

## ON THE EDGE – AUGUST 2025

### Market Review

The major averages saw a continuation of positive momentum off the 'liberation day' April lows fueled by strong tech sector performance and hopes for future rate cuts. However, shifting sentiment and looming tariff deadlines limited the gains as the month came to a close. July got off to a strong start as both S&P 500 and NASDAQ surged to new all-time highs following progress on trade negotiations, dovish comments from Fed Chair Jerome Powell and a better-than-expected jobs report that led to a rally in all the different indexes. However, following the passage of President Trump's 'Big Beautiful Bill', choppy trading ensued as investors grew concerned with mounting debt and grim tariff headlines. A dip in yields was countered by new tariffs on Canada and other trade partners, which sent the DJIA lower. Despite slowing momentum leading up to Q2 earnings season, the Federal Reserve left rates unchanged at its July FOMC meeting.

Towards the back half of the period, the market got a shot in the arm after a trade deal was struck with Japan and revived the risk-on trade, which sent the S&P 500 and NASDAQ to new all-time highs while the DJIA briefly reclaimed the 45,000 level. Big cap tech names did most of the heavy lifting after several 'Magnificent 7' stocks beat on earnings and mostly guided higher. However, sentiment began to shift again with the PCE report, the Fed's preferred gauge on inflation, running slightly above expectations in June, raised the specter that a Fed rate cut could come sooner than later. By the end of the month, rising concerns that a narrow band of stocks were driving a disproportionate share of index performance combined with the administration's August 1<sup>st</sup> deadline for increased tariffs led to some volatility in the market. It was another see-saw move in crude oil prices, but the Energy (XLE) sector was able to close higher during the period. Sectors ended mixed with leadership being exhibited by Utilities (XLU), Technology (XLK), and Industrials (XLI) while underperformances were led by Health Care (XLV), Consumer Staples (XLP) and Communications Services (XLC).



For the month, the DJIA added 36.21 points (0.08%) and settled at 44130.98. The S&P 500 gained 134.44 points (2.17%) and closed out the month at 6339.39. The NASDAQ rose by 752.72 points (3.70%) and settled at 21122.45. The small cap Russell 2000 added 36.61 points (1.68%) and settled at 2211.65.

### Market Outlook

The technical condition of the market remained positive but was beginning to weaken as we headed into August. Momentum, measured by the 14-day RSI, is starting to weaken after pushing into overbought territory for the S&P 500

and NASDAQ. MACD, a short-term trend gauge, fell back to a neutral position for the DJIA. The secondary indexes, which include the DJ Transportation Index, small cap Russell 2000 and Philadelphia Semiconductor Index (SOX) are losing upside momentum and could be hinting at lower prices as we roll into August. The DJ Transports fell flat for the month while the Russell 2000 saw momentum slow as MACD change to bearish as the period ended. The Philadelphia Semiconductor Index (SOX) snapped an eight-week win streak. Further weakness in the SOX would weigh on the broader market as this index has led the summer rally. Finally, VIX finished the month near its lowest level since early February. While it shows traders aren't too concerned with a pullback at this stage, it does hint that investors may be becoming too complacent which can lead to an overreaction to disappointing news.

### Cyclical Trend Index (CTI): **Negative**

The CTI is Negative at -3, down nine notches from the previous month. The counts for Cycles C and D are bullish, while Cycles A, B and E are bearish. It should be noted that the CTI is projected to remain in Bearish ground through most of August 2025.

Cycle	Average # Of Weeks In The Cycle	# Of Weeks Since Previous Bottom	Bullish Or Bearish Connotation
A	6 + or -1 Week	4 Weeks	Bearish
B	18 + or -2 Weeks	15 Weeks	Bearish
C	36 + or -4 Weeks	15 Weeks	Bullish
D	72 + or -7 Weeks	15 Weeks	Bullish
E	216 + or -20 Weeks	145 Weeks	Bearish

The following are projected CTI readings through the week ending 8/29/25.

Week Ending	CTI	Connotation
7/25/25 (Actual)	-3	Bearish
8/01/25 (Projected)	-3	Bearish
8/08/25 (Projected)	-3	Bearish
8/15/25 (Projected)	-3	Bearish
8/22/25 (Projected)	+8	Bullish
8/29/25 (Projected)	+8	Bullish

\*\* The CTI is the total of the plus and minus values assigned to each cycle based on the number of weeks that have passed since their previous cyclical bottom. For a detailed explanation of the market timing models, click "Market Letter Help" on the top of the 'Market Letter'.

