

Significant Rotations Hidden By Calm Markets

The market seas are calm, but beneath the surface, there is some intense churning, or in market terminology, significant stock rotations. Over the last week, the Dow, S&P 500, and Nasdaq were relatively flat. Such gives the appearance of a low volatility, typical late August market with little going on. However, beneath the calm of the indexes, there are rotations in and out of sectors and stock factors that are significant and meaningful.

The table below, courtesy of [SimpleVisor](#), shows the relative performance (vs the S&P 500) of many stock factors. The first column shows the relative performance of the last five days, while the second shows the relative performance over the prior 30 days. ARKK, representing cutting-edge technologies, many of which are not profitable and have high betas, lost over 6% versus the S&P 500 in only five days. High beta and mega cap growth also decently underperformed the market. The column on the right shows these were the three leaders over the prior period. The rotation out of those speculative sectors went into more conservative sectors that were lagging the market. For instance, low beta and large-cap value stocks did relatively well after significantly underperforming over the prior 30 days. These movements highlight the significant rotations occurring in the market.

Given the overbought and oversold conditions of some sectors and stock factors, such a correction is normal. However, what has been notable since April is that the rotations between sectors and factors have been much more pronounced than they were prior. These fast rotations make momentum trading strategies difficult to profit from. Note below that despite the upward trend in the market, the 5-day and prior 30-day relative performance of MTUM, the momentum ETF, is negative. Such dynamics demonstrate how significant rotations can challenge traders.

SimpleVisor Home Insights Markets Portfolios DIY Research Charts Simple AI (beta) Invest \$				
Performance Analysis Factor Analysis Risk Range Screener Stock Summary Strategy Builder				
Symbol	Name	Top 10 Holdings	2025-06-13 to 2025-08-20 1%	2025-07-01 to 2025-08-13 1%
ARKK	Disruptive Tech		-6.37%	6.60%
SPHB	High Beta		-2.18%	2.96%
MGK	Mega Cap Growth		-1.53%	2.81%
IWM	Small Caps		-1.39%	1.65%
VBK	Small Cap Growth		-1.11%	0.36%
IVW	S&P 500 Growth		-1.09%	1.73%
MDYG	Mid Cap Growth		-0.89%	-0.69%
MTUM	Momentum		-0.79%	-0.42%
MDY	Mid Cap 400		-0.48%	-1.40%
FDM	Dow Jones MicroCap		-0.34%	-1.98%
VBR	Small Cap Value		-0.28%	-0.33%
EEM	Emerging Markets		-0.27%	0.08%
MDIV	Mid Cap Value		0.35%	-2.16%
VFQY	Vanguard U.S. Quality Factor		0.72%	-1.20%
PKW	Buyback Achievers		0.88%	-0.61%
RSP	Equal Weight S&P 500		0.89%	-2.41%
GDX	Gold Miners		1.04%	7.18%
VYM	High Dividend Yield		1.35%	-2.17%
VEA	Developed Markets		1.73%	-1.36%
VTI	Large Cap Value		1.89%	-1.15%

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VTV	Large Cap Value		1.89%	-3.15%
EFA	EAFE		2.23%	-1.72%
SPLV	Low Beta [Low Vol.]		2.45%	-3.47%

What To Watch Today

Earnings

- *No notable earnings releases.*

Economy

Friday August 22 2025			Actual	Previous	Consensus	Forecast
09:00 AM	US	Fed Chair Powell Speech				
12:00 PM	US	Baker Hughes Oil Rig Count AUG/22				
12:00 PM	US	Baker Hughes Total Rigs Count AUG/22				
07:00 PM	US	Jackson Hole Symposium				
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Market Trading Update

Yesterday, we touched on the current sector rotation from technology to healthcare, which we suggested would have occurred over the preceding three weeks as the technology/momentum chase got ahead of itself. However, what is interesting is that even though the market only experienced a very mild pullback, media headlines calling for the *?Death of the AI trade?* filled the narrative.

