

Hello everyone and I hope this email finds you well.

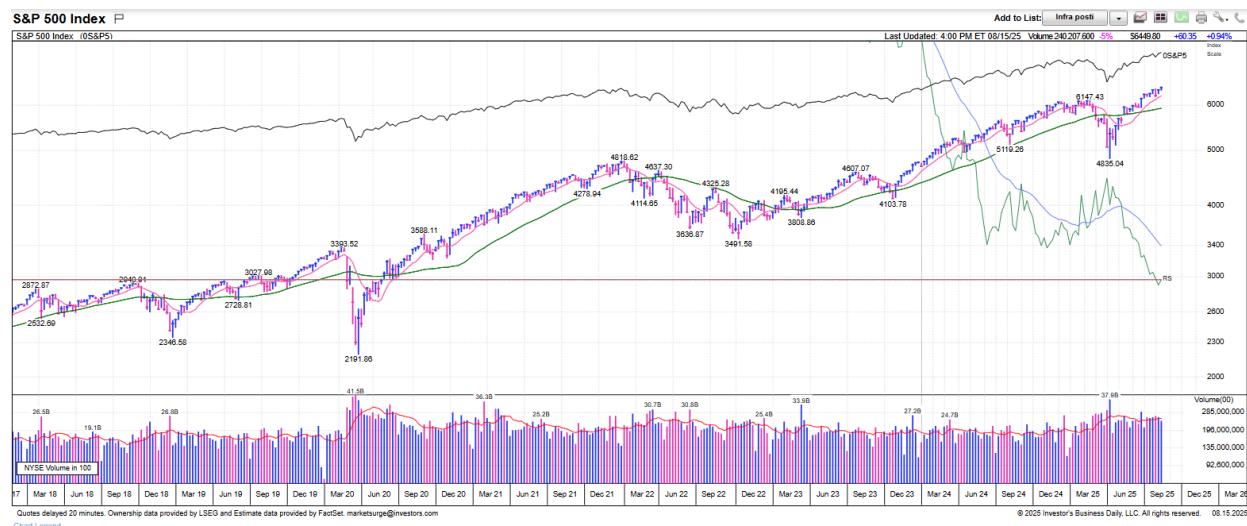
“Stock rally pushed onward but at a slower pace.”

Performance Summary: The rally continued. But it slowed the pace of advance from the prior week. The Nasdaq Composite (COMP) edged higher +0.81%, the S&P500 rose +0.94%, and the Dow Jones Industrials (DJIA) rose +1.74% on a sharp jump by United Health Care (UNH) on news that Warren Buffet was taking a stake in the company. The Nasdaq and the S&P500 also chalked up new highs. All three market averages finished at or above the key 21-day exponential moving average. Neither the Nasdaq nor the S&P500 are particularly extended in that both are low single digits above the 21-EMA and low to mid-single digits above the 50-day moving average. Risk taking continued as the ARK Innovation ETF (ARKK) gained a further +3.0% w/w and the Innovator IBD 50 ETF (FFTY) rose +1.5%. The Magnificent Seven (MAGS) climbed +0.9%. The rally broadened as the S&P500 EW (RSP) gained 1.5% w/w. Most sectors of the market rose with Healthcare (XLV) leading the way at +4.65% followed by Communication Services (XLC, +3.6%). Utilities (XLU, -0.65%) and AI adjacent Virtus Reaves Utilities (UTES, -1.3%) lagged. The US 10-year rose 4bps to 4.32%. The potential read through on the action: risk on still in effect though some signs of fatigue. However, Sunday night futures are slightly higher with the Nasdaq up +0.22% and S&P500 up +0.15%.

This Past week: Choppy market. Core CPI m/m increase in July slightly above estimates at +0.3% m/m and annualized of +3.1% y/y but headline and core PPI much hotter than expected at +0.9% m/m for core PPI vs +0.2% expected and annualized core of +3.7% vs +2.9% expected and +2.6% in June. Re-acceleration in core services inflation to highest since February. August inflation expectations at prelim of +4.9% vs July final +4.5% and August 5-year inflation expectations at prelim of 3.9% vs July final of 3.4%. Univ of Mich consumer sentiment unexpectedly declines in August. But the Business Optimism Index increased in July. Fed Governor Bowman said she is looking for 75bp easing in 2025 ahead of the 50bp on the dot plot. Treasury Secretary Bessent reiterated call for -50bp rate cut in September and said rates should be -150 to -175bp lower though SF Fed Pres Daly pushed back and said she preferred moving toward neutral over the next year at a steady pace. She added that the Fed might have cut already if it had known there would have been such a sharp downward revision in payrolls that occurred the day after the FOMC meeting. Q2 earnings grew at a blended +11.7% pace with a percentage beat of 82% and an average +8.5% upside surprise. Nvidia (H20 chip) and AMD (MI308 chip) agreed to share 15% of revenues from China sales to the US government as a condition of receiving an export license. **Micron (MU) jumped** 4%+ on Q4 guide while flagging strong AI demand for HBM. US equities saw \$20B+ net inflow. But **CoreWeave, Deere, Applied Materials, Tapestry, C3.ai** all fell sharply on earnings, guidance, and/or pre-announcements. Homebuilders rose along with financials and airlines. Trump-Putin held a summit meeting in Alaska to

discuss a ceasefire in Ukraine. No deal as of Friday night. But expectations were low. Ukraine President Zelensky said before the summit that he refused to cede Donbas to Russia and that Ukraine's constitution requires parliamentary approval to surrender territory and there is no civilian support to do so. Continuing unemployment claims remain elevated at 1953k. More investors trimming winners and buying bonds and defensives.

