

**Outlook:** The annual World Economic Forum meeting among the world's most influential at Davos, Switzerland this week. Supreme court could issue a ruling this week after passing on such a ruling last week. Presumably, a ruling would rein in Trump's tariff threats regarding countries backing Denmark's opposition to allowing the "complete and total purchase of Greenland." Trump's tariff push has not cited any clear legal authority he can claim for the tariff move. Past tariffs have been imposed under the International Emergency Economic Powers Act (IEEPA). Monday night futures pointing to lower open across the major averages.

**Elevated Volatility likely:** As we have written earlier regarding volatility with geopolitical events such as Venezuela, Iran protests, Greenland, and now tariff threats for opposing Trump on Greenland, there is no shortage of reasons for volatility in the days and weeks ahead from a macro perspective, never mind economic data and company earnings reports. Monday night futures are lower with significant attribution being the Greenland tariff threats being leveled at any country opposing President Trump's wishes.

Dow Futures	Change	S&P 500 Futures	Change	NASDAQ Futures	Change
49,146.00	- 401.00 0.81%▼	6,914.00	- 62.75 0.90%▼	25,382.75	- 306.25 1.19%▼
<b>Fair Value</b>	<b>Implied Open</b>	<b>Fair Value</b>	<b>Implied Open</b>	<b>Fair Value</b>	<b>Implied Open</b>
49,538.68	- 392.68	6,973.50	- 59.50	25,672.06	- 289.31

Source: Pre-market Stock Trading | CNN

Key tailwind for 2026 remains the buildout in AI and AI infrastructure. Updating last week's Grok search, estimates suggest AI infrastructure investments could reach \$6.9-\$8.5 trillion by 2030 globally up another \$0.5T compared to last week's estimates to meet compute demands.

## AI infrastructure capex scenarios, 2025–2030

(Global, annual, rough order of magnitude ranges in USD)

Year	Base Annual (\$T)	Base Cumulative (\$T)	Accelerated Annual (\$T)	Accelerated Cumulative (\$T)	⋮
2025	0.75	0.75	0.75	0.75	
2026	0.88	1.63	0.94	1.69	
2027	1.03	2.66	1.17	2.86	
2028	1.21	3.87	1.47	4.33	
2029	1.41	5.28	1.83	6.16	
2030	1.65	6.93	2.29	8.45	

Source: xAI's AI Buildout Funding and Plans - Grok

**Summary:** All of the major averages finished lower except the **Russell 2000 (IWM)** small caps advanced +2.1%. More evidence is that the rally is broadening as the equal weighted **S&P500 (RSP)** climbed +0.7% outpacing the market cap-weighted **S&P500** which fell -0.38%. The tech-heavy **Nasdaq Composite** fell -0.66%. The **DJ Industrial Average** fell -0.29%. Notable leaders included the **Taiwan Semiconductor (TSM, +5.8%)** on big earnings beat and which spread to semiconductor designers such as **Advanced Micro Devices (AMD)**, which jumped +14.1%. **Micron Technology (MU)** rose for the 8th consecutive week, +5.1%, and semi-equipment makers also mostly surged including names such as **Applied Materials (AMAT, +8.6%)** as TSM guided to \$52-\$56B in capital spending in 2026. Further the US and Taiwan agreed that Taiwan would invest \$250B into the USA that would including building at least 5 more manufacturing facilities. Fuel cell maker, **Bloom Energy (BE)** surged another +11.5% bringing 2026 YTD gains of over +72% already on top of the +291% in 2025. Gas turbine generator manufacturer GE Vernova (GEV) jumped +9.5% and Caterpillar (CAT) gained +4.7%. Miners of both basic and precious metals continued recent surge as exemplified by **Hecla Mining (HL, +18%)** on top of +19% the prior week, **First Majestic Silver (AG, +13.7%)**, and **Southern Copper (SCCO, +6.1%)** on top of +15% the prior week. E&C firms engaged in construction of power plants and/or infrastructure for Datacenters surged as well such as **Mastec (MTZ, +10.7%)**, **Argan (AGX, +23%)**, and **Quanta Services (PWR, +10.5%)**. On the downside, **Lumentum Holdings (LITE)** which rocketed +339% last year got punched down -6.9% after -9.5% the prior week. Software providers continue their woes as investors continue punishing formerly top plays such as

