

## NOT THE USUAL SEPTEMBER

September Comment 2025

When uncertainty is sovereign, the investor seeks comfort in past statistics. If you then struggle to understand why the stock markets continue to rise in a world crossed by the feeling that everything is changing, the numbers seem to be the last foothold. And so here are the seasonal "truths" about September: historically it is the worst month for the S&P, the beacon of global indices, with average losses of around -1.2% since 1928. In recent years, in four of the seven most recent Septembers, the performance has been even worse, about -3.5%. Not very reassuring numbers that seem to point the way: sell, or at least lighten.

A closer look, however, shows important exceptions: in 2019 and, more recently, in 2024, the S&P ended September in the green. In the first case, the Federal Reserve (FED) rate cuts were in the background; in the second, the market still priced in central bank easing, albeit with different dynamics than in 2019. Meanwhile, August scored +1.9%, after a solid July (+2.1%), and a correction was

expected, especially since the *rally* has continued relentlessly since May, in the aftermath of Donald Trump's *Liberation Day* slide on April 2nd.

The truth is that today the investor decides in a context of structural and geopolitical changes in full evolution. It must certainly evaluate the factors that move the markets in the short term, but considering accelerations in the redefinition of globalization: distinct poles are repositioning themselves and their fate in the coming years will depend on this.

Let's start with companies. In the latest round of earnings per share (EPS), *momentum* weakened in the US and globally. In Europe, only a minority, 41%, of the Stoxx600 sectors show EPS growth, while in the United States and Japan the picture remains more stable, 82.1% and 77.3% respectively. Nonetheless, indices have made new highs, with around 95% of markets above the 200-day moving average – a market breadth that is surprising compared to cooling earnings.

Supporting the anomaly is liquidity, the primary lifeblood of the markets. The money supply (M2) of the world's four major central banks (the United States, the Eurozone, Japan and China) is at an all-time high (\$95,400 billion as of September 5, source StreetStats) and, in the last year, 82% of central banks have initiated or continued a cycle of cuts, while only 17% have raised them. The Fed is missing, as it deals with employment and inflation - and with political pressures that dent its credibility. September, however, offers an ideal scenario that allows for easing without appearing overly condescending to the White House.

Recent data on employment, incomes, consumption and housing point to a cooling. In Jackson Hole on Aug. 22, Jerome Powell boosted markets by calling for downside risks to jobs. On that occasion, he also clarified a turning point: to cut rates, it is not necessary for inflation to fall below 2%, as long as the disinflationary process remains credible. On the price front, core *PCE* rose in July (to 2.8% from 2.77% previously), but without questioning the underlying *trend*. It is legitimate to wonder if a new path of

inflation for the coming years is not being recognized.

On a sector level, the high liquidity favoured artificial intelligence (AI) companies. The NYSE FANG+ Index has risen strongly (+20% year-to-date), while the S&P 500 Equal Weight is advancing more slowly (+7%), a sign that leadership remains focused. A super-cycle of investments in AI is underway that some estimate to be in the order of \$3,000-4,000 billion in the coming years. It's no surprise, then, that while many companies remain cautious about pricing uncertainty, semiconductors and AI platforms continue to thrive. NVIDIA, with a capitalization of over 4,000 billion, reported strong year-on-year growth in revenues, albeit in physiological deceleration compared to the exceptional rates of previous quarters: a natural adjustment as the revenue base expands. Profit-taking should not penalize the stock for long, but the market is becoming more selective: from these levels, a consolidation phase is plausible in which any corrections remain buying opportunities.

These are markets in the hands of politics and geopolitics: more than short-term fundamentals, the White House's

turnarounds count. Wall Street is convinced that Trump looks after his own interests: low domestic tax burden, customs duties to finance the rebalancing of external accounts and to force *onshore investments*. In fact, the world is called upon to contribute to the rebalancing of the American balance of payments and a *budget deficit* of around \$1,630 billion (in July the monthly deficit was \$289 billion, +19% compared to 2024). The stock exchanges, for now, are celebrating.

The dollar, which has depreciated by about 13% against the euro and the Swiss franc since the beginning of the year, is not celebrating. But stocks don't care: the dominant narrative is that the greenback depreciates because rates will fall in a partly "*managed*" soft landing. The attack on Powell could be part of a strategy to weaken the dollar and cool the economy without plunging it. The Administration's efforts to keep oil at bay also weigh in this picture.

The bond market, while vigilant, for now tolerates the strategy of the White House and Treasury Secretary Scott Bessent. Not entirely, however: the ten-year Treasury is back to around 4% and the thirty-year to 4.7%, a sign that the *bond*

*vigilantes* trust it, but with reservations. Gold also reflects the concerns by positioning itself above \$3,550 per ounce, while silver, close to \$41 per ounce, seems intent on approaching the all-time highs of 2011 (\$48 per ounce).

If there is a financial logic that goes beyond political intemperance, it is the same that could support the markets even in September and in the 2025 return: abundant liquidity and probable Fed cuts. Technology/AI will remain a driving force, but more selective, and a rotation towards value sectors is not excluded, thanks to the compression of multiples.

Reactions to Trump's bullying, however, are intensifying inside and outside the United States: Russia, China and North Korea are regrouping; New Delhi is tactically approaching Beijing while maintaining its autonomy. In Europe, discontent is boiling under the radar and could belie Brussels' easy promises. The Old Continent has benefited from the reallocation of capital out of the US and, with Germany's investment commitments, remains attractive, especially if the search for dividends grows and if France overcomes the current political crisis. Amsterdam also deserves attention

considering the pension fund reform, which should expand the space for equities (to the detriment of bonds).

In the medium term, the race for productivity will shift from AI and nuclear energy - necessary to power the new digital infrastructure - also as a way to contain inflation. The competition for hegemony (defense and space) will remain central; However, it will be necessary to monitor how long the world tolerates Trumpian bullying. Much will depend on the president's political strength: whether his threats will prolong the dollar's hegemony, perhaps despite the Fed's cuts, or whether monetary fragmentation will accelerate, strengthening gold. *Bitcoin* and some *stablecoins* remain correlated with the abundance of liquidity and, for now, are interesting.

The challenge to American tariffs has been taken up by China with technology and the markets are rewarding it. India, which does not intend to submit to Washington *diktats* or amalgamate with Chinese ambitions, is in full development and offers diversification. September, this year, may really not be the usual September.