September 1, 2026	Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
	52,767	7,631	26,100	2,920	4.80%	77,240	$4,409	$88.43

Investment Strategy Report

Stocks Stabilize And Move Higher in August As We Now Enter The Tough Month Of September

After a difficult month of July for tech stocks, markets settled down in August with growth stocks once again leading the way. For the month, the Dow was up 1.3%, the S&P 500 was up 2.6%, and the tech heavy Nasdaq was up 3.9%. It appears that after a sensational 2nd quarter, AI stocks needed to come back down to earth in July, if for no other reason than they had risen too much too fast. And in August we saw some stabilization, if not the continuation of the explosive move higher. And now, stocks will be facing the challenge of the month of September, which happens to be the worst month of the year for stocks.

Many stock analysts are now turning cautious, because in addition to facing a difficult September, stocks have other headwinds to contend with. The ongoing war in Iran, now 6 months old and counting, has led to higher oil prices. Interest rates are at their highest point in years, with the 10 year Treasury now hitting 4.80%. It's enough for investors to want to run and hide for a while, sensing that a stock market storm is brewing. The only good news that we can take from this is that sentiment is now decidedly negative for stocks. And in this contrarian business, negative sentiment is bullish for stocks. A bull market climbs a wall of worry. As soon as market volatility begins to move even slightly higher, investors will only find reasons to sell and will forget all the reasons why stocks were moving higher in the first place.

And there are some good reasons why stocks have been and still can move higher. On Aug. 12th, Tom Lee appeared on CNBC to lay out his thesis of why we can see more upside in the months to come. He mentioned that S&P 500 earnings should be about $425 for 2027. Using a 20 multiple would justify an S&P 500 at 8,500 by year end or by early 2027. He added that AI demand remains fundamentally strong, the US economy continues to strengthen, earnings revisions have been very positive, and inflation remains tamer than expected, as evidenced by the July CPI report. He felt that the July pull back was very healthy for the market. He talked about the corporate earnings season as being one of the best ever, with 85% of tech stocks having beaten estimates. "This tech run can last for the rest of the year and into next year". Tom was also not concerned about rising interest rates. "If long term rates go up because growth rates are higher, that's good".

Tom was again on CNBC today (9/1) and addressed the concerns about September's poor track record. He went against the consensus and said that he expects September to be a strong month. He feels that inflation concerns are likely to subside once this Friday's employment report and next week's CPI report come out. "The data will show that inflation is weakening and the odds of a rate hike might drop to zero". He stated that markets don't top when investors are worried. He also feels that the AI trade still has a lot of momentum. He discussed crypto's huge rebound last month, climbing around 30%. "Historically, crypto's move has preceded equities by a month". If that occurs this time, we can be in store for more stock upside. Other reasons why he is optimistic about stocks in September is that margin debt is falling (less speculation) and the AAII survey is still showing negative sentiment (positive for stocks). He also feels that once the election is over, the benefits of AI will return to the forefront and the backlash over data centers will subside.

Brett Eversole of Stansberry Research (8/12) addressed the outperformance of 3 stock market sectors while AI stocks took a beating in July. While everything AI related suffered, industrials, financials, and healthcare all hit new highs, as did the S&P 500. According to Brett, when these sectors join with the S&P 500 to hit new highs, it's a good time to be invested. Looking back since 1990, when all these sectors were hitting new highs, the S&P has risen an average of 12.8% over the next year, with the S&P 500 higher a year later 86% of the time. "Again, tech stocks aren't back to their previous highs yet. But other areas are picking up the slack. That's what we like to see. It's a sign of a healthy market".

Brett's colleague at Stansberry Research, Chris Igou, wrote on 8/17 about the market's fear gauge, the VIX, falling below 15, an indication of a very calm market. "Buying after the VIX drops below 15 usually leads to outperformance over the next year". Another reason to stay invested. *Jeff Feldman*