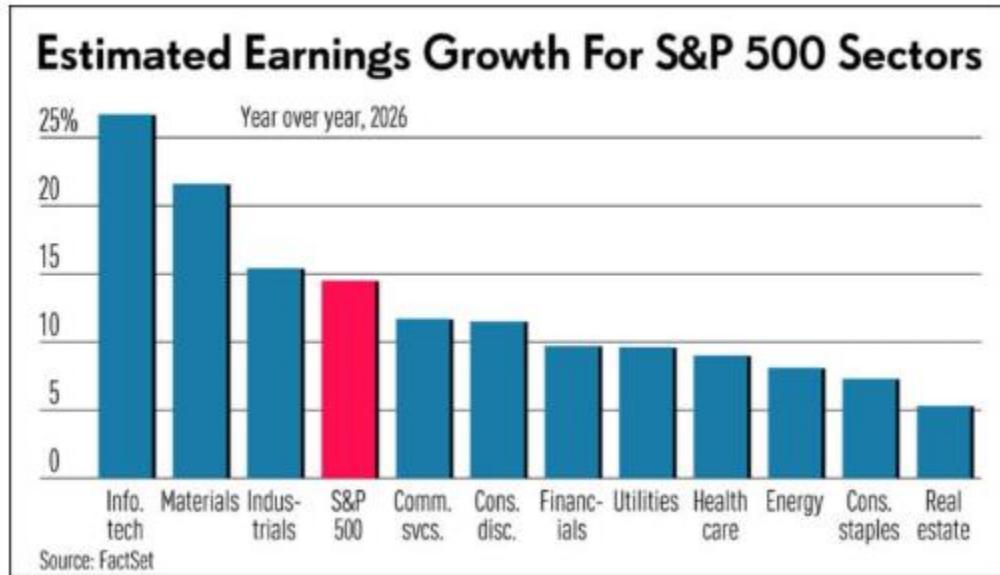


**Outlook:** As the year heads into its close, a third consecutive year of double-digit gains appears near certain across all three of the major indices. None-the-less I believe there is a strong likelihood for another positive year in 2026. The estimated EPS growth for the S&P 500 is close to 15%, nearly double the typical 7-9% per year. Moreover, according to LPL Research via Investor's Business Daily, since 1950 the S&P500 has averaged nearly +13% during the 4th year of a bull market and returns have been positive six out of the seven times that it was during a 3-year bull market run. Further, when bull runs go at least three years, the median gain was 126% and the average gain was 199%. The current bull run from the October 2022 low is 96% suggesting more upside.



Source: 2026 Stock Market Forecast: *Can The Bull Keep Up Its Run?* | Investor's Business Daily

Moreover, core CPI has dropped to +2.5%, the lowest in nearly five years, the Federal Reserve is still easing modestly (“don’t fight the Fed”), oil prices are at the lowest prices in nearly five years, enough skepticism exists in the market to help contain market froth/excesses, AI spending is primarily out of cash flow by some of the most successful companies in human history, and returns on capital from the capital spending result in 3-4 year paybacks or 15% to 30+% type of comments. For example, Microsoft CFO Amy Hood indicated cap ex “correlated to contracted backlog” of \$368B and Mark Zuckerberg, CEO of Meta noted “very compelling returns from AI capacity.” Nvidia CEO Jensen Huang has commented about “staggering demand,” production being sold out for over 12 months on its Blackwell GPU and sustained over subscription on data center related revenue.

