SSR Macro FOMC Fumble, Capex Spenders Outside of MSFT Drag Indices Lower, Situational Awareness AI Blowup 8-2-26

10-Year Yield Biggest Risk to Risk Asset Valuations, Despite Fed Not Hiking: September Hike Coming?

Reddit (RDDT) a Buy After Earnings

Special Situations Update (TSLA, EA, TXNM, AES)

Economic Calendar: The most important economic events next week are US Manufacturing PMI, ISM Manufacturing, Construction Spending, Factory Orders, JOLTS Job Openings, Durable Goods Orders, US Service PMI, ISM Services Index, Change in Nonfarm Payrolls

Economic Calendar

United States | Browse | 21:29:31 | 08/02/26 - 08/09/26

Economic Releases | All Economic Releases | View Agenda Weekly

	Date Time	Event	Period	Surv(M)	Actual	Prior	Revised
21)	08/03 14:45	S&P Global US Manufacturing PMI	Jul F	53.8	--	53.8	--
22)	08/03 15:00	ISM Manufacturing	Jul	53.9	--	53.3	--
23)	08/03 15:00	ISM Prices Paid	Jul	70.0	--	73.0	--
24)	08/03 15:00	ISM New Orders	Jul	57.0	--	56.0	--
25)	08/03 15:00	ISM Employment	Jul	50.0	--	49.7	--
26)	08/03 15:00	Construction Spending MoM	Jun	0.2%	--	0.1%	--
27)	08/03	Omdia Total Vehicle Sales	Jul	16.30m	--	16.52m	--
28)	08/04 13:30	Trade Balance	Jun	-$73.0b	--	-$77.6b	--
29)	08/04 13:30	Imports MoM	Jun	--	--	3.3%	--
30)	08/04 13:30	Exports MoM	Jun	--	--	-3.2%	--
31)	08/04 15:00	Factory Orders	Jun	0.2%	--	-1.3%	--
32)	08/04 15:00	Factory Orders Ex Trans	Jun	0.7%	--	1.9%	--
33)	08/04 15:00	JOLTS Job Openings	Jun	7501k	--	7594k	--
34)	08/04 15:00	JOLTS Job Openings Rate	Jun	4.4%	--	4.6%	--
35)	08/04 15:00	JOLTS Quits Level	Jun	3064k	--	3065k	--
36)	08/04 15:00	JOLTS Quits Rate	Jun	--	--	1.9%	--
37)	08/04 15:00	JOLTS Layoffs Level	Jun	--	--	1708k	--
38)	08/04 15:00	JOLTS Layoffs Rate	Jun	--	--	1.1%	--
39)	08/04 15:00	Durable Goods Orders	Jun F	0.3%	--	0.3%	--
40)	08/04 15:00	Durables Ex Transportation	Jun F	0.6%	--	0.6%	--
41)	08/04 15:00	Cap Goods Orders Nondef Ex Air	Jun F	0.9%	--	0.9%	--
42)	08/04 15:00	Cap Goods Ship Nondef Ex Air	Jun F	--	--	1.9%	--
43)	08/05 12:00	MBA Mortgage Applications	Jul 31	--	--	-6.4%	--
44)	08/05 13:15	ADP Employment Change	Jul	68k	--	98k	--
45)	08/05 14:45	S&P Global US Services PMI	Jul F	53.6	--	53.6	--
46)	08/05 14:45	S&P Global US Composite PMI	Jul F	--	--	53.6	--
47)	08/05 15:00	ISM Services Index	Jul	54.5	--	54.0	--
48)	08/05 15:00	ISM Services Prices Paid	Jul	65.0	--	67.7	--
49)	08/05 15:00	ISM Services New Orders	Jul	56.0	--	55.1	--
50)	08/05 15:00	ISM Services Employment	Jul	51.0	--	51.2	--
51)	08/06 10:30	Challenger Job Cuts YoY	Jul	--	--	-4.5%	--
52)	08/06 10:30	Challenger Job Cuts Total	Jul	--	--	45849	--
53)	08/06 13:30	Nonfarm Productivity	2Q P	0.5%	--	0.3%	--
54)	08/06 13:30	Unit Labor Costs	2Q P	2.2%	--	1.8%	--
55)	08/06 13:30	Initial Jobless Claims	Aug 1	202k	--	197k	--
56)	08/06 13:30	Initial Claims 4-Wk Moving Avg	Aug 1	--	--	202.75k	--
57)	08/06 13:30	Continuing Claims	Jul 25	1783k	--	1782k	--
58)	08/06 15:00	Wholesale Inventories MoM	Jun F	0.3%	--	0.3%	--
59)	08/06 15:00	Wholesale Trade Sales MoM	Jun	--	--	3.4%	--
60)	08/07 13:30	Change in Nonfarm Payrolls	Jul	85k	--	57k	--
61)	08/07 13:30	Two-Month Payroll Net Revision	Jul	--	--	-74k	--
62)	08/07 13:30	Change in Private Payrolls	Jul	83k	--	49k	--
63)	08/07 13:30	Change in Manufact. Payrolls	Jul	3k	--	3k	--
64)	08/07 13:30	Nonfarm Payrolls 3-Mo Avg Chg	Jul	--	--	111k	--
65)	08/07 13:30	Average Hourly Earnings MoM	Jul	0.3%	--	0.3%	--
66)	08/07 13:30	Average Hourly Earnings YoY	Jul	3.5%	--	3.5%	--
67)	08/07 13:30	Average Weekly Hours All Employees	Jul	34.3	--	34.3	--
68)	08/07 13:30	Unemployment Rate	Jul	4.2%	--	4.2%	--
69)	08/07 13:30	Labor Force Participation Rate	Jul	61.6%	--	61.5%	--
70)	08/07 13:30	Underemployment Rate	Jul	--	--	7.9%	--
71)	08/07 16:00	NY Fed 1-Yr Inflation Expectations	Jul	--	--	3.67%	--
72)	08/07 20:00	Consumer Credit	Jun	$11.600b	--	-$0.182	--

Upcoming Earnings

Special Situations Update

Through the end of July, US public M&A volumes are tracking +17% YoY. There were 11 transactions announced this past month >$1bn accounting for $52bn in activity levels. We anticipate Arb Capital flows to be a focus with Electronic Arts closing next week (ROKU, UNF, VAL, AES?…probably a bit across the board considering the general tightness in spread levels). In terms of the headlines, the WSJ reported that Tesla is weighing the separation of its China business ahead of a potential merger with SpaceX, but the claims were dismissed by Musk this morning.

In other news, TXNM reported Q2 numbers, AES received China approval, and FCC Chair Brendan Carr expresses more conviction the WBD/PSKY deal will close. In the month ahead, top-of-mind special situations are: ROKU (HSR expiration 8/6), ACA (HSR expiration 8/5), WBD (clarity on the timeline + earnings), CZR (still looking for clarity on optionality with proxy maybe coming today?), REZI (spinning off ADIG next week), LNTH (advanced deal talks), and MGM (still reviewing the offer).

					7/30/2026		7/29/2026		7/23/2026		6/29/2026	
Largest US Transactions:					Last		1D Chg		1 Wk Chg		1 Month Chg	
	Target	Buyer	Tgt Mkt Cap	Consid	Spread ($)	Spread (%)	Spread ($)	Spread (%)	Spread ($)	Spread (%)	Spread ($)	Spread (%)
1	NSC	UNP	$75,003	Cash/Stock	$44.35	13.3%	($0.92)	(0.2%)	($0.25)	0.5%	($0.52)	(0.9%)
2	WBD	PSKY	$63,857	Cash	$5.53	21.7%	$0.17	0.8%	$0.48	2.3%	$1.66	7.4%
3	D	NEE	$61,329	Stock	$1.83	2.6%	$0.39	0.6%	$0.22	0.4%	($1.14)	(1.7%)
4	EA	PE	$52,555	Cash	$0.41	0.2%	($0.68)	(0.3%)	($0.59)	(0.3%)	($4.54)	(2.2%)
5	KVUE	KMB	$37,075	Cash + Stock	$0.31	1.6%	$0.04	0.2%	$0.01	0.0%	($0.20)	(1.1%)
6	AVB	EQR	$26,815	Stock	($0.31)	(0.2%)	($0.16)	(0.1%)	($0.22)	(0.1%)	$1.45	0.7%
7	ROKU	FOXA	$21,429	Cash & Stock	$7.92	5.5%	$0.11	0.1%	$0.20	0.0%	($0.39)	(0.6%)
8	PEN	BSX	$12,598	Cash or Stock	$1.79	0.6%	$0.26	0.1%	$0.58	0.2%	($1.76)	(0.6%)
9	WBS	SAN	$12,525	Cash + Stock	$0.44	0.6%	$0.05	0.1%	$0.01	(0.0%)	($0.33)	(0.5%)
10	WTRG	AWK	$11,445	Stock	$1.38	3.4%	($0.04)	(0.1%)	($0.03)	(0.1%)	($0.61)	(1.7%)
11	TECH	Merck KGaA	$11,278	Cash	$0.97	1.3%	$0.00	0.0%	($0.26)	(0.4%)	($1.13)	(1.6%)
12	AES	GIP & EQT	$10,590	Cash	$0.15	1.0%	($0.03)	(0.2%)	($0.02)	(0.1%)	($0.22)	(1.5%)
13	GSAT	AMZN	$10,315	Cash or Stock								
14	APGE	ABBV	$10,121	Cash	$0.81	0.6%	($0.10)	(0.1%)	($0.04)	(0.0%)	($1.69)	(1.3%)
15	QRVO	SWKS	$8,005	Cash + Stock	$1.74	1.9%	($0.00)	(0.0%)	($2.08)	(2.5%)	($2.22)	(2.3%)
16	SLAB	TXN	$7,155	Cash	$14.07	6.5%	($0.49)	(0.2%)	($0.17)	(0.1%)	$2.10	1.0%
17	ACA	CRH	$7,130	Cash	$4.77	3.3%	($0.36)	(0.3%)	($0.12)	(0.1%)	($0.61)	(0.4%)
18	TXNM	BX	$6,418	Cash	$3.28	5.7%	($0.28)	(0.5%)	$0.33	0.6%	($1.06)	(2.0%)
19	CZR	Fertitta Entertainmen	$6,032	Cash	$1.39	4.7%	$0.16	0.6%	$0.29	1.0%	$0.21	0.7%
20	UNF	CTAS	$5,310	Cash + Stock	$21.04	7.2%	$0.07	0.2%	($1.15)	(0.5%)	($0.55)	(1.0%)
						Average		0.0%		0.0%		(0.5%)
						Average (mkt cap)		0.1%		0.4%		0.1%

Details:

- TSLA – Musk Denies Reports Of China Unit Sale for Potential Space X Merger. The WSJ reported overnight that Tesla is weighing the potential sale of its China Business to make way for a potential merger with Space X. Musk quickly replied online to the story calling the news fabricated. During an earnings call last week, Musk, who has spoken about the “convergence” of his companies in the past, acknowledged their increasing overlap, but said a merger wasn’t something he could address on Tesla’s conference call.
- EA – Expected Close August 4th. As of July 30, 2026, all regulatory approvals required to complete the Merger have been obtained. Electronic Arts currently expects the Merger to close on or about the close of trading on August 4, 2026. Completion of the Merger remains subject to the satisfaction or waiver of the remaining customary closing conditions set forth in the Merger Agreement.
- TXNM – Reports Q2 Earnings. TXNM reported Q2 EPS this morning of $0.58 beating the $0.54 consensus estimate — more than doubling year-over-year from $0.25 — though electric operating revenue of $548.6M (+9.2% YoY) and operating income of $123.3M (+70% YoY) both came in below consensus estimates of $559.3M and $129.3M, respectively. In regards to the pending transaction with Blackstone approvals continue to be pursued from the Nuclear Regulatory Commission and New Mexico Public Regulation Commission ("NMPRC"). TXNM Energy anticipates that the closing of the acquisition will occur in the first half of 2027.
- AES – China SAMR Approves Transaction With GIP & EQT

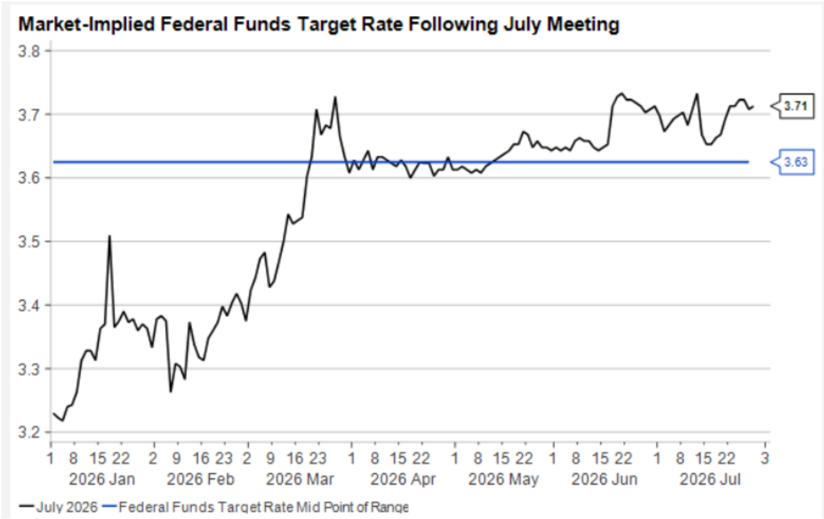
Federal Reserve & Rates: A Strange Trip for Rates So Far in 2026

Year-ahead consensus predictions rarely get things perfectly right, but it’s fair to say that despite looking very promising for the first two months of the year, the consensus call for lower interest rates looks like a particularly bad one. The 10-year U.S. Treasury yield has risen sharply against expectations it would fall. And instead of further trimming its policy rate, the Federal Reserve may shortly begin hiking again. The effects of this “miss” are all around us: a flatter yield curve, a frustrating lack of progress in the housing market recovery, and a further souring of consumers’ moods, to name just a few.

Changes to a central bank’s framework and communication have great implications for investors. These reforms, as they are put into place, may drive more of the type of bond market volatility that occurred last week. This could leave long-term interest rates higher and contribute to slower growth in the rate-sensitive parts of the economy for now.

What Did We Learn from the July Fed Meeting?

Coming into last Wednesday's Federal Open Market Committee (FOMC) meeting, investors were putting the odds of a rate increase at roughly one in three. That may not sound like much, but one can count on one hand the number of Fed meetings in the past twenty years whose outcomes were so uncertain going into the meeting. The evolution of investor expectations for Fed policy – from multiple cuts to at least some chance of a hike by July – illustrates the interest rate Odyssey of 2026:



As it turned out, the Fed did not raise rates. Notably, three of the twelve FOMC voting members dissented from that decision, favoring an immediate increase. But the market-implied odds of a hike by the next meeting fell from over 100% to below 60% the morning after the decision.

In his comments following the meeting, Chair Warsh did not share many thoughts on the economy or policy outlook beyond what was in the committee's brief and unchanged statement. The most interesting part of the press conference was Warsh's repeated mentions of the rise in real interest rates (among other market moves) since the last meeting as, perhaps, one reason the committee did not feel it needed to adjust policy. We'll cover that in some depth below.

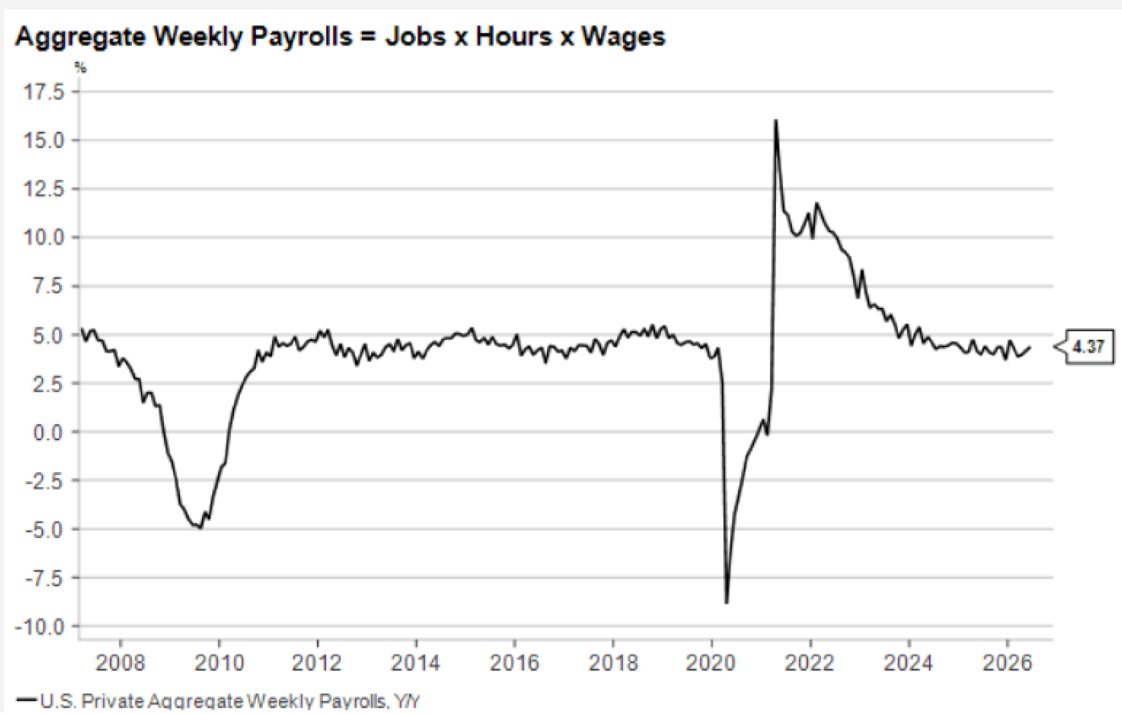
The Case for Hiking vs. The Case for Waiting

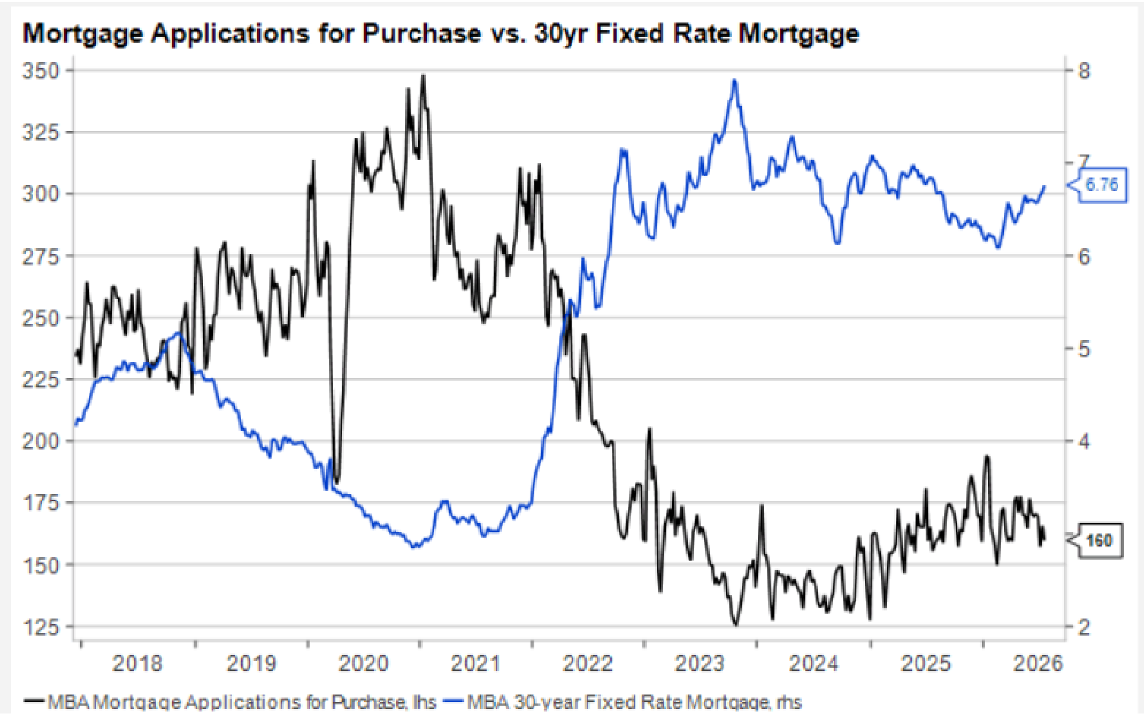
The September FOMC meeting is only a few weeks away, and despite a lack of guidance for Chair Warsh or the FOMC statement, markets continue to suggest that a hike is more likely than not. The best case for hiking rates is that inflation has been too high for too long. Indeed, core PCE inflation has been above the Fed's 2% target since March 2021. Even the new Chairman, who has been reluctant to say much of anything about the economy to this point, has made it clear that the Fed is fixated on bringing inflation down.

While energy-related inflation has been responsible for the bulk of new price pressures this year, proponents of higher rates cite other less transitory drivers such as continued wage pressures and A.I. production bottlenecks as reasons to hike. Indeed, core services inflation excluding housing (often referred to as "Supercore" for its stickiness and lagged response to tighter policy) remains well above even its highest level from the pre-COVID years:

Core services inflation is often connected to the labor market because of its close connection to wage growth. While nothing in the labor market currently screams "overheating", nothing in Aggregate Weekly Payrolls (a series that encompasses changes in the number of workers, their hours, and their wages) suggests that slightly higher interest rates will drive significant further slowing in the labor market.

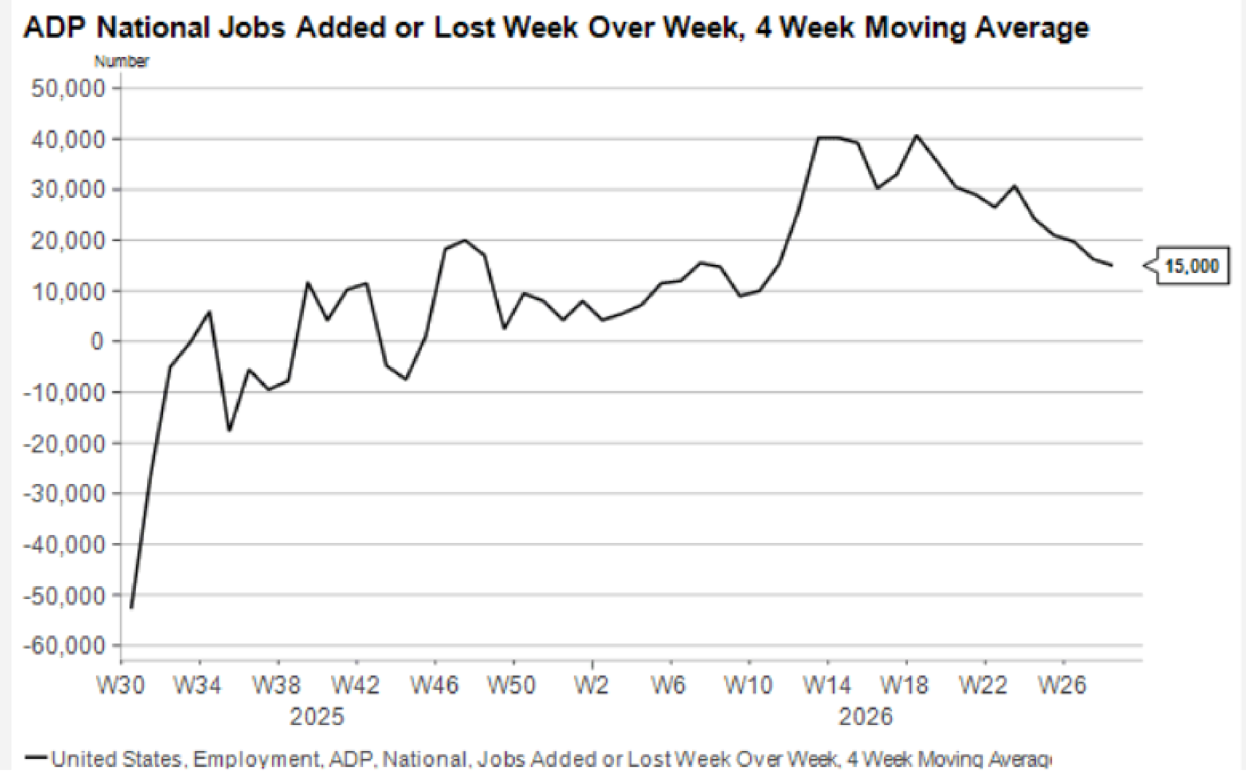
With inflation above target and unemployment barely above 4%, it's a hard time to be a dove on the FOMC. The argument against raising rates begins with the fact that the cumulative tightening of 2022-23 is still wreaking havoc on rate-sensitive parts of the economy like the housing market. Mortgage rates just hit their highest level in a year, and mortgage applications for purchase are still barely half of what they were in the late 2010s, let alone in the post-COVID boom years.



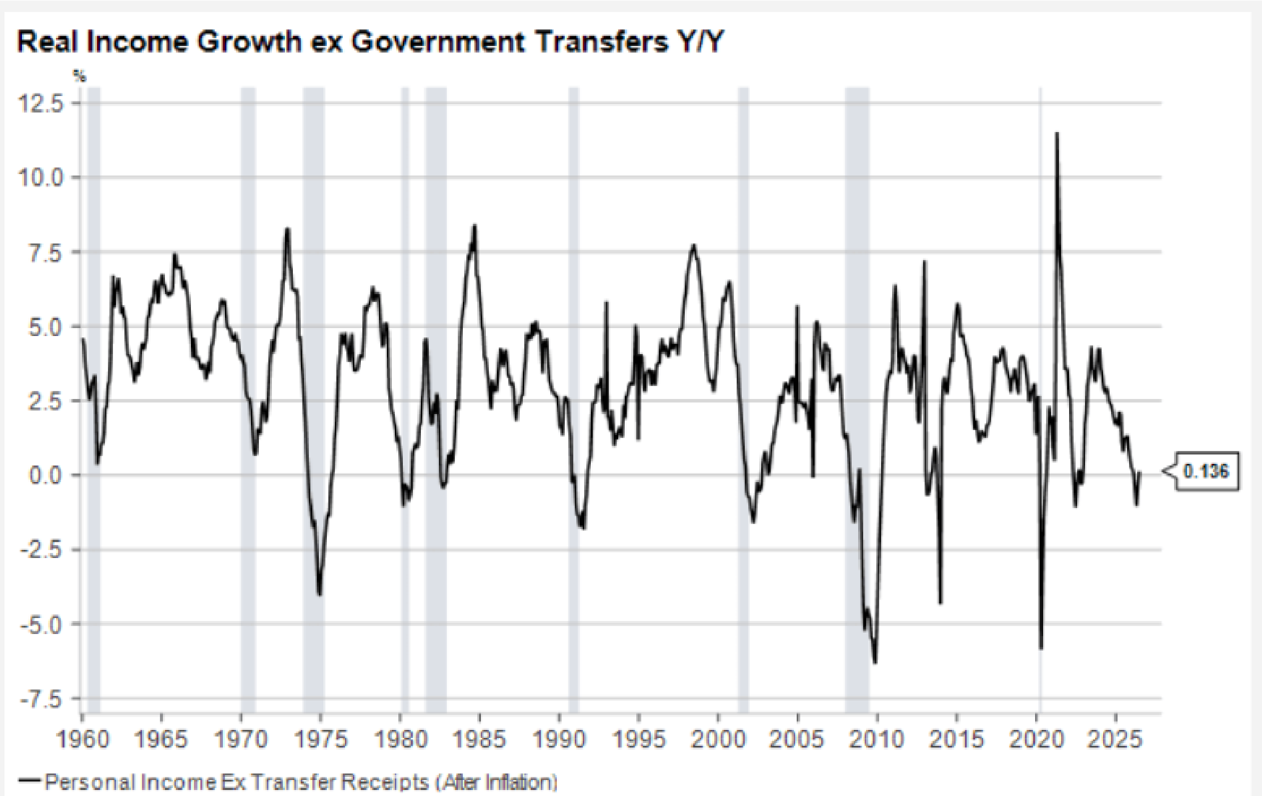


Of course, as we saw last week, long-term rates can also rise when the Fed is perceived as too dovish, i.e., not committed enough to fighting inflation. This makes the doves' argument a little trickier, as they must not only advocate against rate hikes but also have a clear "theory of the case" for why inflation will come down from here on its own.

Second, while unemployment remains low and wage growth remains solid, as we pointed out above, there has been a clear softening in the labor market since the unexpectedly strong start to the year.



Third, this year's inflationary shock has come primarily from energy supply shortages, not a surge in overall demand. As a result, wage growth after inflation has fallen to essentially zero. This has historically not been an environment that calls for tighter monetary policy, as the dark bars indicating recessions on the graph below show:



To be candid, the questions of whether the Fed should hike or will hike over the next several months are hard to answer. Warsh and company will have another six weeks of economic data to consider before their next meeting. Soft core inflation prints like the one we just got for June could keep the hawks at bay, while unexpectedly strong consumer or manufacturing data could make it harder for the doves to advocate more patience. If forced to make a call, we would say that the major data in the coming months should marginally weaken the case for a hike at the next meeting, supporting a "hold" stance from the Fed.

What is the Bond Market Telling Us?

