

2026-08-16 - SSN - SSR Macro New SpecialSits Screener, CPI-PPI-Retail Sales Miss, Unity Beats, Riot Deal, BW Beats, WYFI Beats Good for BTBT - (report)

Condensed Report

- **Macroeconomic Outlook & Fed Rate Probabilities:** *July* CPI and PPI readings came in below expectations alongside a significant drop in retail sales (-0.6% MoM), leading the market-implied probability of a *September* Federal Reserve rate hike to fall below 40%.
- **Special Situations Screener Launch:** Development of an institutional screener scanning thousands of ISINs and CUSIPs utilizing Claude AI predictive analytics, slated for public launch in late *September*.
- **Consumer Dynamics & The Wealth Effect:** Severe divergence between historic lows in consumer sentiment and resilient nominal spending driven by the top 10% of income earners (who account for 60% of US spending), bolstered by equity and real estate wealth effects despite collapsing personal savings rates.
- **Geopolitical Risks & Midterm Timing Strategy:** Volatility is expected to remain low with smoother sailing through *August*, *September*, and *October*. Geopolitical risks with Iran and post-election friction are projected to escalate sharply following the *November* midterm elections, warranting proactive risk reductions in *October* and *November*.
- **Special Situations Arbitrage Updates:**
 - **Caesars Entertainment:** Proxy filed following the *July 10th Icahn Group* \$34.00/share cash offer; sticking points include leverage, debt covenants, and equity rollover demands. Extended go-shop expired midnight *Monday*, doubling the termination fee to \$200 million.
 - **Paramount Skydance / Warner Bros. Discovery:** Spread tightened from 20% to 15% after former California AG Javier Becerra supported a settlement and movie theater chains endorsed 45-day theatrical exclusivity terms.
 - **Teledyne / Varex Imaging:** Definitive all-cash acquisition announced at \$18.90 per share (+50% weekly surge), slated to close in Q1 2027.
 - **Fox / Roku:** Preliminary S-4 filed following an HSR refiling with waiting period expiring *September 8th*.
- **AI & Tech Infrastructure Highlights:**
 - **Nvidia:** Formed a \$500 billion financing consortium with **Apollo**, **BlackRock**, **Blackstone**, **Brookfield**, **Goldman Sachs**, and **KKR** to fund AI factories, offering up to 25% residual value support.
 - **Riot Platforms / Anthropic:** Long-term 109 MW to 286 MW compute agreement through *June 2048* valued between \$9.1 billion and \$16.1 billion.
 - **Unity Software:** Operational turnaround underway with Vector AI ad platform accelerating past a \$1.0 billion run-rate and core 3D engine duopoly intact.
 - **CoreWeave & Wi-Fiber:** Blowout earnings beats reported; **Wi-Fiber's** contract momentum directly benefits partner **Bit Digital**.
 - **Micron Technology:** Projected by **Morgan Stanley** to generate \$400 billion in cumulative operating profit across 2026 and 2027 on HBM dominance.
- **Private Equity & Credit Bottleneck:** A record 33,575 unsold portfolio companies are trapped in PE portfolios due to elevated interest rates, valuation mismatches, and software sector multiples compression.

Actionable Items

- **Macro Trends to be Aware of:**
 - Prepare to cut overall risk exposure across portfolios in *October* and *November* ahead of the US midterm elections and anticipated geopolitical escalation in the Middle East.
 - Maintain overweight allocations to preferred shares over plain vanilla corporate bonds and benchmark fixed income.

- **Potential Additions to the Portfolio:**

- **Unity Software (U):** Accumulate shares between \$35.00 and \$40.00, targeting a base case of \$55.00 and an upside bull target of \$70.00+.
- **Riot Platforms (RIOT):** Initiated position around \$19.85 following post-announcement pullback; target fair value of \$35.00 to \$40.00 per share.
- **Bit Digital (BTBT):** Maintain exposure following strong results and contract wins from partner **Wi-Fiber (WYFI)**.
- **AppLovin (APP):** Opportunistically add in the low \$300s following broker downgrade and valuation reset.
- **Chinese Equities / Tech:** Maintain positions in undervalued names (**Baidu, Alibaba**) in anticipation of broad domestic stimulus announcements later this year.

- **Potential Reductions in the Portfolio:**

- **Babcock & Wilcox Enterprises (BW):** Trimmed 50% of the long position into the +40% post-earnings surge.

- **Potential Additions to Shorts:**

- **Great Basin Financial Holdings (GBFH):** High-conviction short candidate with ~50% downside risk; heavily mispriced as a gaming tech platform while fundamentally an undiversified economy hotel lender exposed to higher rates.
- **DFNS Acquisition Corp (DFNS):** Short candidate; speculative shell company managed by Manny Shalom pivoting from fintech to defense with negligible trailing revenues (\$3.6 million) and dilutive history.
- Re-establish broad equity hedges on further market strength heading into Q4 2026.

- **Ideas Worth Monitoring for Future Portfolio Actions:**

- **SEACOR Marine Holdings (SMHI):** Monitor for activist-driven upside (**Pointillist** owning 7.2%, Software owning 3.5%); trades around \$10.00 against broker net asset values exceeding \$20.00 per share.
- **Octave Systems (OCTV):** Screen AI-native SaaS business trading at 11x EV/EBITDA.
- **Navient Corporation (NAVI):** Deep value idea tracked by **Gator Capital** trading at 0.4x tangible book value as private credit origination offsets legacy student loan run-off.
- **Baso Corp (BASO):** Micro-cap net-cash asset play with negative enterprise value (\$40 million market cap vs. \$38 million net cash).
- **Gravity Co. (GRVY):** Korean gaming studio trading at 0.3x ex-cash EV/EBITDA with \$400 million in net cash against a \$430 million market cap.
- **Workday (WDAY):** Monitor takeover/LBO developments by **Silver Lake** to gauge private equity floors for the enterprise software sector.
- **Special Situations Arbitrage:** Track closing milestones and vote dates for **Payoneer (PAYO)** (September 14th vote), **ATAI Life Sciences (ATAI)** (September 8th vote), and **Warner Bros. Discovery (WBD)** regulatory settlement progress.

