Weekly Market & Strategy Update

Week Ending September 19, 2026

"AI Doomsday Monday, AI Bulls Push Back, Fed Hawkish Rate Hike, BoJ Hikes to Highest in 30+ years, Oil Fell, Infra Volatility but Moves Higher"

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Dear Valued Clients, Friends, and Acquaintances,

I hope this update finds you well. Below is our recap of market action for the week ended September 19, 2026, along with thoughts on strategy positioning and the outlook ahead.

Divergent themes playing out in the market. Market averages declined slightly (S&P500 -0.1%). The US 10yr closed at 4.99%, up 2bps w/w near the highest level since 2023. While the bond market continues to have indigestion, the reality is that before the zero-interest rate policy following the GFC, US interest rates on the 10year used to average between 4% and 5% for many years (1998 to 2007 and then from 2023 to the present). Average US diesel prices climbed higher after topping $6/gallon for the first time the prior week. and ended the week at $6.45/gallon. The refining sector gained +4.9% w/w and climbed for the 6th consecutive week, adding +33.8% over that time frame. Global refining capacity is estimated as being short 5mm bbl/day relative to demand. The Energy Sector fell -1.3% w/w as Brent crude oil fell -1.3% w/w but remains +13.4% higher over the last month and still trades over $100/bbl.

More headwinds in the market, especially Monday as the AI doomers piled on the call for slowdown in AI development by CEO of Anthropic, Dario Amodei last weekend. No specifics other than "some oversight." The Monday slamming and modest drop Tuesday was followed by three consecutive days of rally in AI names despite a hawkish rate hike by the Fed of 25bps to 3.75% to 4.0% in a unanimous decision by the FOMC. Futures suggest one more rate hike by year end. The hike was repeatedly characterized by Chair Warsh as "removing a dose of accommodation." Goldman Sachs said that over the last seven tightening cycles, S&P500 has fallen an average of -2% over the first three months. Deutsche Bank observed that the average move in the US 10-year one year after the start of a hiking cycle is +114bp. According to Bespoke Investment Group, the S&P500 falls -3.2% one month after the first hike in a tightening cycle. Technology, per Bespoke, falls -0.7% so call it roughly flat.

Significant counter punch on the call for frontier AI model pacing. President Trump called the end of humanity threats a hoax that just benefits China. Jensen Huang, CEO of Nvidia,

not only rejected an AI slowdown but also said that Nvidia expects to sell twice as many semiconductors in 2027 than 2026. By Thursday semiconductor companies were leading again. The SOXX advanced +6.1% from Wednesday to Friday and the SMH jumped 5.0% from Wednesday. The semiconductor indices were carried by the usual suspects: Micron (MU, +9.65%), Advanced Micro Devices (AMD, +9.2%), Broadcom (AVGO, +5.3%), Sandisk (SNDK, +17.9%), Credo Technology (CRDO, +8.9%) between Wednesday and Friday and Lumentum (LITE, +11.0% from Tuesday). All were higher for the week except AVGO. The takeaway – end of humanity hyperbole can slam the sector for a day or two but has yet to impact the buildout. That said, E&C names have been the weakest area in the infrastructure trade for the last several weeks.

From an infrastructure and AI perspective, the Fed hike and a 5% US 10 year did not break the semiconductor investment thesis as the late week leadership from memory, networking, and equipment demonstrated that the parts of the build out monetize demand rather than debate model pacing. Caution/risk now coming from the Fed, oil, rate-sensitive industrials.

China pressuring Iran to rein in the Houthis and Saudi's close to returning half the capacity of the East-West pipeline within days after last week's drone attacks. August core retail sales much stronger than forecast, rising +1.4% vs +0.5% consensus.

From a technical view, the power trend remains on for both the S&P500 and the Nasdaq (but just barely) and the rally is still ongoing but just barely as well.

Sunday night futures are higher with the S&P500 up +0.3%, Nasdaq futures up +0.4%, and DJIA futures down +0.2%. Crude oil futures were down -0.2%.

Index Performance:

- **S&P 500:** -0.80% | -2.2% from ATH, down 4 out of last 5 days, holding +0.4% over 50dma
- **S&P 500 Equal Weight:** –1.2% | -5.0% from ATH, -2.3% below 50dma, 10dma, 21ema below 50dma.
- **Nasdaq Composite:** +0.72% | Rally hanging on, -2.5% below ATH, +1.7% above 50dma.
- **Dow Jones Industrial Average:** -1.7% | down 4 out of the last 5 weeks, -5.65% from ATH
- **Russell 2000:** –1.66% | -6.9% from ATH.
- **US 10 year:** 5.01%, +3bps

Market Technicals

The major averages remain in a broader rally structure, but the power trend, while still ongoing, is on shaky legs on both the Nasdaq and S&P 500 even though the moving averages are still stacked in constructive order. The equal-weighted S&P 500 (RSP) continues to look more resilient. Gold, silver, copper, and bitcoin all fell. Oil surged with both Brent Crude and Western Texas Intermediate up over +12% w/w.

Source: MARKETSURGE BY INVESTOR'S BUSINESS DAILY

AI Infrastructure Capex Update

The capital spending outlook as far as AI and AI infrastructure build out as of 13Sept2026:

Year	Narrow: US listed hyperscalers (AMZN, MSFT, GOOGL, META, ORCL)	Wide-but-clean: Goldman "global AI investment" (adds private labs + non-US, tries to strip lease double-count)	Kitchen-sink physical: compute + data halls + power (GS Global Institute / McKinsey-style)
2025	~$400–$470B	~$0.55–$0.65T (implied by GS cumulative $1.8T 2022–26)	n/a as a clean annual

2026	**~$750–$800B** consensus; some $870B if you add SpaceX	**~$1.0T global; ~$580B of that in the US**	**~$0.75–$1.0T** GSGI baseline ~$765B (compute $494B + halls $232B + power $39B)
2027	**~$0.92–$1.14T** GS; **~$1.3T** S&P six-name set incl. SpaceX	**~$1.3–$1.5T** if you scale GS 2026 global by their US GDP-share step-up (1.8%→2.5% of US GDP)	**~$1.0–$1.2T** GSGI baseline $1.01T (compute $661B + halls $300B + power $50B)
2028	not a stable consensus	GS: US AI capex ~2.8% of GDP, global ~1.4% of world GDP	GSGI baseline ~$1.22T
2025–30 cumulative	S&P: $3–4T for top US CSPs	—	McKinsey: **$5.2T AI data centers** central case; **$6.7T all DCs**; bull **$7.9T AI**

Source: Company Reports & Commentary, Grok AI

Week Ahead

President Trump – President Xi meeting in focus.

9/21-9/22 Fed speeches (Goolsbee, Williams, Jefferswon, Barkin). Not expecting a lot new but would look for clues on likelihood of an Oct rate hike (54% probability right now per CME Group Fed watch tool).

9/23: S&P Global manufacturing and services PMIs.

9/24 Trump-Xi meeting with AI governance and trade significant agenda issues. Also jobless claims, new home sales.

9/25 August durable goods, final Univ of Michigan sentiment/inflation expectations.

The key economic event is the Trump-Xi meeting.

Headwinds near term are appearing and are contributing to the choppy market. The tailwinds remain especially the massive capital spending on AI and AI infrastructure. I remain constructive on the AI infrastructure theme and the broader setup for high-quality growth companies positioned to benefit from sustained capital investment but expect ongoing volatility particularly as we head into mid-terms. As always, this letter is for informational purposes only and does not constitute investment advice. Please reach out with any questions.

Best regards,

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