

Thackray Newsletter

— Know Your Buy & Sells a Month in Advance —

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Market Update

Baked into the Price



Baked into the price is a financial idiom, that refers to the fact that the stock market has already incorporated all of the current news and expectations into the current price.

Baked into the price has an underlying meaning that there is something in the “loaf,” that is not visible, but is an integral part of the loaf. “Baked” means that it is fait accompli.

Over the long-term, the economy generally grows, which creates higher earnings and pushes up the stock market.

If “everything” is baked into the price, how does price change outside of a tendency to move higher over time? If we de-trend the gradual increase of the market, the market oscillates up and down based upon whether the release of information is better or worse than expected. If the news, such as earnings, is better than expected, then the market tends to move higher. If it is worse than expected, then the stock market tends to move lower.

The catalysts or “news” comes from a variety of sources. One measurement tool for catalysts is the Citigroup Economic Surprise Index. It is a diffusion index: above 50 means that the positive surprises outweigh the negative surprises. This index only deals with economic data. It does not deal with earnings and other variables that can affect the market.



S&P 500 Technical Status

The S&P 500 has rallied hard from a bottom on April 8, 2025. Recently, the S&P 500 gapped higher. Some may say that “all gaps get filled.” In other words, the S&P 500 will return to its position before it moved higher. It is possible that the S&P 500 has over-reacted to positive tariff news.

It should also be noted that the 50 day moving average continues to be lower than the 200 day moving average. A positive development would be for the 50 day moving average to move above the 200 day moving average. This could take a while for this to develop, especially if the S&P 500 either declines or consolidates.

Currently, the S&P 500 is getting close becoming overbought (RSI). This is not a sell signal. However, watch for the RSI to become overbought and then turn lower, which would possibly indicate a move lower in the markets.

Global X Seasonal Rotation ETF (HAC : TSX)
Top Ten Holdings as of **April 30, 2025**

UBIL	GLOBAL X 0-3 MONTH U.S. T-BILL ETF	25.98%
CNDX	GLOBAL X S&P/TSX 60 INDEX ETF	15.28%
HTB	GLOBAL X US 7-10 YEAR TREASURY BOND INDEX	15.14%
USSX	GLOBAL X S&P 500 INDEX ETF	10.16%
CBIL	GLOBAL X 0-3 MONTH T-BILL ETF	9.30%
MART	GLOBAL X EQUAL WEIGHT CANADIAN GROCERIES & STAPLES	5.95%
UTIL	GLOBAL X EQUAL WEIGHT CANADIAN UTILITIES INDEX ETF	5.56%
RING	GLOBAL X EQUAL WEIGHT CANADIAN TELECOMMUNICATIONS	5.26%
HUG	GLOBAL X GOLD ETF	4.04%
NRGY	GLOBAL X EQUAL WEIGHT CANADIAN OIL & GAS INDEX ETF	2.62%

The objective of HAC is long-term capital appreciation in all market cycles by tactically allocating its exposure amongst equities, fixed income, commodities and currencies during periods that have historically demonstrated seasonal trends. The Thackray Market Letter is for educational purposes and is meant to demonstrate the advantages of seasonal investing by describing many of the trades and strategies in HAC.

The graph below shows the Economic Surprise index plotted against the S&P 500. Generally, when the economic data is better than expectations, it helps to move the market higher. There can be a lag and of course there are other variables that move the market.



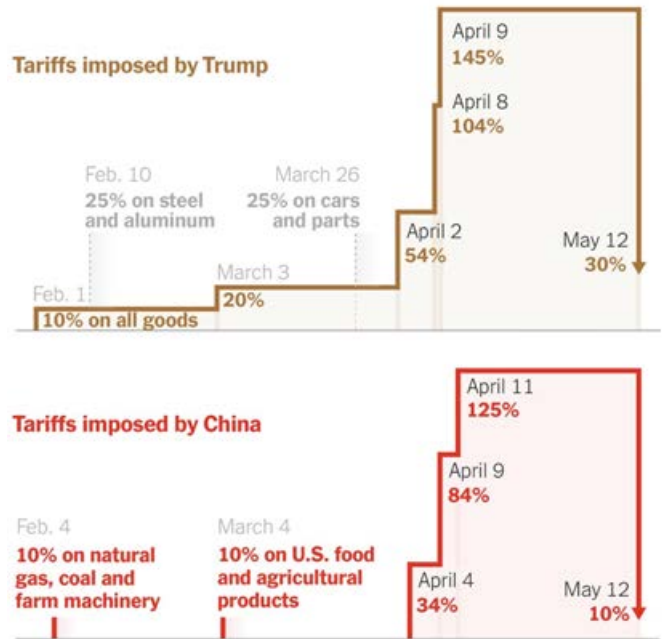
One absolutely huge variable that is not included in the Economic Surprise Index is tariff rates and future expectations of tariff rates. Tariff rates and their expectations have been the primary catalysts for the stock market moving down and up.