- **Ideas from the Q&A Section:**

- Exercise caution regarding Business Development Companies (BDCs) due to private equity exit bottlenecks forcing higher Payment-in-Kind (PIK) interest and potential principal impairments.
- Rely on high-quality preferred securities (such as **Duke Energy**) rather than low-grade credit to buffer against transient long-end yield spikes.

Stock Symbols & Company Names List

ACT (Enact Holdings), **ADBE** (Adobe), **ADI** (Analog Devices), **AGIBOT** (Agibot), **ALC** (Alcon), **AMAT** (Applied Materials), **AMC** (AMC Entertainment Holdings), **AMD** (Advanced Micro Devices), **AMZN** (Amazon.com), **ANTHROPIC** (Anthropic), **APO** (Apollo Global Management), **APP** (AppLovin), **AAPL** (Apple), **ATAI** (ATAI Life Sciences), **AXON** (Axon Enterprise), **BABCOCK** (Babcock & Wilcox Enterprises), **BAIDU** (Baidu), **BAC** (Bank of America), **BASO** (Baso Corp), **BABA** (Alibaba Group Holding),

BILL (BILL Holdings), **BJ** (BJ's Wholesale Club Holdings), **BX** (Blackstone), **BLK** (BlackRock), **BN** (Brookfield Asset Management), **BTBT** (Bit Digital), **BW**(Babcock & Wilcox Enterprises), **C** (Citigroup), **CG** (The Carlyle Group), **CHRONO** (Chrono Family Holdings), **CINEWORLD** (Cineworld Group), **COHR** (Coherent Corp.), **COTY** (Coty), **CRNX** (Crinetics Pharmaceuticals), **CSCO** (Cisco Systems), **CW** (CoreWeave), **DE** (Deere & Company), **DFNS** (DFNS Acquisition Corp), **DUK** (Duke Energy), **FOXA** (Fox Corporation), **FUTU** (Futu Holdings), **GBFH** (Great Basin Financial Holdings), **GOOGL**(Alphabet), **GRVY** (Gravity Co.), **GS** (Goldman Sachs Group), **GTBG** (GTBG), **HD** (The Home Depot), **HIMS**(Hims & Hers Health), **ICE** (Intercontinental Exchange), **INTC** (Intel Corporation), **KKR** (KKR & Co.), **KVUE**(Kenvue), **LOW** (Lowe's Companies), **MA** (Mastercard), **META** (Meta Platforms), **MRVL** (Marvell Technology), **MS**(Morgan Stanley), **MSFT** (Microsoft Corporation), **MU** (Micron Technology), **NAVI** (Navient Corporation), **NBIS**(Nebius Group), **NFLX** (Netflix), **NVDA** (NVIDIA Corporation), **OCTV** (Octave Systems), **OPENAI** (OpenAI), **ORCL** (Oracle Corporation), **PAYO** (Payoneer Global), **PONY** (Pony.ai), **PROOFPOINT** (Proofpoint), **PYPL**(PayPal Holdings), **RDDT** (Reddit), **RIOT** (Riot Platforms), **RCLB** (Rocket Lab USA), **ROKU** (Roku), **ROST** (Ross Stores), **SANDISK** (SanDisk), **SCHW** (The Charles Schwab Corporation), **SIEMENS** (Siemens Energy), **SKHYNIX**(SK Hynix), **SLVRLAKE** (Silver Lake), **SMCI** (Super Micro Computer), **SMHI** (SEACOR Marine Holdings), **SPGI**(S&P Global), **SPOT** (Spotify Technology), **TGT** (Target Corporation), **THOMABRAVO** (Thoma Bravo), **TJX** (The TJX Companies), **TOL** (Toll Brothers), **TSLA** (Tesla), **TSM** (Taiwan Semiconductor Manufacturing Company), **U**(Unity Software), **UNITREE** (Unitree Robotics), **V** (Visa), **VAREX** (Varex Imaging Corporation), **VISTA** (Vista Equity Partners), **VKTX** (Viking Therapeutics), **WB** (Weibo Corporation), **WBD** (Warner Bros. Discovery), **WDAY**(Workday), **WEN** (The Wendy's Company), **WMT** (Walmart), **WYFI** (Wi-Fiber), **ZIM** (ZIM Integrated Shipping Services), **ZYNG** (Zynga)

