
HedgeFolios Strategy Advisory

Gold & Silver Continue To Outperform S&P 500

09-14-2025

Our Current View:

It appears that our expectations mentioned since early September so far are coming true. In our September 1 *Wellington Letter* we said,

We would expect the algo-traders to take advantage of this September Effect, one way or another. Think of what you might do to fool the majority. One way would be to have a bad first week (i.e., stocks decline), and once the masses are short, generate a brief sharp rally.

A few days later on September 4 we wrote to members of our trading services (*Smarter Stock Trader* and *Fearless ETF Trader*):

The idea of September being the most bearish month of the year has gotten lots of publicity. Therefore, **a broad market decline will probably be postponed somewhat**. One more short squeeze should do it. Then perhaps October will be the bearish month instead of September.

September has been widely discussed in the financial media as being a poor month for the stock market. That suggests that there could be a brief but sharp rally from a decline this month, which will be a short squeeze.

After all, why would HFT miss such an opportunity to squeeze the early shorts? Then the real problem for the bulls will come in October, just when investors are celebrating that September was not a bad month.

Another warning sign comes from the IPO market, which is coming back to life. Last week was reportedly the biggest week of IPOs **in 4 years**. That is not necessarily bullish as it just means that more entrepreneurs are cashing out. Wall Street finds increasing appetite for risk when speculation gets very high. That makes it easier to find bag holders.

In the markets, after perhaps one more brief pop upward in the markets, the period of distribution should be finished and the October surprise should be ready to start.

The above of course is just our psycho-analysis. We could be mistaken in our timing of course. But we are chess players and think a number of moves ahead.

The charts seem to fit our forecast as well. Below we show the longer-term weekly chart of the S&P 500 going back to the late October 2024 low. Notice how the **Dohmen Regression Channel** (black diagonal line on the right) was nearly penetrated to the downside in the first week of September. That coincided with a near downside crossover of the Dohmen Money Flow (bottom, black arrow).

However, the **S&P 500 was able to rebound off the lower level** of the regression channel this past week, which made a "rejected downside crossover" on the Dohmen Money Flow. That is typically a positive signal suggesting further upside ahead.

The Fibonacci Projection gives the 6874 price area (X) a good upside target for the S&P 500 for now, which will likely be reached by the end of the month. Then, we would be on the lookout for a pullback or worse. What if the courts find that all the Trump tariffs were illegal and must be refunded?



However, the continued concern is the "broadening out" narrative. The daily comparison chart below of the "Percent of Stocks Above their 50-day m.a." (MMFI, top) versus the broad NYSE Comp (NYSE, bottom) shows a **bearish** divergence.

Notice how the peak in the MMFI this year was set in early June when **80% of stocks** were trading above their 50-day m.a. Since then, this indicator has gradually declined, making a series of lower highs (black arrow). Currently **61% of stocks are above their 50-day m.a.**

Now look at the NYSE Comp chart at the bottom, which has continued higher since June (green arrow), making a series of higher highs and reaching a record high last Thursday.

It's important to note that that NYSE Comp is broad but it is still a cap-weighted index. Thus, the biggest cap stocks can move the index much more than the many other stocks with smaller capitalizations.

The chart leads us to conclude the "average" stock has been deteriorating while the major large cap indices have been supported by the big cap stocks.



This is even more evident in the following chart, which compares the ETF of the **Magnificent 7** stocks (MAGS, blue line) to the ETF for the NASDAQ 100 (QQQ, maroon line) and the ETF for the S&P 500 (SPY, purple line). The chart compares their performance since the April 7 bottom.

Notice how the MAGS, which have the heaviest weightings in both the QQQ and SPY, has **soared 60%** over the past 5 months, far surpassing the **QQQ (+38%)** and **nearly double** the performance of the SPY (+30%). Therefore, the "Mag 7" have propelled the large cap indices. That is just **seven stocks**.



However, despite what you may initially think, these “Mag 7” stocks have not been the best performers of the year thus far. Many may think chip stocks or AI stocks have had the biggest gains, others may think the risky “Quantum Computing” or “High Beta” stocks have led the markets.

But it has been **the silver and gold miners sectors that have posted the best gains year-to-date (YTD)**. And that is where the majority of our suggested **HedgeFolios** positions have been over the past 4 months. They gave us much lower risk and better performance.

The daily chart below compares the MAGS ETF discussed above, which is up 15% so far this year. The Silver Miners ETF (SIL) has **soared 98%** followed closely by the Gold Miners ETF (GDX), which has **soared 97%**.



GROWING MONEY SUPPLY AND CREDIT: Last week’s CPI for August came in at **0.4% rise**, which is **4.8% annualized** (w/o compounding). The markets treated it as a non-event although it is much higher than the Fed’s inflation goal of **2%**.

If you go to the supermarket once per month, you can get “sticker shock.” The price increases do not seem to stop. One consumable we often buy used to be \$18.95 at a national supermarket. Then it was \$19.95 last month. Yesterday it was \$23.95. That’s inflation!

Yes, inflation is good for profits and good for retail sales increases until the consumer says, “no more.”

