

Hello everyone and I hope this email finds you well.

“Stock indices hit the pause button as indices drifted slightly lower. Tariffs the overhang last week. Aug 1 is last extension per President Trump.” Stocks edging lower Sunday night.

This Past week: Markets were lackadaisical. President Trump said he would slap a 35% tariff on Canada on 1Aug and 15%-20% baseline tariff on most trading partners, 50% tariff on Brazil and 50% on copper. But TACO (“Trump always chickens out”) narrative continued as reciprocal tariff deadline pushed to 1Aug. Europe is delaying retaliatory tariffs on the US in hopes of reaching a deal by Aug 1 per [Yahoo finance](#). Interest rates back up across the yield curve this week on deficit worries with the 10year back up to 4.42% and the 30year to 4.95% but US Treasury auctions went well. FOMC minutes flagged linger trade policy concern and risk of tariff impact on inflation. President Trump increased pressure on Fed, called for 300bp worth of rate cuts and criticized the Fed’s costly HQ renovations. Volatility fell to lowest levels since February in both stock and bond markets. Delta Airlines kicked off earnings with Q2 beat, Q3 guide above estimates, and reinstated FY outlook. TSMC reported stronger Q2 revenue growth than expected of ~40% and reiterated that chip demand exceeds supply. M&A picked up steam with Kellogg to be acquired by Ferrero for \$3B, Verona Pharma to be acquired by Merck for \$10B, Autodesk consider an acquisition of PTC and AES weighing strategic options after rising interest from infrastructure investment funds.

The AI theme remains the key tailwind with critical industries joining the list. The DoD bought a stake in MP Materials (MP, +41.7% w/w) via \$400mm in newly issued convertible preferred becoming the largest owner and agreed to make a \$150M loan to the company along with price guarantees on certain rare earth minerals. Other stocks making significant moves last week include **Cleveland Cliffs (CLF, +11.9%), Centrus Energy (LEU, +17.5%), Oklo Inc (OKLO, +4.4%), shipper Dorain LPG (LPG, +11.4%), independent power producer AES Corp (AES, +9.3%),** Palantir (PLTR, +58%), Credo Technology Group (CRDO, +5.3%). On the downside **TMobile US (TMUS, -5.4%)** on a downgrade to underperform by Key Corp, and **Service Now (NOW, -10.1%)** on a reported security flaw that has reportedly been corrected.

The week ahead: The June CPI report is due on Tuesday and PPI inflation data due out Wednesday. Core CPI inflation (ex-food and energy) expected to be at +3.0% y/y vs +2.8% y/y in May as tariffs begin to show up in the data. Headline CPI for June expected to be +2.6% vs +2.4% in May. Headline PPI for June is expected to reach 2.5% in June vs 2.6% in May. Retail sales due out Thursday for June with +0.30% m/m expected vs -0.90% m/m in May. Industrial production for Jun due to report Wednesday with +0.05% m/m expected vs -0.2% in May.

Earnings season kicks off with **JPMorgan (JPM)**, **Netflix (NFLX)**, **Taiwan Semiconductor (TSM)**, **Kinder Morgan (KMI)**, **American Express (AXP)** are among key names scheduled to release results.

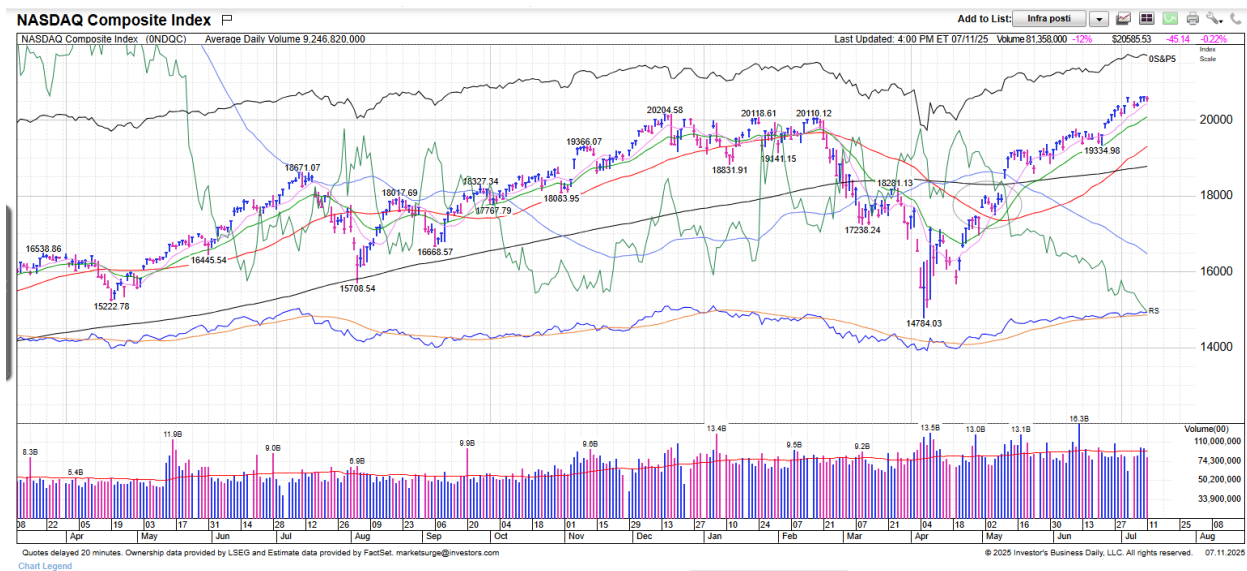
Stock Market Today/Week: July 11, 2025

| Index | Level | Day change | Week Change |
|----------------------------------|----------|------------|-------------|
| S&P 500 | 6,260 | -0.33% | -0.31% |
| S&P500 eq wt | 184.4 | -0.73% | -0.41% |
| Nasdaq Composite | 20,585.5 | -0.22% | -0.08% |
| Dow Jones Industrial Avg. | 44,371.5 | -0.63% | -1.02% |

Source: Factset

Technical Analysis

Power trend remains intact, suggesting being fully invested. 10day, 21day, 50day all stacked in proper order and above 200day.



Bull-bear talking points

Bulls: Volatility declining as the VIX and MOVE Index (VIX for bonds) fell to lowest levels since February. Reciprocal tariff deadline pushed out to Aug 1 and Europe delaying retaliatory tariffs to negotiate. BBB legislation passed removing uncertainty on taxes and raised debt ceiling. No issues on absorption of US debt in recent auctions. NY Fed inflation expectations for one year cooled in June by 0.2pp, to 3.0%. **Delta airlines (DAL)** earnings positive impact with a Q2 beat and Q3 guide above and FY outlook reinstated. Levi Strauss earnings delivered a positive read through on the consumer with a beat and raise. **Nvidia** market cap topped \$4Trillion and Taiwan Semi Q2 revenue exceeded expectations with 40% growth y/y and chip demand continues to exceed supply. M&A picking up steam with deals announced in consumer staples (**Kellogs** to be acquired), Pharma (**Merck** acquiring), electric power (**AES** exploring options).

Bears: Trade deals still unsettled with Trump pushing out tariff deadlines. Cooper tariffs of 50%, 35% tariffs on Canada, 50% tariffs on Brazil. Trump tying market highs to trade strategy. Rates rising again on deficits. FOMC minutes flagging tariffs as reason for lack of rate cuts. Trump politicizing of the Fed with renewed pressure. White House immigration policy a growth headwind.

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.

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 7/11/2025 every condition has been met except #14.

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