

The Oracle is not from Omaha but from Silicon Valley. Despite September historically being the weakest month of the year, the S&P 500 posted another positive week (+1.59% and 3rd straight) despite another weak Friday (-0.3%). Technology-based infrastructure names soared on guidance from Oracle (ORCL, +25.5% w/w) so positive that it left analysts and investors alike stunned. The in line inflation report (+2.9% y/y headline CPI and +3.1% core CPI) on top of the prior week's less than stellar non-Farm payroll report (+22,000 well short of estimates) along with elevated initial claims (+263k vs 231k expected) makes a potential 25bp rate cut a near certainty (96% odds per FedWatch - CME Group) when the Fed meets Sept 17 and raises the odds of 75bp in rate cuts by year end to 76%. The US 10 year fell another 3bps w/w, to 4.06%, and even dipped below 4.0% at one point during the week and which once again touched the lowest level since April. Sunday night futures are barely budging.

Performance Summary: The ongoing rally, which began in mid-May, continued with the S&P500 reaching a new ATH on Thursday before pulling back for a modest loss of -0.3% Friday. Sectors were overwhelmingly higher. **Utilities (UTES, +3.85%)** surged on the ORCL guide along with **Semiconductors (SMH, +3.76%)**. **Retail (XRT, -1.16%)** was soft but some give back was expected as it increased +3.7% the prior week. **Oracle** management flagged the strong RPO on its earnings call at a stunning \$0.45T and expected the RPO to top \$0.5T and guided to a 14x increase in revenue for its OCI segment by 2030, to \$144B. The **Magnificent Seven (MAGS, +2.8%)** showed strength on big rallies by **Tesla (TSLA, +12.85%)** and **Nvidia (NVDA, +6.5%)**. Risk-off was back on display: **ARK Innovation (ARKK, +4.25%)** and **Innovator IBD 50 (FFTY, +4.11%)**. Other notable movers on the week were **Broadcom (AVGO, +7.5%)** on the Oracle earnings report and **Credo Technology Group (CRDO, +15.0%)** which put in the 2nd consecutive DD weekly gain. **Micron Technology (MU, +19.7%)** also put in a 2nd consecutive DD gain and **Astera Labs (ALAB, +20.0%)**, and **ARM Holdings (ARM, +9.0%)** soared as well. Power producers surged: **Vistra Corp (VST, +11.5%)** and **NRG Energy (NRG, +11.6%)** the leaders. Few infrastructure names showed weakness. **T-Mobile (TMUS, -4.4%)** pulled back as did **SolarEdge (SEDG, -15.8%)**, as did the rails such as **Canadian National Railway (CNI, -3.2%)**. strength in the storage area.

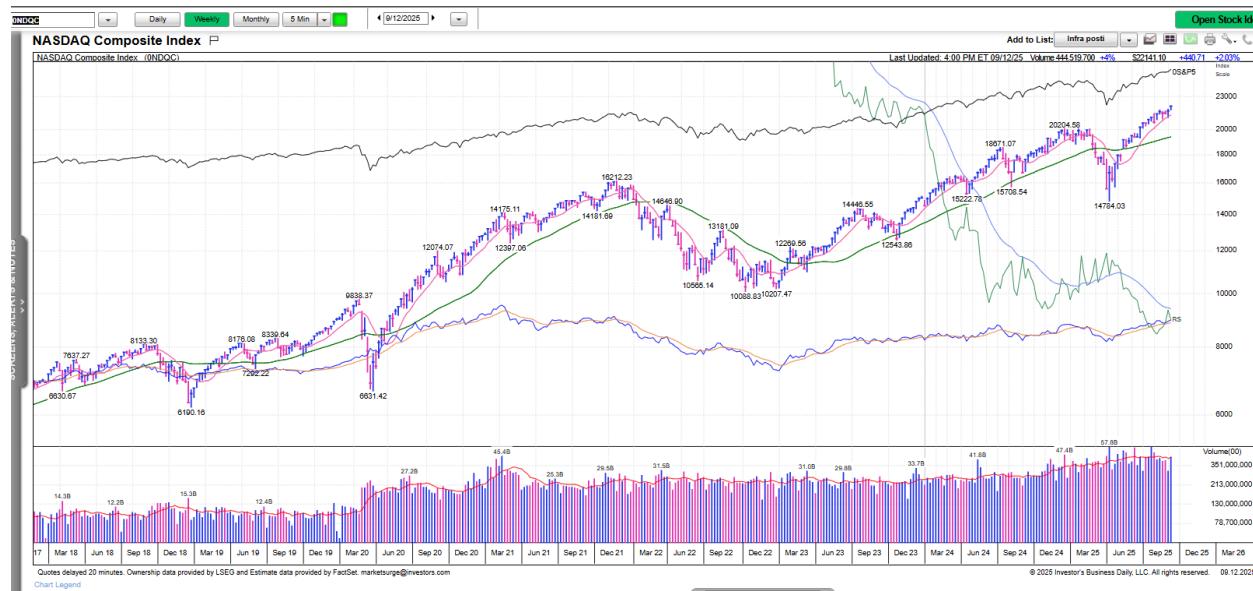
Key events for the week ahead: The Fed meets and will announce a policy move on interest rates on Wednesday, Sep 17. Investors will be more focused on the outlook narrative (dovishness is desired) than the interest rate decision. Only a few earnings reports are due with Dave and Busters (PLAY) on Monday, General Mills (GIS) on Wednesday and Cracker Barrel on Wednesday.

