

2026-08-23 - SSN - Bessent Loses Control of 10Y, Gold Rallies, Crypto 3 Sigma Move, Citi Value, PRTH Special Situation, MRNA Biotech Squeeze, WBD Success in Spread Compression - (report)

Condensed Report

- **Macroeconomic Landscape & Treasury Volatility:** US Treasury Secretary Scott Bessent attempted to calm bond markets three times within three weeks with expanded long-end Treasury buybacks (quasi-QE), but yields spiked with the 10-year reaching 4.7% and the 30-year reaching 5.29%. The US national debt officially breached \$40 trillion, raising fears of Greece-style debt dynamics and a funding gap exceeding \$3.5 trillion.
- **Geopolitics & Fiscal Deficits:** Ongoing escalation in the Iran war with the Strait of Hormuz closed, coupled with a \$500 billion air/missile defense funding request (\$600B Patriot, \$400B THAAD, \$200B Navy missile defense), threatens to expand annual federal budget deficits beyond \$3 trillion. Total interest on US debt reached \$1.4 trillion, now exceeding national defense spending.
- **Trade Policy Breakdown:** US-Canada trade talks collapsed late Friday following the Trump administration's invocation of Section 338 of the Tariff Act of 1930, imposing 50% tariffs across \$20 billion of Canadian exports (including dairy, liquor, autos, plywood, electrical equipment, and hockey gear) without USMCA carve-outs. Canadian Prime Minister Mark Carney suspended negotiations and promised dollar-for-dollar retaliatory tariffs effective *September 8, 2026*.
- **Asset Class Reactions:** The US dollar tumbled, driving gold to approximately \$4,700/oz (**GLD** moved from 370 to 420), silver to \$69/oz, copper to \$6.60/lb, and triggering a 3-sigma rally across cryptocurrencies with **Bitcoin** touching \$78,000 and **Ethereum** reaching \$2,300 amid massive short squeezes.
- **Institutional Monetary Debates:** Jeffrey M. Lacker's Congressional testimony strongly challenged Kevin Warsh and Scott Bessent, advocating for a return to the 1951 Treasury-Fed Accord principles and a strict "bills only" framework to preserve Fed operational independence and prevent yield curve control/fiscal dominance.
- **Corporate Credit vs. Treasuries (Big Tech Paradox):** Massive AI capital expenditures from hyperscalers like **Alphabet/Google, Meta Platforms, Microsoft, Amazon, and Oracle** are being financed through corporate debt (yielding 6% to 8%), diverting institutional fixed-income demand directly away from US Treasuries.
- **Artificial Intelligence Sector Dynamics:** **NVIDIA** instituted price hikes exceeding 15% across servers housing **Vera Rubin** and **Grace Blackwell** chips due to soaring DRAM/NAND memory costs and pricing power from suppliers **Samsung, SK Hynix, and Micron**. Open-source models and local open-weight architectures (e.g., **Zhipu AI's OX Alpha / GLM-6**) are rapidly catching up to frontier models for routine enterprise workloads, pressuring closed-source monetization and models like **Anthropic's Fable 5**.
- **Special Situations & Merger Arbitrage:**
 - **Warner Bros. Discovery (WBD)** merger spread with **Paramount / Skydance (P-Sky)** compressed significantly from ~20% down to 8.8% after **Cinema United** joined major theater chains in supporting the transaction, backed by a \$7 million/day ticking fee.
 - **Priority Technology Holdings (PRTH):** Starter position initiated at \$5.52 following an undervalued \$6.00–\$6.15/share take-private bid by the CEO, facing strong opposition and higher valuation demands (\$10–\$20/share) from activists **Buckley Capital** and **Steamboat Capital**.
 - **CCC Intelligent Solutions (CCCS / Triple C):** Rose up to 12% on reports of buyout interest from **Copart(CPRT)** alongside private equity firms **GTCR** and **Veritas Capital**.
 - **Pilgrim's Pride (PPC):** **JBS N.V.** submitted a non-binding proposal to acquire the remaining ~18% stake it does not already own.
 - **Liberty Broadband (LBRDK):** Merger transaction expected to close around *August 20, 2026*.
 - **Brighthouse Financial (BHF):** Regulatory update provided by the Delaware Department of Insurance regarding its pending acquisition by **Aquarian Capital**.

