

Hello everyone and I hope this email finds you well.

Despite heading into the seasonally weakest month of the year, the S&P 500 posted a modestly positive week (+0.3%) even in the face of a weak Friday (-0.3%) (+1.9%). The week jobs report (+22,000 well short of estimates) makes a potential 25bp rate cut a near certainty (92% odds per [FedWatch - CME Group](#)) when the Fed meets Sept 17, raises the odds of 75bp in rate cuts by year end to 65%, and reintroduced the notion of “bad news being good news” narrative for investors. The US 10 year fell to 4.08%, the lowest level since April.

Performance Summary: The ongoing rally, which began in mid-May, continued with the S&P500 reaching a new ATH on Friday before pulling back for a modest loss of -0.3%. Sectors were decidedly mixed with significant divergences. **Homebuilders (XHB, +4.7% w/w)** led by the fall in interest rates. **Communication Services (XLC, +3.0%)** surged on very strong earnings and guide from **Ciena (CIEN, +24.2%)**. Ciena management flagged the strong cap ex outlook as it said on its earnings call that it was expecting over \$7Trillion to be spent globally on datacenter build out, GPU clusters, the power grid, and AI model development by the end of the decade. **Retail (XRT, +3.75%)** also strong on huge upside moves by **American Eagle Outfitters, Macy's, and Kohl's. Energy (XLE, -3.3%)** lagged. The Magnificent Seven (MAGS, +2.37%) showed strength on a favorable antitrust ruling for **Alphabet (GOOGL, +10.4%)** in a Justice Department suit with **Apple (AAPL, +3.25%)**. Other notable movers on the week were **Broadcom (AVGO, +12.6%)** on earnings and **Credo Technology Group (CRDO, +14.4%)** on earnings and guidance. **Micron Technology (MU, +10.4%)** and **Western Digital (WDC, +14.5%)** showing strength in the storage area. But **Nvidia (NVDA, -4.1%)** and **Advanced Micro Devices (AMD, -7.1%)** were notably weak resulting in Semiconductors overall (SMH, +1.0%) finish just modestly higher. **MP Materials (MP)** was slapped down by -11.4% and E&C firm, **Argan (AGX, -7.3%)** was also pounded.

The US 10 year slipped 13bp to 4.08% in early trading and yields are up 3 to 5bp across most of the yield curve for durations longer than 2 years.

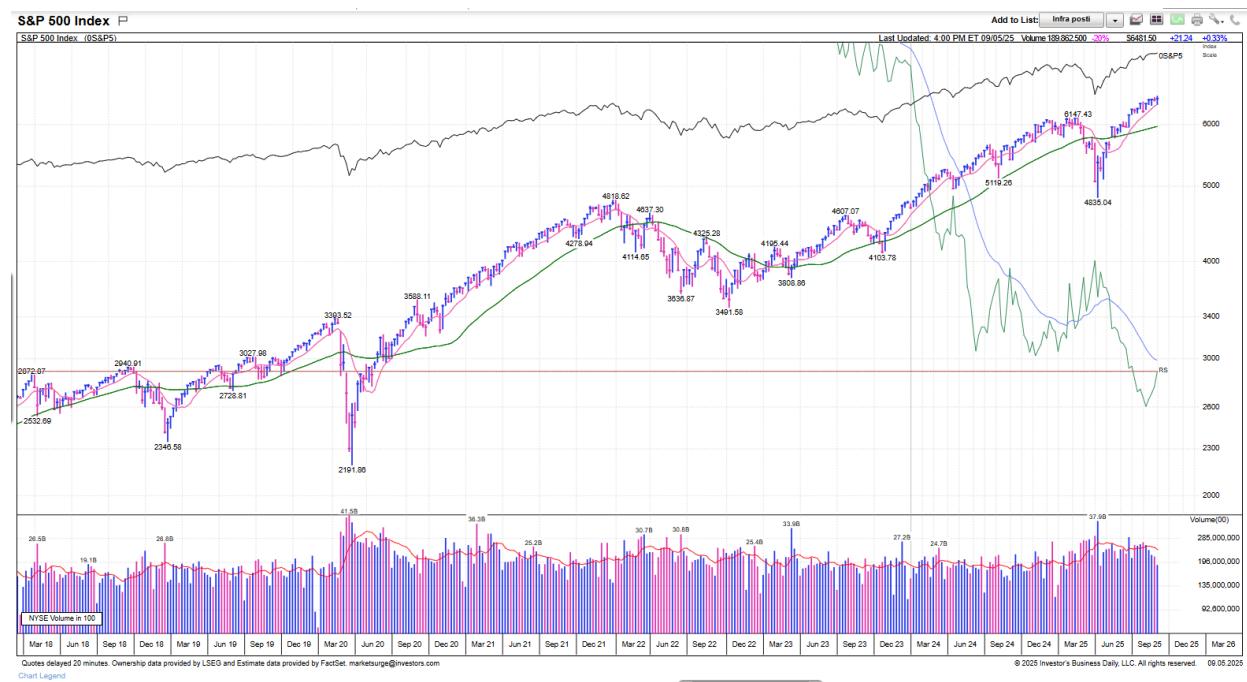
Key events for the week ahead: **Applovin (APP), Robinhood (HOOD), Emcor (EME)** set to join the S&P500 (BMO September 22), Apple iPhone 17 launch (Tuesday). Inflation reports due out Wednesday (PPI) and Thursday (CPI). **Oracle (ORCL) and Rubrik (RBRK)** are the key earnings reports for the week for what is otherwise a relatively quiet earnings calendar.