Economic Calendar

Date of Event	Event	Summary of Commentary
Monday, August 17, 2026	Empire State Manufacturing Index	Expected to decline sharply from 15.6 to 10.5, indicating softening regional manufacturing activity.
Tuesday, August 18, 2026	Housing Starts (MoM)	Projected to drop from 1.427 million to 1.350 million units, reflecting the ongoing drag from elevated mortgage rates.
Tuesday, August 18, 2026	Earnings: The Home Depot (HD) , Baidu (BAIDU) , Pony.ai (PONY) , Toll Brothers (TOL)	Housing bellwethers reporting alongside Chinese tech and autonomous driving leaders.
Wednesday, August 19, 2026	Industrial Production & Capacity Utilization	Assessment of real manufacturing and industrial momentum across the broader economy.
Wednesday, August 19, 2026	Earnings: Target (TGT) , The TJX Companies (TJX) , Lowe's (LOW) , Analog Devices (ADI) , Viking (VKTIX) , ZIM (ZIM)	Key consumer retail reports alongside analog semiconductors and global ocean container shipping.
Wednesday, August 19, 2026 (After-Market)	Earnings: BILL Holdings (BILL) , Coty (COTY) , Weibo (WB) , The Carlyle Group (CG)	Small-business SaaS trends, global cosmetics, Chinese social media, and private equity realizations.
Thursday, August 20, 2026	Initial Jobless Claims & Leading Economic Index (LEI)	Weekly labor market check; LEI projected at +0.1%, consistent with stable ~2% annual GDP growth.
Thursday, August 20, 2026	Earnings: Walmart (WMT) , Alibaba Group (BABA) , Advance Auto Parts (AAP) , Deere & Co. (DE) , Futu Holdings (FUTU) , Ross Stores (ROST)	Critical gauge of lower/middle income consumer spending, agriculture CapEx, and Asian e-commerce.
Friday, August 21, 2026	S&P Global Flash Manufacturing, Services, and Composite PMIs	August Manufacturing PMI expected flat at 53.9; Services easing to 53.9 from 54.6; Composite easing to 53.7 from 54.5.
Friday, August 21, 2026	Earnings: BJ's Wholesale Club (BJ)	Final tier-one wholesale retail reading on consumer staples and ticket sizes.
Tuesday, September 8, 2026	ATAI Life Sciences (ATAI) Shareholder Vote	Special meeting scheduled for shareholder vote on proposed transaction.
Tuesday, September 8, 2026	Fox (FOXA) / Roku (ROKU) HSR Waiting Period Expiration	Hart-Scott-Rodino statutory review period expires at midnight following voluntary refiling on August 7th.
Monday, September 14, 2026	Payoneer (PAYO) Shareholder Vote	Shareholder meeting to vote on the definitive proxy merger agreement.

Report Details

Introduction and Market Overview

The week concluded with meaningful shifts across US macroeconomic indicators. Disinflationary momentum resumed with the Consumer Price Index (CPI) and Producer Price Index (PPI) printing below consensus expectations. Simultaneously, retail sales contracted sharply, pushing the market-implied probability of a *September* Federal Reserve interest rate hike below the 40% threshold.

Macro Data Dashboard (July Prints)

- **Headline Retail Sales:** -0.6% MoM (Consensus: +0.1% | Prior: +0.2%)
- **Control Group Sales:** -0.4% MoM (Excludes Autos, Gas, Building Materials, Food)
- **Headline PPI:** +0.0% MoM (Consensus: +0.2% | YoY: 4.7% vs 4.9% Expected)
- **September Rate Hike Odds:** < 40.0% (Down from ~65% pre-CPI/Retail prints)

Special Situations Screener Tool Development

The SSR research and engineering group is finalizing an institutional-grade Special Situations Screener scheduled to launch on the community platform in late *September 2026*.

- **Coverage Scope:** Scans thousands of global ISINs and CUSIPs to eliminate blind spots across small-cap equities, stub trades, spin-offs, and CUSIP-level credit mispricings.
- **Predictive Framework:** Integrates machine learning predictive analytics developed in collaboration with dedicated software engineers using Claude LLM primitives.
- **User Workflow:** Designed as an interactive web tool allowing members to run customized event-driven screens and identify idiosyncratic trading opportunities.

Call Agenda and Key Topics

The call outlined a full review of the upcoming macro economic calendar, tier-one retail earnings releases, special situations arbitrage developments (specifically **Caesars Entertainment**, **Warner Bros. Discovery**, and **Varex Imaging**), and detailed write-ups on tactical trades and portfolio trims.

Unity Software (U) Stock Analysis

Unity Software (U) represents a compelling turnaround story following a strong quarterly earnings report. The perceived threat of generative AI making proprietary game engines obsolete is overblown by the market.

- **Core Moat:** **Unity Software** operates a global duopoly alongside **Epic Games' Unreal Engine**, underpinning over 60% of top mobile titles and serving as an essential development standard for spatial computing and digital twins.
- **Valuation & Targets:** Target accumulation range is between \$35.00 and \$40.00 per share, with a fundamental base case fair value target of \$55.00 and a bull case upside exceeding \$70.00 per share.

Overview of Upcoming Topics

The discussion previewed several core topics: the **Caesars Entertainment** takeover proxy dynamics; the **Teledyne** acquisition of **Varex Imaging**; consumer sentiment divergence from nominal spending; the massive outperformance of proprietary preferred shares (+6% to +9% YTD) against flat/negative benchmark fixed income; **Goldman Sachs'** analysis on optical networking stocks outperforming memory; operational updates on the US-Iran geopolitical conflict; the 40% earnings surge in **Babcock & Wilcox Enterprises**; and **Riot Platforms'** anchor 20-year compute contract with **Anthropic**.

Market Outlook and Geopolitical Risks

Financial markets are positioned for relatively smooth sailing and lower volatility throughout the remainder of *August*, *September*, and *October*. However, significant macro and geopolitical risks are projected to re-emerge following the *November* US midterm elections.

- **Geopolitical Drivers:** The current US administration's measured stance in Middle Eastern military operations is perceived as a tactical pause driven by munitions constraints and a desire to avoid oil price spikes before the election.
- **Post-Election Risk:** Geopolitical hostilities and retaliatory actions could escalate aggressively post-*November*, particularly if control of the US House of Representatives changes hands. A proactive reduction in aggregate portfolio risk is recommended by *October/November*.

Jensen's Op-Ed on Nvidia (NVDA)

NVIDIA Corporation (NVDA) CEO Jensen Huang published an extensive operational op-ed outlining the transformation of data centers into modernized "AI Factories" supported by recurring industrial financing models.

