

Hello everyone and I hope this email finds you well.

“Power trend survives test at key level and continuing.”

Last week: Stocks pulled back but are once again racing ahead today on EU tariff delay. The S&P500 (-2.6% w/w) tested the 200-day moving average last week and finished above the 200 dma, a positive sign and is now well above. The Nasdaq (-2.5% w/w) exhibited a similar pattern though finished further above the 200day. Both are surging today up over 2%. The market averages continue to confirm they are in power trend. A power trend signals a more bullish outlook.

The week ahead: Nvidia (NVDA) earnings on deck (Wednesday AMC). Sunday evening President Trump said he would delay new EU tariffs until July 9 after a call with the European Commission President. The Conference Board's May Consumer Confidence Index beat expectations at 98.0 vs 87.3 forecast. NVDA stock has an outsized influence on broader markets and AI and infrastructure. Nvidia is at the center of the AI revolution as it designs the fastest GPUs in the world. US hyperscalers are forecast to spend \$368B in cap ex in 2025 up 47% y/y according to Evercore ISI and \$400B in 2026. Saudi Arabia said May 13 that it would invest billion on chips as part of a new AI company called Humain. New sovereign data centers are also on deck in France and the United Arab Emirates. Policy issues are in play as the Trump administration blocked sales of NVDA's H20 processor to China. But that could be just a negotiating tactic by the Administration vs Huawei's AI chips. Investors will be looking to NVDA commentary for clues regarding 2026. Taiwan Semiconductor (TSM) said on its earnings call that it was adding manufacturing capacity due to robust customer demand and lack of capacity.

Regarding key economic news this week, due out Friday is PCE deflator m/m for April (+0.1% m/m and +2.5% y/y expected).

Stock Market Today: May 27, 2025

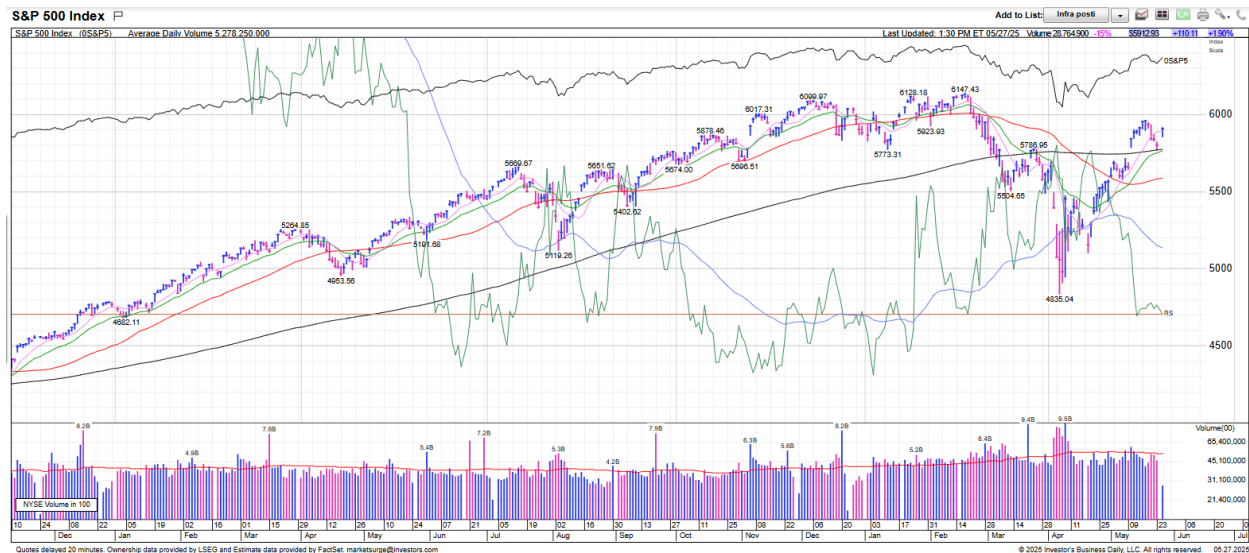
Index	Intra-day level (May 27)	Weekly Change
S&P 500	5,914	+1.9%
Nasdaq Composite	19,180	+2.4%
Dow Jones Industrial Avg.	42,269	+2.6%

