

Hello everyone and I hope this email finds you well.

“Stock market rally pushed onward and upward to new highs on robust earnings reports.”

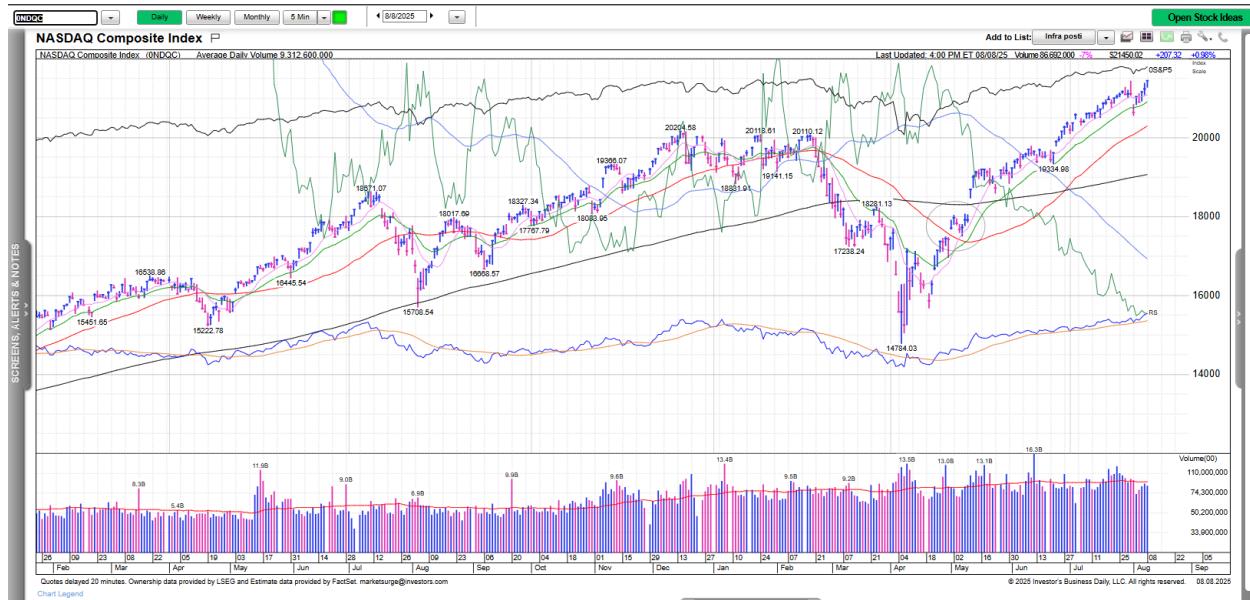
Performance Summary: So much for the suffering of the prior week. Investors bought the dip (including us). As a result, stock market averages recovered the prior week losses and reached up to near or set new all-time highs last week. The **Nasdaq Composite (COMP)** led the way, surging ahead +3.87%, the **S&P500** jumped +2.43%, and the **Dow Jones Industrials (DJIA)** rose +1.35%. All three market averages finished at or above the key 21-day exponential moving average. According to a study carried out by Investors’ Business Daily the closing lows vs the 21ema was in the 98th percentile for number of consecutive days closing above that key benchmark. Except for the prior week, the stock indices last closed below the 21ema on April 24. The history following a break below the 21ema is mixed. Averages tend to pull back more often than continuing to surge once they break below the 21ema but there are plenty of examples following a similar pullback, that the averages keep powering ahead for extended periods of time. Neither the Nasdaq nor the S&P500 are particularly extended in that both are low single digits above the 21ema and low to mid-single digits above the 50-day moving average. Risk taking was back on for investors as the **ARK Innovation ETF (ARKK)** gained +5.0% w/w, the Innovator IBD 50 ETF (FFTY) rose +3.1%, and the Magnificent Seven (MAGS) climbed +5.5% as Apple (AAPL) had one of its best weeks in years, vaulting +13.3%. Most sectors of the market rose with Retail (XRT) leading the way at +3.7% closely followed by Technology (XLK, +3.4%). Energy (XLE, -0.8%) and AI Adjacent Utilities (UTES, -0.7%) lagged. The US 10-year rose 7bps to 4.28%. The potential read through on action - risk back on last week. However, Sunday night futures are flat as of this writing with up/down moves of less than -0.1/+0.1%.