Additional Topics for Discussion

Upcoming deep-dives were previewed regarding record S&P 500 earnings growth, private equity realization bottlenecks (over 33,500 unsold portfolio companies), **Apollo Global Management's** push to assign CUSIPs to private credit assets, and **Intel Corporation's** upsized common stock offering.

Recap of the Week's Events and Looking Ahead

A review of daily trading activity highlighted blowout earnings from **CoreWeave** and **Wi-Fiber**, surging user adoption for **Alphabet's Gemini** (>1.0 billion Monthly Active Users), **Silver Lake's** rumored take-private LBO of **Workday**, and **Micron Technology's** projected \$400 billion two-year profit trajectory.

Insider Buying at Intel (INTC)

Intel Corporation (INTC) board member Lip-Bu Tan demonstrated significant insider conviction by purchasing 100,000 shares of common stock at \$95.00 per share (\$9.5 million total investment) following the company's recent equity offering. While the equity raise caused ~5% dilution, the capital directly funds advanced wafer packaging and physical AI silicon fabrication.

Economic Calendar and Key Indicators

The upcoming macro slate features high-impact housing, manufacturing, and output releases:

- **Empire State Manufacturing Index:** Projected to decline from 15.6 to 10.5.
- **Housing Starts:** Forecast to soften from 1.427 million to 1.350 million annualized units under the weight of peak mortgage rates.
- **PMI Indicators:** *August* Flash Manufacturing PMI expected flat at 53.9; Services easing slightly to 53.9 (from 54.6); Composite easing to 53.7 (from 54.5).
- **GDP Growth Trajectory:** Full-year US GDP growth remains anchored around 2.0%, supported almost entirely by enterprise AI capital expenditures rather than broad consumer expansion.

Upcoming Earnings Week

The market enters the heaviest week of the Q2 retail earnings cycle, providing critical color on household discretionary spending health. Key reporters include:

- *Tuesday:* **The Home Depot (HD)**, **Baidu (BAIDU)**, **Pony.ai (PONY)**, **Toll Brothers (TOL)**.
- *Wednesday:* **Target (TGT)**, **The TJX Companies (TJX)**, **Lowe's (LOW)**, **Analog Devices (ADI)**, **Viking (VKTX)**, **ZIM Integrated Shipping (ZIM)**, **BILL Holdings (BILL)**, **Coty (COTY)**, **Weibo (WB)**, **The Carlyle Group (CG)**.

- *Thursday*: **Walmart (WMT)**, **Alibaba Group (BABA)**, **Advance Auto Parts (AAP)**, **Deere & Co. (DE)**, **Futu Holdings (FUTU)**, **Ross Stores (ROST)**.
- *Friday*: **BJ's Wholesale Club (BJ)**.

Special Situations Update: Caesars, Warner Brothers, and Varex

Arbitrage Spread & Catalyst Tracker

- **Caesars Entertainment (CZR)**: **Icahn Group** bid \$34.00/sh; termination fee doubled to \$200M post go-shop expiration.
- **Paramount / WBD**: Spread compressed from 20% to 15%; 45-day exclusive theatrical window agreed.
- **Varex Imaging (VREX)**: Acquired by **Teledyne (TDY)** for \$18.90/sh in all-cash definitive deal (+50% weekly surge).
- **Fox (FOXA) / Roku (ROKU)**: DOJ HSR waiting period refiled; statutory deadline midnight *September 8, 2026*.

Detailed transaction highlights:

- **Caesars Entertainment (CZR)**: The definitive proxy revealed that the **Icahn Group** submitted a \$34.00 per share all-cash acquisition proposal on *July 10th*. Sticking points center on post-transaction leverage, debt change-of-control covenants, and Carl Icahn's condition requiring the Chrono family to roll over their equity into the buyout vehicle. The extended go-shop window formally expired at midnight on *Monday*, triggering an increase in the contract termination fee from \$100 million to \$200 million.
- **Warner Bros. Discovery (WBD) & Paramount Skydance**: The gross arbitrage spread narrowed from 20% to 15% after former California Attorney General Javier Becerra publicly endorsed a negotiated settlement in the state's antitrust lawsuit against the \$110 billion merger. Deal momentum was further solidified after **Paramount** signed binding 3-year distribution agreements with **AMC Entertainment (AMC)** and **Cineworld's Regal Cinemas**, guaranteeing a 45-day exclusive theatrical release window and a 90-day streaming window across 30 films annually.
- **Varex Imaging (VAREX)**: Shares spiked 50% following a definitive merger agreement under which **Teledyne (TDY)** will acquire all outstanding shares of **Varex Imaging** for \$18.90 per share in cash. The transaction was unanimously approved by both boards and is slated to close in Q1 2027.
- **Fox Corporation (FOXA) / Roku (ROKU)**: **Fox** voluntarily withdrew and refiled its HSR antitrust notification on *August 7th* to provide the DOJ additional review time, resetting the waiting period deadline to midnight on *September 8th*. A strategic initiatives committee of independent **Roku** directors conducted a confidential market check dating back to *March 2026*, engaging 11 prospective bidders.
- **Other Regulatory & Vote Catalysts**: **Crinetics Pharmaceuticals (CRNX)** received Austrian antitrust approval; **Payoneer (PAYO)** scheduled its shareholder vote for *September 14th*; **ATAI Life Sciences (ATAI)** scheduled its shareholder vote for *September 8th*; and the European Commission commenced review of **Longreach's** proposed merger with **GTBG**.

Consumer Sentiment and Spending Analysis

The Consumer Disconnect Framework

- **Consumer Sentiment Index**: Near all-time record lows; weighed down by cumulative inflation (+25% in 5 years), cost of living increases, and high interest rates.
- **Nominal Consumer Spending**: Remains strong; driven by top 10% income earners (who account for 60% of total spend), robust equity and housing wealth effects, and a collapsing personal savings rate.

