

## Here Comes the Fed

Markets were buoyed last week by economic data that could favor a reduction in interest rates at the upcoming Federal Reserve meeting. For the week, the S&P 500 Index was +1.6%, the Dow Jones Industrials +1.0%, and the NASDAQ +1.9%. The Technology, Utility, and Energy sectors led the S&P 500 Index for the week, while the Consumer Staples, Materials, and Health Care sectors lagged. The 10-year U.S. Treasury note yield decreased to 4.062% at Friday’s close versus 4.089% the previous week.

Recent economic data has investors set on an easing of monetary policy at this week’s Federal Open Market Committee (FOMC) meeting. Retail inflation was still elevated as the August Consumer Price Index (CPI) was +0.4% month-over-month and +2.9% year-over-year. Core CPI, which excludes food and energy prices, was +0.3% month-over-month and +3.1% year-over-year. Wholesale inflation was lower with the August Producer Price Index (PPI) -0.1% month-over-month and +2.6% year-over-year. Core PPI, which excludes food, energy, and trade prices, was +0.3% month-over-month and +2.8% year-over-year. It was the benchmark revision from the Department of Labor showing 911,000 fewer jobs were created in the April 2024 to March 2025 period than originally reported that called attention to a weak labor market. This weakness in the labor market may be the key factor in the FOMC deciding to lower interest rates. CME Fed funds futures are currently projecting three 0.25% rate cuts for 2025 starting at this week’s meeting, as well as one 0.25% cut in the first quarter of 2026.

Five companies in the S&P 500 Index are scheduled to report third quarter earnings results this week. Third quarter S&P 500 Index earnings growth is forecast at 7.6% with revenue growth of 6.2%. Full-year 2025 earnings are expected to grow by 10.7% with revenue growth of 6.1%.

In our *Dissecting Headlines* section, we look at the other side of “Sell in May and go away”.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	1.6%	13.0%	Aggregate Bond Index	0.4%	6.1%
Dow Jones Industrial Average	1.0%	9.1%	U.S. Dollar Index	-0.2%	-10.1%
NASDAQ 100	1.9%	15.3%	WTI Crude Oil	1.3%	-12.6%
Russell 2000 (Small Cap Index)	0.3%	8.5%	Gold	1.6%	38.8%
International Stocks (MSCI ex-US)	1.9%	25.4%	Real Estate (US REIT Index)	0.7%	4.5%

Sources: S&P Global, FactSet

## Dissecting Headlines: St Leger’s Day

In May, we sometimes hear financial commentators ask if it is time to “Sell in May and go away”. This implies the expectation that market returns will be weaker over the Summer months. But when are we supposed to come back?

The full phrase is “Sell in May and go away, come back on St Leger’s Day”. It originates from 18th and 19th century London and, like its modern, shortened paraphrase, meant to convey that the Summer is slow. Investors should come back to the markets on St Leger’s Day which is symbolized by the annual horseraces in Doncaster. This year, the races were held Saturday, September 13th.

If we had applied this logic to the S&P 500 Index this year, the January to May return was +1.1% and the June to St Leger’s Day return was +11.8%. So heeding the Sell In May advice this year would not have worked. Using data from the past 25 years, the January to May return for the S&P 500 Index has averaged +3.3%, the June to St Leger’s Day return has averaged +2.0%, and the St Leger’s Day to year-end has averaged +3.1%. The seasonal pattern holds up, but selling in May would still forfeit a historically positive return over the Summer months.

## The NovaPoint Team



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Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked as an equity research analyst at Merrill Lynch and ABN Amro. Before beginning his investment career, Joe was an Infantry officer in the U.S. Army. Joe holds a BS from the U.S. Military Academy at West Point and an MBA from the University of Chicago. He is both a Chartered Financial Analyst (CFA) and a Chartered Market Technician (CMT).



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Frederick has over 30 years of experience in the investment management industry. Prior to joining NovaPoint, Frederick was a Partner and Investment Advisor at Brightworth where he advised high net worth investors. Frederick began his investment career in 1991 at Balentine & Co where he rose to Partner. He also co-founded and served as Chief Investment Officer at Wright Investment Management and at Smith & Howard Wealth Management. Prior to beginning his investment career, Frederick served as an Engineer officer in the U.S. Army. He holds a BS from the U.S. Military Academy at West Point and an MBA from Emory University. Frederick is a Chartered Financial Analyst (CFA).



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