

CJ's Market Memo

July 12, 2025

In my long career as an investment professional, I have observed that certain technical formations still possess the power to shift the investment landscape with remarkable precision. The recent simultaneous "golden cross" formations across our major indices represent one of those rare confluences that demand serious attention from astute investors.

The Nasdaq completed its golden cross on June 30th, followed by the S&P 500 on July 1st, with the Dow poised to join this exclusive club around July 15th. This trifecta of 50-day moving averages crossing above 200-day moving averages has occurred only five times since 1971, last witnessed in 2019. The historical arithmetic is compelling: median returns post-event show consistent positive performance with 100% accuracy at 1-3 months, reaching +15.6% for the S&P 500, +20.3% for the Nasdaq, and +12.9% for the Dow at the twelve-month mark.



These technical signals gain particular resonance when economic fundamentals align, and therein lies the essence of our most reliable market prognostications. When technical conditions find harmony with underlying economic currents, we often witness the market's most predictable and sustained movements. Today's environment presents precisely such convergence.

With domestic inflation currently running at 2.4% and the Federal Reserve maintaining rates at 4.50%, we find ourselves in the peculiar position of watching other major

economies lead the monetary easing cycle. The European Central Bank has reduced rates to 2.00% through eight cuts since June 2024, the Bank of England has lowered rates to 4.25%, and the Bank of Canada has implemented significant reductions. This global divergence, while creating short-term volatility, positions the United States for eventual monetary accommodation that could provide substantial tailwinds for equity markets.

The inflation data arriving next week—both Consumer and Producer Price Indices—will likely prove pivotal in determining the Federal Reserve's September deliberations. Recent readings have shown encouraging moderation, with core inflation trending toward the Fed's 2% target. Should these trends persist, combined with emerging softness in labor markets, the pathway toward lower interest rates becomes increasingly probable. Such an environment would prove particularly beneficial for corporate profit margins, currently compressed by elevated borrowing costs.

Our markets demonstrated their underlying resilience by achieving fresh record highs early in the week, yet Friday's session revealed the market's continued sensitivity to trade policy pronouncements, as renewed tariff threats against Canada triggered a measured retreat. This pattern—policy-driven volatility overlaying fundamentally sound market structure—has characterized much of 2025's trading environment.

Adding intrigue to the weekend's considerations, rumors circulated Friday evening suggesting Federal Reserve Chair Jerome Powell might be contemplating resignation amid mounting pressure from the administration. While such speculation remains unconfirmed, any leadership transition at the Federal Reserve would introduce significant uncertainty during this delicate economic juncture.

Looking toward the remainder of 2025, I anticipate a market environment characterized by measured but persistent gains, driven by the powerful combination of favorable technical formations and gradually accommodative monetary policy. The golden cross alignments suggest the primary trend remains firmly upward, while economic fundamentals— inflation moderation, eventual rate reductions, and resilient corporate earnings—provide the underlying support structure.

However, investors should prepare for continued policy-driven volatility, particularly surrounding trade negotiations and Federal Reserve communications. The seasonal weakness historically observed in mid-July through September may provide tactical opportunities for position adjustments, though the overriding technical structure argues against any sustained decline.

The most prudent approach remains one of disciplined optimism: maintaining core equity positions while utilizing volatility to enhance portfolio quality and diversification. This

golden cross formation, backed by improving economic fundamentals, suggests the market's upward trajectory has considerable room to extend through year-end and beyond.

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