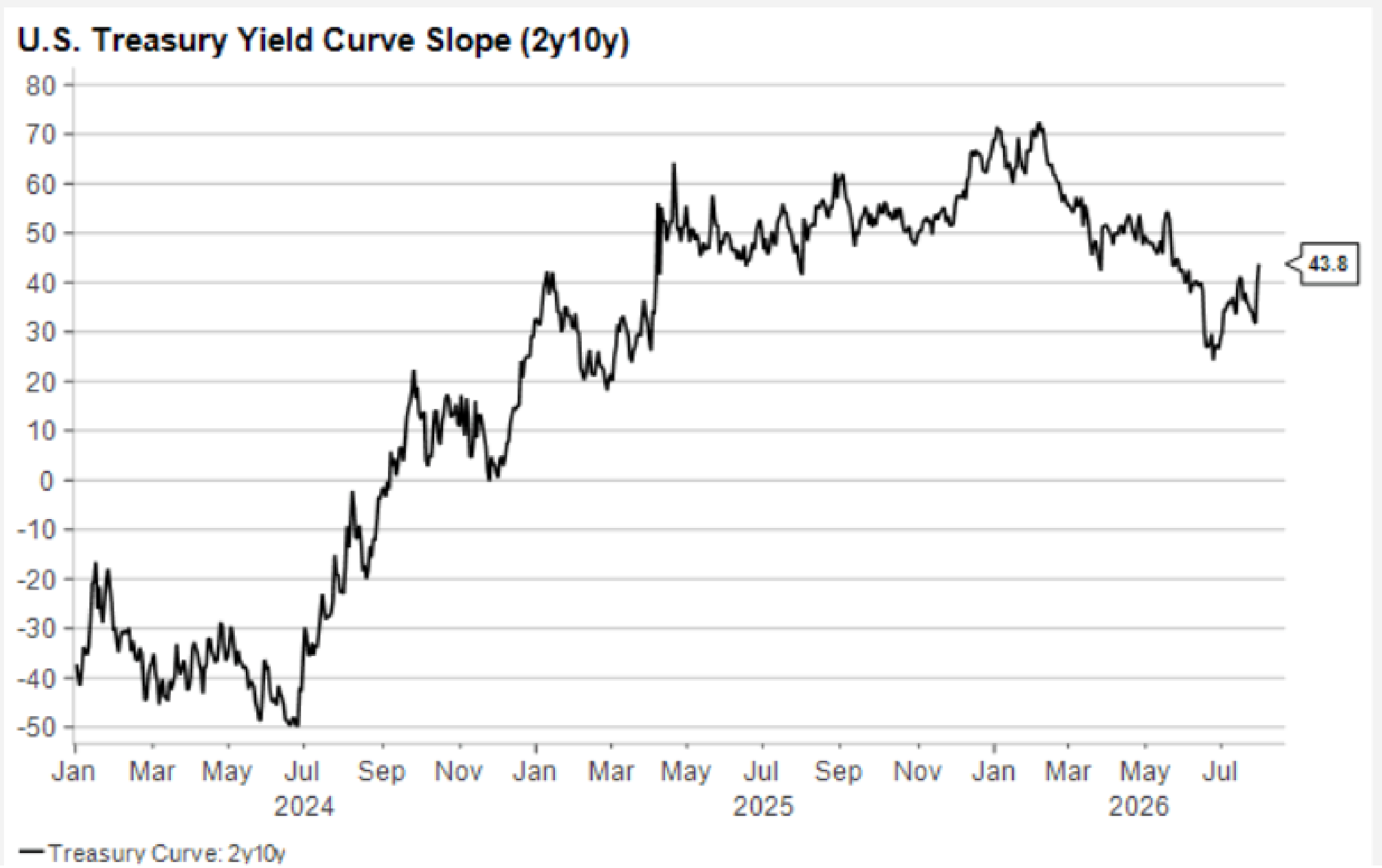
Of course, the Fed is not the sole arbiter of whether monetary policy is too loose or too tight. The bond market has its say, as well, and often does wait to hear from central banks before it chimes in with its own view. Consider the yields on long-dated, inflation-protected Treasuries (TIPS):

The sharp rise in long-dated real yields since 2021 has coincided with the end of zero interest rate policy and a shrinking Fed balance sheet. Together, these represent a significant tightening of financial conditions, one that has continued through the month of July with the 30-year TIPS yield approaching its highest level ever. Higher real yields reflect investors' collective view that bonds must offer higher returns to compete with other assets, but they also weaken growth in home borrowing and capital spending.

It's likely that Warsh and the other eight members of the FOMC majority last week felt rising yields had given them some cover to delay tightening policy. In other words, the market had already done some of their work for them, "playing the ball instead of the referee", as he put it. This approach may work provided rates continue to move in the direction the Fed prefers. But it's also likely to lead to more volatility than would otherwise be the case as markets overreact to data to get the Fed's attention. Long-term rates are, in part, a reflection of the market's expectation for short-term rates. And the level of short-term rates remains solely at the Fed's discretion.

For further evidence of tightening in the bond market, we can look at the slope of the Treasury yield curve. After steepening for almost two years, the curve has flattened this year on increased expectations for Fed hikes and marginally less optimism about economic growth. A flattening yield curve is a sign that monetary policy is restricting growth and financial activity. Until it infamously registered a "false positive" in 2022, an inverted curve had been a very reliable forecaster of recessions.

The messy market reaction to the Fed meeting requires this quick aside: As the graph above shows, the yield curve steepened immediately following the latest FOMC meeting, specifically following Chair Warsh's comments about allowing markets to follow the data without considering how the Fed might react. He also hinted at a potential change to the Fed's inflation framework next year, which could weaken the credibility of the current 2% PCE inflation target. The curve underwent a "Zoo Steepening": short rates fell on dovish hopes while long rates rose on credibility concerns, i.e., bulls and bears pulled in opposite directions. Historically, this is a sign a central bank is risking losing its credibility and it bears (forgive the pun) close watching.



The Fed has seen its credibility waver before, but it has been nearly 50 years since Chair Arthur Burns lost it completely. Last week's volatility aside, we remain more concerned about the effects of monetary tightening, whether intentional by the Fed or not, than we are about the risks the Fed will let inflation get out of control.

Moreover, Treasuries are not the only financial assets showing the effects of tighter financial conditions. Stock valuations have fallen (mainly for reasons other than monetary policy, it must be said), and corporate credit spreads have crept up from their lows. Markets do not seem concerned about severe or imminent economic slowing, but they are gently reminding us that regardless of what the twelve FOMC voters decide over the balance of the year, markets get a vote, as well.

Getting Used to the New Normal at the Fed

The era of radical Fed transparency is clearly over. The regime that has replaced it has yet to make any concrete policy changes or even an indication as to when or why future changes might occur. This puts markets firmly in the driver's seat, which Chair Warsh seems to prefer.

One lesson of 2026 is that Fed policy is not always the primary drivers of interest rates at any given moment. For the time being, the global economy and financial markets (including bond markets) remain hostage to developments in the Middle East and the knock-on effects of an impaired global oil supply. Over the long run, the data will tell us whether policy is too loose or too tight, and the uncertainty about the Fed's plans for interest rates should start to feel more normal for investors. However, the impact of higher rate volatility on the economy – fewer mortgage applications, less business investment, higher Treasury borrowing costs – may start to add up.

1/ SSR Federal Reserve FOMC THREAD (No Hike, 3 Dissents) → Followed by Volatility Discussion

Federal Reserve officials left interest rates unchanged, but a fractured vote signaled growing conviction among some policymakers that higher rates are needed to curb resurgent inflation.

The Federal Open Market Committee voted 9-3 to hold the benchmark federal funds rate in a range of 3.5% to 3.75%, with some officials dissenting in favor of raising rates.

The committee repeated their pledge to "deliver price stability" and officials will get fresh inflation data Thursday, amid mounting pressure and uncertainty around the conflict and inflation.

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2/ The three dissents are as expected: Dallas Fed President Lorie Logan, Cleveland's Beth Hammack and Minneapolis Fed chief Neel Kashkari dissented in favor of raising rates by a quarter percentage point.

That's a bit of a relief rally in two-year Treasuries and stocks. Two-year yields are now down 3 basis points after being up almost 3 before, and the S&P 500 went from -0.6% to -0.2%.

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3/ Note that the longer end of the yield curve isn't so positive. Ten-year yields are barely changed, up about 1 basis point on the session.

The statement is quite short and it doesn't give much away. Note this key line is repeated again: The Committee will deliver price stability.

Money markets have trimmed bets on interest-rate cuts over the coming months. They now price around 36 basis points of easing through the end of the year versus 44 before the decision. A couple of quarter-point hikes are still fully priced by the middle of next year, though.

The dissenters were expected given their public comments in the lead up to the meeting. What is interesting is that nobody on the Board of Governors dissented.

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4/ Look at how short the policy statement is!

For release at 2:00 p.m. EDT July 29~~June 17~~, 2026

The Federal Open Market Committee approved the following statement for release by a 9 – 3~~12 – 0~~ vote:

The Committee decided to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent, in support of the Federal Reserve's dual mandate. The Committee is continuing~~reaffirmed~~ its policy of maintaining ample reserves in the banking system.

Economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East. Productivity growth and capital investment are strong. Job gains have kept pace with the workforce, and the unemployment rate has changed little.

Inflation remains elevated relative to the Committee's 2 percent goal, in part reflecting supply shocks that have driven price increases in certain sectors, including energy. The Committee will deliver price stability.

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5/ The three dissents leave a September hike on the table

Note that the statement did name the dissenters. Some Fed watchers had wondered whether the names might have been left off. The voters weren't named in the June statement. Now, that vote was unanimous, so there was no need to put the names.

But putting "12-0" was a break from the past, when the names were always spelled out.

In any case, today we got the names: Cleveland Fed's Beth Hammack, Minneapolis Fed's Neel Kashkari and Dallas Fed's Lorie Logan. Note that no governors joined them.

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6/ The latest inflation prints and labor data have afforded the Fed some breathing room and no credibility will be sacrificed by waiting for more definitive signals.

Hiking would have only confused what the Fed's reaction function actually is and would have risked sending an overly hawkish signal.

We expect Warsh to remain vigilant about inflation but to acknowledge that the recent subdued inflation prints could indicate the possibility that the current stance of policy is appropriate (which is also our view). If that is not the case, the Fed stands ready to stamp out any price pressures.

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7/ For all the excitement in markets ahead of this decision, it's worth noting that the vast majority of economists who closely follow the Fed had expected no change today. They argued that there will be two more readings on inflation and jobs before the September meeting, allowing policymakers time to assess that. Views differ of course over what the data will tell us but, for now, the policy decision was as Fed watchers had expected.

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8/ Barclays economists are calling it a hawkish hold and say that the three dissents will stoke bets for hikes over coming months.

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9/ Warsh says the meeting was "collegial and constructive."

Principal Asset Mgmt: Our base case remains that the Fed stays on hold through the rest of 2026 as underlying inflation pressures ease. But confidence around that view is low. Prolonged energy disruptions would raise the risk of inflation expectations becoming unanchored, potentially requiring a firmer policy response.

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10/ Warsh is making it clear that forward guidance is gone and he says markets are adjusting to that by looking at what the data is saying rather than what the Fed is saying. He's setting it up as a new era and everybody needs to adjust.

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11/ "The message from markets is the message from markets" Warsh says, adding he wants to get an unfiltered message from markets.

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12/ Warsh says the market tightening has done quite a bit of work for policymakers.

While the Fed hasn't done much since the last policy meeting, financial markets "have done quite a bit."

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13/ Warsh is getting at the heart of his communications overhaul at the Fed designed to reduce forward guidance: He wants investors to trade independently of the Fed, providing a signal to central bankers regarding how the US economy is faring. As he said in his maiden press conference last month, financial market prices provide "probably the most important source of information to guide central bankers."

Also interesting that Warsh is paying attention to real yields — that is, taking out inflation. Market participants have been talking about these also in recent days and weeks. Yields on five-year inflation-linked securities (known as TIPS), have climbed by more than three quarters of a percentage point in the past quarter.

Warsh describes the overall FOMC discussion as being the family fight he wanted but again returns to his central messaging that the committee is ready to act:

"There was a disagreement about a decision today. I would say that doesn't sort of capture the full essence of the discussion. The path to central bank heaven requires delivering on our remit."

The discussion of the past two days was whether to raise rates. Asked whether that's the way to remedy too-high inflation, Warsh says higher rates "could well be part of that solution."

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14/ We're almost 30 minutes into the press conference now, and Warsh has again sounded quite hawkish. He says they won't hesitate to act on inflation and that policymakers will be held accountable for that. But he also signaled he's content that markets are doing some of the work for policymakers. This is a new line of attack:

"I was comforted that markets weren't reacting to us, they appear more than ever to be reacting to real time events."

The Fed is doing well on the full employment side of its mandate "but we're doing considerably less well on prices."

Two-year yields have hit their lows of the session, down about 5 basis points now. Not a huge move by any means. But it's interesting they're lower despite Warsh effectively saying that the Fed won't hesitate to hike rates if needed.

Warsh says he will use his Jackson Hole speech to deal with some of the big topics and issues right now, but he says he hasn't decided if he will also set out some color for the policy landscape over the fall.

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15/ Warsh says "in crisis mode," engaging in forward guidance is "prudent policy."

Another interesting comment: Warsh says "the pullback of forward guidance requires some transition." So, is that why he's come arguably close to offering some guidance today, by saying the Fed wouldn't hesitate if needed, and saying that higher rates could be part of the "solution" for high inflation?

Some insight here, Warsh says he is looking at a broader set of inflation data than PCE.

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16/ Warsh is leaning yet again on market pricing as an indicator of confidence in what the Fed is doing.

Inertia is probably the word of the day from this press conference.

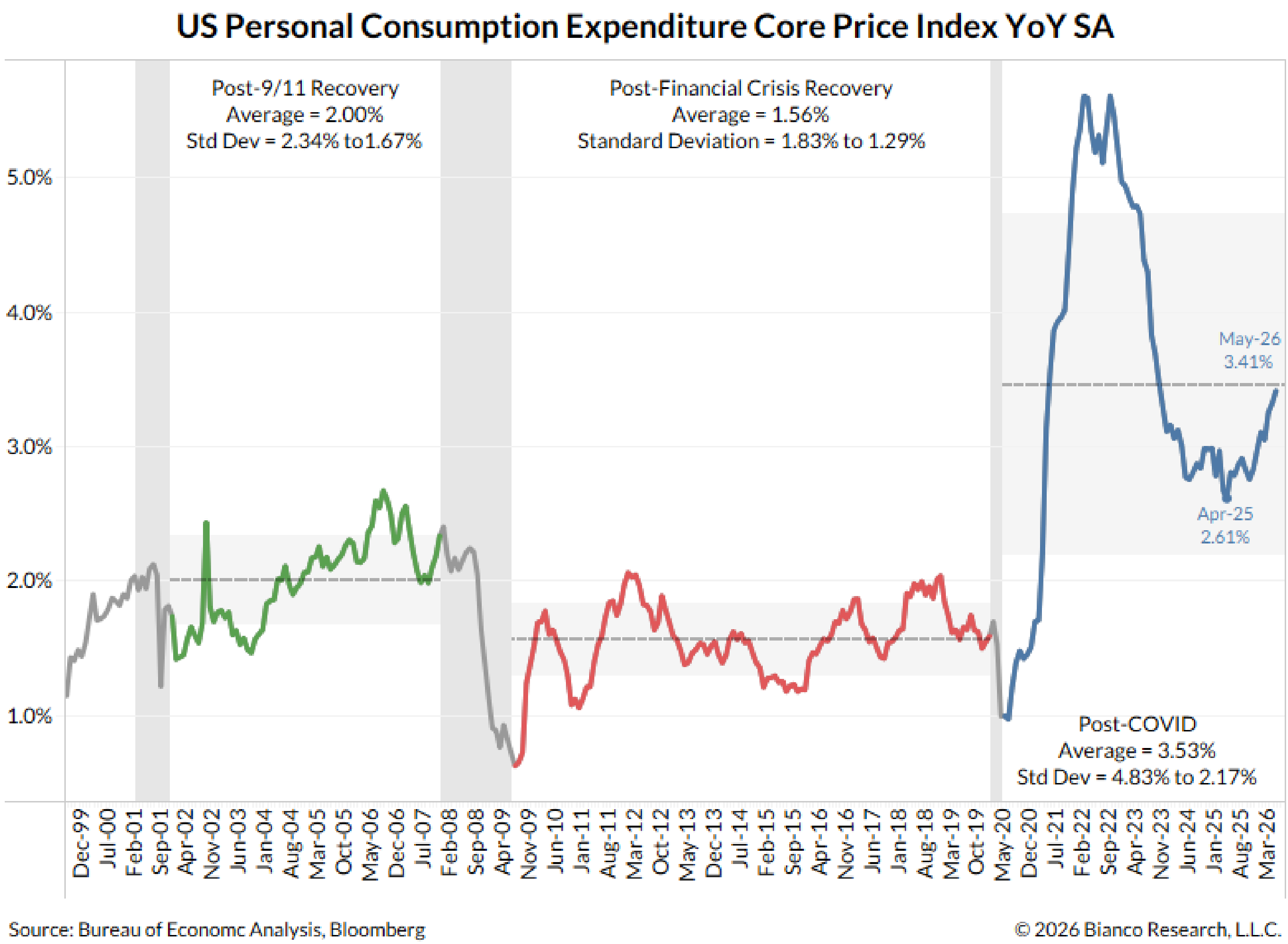
The dollar and two-year Treasury yields have extended their earlier declines as Warsh has been speaking.

WARSH: THE FED DIDN'T PAUSE, WE RIGOROUSLY REVIEWED THE SITUATION (MARKET SAYS OTHERWISE)

17/ 10-Year yield flips back

18/ 30-year yields up 11 bps

Core PCE



Capex Spenders Have Dragged Down SPX this Year

Microsoft, Amazon, Alphabet and Meta—whose enormous capital-spending plans have made them relative laggards and therefore a drag on the market-cap-weighted S&P 500. **Apple was safe until it missed earnings this week on spiking memory costs.**

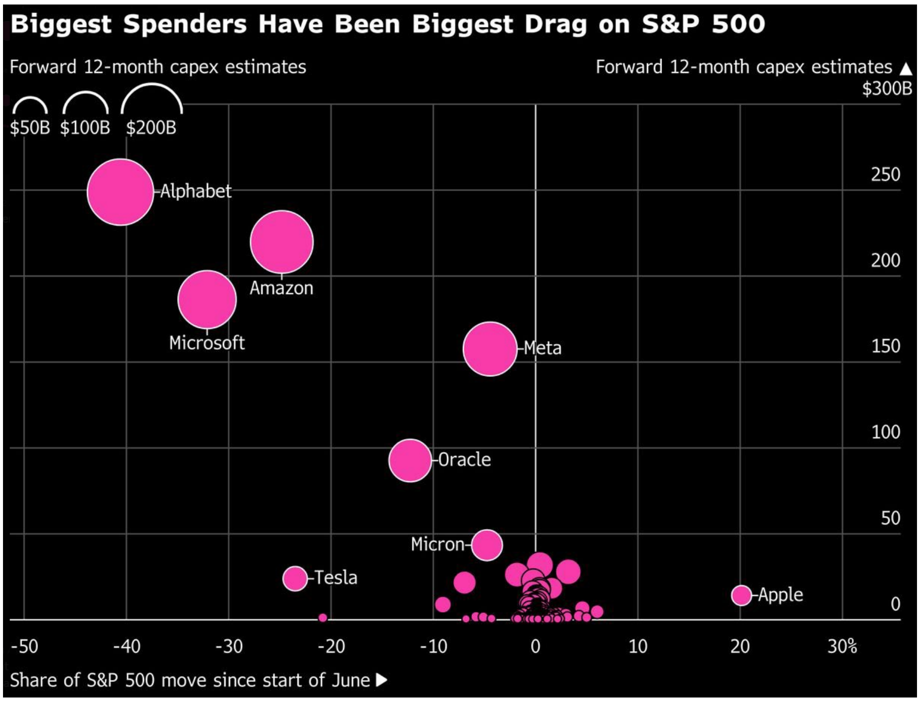
Companies receiving the capex money have generally done better than companies spending it.

Chipmakers, memory suppliers, data-centre equipment companies and power infrastructure providers are booking revenue today. Hyperscalers are paying today for capacity whose financial return may take years to prove.

While operating performance (EPS) has improved, free cash flow has collapsed because infrastructure spending rose faster.

That matters because the mega-cap technology stocks historically commanded premium valuations partly because they were highly cash-generative and relatively asset-light. They are now becoming much more capital-intensive.

The four largest hyperscalers are reportedly on course to spend as much as $725 billion during 2026, following a major upward revision in spending plans.



The revenue arrives later—and remains uncertain

The spending is going into:

- GPUs and AI accelerators
- Servers and networking
- Data-center construction
- Electricity generation and grid connections
- Cooling systems

- Land and long-term leases

The suppliers generally recognize revenue when equipment is delivered. By contrast, Microsoft, Amazon, Alphabet and Meta must subsequently generate enough Azure, AWS, Google Cloud, advertising or AI-product revenue to earn an adequate return on those assets.

Demand may be real, but that does not automatically mean the economics will be attractive. Competition could push down AI inference prices before the hyperscalers have earned back their investments.

Depreciation is a delayed earnings problem

Capex initially appears on the balance sheet rather than being expensed immediately. Earnings are subsequently affected through depreciation over the useful life of servers and data-center equipment.

As each new investment cohort is layered on top of earlier spending, depreciation keeps rising—even if capex eventually stops accelerating. That means reported earnings could face a multi-year margin headwind after the cash has already been spent.

Goldman Sachs expects the AI capex boom to reduce mega-cap technology ROE, with consensus estimates implying an average decline of roughly seven percentage points next year.

Capital intensity reduces ROIC and ROE

Historically, large technology platforms generated exceptional returns with relatively limited physical capital. AI changes that model.

Suppose a company earns $80 billion and has $300 billion of invested capital:

- ROIC=80/300=26.7%

It then invests another $200 billion in AI infrastructure, but near-term earnings rise by only $10 billion:

- ROIC=90/500=18.0%

Earnings increased, but the return on the enlarged capital base fell sharply.

Lower prospective ROIC normally warrants a lower valuation multiple, especially when investors previously valued the company as an asset-light compounder.

Less money is available for buybacks

A dollar used to build a data center cannot simultaneously be used for:

- Share repurchases
- Dividends
- Acquisitions
- Debt reduction

Buybacks have been particularly important for mega-cap technology companies because they reduce share counts and support EPS growth. Capex can therefore hurt shareholders through two channels:

- Lower free cash flow.
- Slower buyback-driven EPS accretion.

The Nasdaq and S&P 500 is market-cap weighted. The hyperscalers are among its largest constituents, so even moderate underperformance has an outsized index impact.

This is one reason investors have rotated toward businesses with stronger near-term cash distributions and better capital discipline. Morgan Stanley notes that the equal-weighted S&P 500 has outperformed the conventional cap-weighted index in 2026, with investors favoring cheaper, more cash-flow-oriented companies over mega-cap growth names.

Group	SPX weight	Return	Index contribution
Hyperscalers	20%	-10%	-2.0%
Remaining companies	80%	+12%	+9.6%
Total SPX return			+7.6%

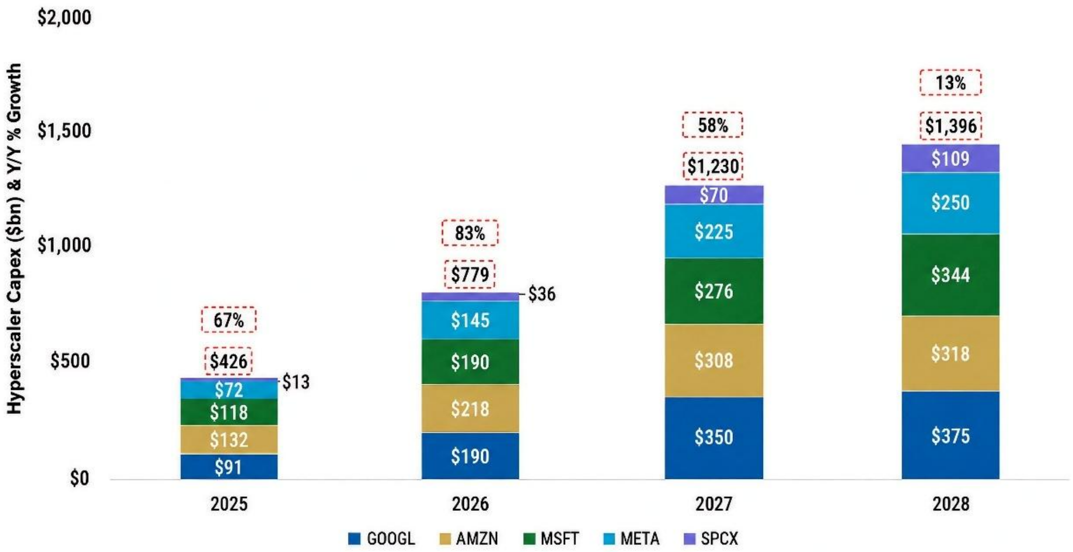
Thus, the rest of the market can perform strongly while the largest capex spenders subtract several percentage points from the headline index.

This helps explain why the equal-weighted index can outperform the standard S&P 500: the equal-weighted version gives far less influence to Microsoft, Amazon, Alphabet and Meta.

Morgan Stanley raising its 2027 and 2028 hyperscaler capex forecasts by 9% and 10%, respectively, now modeling $1.2 trillion and $1.4 trillion in annual spending

- $GOOG raising 2026 capex guidance from $180–190 billion to $195–205 billion, posting negative free cash flow for the quarter and saying demand still outpaces its capacity investments
- $TSM raising 2026 capex guidance from $52–56 billion to $60–64 billion and increasing its full-year revenue growth outlook from more than 30% to above 40%
- $ASML raising 2026 revenue guidance for the second consecutive quarter, first from €34–39 billion to €36–40 billion and now to €43–45 billion. It is also planning roughly 30% capacity increases for low-NA EUV and DUV immersion systems in 2027
- $META raising 2026 capex guidance from $115–135 billion to $125–145 billion to reflect higher component costs and additional data-center spending
- OpenAI raising its projected compute spending through 2030 from $600 billion to $750 billion, a 25% increase
- $MSFT continuing to say demand exceeds available capacity, even after delivering additional capacity earlier than expected
- Kimi suspending new subscriptions after demand for Kimi K3 overwhelmed its available compute capacity

Exhibit 1: We are raising '27/'28 total hyperscaler capex (ex-SPCX, included for first time) by 9%/10%, now modeling ~$1.2tr/$1.4tr of '27/'28 capex:



Source: Company data, Morgan Stanley Research Estimates. Note: AMZN represents total company capex, SPCX represents terrestrial compute capex. Note: MSFT capex estimates are calendar year.

NVDA Debt Risk Jumps on $750 Billion AI Push

The cost of insuring Nvidia's debt surged to a record after reports the company is discussing more than $750 billion in AI infrastructure financing tied to OpenAI.

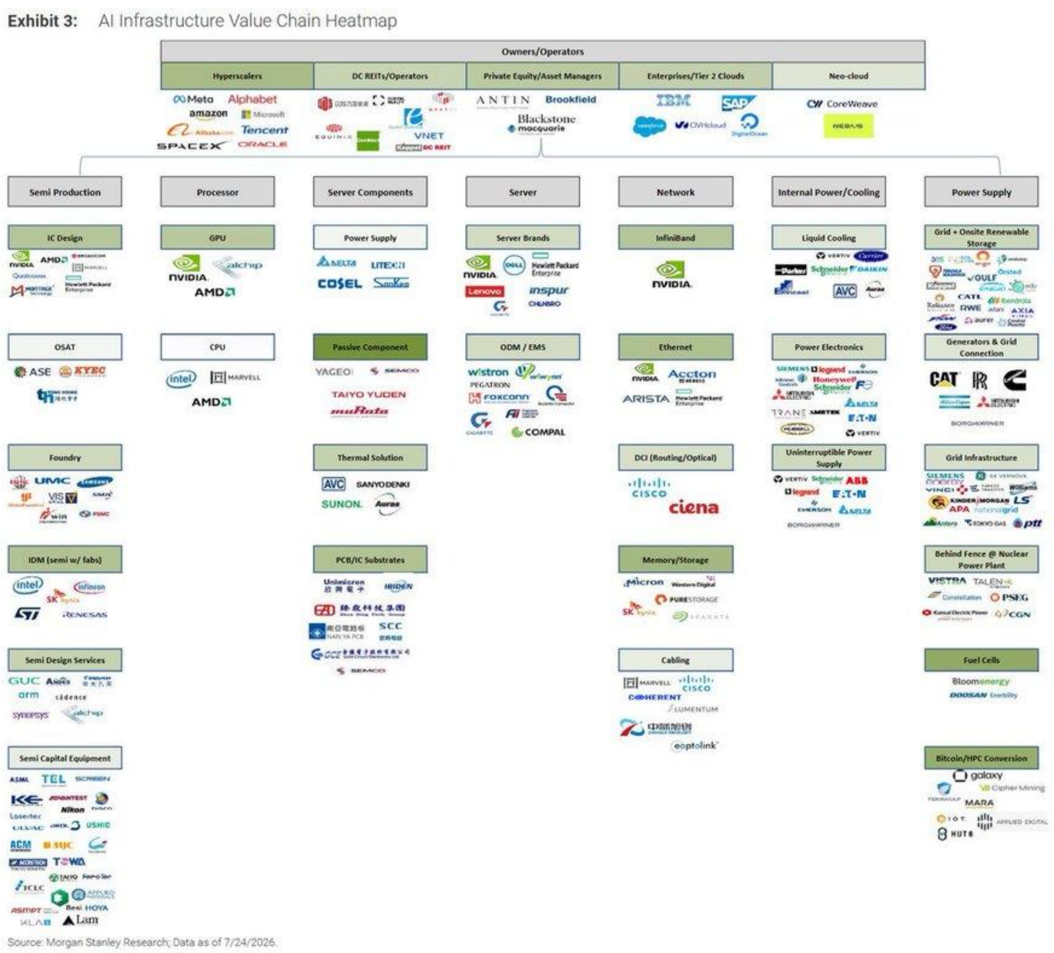
Investors are growing concerned about Nvidia's expanding financial commitments, with analysts warning complex financing structures could increase credit risks.