- **Union Pacific (UNP) / Norfolk Southern (NSC):** Procedural schedule adopted by the STB with final briefs set for *May 28, 2027*.
- **Equities & Earnings Perspectives:** **Citigroup (C)** identified as an attractive large-cap value turnaround play benefiting from higher rates; **Moderna (MRNA)** and **BioNTech (BNTX)** shorted following an interim-phase oncology trial rally; **Walmart (WMT)** plunged 8% on significant same-store sales misses signaling middle-income consumer exhaustion.

Actionable Items

- **Macro Trends to Be Aware Of:**
 - Prepare for sustained higher yields at the long end of the US yield curve (10-year and 30-year) as supply indigestion, record deficits, and debt monetization concerns override tactical Treasury buybacks.
 - Monitor escalating stagflationary pressures resulting from simultaneous trade wars (Canada Section 338 tariffs) and geopolitical oil/refinery bottlenecks (Iran war and Strait of Hormuz closure).
 - Watch for potential currency debasement dynamics favoring hard assets (gold, silver, copper, real estate, agricultural land) and crypto assets over sovereign fiat fixed income.
- **Potential Additions to the Portfolio:**
 - **Citigroup (C):** Accumulate on pullbacks as an asymmetric large-cap value and interest-rate beneficiary trading below 1.2x price-to-tangible book value and ~9.5x forward P/E, with a target price of \$165.
 - **Priority Technology Holdings (PRTH):** Maintain and expand starter positions around \$5.52–\$5.61; downside is structurally cushioned near the \$6.00 buyout floor while activist pushback could extract a bump toward \$7.00–\$8.50+ (or conservative fair value of \$10.00).
 - **Hudbay Minerals (HBM) / Copper & Precious Metals:** Maintain exposure to copper and precious metals producers benefiting from physical commodity inflation and resource security themes.
- **Potential Reductions in the Portfolio:**
 - Long-duration sovereign fixed income exposed to unhedged term-premium expansion and sovereign debt issuance competition.
 - Broad US equity allocations with elevated multiples that are vulnerable to tightening equity risk premia as the 10-year yield remains above 4.7%.
- **Potential Additions to Shorts:**
 - **BioNTech (BNTX):** Maintain or scale into short positions following its sympathy squeeze (+22%), capitalizing on executive departures and weaker positioning in cancer vaccine commercialization relative to peers.
 - High-multiple software/frontier AI enterprise providers struggling with pricing power against open-source/open-weight model adoption.
- **Ideas Worth Monitoring for Future Portfolio Actions:**
 - **Warner Bros. Discovery (WBD):** Monitor the remaining 8.8% arbitrage spread tightening and legal developments involving the California Attorney General's opposition and the \$1.9 billion bond request covering the \$7 million/day ticking fee.
 - **Copart (CPRT) / CCC Intelligent Solutions (CCCS):** Track formal takeover proposals and competing bidding dynamics from **GTCR** and **Veritas Capital**.
 - **Pilgrim's Pride (PPC):** Watch for price revisions or minority shareholder negotiations in response to the buyout proposal from **JBS N.V.**
 - **S&P 500 Volatility Positioning:** Consider selling *October* VIX puts and buying *November* VIX puts to position for volatility expansion surrounding the *September* FOMC and *November* midterm elections.