Stock Market Today/Week: Sept 12, 2025

Index	Level	Day change	Week Change
S&P 500	6,584.29	-0.05%	+1.59%
S&P500 eq wt	188.96	-0.72%	+0.28%
Nasdaq Composite	22,141.10	+0.44%	+2.03%
Dow Jones Industrial Avg.	45,834.22	-0.59%	+0.95%
US 10 year	4.06%		-3bp

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: *Investors Business Daily*

In the infrastructure space all sub-sectors were positive except for transports and environmental services lead by Utilities (+9.9%).

This Past week bull-bear debate:

Bulls: Oracle posted 359% surge in Q1 RPO, to \$455B with increase to over \$500B expected demonstrating AI demand is strong and sustainable. At Goldman Sachs technology conference most participants reported healthy and expanding AI end-market driving sustained cap ex. Recall the previous week, 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. At Barclays Financial Services conference, big banks flagging consumer resilience (and Visa and Mastercard did likewise at the Goldman conference). Barclays also pointed out rising capital markets activity, higher NII from loans and deposits, stock repurchase tailwinds. BofA reported rising spending data for Q3 over Q2 so far based on CC spending data. PPI cooler than expected for August and declining for first time since April and the hot PPI report in July was revised lower. Strong 10-year note auction including outsized foreign demand. Depressed sentiment a contrarian indicator as AAll bull-bear spread fell sharply to -22%, the lowest since May. IPO and M&A activity rising including Paramount Skydance preparing a bid for Warner Bros Discovery.

Bears: Initial jobless claims jumped to highest level in nearly 4 years and 4-week moving average hit the highest level since June. The BLS announced a 911k downward revision to payroll growth between April 2024 and March 2025, vs 800k downward revision expected. The August NY Fed survey of confidence in finding a job fell to 44.9%, the lowest since the survey began in 2013 all while the NFIB reported that small business optimism index showed those unable to fill job openings remained elevated at 32% with labor quality the biggest concern. On the trade front, China not willing to make any concessions in talks with the US. Geopolitical tensions flared due to the Israel strike against Hamas in Qatar and Russian drones violating Polish airspace. While US Treasuries rallied, the long end of the curve showing concerns as the 2Y/30Y spread at 115bp, the highest since Jan 2022 as growing debt and deficit concerns as interest payments now top \$1T/year and US Federal Government shut down odds rising though a vote on a continuing resolution through 21Nov could occur as soon as the coming week. While Oracle blow out guidance impressive much of it rests on OpenAI which is not expected to be profitable until 2029 and the \$60B/year in revenue expected from them is 6x current annual revenue, implying risks to Oracle getting paid on its efforts to fulfill its order book.

The week ahead: FOMC decision on interest rates due Wednesday, FedEx and Lennar earnings due out Friday are the highlights.

Upcoming economic events/earnings:

9/15 PLAY

9/16 Aug economic numbers: Retail sales : +0.4% M/M expected, Industrial Production: +0.1% m/m, for ORCL, RBRK

9/17 GIS, CBRL, Aug economic numbers: Housing starts SAAR: 1365K. FOMC meeting on fed funds rate: -0.25bps cut expected.

9/18 FDX, LEN, DRI, Philadelphia Fed Index for Sep: 2.5 expected.

9/19

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: Technical, fundamental, and macro factors continue to suggest that investors be heavily or fully invested. Nonetheless we remain vigilant on a variety of fronts that could impact positioning.

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 9/12/2025 every condition has been met.

Make it a good week,

John D. Edwards, CFA

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Disclaimer

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