Stock futures are higher Sunday night especially Nasdaq futures up +1.4%. WTI crude oil was ~-$0.45/bbl lower or -0.7% near $68/bbl approximately down $2/bbl w/w. The South Korea Kospi index where Samsung and SK Hynix make up over ½ of the average was up +0.34% on US futures and was up +5.76% Friday. The South Korea ETF traded on US exchanges was down -8.7% for the week.

The main events for the week ahead are macro data releases including US ISM Services for June on Monday, ADP Weekly Employment change on Wednesday for the week ended 6/20, FOMC Minutes on Wednesday, Existing Home Sales for June on Thursday with 4,213k consensus vs 4170k the prior month.

The US 10-year jumped 12bp to 4.49% last week. The Nasdaq climbed +2.1% w/w, the S&P500 rose +1.76% w/w, the Dow Jones Industrial Average increased +1.97%, while the Russell 2000 fell -0.75%. Choppy week for Infrastructure PLUS. The first two days of the week, Infrastructure PLUS rallied only to unwind Wednesday and Thursday to finish the week lower. Pull back coming off a Q2 that saw the SOX gain +88% with Micron (MU) and Sandisk (SNDK) both up more than +250%. Even so, the MU's earnings blowout was so massive that even with the gains during the last Q, MU stock trades at just 6x 2027E EPS.

Fed Chair Warsh was at the ECB bank conference where he reiterated his opposition to the Fed providing forward guidance regarding future rate policy. ECB President Lagarde, also on the panel agreed that forward guidance from central banks is not very helpful. He also said that the Fed will deliver price stability which could indicate policy moves toward the key PCE inflation gauge that the Fed uses and which stands closer to 3%.

On the economic front, Nonfarm payrolls increased just 57k, well below the 100k expected and the 129k gain in May was revised lower from 172k. The Household survey showed a 507k decline in number of people employed. Labor force participation rate fell -0.3pp to 61.5% from 61.8% and was the lowest since March 2021 and reflects a concerning drop in participation for workers aged 25-34. The ISM manufacturing fell back in June, to 53.3 but that was from a 2-year high of 54.0 in May with new orders ticking down to 56.0 from 56.8. Employment rose to 49.7 from 48.6 and prices paid fell to 73.0 from 82.1, all positive versus the softness on the Nonfarm payroll report heading into earnings season. Meta announced it was getting into the cloud infrastructure business to sell access to compute capacity and AI models to boost ROI on cap ex expenditure which was taken as a weakness in the AI trade despite reports that overall spending would continue to rise. SpaceX also ramping up compute presence.

The NASDAQ climbed back closer to the 50dma (now -0.3% from -1.9% the prior week) relieving some of the pressure on the power trend. The S&P500 closed back above the

10dma and 21ema. The 10dma only needs to rise slightly for power trend proper positioning. Recall that most of stock market gains occur during power trends. The outlier appeared to be AI and AI infrastructure related stocks. Semiconductors (SMH) fell -3.2% w/w and Utilities were the other weak spot, especially UTES which contains the IPPs and which fell -3.9% w/w. Software (IGV) was the standout gaining +6.1% w/w with the Magnificent 7 (MAGS, +5.7%) close behind. On the positive side the action indicates rotation underneath the hood as the equal weighted indexes were also strong outgaining the market weighted averages as the Equal Weighted SP500 gained.

The outlier indeed appeared to be AI and AI infrastructure related names. The Meta announcement was starting a cloud business and was largely well known. The bears took the announcement as utilizing "excess" compute capacity and served as evidence of oversupply. The bulls took the view that Meta was improving its efficiency in terms of ROIC. Korea announced that it expected $1.1 to $1.2 trillion in cap ex spending over the next decade with $650B on AI data centers, $520B from Samsung and SK Hynix on semiconductor fabs, packaging, and direct suppliers. The announcement was well previewed and expected. The bears took the announcement as coming over supply. The bulls took the announcement as confirmation that demand is so strong the extra capacity is required. Further, bulls took the view that Micron's (MU) huge raise in guidance the prior week had already baked in the extra capacity coming from Korea and still MU expected to be sold out beyond 2027. Bulls also took the announcements out of Samsung, SKHynix was driven by confidence in demand not speculation. Hawkish comments from Fed Chair Warsh may also have weighed. My view is in the bullish camp and that the sell off was also profit taking heading into the July 4 weekend.

Notable names getting pounded last week included Sandisk (SNDK) dropping -16.5%, Micron Technology (MU) getting hammered -13.8%, and the optical data transfer stocks such as Lumentum (LITE) plummeting -11%, Ciena (CIEN) dropping -11.9%, and Coherent (COHR) plunging -12.4%. All three are near flat in the Sunday night futures. Ironically Credo Technology (CRDO) rose +1.6% and is strongest in overnight futures, +1.0%. But GE Vernova (GEV) jumped +6.5% last week and Bloom Energy (BE) advanced +7.5%. The AI construction-related names were also weak last week and are rallying in the Sunday night futures market.

Near-Term Outlook

Sunday night stock futures are higher across all the major averages from +0.1% to +1.45%.

