

## **Strong market action continued on surging earnings.**

New closing highs were set by the S&P500, Nasdaq, Russell 2000, and DJ Industrial Average. Among the 450+ infrastructure names that I track, once again, I counted over two dozen names that gained double -digits during the week. Industrial infrastructure names were once again well-represented in the strong gains category: Sterling Infrastructure (STRL, +58.6%), Construction Partners (ROAD, +11%), Howmet Aerospace (HWM, +13.0%). On the technology infrastructure side, we had strong moves from Corning (GLW, +18.1%) on a partnership announcement with Nvidia where NVDA is injecting \$500mm into GLW for warrants, Advanced Micro Devices (AMD, +26.2%), Micron Technology (MU, +37.7%) on new product announcements and structure demand shifts to the upside, Sandisk Corp (SNDK, +31.96%), Super Micro Computer (SMCI, +30%). There were relatively few losers though notable was Primoris (PRIM, -41.9%), Cheniere (LNG, -11%), NRG Energy (NRG, -10%), Arista Networks (ANET, -17.9%). Q1 S&P500 earnings ended the week at +27.7%, well above +13.1% at the end of Q1 and the highest quarterly EPS growth since +32% for 4Q2021 and represents the 6th consecutive double-digit Y/Y EPS growth. President Trump announced that the Iran response to the US peace proposal was “totally unacceptable.” Dow Jones and S&P 500 futures fell slightly Sunday, while Nasdaq futures were slightly ahead.

- Sectors were mixed. Energy (XLE) was the leader on the downside, dropping -5.35% as West Texas Intermediate Crude Oil fell -6.4% to \$95.42/bbl as of Friday though prices were up +3.7% to near \$99/bbl Sunday night. Technology (XLK, +8.4%) surged upward on semiconductor earnings and/or announcements with the Semiconductor Index (SMH, +11.1%) rocketing higher. Software (IGV, +5.2%) also jumped. Utilities (UTES, -3.1%) was the other weak spot.

## **Bullish talking points gaining traction:**

- With 89% of the S&P500 reporting Q1 earnings, growth ending the week at +27.7% more than double the start of earnings season and the highest earnings growth since Q42021.
- Software had a good week despite semi's ripping higher and despite the new AI finance agents from Claude. Big rally last from earnings reports from Datadog (DDOG, +42.4%), Fortinet (FTNT, +32.2%), Palo Alto Networks (PANW, +14.8%).
- Macro backdrop continues to be positive with 115k increase in April nonfarm payrolls, a favorable revision to March payrolls that took the 2-month total to above 300,000, unemployment unchanged at +4.3%, the lowest continuing jobless claims since January 2024, and a 22nd consecutive month of expansion in the April ISM services index.

- Retail investors getting back into the market after staying on the sidelines for March and April. The jump in April was from Commodity Trading Advisor funds re-risking, not retail. JPMorgan noted last week that re-risking returned to the 77th percentile vs 1-year history with a focus on AI and memory trades.
- AI compute demand narrative got another boost from Advanced Micro Devices (AMD) earnings where the company not only delivered on a beat and substantial raise to guidance but also doubled the CPU TAM by 2030, to \$120B. Further Corning (GLW) announced a partnership with Nvidia under which NVDA injected \$500mm into GLW in exchange for warrants and which would be used to construct 3 more factories.
- Trade headlines improved as the US Court of International Trade struck down the section 122 tariff of 10% and Trump pushed out the EU auto tariff threat.

