

**Overview:** Another whipsaw week. Three up days and two down days for the S&P500 (+1.86% w/w). The other market averages all moved higher with the NASDAQ up +2.14% and the Dow Jones Industrial Average up +1.04%. The Russell 2000 (IWM) led all indices advancing 2.36% w/w.

All sectors climbed higher. Retail (XRT) was a strong leader, rising +3.8% in recovering some of the losses (-7%) from the prior week. Consumer Discretionary was 2nd leading sector (XLY, +2.5%). Technology (XLK, +2.4%) rose on a jump in Semiconductors (SMH, +5.4%). But riskier indices were mixed as ARK Innovation ETF (ARKK, -0.3%) fell and Innovator IBD 50 ETF (FFTY, +2.2%) rose. Magnificent 7 stocks (MAGS, +2.45%) fared well on the week.

Among infrastructure and AI plays Advanced Micro Devices (AMD) hit a new all-time high in rising +8.5% on the week, Taiwan Semiconductor (TSM) added 5.1% on earnings, Broadcom (AVGO) surged 7.6% on a deal with OpenAI, and Micron Technology (MU, +11.4%) jumped on growing risks of shortages in memory chips. But Oracle (ORCL, -0.6%) shares fell week/week despite a guidance raise at its analyst meeting last week and are down in Monday trading (-4.4%). Renewable Energy issues surged led by Bloom Energy (BE, +28%) as it announced a \$5B deal with Brookfield to provide onsite power via its fuel cell technology for Brookfield's global AI factories. Rare earth plays surged on speculation that the US Federal Government would take stakes. Examples include Critical Metals (CRML, +39%) and Alimony Industries (ALM, +6.1%). Power providers also surged such as NRG Energy (NRG, +5.2%) and Constellation Energy (CEG, +4.9%). Small nuclear modular reactors surged again as well (OKLO, +11%) and Nu Scale (SMR, +12.8%). E&C contractors on infrastructure rebounded from pullbacks the prior week such as Mas Tec (MTZ, +3.2%), Sterling Infrastructure (STRL, +5.6%), and Argan (AGX, +10.8%). On the telecom/datacenter front, Ciena (CIEN, +9.6%) surged to new all-time highs. The US 10-year fell another 6bps w/w, to 4.00%. On Monday the S&P500 is up +1.1%, the Nasdaq is up +1.5%, and the Dow Jones Industrial Average is up +1.1%. On Monday encouraging comments from President Trump and US and China reaching a trade agreement and sad he has been invited to visit China and is going to visit China in 2026. US Treasury Secretary Bessent made positive comments regarding a video call with China's Vice Premier He Lifeng.

**Other weekly news:** The US Federal Government remained closed (20 days in) as Senate votes failed. But White House economic advisor Hasset was on CNBC Monday predicting an end to the shutdown later this week. The White House said that it may impose stronger incentives on the Democrats to encourage cooperation. Affordable Care Act (ACA)

subsidies more in focus as such subsidies due to expire at year end and face sharp premium hikes. On the geopolitical front Hamas violated the peace deal with Israel. Ukraine President Zelensky paid a visit to the White House.

Market indices remain in confirmed uptrend and remain stacked in normal relationships with the 10dma >21ema >50dma >200dma.

Among growth and “risk-on” ETFs, the **Innovator IBD 50 ETF (FFTY)** up +1.7% Monday and ARKK jumping 4.4%.

Still, lots of chatter on whether the cap ex spending on AI represents a bubble and if AI investments represent circularity as some suppliers also own stakes in firms that are buyers of semiconductors. Also, concerns have been raised that **Oracle** is taking on debt to finance its AI buildout, offsetting the guidance raise for its revenue and earnings outlook at its analyst meeting last week. But the Street is pushing back hard on these worries as firms note that hyperscaler cap ex to sales is 25%, well below the 40% capex/sales that telcos hit during the dotcom bubble. Wells Fargo research noted that while IT cap ex as a % of GDP may have reached 2.0% in 2Q 2025, still well below the 2.6% reached during the PC boom and the 2.9% during the internet boom. Moreover, while capex accounts for 60% of hyperscaler operating cash flow, a big increase of the past decade, the spending is still below the 70% ratio hit by Tech/Media/Telcom stock hit during the dotcom bubble.

Despite the bullish pushback by the Street, major brokerages still pointing out that while US-China trade tensions may be moderating, still not out of the woods and tariffs may still emerge as a major drag on US economic growth.

**Key events for the week ahead:** Leading indicators released today showed September fell 0.2% m/m vs prior month fall of -0.5%. Existing home sales are due out Thursday with 4,067k expected for September vs 4,000k for August. CPI Inflation data for September due out Thursday with headline y/y of +3.1% expected vs +2.9% in August. Ex food and energy +0.3% m/m inflation expected. Global S&P PMI Manufacturing for October due out Friday with 52.3 expected and Services PMI of 54.2 expected. Government shutdown expected to end later in the week per WH advisor Hassett.

