

Hello everyone and I hope this email finds you well.

“Powering ahead”

Stock indices higher last week with Nasdaq, S&P500 setting records and the Dow Jones Industrials closing within a whisper of a new high. Infrastructure PLUS surged 3.2% (est) higher. Stocks moving higher Sunday night (DJIA, +0.4%, S&P500 +0.5%, and Nasdaq +0.6%) on US-Europe trade deal and US-China talks to be extended. The coming week to see huge week for earnings, Fed meeting, and trade deals.

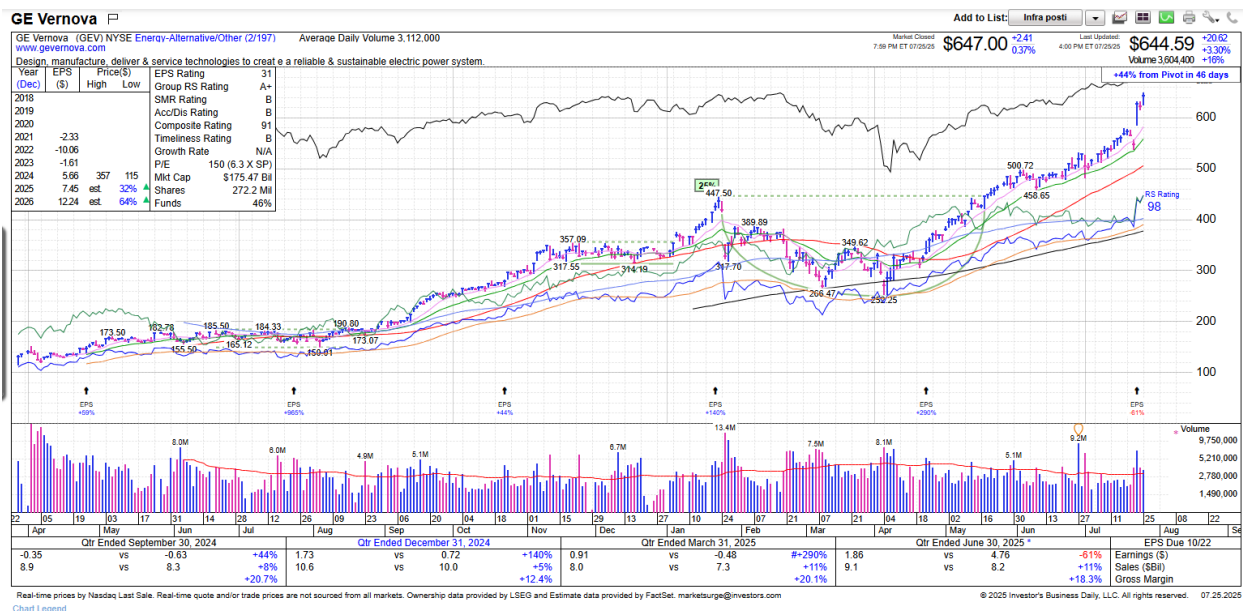
This Past week: President Trump announced a trade deal with the European Union on Sunday under which the US will impose a 15% tariff on most European goods (including automobiles) vs the previous 10% and 25% on autos. The trade pact to include the EU buying energy and defense gear from the US. The US and China will extend the existing trade truce another 90 days according to reports from the South China Morning Post.

There were some key earnings reports this past week from infrastructure-related companies. **GE Vernova (GEV)**. As a reminder GEV is a spin-off from the original General Electric Company that focuses on the manufacture and delivery of gas turbine generators. A key positive for the AI and infrastructure theme it crushed EPS estimates for Q2 with \$1.86 vs \$1.51 consensus, adjusted EBITDA of \$770M vs \$721M expected, revenue of \$9.11B vs \$8.81B expected. Guided FY2025 FCF of \$3.0-\$3.5B vs \$2.0-\$2.5B previous. Guided revenue to high end of prior \$36-\$37B and \$37.03B consensus and margin of 8-9% vs prior of HSD. GEV stock surged +12.2% w/w.

T-Mobile US (TMUS) reported Q2 core adjusted EBITDA \$.854B vs consensus \$8.40B, EPS \$2.84 vs \$2.68 consensus and raised guidance on Core adj EBITDA of \$33.3-\$33.7B vs prior \$33.2-\$33.7B and postpaid net customer adds of 6.1M-6.4M vs prior guide of 5.5M-6.0m. FCF slightly higher vs prior guide. Stock up 7.2% for the week.

Service Now (NOW) surged some 5% after hours EPS of \$4.09 ex-items vs consensus \$3.57, revenue of \$3.22B vs consensus \$3.12B but finished only 0.4% on the week. Q3 guide revenue \$3.26-\$3.265B vs cons \$3.21B. FY revenue guide \$12.7775-\$12.795B vs prior guide \$12.64-\$12.68B, affirms gross margin 83.5% on subscriptions and adj op margin of 30.5%.

Union Pacific (UNP) and Norfolk Southern (NSC) confirmed they are in advanced discussions for a potential merger.



MARKET SURGE
BY INVESTOR'S BUSINESS DAILY

Stocks that rallied in sympathy with surging demand for power and/or data centers included **Oklo (OKLO, +9.1%)**, **NRG Energy (NRG, +2.9%)**, **Constellation Energy (CEG, +1.6%)**. Companies engaged in infrastructure construction also rallied sharply including **MasTec (MTZ, +5.0%)**, **Sterling Infrastructure (STRL, +6.7%)**, and **Quanta Services (PWR, +4.45%)**. **Comfort Systems (FIX)** soared **23.4%** on the week on strong results, raised guidance, expanding gross margins and record backlog. **Credo Technology (CRDO)** surged **8.25%**.