**Summary:** Volatility was the theme of last week. Investor sentiment was gloom and doom heading into **Micron Technology's (MU)** earnings which hit Wednesday night. MU delivered results and guide that blew away even the most optimistic estimates. EPS for the Q ended

November came in at \$4.78, or +\$1.03 above the mid-point of guidance and \$0.82 above the Street estimate of \$3.96 or +21%. Revenue of \$13.6B was +6% above the Street. The Guide of \$18.7B in revenue was \$4.4B above the Street or 31% and gross margin was raised by 11.2 percentage points Q/Q with EPS of \$8.42 at midpoint vs \$4.78 by the Street (+76%). MU also raised its HBM TAM outlook to \$100B by 2028 vs \$35B in 2025 and two years ahead of its prior outlook. When considering the solid beat and conservative guide **by Broadcom (AVGO)** the prior week, the MU results chased the bears back into their cave and resulted in an upside reversal in the Infrastructure PLUS strategy. The **S&P500** also reversed higher to finish the week with a gain of +0.1%. The **DJ Industrial Average** finished down -0.67%, the **Nasdaq Composite** climbed +0.48% for the week. The **equal-weighted S&P500 (RSP)** was down -0.3% for the week and small caps as embodied in the **Russel 2000 (IWM)** lost -1.2%. MU volume was up +136% on Friday as it surged +7.0% showing institutional support, and which delivered similar gains and volumes on Thursday. Bellwether AVGO volume Friday soared +474% as it rallied +3.2%. **Nvidia (NVDA)** surged +3.9% on +66% rise in volume on Friday. Data center provider of air conditioning systems, **Comfort Systems (FIX)** advanced +2.4% on a +1537% surge in volume. Given the institutional support, the AI trade appears to be back on. **Oracle (ORCL)** was up on the week but notably surged Friday +6.6% on +191% increase in volume on news that TikTok agreed to divest its US entity to JV with an entity led by ORCL, Silver Lake, and MGX. **DTE Energy (DTE)** secured regulatory approval to provide power for a new data center being developed by ORCL and **OpenAI. Applied Digital (APLD)**, another data center developer announced Thursday that it had obtained new financing from **Macquarie Group**. The \$100mm loan will cover planning, permitting, initial construction it is developing for an unnamed “investment-grade hyperscaler.”

The blow out results by MU managed to boost much of the AI adjacent infrastructure names over the last two days to such an extent that some names also soared on the week. MU was up +10.3% for the week. **Lumentum Holdings (LITE)** jumped +14.5% w/w, **Ciena (CIEN)** climbed +5.45%, **Credo Technologies (CRDO)** advanced +4.3%, to name a few.

Sectors were mixed. Not surprisingly, the **Technology sector (XLK, +0.6%)** and **Consumer Discretionary (XLY, +0.95%)** led to the upside. On the downside, **Energy (XLE, -3.0%)** weakened as the current Venezuela government faces potential replacement as the US increases pressure on the existing regime.

The S&P500 took back its 10-day moving average and the Nasdaq also retook its 10dma both a positive sign. The 10-day and 21-day remain stacked in their proper positions to signal bullish trend remains intact. Five of the Mag 7 stocks (**MAGS, +1.7%**) were higher on the week led by **Tesla (TSLA, +4.9%)** and **Nvidia (NVDA, 3.4%)**.

The odds of a Fed rate cut for January 28 remained weak with odds at 21% (see FedWatch - CME Group) for a cut. Decisive odds of rate cut were pushed back to June 17 meeting (+90%). Sunday night futures are flattish with the S&P500 up +0.3%, the Nasdaq +0.4%, and the Dow Jones Industrial Average up ~+0.1%.

Dow Futures	Change	S&P 500 Futures	Change	NASDAQ Futures	Change
48,521.00	+ 56.00 0.12%▲	6,907.25	+ 20.00 0.29%▲	25,687.00	+ 112.25 0.44%▲
<b>Fair Value</b>	<b>Implied Open</b>	<b>Fair Value</b>	<b>Implied Open</b>	<b>Fair Value</b>	<b>Implied Open</b>
48,448.25	+ 72.75	6,886.31	+ 20.94	25,571.22	+ 115.78

