



INVESTMENT VIEWS



NOVEMBER 30, 2025

INTEREST RATES ON OUR MIND

This newsletter frequently has interest rates as an ongoing topics of discussion. Rightfully so – interest rates are the primary determinant of almost every aspect of the financial markets and the economy. Interest rates determine stock valuations – higher rates mean lower stock valuations. Interest rates also help determine housing affordability as they determine the monthly payments on mortgages. They also have a place in the dominant role of capital spending decisions by corporations. Changes in interest rates also determine the size of budget deficits and other, more complex phenomena in the financial markets.

Currently, we are watching interest rates here in the US as well as in Japan, where rates have been ultra-low for decades and now seem to be heading higher. US rates have also been rising since 2022, but now face downward political pressure.

What does all this mean for investors? Whether we are looking at Japan or the US, the interest rate environment will be causing volatility - up and down - in global financial markets in the coming years. The Japanese central bank must make choices between saving the Yen from strong depreciation or keeping the bond market from collapsing. If Japanese bond yield rises too quickly that rise can cause the so called “carry trade” to unwind with consequences for global markets.

The US central bank, has been cutting shorter term rates over the past year as official inflation readings cooled off. While shorter term rates have come down, longer rates have not and political pressure is building to “do something” to get them down. Chairman Powell’s term is up next year and the next chairperson is likely to pursue a plan to get longer rates down, known as “Yield Curve Control” or YCC. Investors need to continue to be aware of these interest rate situations and prepare portfolios accordingly.

LOW PE STOCKS AS A HEDGE

Investors who regularly read our newsletter will understand that this crisis environment we are in needs to be carefully managed from a portfolio standpoint. One strategy that has worked so far is investing in low PE “value” stocks. Often these stocks are dismissed by investors in favor of growth names, low PE stocks are a good “hedge” against sudden rises in interest rates and general market volatility. These stocks are often in the commodity/materials sectors or have otherwise fallen out of favor with investors. Many of these stock pay a good dividend to boot. While an investor would not want only “cheap” stocks, they definitely have a place in portfolios.

BUILDING AN INDUSTRY FROM THE GROUND UP

Drones are becoming ubiquitous in our society and will likely become even more so over the next decade. However, as the current administration has highlighted, most drones and the software that controls them are made in China. This has obvious national security implications that were somehow ignored until now. The federal government will be assisting in the build out of an entire industry that did not exist in the United States just a couple of years ago.

While there are many competing companies out there we believe that there will be a few big winners. Ondas Holdings (ONDS) is creating a vast, integrated network of drones right here in the US that can be used for industrial and military purposes. While there is still much to be done, we believe that ONDS is on the right path with the right technology to win big in this new, fast growing domestic market.

SILVERS 45-YEAR MOMENT

While much has been written by us about precious metals, focusing mostly on gold, silver has just had a 45-year moment in the making. Since making a high at \$50 in 1980, silver went on the plunge to less than \$5 during the 1990s and only started to make a real comeback in the 2000s, again touching \$50 in 2011.



SILVER 1970-Present



With gold over \$4000 an ounce and silver still below the high from 1980, many precious metals investors looked for silver to finally breakout to a new high. While a new high was made in October, the silver price quickly fell into a consolidation pattern, where it moved up and down for weeks. However, in late November rumors of global shortages took hold and sent prices back well above \$50 and as of this writing the silver price closed at \$58. Silver is in a structural deficit, with demand rapidly growing while supply is stuck for now. We are positioned in one of the worlds largest silver miners, PanAmerican Silver (PAAS).

SOMETHING TO CHEER FOR THIS HOLIDAY

As we move through the holiday season after a record year for invested returns, we would like to point out some studies that continue to give reasons to be bullish. At this time last year we were discussing a breadth thrust signal that only has occurred eighteen times since World War II. We actually got another one of those signals in April and the returns on those recent signals have been some of the best ever seen. Now that might mean that the market has outkicked it's coverage (if you excuse the football reference), but several new signals have popped up recently which could be a harbinger of more positive returns to come.

While November had its ups and downs, it was in fact the seventh month in a row that the market finished positive. The is the seventeenth time since 1950 we have seen such win streak. This has shown to be a positive indicator going out for the next eight months. Only after the first month (December in this case) are returns positive less than 70% of the time. The average return in this first month is below one percent, but the remaining returns from months two through eight are all quite healthy. In regards to the current month, this leads nicely into studies that show when Thanksgiving week is up everyday (as it was this year), then December returns are quite muted.

Another study that looks out even longer is the fact that in years where at any time the year-to-date return on the S&P 500 is negative 15% or less, but comes back to finish he year with a return greater than positive 14%, the following year has positive double digit returns. Now we haven't finished the year quite yet so let's not count our chickens before they hatch, but we just need the S&P to do no worse than a negative 2% return to be included. The sample size is quite small as this has only happened 3 other times since 1950, with this year hopefully being the fourth.

Keep in mind that this does not mean the market goes straight up and mid-term election years always bring volatility and large drawdowns. However, these studies show positive tendencies.

Recommendation List: A list of all previous specific investment discussions published over the past 12 months will be provided upon request. Please email lara@mhandassociates.com or call our office for this list.



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