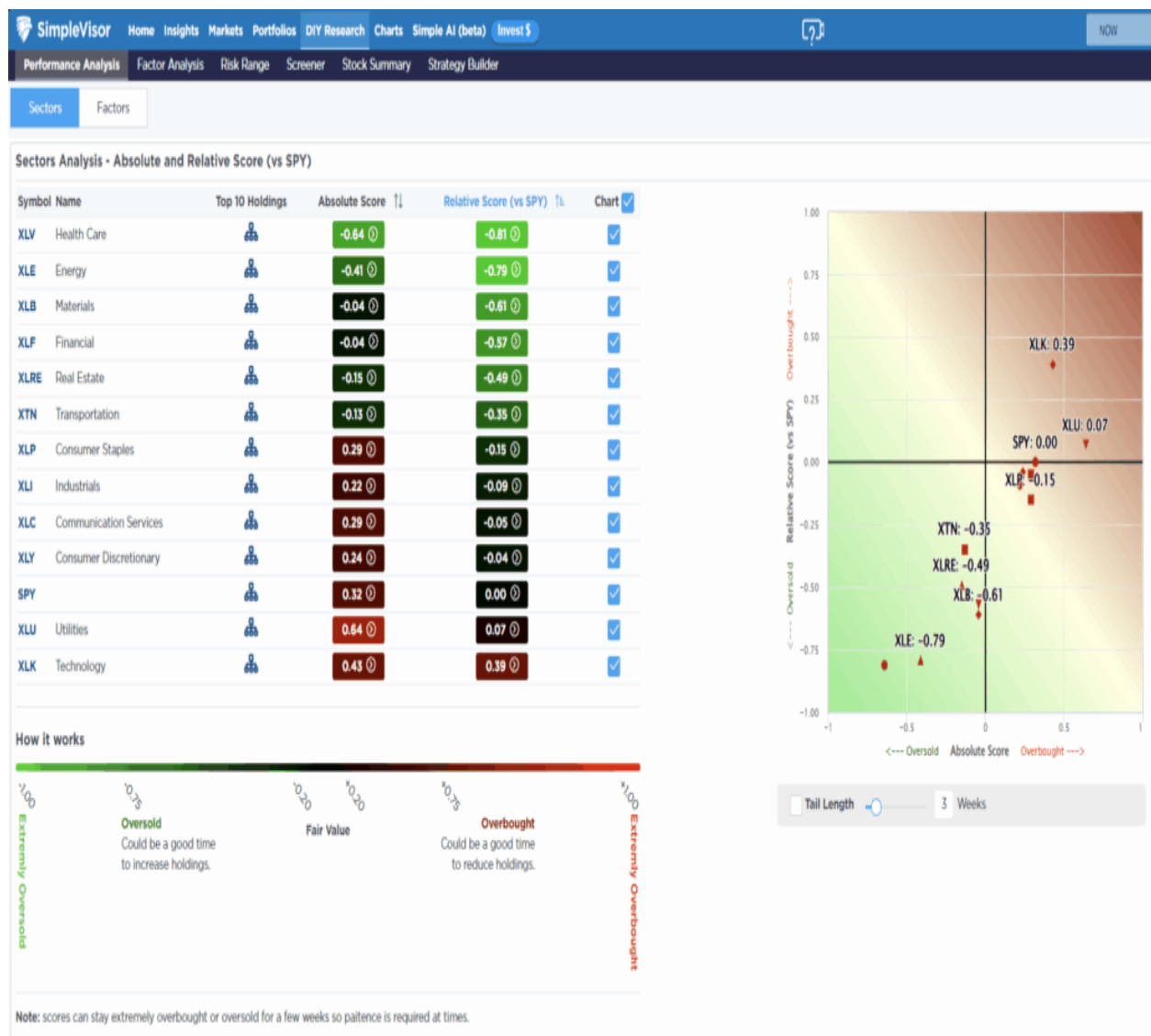
The correction and the pullback in technology stocks should have been unsurprising, as we have spent the last few weeks warning of such an event and recommending investors take profits and rebalance portfolios into areas like healthcare. As noted in the [#BullBearReport](#) two weeks ago:

?Momentum and money flows remain weak, and Technology and Staples are overbought as the momentum chase continues. Be mindful of the technical deterioration. While it may seem the bull market is intact, which it is, there is a fragility to the current advance.?