Stock Market Today/Week: Sept 5, 2025

Index	Level	Day Change	Week Change
S&P 500	6,481.50	-0.32%	+0.33%
S&P500 Equal Weight	188.44	+0.12%	-0.10%
Nasdaq Composite	21,700.39	-0.03%	+1.14%
Dow Jones Industrial Avg.	45,400.86	-0.48%	-0.32%
US 10 year	4.08%		-0.13bp

Source: Factset

All three market averages remained above the key 21-day exponential moving average and continue to be in a power trend. However, both the Nasdaq and the S&P500 are trading near 1 standard deviation below the trendline average showing some weakness so investors need to stay more vigilant. The Russell 2000 hit fresh 2025 highs and may finally see a sustained rally compared to every rally in the past being a “head-fake.”



Source: [MARKETSURGE
BY INVESTOR'S BUSINESS DAILY](https://www.investorsbusinessdaily.com/marketsurge)

Movers in the infrastructure space was divergent as mentioned above. In addition to the strong movers mentioned above **Corning (GLW, +6.2% very strong, Taiwan**

Semiconductor (TSM, +5.4%) with weakness in the midstream/pipelines area led by **Plains GP Holdings (PAGP, -4.5%) and OneOK (OKE, -4.9%)** to the downside. Electric power equipment play, **GE Vernova (GEV, -5.0%)** and nuclear power play, **OKLO each gave up -5.2%**. GEV dropped -2% below its 50dma.

This Past week bull-bear debate:

Bulls: Big US Treasury rally on the weak jobs report with market now pricing in nearly 3 rate cuts before YE. Positive take aways on AI as Broadcom disclosed strong orders from a 4th XPU customer (market assuming OpenAI) worth \$10B and AI semiconductor growth of 60% in 2026. Amazon rallied 4% Thursday on data center build out for Anthropic. Ciena management flagged on its earnings call \$7 trillion in cap ex spend for data center build out, GPU clusters, power grid, and AI model development by 2030. Consumer resilience from the Goldman Sachs Retail Conference and backed up by double digit moves last week by a number of retailers such as Macy's, American Eagle, and others. Jet Blue flagged strong summer travel demand and bookings for Q3. ISM manufacturing new orders moved into expansion in August after six months of contraction. Oil a disinflation driver. Court decision declared tariffs not legal could be bullish but offset by driving US Treasury yields higher which is bearish.

Bears: Weak jobs report last week with just 22k growth in non-farm payrolls in August vs 75k expectations. ADP private payrolls slowed to 54k in August from 106k in July well below consensus estimates of +75K increase. ISM services employment in contraction for 3rd straight month in August. JOLTS job openings fell to 10-month low in July. Job cut announcements up 13% y/y to 86k in July and highest since 2020. Fed Beige book said 7 districts firms hesitating to hire due to tariff uncertainty. If tariffs confirmed as illegal loss of revenue could drive US Treasury yields higher. US holiday spending expected to see biggest drop in spending since the pandemic, declining 5% y/y, driven by an outsized Gen Z pullback and gift spending.

The week ahead:

Days that earnings due are shown below.

9/8

9/9 ORCL, RBRK

9/10 PPI report

9/11 CPI report

9/12

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.

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 9/5/2025 every condition has been met.

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