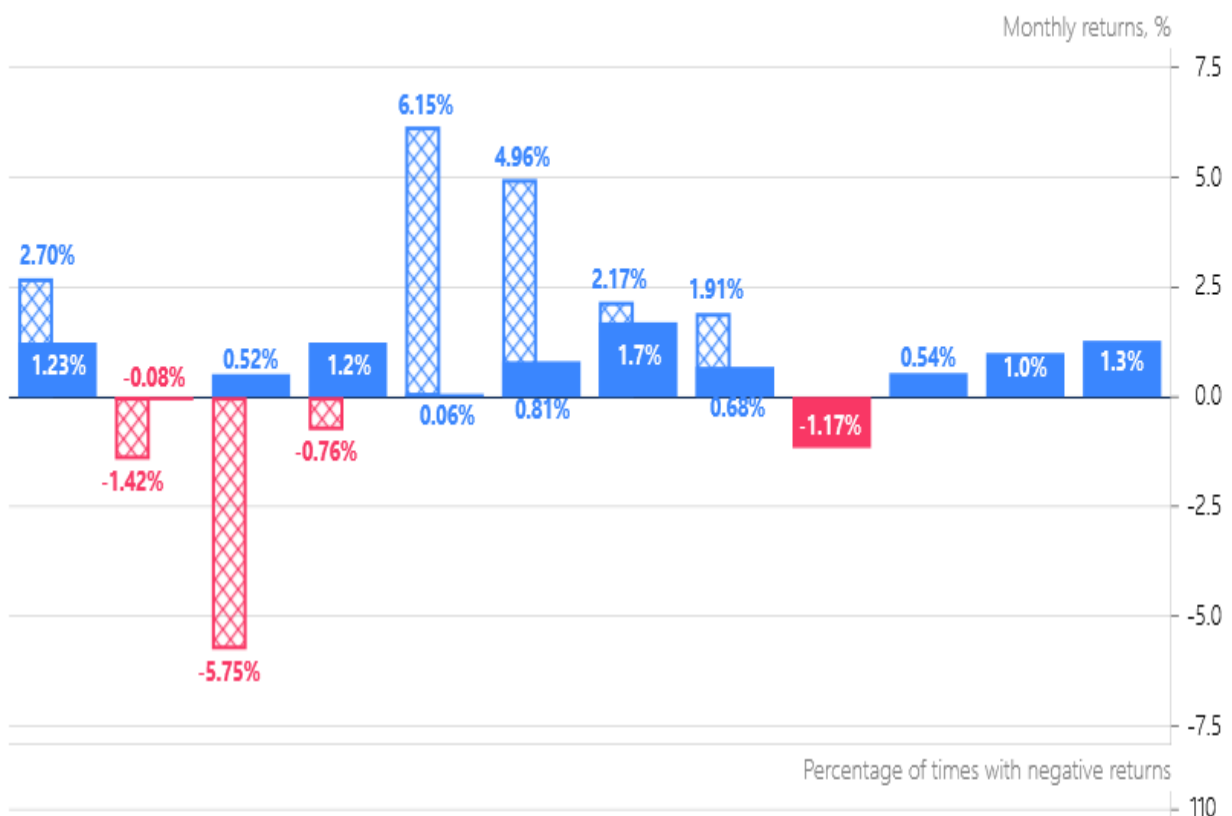


Monthly Market Trends: Do They Matter?