**Service Now (NOW)**, getting pummeled -10.2% and is down -16.9% in 2026 YTD on top of the -27.7% pounding it took in 2025. Investors are worried that despite companies hiking guidance following 3Q results, they are worried that AI will ultimately replace the S/W services they offer. **Nvidia (NVDA) gained +0.7% and is flat in 2026 YTD after a +39% advance in 2025. NVDA has some of the strongest EPS outlooks in the entire stock market with a 99 EPS rating and revenue outlook above +60% in each of the next 4Qs.**

Sectors again diverged sharply. **Software (IGV) was the big loser**, diving -6.4% during the week while **Metals and Mining (XME, +6.2%) was the big winner**. **Consumer Staples (XLP)**, where we don't usually look for leadership, was up +3.6%. **Mag 7 (MAGS, -2.2%)** was notably weak with only NVDA and **Alphabet (GOOGL, +0.44%)** in the positive column. Risk proxies **Innovator IBD 50 (FFTY)** gained 1.5% and **ARK Innovation (ARKK)** added +1.7%.

The S&P500 and Nasdaq both have their moving averages stacked in the proper positions for a power trend to kick into gear.

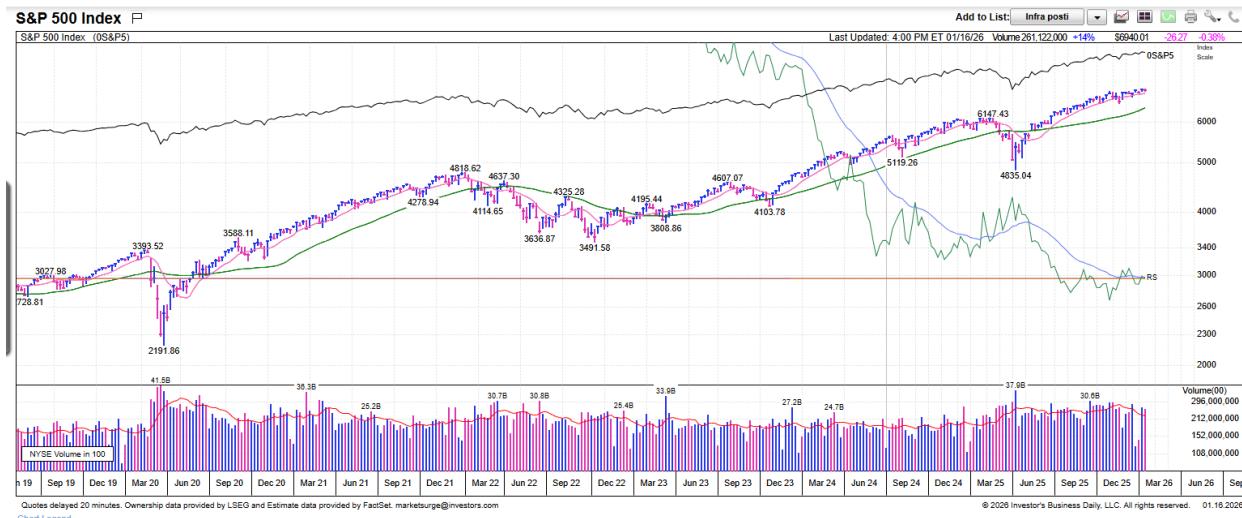
The odds of a Fed rate cut for January 28 remains as weak as ever with odds at just 5% (see FedWatch - CME Group) for a cut. Decisive odds of rate cut remain well out in the future with June 17 meeting (+72% at same level as the prior week).

