

Market Resource August 2025:

1 message

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AUGUST 2025

BROXTON
CAPITAL ADVISORS



YTD as of 7/31/2025

AlphaPortfolio 2.77%

Smart Yield 2.79%

MARKETS

DOW JONES 3.72%
S&P 500 7.85%
NASDAQ 100 10.52%
REIT INDEX .07%
SMALL CAP -.71%
HIGH YIELD 2.20%

BOND YIELDS

10 YR TREAS 4.23%
YTD CHANGE -4.60%
30 YR TREAS 4.89%
YTD CHANGE 2.17%

SINCE INCEPTION

Through December 31, 2024
BROXTON 462.93%
S&P 500 583.91%
DOW JONES 519.11%

The Market in focus

(above) Your Defense Dollars

Market Update: The rebound for stocks continued into August. However, the market was poised to move on the expected reduction in fed funds in September. A lowering of .25% is predicted at 87% by CME. This also highlighted a political battle where the president is asserting powers to remove federal reserve governors upon executive determination of "cause" and the president seems desperate to fire governor Laura Cook. The action seems to be a repeat of the administration's disregard for due process, since Cook hasn't been found to have done anything. But, is lowering rates good anyway? We point out that the belief that there is a direct correlation between lower interest rates and higher economic activity is not proven and in fact the opposite correlation is proven! Wuuuuuuut? 🤪🤪🤪🤪 (mind blown emoji)

Fed Funds Rates and Economic Correlation: Oops, looks like we've been **wrong for years**. Lee & Werner reported in their [paper](#): "On balance, our empirical results show that (1) the correlation between economic growth and interest rates is not negative but positive in virtually all countries examined over most time periods" The faulty belief that lower rates equals economic growth could be partially explained by pragmatist Danielle DiMartino Booth in her book: [Fed Up](#). She concluded that: The Federal reserve is composed of a cabal of unelected academics who made decisions without the slightest understanding of the real world, just a slavish devotion to their theoretical models. We agree. Not only is the current rate theory (lower = economic growth) not supported in any way and the opposite is true, we believe it causes major harm. While low rates usually encourage borrowing, the vast majority (over 85% of individuals) find it difficult to access the lower credit. In addition banks do not make enough money off of high quality borrowers to take risks on mediocre borrowers so the loans are not made. Also, low interest rates stimulate demand for existing assets like real estate and equities and greatly reduce the value of risk assets such as business ventures. Reduced business venture demand reduces labor demand and the price for labor. And low interest rates may reduce birth rates. Higher interest rates can also



reduce demand for housing, which can lower house prices. Lower house prices could potentially make it more affordable to have children, though this effect is complex. Why do we believe in the faulty economic theory? Group think and organizational psychology, which make it more important to agree with the consensus even if it is wrong..so you fit in. Seems crazy but we leave you with two examples. Would you or anyone trust the government to set the price of apples? No, of course not. Prices are determined by complicated economic processes and price controls assume that government bureaucrats can replace all these complicated factors with the involvement of government central planning. So.....no on apples, we all agree..... but yes on interest rates? Thanks [Jonathan Williams](#) who stated: People "naively assume some government bureaucrat can understand all the possible considerations and consequences...and...outsmart the market? This has been proven wrong countless times throughout history." Second example..something called Japan: Japan is experiencing both demographic and economic decline, driven by a historically low birth rate and a rapidly aging population. The workforce is shrinking, leading to slower GDP growth per capita and placing immense strain on the social security and healthcare systems. What?? These guys are historically aggressive growers??? The probable reason: Over the last 30 years (1995-2025), Japanese interest rates have been characterized by a long period of ultra-low or negative rates.This gets multiple WTF emojis: 😞😞😞😞😞😞😞

Earnings Outlook: According to FactSet: The blended Q2 (year-over-year) earnings growth rate for the S&P 500 is 11.8%. Communications services, containing companies like Alphabet (Google), Meta Platforms, Netflix, and Verizon, was a top performing sector followed by info technologies and the financial sector. Energy was again the worst performer on earnings posting negative 26% earnings year over year. For Q3 2025 and Q4 2025, analysts are calling for earnings growth rates of 7.2% and 7.0%, respectively. For CY 2025 analysts are predicting (year-over-year) earnings growth of 10.3%...So far so good as they say!!!🙏🙏

Economy: National Restaurant Association (NRA reported): "On an inflation-adjusted basis, eating and drinking place sales stood 1.6% above their year-ago levels in July, ...Consumer spending in restaurants remained relatively flat during the last few months. A 0.6% sales increase in June was sandwiched between declines in May (-0.2%) and July (-0.4%). Meanwhile, consumer spending in non-restaurant retail sectors jumped 0.7% in July, which followed a healthy 0.9% increase in June. It's clear that consumers still have an appetite to spend money, but they remain selective in where they choose to allocate their dollars on a month-to-month basis. Overall, eating and drinking place sales were up 5.6% between July 2024 and July 2025. So all good on this front. Last month we reported that: In October 2023, Federal student loan repayment accommodations ended and delinquency reporting resumed resulting in a delinquency explosion!!!! for this group. According to [Equifax: as of August](#): The severe delinquency rate is 17.12%. A year ago,the rate stood at 0.49%. This is not considered consequential however and the D rate improved from 18.73% in May! In August of 2025 auto loan delinquencies were unchanged, credit cards and private label cards were slightly improved. low grade credit was unchanged to better and NY Fed Nowcast stood at 2.25% growth for Q3 and GDPNow is at a prediction of 3.5% growth....So no recession signs here.

DINE BRANDS GLOBAL (DINE): We upgraded Dine Brands from Hold to Buy, with a \$32 price target, basedon a close to 10% dividend yield and Early signs of success from the new value focused strategies.Dine Brands Global, Inc. (DIN) is the franchisor of Applebee's, International House of Pancakes (IHOP), and Fuzzy's Taco Shop. As of December 31, the company had 3,555 franchised restaurants, including 70 company-operated locations, comprised of 1,614 Applebee's locations, 1,825 IHOPs, and 116 Fuzzy's Taco Shops.A particularly noteworthy development is the company's move toward dual branded Applebee's/IHOP locations. Early sales data from these new formats show 2–3 X higher

revenue compared to the prior single-brand locations. Although we are not currently modeling any financial upside from this initiative, the company could have 100 dual-branded units by the end of 2026, and the conversion pipeline is already oversubscribed. We note that in 2nd quarter buybacks and dividend totaled \$6.0 and \$8.0 million respectively.[REPORT](#)

TRIPLEPOINT VENTURE GROWTH (TPVG): TriplePoint Venture Growth is a publicly traded loan fund that focuses solely on late stage venture capital companies backed by venture capital firms. During the last 6 quarters the TPVG loan pool and net asset value (NAV) per share stabilized and started to grow due to the improving IPO market. We predict that this will continue and the (NAV) share will rebound to \$9.79 by 2027. The current NAV is \$8.70. The trading price of \$6.67 is at a 23% discount to the current NAV. Overall, due to the unique portfolio, improving IPO market and 23% book value discount we initiate coverage with a buy and price target of \$9.00.[REPORT](#)

have a good weekend 😊😊😊

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