Outlook: Despite the sharp pull-back Friday on AI jitters, the outlook continues to look favorable. There were no meaningful downgrades in the outlook of any of the major investment banks and though the algo's appeared to react negatively to the Oracle and Broadcom results/guide, such guide would have been welcomed under most market scenarios. Afterall, a +28% y/y revenue guide would ordinarily be met with buying, not selling pressure. The "wall of worry" and lack of "irrational exuberance" appears to be a useful tool to prevent any true bubbles forming. As my colleague, CJ Brott pointed out, Goldman Sachs characterized the pull back as "the end of the beginning" of the AI narrative. Furthermore, the Fed continues to be on a modestly dovish path, which history shows is constructive for equity markets.

Summary: Divergence was in vogue last week. The Fed cut 25bps as expected that helped the broader averages. However, YTD winners were smoked on Friday which meant mostly AI and AI adjacent stocks. Infrastructure PLUS has significant exposure to this area and as such were among those strategies getting slammed. The Street was already a little bit uneasy from the **Oracle (ORCL)** numbers on Wednesday night despite earnings beat on the Q though revenue missed by a hair. On Thursday night **Broadcom (AVGO)** turned in very solid results for the Q with EPS of $1.95 a +4.4% beat to estimates with revenues up +28% y/y at $18.02B in revenue a +3% beat to $17.47 estimated. The January ending Q guide was for $19.1B in revenue ahead of Street estimates of $18.4B and up +28.4% y/y, all excellent by any measure. The stock initially rallied in afterhours but turned south when CEO Hock Tan mentioned that mix will be slightly dilutive to gross margin and operating margin though overall profits are expected to continue to rise as volumes getting a boost. The turn south in AVGO stock in the aftermarket Thursday turned into a route on Friday of -11.4%. The route in AVGO managed to take down much of the AI adjacent infrastructure names from other semiconductor names to electric power to E&C. Few infrastructure names were spared and translated to four names posting DD losses for the week: **Oracle (ORCL, -12.7%), Vertiv Holdings (VRT, -14.7%), Marvell Technology (MRVL, -14.6%), Credo Technology Group (CRDO, -18.2%)**. The S&P50 was down -1.1% on Friday with nearly 400bp outperformance relative to our Infrastructure PLUS strategy. For the week, the S&P500 lost -0.6% with the Nasdaq down -1.6%. The DJ Industrial Average was up 1.6% on the week and the Russel 2000 small caps gained +1.2% for the week.

Sectors were mixed. Not surprisingly, the **Technology sector (XLK, -2.8%)** led to the downside, **Materials (XLB, +2.4%) and Financials (XLF, +2.4%)** led on the upside showcasing the dramatic rotation in the market. Risk proxies were lower but not dramatically lower with **Ark Innovation (ARKK, -1.9%)** and **Innovator IBD 50 ETF (FFTY, -1.8%)** both fell. The **Retail Sector (XRT, +1.9%)** advanced once again. The S&P500 held at its 21-day moving average, a positive sign. The Nasdaq held above its 50dma but was just fractionally below its 21ema, also a positive sign. The 10-day and 21-day remain stacked in their proper positions to signal bullish trend. Mag 7 stocks (MAGS, -2.2%) were all lower expect for Tesla (TSLA, +0.9%). Meta (META, -4.3%) and Nvidia (NVDA, -4.1%) were weakest.

The odds of a Fed rate cut for January 28 is weak with odds at 24% (see FedWatch - CME Group) for a cut. Decisive odds of rate cut do not materialize until the April 29 meeting (63%). **Sunday night futures are flattish with the S&P500 up +0.05%, the Nasdaq down -0.1%, and the Dow Jones Industrial Average up ~+0.1%.**

Dow Futures	Change	S&P 500 Futures	Change	NASDAQ Futures	Change
48,927.00	+ 67.00 0.14%▲	6,834.00	+ 3.25 0.05%▲	25,452.25	- 17.25 0.07%▼
Fair Value	**Implied Open**	**Fair Value**	**Implied Open**	**Fair Value**	**Implied Open**
48,860.22	+ 66.78	6,890.54	- 56.54	25,462.25	- 10.00