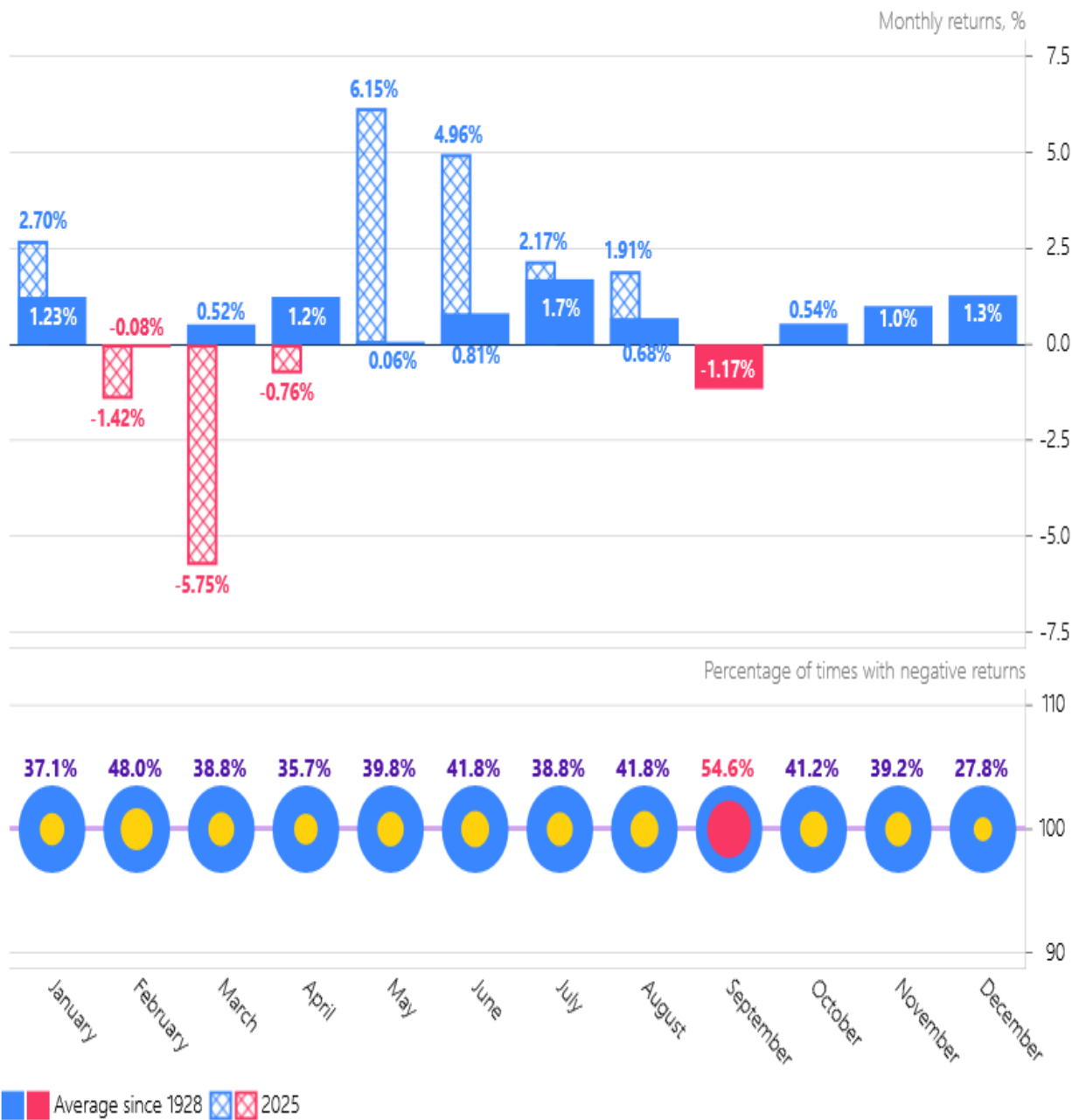
The graph below breaks down the monthly performance of the S&P 500 since 1928. As shown, September is the only month that has seen more negative monthly performances than positive ones. September's record joins February as the only two months with a negative average, albeit February is only down 0.08%, versus the more significant 1.17% for September. However, this year's monthly trends have not followed those of the past. The S&P 500 has generally outperformed or underperformed the averages. The monthly trends we share argue for weakness, and there are a few dark clouds worth paying attention to this month, as follows:

- **The Fed:** The market thinks the Fed will cut rates on September 17th. However, if the Fed backs off on commitments to cut in the following months, its continued hawkishness could weigh on the market. Furthermore, the question of whether Lisa Cook can appeal her termination from the Fed may impact stock and bond markets.
- **Government shutdown:** Once again, the threat of a government shutdown looms. There is a deadline of October 1 to enact a spending bill or, at a minimum, a short-term stopgap spending bill. A bill will likely pass Congress and keep the government operating, but as always, the political threats and bickering could be problematic for the market.
- **Trump tariffs:** A federal appeals court ruled that most of Trump's global tariffs, imposed under the International Emergency Economic Powers Act (IEEPA), are illegal, as they exceed presidential authority. The ruling allows tariffs to remain in place until October 14. The Supreme Court will likely hear and rule on an appeal before that day. Regardless, the federal court ruling has increased uncertainty in global bond markets, which in turn will weigh on stock prices.