Weekly Market Recap: May 19-23, 2025

Index	Closing Level (May 23)	Weekly Change
S&P 500	5,803	-2.6%
Nasdaq Composite	18,737	-2.5%
Dow Jones Industrial Avg.	41,603	-2.5%

Source: Factset

Technical indicators details on gaining traction: Regarding market technical indicators, the S&P500 tested and has rebounded from the key 21-dma. The 21ema getting close to crossing the 200dma another positive. The 200dma is no longer an obstacle in terms of sustaining the rally. The 10dma and 21dma above the 50dma also positives.



MARKET SURGE
BY INVESTOR'S BUSINESS DAILY

Sectors higher across the board today: Technology strong (XLK, +2.4%) as well as Consumer Discretionary (XLY, +2.9%). Consumer Staples (XLP, +0.5%) lagging, a positive for most other sectors. Magnificent Seven (MAGS, +3.2%) and Semiconductors (SMH, +3.3%) both charging ahead. Risk indicators higher: IBD 50 ETF (FFTY, +1.9), ARK Innovation ETF (ARKK, 3.7%). Among Infrastructure sub-sectors 5G/Networks/AI (+3.5%) leading paced by Vertiv Holdings (VRT, +5.1%) and Credo Technology Group (+4.3%) while Environmental Services (+0.2%) lagging.

The bull-bear debate: Bulls pointing to House passing budget reconciliation bill to try to focus on fiscal and deregulation tailwinds. Fed governor Waller reiterated that tariff impact on inflation is likely to be temporary and Fed would do well to implement 2H rate cuts. Home Depot and Lowe's reaffirmed guidance indicating ability to manage tariffs. Analysts flagging positives on AI from Google at investor event noting increased AI presence across digital environment and rising opportunities to monetize. New home sales rose +11% in April showing pent up demand for housing. Oil disinflation benefits the rest of economy and OPEC mulling another production increase in July.

The bears highlighting US deficit concerns in the House reconciliation legislation. Trade and tariffs undercutting US exceptionalism. Trump policy volatility and uncertainty headwinds. Sentiment tailwind may be running out given +20% recovery from market lows and All bulls outweighing bears for first time since January.

Risks: Easy to forget the ongoing risks while the markets are in a confirmed rally. Markets could fall once again on a Truth Social post from the President. Over the last decade the forward multiple on the S&P500 has averaged just below 20x. Assuming the current 2025E EPS of \$264 and 2026E EPS of \$300 are correct, then the market is trading on the rich side (22.4x 2025E EPS and 19.7x 2026E EPS). However, with an effective tariff rate still over 16%, even with the pause, EPS estimates could wind up in the \$250s range implying low 5000s on the S&P500. If the multiple comes down at all to discount for policy uncertainty would imply further downside risk. Numbers get sloppier if there is retaliation instead of resolution on the horizon. The Trump put that we saw last month suggests a 4800s downside threshold to the S&P500 except it wasn't the S&P500 that triggered the Trump put but instead it was interest rates on US Treasury Securities that were blowing out this week with an increase in the US 10 year of 51bps.

The coming week: Nvidia Earnings due Wed AMC and in focus. Core PCE Deflator due Friday.

May 26: US Market closed for Memorial Day.

May 27: Durable Orders for Apr (-6.3% actual vs -8.1% expected); FHFA Home Price Index (436.6 vs 436.8 expected); Consumer Confidence for May (98.0 vs 88.0 expected).

May 28: FOMC Minutes.

May 29: Q1 GDP SAAR 2nd prelim (+3.7% expected). Initial Jobless claims for W/E 5/24: 226k vs 227k prior week. Pending home sales for Apr: -1.0% vs +6.1% for Mar.

May 30: Core PCE Deflator for Apr: +2.5% y/y vs +2.6% y/y for Mar. Chicago PMI for May: 45.5 expected vs 44.6 prior.

Company Events Calendar: Nvidia earnings.

May 27:

May 28: NVDA CRM

May 29:

May 30:

What to do now: Raising exposure.

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.

In the current rally as of 5/27/2025 every condition has been met except #14.

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