



LOOKING **BEYOND** THE HEADLINES

Markets are constantly responding to new information, from economic data and corporate earnings to interest-rate expectations, geopolitical developments, and policy news from Washington. With the 2026 midterm elections approaching and headlines moving quickly, short-term market reactions can feel significant. Yet not every market movement signals a fundamental change, making it important to distinguish temporary noise from developments that may affect your long-term financial plan.

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RECOGNIZING THE INVESTMENT HYPE CYCLE

SEPARATING SHORT-TERM MOVEMENT FROM LONG-TERM PERSPECTIVE



WHY MARKETS MOVE

Financial markets are constantly processing new information. Inflation, employment, economic growth, corporate earnings, and interest-rate expectations can all influence asset prices. Political and geopolitical developments can add another layer of uncertainty, particularly during an election year when taxes, regulation, trade, and other policy issues receive greater attention.

Fundamentals are only part of the picture. Investor behavior can amplify market movements as fear, optimism, uncertainty, and the tendency to follow the crowd influence decision-making. Market mechanics, including liquidity and automated trading, can also contribute to faster price changes.

For long-term investors, the more useful question may not be, “Why did the market move today?” but rather, “Has anything changed that affects the assumptions behind my financial plan?” Volatility has historically been a recurring part of investing, which is why short-term movements are best considered within the context of your goals, time horizon, risk tolerance, and overall financial strategy.

For additional perspective, this historical view of the S&P 500 from Macrotrends can help put periods of market movement within a longer-term context.

For investors with complex financial lives, market changes can have implications beyond portfolio performance, including concentrated positions, liquidity needs, taxes, retirement income, and charitable giving. At Phases, we help clients consider these factors together and determine whether market developments warrant adjustments within their broader financial plan.



PUTTING MARKET SEASONALITY IN PERSPECTIVE

September has developed a reputation as a challenging month for stocks, and historical data lends some support to it. Since 1950, the S&P 500 has averaged a negative return during September, even while producing positive average returns over much longer periods.

September is not the only seasonal pattern investors may hear about. The “January Effect,” “Sell in May and Go Away,” and the “Santa Claus Rally” are all familiar examples of calendar-based market tendencies that have attracted attention over time.

There can be reasonable explanations behind some of these patterns. Trading volume, tax activity, institutional portfolio decisions, corporate earnings schedules, and investor sentiment can all vary throughout the year. But identifying a historical pattern is very different from knowing what markets will do next.

Historical averages reflect what happened across many years, not what will happen in any particular one. Economic conditions, valuations, interest rates, earnings, and unexpected events can all outweigh seasonal tendencies.

For that reason, seasonality can provide useful market context, but it should not be viewed in isolation as a reason to change a long-term investment strategy. Instead, periods of market movement may offer an opportunity to review your portfolio more intentionally, including rebalancing, capital gains and losses, liquidity needs, charitable giving, and broader tax-planning considerations.



RECOGNIZING THE INVESTMENT HYPE CYCLE

Innovation has always played an important role in financial markets. New technologies and businesses can create genuine opportunities, but they can also generate periods of intense investor enthusiasm before their long-term economics are fully understood.

SpaceX offers a timely example. Following significant attention surrounding its entry into the public market, investor interest has remained elevated, with shares recently trading around \$150 and the company's market capitalization again exceeding \$2 trillion. The enthusiasm reflects excitement around businesses and technologies including Starlink, launch services, and Starship, but the attention surrounding any high-profile company also provides a useful reminder that an exciting business and an attractive investment at a particular valuation are not necessarily the same thing.

We have seen similar patterns surrounding cryptocurrency, non-fungible tokens (NFTs), artificial intelligence, and other emerging investment themes. Although the details change, the behavioral cycle can look familiar.

1. Trigger: A new technology, company, or opportunity captures attention.
2. Rising expectations: Early progress or strong returns attract a wider group of investors.
3. Peak excitement: Media coverage increases, expectations rise, and fear of missing out can begin influencing investment decisions.
4. Disillusionment: Expectations are eventually tested against financial results, adoption, competition, and economic reality.
5. Long-term usefulness: In some cases, durable technologies and successful businesses remain after the initial speculative enthusiasm fades.

The challenge for investors is that innovation and valuation are two different questions. A technology may ultimately transform an industry while individual investments associated with it still experience significant volatility.

Rather than making decisions based primarily on headlines or excitement, it can be helpful to return to the fundamentals. What does the business earn? What assumptions are reflected in its valuation? What risks could challenge those assumptions? And perhaps most importantly, what role would the investment play within your portfolio?

Diversification, risk tolerance, time horizon, and long-term objectives remain important considerations regardless of how compelling a particular investment story may seem. When new opportunities arise, our team can help evaluate how they fit within your financial plan.

KNOW SOMEONE TRYING TO MAKE SENSE OF THE MARKETS?

Periods of market uncertainty often raise questions about what deserves attention and what is simply short-term noise. If someone in your life is looking for a clearer perspective on their investments or broader financial plan, we would be happy to be a resource.

Simply reply to this email with their contact information or feel free to forward this newsletter directly.

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REACH OUT TO US



650.313.2740



703 High Street, Palo Alto, CA 94301

JUAN ROJAS

AAMS®, AIF® – Financial Advisor, RJFS
CA Insurance #0D21604
Partner, PFG

MICHAEL LIPKINS

AIF® – Private Wealth Advisor, RJFS
CA Insurance License #0C73111
Partner, PFG



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STANDARDS IN EVERY PHASE OF LIFE»

— John W. Gardner —

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