In that same issue, we also showed:

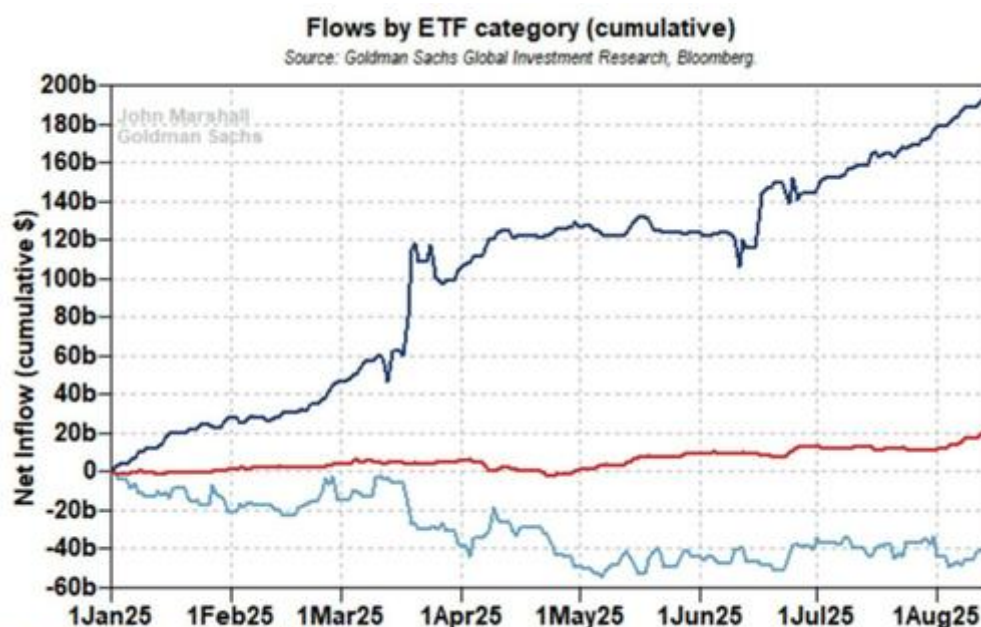
?After a tough week, Energy and Healthcare are deeply oversold relative to the market itself. Investors continue to shun fundamentally strong companies in favor of higher beta Technology stocks, which remain overbought. A rotation will eventually occur, but these rotations can take time.?