Movers in the infrastructure space were primarily to the downside. Positive action came from **Granite Construction (GVA, +3.05% w/w)**, **Consolidated Water (CWCO, +10.5%)**, **CyberArk (CYBR, +6.0% w/w)** and solar plays such as **SolarEdge (SEDG, +20.5%)** jumped. But **Sterling Infrastructure (STRL, -9.0% w/w)**, **Palantir (PLTR, -5.2%)**, **Vertiv (VRT, -4.9%)**, and **Credo Tech Group (CRDO, -3.05%)** gave back some of the prior week's mostly DD gains.



Source: 

The week ahead: Federal Reserve Chair, Jerome Powell to present at the Kansas City Fed Annual Economic Policy symposium at Jackson Hole, WY on Friday where he is expected to announce the Fed's new policy framework to achieve its inflation and employment targets. Earlier in the week data due out on housing starts and existing home sales. The odds of a Fed rate cut Sept 17 stand at 85% as Fed's focus has shifted to labor market following recent weak data points. President Trump to meet with Ukraine President Zelensky and European leaders in Washington on Monday. Walmart (WMT), Home Depot (HD), Lowe's (LOW), Palo Alto Networks (PANW) earnings due out. Investors are 16% underweight US equities per the BoA Global Fund Manager Survey, the best since February but 91% of investors believe US equities mostly overvalued. However, the tech and Mag 7 trade continue to demonstrate strong earnings visibility.

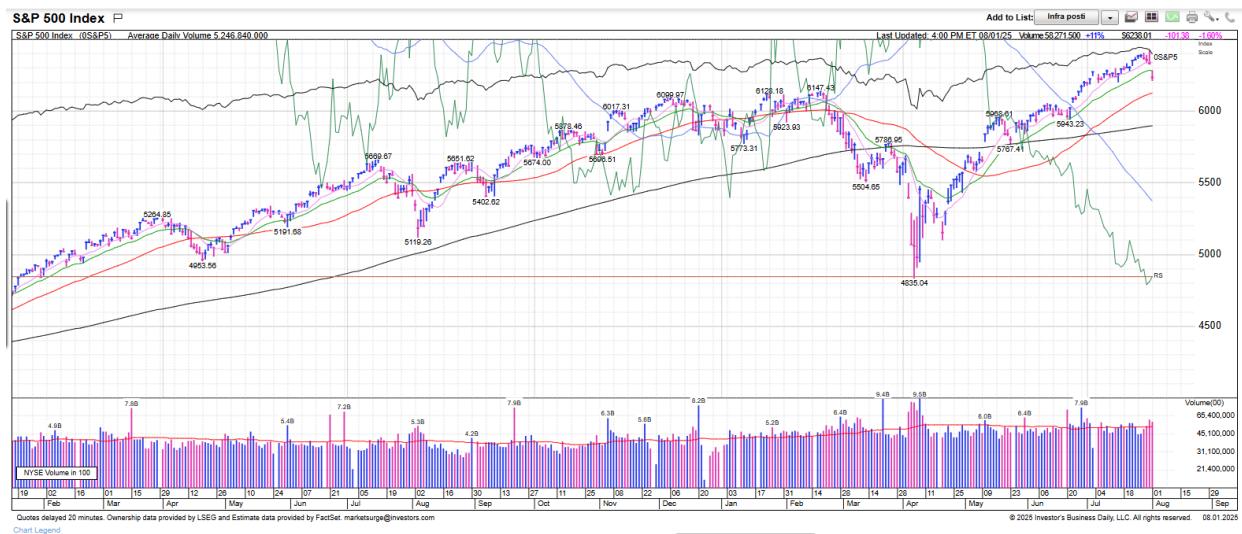
Stock Market Today/Week: Aug 15, 2025

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%
Infrastructure PLUS	267.49	+0.05%	+1.75% est.

Source: Factset

Technical Analysis

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.



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

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 \$259 and 2026E EPS of \$300 are correct, then the market is trading on the rich side (24.9x 2025E EPS and 21.5x 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: Market rally looking a little fatigued but still time to be heavily or fully invested. Watch/listen for a potential pivot in Fed Chair Powell remarks given recent softness in labor markets.

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 8/15/2025 every condition has been met.

John D. Edwards, CFA

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