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MARKET INSIGHTS

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THE UNREASONABLE RALLY:

Why America's reset could propel the S&P 500 to 7,500

Prologue: The new American framework for a 7,500 S&P 500

In a year marked by fiscal surprises and technological upheaval, America stands at a crossroads. The June 2025 budget surplus has upended the old narratives, leaving Wall Street's perennial skeptics scrambling for new alarms. Yet beneath the noise, a deeper transformation is underway.

U.S. President Donald Trump's "Liberation Day" has reset the economic cycle, setting the stage for a historic rally that could drive the S&P 500 to 7,500 by spring 2026, a target rooted in nearly a century of market data.

“

The reasonable man adapts himself to the world: the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.

”

- George Bernard Shaw, *Maxims for Revolutionists*

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Meanwhile, the rise of blockchain, bitcoin's breakout, and landmark legislation like the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) and Digital Asset Market Clarity Act of 2025 (CLARITY Act) are rewriting the rules of global finance. As the focus shifts from old orthodoxies to pragmatic innovation, investors face a rare opportunity: adapt to the new reality—or be left behind.

This is the story of America's unreasonable rally, where the bold, not the cautious, will reshape the backbone of the 21st-century economy. This timeless observation by Shaw perfectly frames the moment America finds itself in, a nation at the crossroads of fiscal transformation, technological upheaval, and a reawakening of pragmatic innovation. As the U.S. posts a rare \$27 billion budget surplus in June 2025, the chorus of Wall Street elites and bond vigilantes—those “reasonable” guardians of orthodoxy—suddenly find their well-worn complaints losing traction. The unreasonable innovators, meanwhile, are busy rewriting the rules. The upshot—smart investors don't complain, they just adapt and ignore the noise.

A new fiscal reality

The June surplus, driven by a surge in tariff revenues and a sharp reduction in government spending, caught economists off guard. Tariff collections soared to US\$27 billion for the month, quadrupling compared to a year ago, as Trump's aggressive trade policies took hold. Government outlays dropped by US\$187 billion, a testament to efforts at fiscal discipline and efficiency. For all the noise about runaway deficits, the numbers tell a different story, at least for now.

Yet, even as the headlines trumpet fiscal improvement, the broader deficit remains a challenge. Interest on the national debt is still a heavy burden, and the annual deficit stands at over US\$1.3 trillion. But the surplus is a reminder that fiscal outcomes are not set in stone, and that policy shifts, however controversial, can yield unexpected results.

The bond vigilantes: Crying wolf?

Bond vigilantes, those institutional investors who sell off government bonds at the first sign of fiscal irresponsibility, have long wielded outsized influence over policy debates. Their warnings of soaring yields

and economic instability have often shaped the narrative in Washington and on Wall Street. But with the June surplus, their usual script is wearing thin. What happens when the dire predictions don't materialize? The answer, it seems, is to move the goalposts. If it's not the deficit, it's inflation; if not inflation, it's the spectre of regulatory uncertainty or geopolitical risk. The bond vigilantes thrive on fear, but the facts are increasingly inconvenient for their narrative. Yes Virginia, Wall Street has a cottage industry of Cassandras.

Trump's supply-side reset

Much of the establishment's anxiety has centred on Trump's supply-side policies, particularly his tax cuts for the middle class. Critics argue that such measures are reckless, yet the data tells a more nuanced story. The Tax Cuts and Jobs Act delivered real savings for American families, nearly doubling the standard deduction and expanding the child tax credit. While debate continues over the distributional effects, it's clear that Main Street, not just Wall Street, has benefited.

Trump's approach has been likened to a hard reset of the economic cycle, a Liberation Day that reboots the system and sets the stage for a new era of growth. Historical cycles suggest that such resets can precede powerful rallies, with some analysts forecasting the S&P 500 to reach as high as 7,500 by spring 2026. This bold projection is grounded in nearly a century of market data, echoing the pattern that progress is often driven by those willing to challenge the status quo.

Inflation: The myth that won't die

U.S. Federal Reserve Chair Jerome Powell's inflation warnings have become a fixture of the economic landscape. Yet, inflation has moderated, and the Federal Reserve has responded by lowering rates, bringing the federal funds rate down to a range of 4.25-4.5 per cent. The U.S. labour market remains stable, and gross domestic product (GDP) growth is solid. The supposed inflationary spiral has not materialized, much to the dismay of those who profit from panic.

The inflation scare, like so many others before it, is just another myth in the endless cycle of market narratives. As the facts change, so too do the stories told by the financial media and their Wall Street allies.

America's blockchain moment

While the old guard wrings its hands over deficits and inflation, a new revolution is quietly reshaping the financial landscape. America is poised to become the blockchain superpower, thanks to the landmark GENIUS and CLARITY Acts.

Just as double-entry bookkeeping transformed commerce centuries ago, blockchain's "triple-entry" system promises to revolutionize trust, transparency, and efficiency in finance. Blockchain technology introduces an immutable, decentralized ledger—a cryptographically secure record distributed across a global network. Trust is no longer vested in central authorities, but embedded in code.

