



Fading this Market Move?

Good Luck with That 10-29-2025

One of the all-time great works of comedic genius, Caddyshack, is chock-full of great one-liners (after all, Rodney Dangerfield is the king of the one-liner.) But my personal favorite is from the scene in the golf pro-shop when he's trying out a really, super-ugly madras hat. Dangerfield had been eyeing the same hat and commenting to his friend, "What do you...get a free bowl of soup if you buy this hat," and then looking over at Judge Smalls to see him wearing it, "Oh, Looks good on YOU though!"

One could apply this quote to many things going on in the market today, but most elegantly, it applies to the outlook for the next 12 months. A nice simple piece put out by Carson Group today shows that when the market is up as much as it currently is through the month of October, generally the last two months of the year (20/21 times) is positive, and to the tune of about 6% ([Carson Article on YE Performance](#)). Now, this is just basic data-science, and there certainly isn't any rule that the market must finish up by 20%, or even up at all. But the overall point is that I think the investment landscape has markedly shifted from the April lows in the S&P at the behest of the China Trade War part Two.

While tariffs could and may emerge at some point in the inflation data, we are still seeing core inflation on a basically-downward trend, with chunky items such as shelter easing the burden from their post-pandemic heights. As a result (well, not really, but okay) interest rates are expected to come down – as the search for the next Fed Chairman is winnowed down to the final five candidates ([Bessent Lists Final Five Candidates](#)), all market friendly gentlemen who profess to believe in the easing of financial conditions story.



Count me among those who agree that the average American needs lower interest rates. While I can appreciate that the Fed is between a rock and a hard-place as it relates to the fulfillment of its dual mandate – in prior circumstances under which it needed to choose between the labor market and quashing inflation, it has overwhelmingly sided with support for the labor market. That's good news, because it comes just in time for A.I. to take everybody's job. With Amazon set to fire up to 30,000 workers, UPS laying off 48,000, Chegg cutting its (admittedly small, [Forbes Article](#)) labor force by 30%, and countless other stories (I was reading that OpenAI had hired 100 ex-investment bankers ([OpenAI hires 100 ex I-Bankers](#)) to build, guess what, ChatGPT for replacing junior bankers, and if you think they'll stop at the juniors I think you need to reconsider), if something is not done to ease the pain in the labor market, we could get a healthy dose of societal unrest coinciding with high interest rates as we run into the A.I. overlord phase of the 21st century.

While one might interpret this as all doom and gloom, don't expect the stock market to share that opinion, as it bows only on the alter of red-blooded American profits. And cutting jobs does usually mean more profits (although if we get a consumer-induced recession, we'll see how long that lasts.) I am not sure we are bound for a recession, the same way I am not sure we are in an A.I. bubble, the same way I am not sure inflation will get out of control, the same way I don't think Sam Altman cares about the appearance of his circular financing deals. However, I believe the subtle changes in the constitution of market leadership bears paying attention to, as next year's winners might not just be "Mag 7 and Chill."

Quietly, almost covertly, we are seeing small and midcaps outperforming the mega caps. Financials are killing it, led by the big banks which just delivered



phenomenal earnings reports. 87% of the S&P 500 constituents that have reported are beating their earnings estimates ([Factset Earnings Insight](#)), clocking in at a healthy 9% earnings growth clip. This is NOT the stuff of recessions, but it has a puzzlingly early-cycle feel, the bears might even call it vexing.

If Rodney Dangerfield were Trump, the US economy were the speedboat he was driving, the anchor were tariffs, and the boat he dropped the anchor onto were soybean farmers, I'm not sure that him saying "Hey, you scratched my anchor," is going to work this time. I'm sure that there are going to be repercussions for the thousands of geopolitical flashpoints being brought to a boil, but I think the Ole Reliable, "Don't Fight the Fed," motto, is the most pertinent thing to pay attention to.

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