A historic disconnect persists between consumer sentiment and actual nominal spending. While University of Michigan sentiment metrics hover near record lows—reflecting cumulative inflation (+25% over 5 years) and AI disruption anxieties—consumer spending remains stable:

- **Spending Concentration**: The top 10% of income earners currently drive 60% of aggregate US consumption, up from 30% two decades ago.

- **Behavior vs. Sentiment:** Traditional sentiment surveys no longer serve as direct leading indicators of spending behavior because upper-income household balance sheets remain insulated from inflation.

The Push and Pull on US Consumers: Labor Market and Wealth Effect

The resilience in aggregate consumption is underpinned by the macroeconomic wealth effect:

- **Wealth vs. Income Effect:** Booming equity markets and elevated home prices have driven the personal savings rate toward historical lows. Asset-rich homeowners and retirees continue spending out of net worth rather than current real wage growth.
- **Labor Mobility & Tax Policy:** Changes under the One Big Beautiful Bill and tighter immigration enforcement have boosted after-tax incomes for lower-wage service workers. However, broader labor market turnover and voluntary quit rates remain subdued.

Impact of High Interest Rates on Housing and Mobility

Persistently elevated mortgage rates have locked the residential housing market:

- **The Lock-In Effect:** Homeowners with legacy fixed mortgage rates sub-3.5% refuse to sell, preventing existing home supply from expanding and keeping home prices elevated despite poor affordability.
- **Structural Stability:** Adjustable-rate mortgages (ARMs) comprise less than 8% of total outstanding mortgages (compared to over 35% prior to the 2008 Global Financial Crisis), eliminating near-term forced liquidation risks.

Conclusion: Consumer Health and Market Outlook

While consumer spending can persist at depressed savings rates for another few years, the divergence between nominal GDP growth (driven by enterprise AI investment) and total payroll growth is historically unsustainable. Corporate earnings deceleration—driven by an eventual pause in AI infrastructure CapEx—represents the primary catalyst that could ultimately break the broader economic cycle.

July Retail Sales Miss and Analysis

Headline US retail sales declined -0.6% MoM in *July* to \$763.6 billion (vs. +0.1% consensus expectations), while the core control group dropped -0.4% MoM:

- **Non-Store Retailers:** Plunged -2.2% MoM due to calendar distortions resulting from **Amazon.com (AMZN)** hosting Prime Day in *June* instead of *July*.
- **Motor Vehicles & Parts Dealers:** Contracted -1.8% MoM as promotional OEM financing rolled off.
- **Gasoline Stations:** Declined ~1.0% MoM due to unadjusted pump price reductions in early *July*.
- **Electronics & Appliance Stores:** Decreased -0.5% MoM, impacted by higher component memory costs.
- **Food Services & Drinking Places:** Increased +0.5% MoM, representing the primary pocket of underlying strength.

Fixed Income Performance Review

Year-to-Date Fixed Income Returns

- **Bank Loans:** +2.0%
- **Emerging Market Debt:** +1.7% to +1.8%
- **High Yield (HY) Credit:** +1.5%
- **Municipal Bonds:** +0.4%
- **Mortgage-Backed Securities (MBS):** -0.5%
- **Investment Grade (IG) Corporates:** -1.0%
- **US Treasuries:** -1.0%

- **Proprietary Preferred Portfolio:** +6.0% to +9.0% (Mid-to-High Single Digits)

The proprietary preferred stock portfolio has outperformed standard benchmarks by more than 2x, providing substantial high-yielding carry with limited duration vulnerability.

Goldman Sachs on Optical vs. Memory Stocks

Following equivalent 30% pullbacks across both sectors during *July*, **Goldman Sachs** noted that optical networking equities have outperformed memory semiconductor stocks by 20 percentage points in *August*, driven by tighter structural supply constraints for high-speed transceivers.

Iran War Update and Oil Market Impact

Energy markets remain volatile amid ongoing Middle Eastern hostilities:

- **Crude Benchmarks:** Brent crude trades near \$88.70 per barrel and WTI near \$81.53 per barrel (+40% YTD).
- **Strategic US Realignments:** The US Navy withdrew the *USS George Washington* aircraft carrier from Asia to relieve the *USS Abraham Lincoln* in the Persian Gulf.
- **South Korea Alliance Friction:** President Trump instructed the Pentagon to curtail joint military exercises with South Korea, citing high costs and frustration over Seoul's refusal to commit forces to Persian Gulf operations.

Babcock & Wilcox (BW) Earnings Beat

Babcock & Wilcox Enterprises (BW) posted outstanding Q2 2026 results, driving a 41.6% surge in the stock:

- **Financial Metrics:** Revenue surged 130% YoY to \$319.7 million; net income reached \$14.0 million (compared to a \$(60.0) million net loss in Q2 2025).
- **Guidance & Repurchases:** Full-year 2026 Adjusted EBITDA guidance was raised to \$80M–\$105M, accompanied by a new \$50 million share buyback authorization.
- **Order Book Expansion:** Backlog climbed 533% YoY to \$2.6 billion, bookings rose 38% to \$151 million, and the global identified project pipeline exceeded \$14.0 billion.
- **Turbine Capacity:** Secured 1.0 GW of steam turbines from **Siemens Energy** to support dedicated power generation for hyperscale data centers.
- **Trade Action:** 50% of the long position was trimmed into the pre-market strength.