**Source:** [After-Hours Stock Quotes | CNN](#)

The revival in the AI adjacent names, confirmed the strength of the tailwinds for the AI trade with the incredibly strong guide by MU followed the strong guides the previous week 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. From Grok, the latest outlook:

“Here's the latest update on **hyperscaler AI/data center CapEx estimates** as of December 21, 2025, focusing on the Big 4 (Microsoft, Amazon, Alphabet/Google, Meta) plus Oracle (the top 5 public hyperscalers). Spending continues to escalate due to unrelenting AI demand, with repeated upward revisions in company guidance and analyst consensus. The Big 4 + Oracle aggregate is now tracking toward ~\$440-460B for 2025, with strong growth signaled into 2026.

Company	Source/Notes	2025 Estimate	2026+ Outlook	Key Notes
Amazon (AWS)	Company guidance (Q3/Q4 2025 earnings)	~\$125B	Higher than 2025	Majority AI/cloud infrastructure; aiming to double data center capacity.
Microsoft (Azure)	Company guidance & analyst aggregates	~\$80-88B	Growth rate higher than 2025	Heavy AI focus; fiscal year basis, with sequential increases expected.
Alphabet (Google Cloud)	Company guidance (multiple 2025 revisions)	~\$91-93B	Significant increase expected	Third revision upward in 2025; driven by cloud/AI servers and demand.
Meta	Company guidance (Q3/Q4 2025 updates)	~\$70-72B	Notably higher	AI compute clusters primary driver; aggressive scaling.
Oracle	Company guidance & recent updates	~\$35-50B	Continued elevation	Rapid cloud/AI buildout; recent raises reflect backlog conversion needs.
<b>Total (Big 4 + Oracle)</b>	<b>Analyst synthesis (Goldman Sachs, CreditSights, etc.)</b>	<b>~\$440-460B</b>	<b>\$527B (Goldman) to \$602B (CreditSights)</b>	<b>~75% AI-related in many projections; consensus rising amid demand strength.</b>

## Analyst Aggregates

- Goldman Sachs (Dec 2025 note): Consensus for hyperscalers at \$527B in 2026; notes repeated underestimation of spending.
- Morgan Stanley: Earlier 2025 views in mid-\$400B range for broader hyperscalers; aligned with upward trends.
- UBS: Contributes to aggregates showing sustained elevation into 2026.
- Dell'Oro Group (Q3 2025 report): Global data center CapEx growth raised through 2026; hyperscalers driving ~half, with moderation possible post-2026 but long-term strength.”

Source: Hyperscaler AI/Data Center CapEx Updates - Grok

The bearish argument continues to point out that Oracle's data center growth/development relies on debt financed capital spending. Such spending introduces greater risk should its major customer, OpenAI, be unable to meet its contractual obligations.

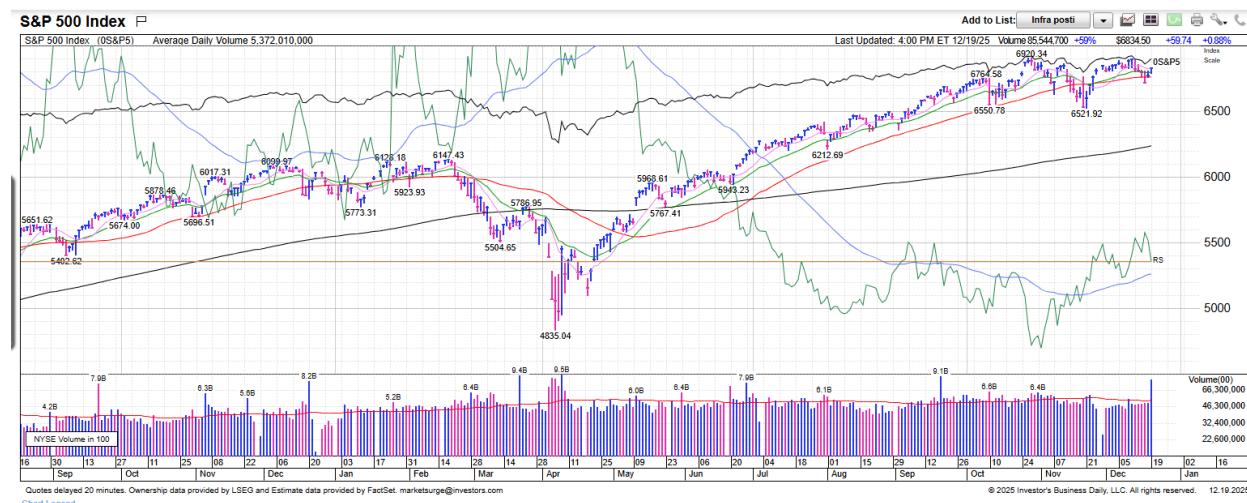
The US 10-year interest rate added 5pbs w/w to 4.19%.