Google said it expects capital spending to reach \$85 billion in 2025 vs earlier guide of \$75 billion now up 62% in 2025.

The week ahead: Earnings season to see huge number of reports. **Microsoft (MSFT)**, **Meta Platforms (META)** report **Wednesday** and **Amazon (AMZN)** **Apple (AAPL)** due to report **Thursday** this week with comments on cap ex to have a big impact not only on infrastructure related companies but the broader market as well. Bellwether pipeline player, **Enterprise Products (EPD)** to report **Monday** along with **Waste Management (WM)**. **Ciena (CIEN)**, **Visa (V)**, **Mastercard (MA)**, **Vertiv (VRT)** **Trane Technologies (TT)**, **Flowserve (FLS)**, **Quanta Services (PWR)**, **Mastec (MTZ)** **Southern (SO)** all due to report this week with **Wednesday** and **Thursday** the heaviest releases.

Stock Market Today/Week: July 25, 2025

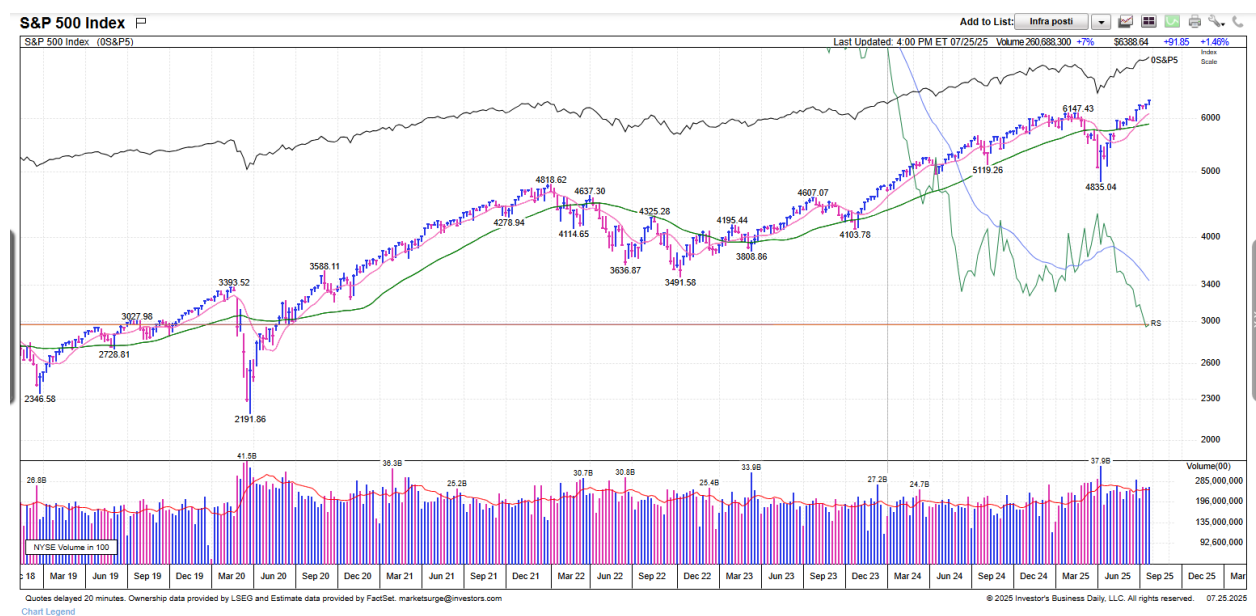
Index	Level	Day change	Week Change
S&P 500	6,388.64	+0.40%	+1.46%
S&P500 eq wt	187.74	+0.48%	+1.93%
Nasdaq Composite	21,108.32	+0.24%	+1.02%
Dow Jones Industrial Avg.	44,694	+0.47%	+1.26%
Infrastructure PLUS	261.53	+1.25%	+3.18% est.

Source: Factset, Capital Ideas estimates.

Note: Estimates for Infrastructure PLUS based on holdings within each separate account in the composite.

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: Japan, Indonesia, Philippines, and the EU all reaching trade deal completion status. China-US talks extended 90 days. Initial unemployment claims falling for a 6th consecutive week. Flash composite PMI up to a 7-month high in July especially in services. Earnings season strong as 83% of companies reporting so far have beaten EPS estimates with ~6.5% surprise level. Google boosting AI tailwind with its cap ex guide increase from \$75B to \$85B. AI power theme boosted by GE Vernova (GEV) earnings, record prices at power auctions and surge in backlog. Comfort System (FIX) also boosting cooling demand from data centers theme with huge beat in earnings, guidance, and backlog. Merger talks picking back up with Synovus/Pinnacle combination and Union Pacific and Norfolk Southern in advanced discussions. Blackstone earnings commentary included M&A environment starting to gain steam (busiest pipeline of IPOs in 4 years). Well received 20-year US Treasury auction.

Bears: Despite trade deal announcements, US still on track for DD increase in the effective tariff rate in 2025 with economists expecting further upward pressure in 2026. Tariff earnings headwinds hitting companies such as GM and hitting flash July PMIS with largest increase in goods and services prices in some three years. Housing still weak with existing home sales at 10-month lows in June. Consumer names reported weak earnings including Chipotle, Mattel, American Airlines, Southwest Airlines, among others. Texas Instruments, STMicroelectronics, and Intel earnings disappointed in semiconductors. Trade policy uncertainty drove big earnings miss at Dow. Tesla facing weak EV demand. Fed easing expectations have fallen to 45bps this year. Higher global yield backdrop. Some struggles being reported around the \$500B Stargate project which has scaled back datacenter build plans. Durable goods orders fell 9.3% m/m in June. US paying most of the tariffs so far out of the \$55B collected so far with the split 30% by consumers and 60% by companies.

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 7/25/2025 every condition has been met.

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