

Hello everyone and I hope this email finds you well.

“Stock indices hit record highs following cease fire between Iran-Israel-US. Futures on the rise Sunday night.”

This Past week: Cease-fire reached during the week after US announced “obliteration” of Iran’s nuclear facilities. Stock indices surged to new records. Friday afternoon Trump terminated trade talks with Canada in response to digital service taxes. US and China confirmed trade framework based on May Geneva trade talks and formalize agreements reached in London earlier in June to ease the way for rare earths China exports while US removed trade restrictions. Commerce Secretary Lutnick said 10 more trade deals are ready for finalizing ahead of July 9th deadline. Secretary Bessent indicated flexibility on trade deadline timing. May core PCE up 0.2% m/m, above 0.1% consensus and April 0.1% cadence. But personal income fell -0.4% m/m vs +0.3% rise expected. May personal spending fell -0.1% m/m vs +0.3% expected. June consumer sentiment beat at 60.7 vs 59.8 expected and May 52.2, an increase of +16% m/m, first rise in 6 months. Inflation expectations fell to lowest in last 4 months though 1-year and 5-year inflation expectations still high at 5.0% and 4.0% respectively.

The AI theme remains the key tailwind with hyperscalers committed to outsized capital spending with forecasts up +16% since the beginning of the year (per Bloomberg). Stocks that have made significant moves last week include the **VanEck Semiconductor ETR (SMH, +7%), Arista Networks (ANET, +15.2%), Credo Technologies (CRDO, +9.3%), ARM Holdings (ARM, +14.1%), Advanced Micro (AMD, +12.1%), Nvidia (NVDA, +9.7%), Comfort Systems (FIX, +7.0%), Vertiv Holdings (VRT, +7.3%), Sterling Infrastructure (STRL, +6.2%), Ciena (CIEN, +10.2%), SolarEdge (SEDG, +19.9%), Taiwan Semiconductor (TSM, +9.1%).** Most are above 200 daily moving averages and/or finding support at 21-day exponential moving averages. **Genesis Energy (GEL, +4.4% w/w)** is now up 71.7% YTD. Environmental Services (-1.6%) was the area we saw lagging.

The week ahead: Construction spending, JOLTS job openings, Fed speeches, Nonfarm payrolls. Telsa to release 2Q global deliveries. The White House is indicating that July 9 trade tariff deadline is flexible. Big Beautiful Bill (Senate version) could pass this week. But Elon Musk has ripped the bill as “utterly insane.” Holiday-shortened week.

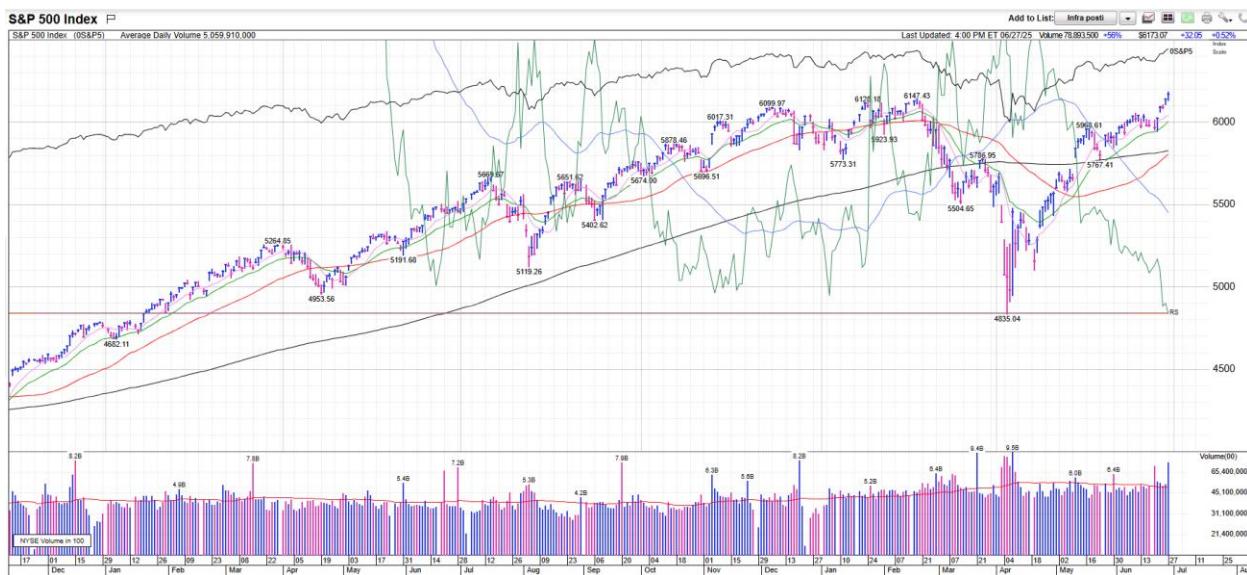
Stock Market Today/Week: June 27, 2025

Index	Level	Day change	Week Change
S&P 500	6,173	+0.52%	+4.96%
S&P500 eq wt	215.45	+0.02%	+2.98%
Nasdaq Composite	20,273	+0.52%	+4.25%
Dow Jones Industrial Avg.	43,387	-0.10%	+2.80%

Source: Factset

Technical Analysis

Not a lot to say here except that the power trend remains intact suggesting being fully invested.



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Bull-bear talking points

Bulls: Middle east tensions reduced on Tramp-brokered cease fire. Oil sold off sharply as strikes on Iran avoided energy infrastructure. Fed governor Bowman noted potential support for a July Fed rate cut. Expectations for 2025 rose 50bp to 65bp during the week. US and China formalized trade consensus and 10 other agreements with other partners are

drawing closer meaning the July 9 tariff “deadline” likely to be extended. SALT compromise is likely coming on tax/budget package. Joint understanding with G7 countries reached that exempts US companies from a 15% global corporate minimum tax and Section 899 “revenge tax” removed from the reconciliation bill and relieves worries about deterring foreign investment in the US. AI growth back in focus as Nvidia hit new ATH and Micron delivered a beat and raise on quarterly results on HBM strength. Potential M&A in banking on reports of a possible deal between Northern Trust and BNY. Potential M&A in energy as BP rallied on reports of potential deal with Shell (no confirmation from Shell or BP). The US 10-year fell 9bps over the last week to 4.28%.

Bears: Shadow Fed chair speculation by Trump to undermine Powell. BoA noted that in the 3 months following the last seven Fed Chair nominations, yield up every time with 2-year yields +65pbs and 10-year yields +49bp. Fed Chair Powell holding firm to narrative of holding in testimony to Congress despite numerous signs of a slowing economy. The Conference Board index of consumer confidence declined in June, reversing half of prior month’s bounce and labor differential between jobs being plentiful vs hard to find fell to worst level since May 2021. Continuing jobless claims highest since late 2021. May core PCE came in a tad hotter than expected. KB Home reduced its FY25 housing revenue, deliveries, and GM guidance as new home sales a much sharper than forecast -13.7% in May. FedEx guided 9% below for its August Q and no FY guidance on greater macro uncertainty. Paychex fiscal Q4 missed and softer revenue guide with frozen client decision making on macro uncertainty. Flash manufacturing input and output prices in PMI jumped to highest level in over two years as tariff fears still high.

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 at that time with an increase in the US 10 year of 51bps.

Company Events Calendar: No earnings of consequence due out.

What to do now: Adding to winners, trim laggards.

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 6/27/2025 every condition has been met except #14.

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