Seasonal Dynamics in S&P 500 Monthly Performance



Seasonal Dynamics in S&P 500 Monthly Performance



Source: S&P Global



What To Watch Today

Earnings

Wednesday Sep 3	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Salesforce CRM.US		2.78	2.56		10.13B	9.33B	\$236.38B	Q2	PM ★
Dollar Tree DLTR.US		0.38	0.67		4.46B	7.37B	\$24.21B	Q2	AM ★
Hewlett Packard HPE.US		0.42	0.50		8.38B	7.71B	\$23.66B	Q3	PM ★
Campbell Soup CPB.US		0.58	0.63		2.35B	2.3B	\$9.69B	Q4	AM ★
AeroVironment AVAV.US		0.26	0.89		444.9M	189.5M	\$7.35B	Q1	PM ★
GameStop GME.US		0.08	0.04		750M	798M	\$7.04B	Q2	PM ★
Macy's M.US		0.20	0.53		4.68B	5.1B	\$3.3B	Q2	AM ★
American Eagle Outfitters AEO		0.25	0.39		1.24B	1.3B	\$2.46B	Q2	PM ★

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American Eagle Outfitters AEO	0.25	0.39		1.24B	1.3B		\$2.46B	Q2	PM
Foot Locker FL.US	0.08	-0.05		1.87B	1.9B		\$2.44B	Q2	AM

Economy

Wednesday September 03 2025			Actual	Previous	Consensus	Forecast
06:00 AM		MBA 30-Year Mortgage Rate AUG/29		6.69%		
06:00 AM		MBA Mortgage Applications AUG/29		-0.5%		
06:00 AM		MBA Mortgage Market Index AUG/29		275.8		
06:00 AM		MBA Mortgage Refinance Index AUG/29		894.1		
06:00 AM		MBA Purchase Index AUG/29		163.8		
08:00 AM		Fed Musalem Speech				
09:00 AM		JOLTs Job Openings JUL		7.437M	7.5M	7.3M
09:00 AM		Factory Orders MoM JUL		-4.8%	-1.4%	-1.1%
09:00 AM		Factory Orders ex Transportation JUL		0.4%		0.3%
09:00 AM		JOLTs Job Quits JUL		3.142M		3.0M
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Market Trading Update

Yesterday, we noted that **?August turned out to be anything but typical for investors.?** Of course, that rally pushed the market to very overbought conditions, which leaves the market very susceptible to pullbacks given any news that undermines the market narrative. That news came over the weekend as the entire **?tariff narrative?** was attacked as a Federal Judge stated that the tariffs are unconstitutional. Per CNBC:

?The U.S. Court of Appeals for the Federal Circuit held in a 7-4 ruling that the law Trump invoked when he granted his most expansive tariffs including his reciprocal tariffs does not actually grant him the power to impose those levies. The core Congressional power to impose taxes such as tariffs is vested exclusively in the legislative branch by the Constitution, the court said. Tariffs are a core Congressional power.??

The appellate court paused its ruling until October 14th to give the Trump administration time to ask the Supreme Court to reverse the decision.

From a market perspective, this was taken as negative since it is possible that the collected revenues would have to be refunded. However, in reality, the reversal of tariffs would also remove the concern of the inflationary effect of tariffs regarding monetary policy. Nonetheless, the reality was that investors had been very exuberant as of late, and a pullback was overdue. As shown, the market broke below the 20-DMA but rallied quickly back as the market came to grips with the tariff concerns. However, the break of the trend channel is more concerning, particularly with the negative divergences and both relative strength and momentum. If the market can rally tomorrow, the break will be somewhat negated, but the deterioration in momentum and relative strength remain a concern.





The risk of a corrective process has been elevated for the last few weeks, and given that September is seasonally weak, corporate buyback windows close mid-month, and quarter-end rebalancing is approaching, investors should take the opportunity to review current positioning and rebalance risk accordingly.

We have a new **Investment and Portfolio Management Guide** to help you out. **Click the image below and download it now.**

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Small Cap Stocks Have Their Day In The Sun

As we share in the [SimpleVisor](#) graph below, small cap stocks have grossly underperformed the market (S&P 500) since 2023. While that is also true this year, with the S&P 500 beating the Russell 2000 small cap index by about 4%, small caps have recently been coming back in favor. As we share below from our relative analysis, small cap stocks constitute three of the four most overbought stocks on an absolute basis and have some of the highest relative scores versus the

S&P 500.

Small cap companies tend to have higher borrowing costs than larger companies. Equally important, access to funding capital for smaller companies is often more difficult to attain. The budding rise of small caps versus larger cap companies may continue if the Fed cuts rates and continues rate reductions through the fall and early winter. However, small cap stocks are generally more sensitive to economic conditions. Thus, the small caps may represent a double-edged sword that requires Fed rate cuts and no recession. Such an occurrence has happened, but it is very rare.