### Momentum Index: **Positive**

As of the close on 7/25/25, the Momentum Index is Positive at +6, down two notches from the previous month. The Momentum Index is a gauge of bullish or bearish divergence in the market. Readings of +4 and higher are regarded as bullish signaling stronger performance from the majority of the broader indexes vs. the DJIA. Conversely, readings of -4 or lower are regarded as bearish. Below is a chart of the performance of seven of the major broad market indexes included in the Momentum Index vs. the DJIA since the last major cyclical highs.

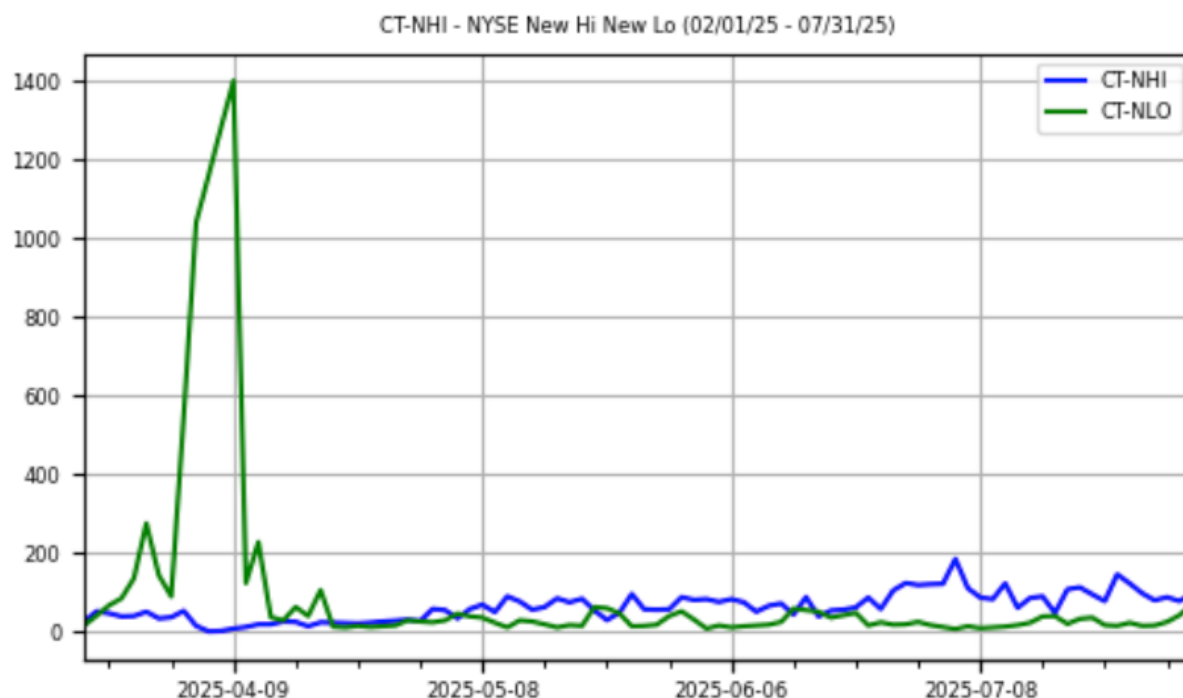
Prev Highs	DJIA	DJTA	S&P 500	NYSE	R-2000	NASDAQ	UTIL	A/D LINE
July 2025	44828.53	16316.19	6280.46	20725.79	2263.41	20630.66	1065.75	567009
7/31/2025	44130.98	15446.28	6339.39	20458.44	2211.65	21122.45	1101.03	564594
%Change	-1.6%	-5.3%	+0.9%	-1.3%	-2.3%	+2.4%	+3.3%	-0.4%

**Average % Change of the Broad Market Indices: -0.1%**

The broader market indexes are down on average  $-0.1\%$  from their July 2025 closing highs vs.  $-1.6\%$  for the DJIA resulting in a Neutral +6 reading. Breadth was positive for the month at the NYSE as the Advance/Decline Line gained 2160 units vs. a gain of 5622 units in June while the number of new 52-week highs exceeded the number of new lows on all 22 sessions. Breadth was also positive at the NASDAQ as the A/D line added 392 units vs. a gain of 5430 units in June.