Source: [After-Hours Stock Quotes | CNN]

Despite the route in AI adjacent names, if anything the tailwinds for the AI trade have increased based on the guides from both Oracle (RPO increased from $455B to $523B) and Broadcom (revenue guide for the Q ended January beat estimates). Broadcom flagged AI semi revenue to double in Q1 to $8.2B and $73B AI backlog over 18 months are booked orders and expected to increase in subsequent quarters. There were no known down shifts in AI spending. From Grok, no major revisions to the outlook:

Current Consensus Hyperscaler AI/Data Center CapEx Estimates

Year/Source	2025 Estimate	2026+ Outlook	Key Notes/Post-Earnings Impact
Big 4 (MSFT, AMZN, GOOGL, META) + Oracle	$335-405B (up from pre-Q3 ~$300B)	$450-602B in 2026 (CreditSights: 75% AI-focused, +64% YoY AI spend)	Nov updates (e.g., Amazon $125B, Google $91-93B) drove hikes; Oracle's $50B FY26 adds ~$15B upside but highlights debt/ROI risks—no broad revision yet.
Goldman Sachs	Part of $1.15T (2025-2027 cumulative)	Sharp increase through 2027	Pre-earnings; no post-update, but Oracle/Broadcom reinforced "circular" spending fears.
Morgan Stanley	~$300-325B (older Nov 2025 note)	Multi-year growth	No Dec refresh; earlier models saw repeated upward revisions quarterly.
UBS/Global	N/A	$571B global in 2026; $3T cumulative by 2030	Long-term bullish; recent earnings seen as "blips" by optimists.
Dell'Oro Group	Strong 21% CAGR through 2029	Potential short slowdown in 2026	Data center IT capex; GPUs/custom accelerators ~1/3 of spend.

Source: Grok.com

The bearish argument continues to focus on Oracles cap ex "shock" and the slight negative impact on gross margin and operating margin due to mix.

The US 10-year interest rate added 5pbs w/w to 4.19%.

