Smart Cents Weekly

Modern Financial Education for Young Investors
Week 9 • September 28, 2025

Powered by MeridianAlgo

Hello there 👋

This is MeridianAlgo's ninth financial newsletter, offering insights on the US Stock Market and helping you improve your financial literacy and investment skills for a better future. Powered by our own machine learning algorithms, which you can see at the bottom of this document, as well as our preferred charting platform: TradingView. We hope that these market insights from the past week and upcoming weeks will give you a clearer understanding of how markets actually function and what happens behind the scenes.

What's happening with the Market ❓

Weekly Snapshot

The S&P 500 fell 0.3%, dropping from 6,682.15 on September 19 to 6,643.70 on September 26. It reached a peak of 6,717.29 mid-week, driven by early tech gains, but losses in AI-related stocks and concerns about the Fed rate cut led to a late-week pullback. Investors focused on upcoming Fed decisions and inflation data.

Sector Highlights

Tech and communication services led early gains but faded; materials outperformed, up 5.59% month-to-date, while utilities and healthcare lagged. Market breadth weakened, with 337 issues up and 166 down. September volatility persists.

Volatility Check

The VIX fell from 16.5 to 15.29, indicating calmer sentiment despite late-week losses. Trade tensions and inflation concerns keep caution high. New investors should monitor potential swings.

Money Basics You'll Love ❤️

What Are Index Funds?

Index funds are investment vehicles that track a market index, like the S&P 500, by holding a diversified portfolio of stocks or bonds that mirror the index's composition. They aim to match the index's performance, offering broad market exposure with low costs.

Why Invest in Index Funds?

Index funds provide diversification, reducing risk compared to individual stocks. They typically have low expense ratios (e.g., 0.03–0.2%), making them cost-effective. Historically, they outperform many actively managed funds over time due to lower fees and broad market alignment. However, returns are tied to market performance, so downturns affect them.

How to Invest in Index Funds

1. **Choose a Brokerage**: Use platforms like Vanguard, Fidelity, or Schwab for access to index funds or ETFs.
2. **Select an Index Fund**: Research funds tracking major indices (e.g., S&P 500, Nasdaq, or Total Market). Compare expense ratios and tracking error.
3. **Assess Costs**: Look for funds with low expense ratios (e.g., VTI at 0.03%) to maximize returns.
4. **Invest**: Buy shares via your brokerage. Consider dollar-cost averaging to spread out purchases.
5. **Monitor**: Rebalance periodically and review fund performance against the index.

Key Ratios to Understand

- **Expense Ratio**: Annual fee as a percentage of assets (e.g., 0.1% means $1 per $1,000 invested). Lower is better.
- **Tracking Error**: Difference between fund and index performance. Smaller errors indicate better alignment.
- **Beta**: Measures fund volatility relative to the market (1.0 = market-level risk). Most index funds have a beta near 1.0.

Index funds are ideal for long-term, low-maintenance investing but require patience through market fluctuations.

Financial Concepts 🧗

Recap

Last week, we discussed IPOs and how new public companies can offer investment opportunities but carry risks due to market volatility. Now lets look into using expense ratios.

Understanding Expense Ratios

The expense ratio is an annual fee charged by a fund, shown as a percentage of assets (e.g., 0.1% = $1 per $1,000 invested). It covers management and operational costs.

Why It Matters

- **Affects Returns**: Lower ratios preserve more of your investment. Example: A 0.04% ratio (e.g., Fidelity's FZROX) vs. 1% saves significantly over time.
- **Indicates Efficiency**: Low ratios often signal passive funds, like index ETFs, which tend to outperform high-fee active funds.
- **Maximizes Growth**: Small fee differences compound, impacting long-term wealth.

How to Evaluate Expense Ratios

1. **Review Fund Docs**: Check the expense ratio on platforms like Vanguard or Morningstar.
2. **Compare Options**: Favor funds with ratios below 0.2%, especially for ETFs like VOO (0.03%).
3. **ETFs vs. Mutual Funds**: ETFs often have lower ratios than mutual funds.
4. **Watch Hidden Costs**: Account for trading or advisory fees.
5. **Align with Goals**: Choose low-cost funds that match your investment strategy.

For young investors, prioritizing low expense ratios is like choosing a lean budget—it maximizes growth while minimizing waste.

Thank you for reading Smart Cents Weekly

Continue your financial education journey with us next week.

Some quick financial legal stuff below ⬇️

Shameless plugs 😭

Website: http://meridianalgo.org

Github: https://github.com/MeridianAlgo

Tradingview: https://www.tradingview.com/

Donations: https://hcb.hackclub.com/donate

MeridianAlgo is a 501(c)(3) nonprofit with fiscal sponsorship from the Hack Club Foundation. We are dedicated to making financial literacy more accessible to youth. Since we don't make a profit or have a source of income, we rely on donations and grants from our local community to fund our operations and host events for many to enjoy. Whether it be at a library, event hall, or even online, we aim to ensure our generation can build wealth efficiently and smartly. Thank you.