

Another solid week and solid month. Sunday night futures also on the rise as President Trump reportedly tightening terms for US-Iran deal framework.

The S&P500 and Nasdaq Composite finished higher for the 9th consecutive week. Oil prices fell ~11%, the US10 year dropped 12bp, to 4.54% continuing last week's price behavior. As my colleague CJ Brott points out, earnings season is mostly finished with record levels of beating estimates as over 80% of companies did so and estimates are higher (as they should be) when the guidance is even stronger than the earnings beats. But I want to put the 9 consecutive weekly gains in some context. The S&P500 has done this only 11 times since 1945 so on average just once every 6 or 7 years. For both the Nasdaq and the S&P500 to have nine consecutive weekly gains has occurred just one other time, in 1985 or over 40 years ago. What is interesting is that in the case of the S&P500, gains have been in line with or above average gains in the overwhelming majority of cases 1 month out (+1.6% vs +0.6% average), 3 months out (+4.2% above average for 3 month periods) and 12 months out (positive 80% of the time and gains in the +8 to +13% range which is average). While YTD the S&P500 is up +10.7% and the Nasdaq is up +16%, the odds of gains the next 12 months are favorable.

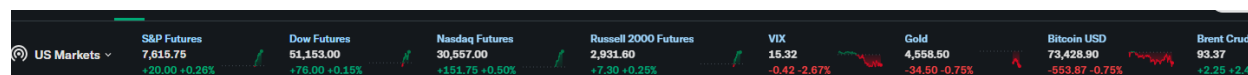
The Nasdaq was up +2.4% w/w and +8.4% for the month, the S&P500 was up +1.4% w/w and 5.15% for the month. Also important to note was the equal weighted S&P500 was up 1.1% for the week and +2.65% for the month suggesting there is some broadening in the current rally. That said, this rally is technology led as the XLK was up 5.6% for the week and +19.8% for the month. Semiconductors (SMH) were up +18.2% for the month or 21.1% if using the SOX with the three-month figures more than double these.

However, beneath the surface it is important to note that the software sector is rallying after being pounded without mercy for weeks and weeks. The IGV was up +8.1% for the week and is up 21% for the month and has posted gains for 7 consecutive weeks and even poked above the 200-day moving average suggesting a lot of the overhead selling has been cleared out. Ordinarily I would not suggest buying interest in this area given how the 10, 21, and 50 day moving averages are still below the 200dma, but at this stage I would not necessarily object to investors looking at this area. Infrastructure S/W play Service Now (NOW) which peaked at \$239 in January of 2025 was pounded relentlessly throughout 2025 despite the company posting excellent earnings and guide as investors feared that AI would destroy its future. But now it has gained 5 consecutive weeks, adding nearly 50% from the low set on April 23 and is showing another +3.5% for Sunday night futures. Not exactly the ideal technical set up but the buying has been above average volume suggesting institutional support and one that we are taking another look at as we were shaken out of this name months ago for the most part.

The rest of the sectors this week were mixed. Energy (XLE, -5.4%) fared the worst while outside of technology and software, Materials was the next best (XLB, +1.7%).

Our expectation going forward is that there are a lot of extended stocks so investors would be wise to exercise some patience for names to consolidate even amidst the record earnings beats and guide. For example, we own and like Micron Technology (MU) but it surged another +29% last week and sits 29% above the 21ema, and +20% above the 10dma suggesting the risk of a pullback is high. A pullback would be entirely normal and natural in the context of a +240% YTD gain. We have already seen this type of price action play out in other tech infrastructure names such as Lumentum (LITE) which fell -9.7% last week but still has a +132% YTD gain. Other notable moves last week were Dycom Industries (DY, +24% on earnings), Amphenol (APH, +12.65%), a maker of fiber optic connectors, Service Now (NOW, +21.8%) infrastructure software mentioned earlier, Oracle (ORCL, +17.5%) putting it into the positive column for the first time this year, Broadcom (AVGO, +7.9%) as earnings are due out June 3 of this week AMC. Credo Technology (CRDO, +8.1%) rallied into earnings (due out tomorrow AMC).

Sunday night stock futures are higher with oil prices lower as President Trump is reportedly toughening up the framework for ending war in Iran and opening the Strait of Hormuz.



Source: YahooFinance

Technicals remain constructive as the S&P500 sits +1.5% above the 10dma, +2.6% above the 21ema, +7.4% above its 50-day moving average and 11.0% above the 200dma. The Nasdaq consolidated slightly at +2.0% above the 10dma, +3.7% above the 21ema, 11.0% above the 50dma and 16.3% above the 200dma. Consolidation would still be welcome to let moving averages catch up and reduce the risk of a pull-back. To the extent we see “normal and natural” pullbacks the distance above the 21ema is typically the key downside risk.



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Source: _____



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Source: _____

Bullish talking points:

- Positive headlines for a US-Iran deal including a 60-day MOU to extend the cease fire and negotiate Iran’s nuclear program. Strait of Hormuz constraint would be removed.
- Pullback in oil prices and Treasury yield on deal hopes.
- Dell Computer (DELL) blowout q1 results and guide affirms the strength of the AI infrastructure narrative. AI server revenue grew +750% y/y, \$24.5B in AI orders and a +20% Q/Q increase in backlog to \$51.3B.

