

# Smart Cents Weekly

Modern Financial Education for [Young Investors](#)

Week 5 • August 31, 2025

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## Welcome

This is MeridianAlgo's fifth 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.

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## What's Happening with the Market ?

### Looking Overall

The S&P 500 experienced a slight decline of about 0.1% this week, dropping from roughly 6,466.91 points on August 22 to a close of 6,460.26 points on August 29. It reached an intraday high of around 6,501.86 mid-week amid mixed signals from earnings reports and inflation data. This movement occurred despite positive earnings

surprises from tech leaders like NVIDIA, which eased some AI sector concerns, but was tempered by tariff-related uncertainties and softer economic indicators. Broader sentiment remains cautiously positive: volatility ticked up slightly, but investor focus on potential Federal Reserve rate adjustments in September supports stability. However, ongoing inflation pressures and global trade tensions suggest disciplined strategies are essential.

### **Current Market Snapshot**

The market showed resilience with the S&P 500 hovering near record levels, though a late-week dip highlighted vulnerabilities. Investor confidence appears steady, with buying in tech and healthcare offsetting declines in energy and consumer discretionary sectors. Large-cap tech continues to dominate, but increased participation from financials and industrials indicates a more balanced rally. This points to sustained demand, with no immediate signs of overheating, though seasonal September volatility could test gains.

### **Volatility Check**

The VIX rose from around 14.22 on August 22 to 15.36 by August 29, signaling a modest increase in market uncertainty amid earnings and policy anticipation. Social media discussions emphasize reactions to AI-related reports and tariff impacts, contributing to the uptick. While still low, this level aligns with gradual market adjustments, but investors should monitor for potential spikes if economic data softens further.

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## **Understanding Companies**

### **Key Points on Company Earnings**

- Company earnings reflect net profit post-expenses, reported quarterly, key for assessing financial health.
- Investors monitor for beats/misses against expectations, influencing stock moves—e.g., positive surprises often yield 1-2% gains.
- Recent data shows earnings beats driving tech gains, but misses in chips highlight sector challenges.
- In August 24-30, 2025, reports from NVIDIA, Alibaba, and others underscored AI trends and retail pressures.

- View earnings alongside revenue, guidance, and margins for a holistic investment approach.

## What Are Company Earnings?

Earnings show how healthy a company is and are checked by investors. U.S. public companies send quarterly reports called 10-Qs, which include income, balance, and cash flow statements. Net income equals revenue minus cost of goods sold, operating expenses, interest, and taxes. Earnings per share (EPS) adjusts this on a per-share basis. GAAP versus non-GAAP: the former covers all items, while the latter excludes unusual items but might be manipulated. Revenue shows demand—for example, subscriptions are valued for being predictable. Guidance affects markets more than past results, with protections for honest forecasts.

## How to Interpret Earnings Reports

Check EPS, revenue, guidance; compare to estimates (beats average +1.5% stock rise). Margins: gross for production efficiency, operating for operations, net overall. Free cash flow for liquidity. Quantitative: year-over-year growth, peer comparisons, price-to-earnings for value. Qualitative: call tone on innovation/flags. Factors: macro (interest rates), sector (chip shortages). Examples: NVIDIA's AI-driven beat muted reaction; Alibaba's miss but e-commerce strength.

## Recent Examples from the Previous Week

August 24-30 marked the end of quarter 2: NVIDIA beat earnings estimates (1.05 vs. 1.01), showing strength in AI; Alibaba missed estimates (14.75 vs. 15.47) but stock went up; Marvell nearly missed, shares dropped; Dell beat estimates (2.32 vs. 2.29); Snowflake beat expectations strongly (0.35 vs. 0.27). Trends: tech innovation versus demand slowdowns.

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# Money Basics



## Recap

Last time, we discussed risk vs. reward, emphasizing how balancing potential gains against losses aligns with personal goals and tolerance. Building on that, understanding company earnings provides a deeper layer for evaluating investment health and making informed decisions.

## Company Earnings

Company earnings, or net income, show profits after subtracting expenses, taxes, and costs from revenue—usually reported quarterly for public companies through SEC filings like 10-Qs. These give insights into how well the business runs and are key to basic analysis. For example, strong earnings show good management, while drops may suggest higher costs or competition.

Main numbers include Earnings Per Share (EPS), which divides profit by shares outstanding for comparison; revenue for overall growth; and future guidance for what's expected. Compare results to analyst predictions—beats often raise stocks by 1-2% on average, based on past data. GAAP EPS includes all costs, while adjusted excludes special items for a clearer look at core performance.

Margins show efficiency: gross (revenue minus cost of goods sold) shows pricing ability; operating (after expenses) shows management skills; net (final profit) accounts for debt and taxes. Free cash flow shows how much cash is available for dividends or growth.

Look at numbers over time (year-over-year or quarter-over-quarter changes, P/E ratios) and also listen to earnings calls for tone. External factors like inflation or trends in the sector matter—e.g., tech's AI growth boosts.

## Why Earnings Matter in Analysis

Earnings provide concrete data for valuation, often outweighing risk-reward speculation. Steady growth correlates with outperformance; focus here aids data-driven choices over hypotheticals.

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## Let's Learn 🤔

### 🛠 Python Utilities

We've updated our Python resources repository for beginners and pros alike, focusing on open-source financial tools for analysis and modeling.

Check it out here at <https://github.com/MeridianAlgo/Utils>.

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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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