Smart Cents Weekly

Modern Financial Education for Young Investors

Week 6 • September 7th, 2025

Contents:

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Welcome 👋

This is MeridianAlgo's sixth financial newsletter. If you're returning from our previous editions, thank you for coming back. We dedicate ourselves to educating young investors and supporting our community in any way we can, which means a great deal to us. If you're new here, welcome! In this document, you'll find MeridianAlgo's insights on the US stock market, designed to boost your financial knowledge and investment skills for a brighter future. Our analysis is powered by proprietary machine learning algorithms, which you can see at the bottom of this document, along with our preferred charting platform: TradingView. We hope the market insights shared here, covering the past week and upcoming weeks, will help you better understand how markets really work and what happens behind the scenes.

What's Happening with the Market❓

Looking Overall

The S&P 500 slipped about 0.1% this week, moving from 6,466 on August 29 to 6,460 on September 6. It even touched a high of 6,502 mid-week, showing that buyers are still active. The slowdown came from mixed signals. Retail spending stayed strong, but tech and tariff worries weighed on the market. Investors are watching closely to see if the

Federal Reserve cuts rates in September. Overall, the market looks steady, but inflation and trade issues are keeping gains in check.

Current Market Snapshot
Even with the small dip, stocks held near record highs. Tech and healthcare stayed strong, while energy and consumer spending stocks lagged. Financials and industrials also joined the rally, showing a healthier balance across different parts of the market instead of just tech carrying all the weight. This balance is a good sign, but September is usually a choppier month, so some bumps are likely.

Volatility Check
The VIX, or "fear index," edged up from about 15 to 16–17 this week. That means there's a little more caution in the market, but it's still far from panic levels. The small rise mainly came from concerns around AI stocks and tariffs. For new investors, this is a reminder that markets can shift quickly, but a bit of volatility is normal and often healthy.

Understanding Companies 🧭

Heard of IPO

An IPO, or Initial Public Offering, is the process where a private company offers shares to the public for the first time, becoming a publicly traded entity on a stock exchange like the NYSE or NASDAQ. This transition allows companies to raise capital from a broader investor base to fund growth, pay debts, or expand **operations.**

So why buy IPOs

Investing in IPOs can offer significant growth potential if the company succeeds, as early investors may benefit from rising stock prices. IPOs can provide access to innovative companies in high-growth sectors like technology or biotech. However, they come with risks: limited historical data, potential overvaluation, and market volatility can lead to losses, making thorough research essential.

How to buy IPOs

Choose a Brokerage: Open an account with a brokerage that offers IPO access, such as Fidelity, Charles Schwab, or TD Ameritrade.

Research IPOs: Study upcoming IPOs using your broker's platform, financial news, or SEC filings to understand the company's business model, financials, and risks.

Check Eligibility: Some brokers restrict IPO participation to clients with high account balances, trading experience, or specific account types.

Submit an Order: Indicate your interest through your broker's IPO platform, specifying the number of shares you want to buy at the proposed price range.

Await Allocation: Due to high demand, you may receive fewer shares than requested or none at all, depending on availability.

Money Basics 🧗

Recap

Last time, we broke down company earnings and how profits, expenses, and guidance act like a report card for businesses. These numbers help investors decide which companies are strong and worth investing in.

Understanding the "Flations"

When people talk about the economy, you'll often hear terms like inflation or deflation. These are just ways of describing what's happening to prices in general:

- **Inflation**: Prices rise over time. A little inflation (about 2% per year) is normal and healthy. But high inflation makes your money buy less.

  Example: $100 today may only buy $90 worth of goods in a few years if inflation stays high.

- **Deflation**: Prices fall. At first, it seems good (things are cheaper), but it often signals weak demand and struggling businesses. Falling profits can lead to layoffs and a slower economy.

  Example: A phone that cost $500 last year now sells for $450. Good for buyers, but bad for companies because profits shrink and jobs may be cut.

- **Stagflation**: The worst combination: high inflation, slow economic growth, and high unemployment. This makes it harder for both families and companies because prices rise while wages and jobs don't keep up. It happened in the U.S. during the 1970s.

Example: Gas prices rise while people also lose jobs. Families pay more at the pump but bring home less income, so it is tough all around.

- **Disinflation**: Prices are still rising, but at a slower pace.

  Example: Inflation dropping from 6% to 3% is disinflation. It's usually a good sign that things are stabilizing.

Why this is important for investors:

These "flations" shape market behavior.

- Inflation often leads to higher interest rates, which can slow down stocks but boost returns in bonds.
- Deflation usually hurts company profits and stock values.
- Stagflation makes investing tough because both growth and stability take a hit.
- Disinflation can restore balance, often supporting steady stock market growth.

For young investors, the key takeaway is this: **know the environment you're investing in**. Whether prices are rising, falling, or stuck, each "flation" impacts risk and opportunity differently.

Thank you for reading Smart Cents Weekly
Continue your financial education journey with us next week.

Some quick financial legal stuff below ⬇️

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