	264.79	-0.2%	264.79	-0.2%	255.92	3.3%	278.50	-5.1%
S&P Communications Sector	423.26	422.60	0.2%	422.60	0.2%	341.66	23.9%	312.79	35.3%
S&P Utilities Sector	464.90	443.18	4.9%	443.18	4.9%	384.95	20.8%	413.86	12.3%
S&P 500 Total Return	14780.36	14826.80	-0.3%	14826.80	-0.3%	12911.82	14.5%	12788.78	15.6%
3 month Treasury Bill Price	99.02	99.01	0.0%	99.01	0.0%	98.92	0.1%	98.84	0.2%
3 month Treasury Bill Total Return	265.87	265.32	0.2%	265.32	0.2%	256.97	3.5%	254.48	4.5%
10 Year Treasury Bond Future	113.47	112.50	0.9%	112.50	0.9%	108.75	4.3%	112.05	1.3%
10 Year Treasury Note Total Return	316.91	313.63	1.0%	313.63	1.0%	293.94	7.8%	300.59	5.4%
iShares 20+ Year Treasury Bond ETF	91.20	89.37	2.0%	89.37	2.0%	87.33	4.4%	93.80	-2.8%
S&P Municipal Bond Total Return	288.36	285.56	1.0%	285.56	1.0%	278.14	3.7%	279.72	3.1%
iShares S&P National Municipal Bond NAV	107.13	106.35	0.7%	106.35	0.7%	106.40	0.7%	107.77	-0.6%
S&P 500 Investment Grade Corporate Bond Total Return	500.47	495.91	0.9%	495.91	0.9%	465.24	7.6%	473.82	5.6%
S&P Investment Grade Corporate Bond	93.64	93.02	0.7%	93.02	0.7%	90.28	3.7%	92.52	1.2%
S&P Investment Grade Corporate Bond Total Return	533.14	528.51	0.9%	528.51	0.9%	495.89	7.5%	503.60	5.9%
SPDR Bloomberg High Yield Bond ETF	97.24	97.99	-0.8%	97.99	-0.8%	95.47	1.9%	96.81	0.4%
iShares iBoxx High Yield Corporate Bond ETF	80.72	81.19	-0.6%	81.19	-0.6%	78.65	2.6%	79.61	1.4%
Gold	4251.82	3858.96	10.2%	3858.96	10.2%	2624.50	62.0%	2692.71	57.9%
Bitcoin	107048.51	114640.81	-6.6%	114640.81	-6.6%	93714.04	14.2%	66934.03	59.9%

Source: Bloomberg, Sanctuary Wealth, October 18, 2025

Trick or Treat Season

This week the economic data void gets partially filled by a new CPI report – but the shutdown silence continues to haunt the markets.

It's the month of tricks and treats, and markets certainly delivered both this past week. All eyes now turn to Friday's release of the Consumer Price Index (CPI), which lands just ahead of the Fed's October 28-29 policy meeting. Will it be a trick or a treat? The markets are anticipating a 25-basis-point rate cut and investors are looking for signs that the Fed has room to continue cutting rates into year-end. Tariffs on China will remain a key focus this week, while the ongoing government shutdown is likely to stay background noise for now – though a resolution would certainly be welcomed.



Calendar

Mon.

10:00 am
Earnings *U.S. leading economic indicators
Zions Bancorp***

Tue.

9:00 am
Earnings Fed governor Christopher Waller opening remarks
Netflix

Wed.

4:00 pm Fed governor Michael Barr speaks

Thu.

8:30 am *Initial jobless claims
10:00 am Existing home sales
10:00 am Fed Vice Chair for Supervision Michelle Bowman testifies
10:25 am Fed governor Michael Barr speaks
Earnings Newmont

Fri.

8:30 am **Consumer price index
8:30 am **CPI year over year
8:30 am **Core CPI
8:30 am **Core CPI year over year
9:45 am S&P flash U.S. services PMI
9:45 am S&P flash U.S. manufacturing PMI
10:00 am Consumer sentiment (final)
10:00 am *New home sales

*Temporarily suspended due to government shutdown ** CPI will be published to determine Social Security COLA

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

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