

Ridgetop Wealth Management

Market Update – October 2025

It Would Be Easy...

It would be so easy to give all of our attention to the various excesses in the stock market today. For years now the business shows, websites, and newspapers have all been talking about overconcentrated big-cap momentum stocks, broad overvaluation in stock prices, and rampant speculation.

So are all these media outlets and market analysts dead wrong? On many levels, no, they are not. The points they make are rational and the majority of the time factual. But there is an old saying on Wall Street that is applicable today: “You can either be right, or you can make money.”

Even though many of the anxious analysts are absolutely right in their observations, you would not be a happy camper if for the last three years all of your money was under the mattress.

And The Battle Rages On

Each day that we hit new records in the stock market the battle rages on between irrationally excessive excesses perceived by market analysis, and continued (and meaningful) growth in your investment portfolio.

“How long will this divergence last?” No one knows for sure. It’s a fools game to try and “predict” exactly what is going to happen in the market six or twelve months from now. What we do find prudent is to follow unfolding data within market internals and the economy to tell us today’s true story. Internal market data like the advance/decline line, percentage of stocks hitting new highs vs. new lows, fund flows, sentiment, margin levels, and global equity breadth all tie together and act like an electrocardiogram (EKG) for the market’s overall health.

Overall, Healthy

Overall, the patient (the market) remains healthy. When looking at one, four, and 10-year cycle composites of the S&P 500 we just survived our two toughest months (August and September). The one-year cycle remains on the defense late into October but overall we have survived seasonal headwinds and are moving into Q4 and Q1 tailwinds.

Like any other commodity, the stock market is governed by the laws of supply and demand. While for every buyer of a share of stock there is a seller, internals imply there is still ample demand for stocks. The data shows that volume demand (buyers) exceeds volume supply (sellers). This means there is more buyer interest in stocks, especially those that are going up. Historically when this phenomenon occurs the stock market continues to deliver above average returns. Volume demand has far outstripped volume supply since late April and by nearly the most since mid-2021. All very positive signs.

Further data:

- Corporations continue to buy. Net repurchases of S&P 500 stocks are nearing and likely to exceed the 2022 record high.
- Over 68% of global equity markets are trading above their 50-day moving averages. This means global equity breadth is strong.
- The four-week change in the purchasing managers index (PMI) shows that most economies around the globe are expanding in manufacturing industries.
- The stock/bond relative strength line remains firmly above its long-term trend.
- Back to seasonality and historical comparisons: There have been eighteen occurrences in the past fifty-five years when September price returns have been positive and the year-to-date return has been above 7%, like now. In sixteen cases returns were positive over the next six months, with a median return of over 9%. These are pretty good odds.
- Despite record highs, the data shows that sentiment remains neutral. It appears to us that many market participants are still looking for buying opportunities / entry points to pounce in, buying up equities either because they are antsy to get back in after selling around the Liberation Day crash in April, or unwind what they see as too high of cash positions in anticipation of interest rate cuts.

Reaching a Secular (Long Term) Top

We do not have our head in the sand in regards to risk. The S&P 500 has annualized over 13% since this secular bull market began in 2009. We will again find the market in a secular bear like 1966 – 1982 and 2000 – 2008, where the market annualized 1.3% and -5.6% respectively. This will begin when the market starts anticipating an economy with minimal earnings growth and stretched valuations will no longer be tolerated. At this juncture investors will start cutting their losses, and selling would beget more selling.

Again, It Would Be Easy...

As we said when we started, it would be easy to say there is just too much risk out there and the secular bear is upon us. But the consensus of our indicators (the EKG) illustrate that the bear is not yet knocking on our door.

We will continue to watch for developments consistent with past secular bears and will obviously keep you updated. As long as our models remain bullish, we would view inevitable short term declines as just that, pullbacks within an ongoing bull market.