All this is a sign that currently credit is **plentiful and money is very loose, thanks to the Fed**. That is **fueling the insane speculation in the equity markets**. Inflation doesn’t come from heaven or hell. It comes from the Fed.

Remember our very important **THEORY OF CREDIT & LIQUIDITY**, which says that **these two factors are the most important determinants of major stock market trends**.

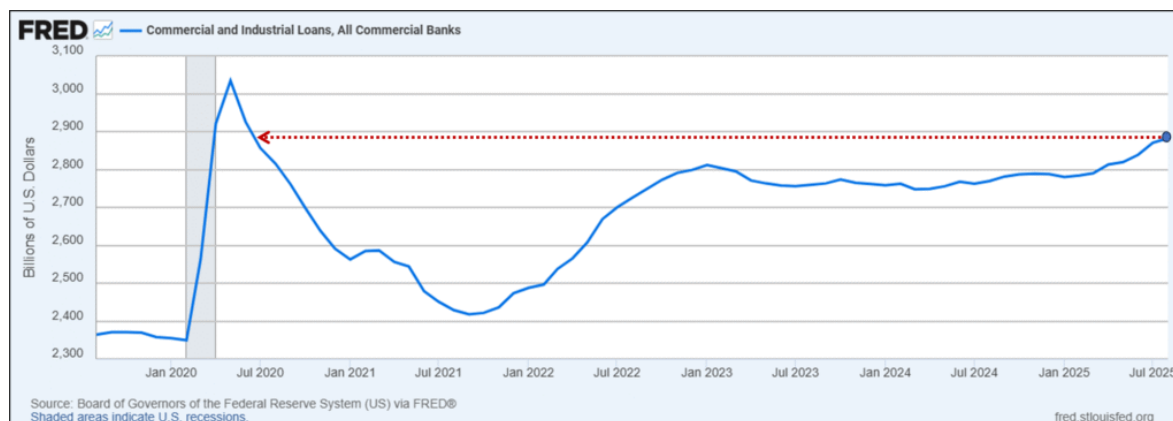
The Fed's statement that their policy is "tight" is fiction. Therefore, inflation can rise, even if interest rates rise. In fact, there is a cause-effect relationship contrary to popular economic theory. Remember, we are not Economists, and proud of it.

We have often written about the **1978-1980 experience** when interest rates went double digits but stocks continued to do well, contrary to economic theory. Inflation ended when Paul Volcker came in and actually imposed credit controls in 1980. That was tight money.

How do we know that money is plentiful? **The rampant and insane speculation seen in the markets. That can only be the result of excessive money.** Our Treasury Secretary Bessent knows how plentiful liquidity is. He used to work for Soros. Does Soros benefit from soaring speculation? You bet!

A statistic we use to measure **availability of credit is Commercial & Industrial Loans**. It is now at a new high since 2020, when the Fed panicked and hit the accelerator hard in order to stimulate the economy during the COVID pandemic.

See the chart below via the St. Louis Fed. If/when we see this chart heading down, it will be a warning that the bull market has turned.



CONCLUSION: Our work suggests that the stock market and speculation are **driven by the Fed** pushing money supply growth to a new record high, providing plenty of funds for Commercial lending—and that has been driving stocks higher. You won't read this anywhere else, because economists and analyst use incorrect economic theories.

Our HedgeFolios:

The precious metals are proving to be on a strong upmove. **Gold is up about 38% this year vs the S&P500 gain of about 13%.**

Last Thursday (September 11), we increased our allocations to the Gold and Silver ETFs (GLD and SIL) along with adding initial positions in the gold and silver miners (GDX and SLV) across all 5 models.

We also added an initial position in the copper miners ETF (COPX) across all 5 models as it has also seen strong upside after just breaking out above its May 2024.

Selling about half of our allocation in the short term T-bill ETF (BIL) in all 5 models last Thursday allowed us to free up some usable cash for potential new positions in the coming weeks. We now hold between 25%-33% in cash, depending on the model.

We still hold a small position in an inverse (bearish) ETF in our 3 models that can utilize these (Opportunistic, Global Equity, and Income) as a hedge against a potential market correction

Our Conclusion:

Over the near term, while there may be about two weeks left in this **market** rally, we prefer to stick to our high conviction picks in the **gold and silver** sectors, including the miners.

Longer term, this market reminds us very much of the final phases of other wild speculative binges. The less experienced traders are easily lured in with a handful of huge gainers each day. You can make very nice profits but must have the ability to make quick decisions when the stock does not do what expected.

Absolute discipline with â??risk managementâ?• is essential. Very few people have that and that is what makes the HFT trading outfits so profitable. They are programmed to take advantage of peopleâ??s emotions.

Wishing you successful investing,

Bert Dohmen and Dion Dohmen

P.S. My latest interview (from 9/2/2025) has gone viral, quickly accumulating **over 400,000 views**. If you havenâ??t already watched it, make sure to check it out as I discuss **the fake BLS data, the actual state of the economy, gold, silver, and his current outlook for the markets here:**
<https://go.dohmencapital.com/BDInterviewSept2-2025>