#### **Bearish talking points:**

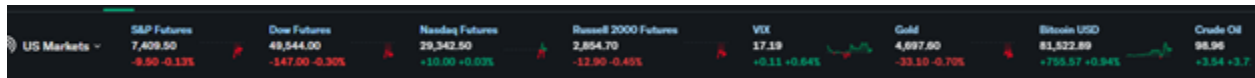
- US-Iran conflict resolution dealt another blow as Trump's reaction to Iran's counter proposal deemed "totally unacceptable" over the weekend.
- Froth concerns, especially around rally in technology names. The SOX is +60% above the 200dma and +33% above the 50dma. The SOX has only been more extended on two other occasions, with the last time being March 2000 and we know what happened after that. The top 10 names in the Nasdaq are up +784% y/y vs up +622% y/y prior to the March 2000 peak.
- Physical supply disruptions in oil set to bite further as oil markets were cushioned by ships already in transit, stockpile releases. S&P Global Energy forecast crude oil inventories to drop by 5.5M bpd in Q2, the most on record and with demand destruction of 5M bpd.
- US National gas prices climbed +3.5% w/w and 44% Y/Y, hitting \$4.55/gallon on Friday. BoA estimating spiking gas prices have cost US consumers \$19B, offsetting nearly ½ of the \$43B increase in income tax refunds.
- Inflation readings likely to climb higher as survey respondents noted that they have yet to see petroleum price increases impacting related products, a dynamic that won't last.
- AI-related layoffs climbed this past week: Notable announcements from Cloudflare (20% of workforce), BILL (30%), Upwork (24%), Coinbase (14%), Paypal (20%).

#### **Outlook: Iran war clouds the US-China Summit**

- As a reminder from prior weeks, going back over six decades and looking at where markets are post middle east conflicts, out of the 16 conflicts the market was lower

only twice after twelve months: (1973-1974) and with the events surrounding 9/11 where an invasion of Iraq followed a stock bubble. Geopolitical events such as ME conflicts have historically represented good dip buying opportunities. Still, the US-Iran conflict drags on and President Trump called the latest Iran response, “totally unacceptable.”

Sunday night stock futures are mixed:



Source: Pre-market Stock Trading | CNN

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

AI infrastructure investments estimated as \$7.6T to \$10.4T over the 2025-2030 time frame as shown in the latest table below.

### 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	0.50	0.50	0.50	0.50
2026	0.95	1.45	1.20	1.70
2027	1.14	2.59	1.50	3.20
2028	1.37	3.96	1.88	5.08
2029	1.64	5.60	2.35	7.43
2030	1.97	7.57	2.94	10.37

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

Market technical indicators indicating all conditions for a power trend continue to be in place. While the power trend rally continues, the Iran – US conflict still looms. One Truth

post by President Trump can upend the market rally. S&P500 is not overly extended at just 3.7% above its 21ema and the Nasdaq 6.5% above its ema. If the rally continues apace conditions could be ripe for a broader pull-back and or consolidation. The PHLX Semiconductor Index (SOX) is ripe for a pull back as it sits +15.5% above its 21ema.



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Source:

Decisive odds of rate cut remain well out in the future with Dec 8 meeting at ~6% and now showing a 19% probability of a Fed rate hike (FedWatch - CME Group). The odds of a rate cut at better than 50/50 do not show up until the December meeting in 2027.

The US 10-year interest rate fell -1bp to 4.37%.

### Stock Market Today/Week: May 8, 2026

Index	Level	Day change	Week Change
S&P 500	7,398.93	+0.84%	+2.33%
Nasdaq Composite	26,247.08	+1.71%	+4.51%
Dow Jones Industrial Avg.	49,609.16	+0.02%	+0.22%
US 10 year	4.37%		-1bp

Source: Factset

**Key events/headlines for the week ahead:** President Trump – President Xi Summit. Cerebras Systems IPO (CBRS) due to price Tuesday and start trading Wednesday. CPI and PPI inflation reports also due out.

Key earnings due out: Constellation Energy (CEG), Applied Materials (AMAT), Alibaba (BABA), Viking (VIK), Cisco Systems (CSCO), Circle Internet (CRCL) among others.

5/11/2026 OVV CEG CRCL NGS PSIX DAC

5/12/2026 OKLO CWCO CAMT VG MWH CDNL NXT

5/13/2026 AMAT CSCO, President Trump arrives in China.

5/14/2026 LNG FPS, State dinner between US President Trump and China President Xi

5/15/2026 NNE

*Source: Factset*

**What to do now:** Pruning laggards and losers with no more than 1-5% cash positions, that is, fully invested.

#### **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 5/10/2026 a rally confirmation in place, and all the power trend conditions are in place rules in place for both the Nasdaq and the S&P500.

**John D. Edwards, CFA**

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

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