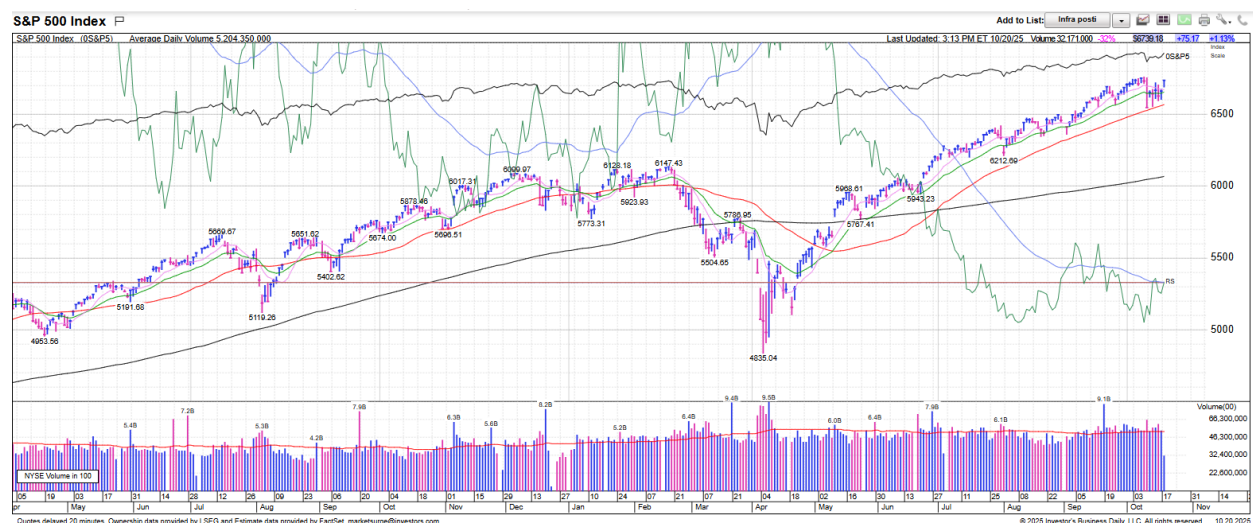
#### **Stock Market Today/Week: Oct 20, 2025**

<b>Index</b>	<b>Level</b>	<b>Day change</b>	<b>Week Change</b>
S&P 500	6,739.44	+1.07%	+1.86%
S&P500 eq wt	190.03	+1.00%	+1.56%
Nasdaq Composite	23,013.10	+1.37%	+2.14%

Dow Jones Industrial Avg.	46,695.40	+1.12%	+1.04%
US 10 year	4.00%		-6bps

Source: Factset

All three market averages bounced back above the key 21-day exponential moving average. The technology behind AI, which is ushering in another industrial revolution seems unstoppable longer term. As such the current volatility could well end up being short term in nature.



Source: **MARKET SURGE**  
BY INVESTOR'S BUSINESS DAILY

Bottom line, looking ahead the AI build out is not likely to go away any time soon with years yet to run. Earnings season is likely to see renewed focus on hyperscaler capex and ROI along with tariffs.

### This Past week bull-bear debate:

**Bulls:** Buy the dip theme firmly intact as retail investors have been net buyers for seven consecutive weeks and 23 of the last 26 weeks. US-China de-escalation as President Trump said that high tariffs on Chinese goods not sustainable and meeting with President Xi at the APAC meeting at month end continues to be expected. Fed Chair Powell made dovish comments at his last speech as he indicated that the Fed may end the balance sheet run off in the coming months. AI growth given another tailwind as **Taiwan Semiconductor (TSM)** raised FY2025 revenue guidance for the second time in the last few months and said the AI megatrend continues to strengthen. **Oracle** pushed back on GM

concerns at its analyst day last week and raised LT guidance once again as additional AI deals. Broadcom (AVGO) jumped on the announcement of a LT deal with OpenAI. Walmart (WMT) surged 5% on announcing that ChatGPT would allow customers to directly order online inside the ChatGPT instant checkout function. Advanced Micro Devices hit a new high last week on news that Oracle Cloud Infrastructure would deploy 50,000 AMD GPUs. Walmart's US CEO said consumers remain resilient. American Express said that US billed business jumped +9% y/y and +200bps Q/Q during Q3. Labor market remains stable in a "no firing/no hiring" environment.

**Bears:** Increase in credit risk concerns as Zion's Bank announced a \$60M provision/\$50M charge off related to two C&I loans (citing fraud). Western Alliance claimed fraud against a mortgage warehouse borrower and Jamie Dimon, CEO of JP Morgan, used the cockroach analogy in describing recent bankruptcies (First Brands and Tricolor). US-China trade headlines, while moderating in animosity, also contains volatility. Sell-off in casualty insurance companies over damage claims as well as competitive backdrop. Some dampening in AI momentum as TSM failed to sustain momentum following its raised guidance on results. Moreover, Oracle sold off despite upbeat analyst comments and raised revenue guidance through the end of the decade. Lingering inflation concerns in food and electricity raising some concerns on Fed rate cut outlook. Bearish contrary conclusions drawn from most underweight cash position from October BoA Global Fund manager survey.

Upcoming calendar:

IBM, Vertiv, Intel, Union Pacific, Freeport McMoran, Tesla all due to report this week with broader market implications.

10/20 Leading economic indicators for September. Earnings: CLF

10/21 Earnings: GATX BMI

10/22 Earnings: LII URI HESM KMI GEV TSLA CCI VRT IBM APH

10/23 Initial jobless claims for W/E 10/18: 239k expected. Earnings: INTC CRS FCX UNP NSC PCG DLR

10/24 CPI for Sept. S&P Global PMI for Services and Manufacturing. New home sales for Sep: 710k expected vs 800k August.

**What to do now:** Fully or nearly fully invested levels.

**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 10/20/2025 all conditions have been met.

**John D. Edwards, CFA**

**Sr. Portfolio Manager – Infrastructure PLUS Equity Strategy**

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## **Disclaimer**

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