Stock Symbols & Company Names List

AMZN, Amazon.com Inc., **AMD**, Advanced Micro Devices Inc., **ANAB**, Anthropic (Private / Pre-IPO), **AAPL**, Apple Inc., **ASTS**, AST SpaceMobile Inc., **ADSK**, Autodesk Inc., **AFRM**, Affirm Holdings Inc., **BABA**, Alibaba Group Holding Ltd., **BBWI**, Bath & Body Works Inc., **BBY**, Best Buy Co. Inc., **BHF**, Brighthouse Financial Inc., **BNTX**, BioNTech SE, **BOX**, Box Inc., **BURL**, Burlington Stores Inc., **AVGO**, Broadcom Inc., **C**, Citigroup Inc., **CCCS**, CCC Intelligent Solutions Holdings Inc. (Triple C), **CM**, Canadian Imperial Bank of Commerce (CIBC), **CPRT**, Copart Inc., **CRM**, Salesforce Inc., **CRWD**, CrowdStrike Holdings Inc., **DG**, Dollar General Corp., **DKS**, Dick's Sporting Goods Inc., **DLTR**, Dollar Tree Inc., **DUOL**, Duolingo Inc., **ESTC**, Elastic N.V., **FN**, Fabrinet, **GAP**, The Gap Inc., **GLD**, SPDR Gold Shares, **GOOGL**, Alphabet Inc. / Google, **GS**, The Goldman Sachs Group Inc., **HBM**, Hubsan Minerals Inc., **INTC**, Intel Corp., **INTU**, Intuit Inc., **IREN**, Iris Energy Ltd. (Iren), **JBSAY** / **JBSNV**, JBS N.V., **JNJ**, Johnson & Johnson, **JPM**, JPMorgan Chase & Co., **KSS**, Kohl's Corp., **LBRDK**, Liberty Broadband Corp., **META**, Meta Platforms Inc., **MRK**, Merck & Co. Inc., **MRNA**, Moderna Inc., **MRVL**, Marvell Technology Inc., **MS**, Morgan Stanley, **MSFT**, Microsoft Corp., **MU**, Micron Technology Inc., **NEO**, Nuvea (Private / Specialty Debt), **NSC**, Norfolk Southern Corp., **NVDA**, NVIDIA Corp., **OKTA**, Okta Inc., **ORCL**, Oracle Corp., **PLTR**, Palantir Technologies Inc., **PPC**, Pilgrim's Pride Corp., **PRTH**, Priority Technology Holdings Inc., **QCOM**, Qualcomm Inc., **RTX**, RTX Corp., **RY**, Royal Bank of Canada, **S**, SentinelOne Inc., **SJM**, The J.M. Smucker Co., **SMCI**, Super Micro Computer Inc., **TSLA**, Tesla Inc., **TSM**, Taiwan Semiconductor Manufacturing Co., **UBER**, Uber Technologies Inc., **ULTA**, Ulta Beauty Inc., **UNP**, Union Pacific Corp., **WBD**, Warner Bros. Discovery Inc., **WDAY**, Workday Inc., **WMT**, Walmart Inc., **WSM**, Williams-Sonoma Inc., **ZM**, Zoom Video Communications Inc.

Economic Calendar

Date of Event	Event	Summary of Commentary
Tuesday, August 25, 2026	Corporate Earnings (Pre/Post Market)	Dick's Sporting Goods (DKS) reports pre-market. Intuit (INTU) , Zoom Video (ZM) , and Box (BOX) report after the market close.
Wednesday, August 26, 2026	Corporate Earnings (Pre-Market)	Retail and consumer staple slate reporting includes Kohl's (KSS) , Williams-Sonoma (WSM) , The J.M. Smucker Co. (SJM) , and Bath & Body Works(BBWI) .
Wednesday, August 26, 2026	NVIDIA(NVDA) & Salesforce(CRM) Earnings	Highly anticipated marquee reports after the market close. NVIDIA expected to beat Q2 revenue estimates (\$94B-\$95B) with forward guidance of \$107B-\$108B; will provide critical commentary on AI server price hikes and memory supply. Salesforce serves as the prime software sector benchmark.
Wednesday, August 26, 2026	Cybersecurity Earnings	CrowdStrike (CRWD) and Okta (OKTA) report after the close.
Thursday, August 27, 2026	Retail & Canadian Bank Earnings	Pre-market reports include Best Buy (BBY) (insight into electronics pricing and memory component inflation), discount retailers Dollar General (DG) , Dollar Tree (DLTR) , and Burlington Stores (BURL) , alongside Canadian lenders CIBC (CM) , Scotiabank (BNS) , Royal Bank of Canada (RY) , and TD Bank (TD) .
Thursday, August 27, 2026	Tech & Consumer Post-Close Earnings	Heavy post-market reporting includes Marvell Technology (MRVL) , Iris Energy (IREN) , Autodesk (ADSK) , Affirm (AFRM) , Ulta Beauty(ULTA) , Workday (WDAY) , SentinelOne (S) , Elastic (ESTC) , and The Gap (GAP) .
Upcoming Week (August 24-28, 2026)	US Macroeconomic Data Releases	Comprehensive economic slate including ADP Employment, FHFA Housing Price Index, New Home Sales, Consumer Confidence, Personal Income and Spending, Durable Goods Orders, Initial Jobless Claims, Continuing Claims, and University of Michigan Consumer Sentiment.