BofA Backs ASML

BofA Securities reiterated its Buy rating and price target on ASML, calling the recent selloff an overreaction.

The bank estimates a Chinese shift to domestic DUV tools would cut next year's sales by only about €1.4 billion (2.4%). It said ASML's EUV leadership remains unmatched and views current valuation as an attractive buying opportunity.

MS AI Infrastructure Supply Chain



Nomura's latest Memory (DRAM) forecast is on another level:

They are projecting DRAM revenue to explode past 2 trillion dollars by 2030. Yes, that is trillion with a T. From around 80 billion dollars in 2022 to over 2.06 trillion dollars in 2030.

Here is the full supply demand picture they published. Production is expected to grow from 29.3 billion GB in 2022 to 128.4 billion GB by 2030.

Shipments rise from 24.7 billion GB to almost 126 billion GB. Utilization rates stay extremely high, often above 100 percent in the later years, and inventory even turns negative in absolute terms. That is a clear sign of structural tightness in the market.

The price story is just as dramatic. After the big crash in 2023 when prices fell to 1.9 dollars per GB, Nomura sees a strong recovery. They forecast 13.7 dollars per GB in 2026, peaking near 18.6 dollars per GB in 2027, and then settling around 16 to 17 dollars per GB through 2030.

The combination of much higher volume and these sustained high average selling prices is what drives that massive 2 trillion plus revenue number.

This is not a normal cyclical recovery. The forecast assumes AI and data center demand will keep running ahead of supply for years.

Wafer capacity is growing, but not nearly fast enough to match the bit demand.

High bandwidth memory, or HBM, is the big driver here. It brings higher density, higher prices, and much better profitability than regular commodity DRAM.

For some context, most mainstream long-term forecasts still see the entire DRAM market staying well under 300 to 400 billion dollars by 2030.

Nomura is basically saying it could be 5 to 7 times larger than those conservative estimates if AI infrastructure spending keeps going at the current pace.

The implications are huge for the big three players: Samsung, SK Hynix, and Micron.

If even part of this comes true, memory chips could become one of the biggest profit pools in the whole semiconductor industry.

Capex will need to speed up, but the pricing power looks very favorable in this scenario.

Of course these are aggressive assumptions. AI spending could slow down, new capacity could come online faster than expected, or Chinese producers could close the gap quicker. But the overall direction is clear.

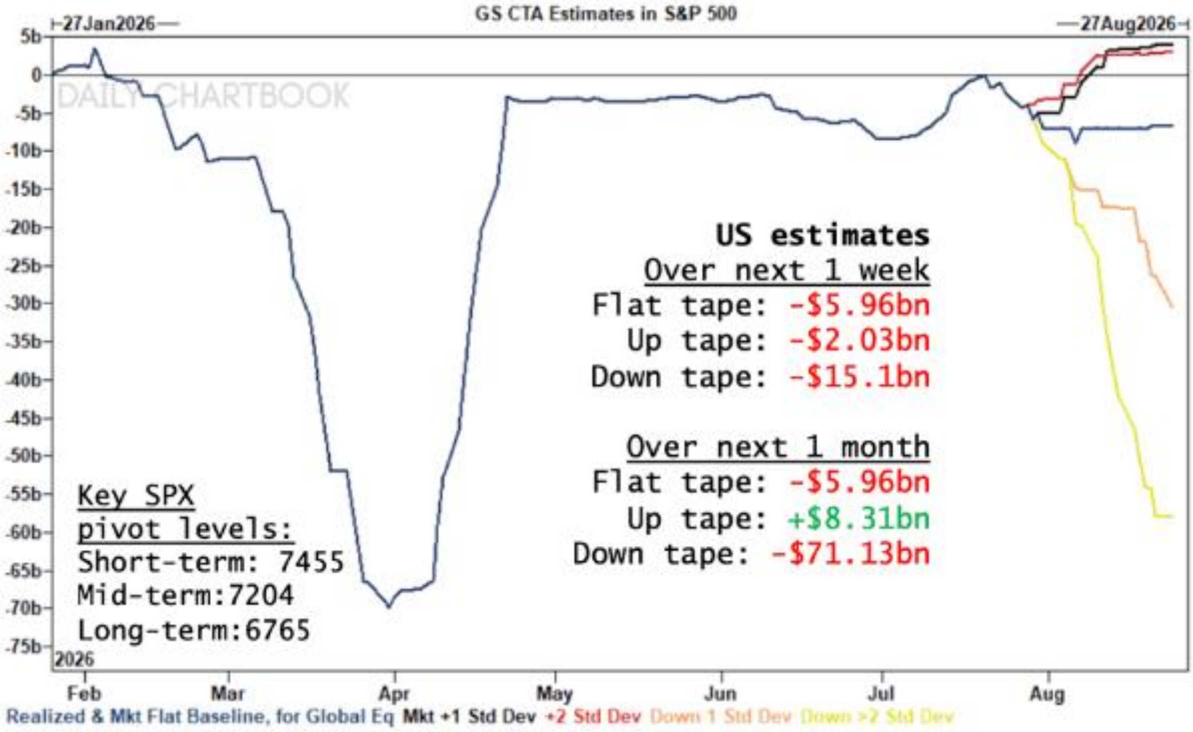
The old idea that DRAM is just a pure commodity cycle is being completely rewritten by AI.

A 2 trillion-dollar DRAM market by 2030. That is the big number Nomura is putting out there.

Fig. 23: DRAM supply demand outlook

Total DRAM supply and demand	2022	2023	2024	2025	2026F	2027F	2028F	2029F	2030F
Production (mn GB)	29,333	28,954	33,400	41,098	52,901	62,756	75,478	98,299	128,385
y-y	**26%**	**-1%**	**15%**	**23%**	**29%**	**19%**	**20%**	**30%**	**31%**
Wafer capa year-average (k/wpm)	1,655	1,652	1,725	1,976	2,178	2,278	2,545	2,972	3,491
Wafer output year-average (k/wpm)	1,639	1,414	1,602	1,927	2,190	2,380	2,598	3,031	3,557
Utilization	99%	86%	93%	98%	101%	104%	102%	102%	102%
Wafer output y-y	9%	-14%	13%	20%	14%	9%	9%	17%	17%
Bit/wafer y-y	15%	14%	2%	2%	13%	9%	10%	12%	11%
Shipment (mn GB)	24,707	27,990	32,939	42,576	54,738	67,844	83,580	102,681	125,988
y-y	**2%**	**13%**	**18%**	**29%**	**29%**	**24%**	**23%**	**23%**	**23%**
Inventory (mn GB)	5,688	6,652	7,112	5,635	3,797	-1,291	-9,393	-13,776	-11,379
Inventory weeks	12.0	12.4	11.2	6.9	3.6	-1.0	-5.8	-7.0	-4.7
Price (USD/GB)	3.2	1.9	3.2	4.0	13.7	18.6	17.9	17.2	16.3
y-y	**-19%**	**-41%**	**66%**	**26%**	**245%**	**36%**	**-4%**	**-4%**	**-5%**
Revenue (mn USD)	79,978	53,175	103,824	168,738	747,421	1,260,946	1,496,746	1,766,044	2,059,762
y-y	**-17%**	**-34%**	**95%**	**63%**	**343%**	**69%**	**19%**	**18%**	**17%**

GS CTA Estimates

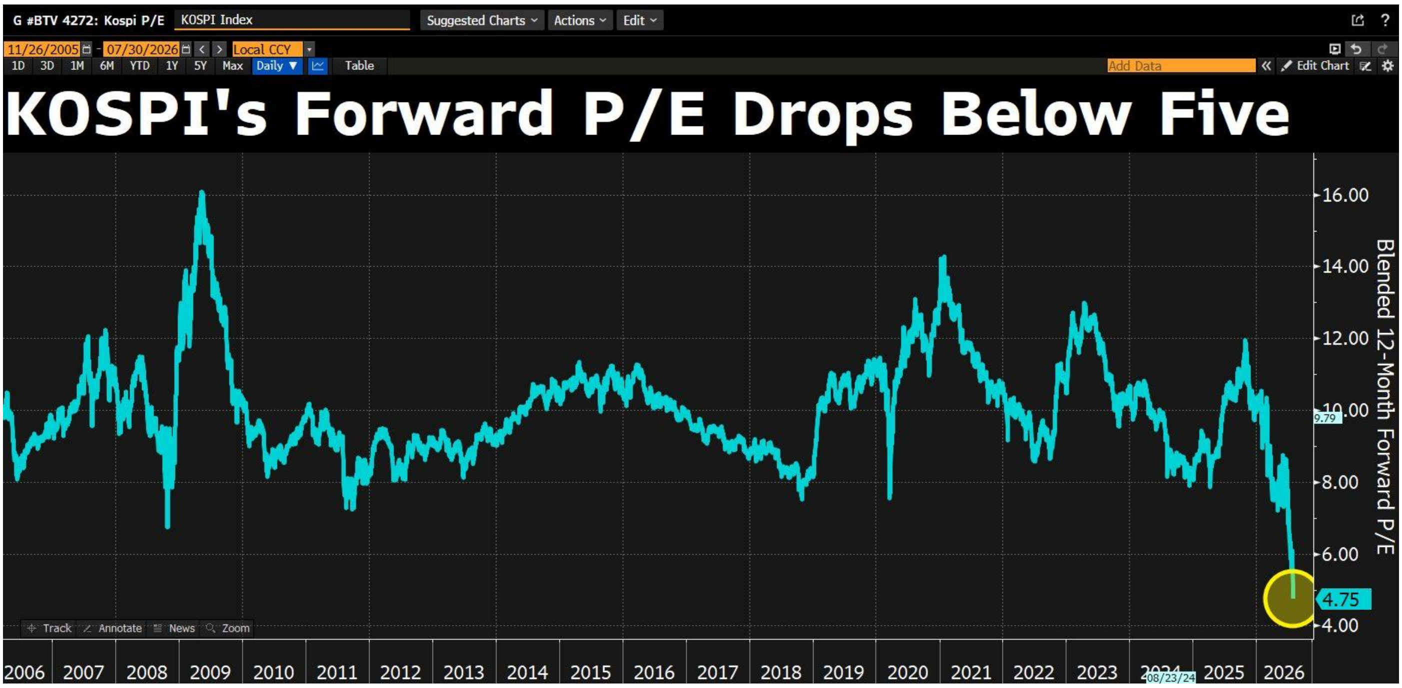


Nasdaq on Track for Worst July in 22 Years

Invesco QQQ Trust Total Percent Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Return
Average	1.76%	1.21%	0.97%	2.01%	2.23%	1.20%	3.27%	0.65%	-0.31%	2.50%	2.92%	0.14%	—
2026	1.23%	-2.34%	-4.84%	15.69%	10.57%	-0.15%	-10.14%						7.97%
2025	2.16%	-2.70%	-7.59%	1.40%	9.18%	6.39%	2.42%	0.95%	5.38%	4.78%	-1.56%	-0.67%	20.77%
2024	1.82%	5.28%	1.27%	-4.37%	6.15%	6.47%	-1.68%	1.10%	2.62%	-0.86%	5.35%	0.45%	25.58%
2023	10.64%	-0.36%	9.49%	0.51%	7.88%	6.30%	3.86%	-1.48%	-5.08%	-2.07%	10.82%	5.59%	54.86%
2022	-8.75%	-4.48%	4.67%	-13.60%	-1.59%	-8.91%	12.55%	-5.13%	-10.54%	4.00%	5.54%	-9.01%	-32.58%
2021	0.26%	-0.13%	1.72%	5.91%	-1.20%	6.26%	2.86%	4.22%	-5.68%	7.86%	2.00%	1.15%	27.42%
2020	3.04%	-6.06%	-7.29%	14.97%	6.60%	6.29%	7.35%	10.94%	-5.64%	-3.04%	11.23%	4.90%	48.62%
2019	9.01%	2.99%	3.92%	5.50%	-8.23%	7.59%	2.33%	-1.90%	0.92%	4.38%	4.07%	3.89%	38.96%
2018	8.76%	-1.29%	-4.08%	0.51%	5.67%	1.15%	2.80%	5.78%	-0.28%	-8.60%	-0.26%	-8.66%	-0.13%
2017	5.14%	4.38%	2.03%	2.73%	3.90%	-2.32%	4.06%	2.07%	-0.30%	4.61%	1.97%	0.60%	32.66%
2016	-6.91%	-1.57%	6.85%	-3.19%	4.37%	-2.28%	7.15%	1.05%	2.21%	-1.46%	0.44%	1.13%	7.10%
2015	-2.08%	7.22%	-2.36%	1.92%	2.25%	-2.48%	4.56%	-6.82%	-2.21%	11.37%	0.61%	-1.59%	9.44%
2014	-1.92%	5.15%	-2.73%	-0.32%	4.49%	3.12%	1.18%	5.01%	-0.76%	2.64%	4.55%	-2.24%	19.18%
2013	2.67%	0.34%	3.03%	2.54%	3.58%	-2.40%	6.31%	-0.40%	4.83%	4.96%	3.55%	2.93%	36.63%
2012	8.42%	6.41%	5.05%	-1.17%	-7.04%	3.62%	1.00%	5.19%	0.89%	-5.28%	1.31%	-0.47%	18.11%
2011	2.83%	3.16%	-0.45%	2.87%	-1.22%	-2.03%	1.67%	-5.07%	-4.49%	10.40%	-2.69%	-0.61%	3.47%
2010	-6.47%	4.60%	7.71%	2.24%	-7.39%	-6.15%	7.26%	-5.13%	13.17%	6.34%	-0.19%	4.78%	19.92%

Korean Stocks down 44% from highs by Wednesday, before 18% Rebound after Leopold Liquidation



Korean Retail Investors Suffer 2.15 Trillion Won in Leverage Losses

In the past month, South Korean retail investors have incurred losses of up to 2.15 trillion won (approximately $14.5 billion) due to leveraged trading, with individuals aged 20-30 making up 62% of the accounts that were liquidated; on July 13 alone, over 320,000 accounts were forcibly closed.

To prevent a financial crisis from evolving into a social crisis, the South Korean government will launch a nationwide unified debt consultation hotline at 1375 in October this year; a new round of restrictions on leveraged products is expected to be announced soon, as the current low entry threshold for leverage has led to a large influx of young investors.

Korean Stocks down 11% on Tuesday as Leverage Unwinds

SOUTH KOREA TO HOST AN EMERGENCY MEETING WEDNESDAY REGARDING THE STOCK MARKET CRASH

- THE SOUTH KOREAN STOCK MARKET HAS CRASHED 40% IN THE LAST 1 MONTH
- THIS MEETING CAN LEAD TO A BAN ON SHORT SHELLING AND LOCAL PENSION FUNDS FORCED TO BUY SHARES
- *SOUTH KOREA FINANCE MINISTRY TO STABILIZE STOCK MARKET $EWY
- *SOUTH KOREA FINANCE MINISTRY TO RESTRICT LEVERAGED ETF TRADING

Korean Stocks Post Sell-Off

Universe Criteria: *Category contains Equity; Sector contains Information Technology; Primary Security is set to Yes; Country contains KR;*
Filter Criteria: *Market Cap greater than 300.0M; P/E (EST FY2) less than 25.00x; Revenues - Est YoY % (FY2E) greater than 10.00%;*

Ticker	Name	Last Price	Market Cap	Enterprise Value	P/E (LTM)	P/E (EST FY1)	↑ P/E (EST FY2)	Revenues - Est YoY % (FY1E)	Revenues - Est YoY % (FY2E)	EV/Sales (LTM)	EV/Sales (EST FY1)	EV/Sales (EST FY2)	Price Chg. % (YTD)	Price Chg. % (1Y)	RSI
A005930	Samsung Electronics ...	208,500.00	$910.84B	$837.63B	16.7x	4.2x	3.1x	117.79%	28.68%	3.2x	1.7x	1.3x	73.89%	195.33%	33.82
A000660	SK hynix Inc.	1,401,000.00	$702.28B	$679.97B	13.7x	4.3x	3.1x	254.74%	54.07%	7.7x	2.8x	1.8x	115.21%	433.71%	33.24
A204270	JNTC Co., Ltd.	11,800.00	$464.02M	$604.93M	-	11.9x	4.8x	112.60%	61.80%	5.1x	2.4x	1.5x	-40.46%	-29.89%	35.07
A171090	SUNIC SYSTEM Co., L...	49,900.00	$330.40M	$271.42M	6.0x	7.4x	4.8x	-10.93%	23.53%	0.8x	0.9x	0.7x	-4.95%	27.62%	39.59
A213420	Duk San Neolux Co.,Ltd	25,900.00	$437.53M	$436.82M	10.8x	8.5x	6.7x	22.59%	20.64%	1.7x	1.5x	1.2x	-29.04%	-35.33%	35.91
A178320	Seojin System Co.,Ltd	29,550.00	$1.29B	$2.09B	-	194.6x	7.2x	61.90%	38.31%	3.0x	1.8x	1.3x	16.80%	32.81%	31.65
A089030	Techwing, Inc.	34,400.00	$845.56M	$1.04B	277.9x	19.6x	7.7x	99.29%	107.06%	8.8x	4.7x	2.3x	-24.89%	23.74%	34.24
A074600	Wonik QnC Corporation	21,550.00	$389.61M	$971.84M	25.1x	10.1x	7.9x	10.96%	18.67%	1.5x	1.3x	1.1x	0.47%	11.31%	31.00
A003160	D.I Corporation	16,500.00	$311.05M	$331.42M	-	10.9x	8.3x	32.01%	24.29%	1.2x	0.8x	0.7x	-22.72%	20.00%	33.12
A083450	Global Standard Techn...	35,950.00	$444.13M	$376.29M	11.9x	10.3x	8.5x	26.54%	22.20%	1.4x	1.2x	1.0x	24.61%	87.34%	35.79
A166090	Hana Materials Inc.	45,450.00	$602.94M	$657.74M	18.2x	11.6x	9.1x	38.38%	15.86%	3.2x	2.5x	2.2x	5.45%	79.64%	35.60
A067310	HANA Micron Inc.	26,650.00	$1.10B	$1.93B	16.1x	10.2x	9.8x	48.67%	16.26%	1.7x	1.2x	1.1x	3.50%	138.16%	30.72
A050890	SOLiD, Inc.	8,470.00	$351.18M	$348.89M	9.4x	13.0x	10.0x	-	16.93%	1.7x	1.3x	1.1x	14.93%	33.81%	34.78
A322000	HD Hyundai Energy So...	99,500.00	$766.42M	$651.43M	17.7x	13.1x	10.0x	43.28%	27.52%	1.7x	1.3x	1.0x	81.90%	108.81%	40.26
A356860	TLB Co., Ltd	24,050.00	$321.63M	$375.21M	18.2x	13.6x	10.4x	38.64%	21.70%	2.0x	1.5x	1.2x	-19.57%	83.59%	31.83
A131290	TSE Co., Ltd	157,500.00	$1.20B	$1.25B	24.7x	13.6x	10.5x	38.30%	23.09%	3.8x	3.0x	2.5x	173.44%	306.98%	32.64
A031980	PSK HOLDINGS Inc.	82,100.00	$1.22B	$1.09B	19.1x	12.8x	10.6x	-99.87%	38.43%	8.0x	-	-	77.32%	145.81%	34.57
A222800	SIMMTECH Co., Ltd.	68,600.00	$1.77B	$2.20B	-	17.0x	10.7x	34.55%	18.07%	2.2x	1.7x	1.4x	39.01%	203.54%	32.82
A007660	ISU Petasys Co., Ltd.	64,000.00	$3.23B	$3.24B	28.0x	17.5x	11.1x	43.79%	43.00%	4.1x	3.0x	2.1x	-46.31%	2.73%	29.78
A189300	Intellian Technologies...	56,000.00	$393.36M	$479.61M	17.1x	13.0x	11.4x	26.23%	27.25%	2.1x	1.7x	1.3x	-5.88%	13.71%	31.90
A232140	YC Corporation	7,350.00	$414.22M	$467.14M	28.1x	16.2x	11.4x	42.73%	20.82%	2.6x	1.7x	1.4x	-49.24%	-36.31%	27.91
A353200	DAEDUCK ELECTRONI...	80,900.00	$2.77B	$2.63B	43.9x	19.1x	13.5x	43.16%	21.62%	3.3x	2.5x	2.0x	71.76%	297.54%	31.14
A183300	KoMiCo Ltd.	54,400.00	$754.59M	$1.17B	25.1x	18.2x	14.4x	17.39%	17.06%	2.8x	2.4x	2.0x	23.08%	47.83%	34.20
A490470	SemiFive Inc.	13,140.00	$305.98M	$228.36M	-	80.2x	14.5x	77.89%	101.23%	2.3x	1.5x	0.8x	-50.42%	-	31.84
A440110	FADU Inc.	50,300.00	$1.73B	$1.71B	-	35.8x	15.5x	268.84%	86.35%	19.4x	7.3x	3.9x	-	319.87%	32.53

GS's high beta momentum pairs index down 8% Monday, extending 2-day declines to over 15%:

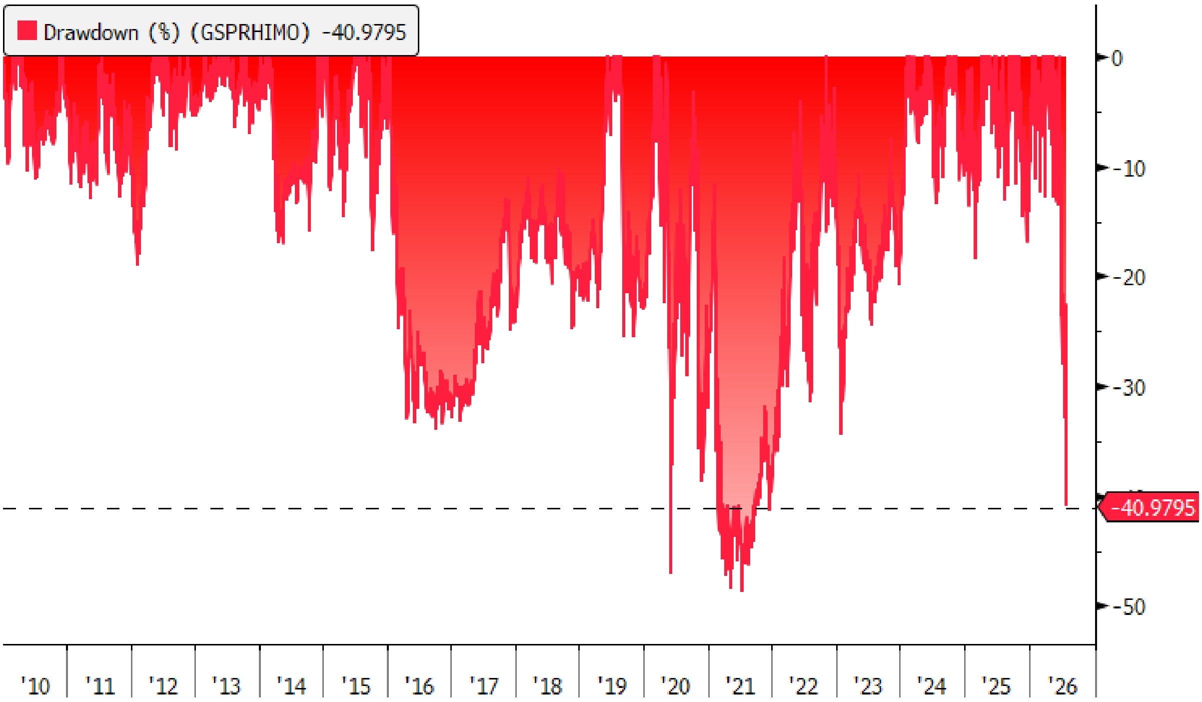
Per GS spec sales: “AI/data center is clearly coming off of elevated / bubble type levels with high beta momentum giving back all of the year-to-date gains. Most of those gains came in the last three months. This likely ends up being the worst momentum sell off in history but we knew July would be weak. The question is when can you step back in. From our conversations, flows and PB data, we would suggest momentum is getting very close to finding a bottom.”

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
29 Yr Avg			-.04	-3.19	1.65	3.40	-.15	1.05	4.07	.80	-.65	.30
2026	14.69	2.79	1.06	17.53	4.99	6.59	-35.41					
2025	3.82	.55	-4.34	11.67	6.92	4.31	-2.83	-6.87	16.21	13.98	-8.15	-4.96
2024	9.77	20.54	2.21	-.80	2.51	4.07	-8.02	[illegible]	2.57	2.57	6.12	-4.89
2023	-18.63	1.06	6.20	5.43	2.55	-3.79	-6.45	[illegible]	[illegible]	1.88	2.29	-5.45
2022	5.36	9.27	4.18	17.51	2.14	-4.13	-4.77	[illegible]	3.83	4.95	2.08	.48
2021	17.35	-16.67	-12.04	-2.50	.30	3.28	-7.92	[illegible]	[illegible]	5.43	8.78	-8.45
2020	8.66	7.54	17.51	-18.09	4.04	-10.39	13.07	-5.34	13.65	-6.72	-17.09	-1.76
2019	-1.02	2.27	2.49	-2.64	18.71	-3.18	5.97	15.88	-17.58	3.37	.87	-6.29
2018	8.63	3.61	-2.61	-3.44	6.25	-5.13	-3.23	10.26	2.10	-5.94	-5.65	1.54
2017	1.47	-2.31	2.85	-.08	8.26	-3.26	1.25	8.15	-1.28	7.72	-6.04	-3.92
2016	.80	-6.79	-7.26	-14.24	3.79	3.93	-1.29	-4.82	-1.02	2.25	1.53	-2.59
2015	8.31	-5.91	5.78	-11.19	13.37	3.64	15.43	-4.79	9.70	-6.67	3.62	3.06
2014	3.74	2.01	-6.18	-7.79	3.72	1.00	-1.86	2.67	.97	.56	7.30	3.57
2013	.45	4.89	1.46	.60	2.85	-.16	1.30	-2.84	7.04	.34	.09	-1.39
2012	-8.55	2.34	5.68	5.76	7.55	.80	4.30	-.61	.49	-.19	2.87	-3.07
2011	-5.27	2.25	.49	.88	-1.84	3.85	3.33	-2.50	-2.31	-3.92	3.29	1.17
2010	-7.84	8.22	4.68	1.48	-.86	-4.30	1.96	-.08	-.26	2.37	5.76	-4.10
2009	-3.00	1.10	-13.32	-32.78	-21.50	4.75	-8.46	-10.63	-6.03	4.42	.95	6.23
2008	-11.37	10.04	2.19	3.87	5.22	20.36	-10.22	-6.99	-6.98	.14	1.24	-19.32
2007	8.39	-3.83	4.91	-4.48	.59	1.57	4.48	.35	4.82	6.01	4.63	10.20
2006	9.35	-.12	4.33	-3.01	-5.15	-3.05	-1.32	-5.94	4.14	-3.96	4.65	-2.23
2005	14.69	9.86	1.80	4.77	7.45	.05	1.23	-.16	5.89	10.23	-.21	-1.26
2004	-.56	-2.60	-2.29	-6.33	.75	2.45	-3.01	1.64	4.35	-1.96	2.98	-3.98
2003	-4.21	8.58	-6.85	-13.68	-7.33	-3.39	-4.26	.15	-1.21	7.05	1.30	-5.47
2002	9.85	19.48	-8.51	11.56	3.97	25.81	1.56	-3.33	22.51	-18.47	-25.66	12.56
2001	-29.65	26.07	18.52	-15.19	7.37	10.25	12.72	11.79	26.39	-16.80	-11.76	2.73
2000	3.10	36.61	-34.73	-9.23	-13.82	33.54	-7.88	7.76	9.90	-10.02	-18.50	12.07
1999			11.87	-4.11	-13.38	8.84	.88	6.96	6.63	23.12	15.07	33.52

July 2026
Start: 785.94, Date: 06/30/2026
End: 507.6, Date: 07/31/2026
Percent Change: -35.41
Right click for more options.

By Tuesday, Goldman's High Beta Momentum Pair is down almost -41%, one of the worst drawdowns outside of Covid, since the Great Financial Crisis.

GSPRHIMO is the Goldman Sachs High Beta Momentum Long-Short Index, a flagship benchmark tracking performance spreads between high-beta, high-momentum equities and their counterparts.



Source: Goldman Sachs FICC & Equities, Bloomberg, as of July 2026. Past performance is not indicative of future results.

