WEEKLY MARKET & STRATEGY UPDATE Week Ended August 7, 2026

John Edwards, CFA, Portfolio Manager, Infrastructure PLUS Strategy

Dear Valued Clients, Friends, Acquaintances:

I hope this update finds you well. Here's our recap of market action for the week ended August 7, 2026, along with thoughts on our strategy positioning and the outlook ahead. Sunday night futures are modestly lower with the S&P500 down -0.2%, the Nasdaq just slightly below flat, and the Dow Jones futures down -0.2% as Iran has introduced eight demands for re-opening the Strait of Hormuz.

- S&P 500: **+3.57%** **hit record high**
- Nasdaq Composite: **+5.19%** **back over 50-day, close to early June highs**
- Dow Jones Industrials: **+2.67%** **hit record high**
- S&P 500 Equal Weighted: **+2.36%** **record high on Wednesday**
- Russell 2000: **+3.56%** **just shy of all time high**

Most market sectors finished higher. Technology led the advance, with the **Semiconductor ETF (SMH)** up **+7.8%** and the **Software ETF (IGV)** up **+8.6%**. As a proxy for risk-on sentiment, **Ark Innovation ETF (ARKK)** rose **+11.5%**. **Energy (XLE)** lagged on weaker oil prices amid reduced tensions around the US-Iran conflict, falling **-3.4%**.

Strong performers in infrastructure this week included:

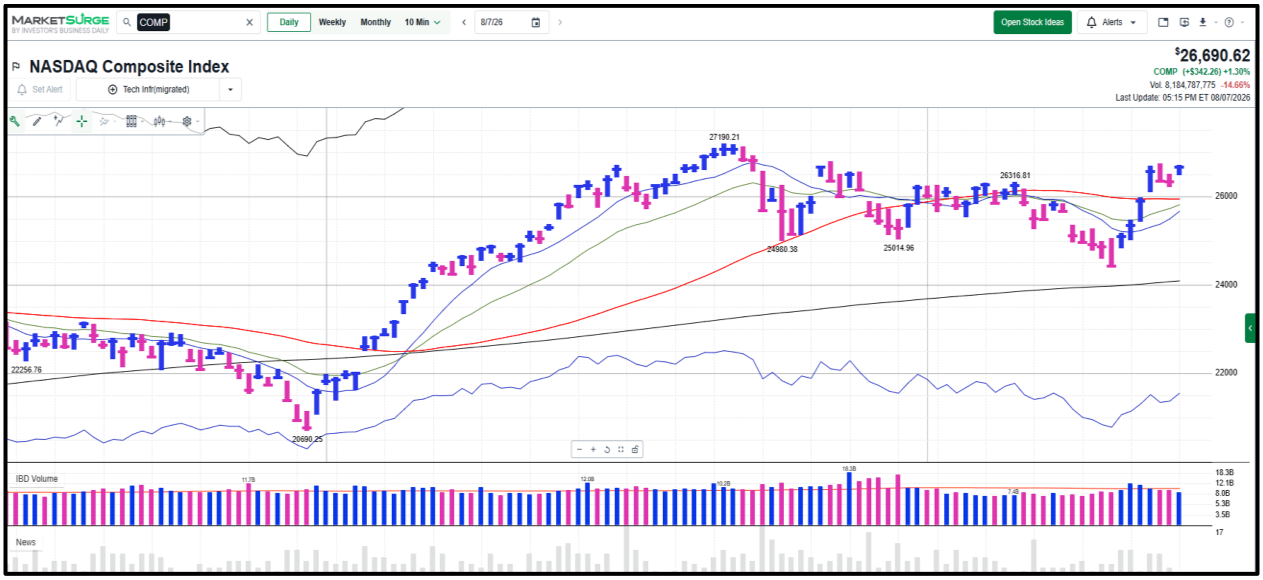
- Coherent (COHR): **+44%**
- Lumentum (LITE): **+24.7%**
- Credo Technology Group (CRDO): **+20.7%**
- ServiceNow (NOW): **+12.2%**
- Vertiv (VRT): **+12.8%**
- Nvidia (NVDA): **+11.5%**
- Broadcom (AVGO): **+9.9%**

Areas of weakness was concentrated in the memory space, with SK Hynix (SKHY) down approximately **-4%** and Western Digital (WDC) down **-20%**.

Market Technicals & Rally Confirmation

The major indices confirmed the beginning of a new rally with a strong follow-through day on the fourth day of the rally attempt (Tuesday). The S&P 500 gained **+1.79%** that day on above-average volume, while the Nasdaq posted a gain of over **2%**. Encouragingly, the averages rallied into the close on Friday.

While the setup for a renewed power trend still lacks a few of the ideal conditions, we are encouraged that the moving averages are not far from proper alignment. The equal-weight S&P 500 already meets the criteria. The regular S&P 500 and Nasdaq still need the 10-day moving average to move above the 21-day exponential moving average, which in turn needs to sit above the 50-day moving average. They remain only about **1%** away from this ideal positioning.