Source: YahooFinance

From a technical point of view, the moving averages are out of position for power trend conditions but are heading in the right direction. An equal weighted ETF version of the indices:

Source: MARKETSURGE BY INVESTOR'S BUSINESS DAILY

Bullish talking points:

- Mag7 bounced after a -14% decline from May 25 to June 25 and has risen +6.5% since that time with a rally in Meta after reports said Meta was working on a cloud infrastructure business to sell access to to compute and AI models as evidence of monetizing its cap ex (though AI bears took the reports as not Meta being efficient with its cap ex but as excess cap ex).
- While ISM Manufacturing was slightly below expectations, still second strongest in two years. Prices paid saw larges decline in 4 years.
- The lower labor participation rate down to 61.5 and sharp fall in participation among 25-34 year old workers suggests it would make a potential Fed rate hike much harder to justify.

- Oil fellow below $70 despite flare ups in the Middle East and claims from Iran it was in control of the Strait of Hormuz.
- Fed Independence affirmed by Supreme Court in that President Trump could not fire Fed Governor Cook's case was being litigated by lower courts. Wiped out the fear that a sitting President could remove any member of the Fed "at any time for any reason without any notice before and without any Judicial check after."
- Upcoming Q2 earnings season expected to deliver 2nd consecutive straight Q of 20%+ growth.

Bearish talking points:

- Momentum unwind in leaders such as MU, SNDK, LITE, CIEN, WDC despite strong earnings outlook and huge increase in guide from MU.
- Weaker than expected June nonfarm payroll report of just +57k vs 110k consensus and May of 129k revised lower from 172k initial report.
- META move into cloud business triggered fears of excess supply despite previously discussed.
- While widely previewed, Korea investment announcements from Samsung and SK Hynix of $1.1-$1.2T over the next 10 years triggered fears of over build even though not a single shovel of dirt has yet been turned.
- Apple lobbying of the White House for permission to purchase memory chips from China to offset price increases from Micron and Korea.
- Interest rates pushing higher this week on hawkish Fed speak despite lower oil prices and softening inflation expectations.
- Frontier AI LLM challenges from China models, cost rationalization, national security gating despite reprieve for Anthropic. GLM-5.2 (a Chinese LLM under license to MIT and available for self-hosted deployment) has largely closed the gap with leading frontier models at a fraction of the cost. AWS also has discussed how companies might save from better matching task complexity to model cost.
- Soft consumer sentiment at the Conference Board of 91.2 vs 94.7 expected in June.

Longer Term Outlook: Tailwind remains AI spending

Looking at the longer term, I continue to believe that the AI infrastructure-driven rally has strength, which is why I post, week after week, what the forecast capital spending is on the AI buildout. Also, any Fed rate cuts for 2026 are essentially just not going to happen. The economy is too strong, inflation too elevated, not to mention a war with Iran and elevated oil prices that are going to be filtering through the economy.

Key tailwind for 2026 remains the buildout in AI and AI infrastructure. Note the latest estimates in the buildout of AI and AI infrastructure with the top 4 at $700B to $725B:

- Meta to $125-$145B, +$10B both ends
- Alphabet (Google) raised 2026 cap ex to $180B-$190B, +$5B both ends
- Microsoft: $190B for CY2026
- Amazon confirmed $200B
- Nvidia confirmed $1Trillion market for Blackwell + Rubin chips for CY2025-2027.

AI infrastructure investments affirmed for the 2025-2030 time frame as shown below and depending on prompting could be pushed another $0.5T higher but am holding for now.

Updated AI & Data Center Infrastructure Capex Projections ($ Trillions)

Year	Base Annual ($T)	Base Cumulative ($T)	Accelerated Annual ($T)	Accelerated Cumulative ($T)
2025	0.50	0.50	0.50	0.50
2026	**0.98**	**1.48**	**1.25**	**1.75**
2027	1.18	2.66	1.56	3.31
2028	1.42	4.08	1.95	5.26
2029	1.70	5.78	2.44	7.70
2030	2.04	**7.82**	3.05	**10.75**

Key Changes vs. Previous Table

- **2026** increased modestly (Base: 0.95 → 0.98T | Accelerated: 1.20 → 1.25T) to reflect the latest upward revisions.
- Cumulatives now sit at **~$7.8T base / ~$10.8T accelerated** through 2030.

Source: Grok as of 7/5/2026

Decisive odds of rate cut remain well out in the future with Dec 8 meeting at ~0%. Now showing ~50% probability of a Fed rate hike FedWatch - CME Group) in September though as noted earlier the weak labor participation rate makes a rate hike much harder to justify.

Stock Market Today/Week: July 2, 2026

Index	Level	Day change	Week Change
S&P 500	7,483.24	+0.00%	+1.76%
Nasdaq Composite	25,832.67	-0.80%	+2.12%
Dow Jones Industrial Avg.	52,900.07	+1.14%	+1.97%
US 10 year	4.49%		+12bps

Source: Factset

Key events/headlines for the week ahead:

7/6/2026 ISM Services PMI for June: 54.0 expected.

7/7/2026 ADP Weekly employment for w/e 6/20.

7/8/2026 FOMC Minutes. Consumer Credit for May: $18.1B vs $20.7B prior.

7/9/2026 PEP earnings. Initial jobless claims for w/e 7/4: 220k vs 215k prior week. Existing home sales SAAR for June: 4213k expected vs 4170k May.

7/10/2026 DAL H earnings.

Source: Factset

What to do now: Waiting to see some signs of consolidation and/or selectively adding names that have pulled back.

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.

As of 7/2/2026 a rally confirmation in place, and all the power trend conditions are in place for both the Nasdaq and the S&P500.

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