Riot Platforms (RIOT) and Anthropic Deal

Riot Platforms (RIOT) announced a landmark 20-year compute hosting contract with **Anthropic**:

- **Contract Structure:** Initial deployment of 109 MW at **Riot's** Rockdale, Texas campus generates \$9.1 billion in contractual revenue through *June 2048*, with options to upsize to 286 MW and \$16.1 billion in total proceeds.
- **Unit Economics:** Implies ~\$2.4 million per MW annual rent at an 80% to 90% NOI margin against an estimated \$11.0 million per MW build CapEx.
- **Valuation Impact:** Adds ~\$15.00 per share in net asset value, supporting an equity fair value of \$35.00 to \$40.00 per share. Commercial deployment commences in *December 2027* with full scale reached by *June 2028*.
- **Trade Action:** Position initiated on the post-announcement pullback at \$19.85.

Satori Fund Tech Update and Market Insights

Dan Niles of the Satori Fund shared key observations on tech multiples, earnings, and election seasonality:

- **AI Growth Drivers:** Generative AI infrastructure has substantial runway; token production is up 7.5x since *January 2026*, offsetting 50% token cost reductions.
- **Hyperscaler Strength:** Combined annualized revenues for **OpenAI** and **Anthropic** crossed \$100 billion, with

Anthropic achieving Q2 profitability and targeting an *October 2026* IPO. Cloud growth at **Amazon, Microsoft**, and **Google** accelerated to 43% YoY in Q2 2026 with cloud operating margins expanding to 39%.

- **Midterm Seasonality:** Historical S&P 500 performance during midterm election years from late *July* to *November 9th* shows a median gain of only +0.9% (with a median drawdown of -6.2%), compared to +2.7% in non-midterm years. Hedges should be layered into Q3 strength ahead of *October*.

Jensen's NVIDIA AI Factory

Jensen Huang announced institutional financing partnerships with **Apollo, BlackRock, Blackstone, Brookfield, Goldman Sachs**, and **KKR** to mobilize \$500 billion in independent third-party capital for AI infrastructure build-outs:

- **Asset-Backed Financing:** Compute clusters are now financed as standalone infrastructure assets, with institutional lenders underwriting projects based on power access, customer utilization, and cash flows.
- **Nvidia Risk Backstop:** Nvidia provides a residual value support mechanism covering up to 25% of select project opportunities.
- **Hardware Useful Life:** Real-world utilization refutes rapid depreciation models; legacy **A100** GPUs remain productive six years post-launch. On-demand rental rates for **H100** instances rose from \$2.00/GPU-hour in *October 2025* to \$2.70/GPU-hour in *June 2026*, while **Blackwell B200** pricing spans \$5.30 to \$7.00 per GPU-hour.

Can the Market Absorb This Capacity and ROI Questions

Market absorption is supported by enterprise AI applications across automated software development, drug discovery, and operational robotics. AI factories generate real cash return on investment by converting electricity and raw data into commercial software and automated services.

The Infrastructure of Intelligence

AI compute infrastructure represents the foundational utility asset class of the modern economy, mirroring historical external capital deployments into electric grids, railroads, and telecommunications networks.

Red Flag: Private Equity's Unsold Companies

Private Equity Industry Inventory

- **Active Unsold PE Portfolio Companies:** 33,575 (*June 30, 2026* PitchBook data)
- **Prior Year-End Unsold Count:** 32,451
- **Decade-Ago Unsold Count (2016):** 15,923
- **US PE 4-Year Annualized Returns (*July 2022*–*March 2026*):** 6.4% (vs S&P 500: 15.0% | Nasdaq: 19.0%)
- **US PE-Backed IPOs (*2022*–*2026*):** 70 (vs 424 from 2017–2021)

Industry headwinds:

- **Exit Bottlenecks:** Over 80% of PE exits historically involved selling companies between sponsor firms. Elevated borrowing costs have frozen sponsor-to-sponsor deal flow.
- **Performance Lag:** From *July 2022* to *March 2026*, US private equity generated annualized returns of just 6.4%, severely lagging the S&P 500 (15.0%) and Nasdaq (19.0%).
- **Software Valuation Overhang:** Portfolios remain saturated with software assets acquired at peak 2021 multiples that cannot be liquidated without significant principal writedowns.

Private Equity Exits, M&A, and IPOs

Only 70 PE-backed companies completed IPOs between 2022 and 2026, compared to 424 public listings from 2017 to 2021:

- **Debt Restructurings:** **Thoma Bravo** executed an amend-and-extend with lenders on **Proofpoint** (\$12.0 billion acquisition) to avert default; **Blackstone** extended maturities on **Ancestry.com** (\$4.7 billion acquisition) six years

into its hold period; and **Vista Equity Partners** has held **Solera Holdings** for over a decade (\$6.5 billion acquisition in 2016).

- **Private Credit CUSIPs:** **Apollo Global Management** is attempting to assign CUSIPs to its private credit loans to enhance secondary market liquidity.

S&P 500 Earnings Review

Q2 2026 blended revenue growth for the S&P 500 reached 15.0% YoY, marking the fastest expansion pace since Q4 2021 (16.0%):

- **Sector Leadership:** All 11 sectors reported positive revenue growth, led by Energy and Information Technology (+35.9% YoY).
- **Sub-Industry Growth:** Within IT, semiconductors surged 77%, hardware gained 31%, electronic equipment rose 21%, communication equipment added 20%, software climbed 18%, and IT services grew 4%.
- **Core Contribution:** Excluding IT and Energy, aggregate index revenue growth drops to 9.7%. Full-year 2027S&P revenue growth is estimated at 8.4%.