This Past week: The prior week was plagued by a surprising large negative labor market revision, which resulted in President Trump firing the head of the Bureau of Labor Market Statistics. July ISM Services Index came in at 50.1, well below consensus 51.4 and down from June at 50.8. The New Orders Index also dropped from 51.3 to 50.3. Fed speeches turned more dovish from three Fed officials and the probability of a September rate cut stands at close to 90% according to [FedWatch tool](#). There were more carve-outs on tariffs as countries rushed to cut deals (by investing in the US) before the tariffs were going into effect last week. Companies making or planning to make investments in the US will be exempt from 100% tariffs on semiconductors and AAPL surged on news it was boosting its investment in the US (by +\$100B, to \$600B) to secure an exemption from Trump’s chip tariffs. Companies such as **Taiwan Semiconductor (TSM)**, **Nvidia (NVDA)**, **Broadcom (AVGO)**, **Advanced Micro Devices (AMD)** in addition to AAPL mentioned above rallied on such carve out news. Over the weekend NVDA and AMD reportedly have agreed to share 15% of China chip revenue with the US Federal government per the Financial Times and

Bloomberg. Export licenses to China were reportedly obtained by the Trump administration last week. But India was hit with an additional 25% tariff bringing its tariff rate to 50% due in part to its continuing purchases of Russian oil and trade barriers. With 90% of S&P500 companies' earnings reports, the growth rate has been +11.7%, well above the +4.9% forecast as of the end of Q2. 82% of companies reporting have beat estimates by an aggregate +8.5%.

Fed Governor Waller has emerged as a leading candidate to replace Jerome Powell as Fed chair when his term is up next May. The key point is that Trump advisors favor Waller because he is reportedly more willing to move Fed rate policy based on forecast data, rather than just historical and current data to not fall behind the curve in the way most Fed policy decisions have historically. US company stock buyback announcements now stand at YTD record of \$926B, \$108B ahead of the record to date set in 2022. Full unwind of the 2.2M bpd oil output cut made in 2023 to result in eight OPEC+ members with voluntary production cuts to increase production quotas by 547k bpd in September. IEA projecting global surplus of 2M bpd by Q4 per Bloomberg and Goldman Sachs projecting Q4 crude oil price of \$64/bbl. Continuing jobless claims are at highest levels since late 2021.

Movers in the infrastructure space were primarily driven by earnings. On the positive side On the positive side were strong moves from **Arista Net (ANET, +18% w/w)**, **Construction Partners (ROAD, +18.0% w/w)**, **Granite Construction (GVA, +14.5% w/w)**, **Primoris (PRIM, +22% w/w)**, **Sterling Infrastructure (STRL, +14.9% w/w)**, **Palantir (PLTR, +21.0% w/w)** all on earnings and **Credo Tech Group (CRDO, +11.9% w/w)** with earnings still to come August 27. On the downside, **Kendryl Holdings (KD, -15.1%)** and **NRG Energy (NRG, -8.9%)** appeared to take unfair hits. **Super Micro (SMCI, -21.1%)** and **Fortines (FTNT, -24.0%)** were punished for earnings misses though fortunately neither were in strategy portfolios.



Source: **MARKETSURGE**
BY INVESTOR'S BUSINESS DAILY

The week ahead: Most company earnings have been reported. Some potential market movers still in the week ahead include **Cisco Systems (CSCO)**, **CoreWeave (CRWV)**, **Elbit Systems (ESLT)**, **Mercury Systems (MRCY)**, **Lumentum Holdings (LITE)**, **Brinker International (EAT)**, **Tapestry (TPR)**, and **Advance Auto Parts (AAP)**. CSCO earnings are due out Wednesday where EPS expectations are for +12% y/y with revenue growing 7% y/y and 5% y/y revenue growth in 2026. CRWV earnings are due on Tuesday AMC. CRWV leases/rents servers to AI model builders and app developers. Investors will be looking for an update on its proposed acquisition of Core Scientific as well as pricing and margin trends in the highly competitive market for developing datacenters and their views on datacenter cap ex. LITE provides optical communication and photonic products for manufacturing, life sciences, and inspection fields. Its F4Q earnings are due out Tuesday with a 1200% surge in EPS, to \$0.81 and revenue jumping 52%, to \$470mm. **Ford (F)** is scheduled to announce a new electric vehicle platform on Monday amid plenty of investor doubts given its EV efforts lost \$1.33B in Q2 on \$2.4B in revenue. ESLT reports earnings Wednesday with expectations for a 37% y/y jump in EPS on +16% in revenue.