Source: MARKETSURGE BY INVESTOR'S BUSINESS DAILY

Strategy Conviction

The strong outperformance of Infrastructure PLUS reinforces our view that the July pullback was primarily the result of the highly disruptive sell-down and forced liquidation of a large, highly leveraged ~$45 billion hedge fund. Our strategy—focused on high-quality growth across infrastructure broadly, with significant exposure to AI infrastructure in particular—continues to have a bright future.

AI Infrastructure Capex Update

Hyperscalers continue to revise capital expenditure higher. In the latest reports (late July), Amazon guided toward roughly **$220 billion** for 2026 (raised ~10% from prior levels), Microsoft is tracking near **$175–190 billion** (calendar), Alphabet raised guidance to approximately **$195–$205 billion**, and Meta is in the **$130–145 billion** range. Combined guidance for the big four now sits in the **$700–750+ billion** range for 2026, with broader hyperscaler/AI infrastructure estimates running higher still when including Oracle and others.

Importantly, earnings reports also showed accelerating cloud profitability and returns from the hyperscalers, confirming the case for strong returns on invested capital:

- Amazon AWS grew **+37%** (fastest in 18 quarters).
- Microsoft Azure grew **+43%**, with management highlighting roughly **30% ROIC** on AI investments.
- Google Cloud grew **+82%**.

These results helped calm investor and market concerns about the sustainability of the capital investment. With virtually no cuts and widespread upward revisions to guidance across the hyperscalers, our updated cumulative estimates for global AI-related infrastructure investment (compute + data centers + power) continue to be very strong: sit higher than the prior $7–10.7 trillion range for 2025–2030. We extend the horizon through 2031 below.

Estimated Global AI Infrastructure CapEx (Compute + Data Centers + Power)
(*Figures in $ billions)*
Base Case reflects the latest company guidance plus major analyst models on a global basis. Accelerated Case incorporates further upside from continued demand strength, additional hyperscaler raises, sovereign AI programs, and broader non-U.S. spend. Consistent with prior high-end ranges near $10.5–10.7T through 2030.

Year	Base Case Annual ($B)	Base Case Cumulative ($B)	Accelerated Case Annual ($B)	Accelerated Case Cumulative ($B)
2025	550	550	650	650
2026	950	1,500	1,250	1,900
2027	1,250	2,750	1,650	3,550
2028	1,450	4,200	1,900	5,450
2029	1,600	5,800	2,200	7,650
2030	1,750	**7,550**	2,450	**10,100**
2031	1,850	**9,400**	2,600	**12,700**

Note: Base Case cumulative through 2030 stands above $7 trillion on a global basis. Accelerated Case cumulative through 2030 is now above $10 trillion and aligned with prior high-end estimates near $10.5–10.7T (extended through 2031). These remain directional estimates subject to further revision as guidance and deployment data evolve. No downward adjustments have been made relative to prior ranges, given the uniform upward revisions from hyperscalers.

Additional Bullish Fundamentals

Among the 440 S&P500 companies that have reported, 86**%** of have beaten consensus expectations and of those beating they are doing so by +29%, one of the highest readings on record. Sales growth is at a 25-year high and margins are at a new record. Median stock earnings growth has accelerated to **+14%** (Morgan Stanley) and are tracking to a 7th consecutive Q of double-digit earnings growth. Blended EPS growth reported by the S&P500 companies have accelerated to a whopping +49% per FactSet data, the highest since 2021 recovery from Covid according to WSJ analysis. An analysis of valuation shows that the forward P/E multiple shows that it has fallen by roughly three turns over the last 9 months, to ~20.2x. This poses a positive set up since earnings growth has accelerated over the same time frame. Consensus has taken EPS estimates for the second half of 2026 and for 2027 *higher*, in contrast to the typical pattern of cuts.

Source: FactSet

The weaker-than-expected July employment report reduced the odds of a September rate cut from 67% to 44%. U.S. Treasury yields fell sharply: the 10-year declined **7 basis points** and the 2-year (a useful predictor of the path of fed funds) fell **8 basis points** to **4.19%**.

Week Ahead

CPI is scheduled for release on **August 12** and PPI on **August 13**. Earnings season is largely behind us, though several relevant names report next week where LITE, COHR, CSCO, and AMAT are likely to be influential to the overall market as well as AI investment strategies:

Date	Companies / Notes
Aug 10	AAON, B, CECO, EQIX, TSM (sales figures)
Aug 11	LITE, AMT; sales reports from AMD, SMCI
Aug 12	COHR, NBIS
Aug 13	AMAT

We remain constructive on the AI infrastructure theme and the broader setup for high-quality growth. As always, this letter is for informational purposes and does not constitute investment advice. Please reach out with any questions.

Best regards,

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Disclaimer