### Stock Market Today/Week: Dec 19, 2025

Index	Level	Day change	Week Change
S&P 500	6,834.50	+0.88%	+0.1%
Nasdaq Composite	23,307.62	+1.31%	+0.5%
Dow Jones Industrial Avg.	48,394.89	+0.4%	-0.7%
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](http://MarketSurge)

Key events for the week ahead:

Very few earnings for the week ahead and none with significant market impact as we head into the holiday slowdown. Core PCE deflator for November would have the most market implications.

12/22/2025 NA.

12/23/2025 GDP Price SAAR Q/Q first preliminary for Q3: +2.9% expected; Core PCE Deflator for Nov: no estimate yet;

12/24/2025 Initial jobless claims for W/E 12/20: 231.5k expected..

12/25/2025 Closed for Christmas.

12/26/2025 NA.

Source: Factset

**Bull/bear debate: Bulls back in charge.**

**Bulls:** Micron results were incredibly strong and the stock market reacted positively contrary to recent strong results being followed by a sell off. The strength of the guide sent the bears back into hibernation. OpenAI reported in talks to raise as much as \$100B implying total valuation in the \$750-\$800B range. Amazon reportedly in talks to invest \$10B and use chips designed by Amazon. OpenAI also on track to beat 2025 revenue goal of \$13B. Core CPI increased only +0.1% between October and November, well below expectations. The y/y rate dropped to 2.6% from 3.0% in September. Dovish Fedspeak from Waller who believes the Fed rate is still 50-100bp above neutral. Private payrolls increased 52k in October vs the -10k5 decline in Non-farm payrolls and gained 69k in November. Record bookings from Carnival Cruise lines for 2026 and 2027 voyages. Second largest inflow to US equities on record per BofA in the week-ended 17Dec (\$78B) and 14th straight week of inflows to US equities.

**Bears:** Quality of data concerns as unemployment rate increase chalked up to government workers while downward pressure on CPI could be higher than reported as OER set at zero and core goods softness partly a function of collection timing. 4th consecutive monthly increase in the unemployment rate to 4.56% and highest read since September 2021. U6 unemployment rate rose 70bp to 8.7%. BoJ hiked interest rates 25bp taking uncollateralized OCR to 0.75% for the first time since 1995 and JGB yields topped 2% for first time in 25 years. Global implications to follow. BoE made a hawkish rate cut. General Mills called out consumer caution as increased buying occurring on discounts. Housing market softness in focus again as Lennar and KB Home both fell on weak guidance. Homebuilders noting affordability issues. Nike stock pressured on softer than expected fiscal Q3 guide on China headwinds and turnaround uncertainty. Fed Ex guidance

underwhelmed following its Q2 beat noting freight weakness and cost pressures. Contrarian BoA Bull & Bear indicator rose from 7.9 to 8.5, a “sell” signal for markets. AAII bull-bear spread positive for third straight month and above levels seen in 2H November.

**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 12/19/2025 all conditions met.

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**Disclaimer**

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