

September 13, 2025

CJ's Weekly Market Memo

Technical Analysis: Momentum Indicators Signal Continued Strength Amid Historical Precedents

Our technical assessment reveals compelling momentum characteristics that warrant careful attention. The S&P 500's close over two standard deviations above its 50-day moving average marks the first such occurrence since December, placing the index in statistically significant overbought territory. Historical analysis demonstrates that similar extreme overbought conditions have consistently led to outperformance across multiple timeframes, one week, one month, three months, six months, and annually. This pattern suggests momentum remains a critical driver of forward returns, creating favorable technical conditions for sustained market advancement.

Sentiment indicators provide additional confirmation of our constructive outlook. The AAI investor sentiment survey reveals substantial pessimism among individual investors, with the bull/bear spread at -21.5% sitting at just the 7th percentile of all historical readings since 1987. Bearish sentiment at 49.5% has reached its 95th percentile, meaning only 5% of weekly readings have shown greater pessimism. This extreme negative sentiment, occurring while the S&P 500 trades near 6,500 with subdued volatility, creates a notable divergence between investor psychology and market performance. Historical analysis demonstrates that such extreme pessimism among individual investors has marked opportunity rather than danger in roughly eight out of ten similar instances, reinforcing our technical momentum thesis.

The IPO market presents particularly noteworthy developments, with both the Renaissance IPO ETF (IPO) and First Trust US Equity Opportunity ETF (FPX) achieving new 52-week highs. This technical breakthrough coincides with IPO deal counts ranking in the 68th percentile since 1990, indicating robust capital formation appetite and a materially wider IPO window than observed in recent years. Such conditions historically correlate with sustained equity market strength and suggest continued institutional confidence in market conditions.

Oracle Corporation's (ORCL) extraordinary 38% single-session surge exemplifies the market's AI-driven momentum dynamics. The company's addition of \$255 billion in market capitalization, exceeding the total enterprise value of established financial institutions such as Morgan Stanley or Goldman Sachs, demonstrates the profound impact of forward-looking guidance relative to historical performance metrics. Management's projection of Cloud Infrastructure revenue expansion from \$10.3 billion to over \$140 billion within five

years, anchored by a singular \$300 billion OpenAI contract, underscores the market's dependency on artificial intelligence narratives and infrastructure investment themes.

Fundamental Analysis: Economic Data Presents Mixed Signals Requiring Nuanced Interpretation

Current economic indicators require measured interpretation within our strategic framework. The Bureau of Labor Statistics' preliminary benchmark revision, reducing payroll estimates by 911,000 positions through March 2025, represents the largest downward adjustment on record. While this revision suggests labor market conditions weakened more than initially recognized, we view this data recalibration as providing clarity rather than cause for alarm. When distributed across the revision period, annual job growth patterns indicate a natural deceleration from unsustainable post-pandemic hiring rates toward more normalized employment expansion.

Inflationary dynamics present manageable challenges within our strategic context. The Consumer Price Index's 0.4% August advance, while exceeding consensus expectations, reflects predictable tariff pass-through effects rather than broad-based price pressures. Core CPI's 4.2% annualized rate, though elevated above Federal Reserve targets, appears contained within specific sectors rather than representing systemic inflation acceleration. Producer Price Index data confirms our assessment that tariff-driven cost pressures are working through supply chains in measured fashion, creating temporary rather than permanent price level adjustments.

These economic crosscurrents occur against remarkably solid household financial foundations. Total mortgage debt representing merely 27.4% of household real estate assets, approximately half the peak levels observed during the 2000s, demonstrates the extraordinary deleveraging accomplished over the past decade. Combined with \$7 trillion in quarterly household net worth gains, with 79% attributable to equity appreciation, these balance sheet metrics explain sustained consumer resilience despite headline economic uncertainty. This financial strength provides the foundation for continued economic expansion and supports our constructive market outlook.

Corporate liquidity conditions remain exceptionally favorable, with companies maintaining historically high cash positions while benefiting from productivity enhancements driven by technological advancement. These fundamental strengths, combined with accelerating earnings growth trajectories, create the economic foundation supporting our portfolio positioning.

Our Current Outlook: Monitoring Developments While Positioning for Sustained Growth

We continue monitoring the Federal Reserve's policy evolution as they balance labor market deterioration against persistent inflationary pressures. Current market pricing suggests Fed funds rates settle near 3%, approximately 100 basis points below prevailing 10, year Treasury yields, indicating measured expectations for monetary accommodation. We remain prepared to adjust our portfolio positioning should policy trajectories shift materially from current market consensus.

Enhanced diplomatic communications between high, level U.S. and Chinese officials suggest meaningful progress toward arranging a bilateral meeting between Presidents Trump and Xi. This potential diplomatic breakthrough could prove significant for global markets. China's CSI 300 index achieved its strongest performance since March with Thursday's 2.3% advance. While we maintain no direct exposure to Chinese equities, we believe the gradual recovery of the Chinese economy may continue providing a natural hedge against worldwide inflation pressures through competitive manufacturing and commodity demand moderation.

My comprehensive analysis suggests remarkably favorable conditions for sustained equity market advancement. The convergence of technical momentum with fundamental strength creates what I consider optimal investment conditions, a rare alignment where both analytical frameworks support continued bull market dynamics. Corporate earnings growth trajectories, combined with historically rapid corporate liquidity expansion and accelerating productivity gains, establish a foundation I believe capable of sustaining intermediate, term market appreciation.

This technical and fundamental convergence represents my preferred investment environment. While I remain vigilant regarding tariff, driven inflation progression and labor market developments, current conditions suggest the bull market possesses sufficient fundamental support to continue for the foreseeable future. I stand ready to adapt our positioning should emerging data materially alter this assessment, though present indicators reinforce my constructive intermediate, term outlook.

My strategic approach emphasizes selective positioning within sectors demonstrating both technical breakout characteristics and fundamental earnings acceleration, while maintaining the flexibility to capitalize on evolving opportunities as market conditions develop.

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