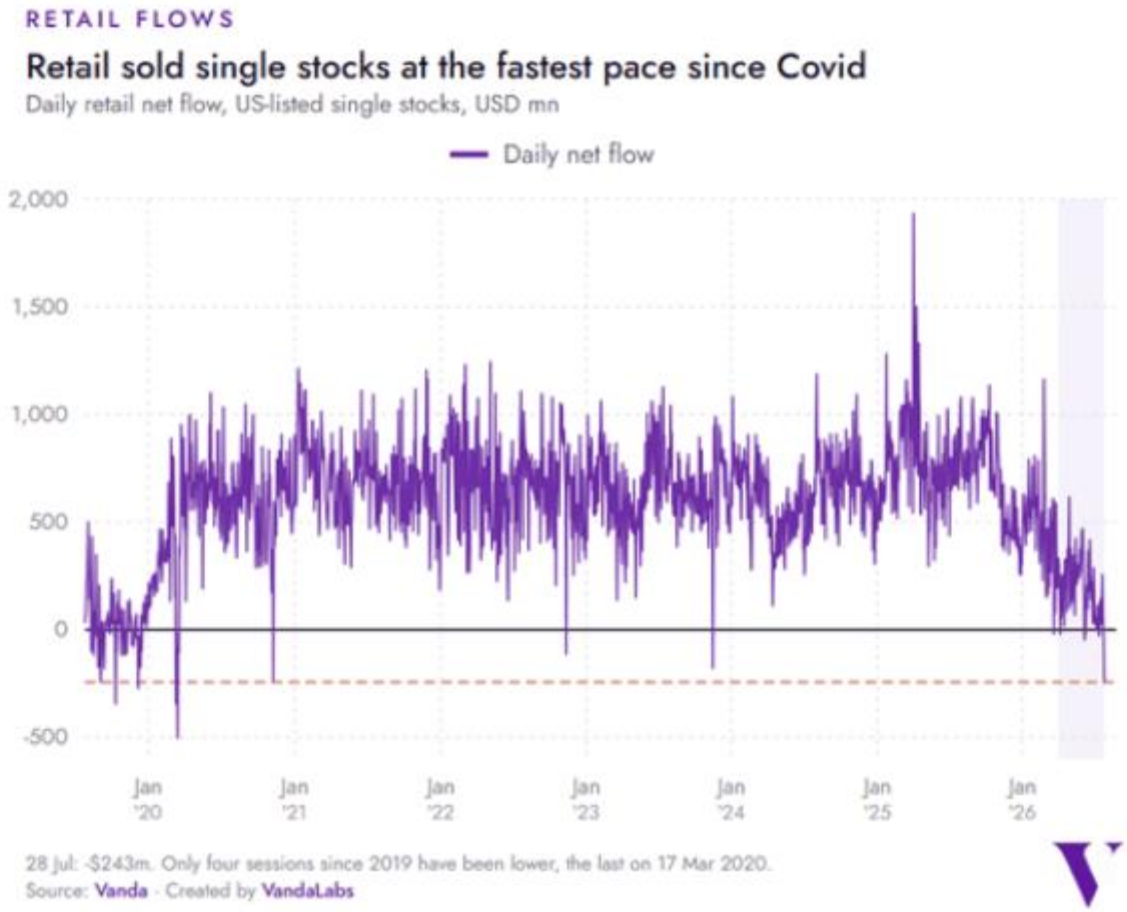
The Nasdaq 100's monthly drop before Leopold rally of 9.5% would be its worst July since it fell 11.1% in July 1986.

The index bounced back 5% in August 1986 but was down 2.2% for the remainder of the year. From the end of July 1986 to July 1987, it was up 35.9%.

Job Growth Weaker:

ADP data shows U.S. private hiring has slowed for the fifth straight week, averaging just 15,000 jobs per week through July 11, less than half the 35,750 weekly pace seen in early May. At the same time, Visa $V is reportedly cutting 7% of its workforce, or about 2,600 jobs, adding to signs that labor-market momentum is cooling.

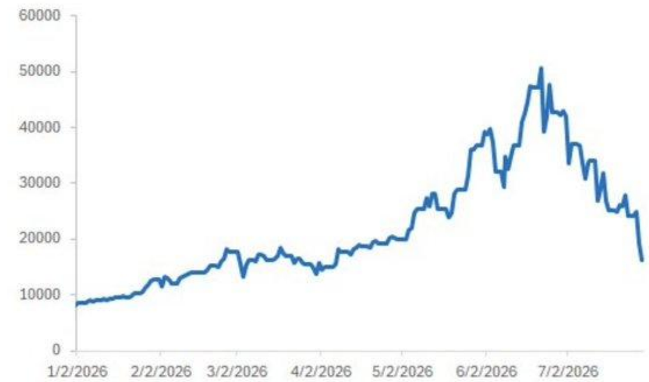
Retail Dumped Single Stocks on Wednesday at Fastest Pace Since Covid



Leveraged ETF AUM completely unwound in Korea

Figure 12: In terms of leveraged ETFs, their AUM has now declined to levels we believe are no longer problematic

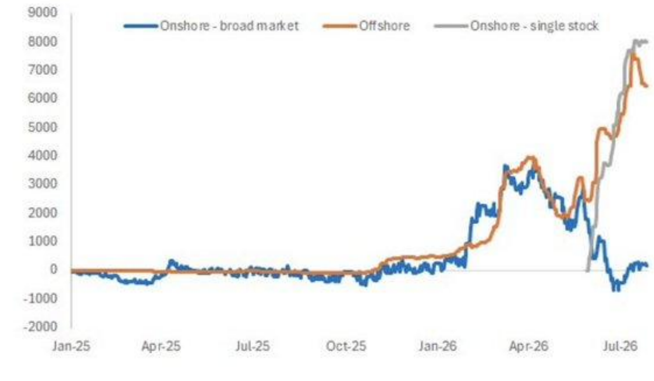
AUM - USD mn



Source: Bloomberg Finance L.P., J.P. Morgan Equity Macro Research.

Figure 13: Inflows into leveraged products has also stalled in recent days – with recent regulatory tightening potentially keeping inflows in check

Cumulative inflows, USD mn



Source: Bloomberg Finance L.P., J.P. Morgan Equity Macro Research.

Lowest close for TLT since GFC

SK Hynix Earnings:

SK Hynix reported Q2'26 revenue of $54.6B vs $57.7B expected, up 257% YoY and 51% QoQ, while operating profit came in at $41.6B vs $44.2B expected, up 557% YoY. Operating margin hit a record 76%, with gross margin at 83% and EBITDA of $44.4B, or an 81% margin. Pricing remained extremely strong, with DRAM ASP up ~30% QoQ and NAND ASP up mid-50% QoQ, while Q3 guidance calls for DRAM bit growth of about 10% QoQ and NAND bit growth in the low-single digits. SK Hynix also said HBM4 shipments began in Q2 with a full ramp planned in 2H, while HBM4E samples were supplied to a major customer in 1H. Net profit surged to $64.6B, boosted by $43.5B of investment-asset gains, meaning net income exceeded revenue due to $42.8B of non-operating profit.

SK mentioned: "We have finalized Long-Term Agreement (LTA) negotiations with about 10 customers, including key clients, and are continuing additional discussions with major industry customers."

$SKHY sold off in part because mgmt didn't sound enthusiastic about capital returns. But they had just printed the ADR. Under U.S. securities rules, they were effectively constrained from announcing material new information not included in the prospectus for 25 days after the offering.

Management couldn't exactly hype a buyback two weeks after selling stock without creating a disclosure problem (and potential litigation). The prospectus already says capital returns are being explored this year, with plans expected in '26.

Just did some quick math...

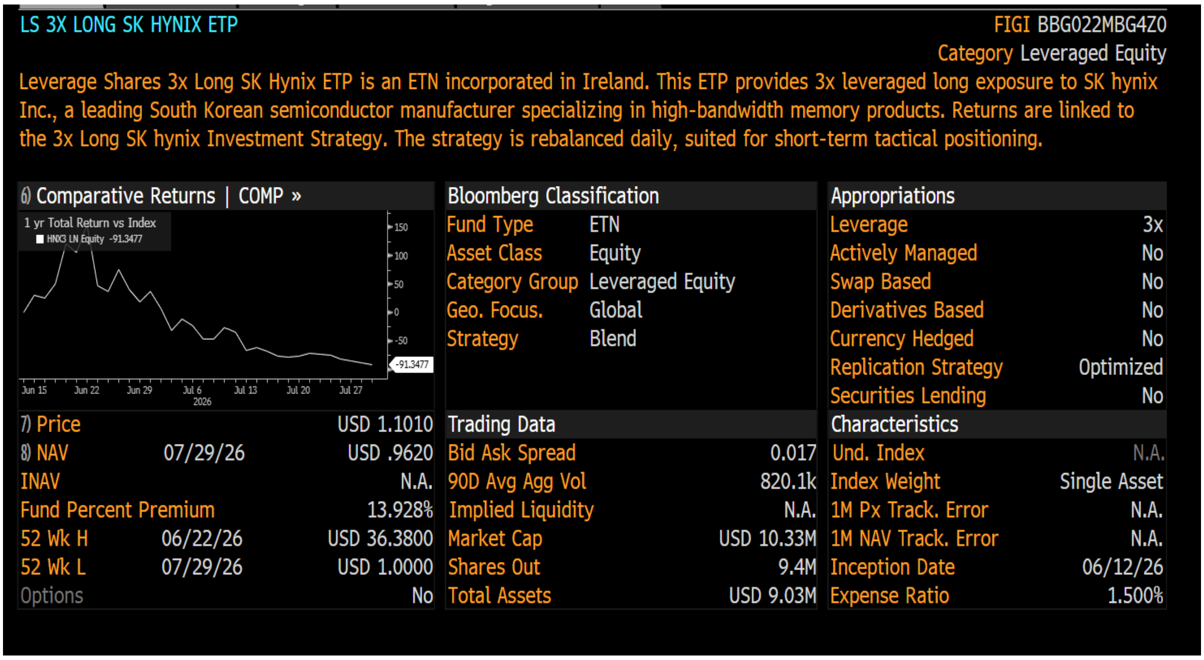
$SKHY (SK HYNIX) at the AH lows... including the $48B of net cash... the enterprise value was approx $650B... the sell side is looking for $221B of net income in CY2027... not including their 15% stake in Kioxia and the $95B of net income they're expected to generate in Q3 and Q4 of this year... the stock was just trading at less than 3x 2027 EPS

Keep in mind that SK HYNIX is the global leader in HBM which is crucial for the AI nbuildout and China can't do HBM... CXMT does commodity DRAM... which means China cannot flood the market with HBM and bring down prices... there's a significant demand/supply imbalance for another 2-3 years which means SK Hynix will continue to report record breaking results and print gobs of cash.

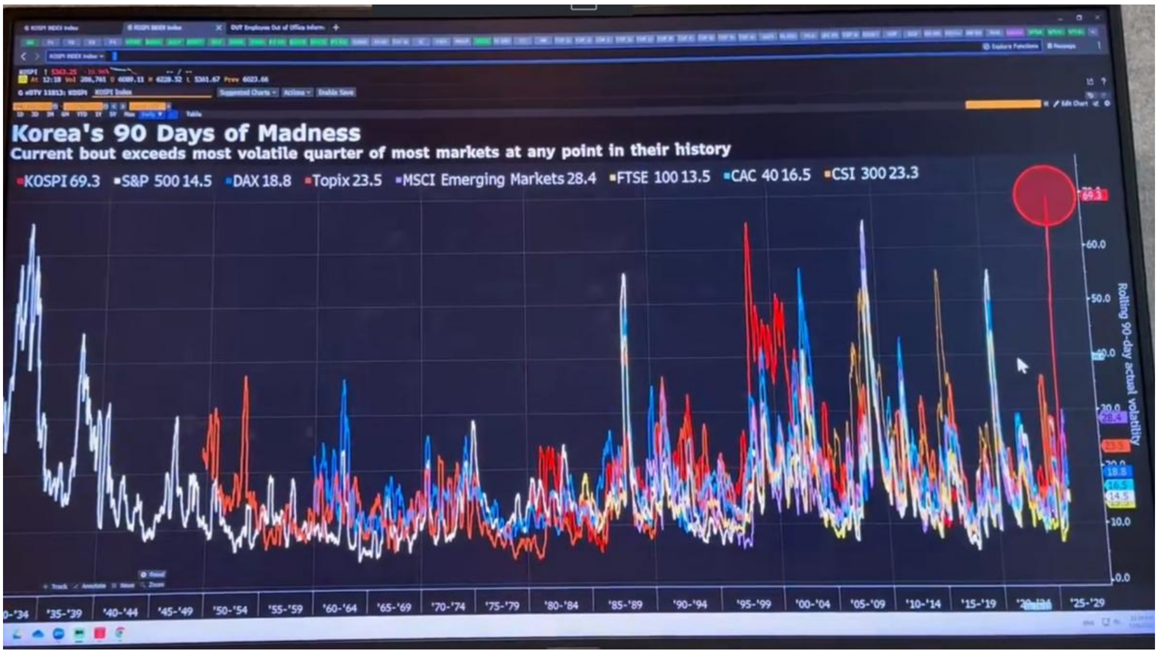
South Korea finance minister apologizes for rushed single-stock leveraged ETF launch

Finance Minister Koo Yoon-cheol apologized to a lawmaker on Wednesday after two consecutive circuit-breaker halts in Korean stocks, saying the government regretted introducing a single-stock leveraged ETF without sufficient deliberation. Koo said officials are internally studying market-stabilization measures and that further adjustments to rules on single-stock leveraged ETFs are possible to address volatility. The KOSPI plunged as much as 12% intraday following an early-session drop of over 6%, later narrowing to around an 8% decline. Index heavyweight SK Hynix fell as much as 17% after earnings before trimming losses to roughly 8%.

There's an Ireland-traded 3x levered SK Hynix ETP that's down 96% since mid-June.

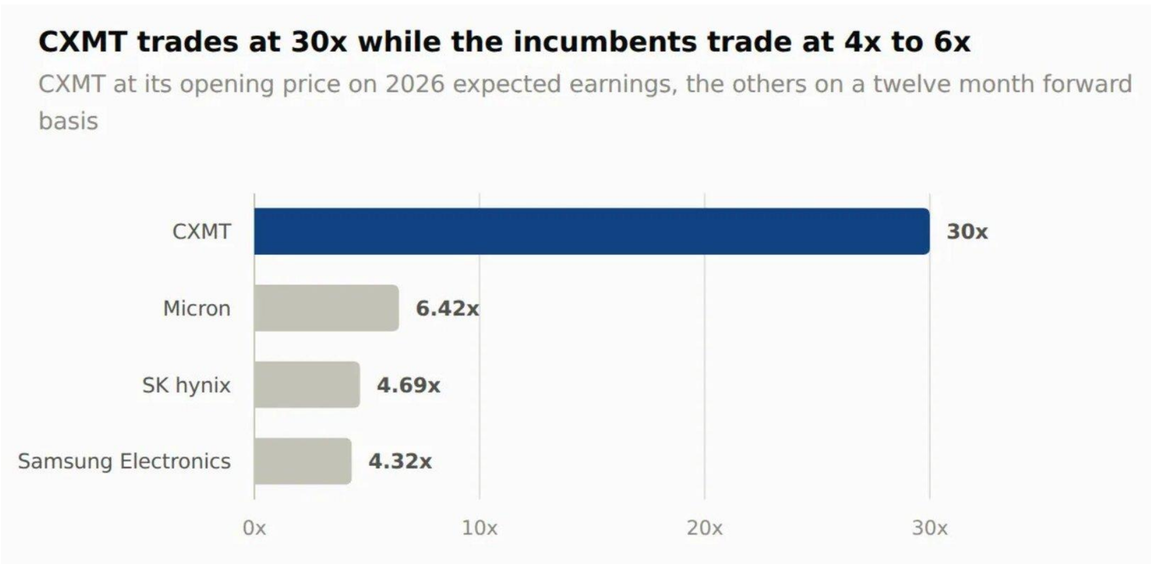


South Korean market highest 90-day rolling realized volatility in history

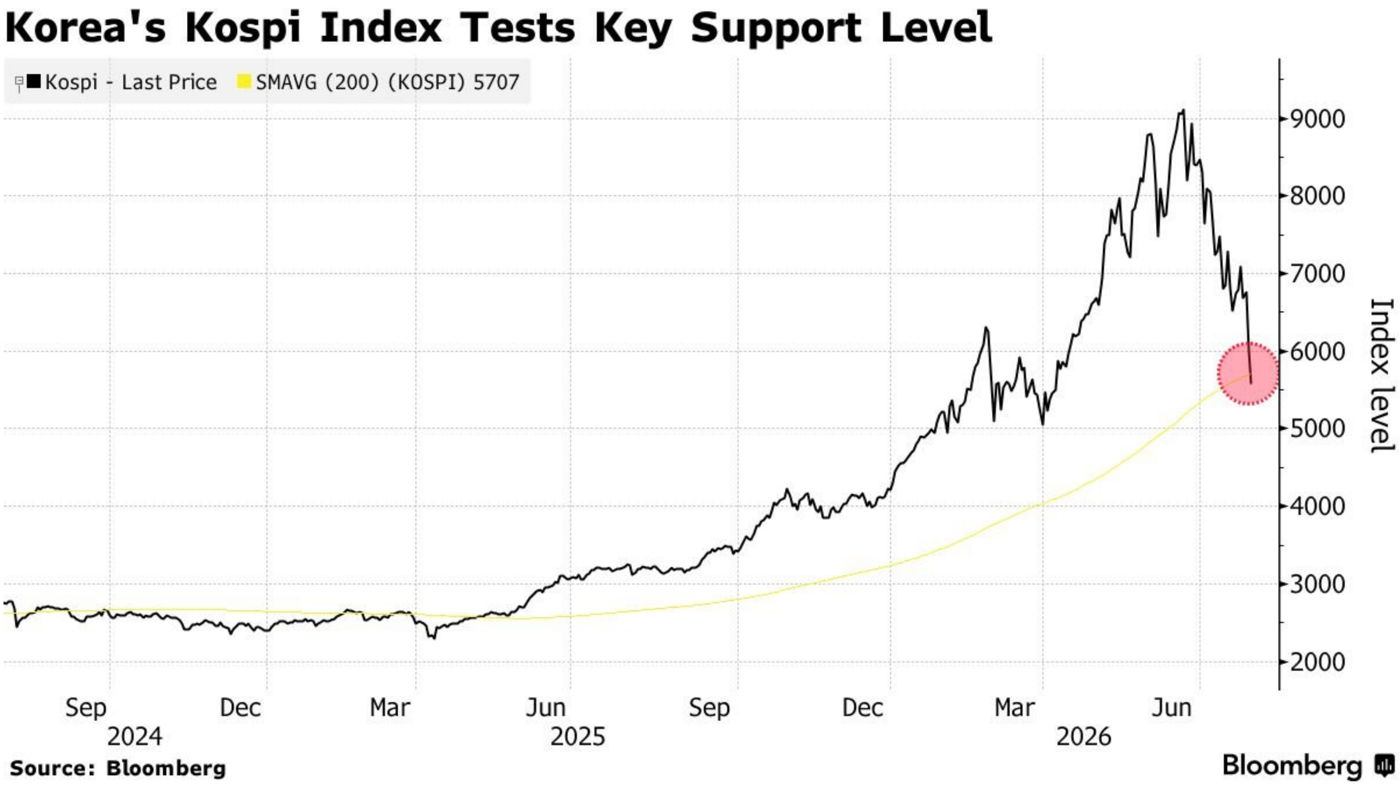


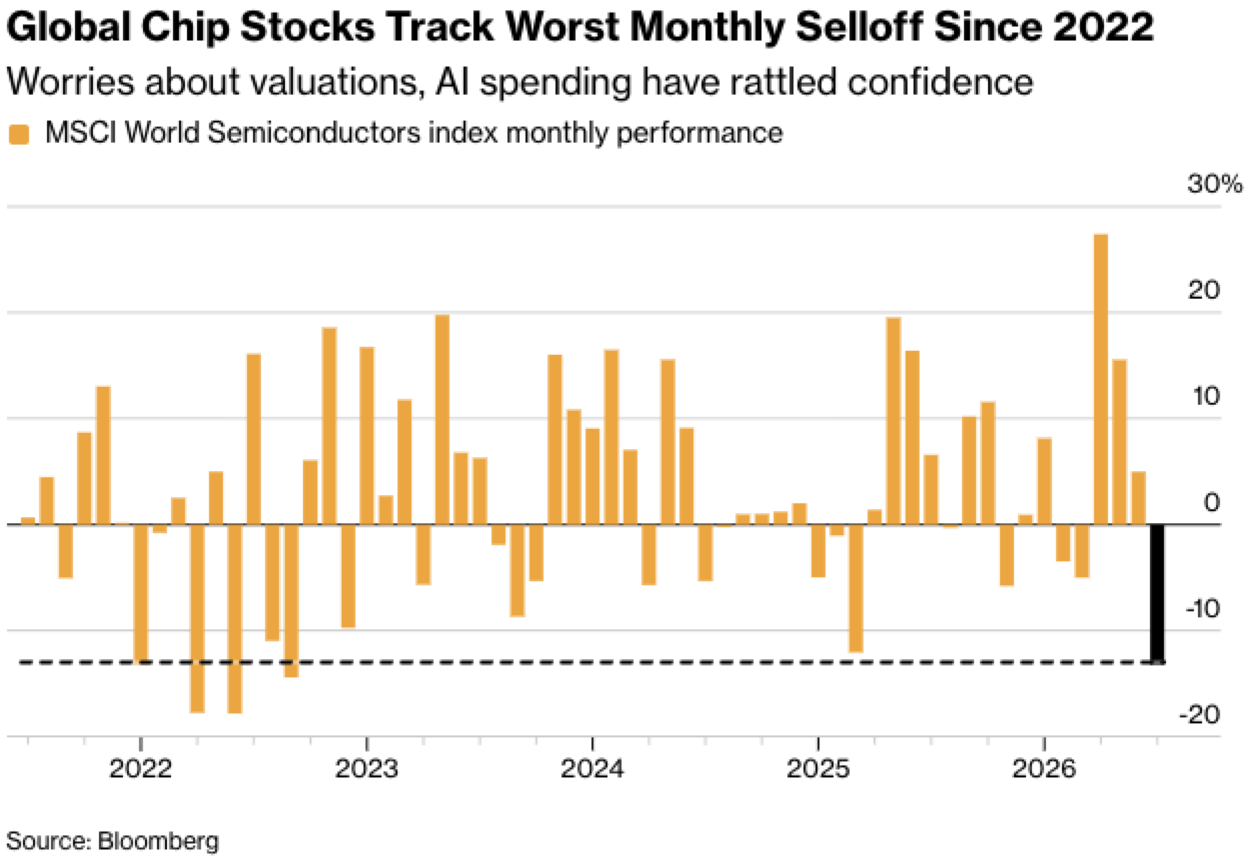
South Korea's entire stock market just triggered a trading halt as billions vaporized in minutes, but here's why the businesses behind the crash are actually stronger than ever.

- Samsung Electronics and SK Hynix together account for roughly half of the entire KOSPI's market value, so when those two stocks swing violently, the whole index swings with them and much of the recent volatility has been amplified by heavy selling in leveraged single stock ETFs tracking exactly those two names.
- The trigger this time was because of China because CXMT just had a blockbuster Shanghai debut that made it the most valuable listed company in mainland China, which spooked investors about the memory duopoly's long term competitive position.
- But CXMT itself is not the threat the headlines make it sound like.
- It holds only about 6-9% of global DRAM shipments compared to Samsung's 36% and SK Hynix's 29 and Counterpoint Research estimates CXMT would need at least 15% global share just to be competitive long term, a level it isn't projected to reach even by 2028.
- Most of its output is basic commodity DRAM, not the high margin HBM that AI servers actually need and CXMT's manufacturing costs remain over 30% higher per bit than the industry leaders, so it has no real ability to undercut or displace Samsung and SK Hynix in the segment that matters most.
- In fact, current DRAM supply is so tight from AI demand that even CXMT has stopped competing on price and is riding the shortage to raise its own margins rather than steal share through discounting.
- This is simply a valuation and positioning reset, not a breakdown in the AI story.
- Korean equities had simply become one of the most crowded AI trades globally, so it didn't take much to trigger heavy profit taking once sentiment turned.
- Samsung actually reported a blockbuster forecast of a 19 fold jump in quarterly operating profit around the same time its stock was falling and memory pricing continues to strengthen, meaning the stock fell anyway because expectations had already priced in near-perfection.
- Korea's 2026 year to date price return has been driven almost entirely by rising earnings expectations, and it's earnings expectations jump is by far the largest of any market on the chart, well ahead of Taiwan, global semis, and every developed market listed.
- Both companies sit at the center of the global memory chip supply chain that every AI data center depends on, and their $520 billion joint investment into four new memory plants shows they're doubling down on long-term HBM and DRAM capacity rather than retreating.
- Memory pricing has continued to strengthen even through the selloff and Samsung's own profit guidance points to some of the strongest quarterly results in the company's history.



Korea's Kospi Now Down 40% from Peak after SK Hynix Earnings


Korea's Kospi Index Tests Key Support Level
Kospi - Last Price
SMAVG (200) (KOSPI) 5707
9000
8000
7000
6000
5000
4000
3000
2000
Index level
Sep
2024
Dec
Mar
Jun
2025
Sep
Dec
Mar
2026
Jun
Source: Bloomberg
Bloomberg

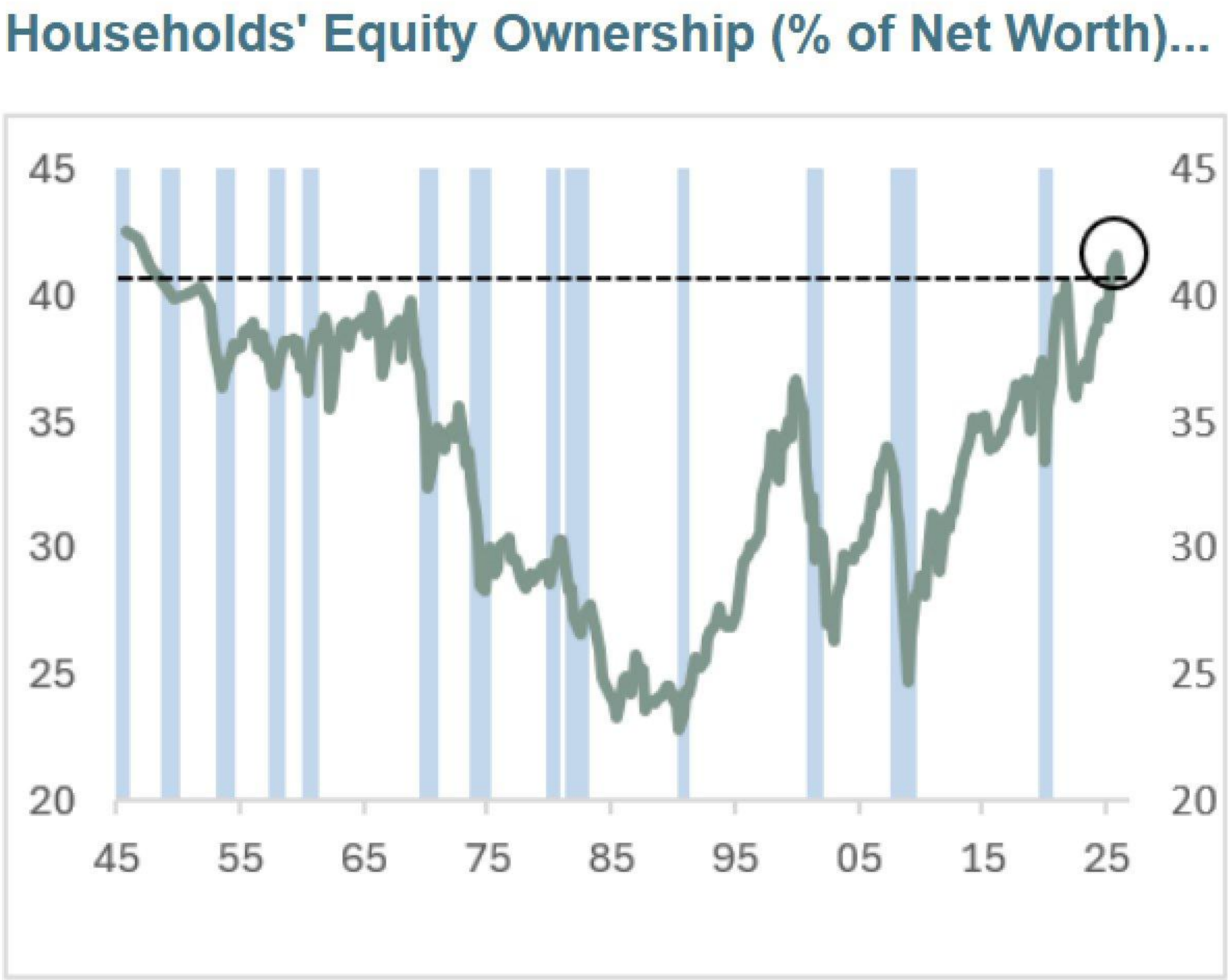

Global Chip Stocks Track Worst Monthly Selloff Since 2022
Worries about valuations, AI spending have rattled confidence
MSCI World Semiconductors index monthly performance
30%
20
10
0
-10
-20
2022
2023
2024
2025
2026
Source: Bloomberg

Trump on Space Regulation:

The Trump administration is proposing a change that would allow the FAA to waive certain environmental review requirements for commercial launch sites, rocket launches, and spacecraft reentries, according to WSJ. The move could speed up approvals as annual launches and reentries are expected to rise from 214 this fiscal year to more than 500 over the next decade. SpaceX $SPCX, Rocket Lab $RKLB, Blue Origin, and Stoke Space could benefit, though the proposal still has to go through public comment.

