

# INVESTMENT VIEWS

AUGUST 31, 2025

## FED (FINALLY) LEANS DOVISH

As we write this newsletter, Chairman Powell just delivered his annual speech at Jackson Hole, Wyoming. This speech has been widely anticipated for clues as to the direction of interest rate policy. Many pundits, including President Trump have been calling for rate cuts, which so far Powell has been resisting. Importantly, in this speech Powell has taken a decidedly dovish turn, acknowledging risks to employment, while seemingly putting inflation concerns on the backburner.



Weakening jobs data have definitely caught his attention and while inflation remains an issue, clearly he believes that there is time to see whether one time increases gradually fade. So far, a healthy and robust job market has prevented previous bouts of economic weakness from turning into a larger economic issue. Powell now seems on guard to balance this risk with that of recurrent inflation.

This change in tone and stance has virtually locked in a rate cut in September, which notably has created a further breakdown in the US dollar. A weak dollar, relative to other currencies seems to be something that everyone wants. Administration officials and authorities from other nations have all cited the strong US dollar as an impediment to their policy objectives, namely stronger economic growth. Will this tone shift lead to a lasting policy change and weaker dollar? At this point it seems like something most authorities want.

## VIKING RAIDED



Investing in biotechnology offers some of the most potentially rewarding opportunities, but also likely the most risk as well. This is especially true for small companies looking to establish themselves as the next big thing. After soaring over 1000% between 2022 and 2024, Viking Therapeutics shares have trended down on a lack of catalysts as they move from one stage of drug development to the next and competitors continue progress. The market did not take recent news very well as they reported mid-stage 13-week Phase II results for their oral weight loss medication which sent shares down over 40%.

Our interpretation was positive overall, but we question the design of the trial. Results lived up to the companies expectations and that of the previous Phase 1 trial which showed superior weight loss and safety profile to that of competitors. The issue that investors disliked was the fact that 20% of the participants discontinued the study due to adverse side effects. On the surface this seems poor but the placebo group (those not receiving the medication) had a 13% dropout rate due to side effects like vomiting. All adverse effects were considered mild by the company, but for the placebo group to be exhibiting those levels of side effects (or any at all) seems very strange. Our belief is the company pushed the envelope too far in terms of dosages in order to impress the market with superior weight loss and it backfired.

We are still positive on the shares as their drug still shows superior weight loss and a similar side effect profile to competitors. As they continue to refine the dosages, the drop out rate should fall and we remain convinced that full trial results will yield good data. On top of this they have the injectable version of this drug moving into Phase 3 trials and this drug is also viewed as best in class. Should these trials return positive results, that should catapult shares similar to what they did in 2024. With all the shares that are short, that is a lot of future buyers who will have to cover on any sharp upward movement of shares. Risks, however, are still high and sizing the position correctly is key.

## GLOBAL BOOM AHEAD?

Current economic dynamics hint that the global economy - most notably the emerging markets – may be about to experience a boom. For over a decade these so call emerging markets, lead by nations such a Brazil, India, China, Russia and South Africa have only experienced growth together in fits and starts, with some nations doing well, while others languish. A weakening US dollar may be the missing ingredient to get these nations in synch, allowing for a broad global boom in economic growth. As we have explained in prior issues, the US dollar is the world’s reserve currency, and a strong US dollar relative to other currencies is typically a strong headwind for global growth.



With a dovish Federal Reserve and the current Administration's economic policies, the US dollar seems set to decline over time, turning the headwind into a tailwind for global growth. This growth will not only be good for various stock markets, but also will inevitably drive prices higher for a broad range of commodities such as fertilizers, food, oil, natural gas and industrial metals. Stock markets around the world are breaking out to all time highs after forming bases for years. In particular, Japan has been forming a base for 35 years and is finally hitting levels not seen since 1990. How long will this growth last? That likely remains at the whim and interests of policy makers in Washington DC. For now, it seems clear they want a weaker dollar.

## GOLD REVALUATION



Gold and silver are closing in on a record 2 years of back-to-back double digit gains. This is a rare occurrence not seen since the 1970s and to us indicates that further gains over the long run are likely. In numerous past newsletters we have explored and delved into our rationale for the precious metals bull market. From Chinese demand, to central bank accumulation and geopolitical based hoarding, gold and silver have seen continued demand from several areas.

One aspect that has become a popular topic is the idea of a gold revaluation. Officially, gold is valued by the US government at \$42.22 per ounce – a very stark contrast and dislocation from the current price of around \$3,400 at the time of this writing. If the US Treasury were to allow or encourage the price of gold to rise further, then officially revalue it’s holdings of over 8000 tons, the potential result could be hundreds of billions or possibly trillions of dollars in new currency to spend without adding to the national debt.

## PRICE TRUMPS SEASONALITY

As of our last newsletter we felt the market was ready for a bounce, but thought the short term trend had changed to bearish and to expect a choppy market. The bounce did in fact occur, but the market has been anything but choppy. All major indices have reached all time highs this month, with the Dow Jones Industrial finally joining the party recently. This goes against the typical seasonality which calls for a weak market from mid-August through mid October. Still a long way to go obviously and a Fed induced bounce masked a particularly poor week in August.

Positive moves have been broad and there appears to be rotation into small cap stocks as they are finally starting to outperform. Sectors that are leading the market over the last three months are of the bullish variety while areas like utilities and staples are lagging. It is hard to be bearish when domestic and foreign markets are all breaking to all-time highs. All this is bullish behavior and perhaps the short term bearishness we thought we would see was extremely short term indeed.

**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](mailto:lara@mhandassociates.com) or call our office for this list.



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