

Carlsquare/Vontobel weekly trading note: The autumn season could be turbulent

Although US Q2 reports have been strong, this is reflected in historically high valuations. This largely ignores the significant ongoing macroeconomic uncertainty. August and September are also typically weak months for the US stock market. We therefore recommend that investors protect their portfolios using the VIX volatility index, which is currently trading at just 15.

Despite worrying headlines about trade, geopolitics and the US labour market in recent months, the stock market continued to climb over the summer. However, stockpiling ahead of tariff increases may have boosted sales in many sectors in the first two quarters of 2025. Consequently, this growth may be short-lived. August and September tend to see relatively weak stock market returns. According to StockCharts, September has been the weakest month of the year for the S&P 500 for the past 20 years. Overall, it would be sensible to increase protection against potential volatility in the coming weeks and months.

By 8 August 2025, 90% of S&P 500 companies had reported their Q2 earnings. Of these, 81% reported earnings and revenues that were better than expected. The S&P 500's average earnings growth for Q2 2025 was 11.8%. However, the S&P 500's valuation is also historically high, with 12-month forward earnings valued at an average price-to-earnings ratio of 22.

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