The US 10-year interest rate rose 6bp to 4.23%.

### **Stock Market Today/Week: Jan 19, 2026**

<b>Index</b>	<b>Level</b>	<b>Day change</b>	<b>Week Change</b>
S&P 500	6,940.01	-0.06%	-0.38%
Nasdaq Composite	23,515.39	-0.06%	-0.66%
Dow Jones Industrial Avg.	49,359.33	-0.17%	-0.29%
US 10 year	4.23%		+6bps

*Source: Factset*



Source: [MARKETSURGE](#) BY INVESTOR'S BUSINESS DAILY

### Key events for the week ahead:

Over 1100 companies to report in the next 14 days. Key earnings on tap in the week ahead include **GE Aerospace (GE)**, **Charles Schwab (SCHW)**, **United Airlines (UAL)**, and **Kinder Morgan (KMI)**. World Economic Forum at Davos, Switzerland. PCE Deflator figures due out Thursday.

1/19/2026 Markets closed for MLK holiday.

1/20/2026 Davos interview with President Trump on CNBC. UAL earnings.

1/21/2026. IEEPA opinion from Supreme Court expected. PPI, Existing home sales for Dec: 4,175k expected vs 4,130k Nov. KMI SCHW

1/22/2026 Core PCE Deflator for Nov: +0.2% M/M and +2.8% y/y. Initial jobless claims for W/E 1/17/2026: 205k expected. CSX and GE earnings.

1/23/2025 Global PMI for mfr for Jan: 51.8 expected. Global PMI for services: 53.0 expected.

Source: Factset

**Bullish talking points:** Continuation of broadening rally with Russell 2000 outperforming S&P500 for 10 consecutive days through Thursday, longest such streak since 1990. Russell 2000 also best relative start to the year vs Nasdaq since 1979. Positive macro commentary from money center banks JPMorgan and Bank of America last week. Positive commentary from retailers out of the ICR Conference last week. Analysts noting indications of in-line to

better than expected earnings when they report. Strong results from TSM as well as cape ex guide of **\$52-\$56B well ahead of prior expectations of \$48-\$50B. LT revenue guidance hikes by 5pp to +25% with big increase in AI CAGR in the mid to high 50% vs prior mid 40%**. Limited fall out from the Powell investigation. Core CPI cooled in December. Average 30-year fixed rate down to 6.18% from 6.25% the prior week, lowest since September 2024 and helped drive jump in mortgage applications by +25.8%. US Equity inflows up +\$28.2B most in three months and +\$36.5B globally.

**Bearish talking points:** Trump calling for 10% cap on cc interest rates could cramp credit availability. Homebuilders potentially next group in the cross hairs for share buy backs. Big banks traded poorly on Q4 results. Renewed Fed independence threat on news of DOJ criminal investigation related to Powell's testimony about Fed building renovations. Geopolitical tensions in Iran. Futures pricing in just 2 rate cuts in 2026. Sentiment overly optimistic with bull-bear spread up 20pp since last year to +21.5%, highest since November 2024 and BofA Bull & Bear Indicator highest since early 2018. S/W continuing to sell off sharply on AI competition theme and impacting Salesforce, Adobe, Workday, ServiceNow. Cooler December core CPI tempered by fact that food at home prices posted largest increase in over three years.

**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 1/16/2026 all conditions met.

**John D. Edwards, CFA**

**Sr. Portfolio Manager – Infrastructure PLUS Equity Strategy**

---

**Disclaimer**

*The information presented is for educational purposes only and is believed to be factual and up-to-date. All expressions of opinion reflect the judgment of the author(s) as of the date of publication and are subject to change. Nothing in this commentary should be construed as investment advice and does not take into consideration your specific situation. All investments involve risk. Past performance does not guarantee future results. Advisory services offered through Capital Ideas, an investment adviser registered with the U.S. Securities and Exchange Commission.*