Overview: Markets and our strategy took a sizable step back last week. Three down days for Infrastructure PLUS (-3% to -3.5% w/w estimated) and two down days for the S&P500 (-1.63% w/w). The other market averages all moved lower with the NASDAQ pulling back -3.04% and the Dow Jones Industrial Average falling -1.21%. On the positive side, the markets closed near the highest end (99th percentile) of the trading range for the day on Friday and most indices were near or above the 50-day moving average. The worries over sustainability of AI once again became a concern as Michael Burry (of "The Big Short" fame) announced that he was short the market and Nvidia among other positions. OpenAI CEO Sam Altman expressed frustration over questions regarding $1.4T in commitments with $13B in revenue even as he indicated $100B in annual revenue is on the near- to medium-term horizon. The US Federal Government shut down also took a toll particularly as the US Department of Transport is cutting flights by 10% to the 40 busiest cities in the US with negative implications for travel and lodging industries. Also, concerns about the labor market as job cuts per the Challenger survey/analysis showing 150,000 in October, 2x from September, 3x y/y, and the most in over two decades. AI adoption mentioned as a key factor in labor market weakness. Sunday night futures show the S&P500 up +~0.6%, the Nasdaq up +~1.0%, and the Dow Jones Industrial Average up +~0.2% on news that the Senate has reached a deal to reopen the US Federal Government.

Sectors were mixed. **Technology (XLK, -4.2%)** led on the downside while **Energy (XLE, +1.6%) rose.** Risk off was in vogue as risk proxies, **ARK Innovation (ARKK, -9.2%) and Innovator IBD 50 (FFTY, -9.3%)** fell hard. **Mag Seven (MAGS, -3.4%)** also pulled back with **NVIDIA (NVDA, -7.1%) and Tesla (TSLA, -5.9%)** particularly weak. AI related names were weak despite the latest projections (per Morgan Stanley according to Grok) for hyperscaler CapEx show mind-blowing growth as the mid-year 2025 cap ex forecast for 2025 was ~$325B and now sits at $434B for 2025, rising to $591B in 2026 and $800B by 2028 and nearly $3trillion in aggregate through 2028.

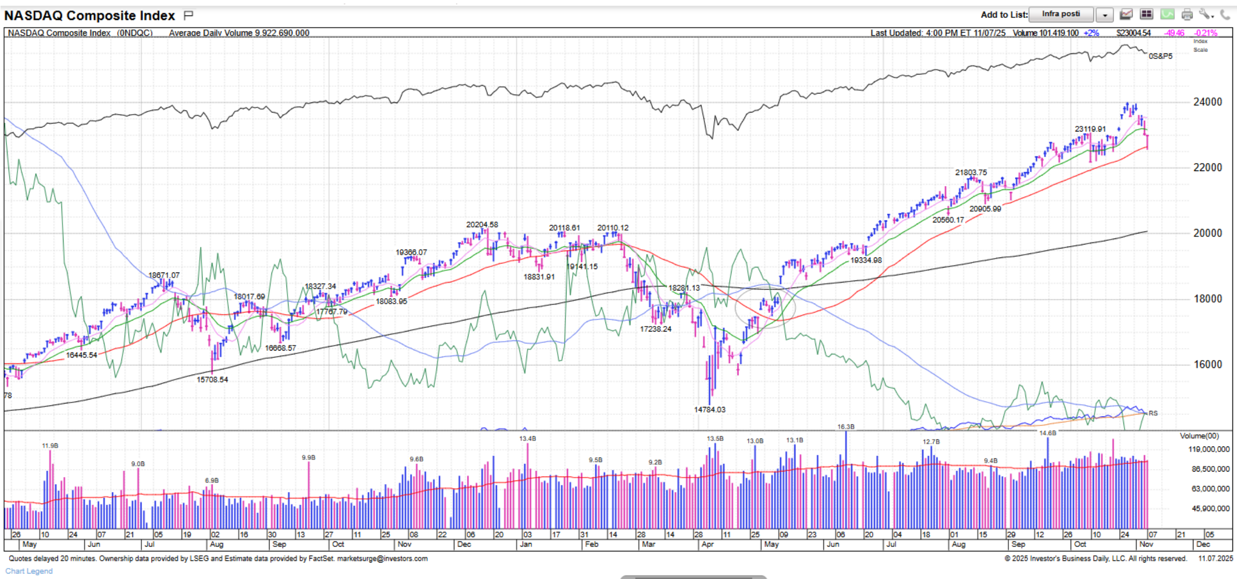
Among infrastructure and AI plays **Credo Technology (CRDO, -12.8%)** fell on no news, **Arista Net (ANET, -14.6%), Oracle (ORCL, -8.9%),** also illustrated AI-related weakness. Bucking the trend was **Lumentum Holdings (LITE, +19.1%), Targa Resources (TRGP, +11.7%), and Ciena (CIEN, +4.9%).** The US 10-year held unchanged at 4.09%.

Other weekly news: Market was not rewarding earnings beats which were considerable. Mamdani victory in the race for NYC mayor may have negatively impacted investor sentiment. US Federal Government remained closed but hope for reopen given the agreement reached at the US Senate as investors will be awaiting the Senate vote and then a vote by the House. McDonalds's flagged weakness in lower-income consumers. Sticky inflation as ISM services price paid index jumped to 70.0 in October from 69.4 in

September. With over 90% of S&P500 having reported, blended growth rate now at +13% vs the +10.7% at the end of last week and the +7.9% at the end of the 3Q.

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

All three market averages are below the key 21-day exponential moving average but above the 50-day moving average. We will be watching this week for averages to retake the key 21-day exponential moving average.



Source: MARKETSURGE BY INVESTOR'S BUSINESS DAILY

Key events for the week ahead: Vote to re-open the US Federal Government especially given the 10% cutback in travel being instituted by the Dept of Transportation and which could rise to 20% cutback should the Congressional vote fail despite the US Senate having reached an agreement. Most earnings have been reported. On the economic front, Fed speeches Tuesday, Wednesday, inflation data Thursday and Friday.

This Past week bull-bear debate:

Bulls: Earnings for Q3 now at +13% y/y with 90% of S&P500 reported vs +7.9% at the end of Q3. Multi-year partnership between OpenAI and Amazon worth $38B. Apple will leverage Gemini for a Siri upgrade. October ISM services hit highest level since February, ADP private payrolls increased 42k in October vs 30k consensus. Strong results from Ralph Lauren and Tapestry underscoring consumer strength even if at the higher end. More M&A such as Pfizer and Novartis bidding for Metsera and Kimberly Clark to acquire Kenvue. US Senate reached agreement to reopen Federal Government.

Bears: Concerns that OpenAI, with $13B in annual revenue, has made $1.4T of commitments and CFO Friar raised prospect of government guarantees to finance AI infrastructure buildout. Softening labor market per Challenger job cuts of 150k in October the most in two decades and 2x the prior month. Scrutiny of Meta cap ex investment on AI rising to $72B in 2025 and more in 2026. Stick inflation concerns.

Upcoming calendar: Very light on the earnings calendar, inflation data 2nd half of the week.

11/10

11/11 Fed speeches

11/12 Fed Speeches

11/13 CPI for Oct: 3.0% y/y headline expected and +0.3% m/m ex food and energy> Hourly earnings for Oct final +3.6% y/y expected. Initial jobless claims for w/e 11/8: 230k expected.

11/14 PPI for Oct: 2.6% y/y headline and +0.20% m/m ex food and energy.

What to do now: Pulling back some from 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 11/9/2025 12 conditions have been met (fail on #3, and #5).

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