

Hello everyone and I hope this email finds you well.

“Stock indices mixed last week with Nasdaq and S&P500 setting record highs but the Dow Jones Industrials drifting lower. A Pennsylvania conference saw some \$90B of infrastructure investments announced. Stocks edging higher Sunday night. Next 2 weeks 200 S&P500 companies due to report 2Q earnings.”

This Past week: Markets were mixed. Economic data was strong and there was positive news for AI chips from **Nvidia (NVDA)**, **Taiwan Semiconductor (TSM)**, and **Advanced Micro Devices (AMD)**. Non-AI stocks lagged but came off Wednesday lows. US restrictions on sale of chips to China were relaxed with Nvidia allowed to sell its H20 chips. AMD and TSM benefited as well. Risk on investing accelerated with sharp moves from ARK funds such as ARK Innovation ETF (ARKK) which jumped +7.35% and enjoys relative strength of 94. But much of the ARK family of ETFs very strong with ARKQ, ARKF, ARKW all posting relative strength in the mid 90's. The Innovator IBD 50 ETF (FFTY), another indicator of investor risk appetite, surged 7.1% as well. Fed Governor Waller said he believes a 25bp cut at the July Fed meeting makes sense and the Fed should not wait for labor market deterioration with inflation rate near targets and upside risks to inflation limited. Lots of news stories this week regarding Trump fire Powell trial balloons. TSM reported EPS growth of +79% y/y including a 10% beat and very strong guidance (Fy25 revenue +30% y/y vs prior mid 20%, reiterated cap ex \$38-\$42B, seeing no change in 2h25 customer behavior and very strong demand for N2, N2, N5 chips.

The AI tailwind continues. Minerals also making a run. Sizable moves by Quanta (PWR, +5.1%), Uranium energy (UEC, +21.8%), Centrus (LEU, +20.8%, +274% YTD), Oklo (+23%), NuScale Power (SMR, +34%), Talen Energy (TLN, +19%), MP Materials (MP, +40%, +305% YTD), Albermarle (ALB, +8.6%), GE Vernova (+6.6%, +74.7% YTD). Also Ciena (CIEN, +9.3%), Palantir (PLTR, +8.0%), TSM (+4.4%), Nvidia (NVDA, +4.5%), AMD (+7.2%), Arm Holdings (ARM, +7.4%). Credo Technology (CRDO, -5.1%, +39% YTD) fell on no news.

The week ahead: Earnings season swinging into high gear. **Tesla, Alphabet (GOOGL), GE Vernova (GEV), SAP, Service Now (NOW), Boston Scientific (BSX), RTX, CME Group (CME), Comfort Systems (FIX), Cleveland Cliffs (CLF), Freeport-McMoran (FCX), Union Pacific (UNP), Calix (CALX), Amphenol (APH)** earnings all due out.

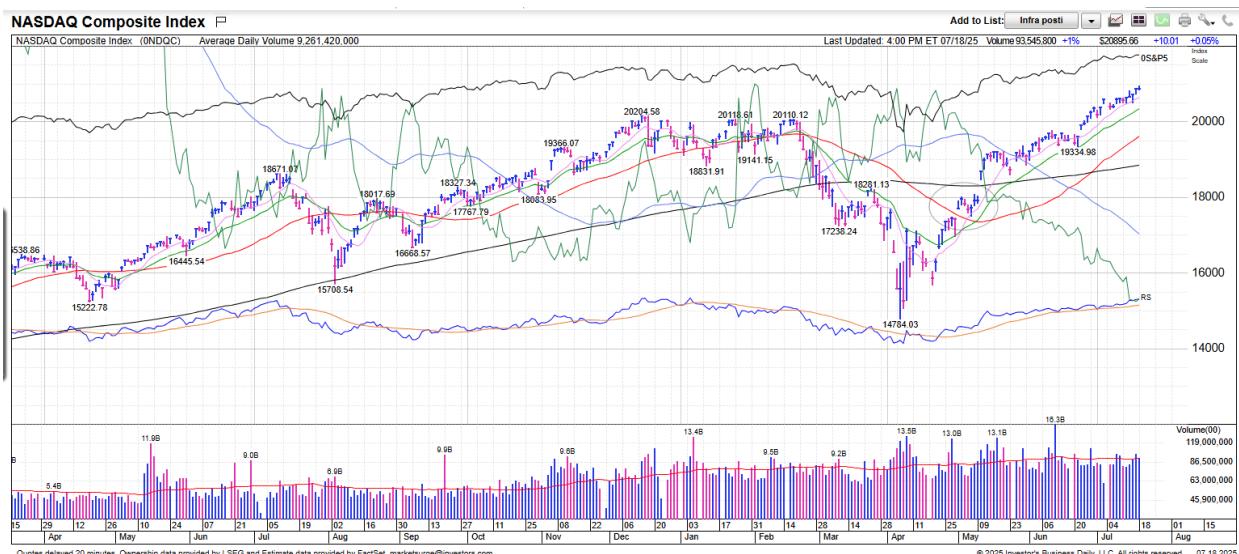
Stock Market Today/Week: July 18, 2025

Index	Level	Day change	Week Change
S&P 500	6,268.56	+0.14%	+0.59%
S&P500 eq wt	184.18	-0.04%	-0.13%
Nasdaq Composite	20,895.66	+0.05%	+1.51%
Dow Jones Industrial Avg.	44,342.19	-0.32%	-0.07%

Source: Factset

Technical Analysis

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



Source: **MARKET SURGE**
BY INVESTOR'S BUSINESS DAILY

Bull-bear talking points

Bulls: Fed rate cut pricing flattened this week but rate stabilization a tailwind following recent sell off. Market pricing in minimal impact from tariffs and Treasury Secretary Bessent downplaying 12Aug China tariff deadline. Record foreign holdings of US Treasury despite China holdings down

to Feb 2009 lows. First week of earnings season off to a positive start with bank earnings well received, with strong trading, better consumer trends, smaller loan provisions vs expectations. AXP earnings report flagged resilient consumer spending and credit quality. Netflix and Pepsi calling out weak dollar tailwinds. Economic data showing resilience in jobless claims, retail sales, industrial production, Philly Fed/Empire Manufacturing indices. AI tailwind boosted by strong TSM results and US relaxing AI chip sales to China. Buyback blackout has already peaked.

Bears: Flatter rate cut path over tariff-related inflation after hotter CPI and PPI in trade-related categories. UBS noted that markets may be underestimating tariffs. TACO theme leading to complacency despite approaching 1Aug tariff deadline. Trump threatening 20% tariffs on EU, Mexico. Fed independence threat amid Trump trail balloon on firing Powell. DB estimated firing Powell could result in 45bp increase in interest rates at long end of the curve. S&P 500 P/E in 98th percentile, extended sentiment in most shorted stocks doubling since April. ARKK back to Jan 2022 levels. \$2.8T in options expiration coming this Friday. Some cracks in AI narrative with weaker guidance from ASML and META update. Weakening economic fundamentals outlined by Fed Governor Waller.

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 7/18/2025 every condition has been met.

John D. Edwards, CFA

The information presented is for educational purposes only and is believed to be factual and up-to-date. All expressions of opinion reflect the judgment of the author(s) as of the date of publication and are subject to change. Nothing in this commentary should be construed as investment advice and does not take into consideration your specific situation. All investments involve risk. Past performance does not guarantee future results. Advisory services offered through Capital Ideas, an investment adviser registered with the U.S. Securities and Exchange Commission.