<i>Upcoming Week (August 24–28, 2026)</i>	PCE Price Index Release	Key inflation print right ahead of the Jackson Hole Economic Symposium. Headline PCE is projected to decelerate slightly from 3.7% down to 3.6% for <i>July 2026</i> , with Core PCE projected to remain flat at 3.3%.
<i>Monday, August 24, 2026 (2:00 PM EDT)</i>	US Treasury Press Conference	Treasury Secretary Scott Bessent to address the bond market sell-off, details on long-end buybacks, fiscal deficit reduction proposals, and secondary enforcement sanctions on Iranian oil exports.
<i>Tuesday, September 8, 2026</i>	Canadian Tariff Retaliation Effective Date	Canada scheduled to implement dollar-for-dollar retaliatory duties targeting \$20 billion of US imports across steel, dairy, and consumer sectors following the collapse of trade negotiations.
<i>Wednesday, September 9, 2026</i>	Treasury Buyback Operational Launch	Scheduled commencement of the US Treasury's expanded long-duration buyback program, targeting at least \$4 billion per operation in 10- to 30-year bonds.
<i>October 1, 2026</i>	Warner Bros. Discovery / P-Sky Merger Milestone	Contractual target deadline triggering potential execution of the \$7 million/day ticking fee payable to WBD shareholders.
<i>October 2026</i>	Anthropic Potential Initial Public Offering	Anticipated public market listing timeline for Anthropic , supported by lead underwriters including Morgan Stanley, Goldman Sachs, JPMorgan, and Citigroup .
<i>Friday, May 28, 2027</i>	Surface Transportation Board (UNP/NSC) Final Briefs	Final brief filing deadline under the procedural schedule for the proposed revised rail merger between Union Pacific and Norfolk Southern .

Report Details

Introduction, Market Overview & Sovereign Bond Market Turbulence

During the third week of *August 2026*, fixed-income markets experienced intense volatility as US Treasury Secretary Scott Bessent intervened three separate times to calm escalating yields without achieving durable stabilization. Despite the Treasury's announcement that it would double long-duration bond buybacks—effectively initiating a quasi-Quantitative Easing (QE) operation—the benchmark 10-year Treasury yield continued its upward trajectory to 4.70%, while the 30-year Treasury yield surged to 5.29%, its highest level since 2007. Because the 10-year yield acts as the foundational benchmark for residential mortgages and consumer financing, borrowing conditions have tightened substantially, compounding pressure on the broader economy.

Economic estimates reflect these tightening financial conditions. **Goldman Sachs** research indicates that real US consumer spending growth has slowed to an annualized rate of 1.0% to 1.5% in the second half of *2026*, down from 1.8% in the first half. Headline US real GDP expansion is projected at 2.1% for the full year, with growth heavily concentrated in artificial intelligence infrastructure investments rather than broad-based consumption.

Concurrently, systemic debasement concerns catalyzed strong capital flows into hard assets and alternative stores of value. Gold recorded its largest weekly advance in over a year, with physical spot climbing near \$4,700 per ounce and the **SPDR Gold Shares (GLD)** rallying from \$370 to \$420. Silver advanced to \$69 per ounce, and copper traded up to \$6.60 per pound, benefiting holdings in base metal producers such as **Hudbay Minerals (HBM)**. The cryptocurrency complex experienced a statistically significant three-sigma upward move, with **Bitcoin** briefly touching \$78,000 and **Ethereum** reaching \$2,300 amid cascading liquidations of leveraged short positions.

Economic Calendar & Corporate Earnings Rundown

The final week of *August 2026* features a pivotal macroeconomic and earnings calendar. High-frequency macroeconomic data prints include ADP Private Employment, the FHFA House Price Index, New Home Sales, Consumer Confidence, Personal Income and Outlays, Durable Goods Orders, Initial and Continuing Jobless Claims, and the University of Michigan Consumer Sentiment Index. The marquee data release is the *July 2026* Personal Consumption Expenditures (PCE) Price Index scheduled prior to the Jackson Hole Economic Symposium. Consensus expectations forecast headline PCE to ease from 3.7% to 3.6% year-over-year, while Core PCE is projected to remain unchanged at 3.3%.