Household Equity Exposure Near All-Time Highs:

"Household equity exposure is near all-time highs, with data extending back to 1945...The risks to the stock market increasingly represent risks to the consumer:" Troy Ludtka of SMBC Nikko Securities Americas



Source: Federal Reserve, Haver, SMBC Nikko

Exhibit 12: Earnings have driven the bulk of 2026 returns

2026 year-to-date equity return decomposition

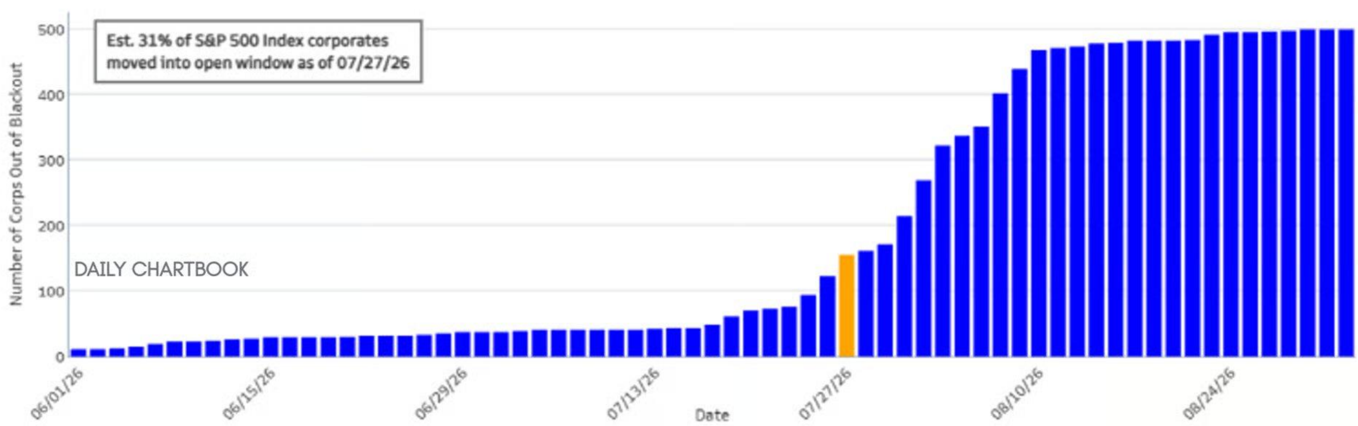
%, price returns

Corporate Buybacks

"We currently estimate that ~31% of S&P 500 corporates (by count) are in their open window. By the end of next week, we estimate ~53% of the S&P 500 will be in open window. This brings one of the market's larger buyers back into equities."

-GS Stankard

What is the distribution of S&P 500 Index Buyback Blackout Exit (assuming 2b post earnings)?



As of 1 Sep 26

Vani Ranganath and 2 others
FICC & Equities
Goldman Sachs & Co. LLC

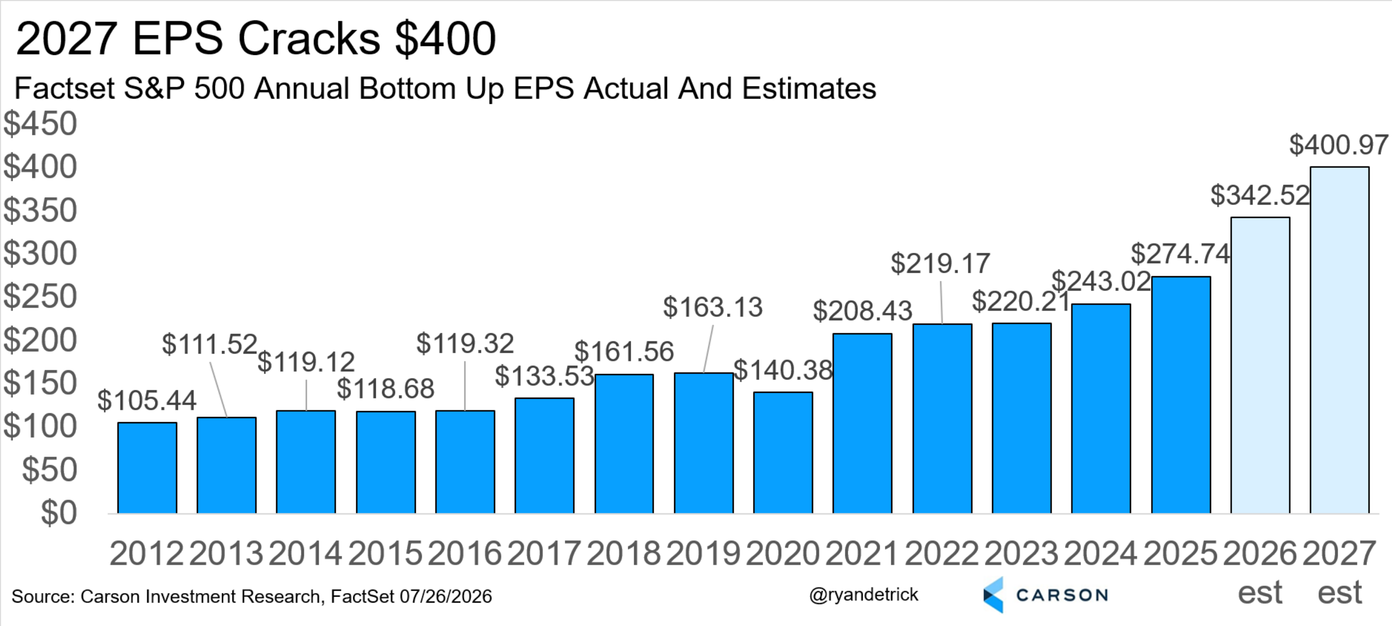
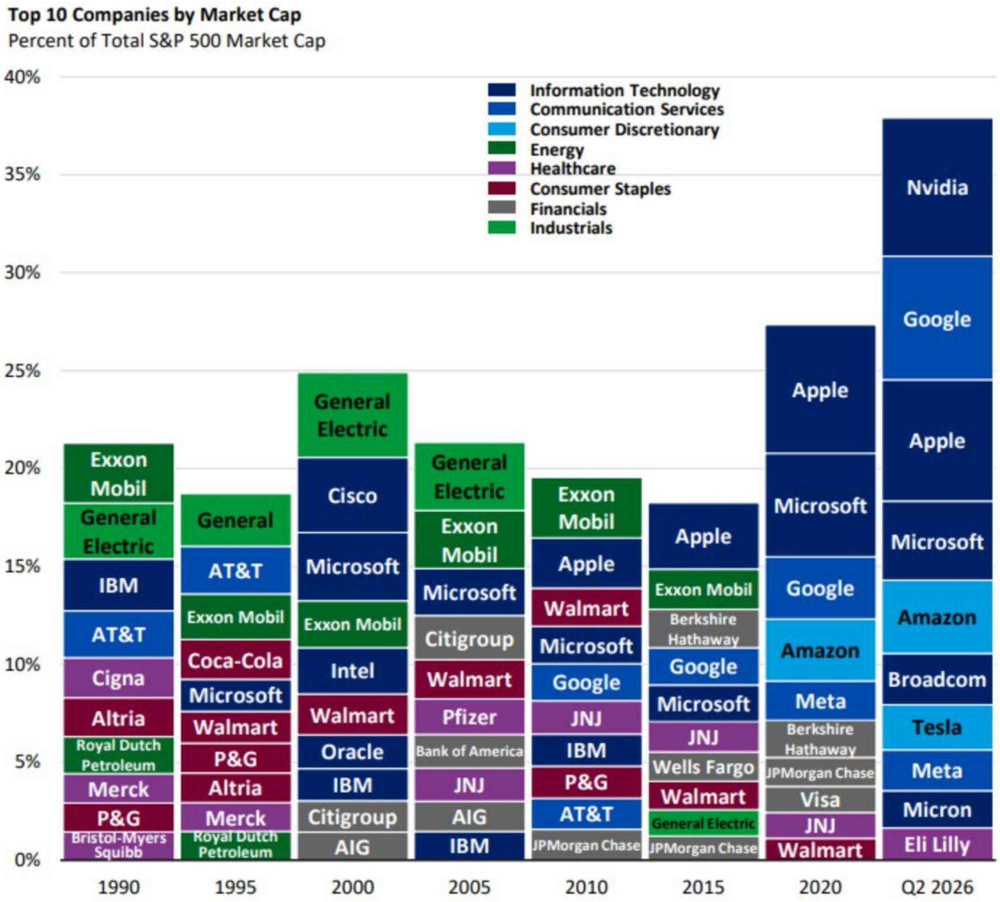


Exhibit 39: S&P 500 sector P/E valuations relative to history

Consensus forward 12-month P/E valuatior					
		Absolute P/E		P/E vs. S&P 500	
	Current	%ile rank vs. history		%ile rank vs. history	
	P/E	10-year	30-year	10-year	30-year
Industrials	**25x**	83%	94%	100%	100%
Consumer Discretionary	**24**	37	78	18	66
Consumer Staples	**22**	73	78	58	39
Information Technology	**21**	50	58	53	42
S&P 500	**20**	**53**	**74**		
Real Estate	**19**	66	81	43	38
Health Care	**18**	83	75	77	37
Utilities	**18**	67	89	85	89
Materials	**17**	28	50	23	15
Communication Services	**17**	11	13	1	0
Financials	**15**	44	69	29	26
Energy	**14**	37	49	46	24

Source: Compustat, FactSet, IBES, Goldman Sachs Global Investment Research



China has rejected U.S. tariffs tied to forced labor allegations, calling on Washington to remove the measures.

- Beijing said it remains open to trade talks based on mutual respect and equality, but warned it will closely monitor U.S. actions and reserve the right to respond if necessary.

Chance for Iran Negotiations on Monday Fade as Bombings Accelerate, But by Sunday Peace Rumors Surface Again (Denied by Iran)

- Trump said the U.S. could return to "very strong military action" if negotiations fail, adding that he will give diplomacy "not much time."
- Talks are focused on reopening the Strait of Hormuz and restarting broader nuclear negotiations. Trump is scheduled to meet Israeli Prime Minister Netanyahu on Tuesday.

Drop in Bond Yields on Monday

Commodity Index Stocks Forex Crypto Bond

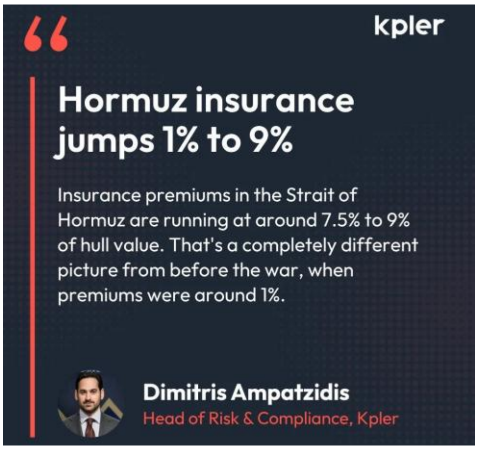
	Actual	Chg	%Chg
United States	4.6420	▼ 0.045	-0.04%
United Kingdom	4.9908	▼ 0.0611	-0.06%
Japan	2.7710	▼ 0.045	-0.05%
Australia	5.0120	▼ 0.075	-0.07%
Germany	3.1359	▼ 0.0369	-0.04%
Brazil	14.8380	▼ 0.157	-0.16%
Russia	15.8400	▼ 0.420	-0.42%
India	6.7770	▼ 0.041	-0.04%
Canada	3.6060	▼ 0.037	-0.04%
Italy	3.9450	▼ 0.0684	-0.07%
France	3.9220	▼ 0.0552	-0.06%
South Africa	8.6900	▼ 0.195	-0.20%

Oil Drop on Monday

Commodity Index Stocks Forex Crypto Bond

	Actual	Chg	%Chg
Crude Oil	83.117	▼ 7.353	-8.13%
Brent	89.109	▼ 9.271	-9.42%
Natural gas	2.7506	▼ 0.1316	-4.57%
Gasoline	3.2528	▼ 0.1655	-4.84%
Heating Oil	4.0909	▼ 0.1346	-3.19%
Gold	4095.58	▲ 43.58	1.08%
Silver	59.353	▲ 1.373	2.37%
Copper	6.3606	▲ 0.0592	0.94%

Hormuz Insurance Back Up



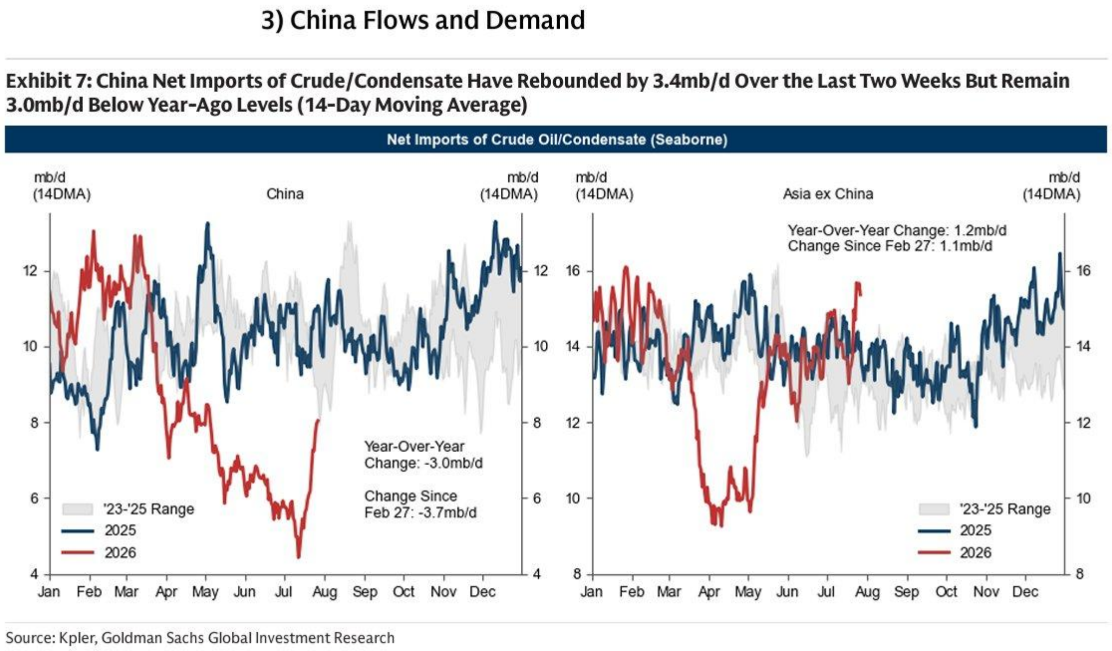
IRGC Attacks on 7-28-26

U.S. Central Command said IRGC forces launched multiple ballistic missiles from Iran today in an attempted surprise attack on U.S. forces stationed in the Middle East. CENTCOM said all Iranian missiles were successfully intercepted and that U.S. forces remain on high alert and ready to respond. Oil was up 5% after hours on the news even though it went down 4% today on earlier reports that Egypt, Qatar, and Pakistan were working to bring back the original MOU between the US and Iran. No updates on that original MOU coming back are in place yet, but the attacks after hours showcased further escalation.

Trump Says Will Attack Iran Again 7-29-26

In a Wednesday interview with Fox News correspondent Trey Yingst, Trump promised a hard-hitting U.S. response to the surprise attack on American troops at a Jordan base, reportedly involving Iranian ballistic missiles or proxies. He stated, 'We're going to beat the f*ing sh out of them,' signaling imminent action aligned with administration plans. Markets dipped on news of potential escalation, while coverage highlighted ongoing regional tensions and prior U.S. casualties in similar incidents.

Oil Imports Still Low from China



China lies to USA about not supplying Iran with missiles, who would have thought?

Iran is expected to receive an initial shipment of up to 400 Chinese-made MANPADS within weeks under a deal worth $60–70 million, Reuters reported, citing sources. The systems would strengthen Iran's short-range air defences after months of conflict with the U.S. and Israel. China denied the report, while Pakistan rejected claims it would facilitate deliveries.

Bombings Continued Over the Week with US Contemplating Power/Energy Targets in Iran before Pausing Sunday:

China CN has begun limited production of homegrown immersion DUV lithography machines (Bearish ASML)

- An unnamed state-backed Shanghai company is targeting roughly five systems this year and 20 in 2027, with initial deliveries planned for SMIC, Hua Hong and CXMT.
- For comparison, $ASML, shipped 131 immersion DUV systems last year.
- The machines use mostly Chinese components, though some key parts still come from Japan. They also trail ASML's systems in performance and build quality and may require months of testing before entering chipmakers' production lines.
- This is not an immediate threat to ASML, but it marks progress in China's effort to localize critical chipmaking equipment as Western restrictions tighten.
- China's domestic EUV program remains at the prototype stage and is likely years from producing working chips.

Source: The Information

The semi selloff on Monday was being driven by a mix of China lithography headlines, memory misreads and Fed jitters not because demand for AI infrastructure suddenly disappeared.

- China's basically started making its own DUV lithography machines and even though it's a small pilot run, the market's freaking out that ASML's chokehold on chip equipment is starting to crack, but I don't think that's the real threat everyone thinks it is. We're talking about roughly five machines this year against ASML shipping 131 a year, with performance closer to a 2008 design, that's not disrupting HBM or leading-edge capacity anytime soon.
- These tools are aimed at mature nodes, think automotive chips, industrial sensors, appliance controllers, not the advanced logic and memory that actually feeds the AI buildout. Selling off ASML, Applied Materials, Lam and KLA hard on a five unit pilot feels like an overreaction to a scary headline more than an actual repricing of the moat and it would take years of scaling before this even shows up in ASML's addressable market.
- Then you've got the Nvidia OpenAI financing story making the rounds again, Nvidia reportedly guaranteeing $250 billion for OpenAI's Ohio data center. People keep calling this circular financing like it's some red flag, but every big capex cycle has vendor financing somewhere in it. If Nvidia's willing to backstop that much, that's a company betting big on demand being real. Chip companies financing their biggest customers isn't new, it's how you accelerate a buildout when the demand curve is steeper than the balance sheets can move on their own.
- Now here's the one I think the market has completely backwards, the memory trade. CXMT just IPO'd in China and popped 466% on debut, instantly becoming the most valuable listed company in the country, and somehow that's getting read as an oversupply signal. That's the opposite of what's actually happening in memory right now.
- We're in the middle of a genuine supply crunch. TrendForce has DRAM contract prices up 90 to 95% quarter over quarter in Q1 and NAND up 55 to 60%, with Q2 seeing another 58 to 63% DRAM jump and NAND accelerating even faster at 70 to 75%. SK Hynix said its HBM, DRAM and NAND capacity was essentially sold out for the year, and Micron walked away from the consumer memory market entirely just to prioritize AI and enterprise customers.
- Samsung's own memory ASPs are up 146% versus the 2025 average, and HBM3E prices got hiked another 20% for 2026 orders even before HBM4 ramps. New fab capacity isn't expected to meaningfully come online until late 2027 or 2028 because so much of it is being redirected toward HBM for GPUs, which eats up roughly three times the wafer capacity per gigabyte compared to standard DRAM.
- A stock popping 466% on debut in that environment isn't a warning sign, it's investors chasing scarce exposure to a supply constrained market that isn't loosening up anytime soon.
- Add in the Fed decision on Wednesday, and you've got a market that's nervous heading into it.
- None of hyperscaler capex, GPU orders, HBM contracts or actual AI demand changed today, this is sentiment getting shaken by headlines while the underlying supply and demand picture, especially in memory, is arguably tighter than ever.

Exclusive

China Starts Mass-Producing Homegrown DUV Chipmaking Tools, An Advance for Local Chip Industry

Google Capex Target Analysis by Fubon

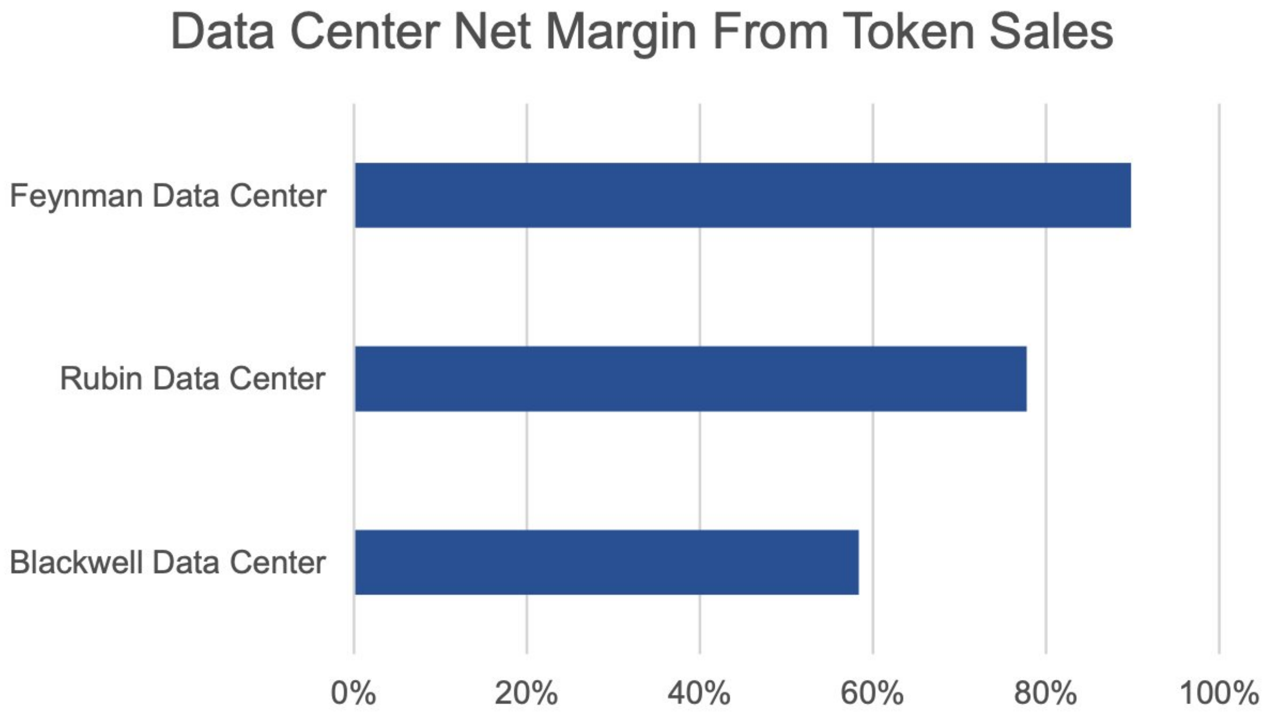
Google's very aggressive target in 2028

Despite market concerns on Google's capex and negative FCF, we see Google has a very aggressive target in 2028 to deploy its in-house design TPUs. Based on our checks, Google plans to have 12-15mn TPUs in 2028. Entering 2028, Google's TPUs will enter the V9 generation with four compute dies, suggesting that their capacity consumption will more than double in 2028 vs. 2027. Although we do not have the detailed allocation yet, we think it is difficult to reach Google's target with TSMC alone, and Intel's supply is a must by 2028. Currently, although there is still a lot of noise on Intel's EMIB-T progress, especially its learning curve improvement, we see Intel becoming more positive in capacity expansion, which is positive to the Google supply chain. Based on our checks, Intel's EMIB capacity will reach 10-12k by the end of 2026, and the plan is to double its capacity to 24-25k per month by the end of 2027. Intel has already announced its capex increase. Although there is no detailed breakdown of its capex spending, the CFO highlighted that a great portion of the new capex is earmarked for expanding advanced packaging capabilities such as EMIB-T. We think Intel's major supplier Ibiden's upcoming earnings call and potential capex increase in the next two years will be another highlight.

Data Centers Have Been Profitable

- Morgan Stanley: "Our highest conviction view: the demand for compute is likely to significantly exceed supply for many years to come."
- "We are fundamentally bullish on the rate of improvement in AI capabilities, the benefits of AI adoption, and associated capex."
- "The ROI on AI capex is attractive. Our token economics model suggests both large LLMs and more efficient models generate strong ROIs on the underlying AI infrastructure."

Exhibit 4: Our Intelligence Factory Model Projects 58-90% Margins for Token Sales, Depending on GPU

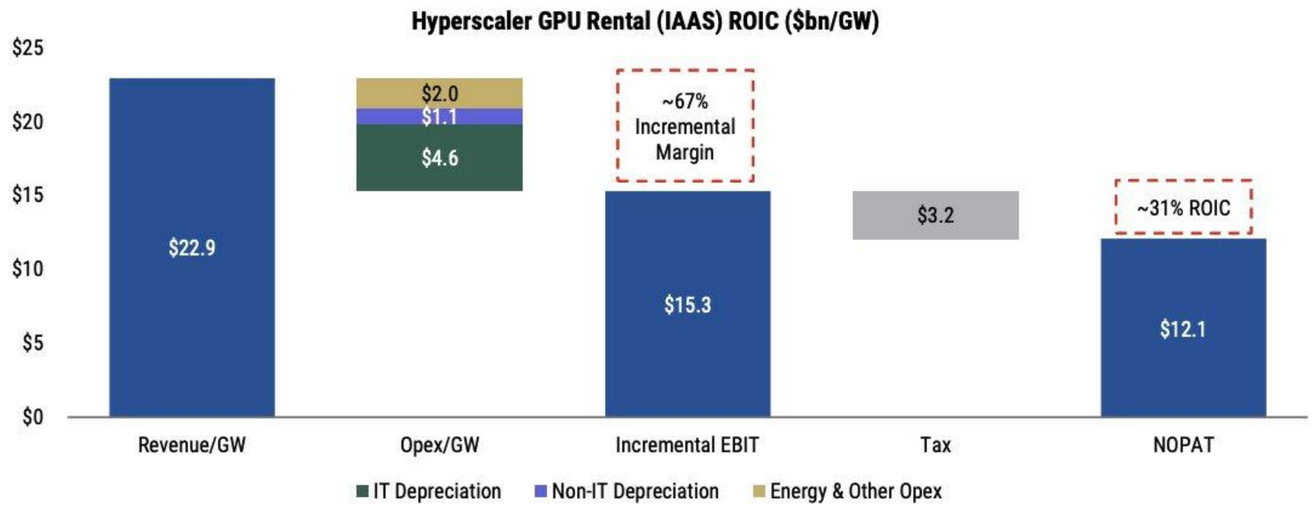


Source: Morgan Stanley Research

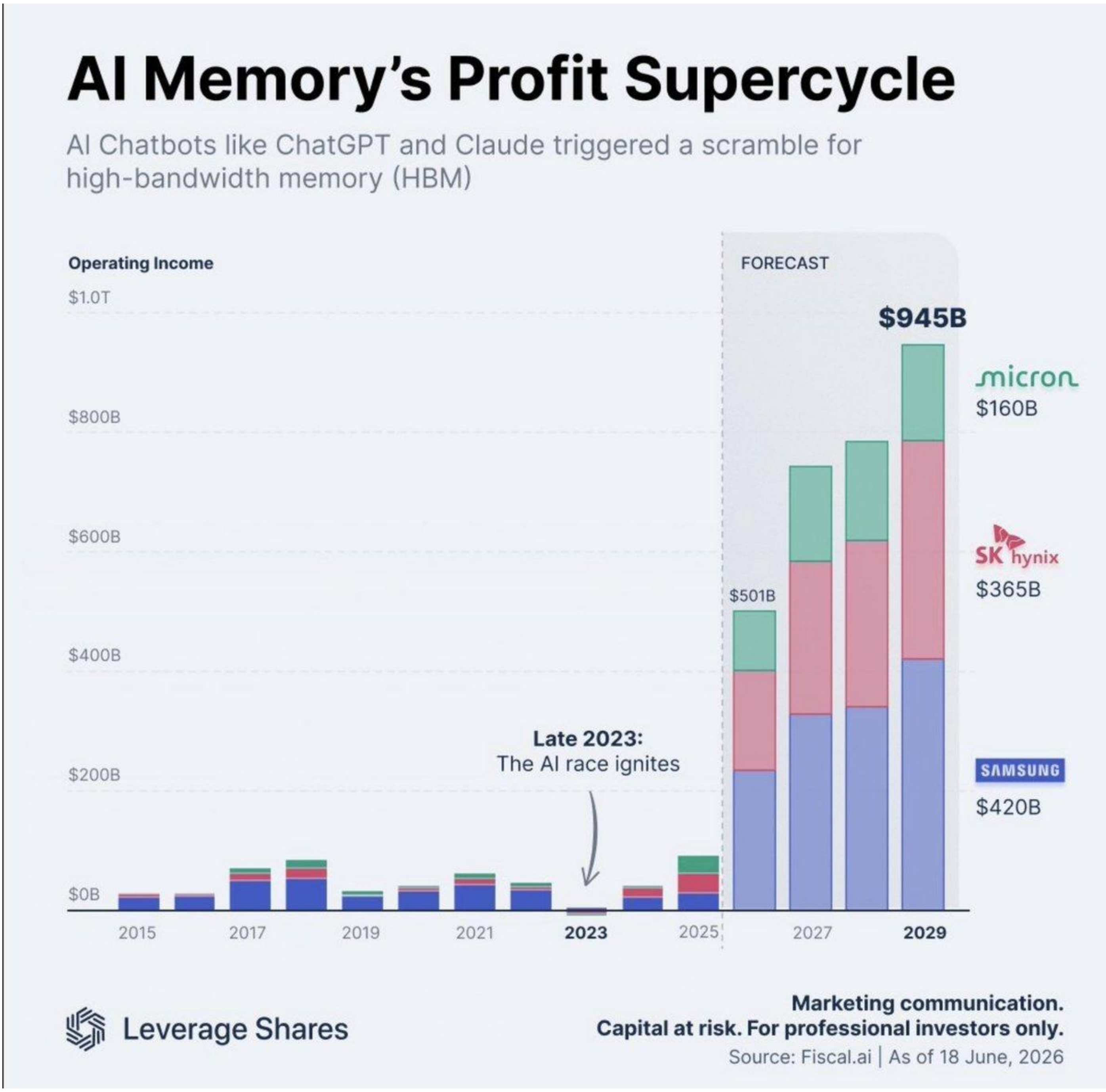
Morgan Stanley says GPU cloud business is extremely profitable.