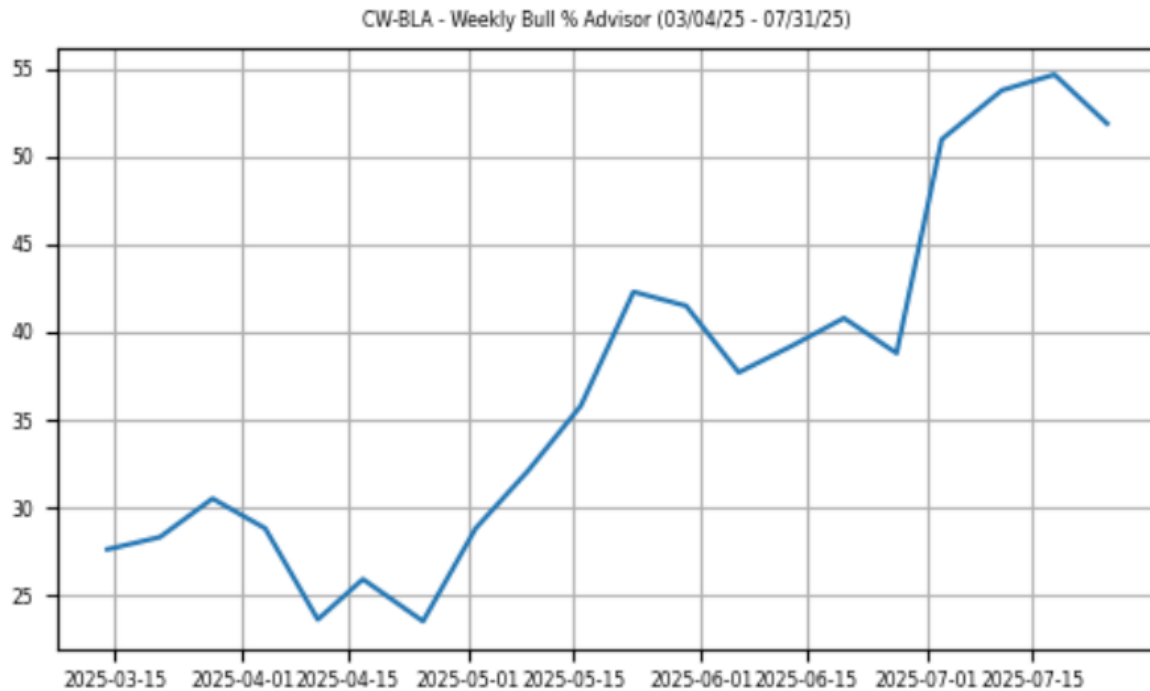
The number of new 52-week highs exceeded the number of new lows at the NASDAQ on all 22 sessions. Finally, the percentage of stocks above their 50-day moving average eased to 73.7% vs. 75.2% from the previous month while those above their 200-day moving average rose to 60.0% vs. 51.4%. Readings above 70.0% denote an overbought condition.



### Sentiment Index: Negative

The Sentiment Index ended the period at a Negative -2, down one notch from the previous month. The Sentiment Index tracks thirteen market indicators that measure excessive bullish or bearish conditions prevalent in the market. Whenever the crowd becomes overly optimistic (a bearish condition), the readings from the Sentiment Index will drop into negative ground. Conversely, when fear is rampant (a bullish condition), the index will be in the +3 to +8 area.

NYSE short interest was down -2.3% and 2.9 days of average volume for the period ending 7/15/25 vs. being up +1.4% and 2.9 days average volume to cover at the end of June. Short interest at the NASDAQ was down -1.7% and 1.8 days of average volume to cover mid-July vs. a +3.4% increase and 1.7 days average volume to cover on 6/30/25. The Percentage of Bullish Investment Advisors (50.0% vs. 38.8%), the AAI Bull-Bear Ratio (1.2 vs. 0.9), the Percentage of Bearish Investment Advisors (21.2% vs. 28.6%), the NAAIM Exposure Index (76.9 vs. 81.4), the Fear and Greed Index (69.2 vs. 57.6), the Bullish-Bearish Investment Advisors Ratio (2.4 vs. 1.4), and VIX, a measurement of fear in the market (17.93 vs. 16.31) are Neutral. The Total Put/Call Ratio (0.98 vs. 0.98) and the Dividend Yield Spread (-3.00 vs. -3.03) are bearish.