In the current tariff scenario, investors push the stock market higher or lower based upon any further information being released that is either more favorable or less favorable. This has been difficult for investors as they have had to try and guess the ever changing communications coming out of the White House.

The image below shows the tariff-drama between the USA and China. What it does not show are the statements made by Trump that were vastly different from the implemented rates.

Temporarily Reduced Tariffs

Weeks of tit-for-tat moves between the U.S. and China.



Trump's tariff drama have been akin to a chef constantly playing with the temperature knob on the oven - on - off - on - off. Still there is a moving consensus of what is expected.



More recently, there have been tariff upside “surprises”. In other words there have been development that have been more positive than expected. For example, the US and China have created a framework to dramatically lower tariffs on each other for the next 90-days. Generally, goods from China will be tariffed at 30% and goods entering China from the US will be tariffed at 10%.

Most investors, including myself, expected China to “hang-on” longer despite suffering great economic hardship. After all, China kept its citizens locked down in CO-

VID far longer than any other major country. At the time, it was hard to argue that China still needed to lock-down its population, no matter where you were on the appropriate COVID measures spectrum.

The lock down cost China dearly in economic hardship. The Chinese leadership was willing for their country to suffer far beyond what western countries were willing to enact. The point is that China has a high pain tolerance and it was expected that China would probably play out the tariff scenario over a longer period of time.

After the tariff deal with China the stock market rallied strongly.

The S&P 500 is now positive for year-to-date and has totally erased the losses that occurred since Liberation day (April 2, 2025).

Is it really reasonable to expect the tariff situation to end up being fairly benign and what does it mean for the markets?

So far, one trade deal has been achieved and there will be more. The first trade deal between the US and the UK was an extremely easy deal to negotiate for the US as the US has a trade surplus with the UK. Other trade deals will not be so easy.

What is baked into the markets is the tariffs disappearing or almost disappearing.

Many investors claim that Trump is operating his plan based upon the strategies outlined in his book “The Art of the Deal.” It sure seems that way. Really beat up the other party and when you settle for a much lower number, they will feel that they have achieved a good deal.

Tariffs of 145% on China were never going to happen. It is basically an embargo. If the current Chinese tariff structure were to remain in place, 30% tariffs on Chinese goods would have huge growth concerns on the economy. This is not baked into the price of the market.

So, what is being priced into the market? No one knows for sure, but it appears that investors believe that the tariffs will end up being non-existent or very low single digits. This is probably false optimism.

There is substantial risk to the above scenario. If the final, if there is such a thing, tariff rate ends up being 15%, this would probably have a large negative impact on the market due to reduced growth expectations.

At this point, the tariff drama presents a greater overall risk to the downside than the upside for the markets.

Caveat Emptor!

Seasonals

The stock market has entered into the weaker six-month period of the year, from May 6 to October 27. This period, on average, tends to be weaker than the other six months of the year. It does not necessarily mean that the stock market is going to crash.

Also, just because the stock market tends not to perform well over the next six-months, it does not mean that the stock market moves down every day.

The weaker six-month period for the stock market must be looked at in its totality, from beginning to end.