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Performance Analysis Factor Analysis Risk Range Screener Stock Summary Strategy Builder

Sectors Factors

Factors Analysis - Absolute and Relative Score (vs SPY)

Symbol Name	Top 10 Holdings	Absolute Score ↓	Relative Score (vs SPY) ↑
GDX	Gold Miners	0.82	0.75
IWM	Small Caps	0.74	0.45
FDM	Dow Jones MicroCap	0.65	0.23
VBR	Small Cap Value	0.62	0.16
MDYV	Mid Cap Value	0.61	0.06
VYM	High Dividend Yield	0.57	0.09
PKW	Buyback Achievers	0.57	0.52
VTV	Large Cap Value	0.56	0.03
MDY	Mid Cap 400	0.56	0.09
VBK	Small Cap Growth	0.56	0.22
VFQY	Vanguard U.S. Quality Factor	0.53	0.14
RSP	Equal Weight S&P 500	0.52	-0.06
MDYG	Mid Cap Growth	0.49	0.03
SPHB	High Beta	0.45	0.41
SPY		0.35	0.00
VEA	Developed Markets	0.34	-0.04
IVW	S&P 500 Growth	0.30	-0.10

SimpleVisor			
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Factor Analysis	Risk Range	Screener	Stock Summary
Strategy Builder			
Sectors	Factors		
Factors Analysis - Absolute and Relative Score (vs SPY)			
Symbol Name	Top 10 Holdings	Absolute Score ↓	Relative Score (vs SPY) ↑
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SPHB	High Beta	0.45	0.41
SPY		0.35	0.00
VEA	Developed Markets	0.34	-0.04
IVW	S&P 500 Growth	0.30	-0.10
EFA	EAFE	0.28	-0.12
MGK	Mega Cap Growth	0.28	-0.04
EEM	Emerging Markets	0.27	-0.19
MTUM	Momentum	0.21	-0.28
ARKK	Disruptive Tech	0.21	0.06
SPLV	Low Beta [Low Vol.]	0.16	-0.44

Portfolio Risk Management: Accepting The Hard Truth

Alfonso Peccatiello recently wrote an interesting piece on portfolio risk management, starting with a quote from Steve Cohen:

*??I compile statistics on my traders. My best trader makes money only 63 percent of the time. **Most traders make money only in the 50 to 55 percent range. That means***

you're going to be wrong a lot. If that's the case, you better be sure your losses are as small as they can be, and that your winners are bigger.??

If you think that is a poor *batting average*, we can gain some perspective by looking at the top-10 highest batting averages in Major League Baseball. You should notice that the best baseball hitters in history only succeeded about 35% of the time they went to bat.

Rank	Player	Career Batting Average
1	Josh Gibson*	.372
2	Ty Cobb*	.367
3	Oscar Charleston*	.363
4	Rogers Hornsby*	.359
5	Jud Wilson*	.350
6	Turkey Stearnes*	.348
7	Ed Delahanty*	.346
8	Tris Speaker*	.345
9	Ted Williams*	.344
10	Billy Hamilton*	.344

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Crucially, Cohen's quote captures the essence of portfolio risk management. Even top-tier professionals are wrong nearly half the time. That reality is uncomfortable but essential and is something that all investors should embrace. In other words, you will often be wrong, begging the question: **how do you survive?** The answer lies in risk control. Cohen's firm, Point72, has outperformed because his traders limit losses and allow winners to grow.

That isn't luck. That is the process.

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BOLD PREDICTION:

US Debt/GDP is more likely to be below 50% than over 150%.

Between Productivity-Driven DISINFLATIONARY GROWTH, the Reverse Marshall Plan, and Tariffs, I think the "American is Doomed" crowd will be sorely disappointed.



Trump's Tariffs Will Reduce Deficits By \$4 Trillion Over Next Decade, Says CBO Report

↗ Trump's tariffs may cut deficit • ZeroHedge News / by



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


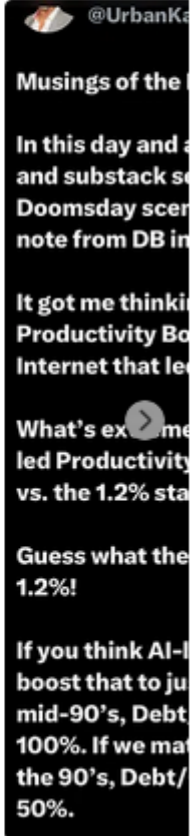
Trump's Tariffs Will Reduce Deficits By \$4 Trillion Over Next Decade, Says CBO Report

↗ [Trump's tariffs may cut deficit](#) · ZeroHedge News / by Tyler Durden / Aug 22, 2025 at 3:31 PM

Trump's Tariffs Will Reduce Deficits By \$4 Trillion Over Next Decade, Says CBO Report

Authored by Jack Phillips via The Epoch Times,

A report released on Friday by the Congressional Budget Office  (CBO) predicted that President Donald Trump's tariffs will reduce federal deficits by around \$4 trillion over the next decade.



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