The corporate earnings season concludes with key retail, cybersecurity, and enterprise enterprise technology releases:

- **Tuesday: Dick's Sporting Goods (DKS)** reports pre-market; **Intuit (INTU)**, **Zoom Video (ZM)**, and **Box (BOX)** report after the close.
- **Wednesday:** Retailers **Kohl's (KSS)**, **Williams-Sonoma (WSM)**, **The J.M. Smucker Co. (SJM)**, and **Bath & Body Works (BBWI)** report pre-market. Post-market features the focal release of the week: **NVIDIA (NVDA)**, alongside enterprise software bellwether **Salesforce (CRM)**, and cybersecurity leaders **CrowdStrike (CRWD)** and **Okta (OKTA)**.
- **Thursday:** Discount and specialty retailers **Best Buy (BBY)**, **Dollar General (DG)**, **Dollar Tree (DLTR)**, and **Burlington Stores (BURL)** report alongside major Canadian financial institutions **Canadian Imperial Bank of Commerce (CM)**, **Scotiabank (BNS)**, **Royal Bank of Canada (RY)**, and **Toronto-Dominion Bank (TD)**. The post-market slate includes **Marvell Technology (MRVL)**, **Iris Energy (IREN)**, **Autodesk (ADSK)**, **Affirm (AFRM)**, **Ulta Beauty (ULTA)**, **Workday (WDAY)**, **SentinelOne (S)**, **Elastic (ESTC)**, and **The Gap (GAP)**.

Special Situations, Mergers & Arbitrage Updates

The arbitrage spread on the pending merger between **Warner Bros. Discovery (WBD)** and the **Paramount / Skydance** consortium (**P-Sky**) tightened dramatically from ~20% to 8.8% at the end of the week, with **WBD** shares climbing 2% on Wednesday. Market sentiment improved after **Cinema United**, an exhibitor group that had formally opposed the transaction, reversed its stance to align with the nation's three largest theater chains. In exchange for its support, **Cinema United** negotiated commitments that the combined studio will maintain wide theatrical distribution commitments, cap film exhibition licensing fees, and guarantee ongoing access to the combined **Paramount** and **Warner Bros.** film libraries. Although California Attorney General Rob Bonta maintained public antitrust opposition—citing threats of industry wage suppression and job cuts—the market responded to theatrical alignment. Furthermore, **P-Sky** petitioned the federal court to require the 12-state antitrust litigation coalition to post a \$1.9 billion indemnity bond to cover damages stemming from a contractual \$7 million per day ticking fee payable to **WBD** shareholders should regulatory delays prevent closing past the *October 1, 2026* deadline.

Other notable special situations activity includes:

- **Union Pacific (UNP) / Norfolk Southern (NSC):** The Surface Transportation Board (STB) adopted a procedural schedule regarding the revised merger application, fixing the final brief submission deadline for *May 28, 2027*.
- **CCC Intelligent Solutions (CCCS / Triple C):** Shares rallied 12% following reports that **Copart (CPRT)** entered preliminary acquisition negotiations, competing against private equity sponsors **GTCR** and **Veritas Capital**.
- **Pilgrim's Pride Corp. (PPC):** Majority shareholder **JBS N.V. (JBSNV)**, which holds an approximate 82% equity stake, delivered a non-binding proposal to acquire all remaining publicly held shares of **PPC** common stock.
- **Brighthouse Financial (BHF) / Aquarian Capital:** The Delaware Department of Insurance issued a formal regulatory update, confirming that specialized outside independent counsel and financial experts have been retained to conduct statutory reviews of the proposed transaction.
- **Liberty Broadband (LBRDK):** The merger transaction officially moved toward final completion around *August 20, 2026*.

Defense Spending & Structural Budget Deficits

The Department of Defense submitted an emergency \$500 billion funding request to replenish strategic air and missile defense inventories depleted during operations in the Middle East. Under the revised 2027 budget request, proposed procurement includes nearly \$600 billion for **RTX Corp. (RTX)** Patriot interceptors (highlighted by a specific \$23 billion US Navy Tomahawk missile contract), \$400 billion for Terminal High Altitude Area Defense (THAAD) interceptors, and \$200 billion for naval surface-to-air missile defense systems.