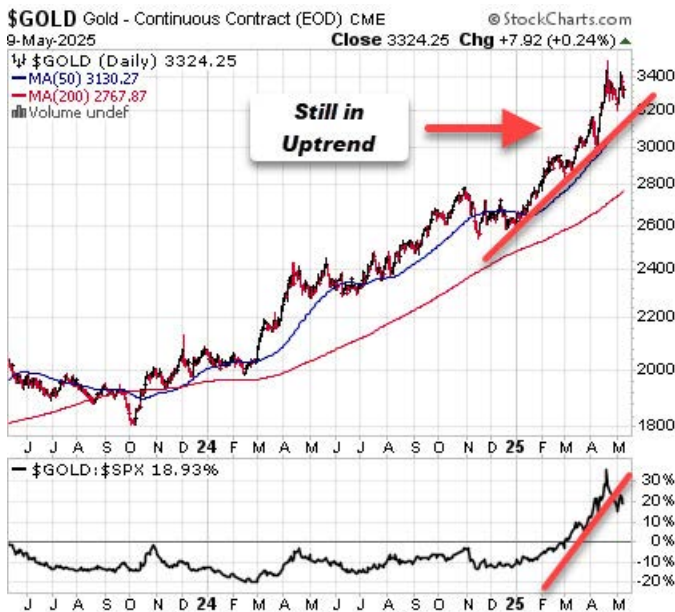
So far, the stock market has been rising at the beginning of its weaker six month period. This does not mean that the stock market will continue to rise. Nor does it negate the overall negative trend for the stock market at this time on a seasonal basis.

It should also be noted that the stock market tends to have an interim strong seasonal period from late June to mid-July. In this period, despite being in the weaker six month period, the stock market tends to perform well as investors push the market higher based upon the expectations of earnings having a positive impact on the stock market starting in mid-July. I will write more about this in the June newsletter.

Seasonal Opportunities

Gold Update

Gold has been a solid performer and has performed well in 2025. On an absolute basis, the S&P 500 is in an up-trend. Relative to the S&P 500, gold has broken its up-trend, but it is much more important for investors to follow the absolute trend with gold.



<https://www.youtube.com/watch?v=7SSZCCvX1Fk>

My Call: Gold will probably become volatile over the next few weeks and will put in a bottom in June, before rallying for a few months.

It should be noted that gold has moved into its weakest seasonal period of the year. June is the worst month of the year on a median basis.

The seasonal period for gold starts in early July.

The good news is that June tends to be a volatile month and could represent good buying opportunities ahead of the start of gold's strong seasonal period,

Stay tuned.

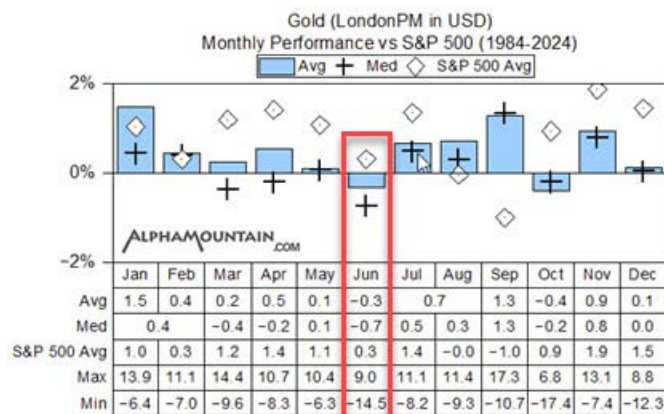
Health Care

The health care sector can perform well in May.

Despite the tendency to perform well in May the health care sector has been performing poorly. After performing well at the beginning of the year, the health care sector started to underperform in April.

The sector has been performing poorly largely based upon poor fundamentals and Trump's announcement of redcing the cost of prescription drugs substantially.

The health care sector has formed a classic head-and-shoulders pattern- which is bearish and portends poor performance in the near future.



In late April, I released a video on gold titled

Barron's cover- kiss of death, or is gold moving higher?

The video discusses the current trends of gold and the upcoming weak period for gold that could represent a good buying opportunity.



My Call: The health care sector will probably continue to underperform the S&P 500.

My Call: The biotech sector will probably once again perform well in its strong seasonal period starting in June.

Biotech

The biotech sector has a strong seasonal period from June 23 to mid-September

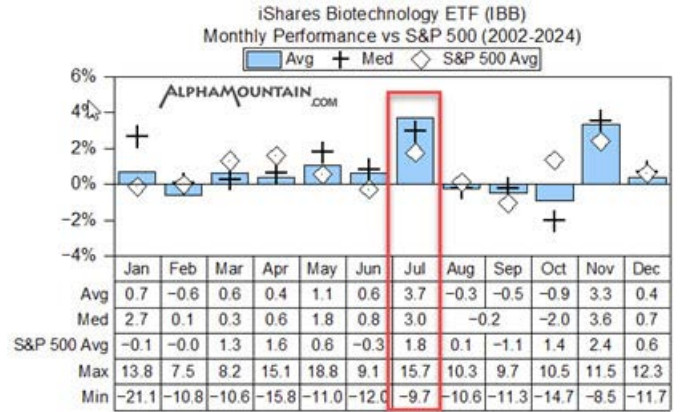
The biotech sector performed poorly in 2024. However in its strong seasonal period from June 23 to mid-September in 2024, the biotech sector managed to outperform the S&P 500.

