

Weekly Market & Strategy Update

Week Ending October 3, 2026

“AI infrastructure leads again as Micron confirms the demand cycle, while the 10-year near 5.3% and diesel above \$6.50/gallon remain the macro-overhangs”

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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 October 3, 2026, along with thoughts on strategy positioning and the outlook ahead.

Major averages were mixed, but the message under the surface remained the same. The Nasdaq rose for the fifth time in six weeks, gaining +0.45%, while the S&P 500 slipped -0.27%, the Dow Jones Industrial Average fell -1.27%, and the Russell 2000 was roughly flat. The tape was not broad, but the AI infrastructure sleeve continued to work.

The macro print that mattered was payrolls. Nonfarm payrolls increased just +29,000 versus +90,000 expected. Unemployment ticked up to 4.2% from 4.1%. Average hourly earnings rose +0.1% m/m and +3.0% y/y, the slowest annual wage gain since 2021, and July and August payrolls were revised lower. With the labor market cooling, October 28 rate-hike odds fell to roughly the low-20% range from more than 35% a week ago.

That said, a softer labor print did not solve the long-rate problem. August headline PCE was cooler than feared but still rose +0.3% m/m and +3.4% y/y. Core PCE was +0.2% m/m and +3.0% y/y, still well above the Fed's 2% target. The U.S. 10-year yield climbed to 5.27% Friday from 5.18% the prior week after touching 5.33% Thursday, the highest level in roughly two decades. Excluding the zero-rate years, a 4.0% to 5.0% 10-year was normal. We are now above the top end of that range, and that remains the main valuation pressure point even with the averages still near all-time highs.

Crude remained a second macro pressure point. WTI closed near \$91 after dipping into the high \$80s midweek, while Brent finished around \$102. The market is still pricing risk around a disrupted Strait of Hormuz rather than a clean resolution. Diesel, now averaging more than \$6.50 per gallon in the U.S., remains a real-economy inflation transmission channel and, at this stage, may matter as much to activity as the Fed funds rate.

The stock that was supposed to move the AI infrastructure tape was Micron Technology (MU), and Micron delivered the confirmation the market needed. Fiscal 4Q revenue and EPS beat expectations, and the Fiscal 1Q27 guide was even stronger, with revenue guided

roughly +7% above consensus and EPS nearly +8% above consensus. The more important point was not the single-quarter beat. It was management's message that supply remains tight, customer commitments are already extending into FY2027, and discussions are shifting into FY2028. MU itself did not rally much on the print, but the report carried the data-transfer and optical names, including Lumentum (LITE, +15% w/w), Coherent (COHR, +13.9% w/w), SpaceX (SPCX, +6.9% w/w), and Ciena (CIEN, +10.0% w/w). Credo Technology (CRDO) briefly fell below its 50-day moving average but finished the week up +3.6%.

Looking forward, the headwinds are familiar: the 10-year near 5.3%, oil and diesel pressure, a January 10 tariff truce, and a labor market that is cooling but not breaking. The offset is also familiar: earnings estimates remain well above a normal year, and the AI buildout is being funded out of hyperscaler cash flow rather than borrowed money. A Fed that wants to slow the economy has less leverage over that spending than it would have had in the 1990s. Semiconductors remain the leadership group, and earnings season is the next real test of whether that spending keeps converting into revenue.

Seasonally, we are in the strongest quarter of the year, and midterm-year Q4 has historically been favorable. The caveat from last week still holds. The sample is small, 2026 has not followed the classic soft-three-quarters script, and the index is already well ahead of the typical midterm-year path. I expect choppiness to continue into the midterms, but I remain constructive on the AI infrastructure theme and on high-quality growth companies that can turn sustained capital spending into revenue.

Sunday night futures are higher with the S&P500 up +0.1% to +0.2%, Nasdaq futures +0.4% to +0.5%, DJIA futures up +0.1%. Crude oil futures are down -0.65% and the US 10yr at 5.28%, up +0.04.

Index Performance:

- **S&P 500:** -0.27% | Still holding broad rally structure, bounced off 50dma
- **S&P 500 Equal Weight:** -0.62% | Lagged again. Mkt breadth the concern
- **Nasdaq Composite:** +0.45% | Up 5th week out of 6 weeks. Hit record high Friday
- **Dow Jones Industrial Average:** -1.27% | -6.5% from ATH below 21ema and 50dma
- **Russell 2000:** -0.16 % | Friday bounced off 200dma but still -7.8% from ATH
- **US 10 year:** 5.27%, +9bps. | Peaked at 5.33% Thursday

Market Technicals

The major averages remain in a broader rally structure, but breadth is still the issue. The equal-weighted S&P 500 continues to lag the cap-weighted index, which tells us the tape is still more selective than the headline averages suggest. The Nasdaq remains the cleaner leadership index, while the Dow and Russell 2000 remain under more pressure. Bottom line: the rally is intact, but it is narrowing, and that keeps the focus on where earnings and capital spending are still strongest.



Source: **MARKET SURGE**
BY INVESTOR'S BUSINESS DAILY

AI Infrastructure Capex Update

AI infrastructure capital-spending estimates continue to vary widely depending on what is included. A narrow view captures listed hyperscaler capex. A broader view adds private AI labs and non-U.S. spend. The widest estimates include the full physical buildout: compute, data halls, power, and supporting infrastructure. The exact number matters less than the direction of travel. The commitment is large, rising, and still being funded by companies with the cash flow to do it.

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 GS GI 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 GS GI 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	GS GI 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

The calendar is lighter this week, which leaves the market digesting jobs, PCE, Micron’s earnings and guide, and the move in the 10-year rather than reacting to one obvious new catalyst. The October 28 FOMC meeting still matters, as do the U.S. midterms and the start of 3Q earnings season.

Near-term data points include services activity, ADP employment, FOMC minutes, jobless claims, consumer sentiment, and Fed speeches. The market will stay focused on whether softer labor data can pull down the 10-year without also calling the earnings outlook into question.

10/5: Global ISM Services (Sept) with 57.7 consensus. China markets closed for Golden Week through Oct7.

10/6 ADP Weekly Employment change

10/7: Sept FOMC Minutes but will be stale after Thursday jobs report.

10/8: Initial jobless claims for week ended 10/2: 202.5k expected vs prior 197k. Continuing jobless claims for w/e 9/26 (prior 1.701mm).

10/9: Univ of Mich prelim consumer sentiment survey.

Last week's performance was mixed, not a change in thesis. The tailwind is still contracted capital spending on AI and AI infrastructure. The headwinds are a 10-year near 5.3%, diesel, a cooling but not broken labor market, and a market that sometimes fades even very large beats. I expect choppy conditions to persist into the midterms.

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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