Aggregate Middle Eastern military operations are estimated to have expended approximately \$500 billion in offensive and defensive munitions, surpassing official baseline figures of \$70 billion. When factored into baseline fiscal accounts, these outlays are projected to push the annual federal budget deficit beyond \$3.0 trillion next fiscal year (surpassing 6% of GDP). Total US national debt surpassed \$40 trillion—representing a debt-to-GDP ratio well over 100%—elevating annualized net debt interest servicing costs to \$1.4 trillion, a figure that now exceeds the baseline annual US national defense budget.

NVIDIA Price Hikes & Semiconductor Supply Chains

NVIDIA (NVDA) notified major cloud hyperscalers and OEM server integrators—including **Microsoft (MSFT)**, **Amazon (AMZN)**, **Alphabet/Google (GOOGL)**, **Meta Platforms (META)**, and **Oracle (ORCL)**—that pricing on AI server systems utilizing flagship **Vera Rubin** and **Grace Blackwell** architectures will increase by more than 15% effective early 2027. Contract server manufacturers assembling infrastructure for tier-one data center operators have begun passing these increases through to end enterprise clients.

These price increases stem from parabolic cost inflation across high-bandwidth memory (HBM), dynamic random-access memory (DRAM), and enterprise NAND flash storage. The global memory market remains an oligopoly controlled by **Samsung Electronics**, **SK Hynix**, and **Micron Technology (MU)**. Although **NVIDIA** maintains gross margins near 75%, the inability to fully absorb memory component inflation illustrates the pricing leverage held by upstream memory manufacturers. Upstream and peer developments across the semiconductor landscape include:

- **SK Hynix: JPMorgan** maintained an Overweight rating on the stock following sharp upward memory revisions and an unexpected 30 billion share repurchase authorization.
- **Micron Technology (MU)**: Reaffirmed with a Buy rating at **UBS**; the company committed \$10 billion over the next decade to build **Micron** Research Labs in Boise, Idaho, as part of an aggregate \$250 billion long-term US CapEx and R&D allocation.
- **Super Micro Computer (SMCI)**: Disclosed that a special independent board investigation found no evidence that senior management had knowledge of or participated in alleged export control diversion schemes involving two former employees and a third-party contractor selling GPUs into restricted markets.
- **Broadcom (AVGO)**: Reportedly pursuing a debt financing package of up to \$60 billion (potentially expanding to \$100 billion, structured as \$60B–\$70B in senior secured debt and \$30B in junior debt) to fund custom AI silicon programs, causing an immediate spike in its Credit Default Swap (CDS) spreads.

AI Model Economics: Open Source vs. Closed Frontier Labs

Enterprise artificial intelligence adoption is undergoing an architectural shift as high-performing open-source and open-weight models challenge the pricing power of closed-source frontier labs. According to analysis by Jim Covello, Head of Equity Research at **Goldman Sachs**, the deployment of smaller, cost-effective models ultimately accrues to the benefit of cloud hyperscalers by expanding enterprise return on investment (ROI) and filling underlying data center capacity.

The emerging architectural bottleneck is the enterprise model routing layer:

- **Enterprise Query Input** flows directly to an **Intelligent Router**.
- **Routine Tasks (70%–80% of volume)**: Directed to **Local / Open-Weight Models** (e.g., GLM-6 / Mythos class) for single-turn summarization, Q&A, drafting, and baseline code generation.
- **High-Consequence Tasks (20%–30% of volume)**: Routed to **Frontier Cloud LLMs** (e.g., Fable 5 / Opus 5) where advanced cognitive capabilities justify higher inference costs.

For 70% to 80% of routine corporate tasks, modern local open-weight models deliver parity with cloud frontier engines.

In benchmark testing, **Zhipu AI's** newly surfaced **OX Alpha** model (widely anticipated to launch as **GLM-6**) demonstrated performance comparable to **Anthropic's** Mythos class across cybersecurity and software engineering evaluations. Following **Zhipu AI's** established zodiac naming convention (such as GLM-5's code name *Pony Alpha* in February 2026), the model's tokenizer was confirmed to share a 1:1 match with GLM architecture.