Currently, the biotech sector is underperforming the S&P 500.

If it becomes oversold in June, it could represent a good buying opportunity.



The strongest month of the year for the biotech sector is July, which is the sweet spot of the seasonal trade.



Canadian Banks

The Canadian banking sector has been in a multi-month consolidation phase relative to the S&P/TSX Composite Index. It is getting close to the top of the channel.

Canadian banks release their earnings shortly. If they are weaker than expected, it would be reasonable to see Canadian banks move to the bottom of their consolidation box (at the minimum).

Canadian banks tend to perform well on initial downturns because their high dividends tend to provide support. However, if the markets continue to move lower, investors become concerned about economic growth or the possibility of a recession and Canadian banks tend to underperform.



My Call: The Canadian banking sector will probably start to underperform in the near future.

CAD/USD

CAD tends to underperform USD from early May to late June

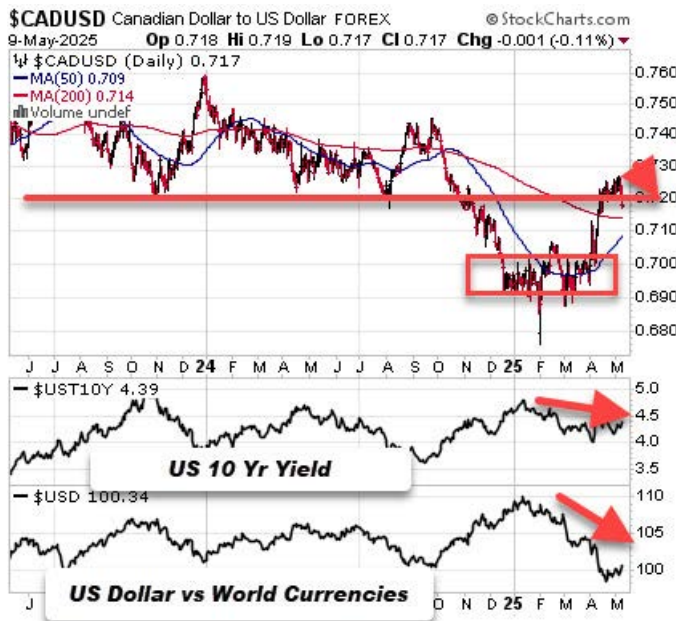
The Canadian dollar gained relative to the US dollar in March and April, as global investors sold US dollar assets to remit money back to their home countries.

The strong seasonal period for the Canadian dollar is over

and the yield on the 10 Yr US Treasury has stabilized. The US dollar has started to appreciate relative to world currencies.

Given that the Canadian economy is anemic at best, and is showing signs of continued slowing, it is possible that we could see the Canadian dollar weaken relative to the US dollar.

The US dollar, on a seasonal basis tends to perform well relative to the Canadian dollar from early May to late June.



My Call: The Canadian dollar will probably underperform the US dollar for the next month and a half.

Utilities

The utilities sector has a strong seasonal period from mid-March to late May

The utilities sector performed well in early 2025, and has continued to perform well. On an absolute basis, the sector is at resistance and could start to head lower. Relative to the S&P 500, the sector is still in an uptrend.

The utilities sector finishes its strong seasonal period shortly.

Investors should be careful with this sector as it is trading with a higher beta than usual. The reason for this is that it has become a “play” on economic growth and data center demand.



My Call: The utilities sector will probably perform well until late May.

Consumer Staples

The consumer staples sector tends to perform well in May

The consumer staples sector has been underperforming the S&P 500 as investors have shied away from their rich valuation in a time period where the market has been rallying.



The consumer staples sector has been trading in a consolidation range. Look for the sector to possibly max out at resistance which has happened numerous times in 2024

and 2025.

My Call: The consumer staples sector will probably perform moderately well until the end of May.

Government bonds

Government bonds have a strong seasonal period from mid-March to late May

Government bonds are positive for 2025, but did suffer some volatility in April. The volatility was largely due to foreign investors selling their US asset positions and remitting the funds back home. This caused a drop in government bonds and the US dollar.

In April, government bonds headed lower as the stock market moved down sharply. This was unusual. As mentioned above, this was caused by foreign investors remitting money back to their home countries.