On the economic front the July CPI is due out Tuesday and the PPI is due out Thursday. CPI estimates are for a +0.3% m/m and a +2.7% y/y rise with core CPI at +2.9% y/y. PPI estimates are for a +0.2% m/m in June and up +2.3% y/y. Core PPI is expected to hit +2.6% y/y. The main question centers on tariff impacts to the inflationary cooling trend pre-tariffs. The Fed's Bowman expects three rate cuts this year given softening labor market.

President Trump and Russian President Putin to meet in Alaska on Thursday to negotiate end of war in Ukraine. US is considering inviting Ukraine President Zelensky.

Macro uncertainty has triggered collapse in container import demand paralleling the double digit y/y decline seen in the truckload market.

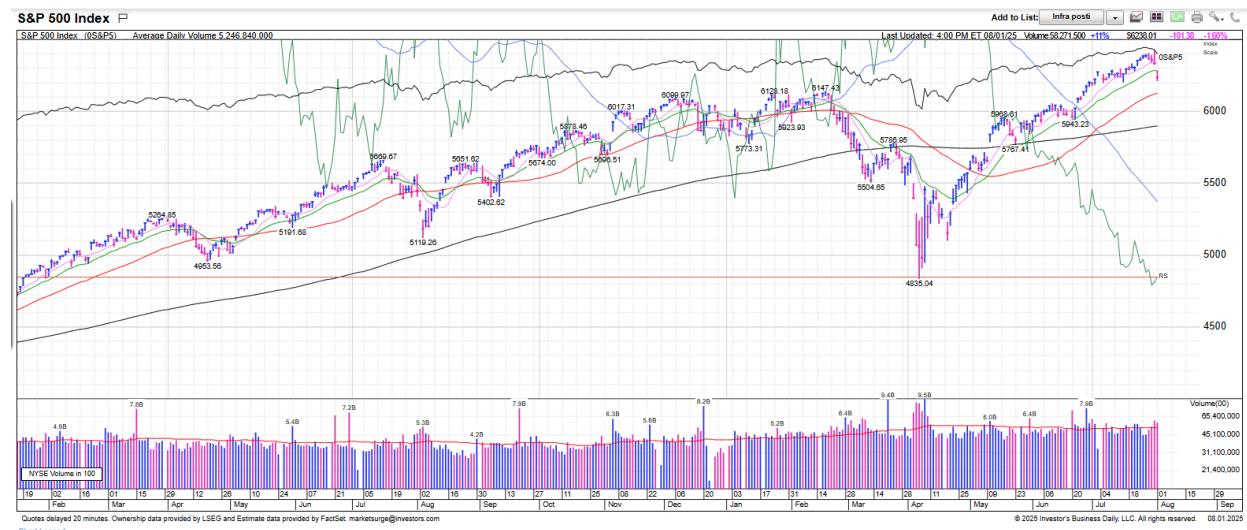
Stock Market Today/Week: Aug 8, 2025

Index	Level	Day change	Week Change
S&P 500	6,389.45	+0.78%	+2.43%
S&P500 eq wt	183.08	+0.18%	+0.82%
Nasdaq Composite	21,450.02	+0.98%	+3.87%
Dow Jones Industrial Avg.	43,968.64	-0.51%	+0.87%

Source: Factset

Technical Analysis

Despite the pullback, the power trend remains intact. But the pullback suggests more vigilance. The 10day, 21day, 50day moving averages all stacked in proper order and above 200day.



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 earlier this year 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, trimming laggards, watching earnings impacts, paying attention to narrowing number of contributors to market moves.

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 8/8/2025 every condition has been met.

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