Detailed Earnings Breakdown and Surprises

S&P 500 Q2 2026 Earnings Attribution

- **Blended S&P 500 EPS Growth:** 50.4% YoY (32.0% ex-**Alphabet** & **Amazon**)
- **Aggregate S&P 500 Revenue Growth:** 15.0% YoY (9.7% ex-IT & Energy)
- **Companies Exceeding EPS Estimates:** 86.0% (vs. 76.0% 10-Year Average)
- **Aggregate Earnings Beat Margin:** 29.2% (11.0% ex-**Alphabet** & **Amazon**)

Detailed earnings performance:

- 88% of S&P 500 companies have reported Q2 2026 results, with 86% beating consensus EPS estimates.
- **Aggregate Beat Margin:** Corporate earnings are beating expectations by an aggregate 29.2% (vs. 7.0% 5-year average), marking the largest surprise margin since FactSet tracking began in 2008.
- **Mark-to-Market Distortions:** S&P earnings surprises were heavily impacted by non-operating unrealized gains on **Anthropic** equity holdings recorded by **Alphabet** (+\$98.0 billion gain; actual EPS \$9.11 vs. \$2.88 expected) and **Amazon.com** (+\$53.4 billion gain; actual EPS \$5.75 vs. \$1.82 expected).
- **Adjusted Index Growth:** Excluding **Alphabet** and **Amazon**, the blended Q2 earnings beat margin falls to 11.0%, and blended earnings growth moderates from 50.4% to 32.0% YoY—still representing the second consecutive quarter above 25% and seventh consecutive quarter of double-digit growth.

Intel Stock Offering

Intel Corporation (INTC) upsized its common equity offering from \$15.0 billion to \$20.0 billion to fund packaging infrastructure, advanced process node development, and custom physical AI silicon. The stock rebounded following the completion of the raise.

Unity Software Analysis

Unity Software (U) Segment Overview

- **Create Solutions:** Core 2D/3D game engine duopoly with **Unreal Engine**; powers >60% of top mobile games; digital twins and XR/spatial development across **Apple Vision Pro** and **Meta Quest**.
- **Grow Solutions:** Vector AI ad tech platform; cross-network mediation (**LevelPlay**, **Tapjoy**, **Aura**); Day-28 ROAS campaign targeting; exited low-margin **IronSource** networks and **Supersonic** publishing assets.

Unity Software (U) is positioned for significant upside driven by its strategic turnaround:

- **Create Solutions:** Powers the real-time 3D development pipeline across iOS, Android, PC, consoles, **Apple Vision Pro**, and **Meta Quest**, expanding into digital twins and industrial engineering.
- **Grow Solutions (Vector AI):** The Vector machine learning ad platform surpassed a \$1.0 billion run-rate two quarters ahead of plan, expanding revenue +23% QoQ. Transitioning from legacy 7-day metrics to Day-28 return on ad spend (ROAS) optimization significantly increased mobile game developer ad spend.
- **Operational Turnaround:** CEO Matt Bromberg restructured operations, divested non-core assets (**Supersonic**, sunsetting legacy **IronSource** networks), cut overhead, and expanded Adjusted EBITDA margins to 27%.

Unity's Market Position and Outlook

Unity Software (U) is deployed in 70% of the top 1,000 mobile titles. Q2 revenue reached \$546.5 million vs. \$514.0 million consensus. Financial modeling indicates a base case fair value target of \$55.00 per share and an upside bull target of \$71.00+ per share, offering >25% to >60% upside from entry levels.

AI's Impact on Jobs

Research from **Apollo Global Management** and **Goldman Sachs** indicates that widespread displacement of the US workforce by AI remains limited:

- **Productivity & Exposure:** While AI could boost labor productivity by 15% over the next decade (adding \$7.0 trillion to global GDP), long-term direct displacement is estimated at ~7% of total jobs.
- **Augmentation vs. Substitution:** Roles characterized by repetitive, predictable tasks face higher substitution risk, whereas sectors centered on complex data analysis, healthcare, and financial services will see workforce augmentation. AI-related job postings continue to expand across all major sectors.

Weekly Market Recap

- **Monday:** **Nvidia** launched its \$500B financing consortium. **Meta Platforms** released **Muse Glimmer** (30B parameter local model). Chinese manufacturers represented 97% of H1 2026 global humanoid robot shipments (19,000 units), led by **Agibot** (44% share) and **Unitree** (Shanghai IPO at \$9B valuation). **Microsoft** announced its **Maia 300** chip for *September*. **Rocket Lab** reported Q2 revenue of \$234 million (+62% YoY). **Hims & Hers Health** beat Q2 revenue (\$750M vs. \$700M).
- **Tuesday:** **CoreWeave** reported blowout Q2 EBITDA (\$1.50B vs. \$1.43B), expanding backlog to \$104 billion and active power to 1.5 GW. **Google's Gemini** crossed 1.0 billion MAUs. **Bank of America** downgraded **AppLovin** to Neutral (\$400 PT). President Trump floated capital gains tax cuts indexed to inflation and primary residence exemptions up to \$2.0 million. **Super Micro Computer** missed Q4 revenue (\$11.1B vs. \$11.55B) but beat EPS (\$1.70 vs. \$0.96). Existing home sales dropped 1.7% in *July* to 4.06M annualized pace with median prices at \$434.1k.
- **Wednesday:** **Nebius Group** surged 34% after Q2 revenue rose 514% YoY to \$582 million with Adjusted EBITDA of \$236 million. **Bank of America** committed \$250 billion through mid-2027 toward AI infrastructure and energy storage. **OpenAI** enterprise run-rate revenue climbed 32% MoM. **Triam Partners** explored taking **Wendy's** private. **Google** unveiled the **Pixel 11** smartphone suite (\$899–\$1,900) and **Pixel Watch 5** (\$400). Bill Ackman re-entered **Netflix** and added to **Visa**, **Mastercard**, **ICE**, **Alcon**, and **S&P Global**. Financial industry payrolls dropped by 14,000 in *July* to 9.1 million.
- **Thursday:** **SanDisk** surged 14% at its Investor Day after unveiling High-Bandwidth Flash (HBF) showing 8x CapEx efficiency over HBM GPUs and guiding for ~80% gross margins and 50% FCF margins. US PPI printed flat at 0.0% MoM (4.7% YoY). Norway's \$2.3 trillion sovereign wealth fund posted \$184 billion in H1 profit (+9.4%). **OpenAI** annualized revenues crossed \$40 billion. **Reddit** was selected for addition to the S&P 500.