A similar phenomenon took place when technology stocks were crashing in the tech bubble in 2000 and at the start of the Great Financial Crisis in 2008. In both cases, the weaker dollar was a transition event, and the US dollar started to rise shortly afterwards in a risk-off environment and with bonds increasing.

Currently, government bonds have been stabilizing, which is good news.

The US (and Canadian) economies are showing signs of slowing growth. Recently, so much of the focus has been on tariffs and investors have lost focus on the underlying problem of slower growth, independent of the tariffs. The tariffs will only make things worse.

Investors should watch for bonds starting to move back to their traditional role as being a beneficiary of slowing economic growth.



My Call: US government bonds will probably start to perform in the near future and continue to perform well into August.

Rants

**Rant #1--REDACTED--
Trump won the Canadian election!
At least in his mind!**

Rant Removed

Although the rant was in no way political and did not discuss politics, somehow people on both sides of the spectrum seemed to think it should have been written differently.

I endeavor to not comment on North American politics and only discuss economic policies. Sometimes it is hard. It is almost impossible to discuss anything about the US without a Trump mention. In such situations, I strive to be neutral and stick to the economic policies and not the people making the policies.

**Rant #2
Trump is not going to fire Powell! He is going to quit in a year- maybe!**

Trump recently threatened to fire Powell because he was not lowering interest rates fast enough.



In the 2020 election campaign William Dudley, former president of the Federal Reserve Bank of New York made partisan comments against Trump.

“Trump’s re-election arguably presents a threat to the U.S. and global economy, to the Fed’s independence and its ability to achieve its employment and inflation objectives. If the goal of monetary policy is to achieve the best long-term economic outcome, then Fed officials should consider how their decisions will affect the political outcome in 2020.”

In the 2024 election, Trump and many others believed that Powell was enacting policy that favored the Democrats. Now, Trump and many others believe that Powell is dragging his feet by not cutting interest rates fast enough, in order to hurt Trump’s government.

Trump threatening to fire Powell is rhetoric. The process of firing Powell would probably take some time and would go to the Supreme Court. Although Trump has a “bull in the china shop” attitude, if he were to fire Powell, his administration would take too much criticism from around the world. I know some of you reading this would say that he does not care, but this is different. The Federal Reserve is a private entity owned by the major banks (most do not know this). If Trump were successful in firing Powell, then the US financial system would take a huge credibility hit.

If Trump was not successful at the Supreme Court level, then he would have a huge black eye and lose huge amounts of credibility. This is not the same as losing an immigration case in the federal courts, not even close.

It is going to take a while for Trump to find a suitable Federal Reserve governor. Powell is due to finish his term in one year. Trump will wait.

There is a possible scenario where Powell finishes his term as chairperson of the Federal Reserve, but refuses to vacate his seat on the Federal Reserve. This has happened before with:

Marriner S. Eccles served as Chairman of the Federal Reserve from November 15, 1934, to January 31, 1948, and remained a member of the Board of Governors until July 14, 1951. In 1948, President Harry S. Truman declined to reappoint Eccles as chairman due to disagreements over economic policies, particularly Eccles’ push for tighter monetary policy to combat inflation following World War II, which clashed with Truman’s preference for maintaining low interest rates to support government borrowing. Truman instead appointed Thomas B. McCabe as chairman.

When Eccles was not reappointed, he chose to stay on as a member of the Board of Governors, as his term as a governor extended until 1958. Truman offered Eccles the role of Vice Chairman, as indicated in a letter dated January 1948, where Truman expressed confidence in Eccles and asked him to remain on the Board in that capacity. Eccles initially agreed to serve as Vice Chairman but withdrew his name from consideration for the role on May 25, 1948, feeling that he could serve more effectively as a regular board member without the administrative responsibilities. He continued as a governor, which allowed him to remain influential in Federal Reserve policy discussions (generated from Grok AI).

Eccles’ action against Truman won him notoriety in the Federal Reserve community. As a result, they named the Federal Reserve building after his name sake.



Powell could stay on the Federal Reserve board until 2028 despite not being the chairperson. Under this scenario Trump would probably try and fire Powell. I do not expect this scenario to play out. Trump will probably be “nice” to Powell and help him exit his position.

Implications for the Stock Market

Investors hate uncertainty. If Trump continues to threaten to fire Powell, this could create an uncertain environment and weigh on the markets.

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