"We see hyperscaler GPU rental businesses generating 70% incremental margins and 30%+ ROIC"

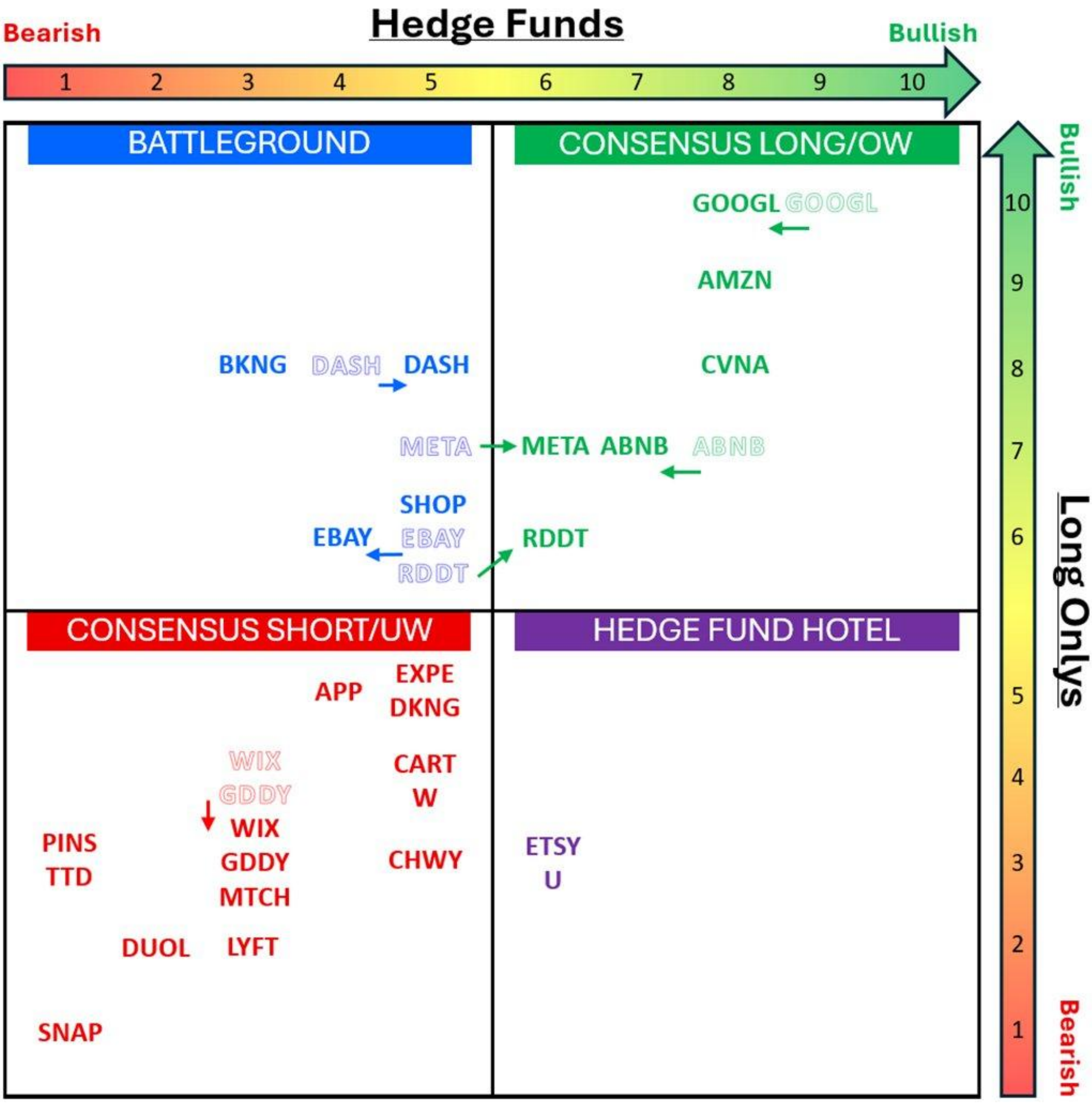
Exhibit 2: We see hyperscaler GPU rental businesses generating 70% incremental margins and 30%+ ROIC...



Source: Company data, Morgan Stanley Research Estimates. Note our base case presented above assumes ~410k NVDA GB300 GPUs, 3.6bn total GPU Hours, 75% GPU utilization rate, and $8.50 rental price/hour.


AI Memory's Profit Supercycle
AI Chatbots like ChatGPT and Claude triggered a scramble for high-bandwidth memory (HBM)
Operating Income
FORECAST
$1.0T
$800B
$600B
$400B
$200B
$0B
$945B
$501B
micron
$160B
SK hynix
$365B
SAMSUNG
$420B
Late 2023:
The AI race ignites
2015
2017
2019
2021
2023
2025
2027
2029
Leverage Shares
Marketing communication.
Capital at risk. For professional investors only.
Source: Fiscal.ai | As of 18 June, 2026

JPM Schilsky's internet stock sentiment matrix



AI Update

Nvidia $NVDA CEO Jensen Huang reportedly met with Commerce Secretary Howard Lutnick as Nvidia faces growing scrutiny over China chip exports, per Axios. The meeting comes while the Commerce Department investigates potential violations tied to Nvidia's Blackwell shipments to China, though the details of their discussion were not disclosed. Huang is also meeting with lawmakers from both parties as Washington prepares a broader AI framework covering advanced models, open-source AI, and China, expected by August 1.

OpenAI and Anthropic are reportedly lobbying the Trump administration ahead of an August 1 deadline for deciding which frontier AI models should face government evaluation, per The Information. The companies want rival models from players like Meta $META and SpaceXAI included as well. Qualifying models could be subject to review at least 30 days before release if they raise cybersecurity or national-security concerns. OpenAI and Anthropic are also warning about Chinese open-source models allegedly built in part using their outputs, citing privacy, IP theft, and cybersecurity risks.

Moonshot AI is reportedly looking for more Nvidia $NVDA Blackwell chips as it discusses Kimi K4, a model expected to be significantly larger than its 2.8T-parameter Kimi K3, per The Information. K3 was reportedly trained partly in China using Blackwell chips accessed through multiple Chinese cloud providers, with Moonshot linking separate 8-chip servers across providers and data centers because no single provider had enough capacity. Inference is now another constraint, with Moonshot pausing new subscriptions within 48 hours of launch as demand overwhelmed capacity. The company reportedly uses Nvidia H20 chips for inference and recommends at least 64 chips to host K3. The report also says Alibaba trained its 2.4T-parameter Qwen3.8-Max using Nvidia chips, including Blackwell.

Bloom Energy

- $BE stock surged 13% in after-hours trading after beating expectations for the second quarter and forecasting 2026 revenue to double from a year earlier.
- It crushed Q2'26 earnings, with revenue rising 166% YoY to $1.07B vs $827.6M expected and adjusted EPS jumping 680% YoY to $0.78 vs $0.41 expected. Product revenue surged 215.4% YoY to $935.4M, while adjusted gross margin expanded 604 bps to 34.3%. Bloom also raised FY26 guidance, now expecting revenue of $3.9B–$4.2B vs $3.73B expected and adjusted EPS of $2.55–$2.85 vs $2.16 expected. Management said all major U.S. hyperscalers, plus over a dozen neoclouds, AI labs, and data center operators, have approved Bloom's power solutions for AI factories, calling Bloom a new standard for AI onsite power.

YEAR FORECAST

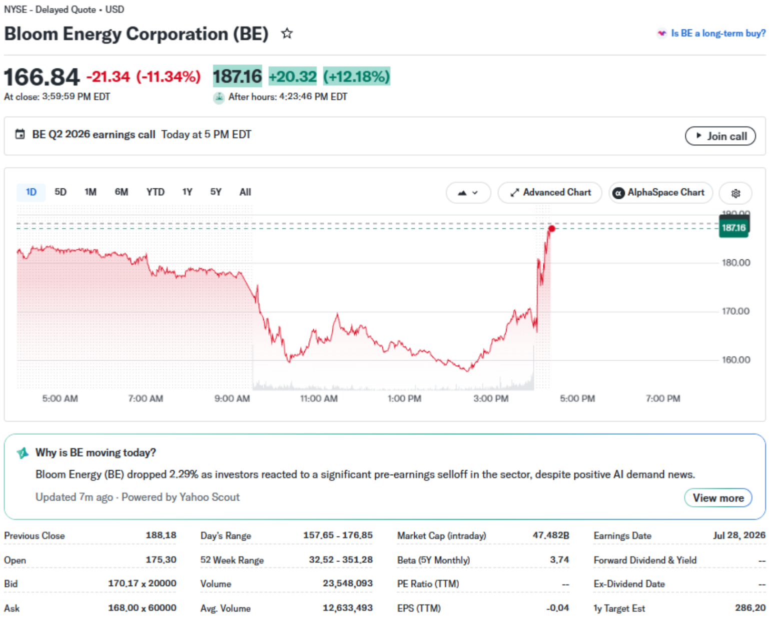
- Sees revenue $3.9 billion to $4.2 billion, saw $3.4 billion to $3.8 billion, estimate $3.74 billion
- Still sees adj. gross margin about 34%, estimate 33.3%

SECOND QUARTER RESULTS

- Adjusted EPS 78c, estimate 40c
- EPS 62c vs. loss/shr 18c y/y
- Revenue $1.07 billion, estimate $838.7 millionProduct revenue $935.4 million, estimate $679.6 million
- Installation sales $51.0 million, estimate $65.4 million
- Service revenue $69.0 million, estimate $74.7 million
- Electricity revenue $9.95 million, estimate $12.5 million
- **Adjusted Ebitda $253.4 million, estimate $152.1 million**
- **Adjusted net income $248.2 million, estimate $118.7 million**

COMMENTARY & OUTLOOK

- Raises full year 2026 revenue guidance to $3.9 billion – 4.2 billion, representing 100% year-over-year growth at the midpoint
- Simon Edwards, Chief Financial Officer of Bloom Energy, added, "This quarter was the strongest in Bloom's history, with profitable growth and positive operating cash flow, and we are pleased to raise our full-year outlook."
- "These results reflect disciplined execution while we invest in the capacity and capability to capitalize on the robust demand for Bloom Energy's unique power solutions."



Tech Unwind Note from Rebecca Chong

- **TECH UNWIND CAPITULATION (Rebecca Cheong):** Three signs that suggest **flow** finally shows Sign of Tech Capitulation…let me know if you're interested in the full note.
  - (1) ***First 45 mins Tech-Only Large Unwind suggests Capitulation Selling*** (Charts 1 & 2): Between 9:30am and 10:15am, Nasdaq Excess Sell Flow of **-$45 bn** (Chart 1) vs **only -$13 bn** (Chart 2) in S&P 500. Elevated volume was also ONLY SEEN in Tech: Nasdaq volume across all products with Cash, Futures & ETFs all @ **150% of average**, while S&P 500 volume was benign with Cash, Futures & ETFs @ 104%, 108% and 87% of average
  - (2) ***Retail Capitulation*** (Chart 4): UBS RMM Sell Flow @ **12%-tile vs 3Y** yesterday – Largest selling since June 18 (Chart 4). This morning's selling strength was similar to that of yesterday morning (potentially driven by margin call) @ **3%-tile vs 3Y** in the FIRST HOUR. However, since 10:30am, sell flow has clearly stabilized with **Buying starting at 12:30pm**
  - (3) ***Strongest Intraday Tech Buying since mid-June*** (Charts 2 -3, 5 – 25): Nasdaq excess buy flow @ **+$62 bn** between 10:15am and 12:00pm for **1 hour 45 mins** (Chart 2) – this is the LONGEST and STRONGEST INTRADAY TECH BUYING since quant/tech unwind started in mid-June (Charts 5 – 25). Nasdaq volume is also the most elevated so far in July (Chart 3) during both the post-open selling and the subsequent buying

Semiconductor Multiples

No.	Ticker	Market Cap	Forward P/E
1	SKHY	948.54B	4.14
2	MU	916.37B	5.25
3	SNDK	160.76B	5.27
4	QCOM	175.23B	15.19
5	NVDA	4756.27B	15.41
6	TSM	2000.83B	17.83
7	AVGO	1802.27B	19.38
8	WDC	150.35B	23.52
9	MRVL	153.60B	28.09
10	AMD	736.62B	32.86
11	INTC	431.77B	42.54
12	ARM	259.66B	80.34

SPCX Bonds Crater

- SPCX bonds new lows, now at 86, yielding just shy of 8.0%.
- The average BofA Caa HY yield is 8.22% today.

German/China Trade War Possible

German officials are working behind the scenes to identify Chinese economic vulnerabilities that they could exploit if the European Union finds itself in a trade war with the world's second-largest economy.

The German government is informally mapping China's weaknesses by analyzing trade flows, supply chains and company-level data, according to people familiar with the matter. The exercise is aimed at identifying where China remains dependent on German and European technology, specialized components and industrial know-how — and where Beijing could face pressure in a potential economic confrontation.

Initial findings include the German companies Trumpf SE and Carl Zeiss AG, key suppliers of technologies used by ASML Holding NV to manufacture machines that make advanced semiconductors, as potential vulnerabilities in China's supply chain, said the people, who requested anonymity because of the highly sensitive nature of the assessment. The report may also include semiconductor firms such as Siltronic AG, Aixtron SE and SUSS MicroTec SE, whose highly specialized technologies occupy critical positions across the supply chain.

Chancellor Friedrich Merz has recently hardened his stance on China, concluding that Germany risks being caught between the strategic rivalry of the US and China unless it develops greater resilience and leverage of its own. EU leaders last month tasked the European Commission, which handles trade matters for the bloc, with presenting a slate of new trade defense measures to confront what they deem to be an unsustainable deficit with China that exceeds €1 billion ($1.1 billion) a day.

"Yes, there are dependencies, but these dependencies are mutual. That also applies to issues such as rare earths," Merz said this month when asked how to deal with China. "We can only withstand unfair competition if we defend ourselves against it."

The effort to prepare contingency measures in case China again weaponizes critical raw materials — as it did last year in the case involving Nexperia — forms part of 34 non-public measures formulated in Germany's national security council aimed at strengthening resilience and reducing strategic dependencies, according to one of the people.

The vulnerabilities are concentrated in highly specialized products, intermediate goods and services that Chinese companies are still unable to replicate. While China has caught up dramatically in sectors such as automobiles and industrial machinery over the past decade and now competes with German firms on quality, it remains dependent in niche, technology-intensive areas requiring highly specialized know-how.

In many of those sectors, Germany's most powerful lever would not only be halting exports of machinery and components but also suspending maintenance and servicing of equipment already operating in China, the people said.

Germany is having confidential exchanges with companies, including ones about country-specific risks, according to a government official when asked to comment on the new assessment. The official added that Germany's policy on China hasn't changed and there is no plan for mandatory data collection from companies.

One of the most important sectors in the assessment is the semiconductor industry, which underpins virtually every modern electronic device and has become central to the global race for technological leadership in artificial intelligence. While Netherlands-based ASML is already barred from exporting its most sophisticated machines to China, it continues to operate a large installed base of older-generation systems that require maintenance, spare parts and technical support.

Another sector Germany is looking at is advanced patented medical products, something China depends on, particularly as its population ages. Experts say, however, that this would be among the most politically and ethically sensitive options because it could directly affect patients.

German officials, speaking on the condition of anonymity, stressed the work should not be viewed as a hostile policy toward China and said Berlin remains committed to economic cooperation. The objective is simply to be prepared because other countries are doing the same and to ensure

Germany can negotiate with Beijing from a position of strength if necessary. Berlin's goal is to establish greater reciprocity with China, one official said.

A spokesperson from Trumpf said the company doesn't supply strategically significant products to China, while a spokesperson from Carl Zeiss said the firm is in regular contact with German and European authorities and cooperation is guided by legal requirements. Spokespeople from Wacker Chemie and K+S said they hadn't been contacted by the government on this matter.

The rest of the companies cited either didn't respond to a request for comment on the German government's assessment on Chinese dependencies or declined to comment on details of the talks with officials.

German Suppliers of Strategic Technologies to China

Company	Headquarter	Sector
Zeiss	Oberkochen	Semiconductor Optics
Trumpf	Ditzingen	Industrial Lasers
Aixtron	Herzogenrath	Semiconductor Equipment
SUSS MicroTec	Garching	Semiconductor Equipment
Infineon	Neubiberg	Semiconductors
Siltronic	Munich	Semiconductor Materials
Wacker Chemie	Munich	Speciality Chemicals
Merck KGaA	Darmstadt	Semiconductor Materials
BASF	Ludwigshafen am Rhein	Chemicals
K+S	Kassel	Fertilizers & Mining
MTU Aero Engines	Munich	Aero Engines
Siemens	Munich	Industrial Automation
Siemens Energy	Munich	Energy Technology
SHW Werkzeugmaschinen	Aalen-Wasseralfingen	Machine Tools
Schaeffler	Herzogenaurach	Motion Technology
Bosch	Gerlingen	Industrial Technology
Bosch Rexroth	Lohr am Main	Industrial Automation
ZF Friedrichshafen	Friedrichshafen	Automotive Technology

Source: Bloomberg editorial research

Other significant sectors outside high technology that employ millions of Chinese workers include steel, chemicals, plastics, textiles, toys and household appliances, according to Tobias Gehrke, a senior policy fellow at the European Council on Foreign Relations researching China's vulnerabilities. A disruption in these industries could quickly become politically sensitive for Beijing by affecting employment, local economies and social stability — issues closely watched by China's leadership.

"China plays foul by handing out massive subsidies and preventing a currency appreciation, but we want to remain fair," said Juergen Matthes, head of international economic policy at the German Economic Institute. "The point isn't to use all these instruments. It's to preserve them as game theory options, because otherwise you've already lost before negotiations even begin."

A cautious political approach to interventionist policies has long been central to Germany's market-driven, export-oriented economic model. Yet Merz and Vice Chancellor Lars Klingbeil have noticeably hardened their rhetoric toward China in recent weeks, reflecting a broader shift in Berlin toward economic security and strategic resilience.

Klingbeil has floated mandatory joint ventures for non-European companies to ensure technology transfer — a strategy China itself has used for decades to extract know-how from foreign companies seeking access to its market. A reform package introduced by the coalition in early July included such a push and other measures aimed at strengthening Germany's economic sovereignty and resilience.

"The objective is not to cut China off from technology forever," Tordoir said in an interview. "The objective is to show that Germany has teeth, to remind Beijing that China also has critical dependencies on Europe."

The War Couldn't Break the Market. One Press Conference Did

Five months of war never closed the VIX above 17.5 in July. One FOMC hold under presidential pressure closed it at 20.66 — and told you exactly where the real risk to this market lives.

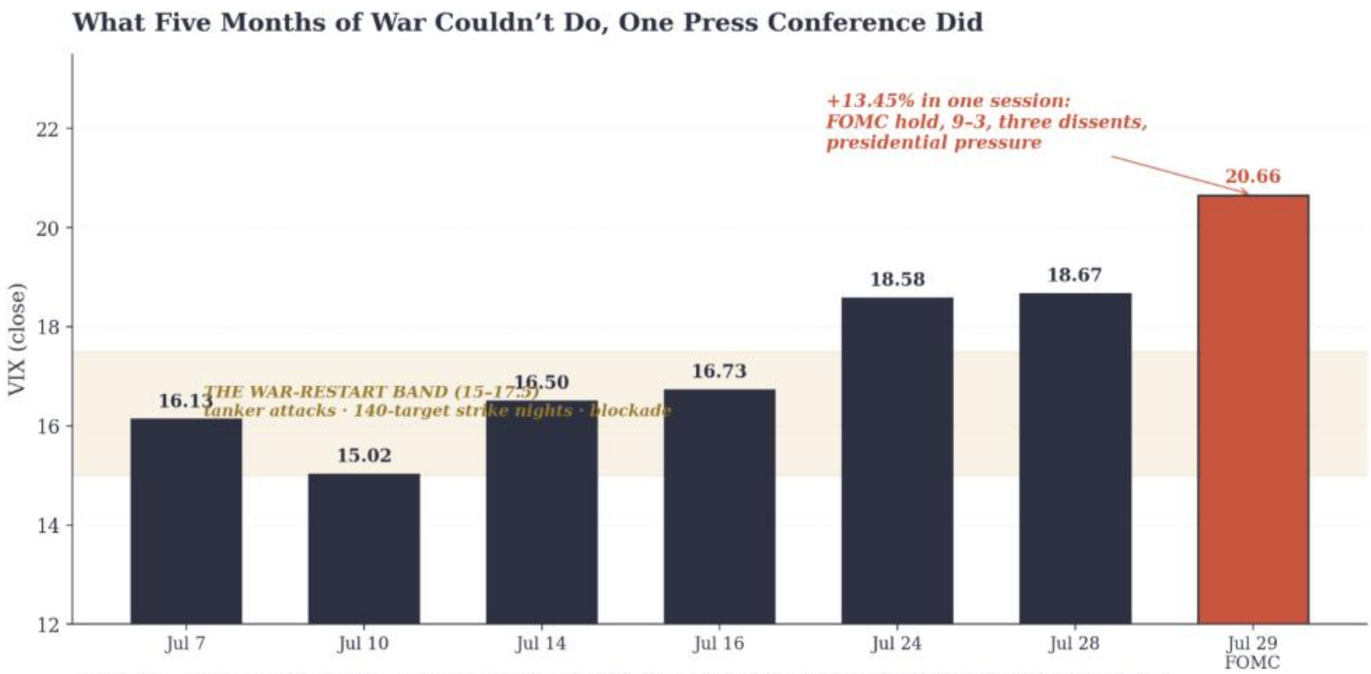
Start with what happened before two o'clock yesterday, because it makes what happened after two o'clock legible.

On Wednesday, Iran and the United States were shooting at each other. Iranian strikes hit Saudi energy infrastructure; American and Saudi forces struck back jointly; Tehran had just rejected Oman's proposal for shared management of the Strait of Hormuz. Crude was on its way to a 6.7 percent single-day gain. And the VIX was down, drifting under 18.4, comfortably inside the same behavior this newsletter has documented through every phase of this war: the shock routed to oil volatility, to freight, to rates, while the broad equity gauge shrugged. At mid-morning, the war was doing what five months of war has always done to the index: approximately nothing.

Then the Federal Reserve held interest rates steady, three committee members dissented in favor of a hike, and Kevin Warsh gave a press conference. By the close: the VIX at 20.66, up 13.45 percent, its first close above the entire war-restart band. The Dow down 1,153 points, 2.19 percent, its worst day since April 2025. The S&P 500 down 1.52 percent. The Nasdaq more than ten percent off its high, a correction. The 30-year Treasury yield up ten to twelve basis points to 5.21 percent, its highest level since 2007. And, mark this one, the dollar down against nearly every major currency while yields surged.

Oil up almost seven percent was a footnote in the wraps. The Federal Reserve was the headline. CNBC's summary of the day was blunt: stocks fell mostly because the bond market signalled the Fed could be falling behind on the inflation fight.

Here is the claim this piece exists to make, and yesterday's tape exists to prove: the threat to this market was never the war. It is the erosion of the institution that anchors every asset price in it. A president publicly pressuring the central bank, a chair caught between that pressure and a board pricing hikes, and a long bond charging 2007 prices for the uncertainty — that configuration did more damage in two hours than Iran managed in five months. The market has now told you its hierarchy of threats. It is time to take it seriously.

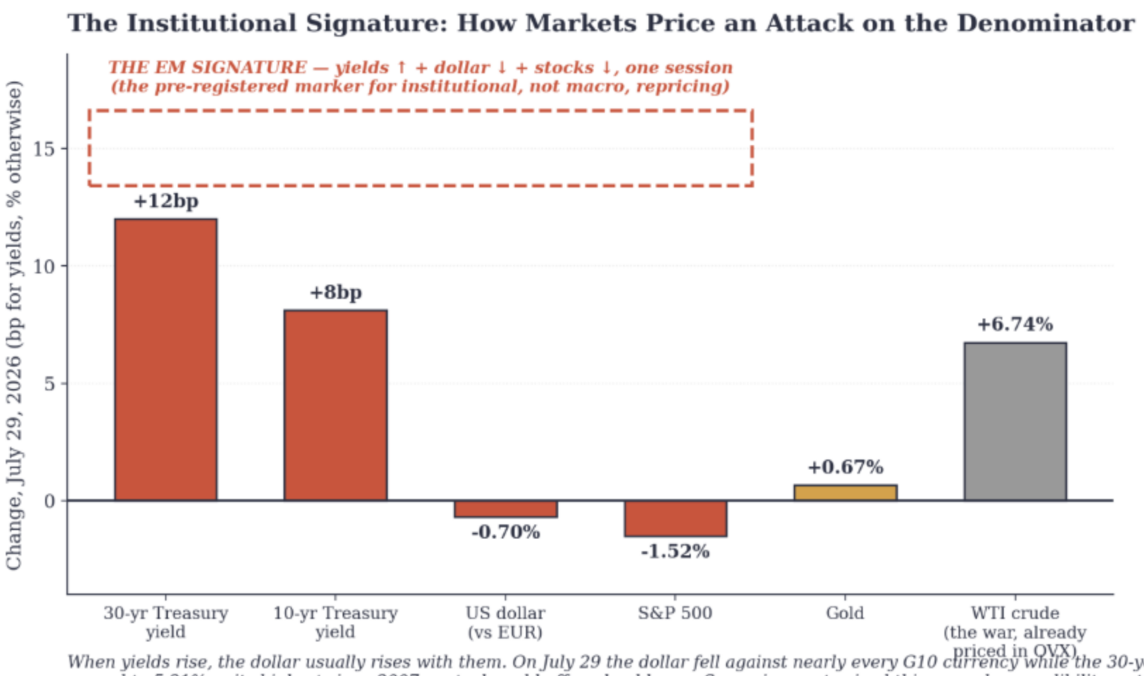


Two wars — onset, unwind, restart — never produced a July VIX close above 17.5. The July 29 FOMC hold under presidential pressure closed the VIX at 20.66 (+13.45%), with the Dow −1,153 (worst since April 2025) and crude UP 6.7% the same session.

An attack on the Federal Reserve has no address. The Fed's credibility is not a sector; it is the denominator. It sets the discount rate under every cash flow, the "risk-free" in every risk premium, the anchor of the currency those cash flows are denominated in. You cannot rotate out of the denominator. A threat to it does not get routed — it gets priced as correlation, which is precisely what yesterday looked like: stocks down, bonds down, together, with the safe-haven bid landing in gold, up two-thirds of a percent to $4,126 with yields surging — which is not how gold trades on a macro day. It is how gold trades on a credibility day.

That is why the same market that absorbed a 140-target strike night without closing the VIX above 17.5 broke on a rate hold. The war is a shock the system has an organ for. The Fed is the system.

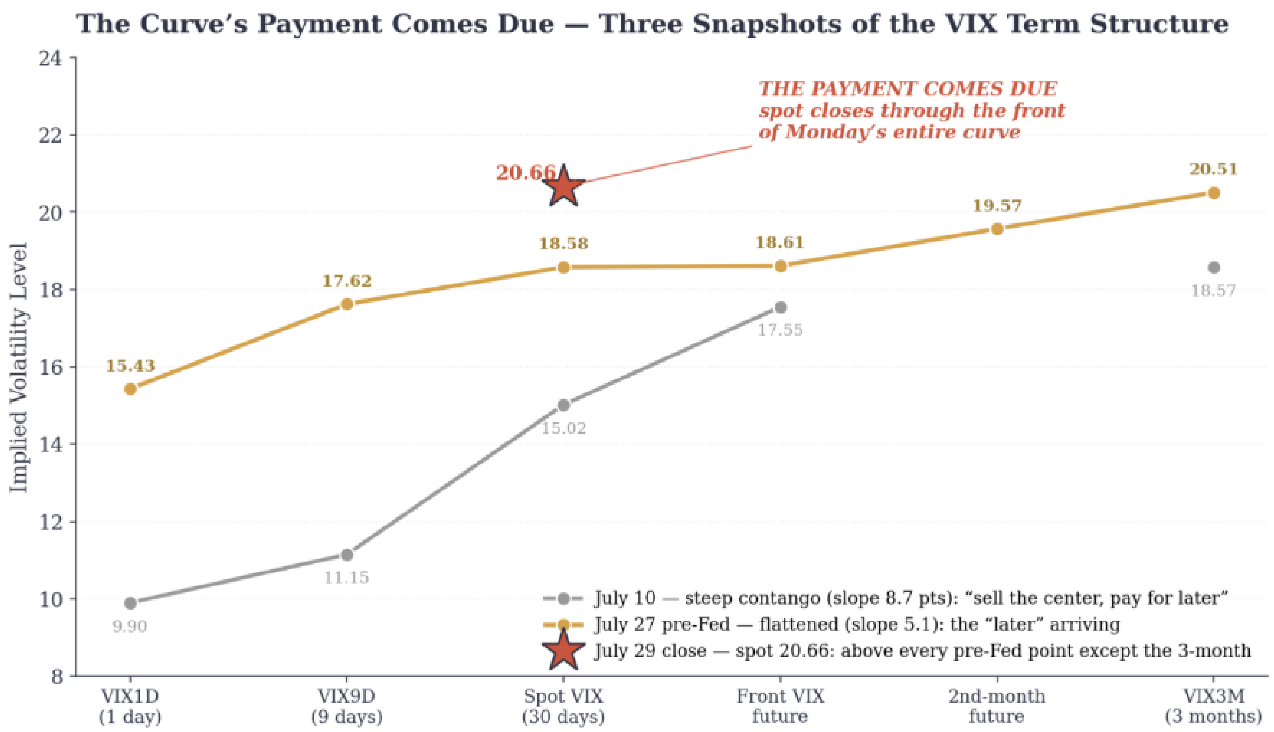
Skeptics will say: yields rose because oil rose — this is an inflation story, not an independence story.