Friday Market Movers & Earnings

- **CoreWeave & Wi-Fiber:** **CoreWeave** common rallied 17% pre-market. **Wi-Fiber** surged 15% pre-market on Q2 revenue of \$28.8 million (vs. \$19M–\$24M expected) and announced \$380 million in cloud contracts with **Base10**, **Primetals**, **Iceland**, and **Perris**.

- **Bit Digital (BTBT):** Rallied from the \$140s to \$157 on the back of **Wi-Fiber's** contract expansion.
- **Workday (WDAY):** Gained 18% on reports of a potential take-private LBO by **Silver Lake**, supporting enterprise software stubs (**Atlassian** surged 35%).
- **Micron Technology (MU):** **Morgan Stanley** projected \$400 billion in cumulative 2026–2027 operating income on 80%–89% gross margins. **Bank of America** modeled \$236.00 in EPS by 2030 on \$100 billion in contracted backlogs.

PE Holdings Impact on BDCs

- **Question (Bitcoin Tina):** What does the private equity exit backlog mean for principal recoveries across Business Development Companies (BDCs)?
- **Analysis:** The exit bottleneck poses structural headwinds for BDCs. Portfolio companies unable to execute sponsor-to-sponsor sales or IPOs face refinancing at higher debt costs, forcing BDCs to accept Payment-in-Kind (PIK) interest rather than cash, which elevates default risks and reduces dividend coverage quality.

Preferreds, Interest Rate Risk, and the "Bessent Put"

- **Question (Dr. Inflation):** If long-end yields break higher post-November (10-year yield >5.0%, 30-year yield testing 5.5%), will preferred securities experience a 10% taper-tantrum drawdown?
- **Analysis:** A 10% widespread drawdown across high-grade preferreds is unlikely. If 30-year yields approach 5.5%, Treasury leadership under Scott Bessent would step in to modulate issuance duration and stabilize markets. Risky, low-tier preferreds could face a temporary 3% to 5% pullback, while high-quality utility preferreds (such as **Duke Energy**) should remain resilient.

Closing Remarks and Additional PDF Resources

Members were encouraged to review uploaded institutional strategy reports: **Invesco** (emerging market debt overview), **Standard Chartered** (macro balance sheets and client inflation questions), **Rothschild** (monthly macro insights), **Fidelity** (preferred security outperformance data), and **Citigroup** (corporate CapEx resilience).

Final Company Ideas

Asymmetric Trading Ideas

- **GBFH (Great Basin Financial Holdings):** Short; misclassified regional lender; ~50% downside risk.
- **DFNS (DFNS Acquisition Corp):** Short; shell vehicle with \$3.6M revenue; dilutive history.
- **SMHI (SEACOR Marine Holdings):** Long / Value; activist targets (\$10.00 share price vs. >\$20.00 broker NAV).
- **NAVI (Navient Corporation):** Long / Value; trades at 0.4x TBV; expanding private credit book.
- **BASO (Baso Corp):** Long / Cash Stub; \$40M market cap vs. \$38M net cash; negative EV.
- **GRVY (Gravity Co.):** Long / Cash Stub; 0.3x EV/EBITDA ex-cash; \$400M cash on \$430M market cap.
- **OCTV (Octave Systems):** Long Watchlist; AI-native enterprise SaaS trading at 11x EV/EBITDA.

Detailed investment rationales:

- **Great Basin Financial Holdings (GBFH) — Short:** High-conviction short candidate with ~50% downside potential. The company carries a \$1.4 billion valuation based on market perception as an emerging gaming payments platform, but fundamentally operates as an undiversified economy hotel monoline lender vulnerable to credit deterioration.
- **DFNS Acquisition Corp (DFNS) — Short:** Asymmetric short candidate; speculative corporate shell managed by Manny Shalom that pivoted from fintech into defense. Generates negligible trailing revenue (\$3.6 million) with a history of squeeze-and-dilute recapitalizations.
- **SEACOR Marine Holdings (SMHI) — Long:** Offshore vessel operator undergoing activist intervention (**Pointillist** holding 7.2%, Software holding 3.5%). Shares trade around \$10.00 against appraised broker net asset values

exceeding \$20.00 per share.

- **Navient Corporation (NAVI) — Long:** Identified by **Gator Capital** as a deep value re-rating play. Shares trade at ~40% of tangible book value (0.4x TBV) as expanding private loan origination offsets legacy student loan portfolio amortizations.
- **Baso Corp (BASO) — Long:** Micro-cap net-cash asset play with a \$40.0 million market capitalization against \$38.0 million in net cash (\$0.30 per share in net cash alongside \$0.12 per share in standalone business operations) following the sale of NetWolves for \$14.0 million.
- **Gravity Co. (GRVY) — Long:** Korean gaming studio maintaining a \$430.0 million market cap with \$400.0 million in unencumbered net cash. Supported by the *Ragnarok* IP franchise, the equity trades at an ex-cash enterprise multiple of just 0.3x EV/EBITDA.
- **Octave Systems (OCTV) — Long Watchlist:** Screened by Perness Research as an AI-native SaaS enterprise platform trading at a reasonable multiple of 11x EV/EBITDA.

Footer

- **Title:** 2026-08-16 - SSN - SSR Macro New SpecialSits Screener, CPI-PPI-Retail Sales Miss, Unity Beats, Riot Deal, BW Beats, WYFI Beats Good for BTBT - (report)
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