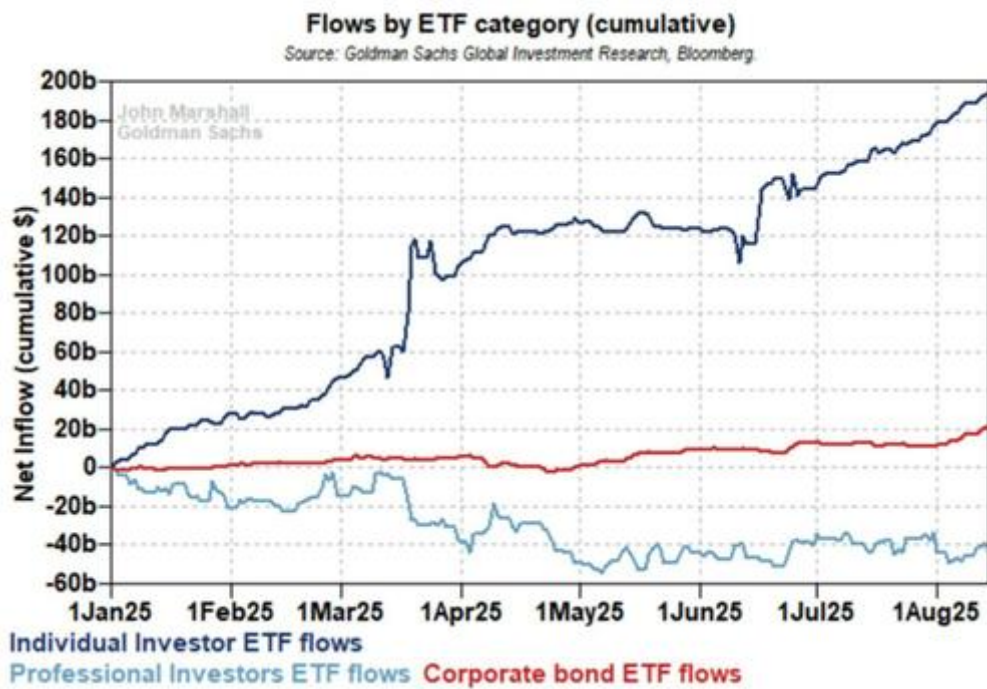




Understanding the importance of sector and factor rotations is crucial to managing portfolio risk over time. As Michael noted at the opening of today's commentary, all of these tools are readily available to you on [SimpleVisor](https://www.simplevisor.com).

While this correction process was unsurprising, it is actually a healthy pullback currently testing the 20-DMA running support line. It is also working to reduce some of the short-term overbought conditions, and while still on a momentum *sell signal*, I will be unsurprised to see *dip buyers* come back into the market. Such is particularly the case as retail investors have provided tremendous inflows into ETFs over the recent period.

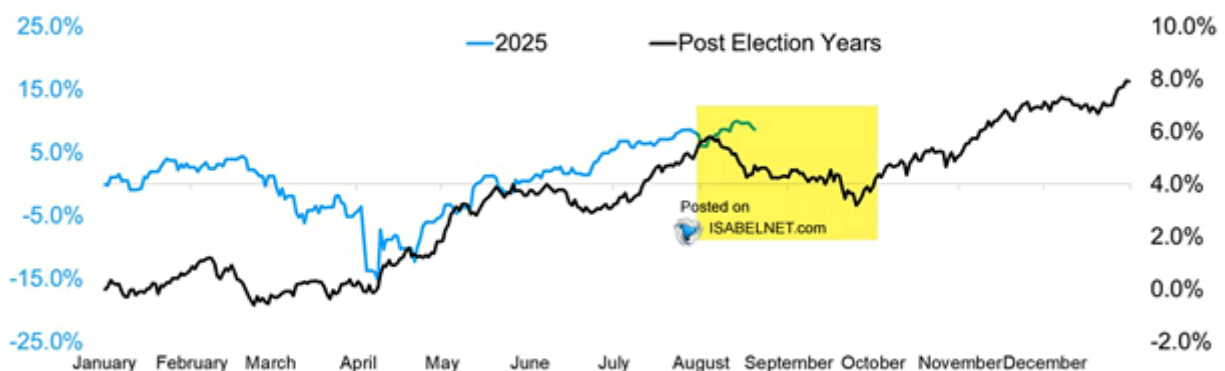




The recent correction aligns with seasonal tendencies and will likely provide investors with an opportunity to buy positions at cheaper prices.