When yields rise, the dollar usually rises with them. On July 29 the dollar fell against nearly every G10 currency while the 30-year surged to 5.21% — its highest since 2007 — stocks sold off, and gold rose. Sovereigns get priced this way when credibility, not data, is the question.

When long yields rise on an ordinary inflation repricing, the dollar rises with them — higher expected rates attract capital. Yesterday the dollar fell against nearly every G10 currency while the 30-year blew out to its highest yield since 2007 and equities sold off. Yields up, currency down, stocks down, in one session, is not how reserve-currency markets trade on data. It is how emerging markets trade on politics — the signature of investors charging a sovereign more while trusting it less. In the war-restart piece I wrote that the rates channel was the fragile joint, that a break arriving through it would be "a correlation story," and that readers should watch the curve, not the tanker count. Yesterday the marker fired — through the long end, with the dollar confirming the diagnosis.

Look also at where on the curve it fired. The two-year barely moved — vendors split between down four basis points and up one. The thirty-year surged ten to twelve. That bear steepener is the whole political economy of this moment drawn in two data points: the short end priced for a Fed whose next move is capped by presidential pressure, the long end charging everyone — every mortgage, every corporate borrower, the Treasury itself — for the credibility cost of that arrangement. Politics wins the front of the curve. The country pays at the back.



July's steep contango was the smirk's signature: a relaxed center paying up for deferred risk. By Monday the deferred risk had a date — the FOMC — and the slope collapsed. On the 29th, spot closed through the front of the curve: the risk the surface kept pre-paying for arrived.

On July 10, mid-restart, the VIX term structure was a staircase: one-day vol at 9.90, nine-day at 11.15, spot at 15.02, the front future at 17.55, three-month at 18.57. An 8.7-point upslope from tomorrow to autumn. The vol curve had a relaxed center — because dispersion had twice proven it absorbs this war — paying up steadily for later, because the genuinely unresolved risks (the Fed's reaction function, the inflation endgame, the September meeting) all lived out the curve.

By Monday the 27th, pre-Fed, the staircase had flattened into a ramp: one-day vol at 15.43, nine-day at 17.62, spot 18.58, three-month 20.51. Slope collapsed from 8.7 points to five. Read plainly: the deferred risk now had a date. The market pulled the "later" it had been paying for into the front of the curve and parked it on Wednesday at 2 p.m. Bond markets came into the meeting pricing roughly forty percent odds of a hike — against a president demanding cuts. Every options desk could see the collision scheduled.

And on the 29th, spot closed at 20.66 — above every single point of Monday's curve except the three-month. The payment came due. Whether Wednesday's futures settlements show full front-end backwardation or a hair of contango, the shape's message is identical: the risk the surface spent all of July pre-paying for arrived, and it arrived wearing a Federal Reserve lanyard, not a uniform. Meanwhile the SKEW Index — pinned between 144 and 147 through the entire month, war and peace alike — never budged, because the tail was never priced for Iran. The center just rose to meet the tail. The surface has been telling you which risk it feared. Yesterday the center agreed.

Warsh's impossible seat

Kevin Warsh gave his second press conference as chair yesterday, and the market's verdict on it is the ten basis points on the thirty-year.

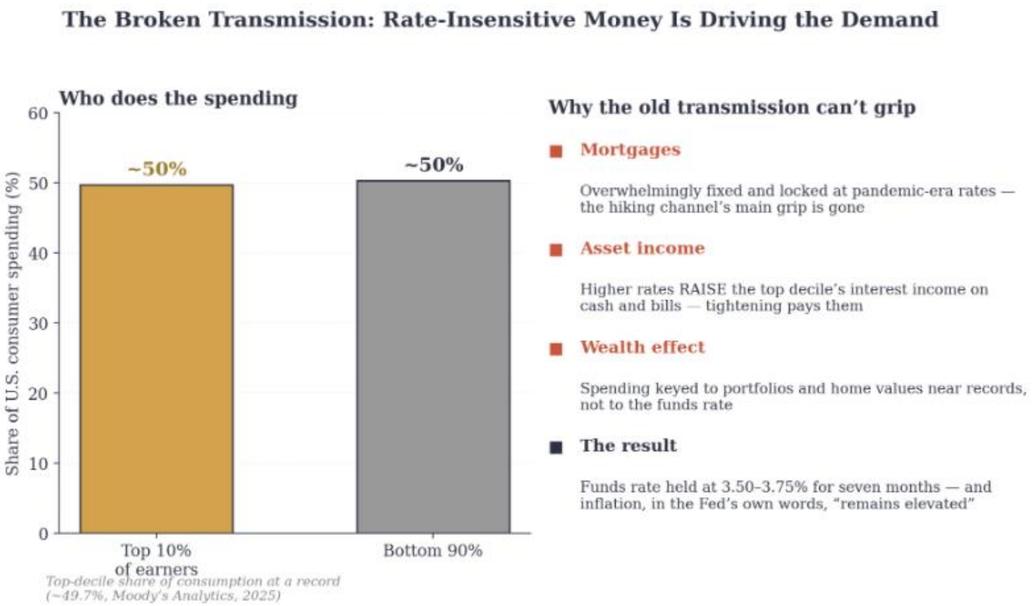
Consider his position. Two days before the meeting, the President of the United States said rates "should be lowered," that America should have "the lowest interest rate in the world," praised Warsh as "fantastic" — and then described Warsh's own board as "very political," with "perhaps bad intentions," adding, in the phrase that will follow this Fed chair around: "Kevin's fantastic, but he's got a board." The White House framing is explicit: the chair is our man; the institution is the obstacle. The NEC director called his tenure "already a home run" and said "we trust his judgment" — while insisting, in the same breath, that everyone expects him to "be independent." When independence becomes a talking point, it has already become a question.

Inside the building, three of Warsh's colleagues dissented hawkish — they wanted to hike, into a president demanding cuts, with markets pricing forty percent odds they'd get one and roughly eighty percent for September. Warsh split the difference: he held, offered no forward guidance as a matter of stated philosophy, and told the room that "tightening in financial markets is doing some of the Fed's job" — that the bond market would, in effect, tSell the story.

The bond market then told it. A thirty-year at 5.21 percent — the highest since the year before the financial crisis — is the market doing the Fed's job at the Fed's expense: charging a term premium for a central bank that looks caught between its own hawks and its president, communicating less precisely when its independence is most in doubt. A chair can survive being disliked by markets. What a chair cannot survive is markets concluding that the policy path is being negotiated somewhere other than the committee room. Yesterday's steepener says that conclusion is being drafted.

The transmission that no longer transmits

There is a deeper layer: even a fully independent Fed, hiking freely, would struggle to tame this inflation with the funds rate — because the old transmission mechanism is broken at its source.



The theory of rate hikes is that expensive money curtails borrowing, borrowing curtails spending, and cooled demand tames prices. That chain assumes the marginal dollar of demand is borrowed. It no longer is. The top ten percent of American earners now account for roughly half of all consumer spending — a record share, per Moody's Analytics — and that cohort is functionally rate-immune. Their mortgages are fixed, locked at pandemic-era rates the Fed cannot reach. Their spending is keyed to portfolios and home values sitting near records, not to the price of credit. And higher rates raise their interest income on cash and bills — for the asset-rich, tightening is a pay raise. The households the funds rate can actually squeeze — the borrowing ninety percent — are not the ones driving the demand.

The evidence is on the Fed's own letterhead: the funds rate has sat at 3.50 to 3.75 percent for seven straight months, and yesterday's statement conceded that inflation "remains elevated." The old channel is not gripping. What still grips is the long end — mortgage rates, corporate borrowing costs, the discounting of every long-duration asset — and the long end does not answer to the FOMC. It answers to credibility: to the market's belief that the institution setting the anchor is independent, competent, and durable. Which means the one transmission channel this economy has left is precisely the one that presidential pressure on the Fed degrades. Attack the institution and you are not merely risking bad optics. You are detonating the last working part of the machine — and yesterday, at 5.21 percent on the thirty-year, you watched the detonation get marked to market.

The honest tensions

Two of them, stated plainly, because that is the house style.

First: oil was up 6.7 percent yesterday, and some of the long-end move is legitimately war-inflation. I will not pretend the decomposition is clean. But the dollar is the tiebreaker — oil-driven inflation repricings do not weaken the currency against the entire G10, and five months of oil shocks never moved the thirty-year like this. The market had a war premium fully built; what it added yesterday was an institution premium.

Second: one day is one day. The VIX at 20.66 is not the VIX at 31, where round one peaked; a week of calm Fed-speak could pull the center back into the teens and make yesterday a tantrum, not a turn. The framework does not claim the regime has flipped. It claims the market has now shown you, side by side in a single session, which class of threat it can route and which it cannot — and priced the difference at ten Dow points to one.

So, the falsifiable markers, on the record. Confirmation: repeated EM-signature sessions — long yields up, dollar down, stocks down together — clustering on Fed and independence headlines rather than data; the 2s30s steepener extending; a sustained VIX regime above 25 whose catalysts are institutional. That combination means the correlation repricing is under way and the dispersion-era playbook is subordinate to it.

Refutation: Warsh re-anchoring — through restored guidance, a hike the board's hawks clearly own, or visible daylight between the Fed and the White House — followed by the thirty-year retracing, the dollar firming on yield strength, and the VIX resettling into the teens. If that happens, the FOMC meeting was a warning shot the institution absorbed, and I will write that piece too. Watch the ten year, the thirty-year and the dollar. The tanker count was never the tell.

Just some takeaways from $META and $MSFT earnings calls:

Microsoft:

- Expected to be FCF positive in 2027, despite the increase in capex (extremely positive for AI buildout that it's funded by operating income)
- "Free cash flow was $19.6 billion, reflecting higher capital expenditures"
- Quarterly capex was $41B, roughly 2/3rds were "short lived assets, primarily CPUs and GPUs"
- Expects capex spend will be over $50 billion for next quarter
- Capex Guidance at ~$175 billion and 2027 capex roughly the same. Spending plans unchanged and in line.
- "Extending the estimated useful life of our data centers from 15 to 25 years"
- "We will be among the first cloud providers to deploy next generation rack-scale AI infrastructure based on $AMD Helios and $NVDA
- Vera Rubin"
- "Customer demand continues to exceed available capacity"

Meta:

- Capex $130-$145 billion (narrowed range), from $125B-$145B.
- Meta is receiving offers at a "significant premium" to what they paid for it (compute scarcity, positive for neoclouds like $IREN/ $NBIS)
- Expects significant portion of compute (like the 1 GW DC in El Paso) to develop internal models.
- Meta has multiple ROI-positive uses for additional compute across its core business (internally, not Meta Compute)
- "Finally, we believe that overall industry capacity is going to remain tight for the foreseeable future"
- "The industry has under-built historically for the wave of AI adoption, making existing capacity, including our own, extremely valuable" - Susan Li

$MSFT and $GOOGL largely sustaining AI capex buildout while remaining FCF positive or through operating incomes.

$META flags available compute materially below demand at least through 2027. And $MSFT also flags compute demand far exceeds supply.

- All three hyperscaler capex largely in line with Google hiking capex figures.

AI selloff seems extremely overblown now, hyperscalers continuing capex in line (with Microsoft being FCF positive) or even hiked with.

Compute scarcity is visible throughout every single hyperscaler ER.

Microsoft Earnings

Microsoft posted strong results for its quarterly earnings on Wednesday, beating expectations and showing strong growth in its cloud computing platform and a boost in paid AI users.

The Redmond, Washington, company earned $90 billion, or $4.81 per share, in the April-June quarter. That is up 18% from the same period a year earlier. Analysts surveyed by FactSet Research had expected the company to earn $4.24 per share on revenue of $87.62 billion this quarter.

Microsoft Cloud revenue was $59.3 billion this quarter, up 27% year-over-year. That growth reflects the demand across Microsoft's cloud computing platform Azure, as well as its first-party AI applications and services. Azure and other cloud services revenue increased 43%.

For the full fiscal year, which closed out at the end of June, the company brought in $331.8 billion in revenue.

“This year, Azure revenue surpassed $100 billion for the first time, and Microsoft 365 Copilot reached over 30 million paid seats, reflecting the confidence customers are placing in us to power their AI transformation,” CEO Satya Nadella said in a statement Wednesday.

The concurrent Azure and Copilot growth indicate that Microsoft is “winning on both fronts,” Michael J. Wolf, founder and CEO of Activate Consulting said in a statement. Microsoft is doing so by “supplying the cloud infrastructure for enterprise AI while monetizing the AI tools embedded in the products workers use every day.”

Investors had been looking for evidence that Azure and Copilot, Microsoft's flagship AI assistant, could eventually produce returns as concerns about high AI spending have steadily grown across the industry.

Chief financial officer Amy Hood told investors on a call that the company’s capital expenditures and investment expectations remain unchanged for the 2026 calendar year. An accounting change will bring that guidance closer to approximately $175 billion, Hood said, but in practice, the expectations remain “unchanged.” This move marks a break from competitors that have been steadily increasing their spending forecasts.

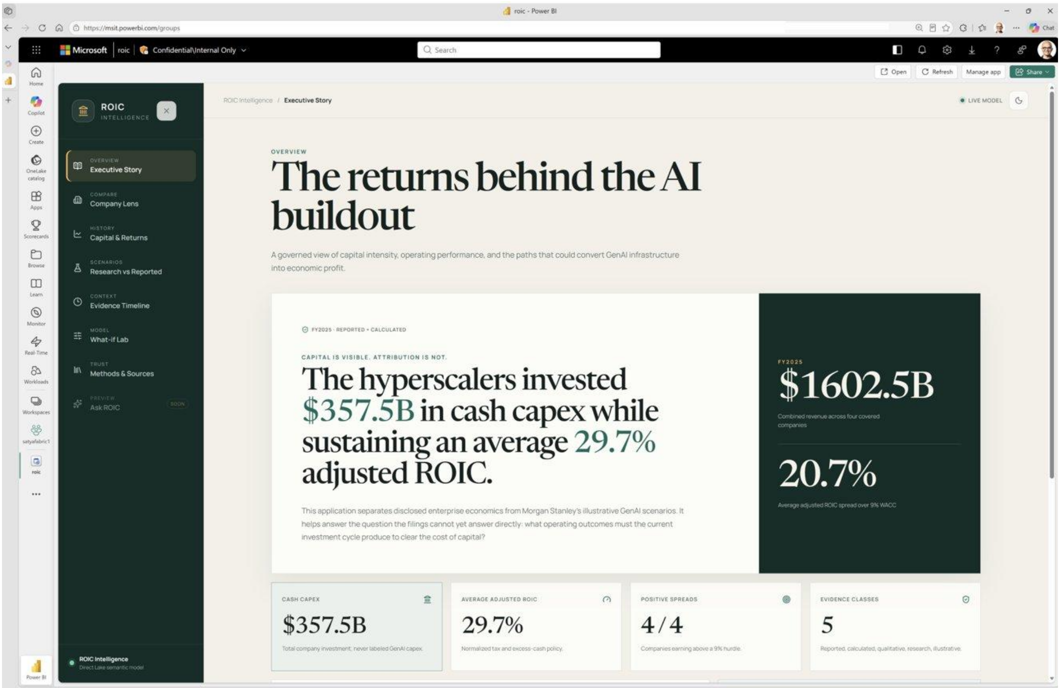
Hood said earlier this year that the company expects to invest $190 billion in capital expenditures in 2026, a figure that includes approximately $25 billion from the impact of higher component pricing. Microsoft's capital expenditures were $41 billion this quarter.

Bryan Hayes, an investment strategist at Zacks Investment Research, said in a statement that "for the first time in three quarters, the market appears willing to grant that the spending is buying something real."

"We remain very confident in the long-term return on these investments, given these strong demand signals, the increasing product usage we've seen and the efficiencies that we're driving across the platform," said Danielle Criste, Microsoft's director of investor relations, in an interview.

Microsoft's shares rose about 9% to $426.03 in after-hours trading.

Satya shows ROIC on hyperscaleer capex is 29.7% $MSFT https://x.com/satyanadella/status/2082640036949008570?s=20



Meta Earnings

- Microsoft's growth at its Azure and Copilot businesses signaled that its AI investments are beginning to pay off.
- Meanwhile, Meta's revenue guidance missed market expectations as its free cash flow plunged.

- Shares of Microsoft were 8% higher while Meta fell 8.5% in premarket trading.

Meta Platforms Inc. gave a disappointing quarterly revenue forecast, stepping up pressure on Chief Executive Officer Mark Zuckerberg to allay investor concerns that the company isn't swiftly benefiting from its massive outlay on artificial intelligence. The stock fell.

The social media giant also reported the lowest free cash flow in years, a sign of ballooning expenses for AI bets, including data centers and smart glasses, which could amount to $145 billion this year.

Meta shares slid about 8% to $539.03.

Meta relies on its broad internet advertising business to finance these investments, but shareholders are growing increasingly antsy over Meta's ability to bring in sales and profit at a fast enough pace. Investors balked earlier this year when Zuckerberg increased projected expenditures on AI, and many of them rue Meta's heavy spending on virtual reality and the Metaverse, which cost tens of billions of dollars without a meaningful return. On a call with investors Wednesday, Zuckerberg offered repeated assurances that his focus on AI will ultimately pay off.

"I get that this is a big investment and it's a big bet," Zuckerberg said. "We see the technology working. We're happy with the trajectory of the lab. I'm excited about the products that are coming. And we believe that this is going to be a big thing."

Third-quarter revenue will be $61 billion to $64 billion, Meta said, with the midline of that range below the average analyst estimate of $63.2 billion, according to data compiled by Bloomberg.

Meta is spending hundreds of billions of dollars to compete against American tech rivals, including Alphabet Inc., OpenAI and Anthropic PBC, in a race to develop leading AI models and products. It is one of the tech industry's heaviest spenders when it comes to AI data centers, just this week announcing a partnership with BlackRock Inc. on a $14 billion complex in El Paso, Texas. It's building another data center in rural Louisiana that is expected to cost upwards of $250 billion.

In part because it doesn't yet have a cloud-computing business and its AI products have at times been considered less competitive than some other AI labs' work, Meta has faced recurring investor skepticism that it will recoup this spending. Meta announced several new AI-related business lines in recent months, including a consumer chatbot subscription and a pay-to-use AI model for developers, though those are in early stages.

Cloud Opportunity

On the call Wednesday, Zuckerberg teased another potential business line: A cloud computing business where Meta would sell computing power to other companies. The CEO said that a "substantial" amount of Meta's computing power currently goes toward training its own AI models, a necessity for being a leading AI lab. But he also said that Meta has a "large number of offers" from companies interested in buying its computing power at a "meaningful premium" over what Meta spent to acquire it.

That has created an opportunity, he added, saying that Meta must now think through the tradeoff of selling the computing power it has for a profit versus continuing to use it for its own products and services. These calculations are happening at the same time that Meta is also buying computing power from independent data-center operators — so-called neoclouds — as well.

“There is just nowhere near enough compute for all of the demand,” he added when asked about the idea of Meta being both a buyer and seller. Bloomberg earlier reported on Meta’s plans to develop a cloud computing business.

Meta adjusted its full-year capital expenditure forecast to $130 billion to $145 billion, slightly lifting the bottom end from a previous projection of $125 billion to $145 billion. In one sign of the enormity of Meta’s AI investments, the company’s free cash flow in the second quarter fell to $784 million, the lowest level since the third quarter of 2022, according to data compiled by Bloomberg.

Much of its investment is fueled by advertising that Meta runs on its flagship social networking products, Facebook and Instagram. Meta reported revenue of $60.8 billion for the quarter ended June 30, slightly above the $60.3 billion that analysts projected.

“Meta’s strong revenue growth will once again be overshadowed by its capital expenditure projections,” wrote Minda Smiley, a senior analyst at Emarketer. “Even though Meta didn’t raise projections, that won’t stop investors from pressing for more information regarding plans for a potential computing business — and any other details on how Meta is thinking about monetizing AI.”

The biggest US tech firms plan to spend as much as $725 billion this year on capital expenditures, mainly for AI infrastructure needed to build out data centers. Google parent Alphabet Inc. said last week it had raised its capital spending forecast to as much as $205 billion this year, sending the stock lower. Across the board, investors have been squeamish about the companies’ AI spending, wary about where it will lead and whether it will ultimately pay off.

Microsoft, which also reported earnings Wednesday, said it intends to have $175 billion in capital expenditures in its current fiscal year. The software maker’s shares jumped, though, after it said cloud-computing revenue in the most recent quarter rose 43%, the fastest pace in four years.

Still, Zuckerberg projected confidence to end the company’s analyst call, predicting investors will ultimately benefit from Meta’s AI gamble.

“My personal bet is that the people who invest in this are going to be rewarded and feel very good over time,” he said.

Legal Fees

Meta is facing other costs on top of its hefty AI investments. The company narrowed its full-year expense outlook Wednesday to $165 billion to $169 billion, a jump meant to incorporate $2.4 billion in penalties related to legal proceedings, according to a company filing.

Thousands of individuals and US school districts are suing Meta and other major social media companies over allegations that their products are addictive and harmful to minors. Earlier this year, a jury found Meta and Google liable for a young woman’s mental health struggles, awarding her a total of $6 million in damages in what was considered a litmus test for thousands of similar, pending complaints.

In March, Meta lost a separate case in New Mexico alleging the company failed to protect children from online predators; jurors assessed a penalty of $375 million, which the company continues to fight.

The thing I want to focus on this table is how **thin** the residual is relative to the gross dollars sloshing through the system. If DoorDash touches $100 i.e. marketplace GOV, only ~$13 is theirs to spend and out of that ~$13 they still have to pay for support agents, payment processing, insurance, refunds beyond promotions, engineers, and marketing. After doing all of that, the average $32 order in 2025 led to only **46 cents** of EBITDA per order for DoorDash (**without** ignoring SBC)! You can be annoyed at your expensive delivery bill, but DoorDash isn't skimming enough for anyone to be angry at them.

Per order	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Marketplace GOV per order	$ 30.23	$ 30.18	$ 30.77	$ 30.90	$ 31.06	$ 32.16
DoorDash revenue	$ 3.54	$ 3.52	$ 3.79	$ 4.00	$ 4.15	$ 4.32
Cost of revenue	$ 1.68	$ 1.68	$ 2.07	$ 2.12	$ 2.15	$ 2.12
Gross Profit	**$ 1.86**	**$ 1.83**	**$ 1.73**	**$ 1.87**	**$ 2.01**	**$ 2.20**
S&M	$ 1.17	$ 1.16	$ 0.97	$ 0.87	$ 0.79	$ 0.78
R&D	$ 0.39	$ 0.31	$ 0.48	$ 0.46	$ 0.45	$ 0.45
G&A	$ 0.68	$ 0.57	$ 0.66	$ 0.57	$ 0.56	$ 0.50
EBITDA	**$ (0.39)**	**$ (0.21)**	**$ (0.38)**	**$ (0.03)**	**$ 0.20**	**$ 0.46**
SBC	$ 0.39	$ 0.35	$ 0.51	$ 0.50	$ 0.43	$ 0.33
EBITDA+SBC	**$ 0.01**	**$ 0.14**	**$ 0.13**	**$ 0.47**	**$ 0.63**	**$ 0.80**
% of GOV						
Marketplace GOV per order	100%	100%	100%	100%	100%	100%
DoorDash revenue	11.7%	11.7%	12.3%	12.9%	13.4%	13.4%
Cost of revenue	5.5%	5.6%	6.7%	6.9%	6.9%	6.6%
Gross Profit	**6.2%**	**6.1%**	**5.6%**	**6.1%**	**6.5%**	**6.8%**
S&M	3.9%	3.9%	3.1%	2.8%	2.5%	2.4%
R&D	1.3%	1.0%	1.6%	1.5%	1.5%	1.4%
G&A	2.3%	1.9%	2.1%	1.8%	1.8%	1.6%
EBITDA	**-1.3%**	**-0.7%**	**-1.2%**	**-0.1%**	**0.7%**	**1.4%**
SBC	1.3%	1.2%	1.7%	1.6%	1.4%	1.0%
EBITDA+SBC	**0.0%**	**0.5%**	**0.4%**	**1.5%**	**2.0%**	**2.5%**

Source: Company Filings, MBI Deep Dives, Daloopa

After thirteen years, more than $100 Billion of GOV, and market leadership in the US, DoorDash earns less than 50 cents per order! Of course, the slope matters far more than the level here; that number was **negative 38 cents per order as recently as 2022**, and adjusted for the ~$1 Billion of SBC (shouldn't ignore for overall true economics, but just making an observation on per order cash economics) and growing ad mix, the underlying **cash economics** per order are meaningfully better and inflecting. More importantly, this is what aggregator economics look like in a category with real-world atoms: the true leverage comes from multiplying a modest per-order profit by an order count that grew from 83 million to 3.2 billion in seven years. To say it differently, **per order profit increased by ~50 cents in the last three years. If DoorDash can double the aggregate order count and increase per order profit by another 50 cents in the next five years, we may be looking at ~$7 Billion operating profit in 2030**. So DoorDash doesn't need to generate eyepopping profit per order to make it a very, very good business at scale. Even $1 operating profit per order can turn it into a very profitable business!

Dan Niles on Tech Hiccup, Short-Term Bottom

Given a couple of my friends misunderstood my short tweet yesterday, let me clarify. My post on Hynix was to acknowledge a datapoint for those calling THE TOP of the AI cycle.

I believe it is important as an investor to not just focus on what is supportive of your investment case but even more so to focus on what is directly against it, especially if it is a universally acknowledged loved idea like AI.

Having said that, let me be clear. I still strongly believe this is a “speedbump” which is what I have been writing about since my original post on June 20th.

But a “speedbump” can be ugly as I have pointed out before. Starting in both late 1995 and 1997 there were drawdowns of over 50% in the semiconductor index. But the semi-index finished up roughly 850% from the end of 1994 to the peak of the internet buildout in March of 2000 despite this.

Also back then, those drawdowns had fundamental drivers. In 1995, Windows 95 did not lead to the upgrade cycle expected and companies were sitting on a bunch of DRAM inventory. Intel wrote off about $1B in DRAM inventory as an example. There is no excess memory inventories on balance sheets today.

In 1997, the Asian currency crisis forced a slowdown in end-demand. The Iran war and continuation of the Ukraine conflict are both disruptive but there is no general slowdown in demand being caused by them that I can see.

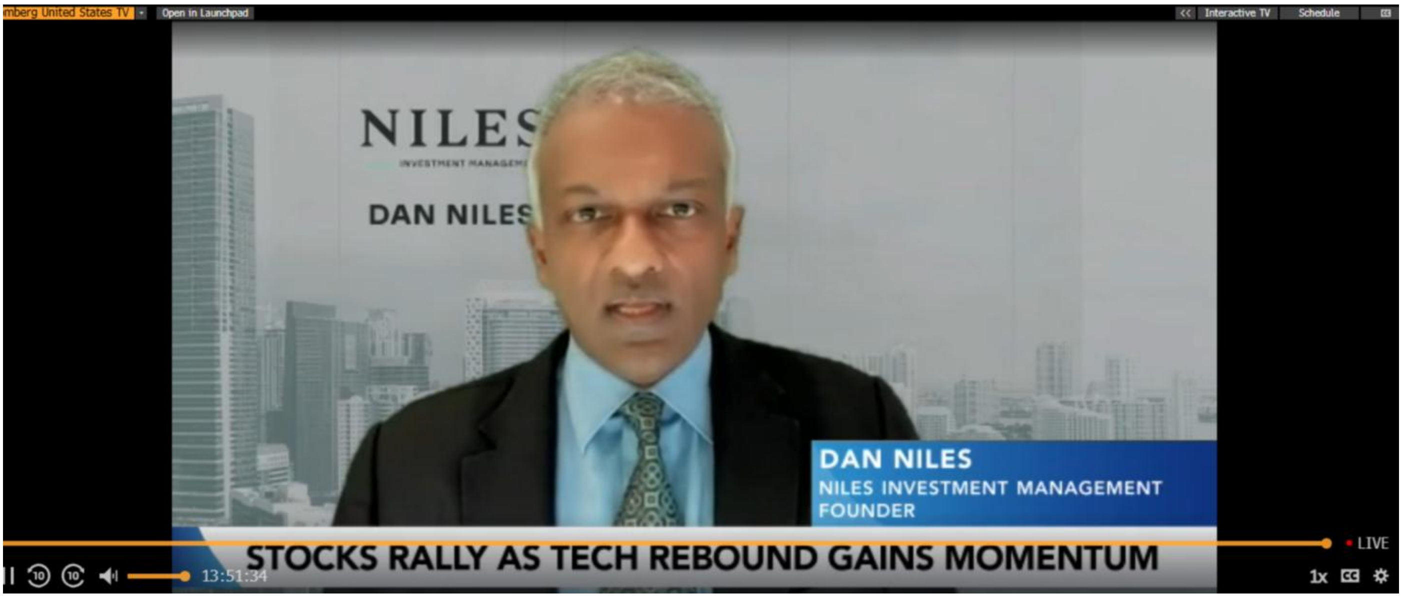
From a technical standpoint, I believe forced liquidations and margin calls in both retail accounts and hedge funds that typically run with leverage over the past couple of weeks is leading to a technical bottom.