Implications:

- Instant settlement and reduced fraud
- Democratized access and programmable contracts
- A new architecture for finance: more efficient, secure, and inclusive GENIUS and CLARITY Acts—regulatory clarity at last

The GENIUS Act establishes strict rules for stablecoins, requiring full reserves and transparency. This not only bolsters the U.S. dollar's global dominance but also draws capital into U.S. Treasuries, reinforcing financial stability. The CLARITY Act, meanwhile, finally divides oversight between the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC), ending years of regulatory ambiguity that stifled innovation.

Together, these acts harmonize regulation and free markets, echoing economist Adam Smith's vision that prosperity arises from clear rules and entrepreneurial drive. Tokenization and instant settlement promise more inclusive, efficient markets. The era of Wall Street, the Federal Reserve, and Washington, D.C. as obstacles to innovation is ending.

Blockchain as the backbone of the digital economy

The internet revolutionized information and communication, but it was never designed for global finance. Today's patchwork of intermediaries—banks, clearinghouses, payment processors—adds friction

and cost. Blockchain is the steam engine of the digital economy, returning ownership and control to users and enabling peer-to-peer value transfer. Stablecoins, digital tokens pegged to the U.S. dollar, are transforming global finance. As foreign holdings of U.S. debt decline, stablecoin issuers have amassed over US\$120 billion in treasury bills, reinforcing dollar dominance and filling a void left by retreating traditional investors.

The global language of payments: ISO 20022

A new global standard, ISO 20022, is replacing the old Society for Worldwide Interbank Financial Telecommunication (SWIFT) messaging system. This upgrade enables banks and payment systems worldwide to communicate seamlessly, with rich data and instant settlement. RippleNet, powered by the digital asset XRP, is fully compliant—allowing XRP to act as a bridge currency for fast, low-cost cross-border payments.

The narrative has shifted. Blockchain and digital assets are not speculative bubbles or scams—they are the rails on which the digital economy runs. With strict regulation, regular audits, and global standards, these technologies have earned the trust of institutions and individuals alike.

The story of blockchain and digital assets is one of evolution, not revolution. What began as a challenge to the status quo is now the foundation for a more efficient, secure, and inclusive global economy. The world no longer asks if blockchain is a scam—it asks how quickly it can build on this new backbone.

Wall Street's coming disruption

Wall Street's infrastructure, rooted in the 1960s, is ripe for disruption. Blockchain's decentralized, transparent, and programmable design offers instant settlement, reduced costs, and enhanced security. Tokenization enables fractional ownership and global accessibility across asset classes. The transition is inevitable, even if gradual. Trump's embrace of crypto marks a dramatic policy shift. Executive orders, regulatory reform, and the creation of a Strategic Bitcoin Reserve signal a new era. Corporate adoption of bitcoin as a treasury asset is surging, reflecting a strategic hedge against fiat currency debasement.

Since the U.S. left the gold standard in 1971, the U.S. dollar has lost purchasing power at nearly 8 per cent annually. Investors increasingly turn to scarce, non-sovereign assets like gold and bitcoin as complementary hedges against inflation and systemic risk.

The centre holds: Lessons from American pragmatism

While the partisan tenor of U.S. policy debates today might suggest otherwise, America's economic ascendancy has rarely been the product of ideological excess. Its greatest leaps have come from pragmatic, centrist policy. From Alexander Hamilton's consolidation of state debts, through the Industrial Revolution's embrace of innovation, to the postwar boom's balance of private enterprise and public investment, America has prospered most when it has returned to the centre:

- Hamilton's blueprint: Centralizing credit and fiscal discipline brought investment and unity to a fledgling nation.
- Industrial drive: Technological innovation and infrastructure investment transformed the U.S. into an industrial giant, fueling urbanization and a robust middle class.
- Postwar prosperity: The convergence of pent-up demand and government support for housing and infrastructure created a golden age of growth.

The lesson for investors is clear: sustainable growth and lasting wealth creation have always flourished at the centre—not at the extremes.

Policy noise or structural shift?

The past decade has been marked by policy swings and ideological capture. The flirtation with Modern Monetary Theory (MMT) and unchecked fiscal expansion led to ballooning deficits and a Federal Reserve slow to adjust. The Phillips curve is now largely discredited; the inflationary impact of tariffs, once feared, proved overblown.

But the pendulum is swinging back to the centre, towards supply-side growth, reprivatization, and the restoration of market discipline. The real opportunity lies not in lamenting past errors, but in positioning

for the future as policy normalizes. Simple point for investors—yes, mistakes have been made; look forward and position for a secular bull market.

The supply-side renaissance

The most profound shift underway is a return to first principles: restoring the market as the engine of growth. The “Big Beautiful Bill” and the “3-3-3” plan (3 per cent GDP growth, 3 per cent budget deficit, 3 million new barrels a day of crude oil production) mark a turning point:

- Tax cuts and deregulation aim to shrink the government's footprint and unlock private investment.
- A sovereign wealth fund is proposed to manage national assets with private-sector discipline, reducing reliance on debt.
- The end of MMT: Printing and spending without consequence is over. Market signals and competition are being restored.