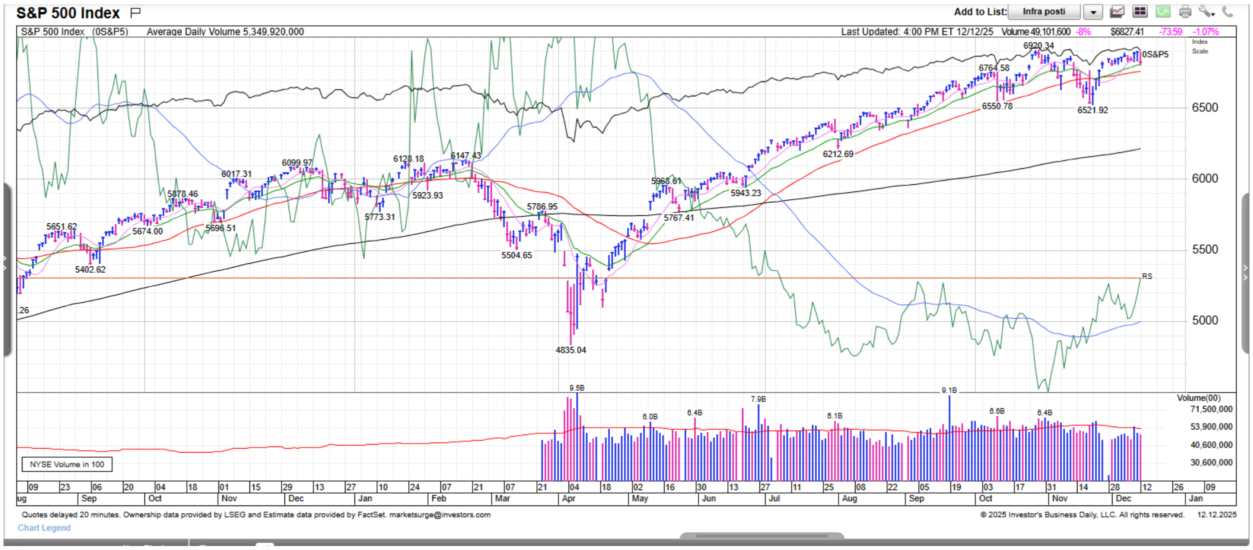
Stock Market Today/Week: Dec 12, 2025

Index	**Level**	**Day change**	**Week Change**
S&P 500	6,827.41	-1.07%	-0.63%
Nasdaq Composite	23,593.86	-0.25%	+0.38%
Dow Jones Industrial Avg.	46,245.40	-0.51%	+1.05%
US 10 year	4.19%		+5bp

Source: Factset

Market indices show that the uptrend is intact. On both the Nasdaq and the S&P500, the 10dma has moved back above the 21EMA and both moving averages are above the 50dma.

The S&P500 and Nasdaq are not extended as they are less than 1% above the 10dma and 21ema, which is a solid set up for investors.



Source: MARKETSURGE BY INVESTOR'S BUSINESS DAILY

Key events for the week ahead:

Earnings for the week ahead relatively quiet. Most significant will be Micron Technology (MU), FedEx (FDX), and Nike (NKE). Lots of economic news due out. The jobs report due out Tuesday is expected to show a gain of 40,000 in November. The CPI due out Thursday will not indicate the monthly change since the BLS did not collect data due to the Federal Government shutdown thought the 12-month change is expected to post.

12/15/2025 Empire State Index; Fed speech on inflation outlook; NAHB Housing Market Index; Fed Speech on economic growth.

12/16/2025 Nonfarm payrolls for Nov; Unemployment rate for Nov; Fed Governor Waller speech at Yale University.

12/17/2025 MU earnings; Retail sales for Nov; NY Fed Speech at FX Market Conference.

12/18/2025 NKE FDX. CPI for Nov (+3.1% y/y expected).

12/19/2025 Existing home sales; PCE Deflator for Nov.

Source: Factset

Bull/bear debate: Bulls back in charge.

Bulls: Fed less hawkish than expected with $40B/month US Treasury bill purchases announced and lower inflation forecast for 2026. Cyclical rotation is gaining more traction. Goldman Sachs takeaways from its Financial Services conference flagging strong macro backdrop, consumer resilience, benign credit, accelerating capital markets activity, plans to increase buybacks. T-Mobile US authorized $14.6B buyback, Mastercard announced $14B buyback, GE Vernova increased its authorization to $10B from $6B, Regions Financial unveiled $3B program and Ally Financial ($2B), Prudential ($1B) and Lululemon ($1B) announced. Broadcom guided to doubling of AI revenues in its January Q, Nvidia secured approval to sell H200 chips to China, Oracle RPO surged +440%, Disney and OpenAI announced investment/licensing program. M&A back in the news as Paramount launched hostile offer for Warner Bros Discovery. IBM announced acquisition of Confluent for $11B to strengthen its AI portfolio. US-China trade tensions calming down.

Bears: Fed rate cut was hawkish with two dissents (for hold), four "soft" dissents via the dot plot, multiple references by Powell to "neutral" interest rate conditions. Australia central bank issued a hawkish interest rate hold. Canada and New Zealand joined Japan in announcing rate hikes into their distributions. ECB swap market pricing in greater probability of rate hikes in 2026 than cut them. Oracle Q2 revenue missed, FCF worse than expected at -$10B, FY capex guide boosted by $15B to $50B for just $4B in revenue. While Broadcom delivered a 4Q beat and better Q1 guide vs expectations six-quarter AI backlog of $73B though management was clear that this was on booked orders with more expected, lower margin racks and lack of upgrade to overall FY26 guide received negatively by the market. Softer labor market as Fed said its labor market count may overstate jobs by 60k per month which implies recent trend of nonfarm payroll is 20k per month. Housing market softness based on Toll Brothers guided below expectations for FY26 and Home Depot also guided 2026 below expectations at its analyst day without specifics for recovery in housing.

What to do now: Raising equity exposure gaining more conviction.

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 12/12/2025 all conditions met.

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