\*\*To view the charts and graphs of the major market indexes and pertinent technical indicators that are incorporated in the Momentum and Sentiment indexes go to the Market-At-A-Glance section located under Market Recap on the Market Edge home page.

### Market Posture: Neutral

Based on the status of the Market Edge, market timing models, the 'Market Posture' is Neutral as of the week ending 07/11/2025 (DJIA – 44371.51). The CTI is projected to remain negative through most of August.

### Market Posture Performance 2022-2025

The following is the performance record of the Market Edge 'Market Posture' for 2022 - 2025.

Projected Strong Periods:		Actual Results – DJIA
03/18/22 - 04/29/22 (34754.93 – 32977.21)	DJIA Gain/Loss	-1,777.72
05/27/22 - 06/10/22 (33212.96 – 31392.79)	DJIA Gain/Loss	-1820.17
10/28/22 - 01/13/23 (32861.80 – 34302.61)	DJIA Gain/Loss	+1440.81
03/24/23 - 05/05/23 (32237.53 – 33674.38)	DJIA Gain/Loss	+1436.85
07/21/23 - 08/18/23 (35227.69 – 34500.66)	DJIA Gain/Loss	-727.03
10/13/23 - 12/01/23 (33670.29 – 36245.50)	DJIA Gain/Loss	+2575.21
05/03/24 - 07/12/24 (38675.68 – 40000.90)	DJIA Gain/Loss	+1325.22
08/23/24 - 11/01/24 (41175.08 – 42052.19)	DJIA Gain/Loss	+877.11
12/06/24 - 02/28/25 (44642.52 – 43840.91)	DJIA Gain/Loss	-801.61
04/18/25 - 07/11/25 (39142.23 – 44371.51)	DJIA Gain/Loss	5229.28

Projected Weak Periods:		Actual Results – DJIA
08/26/22 - 10/21/22 (32283.40 – 31082.56)	DJIA Gain/Loss	-1200.84
05/26/23 - 07/14/23 (33093.34 – 34509.03)	DJIA Gain/Loss	+1415.69
08/18/23 - 10/13/23 (34500.66 – 33670.29)	DJIA Gain/Loss	-830.37
01/05/24 - 03/28/24 (37466.11 – 39475.90)	DJIA Gain/Loss	+2009.79
07/19/24 - 08/23/24 (40287.53 – 41175.08)	DJIA Gain/Loss	+887.55
11/01/24 - 12/06/24 (42052.19 – 44642.52)	DJIA Gain/Loss	+2590.33
02/28/25 - 04/18/25 (43840.91 – 39142.23)	DJIA Gain/Loss	-4698.68
08/01/25 - ??? ( 43588.5 – ??? )	DJIA Gain/Loss	???

While the CTI is typically regarded as either a Bullish or Bearish connotation, at times mixed readings from several indicators related to the CTI will result in a Neutral - Market Posture. The dates not presented in the above tables were periods where the Market Posture was Neutral. For a closer look at the technical indicators and studies that make up the market timing models, check out the 'Market Letter (Weekly)' located on the Market Edge home page. ([www.marketedge.com](http://www.marketedge.com)).

*Take a look at the new 'Dr. Market Edge Talks Stocks' section located on the Markets or Home Page. Every Tuesday, the good Doctor reviews three stocks that have recently been in the news. These articles will help you evaluate stocks when viewing Smart Charts and the Second Opinion reports.*

#### ETF Center:

The top performing ETF categories for the period ending 7/24/25 were Sector-Alternative Energy, Commodity-Base Metals, Specialty Natural Resources, Sector-Energy and Specialty Real Estate. The weakest categories were Commodity-Energy, Shorts and Specialty Technology. To review all the categories in the Market Edge universe, click on the ETFs tab.

#### Industry Group Rankings: What's Hot (11) – What's Not (19)

Of the 30 Industry Groups that we track, 11 are rated as either Strong or Improving while 19 are regarded as Weak or Deteriorating. The following are the strongest and weakest groups for the period ending 7/24/25. Strongest: Metals & Mining, Healthcare Products, Technology Hardware and Industrial Goods. The weakest categories were Paper & Forest Products, Insurance and Infrastructure. To review all the Industry Group rankings, click on the Industries tab.