Concurrently, **Anthropic** faces margin and monetization headwinds ahead of its planned *October 2026* Initial Public Offering. Reporting from the **Financial Times** indicates that revenue generated by its flagship frontier model, **Fable 5**, has plateaued at approximately 11% of total enterprise spend on **Anthropic** tools, with corporate clients deliberately routing workflows toward lower-cost internal tiers (such as **Opus 5**) or open-source infrastructure. Despite these pricing pressures, **Anthropic** reported an annualized revenue run rate of \$65 billion in *July 2026* (up from \$47 billion in *May* and \$9 billion in late 2025), with preliminary quarterly revenue of \$11.5 billion, and has added **Citigroup** to an IPO underwriting syndicate that includes **Morgan Stanley**, **Goldman Sachs**, and **JPMorgan**.

Fiscal Dominance, Jeffrey Lacker's Testimony & Monetary Governance

The ongoing sovereign debt expansion has ignited a debate over central bank independence and fiscal dominance. Former Richmond Federal Reserve President Jeffrey M. Lacker delivered testimony before the House Financial Services Committee titled *"Revisiting the Treasury-Fed Accord,"* directly challenging the monetary frameworks proposed by Treasury Secretary Scott Bessent and Federal Reserve Chair nominee Kevin Warsh.

Lacker argued that political pressure to use the Federal Reserve's balance sheet to suppress long-term borrowing costs through Treasury buybacks, Operation Twist, or Yield Curve Control (YCC) subverts the statutory boundaries established by the historic 1951 Treasury-Fed Accord. That agreement dismantled the World War II-era peg on sovereign bond yields and established modern operational central bank autonomy.

Lacker's critique highlights three structural tenets:

- **Redefining the Dual Mandate:** Under the Federal Reserve Act, the statutory mandate for maximum employment and price stability contains a third, often-neglected clause: moderating long-term interest rates. Lacker asserted that minimizing the term premium must be achieved through credible price stability rather than direct balance-sheet bond purchases.
- **The "Bills Only" Doctrine:** Lacker advocated for statutory reforms compelling the Federal Reserve to adopt a strict "bills-only" framework, restricting asset purchases exclusively to short-term Treasury bills. This would eliminate secondary market interventions designed to compress term premia, forcing Congress and the Treasury to confront true, market-clearing borrowing costs for their fiscal deficits.
- **Pushback Against Warsh/Bessent Accord Proposals:** Lacker cautioned that Warsh's proposed framework—allowing the Fed to set short-term policy rates while cooperating with Treasury non-monetary balance-sheet operations—creates a mechanism for the Treasury to bypass legislative fiscal constraints, undermining institutional discipline and monetary independence.

JPMorgan, Evercore, and Jefferies on Treasury Buybacks

Wall Street research remains divided regarding the efficacy of tactical Treasury buybacks:

- **JPMorgan Chase and Evercore ISI:** **JPMorgan** warned that the Treasury's upsized buyback operations represent a temporary palliative that fails to resolve a \$3.5+ trillion annual structural financing gap. They note that the Treasury's planned net long-term bond issuance of \$97 billion dwarfs its \$4 billion buyback operations, ultimately driving term premia and sovereign yields higher. **Evercore** expressed skepticism that administrative actions alone can alter baseline fiscal dynamics without formal legislative spending reform.
- **Jefferies Macro Analysis (David Zervos):** Zervos defended the Treasury's tactical operations, drawing a clear mechanical distinction between scheduled auction sizes (which establish secular stability) and tactical buybacks (which manage short-term liquidity dislocations). Zervos characterized long-end Treasury buybacks as an executive Operation Twist—swapping long-duration bonds for short-duration Treasury bills without generating high-powered monetary reserves. Furthermore, because the Treasury repurchases deeply discounted, low-coupon legacy bonds trading at 50 to 70 cents on the dollar, these Liability Management Exercises (LME) reduce face value debt

outstanding, creating non-inflationary capacity for fiscal maneuvering. Zervos emphasized that the 10-year Treasury yield has remained within an orderly 90-basis-point range for nearly 22 months since the *November 2024* election.