The Weak Part Of Post-Election Years Is Now

Average Post-Election Year For S&P 500 (1950 - Current)

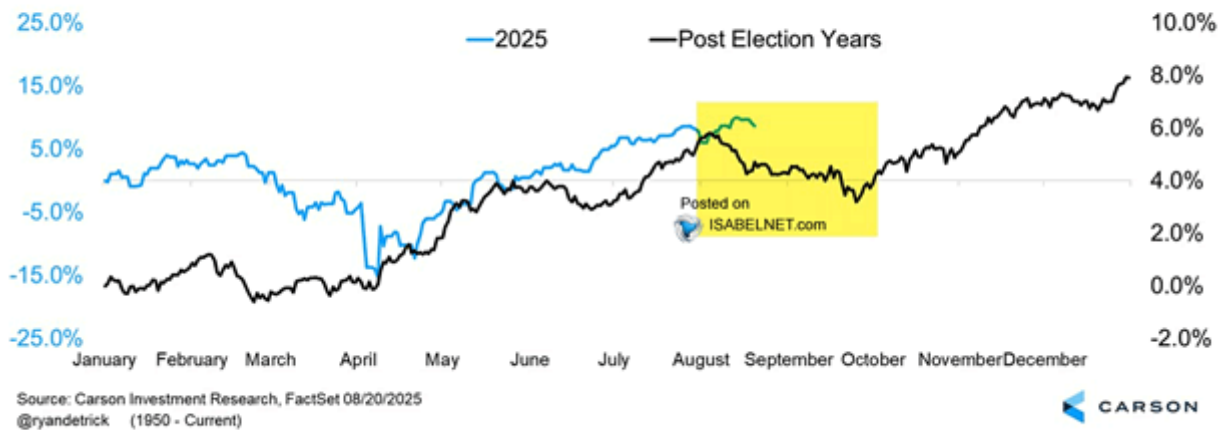


Source: Carson Investment Research, FactSet 08/20/2025
@ryandetrack (1950 - Current)

CARSON

The Weak Part Of Post-Election Years Is Now

Average Post-Election Year For S&P 500 (1950 - Current)



The question is whether the corrective process is over. For more clarity, we need to see where the market closes on Friday, particularly since it is a record August options expiration day.

Remain patient.

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Are Gold Prices Getting Stretched

The graph below, courtesy of TradingView, presents an interesting risk/reward analysis for short-term gold traders/investors. Gold is now over 50% above its 3-year moving average. Highlighted and numbered are the three prior instances where it was 50% above that longer-term moving average. As annotated, each instance was followed by a decent decline, with the third being most troublesome, as it ended a strong bull market. At that time, gold almost tripled from the 2008 low to the peak around \$1900 an ounce in 2011. Five years later it troughed at \$1050.

Currently, gold at \$3400 an ounce dwarfs the 2011 highs. Not surprisingly, gold investors, miners, and gold sellers are incredibly bullish. In typical bull market fashion, these participants seem willing to ignore the degree to which its price is stretched from moving averages. Instead, gloomy narratives such as the dollar's demise, runaway inflation, and others justify the rationale for ever-higher gold prices.

They may prove correct over the long run. However, in the shorter term, from a risk/reward perspective, gold appears to be stretched, and the possibility of a decent pullback seems probable.
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Retirement Income In Overvalued Markets

Financial planning industry thought leader Michael Kitces, CFP®; CLU®; ChFC®; RHU, REBC, and professor of retirement income at the American College, Wade D. Pfau, Ph.D., CFA, penned a seminal work for the Journal of Financial Planning titled [Reducing Retirement Risk with a Rising Equity Glide Path](#).

Their work and several tips can help with retirement income ideas for overvalued markets.

Well-read investors understand markets have been overvalued for nearly two decades. The short-term demand for stocks is driven by animal spirits, narratives, and the fear of missing out on opportunities. This does not mean markets crash in the long term, either.

There are cycles where markets churn for long periods.

A time correction can be frustrating and debilitating to wealth building. Time corrections are like overeating at Thanksgiving and sitting like a zombie for hours trying to work off a turkey coma.

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\$WMT Walmart CFO:

"Tariff costs are continuing to rise. This is managed on an item-by-item and category-by-category basis. There are certainly areas where we have fully absorbed the impact of higher tariff costs. Other areas where we've had to pass some of those costs along."

?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.?](#)

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