

Hamilton-Bates

Market Update

September 17, 2025

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**Fed Rate Cuts Should Push Stocks
Higher Into Year-End**

Despite growing concerns, such as a slowing economy, pricy markets, and a deteriorating labor market, stocks refuse to fall. The stock rally has in fact accelerated in September as weak labor market data has guaranteed a series of rate cuts coming by the Fed.

The Fed and the Economy

Oh the Fed, late again. They were late to cut in 2008, late to take rates off of ZERO in 2018 (like 5 years late), and late again cutting now in the wake of a seriously deteriorating labor market. GDP is expected to be below 2% in 2025, well below the levels of the past few years. The labor market has also broken down, with 2 million jobs being revised away from 2023 and 2024 by the BLS. This significantly changes the labor market environment, and when coupled with recent monthly jobs data, which most recently showed just 22,000 jobs in August—keeps our biggest concern front and center (which we noted last month). The Fed has been dragged kicking and screaming to cutting rates, which have been a bit tight for some time. We will get the first of what is likely to be a series of cuts this very week. Likely a 1/4 point cut. The market has so far cheered rate cuts and has been buoyed by them MORE than the weakening labor market has hurt. This can continue for some time but it is not a healthy environment; we will look for signs jobs matter more than rates.

Market Strategy

The breakout above 6100 on the S&P, a level we months ago, has triggered another bull leg. The trend stayed intact this past month and pushed the S&P 500 above 6600 for the first time. The market is now expensive on a PE basis, and overbought from the run-up, but this is still a bull market. You don't want to fight a bull market, but you don't want to chase them either. We will buy dips in the major averages or stocks we like if we get them, but you don't pay 'top' prices. We actually cut a bit in a position that we felt was

underperforming. The market move remains intact, and with the Fed now CUTTING with the stock market at highs, that's a bullish configuration. We may see a little selling on the news of the rate cut we get this week—but no more than 3%. September is also weak seasonally, but not this year. That is because so many sold back in April of this year and have not gotten back into the market fully. Sentiment is also less than enthusiastic because of the concerns we noted before (slowing GDP, weak labor market), but sentiment is a lagging indicator—so we could see things get much more ebullient before the bull is through.

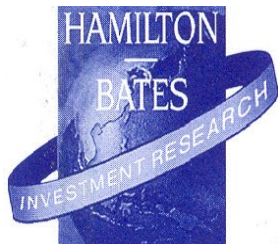
This market is a firm HOLD, we would not be surprised to see stock challenge 7000 on the S&P 500 into year end. We'll buy dips, hold on, and change when the market conditions change.

What Does an RIA Do?

Hamilton-Bates is an RIA Firm, a Registered Investment Advisor. We are also a Fiduciary, obligated to act in clients' best interests above all else. We work with financial planners to coordinate client investments so that they match the goals of the plan. If a client does not have a financial plan per se, we create an investment plan to match their goals and objectives; and make sure these investments are suitable. Finally we manage the portfolio, and rebalance and re-allocate as market conditions change. We do not 'buy and hope'; markets change and so should portfolios.

Long-Term Strategy—Precious Metals

Part of our evaluation of the investment climate is being aware and getting a grasp of long-term shifts/changes we see coming. We believe we are seeing some landscape changes that could affect portfolios for decades to come. That shift is coming through inflation and interest rates. For much of the past 45 years the bond market has seen falling interest rates (a bull market). That has



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**It's a Bull Market Don't Fight It
But Don't Chase It Either**

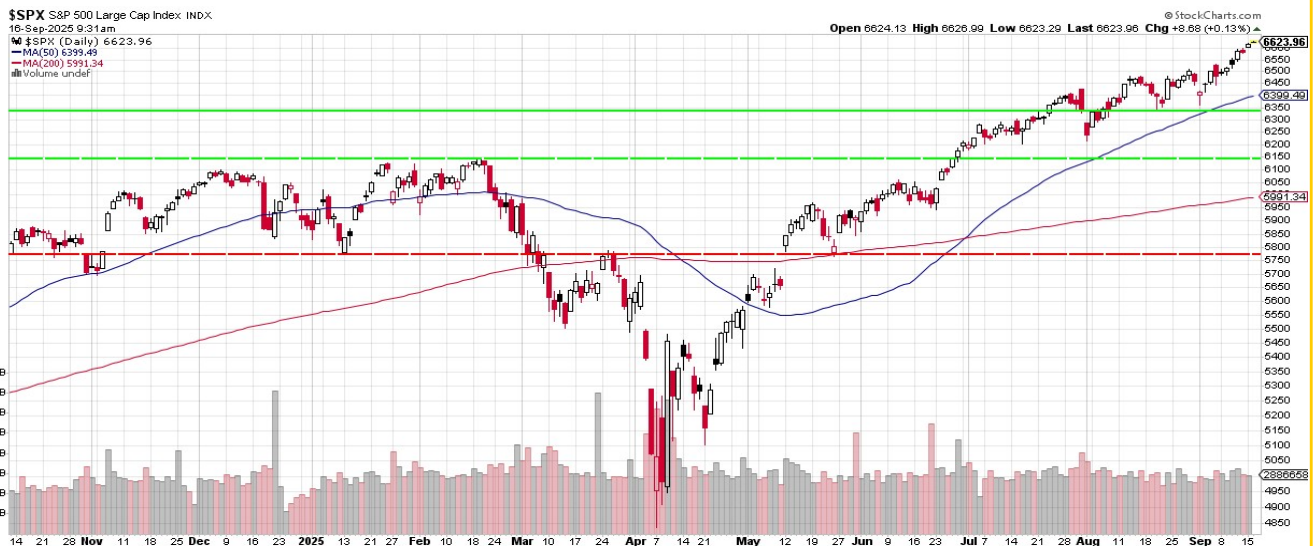
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now changed with rates bottoming at zero in 2018 and heading higher ever since. Yields are going up because debt amounts are rising and so is inflation.

The issue is DEBT. Every Government has too much of it, and everyone KNOWS it. Talk and fears of a debt crisis are open. Its one of the reasons we don't really like Government bonds, and prefer short-term yields across the income spectrum. We do not want to take interest rate risk. But as a result of this DEBT governments around the world will try to GROW their way out of it—we know they will never CUT spending. This is bullish for gold and inflation hedges (which also includes stocks). The future for precious metals is bright. Central Banks must

think so too. They are RUSHING into Gold and precious metals. The past 4 years have seen an explosion of demand, to the point where foreign Central Banks own more GOLD than US Treasuries as part of their foreign reserve. There is a clear move to de-dollarization. If Central Banks (who print fiat currency want gold—so should most investors). We have liked the metals as an inflation hedge, and have included them in client portfolios for some time; whether it's the metal itself or in mining stocks. In fund portfolios PRPFX fund has a position in gold, giving nearly every client some metal exposure. We plan on keeping positions low, but these type of adjustments are part of what we do, and it is how we keep clients AHEAD of changes in the financial markets.

Market Chart—S&P 500 Index—Short-term Breakdown but Still a Long-Term Uptrend



S&P 500 Index—Rally Continues

The breakout in June 6100 on the S&P 500, which were the peak levels in late 2024 and early 2025, constitute a bullish breakout (lower of the two green lines). The market has since chopped higher and then jumped in September as rate cuts become a certainty. The trend is bullish, you don't want to fight the tape. But we don't want to chase either, the market is a firm HOLD at present. We could possibly see some sort of consolidation back toward 6350, the higher of the green lines. This would be fairly typical trading behavior, and might happen on a 'sell the news' of rate cuts which will start this week.