- Snowflake (SNOW) jumped +36% with AI S/W offerings a key tailwind.
- Consumer resilience and strong macro narratives supported by earnings and corporate commentary at the Bernstein investor conference.
- Strong earnings highlighted in sell-side research. Per Jefferies, 34% of S&P500 companies that adjusted Q2 guide took it higher, in the 90th percentile. S&P500 revision ratio rising toward 2x with latest read in the 94th percentile. Goldman Sachs hiked YE S&P500 price target to 8000 (7616 now).
- Seasonality – According to JPMorgan research, June has averaged gains of +1.85% over the last ten years and positive 90% of the time and July has averaged +3.37% return with positive 100% of the time the last 10 years.

Bearish talking points:

- Still no US-Iran deal.
- Concentration of gains: Nomura pointed out that just ten stocks have accounted for 69% of the +19% rally in the S&P500 since late March. Goldman noted that Information Technology exposures ended the prior week at or near 5-year highs which puts it in the 99%+ percentile.
- Consumer resilience cracks: Savings rates fell to four year lows in April. Surge in interest rates and inflation have led to highest credit card delinquency rates since the financial crises of the mid/late 1990s.
- Returns on AI cap ex spending being questioned again.
- Hawkish Fed speak related to AI: Some Fed officials questioning the reliance on productivity increases from AI being relied on to reduce inflation. Means Fed may need to hike rates to ease inflation if AI productivity predictions fail to manifest.
- Weakness in Softline apparel earnings:
- White House pivot on Iran could put trade/tariff risks back in focus.

Outlook: Tailwind remains AI spending

Looking at the longer term, I continue to believe that the AI infrastructure-driven rally has strength, which is why I post, week after week what the forecast capital spending is on the AI buildout. Also any Fed rate cuts for 2026 are essentially just not going to happen. The economy is too strong, inflation too elevated, not to mention a war with Iran and elevated oil prices that are going to be filtering through the economy.

Key tailwind for 2026 remains the buildout in AI and AI infrastructure. Note the latest estimates in the buildout of AI and AI infrastructure with the top 4 at \$700B to \$725B:

- Meta to \$125-\$145B, +\$10B both ends
- Alphabet (Google) raised 2026 cap ex to \$180B-\$190B, +\$5B both ends
- Microsoft: \$190B for CY2026
- Amazon confirmed \$200B
- Nvidia confirmed \$1Trillion market for Blackwell + Rubin chips for CY2025-2027.

AI infrastructure investments estimated as \$7.8T to \$10.8T over the 2025-2030 time frame as shown in the latest table below.

Updated AI & Data Center Infrastructure Capex Projections (\$ Trillions)				
Year	Base Annual (\$T)	Base Cumulative (\$T)	Accelerated Annual (\$T)	Accelerated Cumulative (\$T)
2025	0.50	0.50	0.50	0.50
2026	0.98	1.48	1.25	1.75
2027	1.18	2.66	1.56	3.31
2028	1.42	4.08	1.95	5.26
2029	1.70	5.78	2.44	7.70
2030	2.04	7.82	3.05	10.75

Key Changes vs. Previous Table

- **2026** increased modestly (Base: 0.95 → 0.98T | Accelerated: 1.20 → 1.25T) to reflect the latest upward revisions.
- Cumulatives now sit at **~\$7.8T base / ~\$10.8T accelerated** through 2030.

Source: xAI's AI Buildout Funding and Plans - Grok as of 5/31/2026

Decisive odds of rate cut remain well out in the future with Dec 8 meeting at ~0% and now showing over 50% probability of a Fed rate hike (FedWatch - CME Group). The odds of a rate cut at better than 50/50 do not show up at all for over a year and looking out to July 2027 are only 1.5%.

The US 10-year interest rate fell -12bp to 4.44%.

Stock Market Today/Week: May 29, 2026

Index	Level	Day change	Week Change
S&P 500	7,580.06	+0.22%	+1.43%
Nasdaq Composite	26,972.62	+0.20%	+2.39%
Dow Jones Industrial Avg.	51,032.46	+0.72%	+0.90%
US 10 year	4.44%		-12bps

Source: Factset

Key events/headlines for the week ahead: Key earnings for the coming week are Credo Technology (CRDO) on Monday, Broadcom (AVGO) on Wednesday as well as Ciena (CIEN), CrowdStrike (CRWD), Palo Alto Networks (PANW), and E&C player, Argan (AGX).

6/1/2026 CRDO earnings. ISM Mfr for May: 53.1 expected vs 52.7 prior.

6/2/2026 PANW earnings. JOLTS job openings 6795k expected vs 6866 prior.

6/3/2026 AVGO CIEN CRWD AGX earnings. ISM Services MI for May: 53.5 expected vs 53.6 prior.

6/4/2026

6/5/2026 Nonfarm payroll for May: 100k expected vs 115k prior. Unemployment rate of 4.3% expected.

Source: Factset

What to do now: Pruning laggards and losers raising cash positions as pull back risk has increased.

Appendix:

What kind of positive technical confirmations for a power trend per IBD (“Webby’s rules”):

1. Follow through day (FTD)
2. Subsequent FTDs.
3. Close above 21-day exponential moving average (EMA).
4. Low above 21EMA.
5. 3 consecutive days with low above 21EMA.

6. Close above 50-day moving average (DMA).
7. Low above 50dma.
8. 3 consecutive days with low above 50dma.
9. Close above 200dma.
10. Low above 200dma.
11. 3 consecutive days low above 200dma.
12. 21ema moves above 50dma.
13. 21ema moves above 200dma.
14. 50dma moves above 200dma.

As of 5/31/2026 a rally confirmation in place, and all the power trend conditions are in place rules in place for both the Nasdaq and the S&P500.

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