From June 22nd, the peak of the momentum trade, the S&P is down only 2.1% and the Nasdaq is down 6.6%. But the SOX index (the tip of the spear in the AI trade) is down 28.6%, the Morgan Stanley Momentum Index is down 38.0% and their Momentum TMT (tech, media and telecom) Index is down 53.5%. The ferocity of these moves in roughly one month has never been seen before in some cases. I believe this has sped up the cleansing process with prime brokers not wanting another Archegos situation.

From a fundamental standpoint, the advent of Agentic AI started arguably at the end of January 30th with the formalization of OpenClaw. This requires 10-100x more tokens than chat-based AI. No question that token minimization is going on at the top 1% of companies which was the main reason for my speedbump concerns but the other 99% are still ramping.

In summary, my view is that we could have seen at least a short-term bottom today with a strong rally ahead of us in the sectors most caught in the latest speedbump. Time as always will tell.

Niles like Google, Amazon, and Microsoft (Best of Mag7)



Personal Spending and GDP Miss in 2Q26

Personal Income	Jun	0.3%	0.2%	0.7%	--
Personal Spending	Jun	0.4%	0.3%	0.7%	0.9%
Real Personal Spending	Jun	0.4%	0.4%	0.3%	0.4%
PCE Price Index MoM	Jun	-0.1%	-0.1%	0.4%	0.5%
PCE Price Index YoY	Jun	3.7%	3.7%	4.1%	--
Core PCE Price Index MoM	Jun	0.2%	0.1%	0.3%	--
Core PCE Price Index YoY	Jun	3.3%	3.3%	3.4%	--
Initial Jobless Claims	Jul 25	200k	197k	187k	188k
Initial Claims 4-Wk Moving Avg	Jul 25	--	202.75k	207.50k	207.75k
Continuing Claims	Jul 18	1795k	1782k	1796k	1789k
GDP Annualized QoQ	2Q A	2.0%	1.5%	2.1%	--
Personal Consumption	2Q A	2.3%	3.2%	0.5%	--
GDP Price Index	2Q A	4.0%	6.2%	3.6%	--
Core PCE Price Index QoQ	2Q A	3.5%	3.4%	4.4%	--

Samsung's earnings call couldn't possibly be more bullish

Samsung Electronics Memory EVP Jaejune Kim:

- "Despite our efforts to increase production, our customers' demand is outgrowing our supply."
- "Inventory levels for both DRAM and NAND are significantly low."
- "Additional demand for server DRAM, SSDs, and HBM is far exceeding the moderation in mobile and PC demand."
- "We are witnessing robust demand not only for AI servers, but also for general computing servers."
- "Looking forward, we expect this trend to accelerate further."
- "Available supply across the industry remains significantly limited relative to requirements."
- "Despite industry-wide increases in CapEx, the lead time from new fab construction to actual wafer production exceeds three years."
- "We believe it will be unlikely to see any significant increase in incremental supply through 2028."
- "Unmet demand from this year is likely to carry over into the following year, contributing to tighter supply conditions going forward."
- "It seems evident that the gap between supply and demand in the following year will become much wider."
- "The supply constraints are expected to become even more severe in 2027 than in 2026."
- "The supply shortage will persist through 2028."

Citadel Buys Out Leopold Aschenbrenner's AI Fund Portfolio After July Losses

- Situational Awareness, launched around 2024, soared with leveraged bets on AI infrastructure like power and chips, hitting over 400% returns through June. Mid-July's rout in tech and chip stocks erased those gains, dropping the fund 67% for the month amid 4x leverage and forcing a bulk sale of its public equities to Citadel on July 30 at discounted prices. Aschenbrenner wrote to investors that the firm let them down but stressed the AI opportunity ahead; the fund retains about $10 billion including private stakes like Anthropic and stays up 80% for the year.
    - A 24-year-old ex-Openai researcher ran a fund to $45 billion with eight people, was up 439% net through June, and by the end of July had sold his entire public stock portfolio to Ken Griffin in a single block trade.
    - Griffin described this exact failure mode two years ago, asked why portfolio managers wash out at Citadel:
        - "You have a portfolio that is extraordinarily highly concentrated, you have large positions, you cannot demonstrate a clear and concise competitive advantage in why you own those positions."
        - "And there are some people that just, with full information, are unable to help themselves and get to a better portfolio construction."
    - He was also asked the opposite question in the same interview, why citadel keeps working, his third and final answer was this:
        - "It's experience. it's the price paid in losses and pain that converts into wisdom. My leadership team, we've been through a lot of very difficult moments of the markets together. we've learned some very bitter lessons. but it makes us much more effective as investors in periods of turmoil and crisis."
    - Citadel started in November 1990. Situational awareness started in 2024, long AI infrastructure and short software at roughly 4x leverage. both legs went against it in the same three weeks.
        - Leopold wasn't wrong about AI. he was wrong about the construction of his book.
- In the end, Ken Griffin's Citadel bought a big chunk of the artificial-intelligence stocks held by Situational Awareness, a hedge fund led by former OpenAI researcher Leopold Aschenbrenner.
- Aschenbrenner's fund has been liquidating public equities after losses in an AI stock rout in recent weeks, according to people familiar with the matter who asked not to be identified. Situational Awareness hasn't liquidated all of its public stocks and still has private stakes including in Anthropic PBC, said one of the people.
- A representative for Citadel declined to comment. A representative for Situational Awareness declined to comment on the sale. The Wall Street Journal earlier reported the purchase.
- Millennium Management and Jane Street Group were among firms that weighed purchasing the stocks but didn't ultimately participate, according to separate people familiar with the matter.

AI stocks have been getting hit in recent weeks as questions mount about whether high valuations in the AI boom can be sustained. The tech-heavy Nasdaq 100 slumped through a portion of July but has since started to rebound.

Dan Niles on Situational Awareness Liquidation

- Forced liquidations due to excess leverage typically mark near-term historical bottoms. Situational Awareness at ~4x leverage & over $20B in assets at its peak is now wound down. While I heard there were at least 3 other funds in trouble, today's rally may have fixed their issues.
- I also wanted to put today's rally in context. I gave the stats in my post yesterday about the historic meltdown and why "In summary, my view is that we could have seen at least a short-term bottom today with a strong rally ahead of us in the sectors most caught in the latest speedbump."
- The 10.7% rally today in the Morgan Stanley Momentum Index beats all but the 11.1% gain on 4/3/2001 during the dotcom bust. All the other moves in the top 10 occurred during either Covid (3x), the GFC (2x) or the dotcom bust (3x).
- For the more concentrated Morgan Stanley TMT (Tech Media & Telecom) Momentum Index today's gain of 19.1% crushes the prior 11.9% gain seen on 12/5/00 during the dotcom bust. 5 of the other top 10 gains were seen just since November of 2025 during the recent meteoric rally. There were 3 more during the dotcom bust.
- While some give back is certainly likely in the days ahead given the ferocity of this one day move, I believe we have seen the near-term bottom yesterday due to the forced liquidations. I am hopeful the "speedbump" I started expecting back on my June 20th post is now behind us. Getting oil prices back into the $70 range with a decline in bond yields would certainly increase the odds even more.
- I believe we are still early in the adoption of Agentic AI and the 10-100x increase in tokens needed since January relative to Chat-based AI.

Fund	Year	Peak Size	Core Failure	Speed	Resolution	Fraud?	Closest Parallel to SA
Situational Awareness	2026	$20–45B AUM (public book ~$13–16B)	Concentrated AI infra longs + ~4x leverage; shorts squeezed	~1 month of pressure; 6 days from performance letter to full exit	Single block sale of entire public book to Citadel; privates (Anthropic) retained; fund continues	No	—
Sowood Capital	2007	~$3B AUM	Credit/relative-value positions + margin pressure in subprime stress	<1 month (weekend deal)	Substantially all remaining book sold to Citadel at discount; residual returned to LPs; wound down	No	Closest structure & buyer (Citadel absorbs distressed book)
Amaranth Advisors	2006	~$9.2B AUM	Extreme concentration in natural gas futures (Brian Hunter)	1–2 weeks (majority in one week)	Energy book transferred to Citadel + JPM at deep discount; rest liquidated	No	Closest pure directional speed & concentration
LTCM	1998	~$4.7B equity / $100B+ balance sheet	Relative-value fixed income arb; extreme leverage (25x+) + model failure after Russia default	Weeks to months (accelerated in final days)	Fed-orchestrated bank consortium rescue / orderly portfolio transfer	No	Classic leverage + "geniuses fail" liquidity crisis
Archegos	2021	Notional $50–100B+ (family office)	Concentrated equity via multi-prime TRS; margin cascade	Days	Multi-bank chaotic block fire sales	Yes (later)	Closest modern equity leverage & speed (distinguished by fraud + chaos)

At one point, Leopold contends, he was up 490%. Situational Awareness says that even after including its July losses, the fund is still up about 80% year to date.

The letter also reportedly blamed short sellers who were targeting the firm.

Leopold Aschenbrenner's hedge-fund firm Situational Awareness is down around 67% so far in July after incurring heavy losses on AI stocks, according to a person who saw a letter the firm sent to investors Thursday.

"We let you down this month," Aschenbrenner wrote in the investor letter, the contents of which were described to The Wall Street Journal.

The deep losses prompted the firm to sell the bulk of its stockholdings to the investment firm Citadel as it raced to gather cash to cover margin calls from its lenders.

Situational's gains earlier in the year were so large that, even including July's losses, the fund remains up about 80% on the year, the letter said.

Aschenbrenner party blamed short sellers who targeted the firm's positions for exacerbating the fund's losses, the letter said. The letter compared Situational's experience to a bank run. Aschenbrenner told investors that the firm had removed all leverage from the portfolio.

The firm still holds a portfolio of investments in private companies including Anthropic.

LEOPOLD’S SITUATIONAL AWARENESS FUND BLOWUP TIMELINE

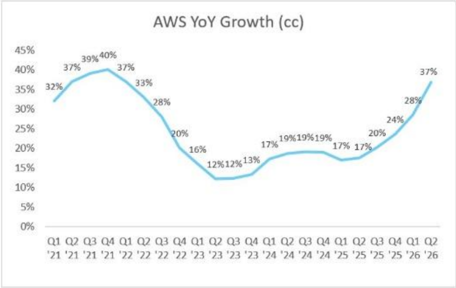
- JULY 1: LEOPOLD’S HEDGE FUND SITUATIONAL AWARENESS REACHES $45 BILLION UP 450% YTD
- JULY 10: SK HYNIX US IPO MARKS TOP OF THE AI SECTOR
- JULY 10-20: MAJOR SELLOFF ACROSS ALL AI STOCKS, MOST DOWN 30%+ IN 2 WEEKS
- JULY 10-20: HIS SHORT POSITIONS START GOING UP CAUSING MORE LOSSES (HE WAS SHORT ADOBE AND OTHER SOFTWARE STOCKS)
- JULY 24: HE SENDS INVESTORS A LETTER CALLING THE SELLOFF A BUYING OPPORTUNITY AND ASKS FOR MORE MONEY
- JULY 27: CITADEL SECURITIES SAYS THE FED IS GONNA DO A SURPRISE RATE HIKE
- JULY 28: THE MARKET SELLS OFF AFTER CITADEL’S REPORT & LEOPOLD TRIES TO RAISE & BORROW MORE MONEY
- JULY 29: BANKS MARGIN CALL HIM
- JULY 30: CITADEL COMES IN AND BUYS HIS ENTIRE PORTFOLIO FOR A MASSIVE DISCOUNT

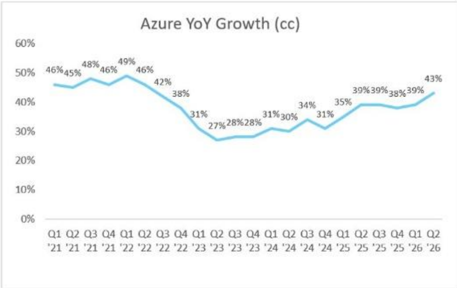
LEVERAGE IS THE MAIN REASON PEOPLE GO BROKE IN THE STOCK MARKET ALWAYS BE CAREFUL

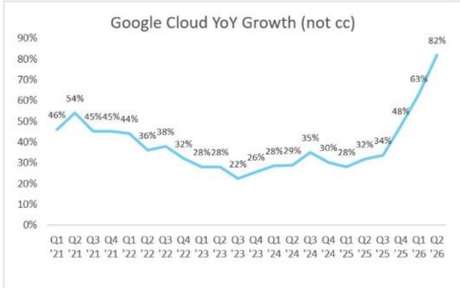
Cloud Growth

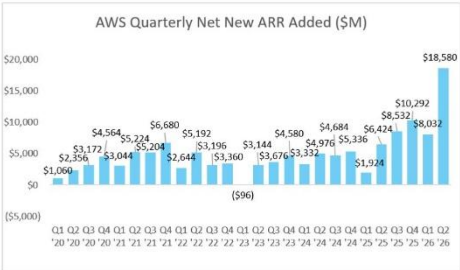
Cloud Giants Growth Update:

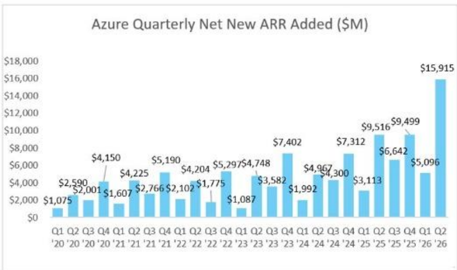
- AWS (Amazon): $169B run rate growing 37% YoY (last Q grew 28%)
- Azure (Microsoft): ~$124B run rate (estimate) growing 43% YoY (last Q grew 39%)
- Google Cloud (includes GSuite): $99B run rate growing 82% YoY (last Q grew 63%, neither are cc)

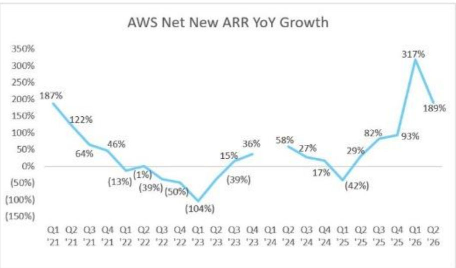


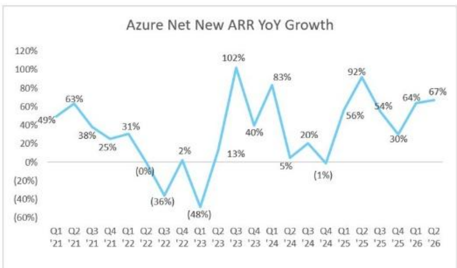


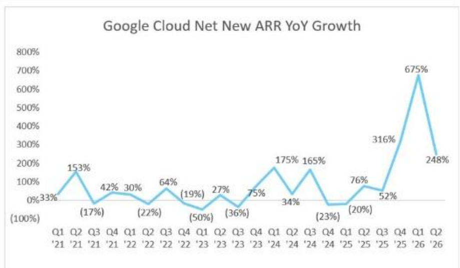












Clouded Judgement @jaminball

ALTIMETER

$AAPL down 8% on supply chain issues and memory shortages $MU

Apple Inc. tumbled in late trading after component shortages weighed on the company's sales forecast, signaling that industrywide supply constraints are taking a bigger toll than anticipated.

Revenue will rise 9% to 11% in the fiscal fourth quarter, which is lower than analysts' estimates of more than 12% growth, due to constraints affecting Macs, iPhones, and iPads.

The disappointing forecast sent Apple shares down about 7% in premarket trading on Friday, despite total sales topping estimates and climbing 16% to $109.4 billion.

Apple has been struggling to secure enough computer processors and counter fast-rising memory costs, a situation that forced the company to raise prices on Macs and iPads last month.

The supply crunch has also led to extended wait times on key computers like the Mac mini and Mac Studio. On the call, Chief Executive Officer Tim Cook said constraints would affect more Macs, iPhones and iPads in the current quarter. Currency fluctuations are hampering growth as well.

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Cook likened the memory cost issue to a "100-year flood," while adding that the chip shortages were fueled by higher-than-expected demand for the iPhone and Mac. He specifically cited consumer interest in the iPhone 17 line and MacBook Neo, a new low-cost laptop.

Apple also said services growth would decelerate in the September quarter. And it warned of an impact from regulatory changes to its App Store business model in the European Union and elsewhere. New legislation allows developers to collect subscription payments directly, bypassing Apple's fee. Gaming revenue was softer than anticipated, too.

In addition, the tech giant's results showed weaker-than-expected revenue in China and from services during the June quarter. China sales amounted to $18.8 billion, short of the $19.6 billion estimated by some analysts.

Revenue from services grew a disappointing 12% to $30.7 billion, compared with a $31.4 billion projection. That business includes Apple Music, the App Store, iCloud subscriptions, streaming video and other digital offerings.

Still, total sales topped estimates, climbing 16% to $109.4 billion.

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The iPhone, Apple's biggest moneymaker, was a bright spot last quarter. The product's revenue rose 22% to $54.3 billion during the period, topping estimates of $53.6 billion. The numbers suggest that demand remains solid for the iPhone 17 series launched last September. The company also rolled out a new low-end 17e model in March.

Earnings rose to $2.02 a share in the third quarter, which ended June 27. That compared with an average projection of $1.89 a share.

Mac revenue came in at about $10.4 billion, growing 29% from a year earlier. That marks another highlight and is an area of particular importance to Ternus. The company launched new Macs in March, including the MacBook Neo, M5 versions of the MacBook Pro and a fresh MacBook Air. Wall Street was looking for $8.62 billion.

The iPad brought in sales of $6.19 billion, missing estimates of $6.89 billion. Apple launched a new iPad Air in March and an updated iPad Pro last October. But both those upgrades were built around new chips, rather than major design changes.

Apple is planning several new Macs and iPads across the end of this year and next spring that could help boost sales. They include the first touch-screen MacBook and a revamped iPad mini, part of end-to-end refreshes to both product lines.

Apple's wearables, home and accessories category brought in revenue of $7.88 billion, up 6.5% from a year earlier. That matched estimates of $7.87 billion. Apple is looking to give this segment a boost in the coming months with new watches and a revamped slate of home devices, including a home hub and new TV set-top box.

The company is also making some changes to how it offers products. On Tuesday, it rolled out a device leasing program called Apple Upgrade, allowing users to essentially subscribe to iPhones, iPads and Macs and trade them in at the end of their lease terms. The program, which resembles car leasing, will likely mitigate the recent price increases for many buyers.

Ternus, a 25-year veteran of Apple, is set to take charge about two-thirds of the way through the current period. The fourth quarter is a critical one for the company because it's when new iPhones and other major devices typically go on sale.

Ternus faces the challenge of adapting Apple to the AI era. The Cupertino, California-based company has struggled to catch up in this area, with its artificial intelligence services lagging behind those of Silicon Valley peers.

“There is so much opportunity for us, with everything that’s happening in this space, and we’re just really focused on our plans and very excited about it,” Ternus said during the call. Cook said Ternus would lead earnings calls moving forward.

The incoming CEO will have a host of new products to show off after he takes over. Apple is preparing to introduce its first foldable iPhone, smart glasses and other wearable devices.

Other challenges loom. Ternus will need to replenish Apple’s leadership bench as many of its senior executives near retirement. He’ll also have to reverse a talent drain at the company, which has lost staff to OpenAI and other AI rivals.

Amazon Earnings

- Amazon.com Inc. shares surged after the company reported cloud-computing revenue accelerated for a fifth straight quarter, easing investors’ concerns that it won’t produce a return on huge expenditures to meet the booming demand for artificial intelligence.
- Revenue jumped 37% to $42.2 billion at Amazon Web Services, which generates about a fifth of the company’s revenue and most of its operating profit.
- Amazon raised its projection for 2026 capital expenditures to $220 billion from a previous estimate of $200 billion, with Chief Executive Officer Andy Jassy saying most of that spending would go toward AI.

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Revenue jumped 37% to $42.2 billion at Amazon Web Services, which generates about a fifth of the company’s revenue and most of its operating profit. It was the fastest pace of growth since the fourth quarter of 2021. Analysts, on average, forecast sales of $40.6 billion, according to data compiled by Bloomberg.

Like its Big Tech peers, Amazon is spending heavily on data centers and chips in an effort to take advantage of rising demand for AI and cloud-computing services. The company reported spending more than $53 billion on property and equipment, including proceeds from some sales, in the period ended June 30.

Amazon raised its projection for 2026 capital expenditures to $220 billion from a previous estimate of $200 billion. Chief Executive Officer Andy Jassy said most of that spending would go toward AI.

“We’re unusually well-positioned for this AI inflection,” Jassy said during a conference call after the results were released.

Those outlays sent free cash flow negative, with Amazon reporting an outflow of $7.6 billion for the trailing 12 months at quarter’s end.

Despite the higher capital spending and negative cash flow, “investors may be unlikely to blink, however, given the accelerating pace of AWS revenue growth and strict cost controls in other areas,” Sky Canaves, an analyst at Emarketer, said in a statement.

Jassy said Amazon’s investments would moderate over time because it’s currently building data centers from the ground up. The sites will last 30 years while the equipment inside will have to be updated every five to six years. So future investments in modernizing the capacity being built this year won’t be as much, he said.

Amazon shares rose almost 15% as the markets opened in New York, for the biggest intraday gain since November of 2022.

Rival Microsoft Corp. on Wednesday reported the fastest cloud growth since 2022 and indicated it would hold the line on new capital spending this year. The shares soared Thursday the most in a single day since 2008. Alphabet Inc. stock declined last week after the company reported heavier spending than anticipated and negative free cash flow for the first time since it went public more than two decades ago.

In the second quarter, total revenue increased 20% to $200.6 billion, Amazon said Thursday in a statement. Analysts, on average, projected $197 billion.

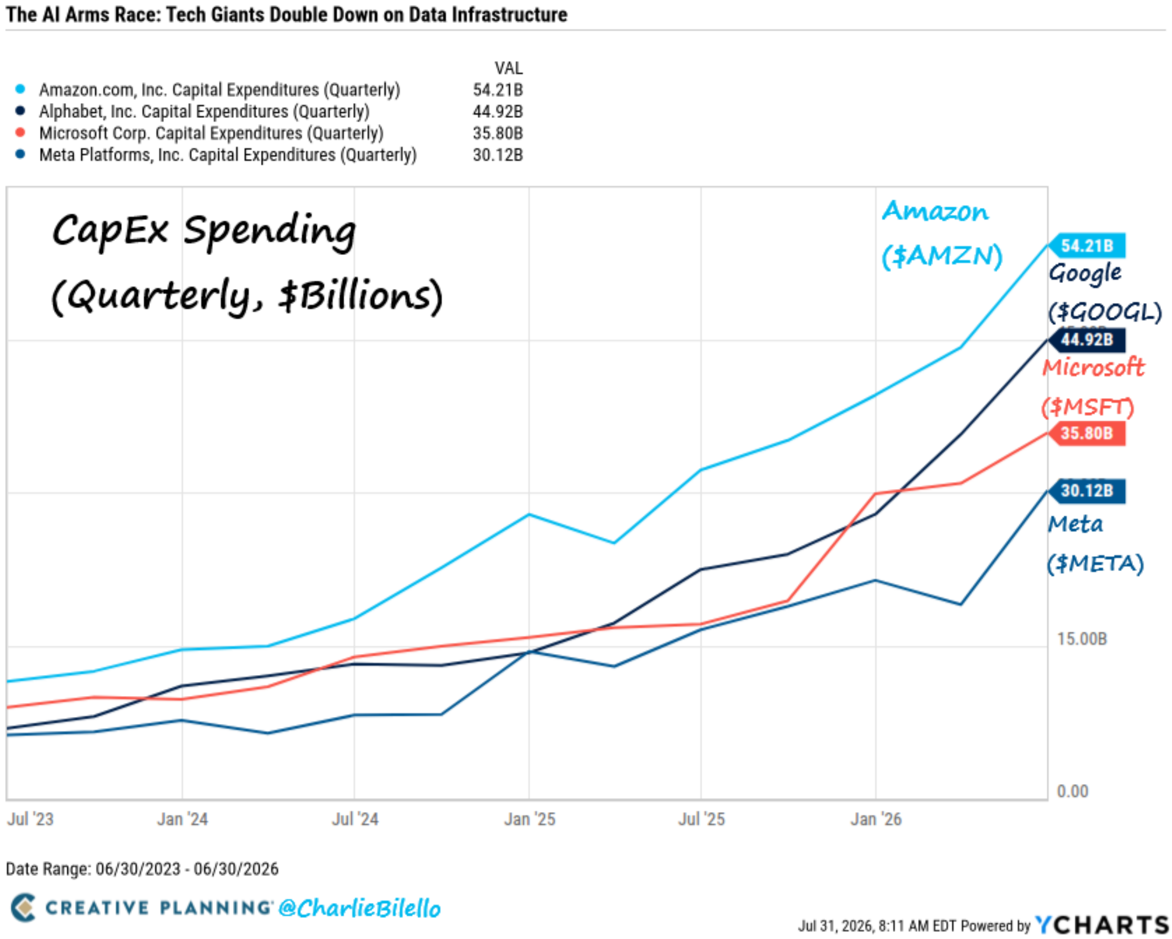
Amazon's AI and chips businesses both reached new milestones of $25 billion annual run rates, with each growing by triple-digit percentages year-over-year, the company said.

The company projected sales in the current quarter of $197 billion to $202 billion. Operating income will be $22.5 to $26.5 billion. Analysts, on average, estimated profit of $25.1 billion on revenue of $203.9 billion.

Amazon's e-commerce operation still generates the biggest share of the company's revenue, and Jassy continues to push faster delivery times to online shoppers. Online sales increased 15% to $70.4 billion in the quarter, compared with analysts' average estimate of $69.9 billion. Amazon held its annual Prime Day sale in June, which spurred online spending of $26.4 billion across all US retailers, according to estimates from Adobe Inc.

The company also reported it received $600 million in tariff refunds in the quarter. Some of that money will be returned to consumers, Chief Financial Officer Brian Olsavsky said.

AI Arms Race



Reddit Earnings

Reddit shares are down 23%, after the company's US daily active users came in below expectations, which offset a strong third-quarter forecast. It also didn't announce any new data licensing agreements with Google, which the market was not happy about.

“Reddit’s sequential decline in US daily active users could limit advertising upside, even as improved targeting and new measurement tools support ad pricing”

- **Evercore ISI (outperform, PT $300)**
- “Fundamentally, these were very strong P&L results,” but US daily active users “came in light, which is why we believe the initial stock reaction is down”
- **Citi (buy, PT $245)**
- “Reddit reported significantly better-than-expected 2Q26 results across most all key metrics with strong 3Q26 guidance”
- “Key here, ad revenues grew +64% Y/Y underscoring continued execution and traction of Reddit’s ad platform across advertiser verticals”

THIRD QUARTER FORECAST

- Sees revenue $860 million to $870 million, estimate $829.4 million
- Sees adjusted Ebitda $385 million to $395 million, estimate $367 million

SECOND QUARTER RESULTS

- Revenue $804.9 million, +61% y/y, estimate $731.8 million
- Advertising rev. $762 million, +64% y/y, estimate $692.8 million
- Other revenue $43 million, +23% y/y, estimate $39.2 million
- Adjusted Ebitda $342.8 million vs. $166.7 million y/y, estimate $294.3 million
- Net income $252.8 million vs. $89.3 million y/y, estimate $196.8 million
- R&D expenses $231.3 million, +18% y/y, estimate $236.9 million
- Daily active users 130.3 million, +18% y/y, estimate 130.07 million
- US daily active users 53.2 million, +5.8% y/y, estimate 54.0 million
- International daily active users 77.1 million, +28% y/y, estimate 75.97 million
- Average rev. per user $6.18, +36% y/y, estimate $5.65
- US average rev. per user $11.85, +51% y/y, estimate $10.50
- International average rev. per user $2.26, +31% y/y, estimate $2.14
- Free cash flow $260.7 million vs. $110.8 million y/y

COMMENTARY AND CONTEXT

- In 2Q daily active uniques averaged 130.3 million, an increase of 18% year-over-year
- In 2Q weekly active uniques averaged 514.6 million, an increase of 24% year-over-year
- In 2Q new app user retention was up 50% year-over-year on a relative basis this quarter

Japanese 30Y Breaks Out Above 4%