Smith's invisible hand is again at the heart of economic policy. Reprivatization is not simply about transferring assets; it is about re-establishing the private sector as the driver of growth and innovation.

The Federal Reserve's glide path

The Federal Reserve has been slow to act, but the direction is now clear. Rate cuts are on the horizon, with their effects likely to be felt in 2026 and beyond. As the U.S. shifts from public-sector-driven growth to private-sector dynamism, volatility may increase. As the Federal Reserve takes the overnight rate to 2.75 per cent, risk will appear.

The job market growth experienced during former president Joe Biden's administration is a mirage. As Trump's immigration policy kicks in, we might expect to see Wall Street realize that perhaps private-sector growth in healthcare was completely driven by access to free care for undocumented immigrants—possibly creating a growth scare that drives rates below 2 per cent.

Yet, the return to a market-driven model offers the prospect of renewed growth, with policy finally aligned to deliver it. Job growth among native-born American

workers is already evident. But it will take time for Trump's supply-side policies to kick in. A growth scare is my base case, but not a recession.

Navigating America's reset and blockchain revolution

The landscape for investors is shifting rapidly. With Trump's Liberation Day resetting the four-year cycle, markets are recalibrating. Historical data stretching back to 1934 suggests this reset could propel the S&P 500 towards a target of 7,500 by spring 2026, a bold projection grounded in precedent and cyclical analysis. This is the moment for the "unreasonable" investor, one willing to challenge orthodoxy and seize the opportunity.

Meanwhile, bitcoin is breaking out to new highs, and the tokenization of assets is accelerating. The unleashing of blockchain innovation is no longer a distant promise—it is actively reshaping Wall Street and the broader financial system.

The investor's playbook: Five rules for investors in America's new era

1. **Recognize the cycle reset:** Trump's policies have triggered a structural reset, akin to unplugging and rebooting the economic system. This Liberation Day marks the start of a new four-year cycle, historically associated with powerful rallies. The S&P 500's trajectory, supported by nearly a century of data, points to a potential surge towards 7,500 by spring 2026.
2. **Ride the blockchain breakout:** Bitcoin's breakout is not an isolated event. It signals a broader shift as blockchain technology enables the tokenization of traditional assets. This innovation is creating new markets, unlocking liquidity, and offering investors exposure to previously illiquid or fragmented asset classes.
3. **Diversify with conviction:** Gold and bitcoin remain foundational assets for a resilient, modern portfolio. Blockchain adoption and tokenized assets add new dimensions of diversification and growth potential.
4. **Monitor U.S. policy and regulatory clarity:** The GENIUS and CLARITY Acts have established a new framework for digital assets, providing much-needed regulatory

certainty. Investors should stay attuned to further policy developments as America cements its leadership in the digital financial order.

5. **Prioritize agility and market discipline:** As Wall Street adapts to a blockchain-driven economy, volatility and rapid change will be the norm. Embrace supply-side reforms, watch for opportunities in deregulation and reprivatization, and remain flexible to capitalize on emerging trends.

Action points:

- **Position for growth:** Consider increasing exposure to sectors and companies leading in AI, blockchain, tokenization, industrials and digital asset infrastructure, and financials.
- **Stay ahead of the curve:** Use historical market cycles as a guide, but be prepared to adapt as new technologies and policies reshape the landscape.
- **Ignore the noise:** The era of fear-driven narratives is fading. Focus on fundamentals, innovation, and the pragmatic centre where sustainable growth is forged.

The convergence of a political cycle reset, a bullish market outlook, and the unleashing of blockchain innovation presents a generational opportunity. Investors who recognize and adapt to these shifts will be best positioned to thrive in the years ahead.

The new centre: Where policy pragmatism meets technological transformation

The historical arc of American prosperity bends towards the centre, towards pragmatic policy, market dynamism, and adaptive leadership. Today, this gravitational pull is colliding with the most profound technological shift in finance since the invention of double-entry bookkeeping. The return to centrist economic management is unfolding alongside the rise of blockchain, tokenization, and regulatory clarity that promises to redefine the very architecture of global markets.

What unites these trends is a renewed faith in both the invisible hand and the visible framework. The policy centre, once again, is proving itself as the crucible of resilience and innovation. At the same time, the regulatory and technological breakthroughs in digital assets are providing the infrastructure for trust,

efficiency, and inclusion. The GENIUS and CLARITY Acts are not merely legislative milestones—they are the institutional embodiment of America's ability to harmonize rules with risk-taking, oversight with entrepreneurial energy.

For investors, the message is clear: the centre is not just where sustainable growth is forged, but where the next great fortunes will be made. The pragmatic embrace of supply-side reforms and the institutionalization of blockchain technology are converging to create

unprecedented opportunities. Those who adapt to this dual transformation, eschewing ideological rigidity and technological complacency alike, will not only profit but help shape the backbone of the 21st-century economy.

In this new era, the most successful investors will be those who recognize that the centre is no longer simply a place of compromise. It is the launchpad for the next wave of economic and technological leadership. The future belongs to those who can read both the policy signals and the historical clues and act accordingly.

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