The Big Tech Sovereign Debt Crowding-Out Paradox

A structural dynamic currently impacting the fixed-income markets is the direct capital competition between sovereign US Treasuries and high-grade corporate debt issued by technology hyperscalers (**Alphabet/Google, Meta Platforms, Microsoft, Amazon, and Oracle**).

To finance multi-billion-dollar AI data center buildouts, hyperscalers have moved beyond internally generated free cash flow to access corporate credit markets, issuing ultra-long maturities (including 100-year debt from **Alphabet/Google**) with yields ranging between 6.0% and 8.0%.

Because institutional asset managers, insurers, and pension funds view tier-one tech balance sheets as exceptionally secure, the 200- to 300-basis-point spread offered over US Treasuries has triggered significant portfolio reallocation. Investors are divesting long-dated sovereign Treasuries to capture higher yields in corporate tech paper, pushing sovereign borrowing costs higher and generating friction for debt management. The structural feedback loop functions as follows:

- **Need for Economic Growth:** CapEx-driven growth is required to manage the \$40 trillion national debt.
- **Hyperscaler Capital Outlays:** Massive AI infrastructure buildouts rapidly exhaust internally generated free cash flow.
- **Aggressive Corporate Issuance:** Big Tech issues high-yield corporate bonds offering 6% to 8% coupons (200 to 300 bps above Treasuries).
- **Capital Crowding Out:** Institutional allocators sell long-duration sovereign Treasuries to rotate into high-yielding Big Tech debt.
- **Yield Escalation:** US 10-year Treasury yields push above 4.70% and 30-year yields surpass 5.29%, raising broader corporate and consumer borrowing costs.

Macroeconomic Energy Dynamics & Refinery Runs

An analysis of global petroleum and refined product markets by **Goldman Sachs** highlighted an uncommon divergence between product crack spreads and primary refinery run rates. Under standard economic conditions, elevated refinery crack spreads incentivize refiners to maximize capacity utilization, expanding refined product inventories until margins normalize (historically, a \$10/bbl increase in gasoline and diesel margins generates a 0.6 to 0.8 million barrel-per-day increase in global refinery throughput).

Currently, global refinery runs remain depressed by 7.0 million barrels per day despite near-record crack spreads. This bottleneck is driven by physical refinery outages across the Middle East (exacerbated by the Iran war and shipping blockades in the Strait of Hormuz) alongside secondary infrastructure disruptions in Russia. Consequently, crack spreads remain elevated, keeping retail gasoline and distillate prices high for consumers despite relatively range-bound crude oil prices.

Collapse of US-Canada Trade Negotiations

Trade relations between the United States and Canada deteriorated following the sudden breakdown of bilateral trade discussions. President Donald Trump invoked Section 338 of the Tariff Act of 1930—a statute authorizing unilateral trade actions against foreign jurisdictions deemed to have discriminated against US commerce—to impose a 50% ad valorem tariff on approximately \$20 billion (CAD \$28 billion) of Canadian exports, effective *August 22, 2026*. The tariff schedule targeted Canadian dairy, liquor/wine, automotive assemblies, softwood plywood, industrial electrical components, and sporting equipment (hockey gear), without providing USMCA exemptions.

Negotiations led by US Trade Representative Jameson Greer and Canadian trade representatives broke down following late-night discussions:

- **United States Position:** Ambassador Greer stated that the administration had offered Canada terms that included

lowering existing Section 232 metals tariffs on steel and aluminum to 25% and 15% respectively, eliminating the 10% tariff on softwood lumber, and waiving Section 338 actions in exchange for Canada dismantling provincial restrictions on American alcohol and opening its supply-managed dairy sector. Greer asserted that Canadian negotiators scuttled the compromise by introducing eleventh-hour demands and refusing to lift retaliatory measures on American products.

- **Canadian Position:** Prime Minister Mark Carney suspended formal negotiations and recalled Ottawa's diplomatic negotiating team, stating that the United States introduced unilateral, non-negotiable revisions at the conclusion of talks. Carney affirmed that Canada would not accept an agreement under economic coercion and confirmed that Canada will enact dollar-for-dollar retaliatory tariffs across \$20 billion of US agricultural, steel, and manufactured consumer goods effective *Tuesday, September 8, 2026*.

US ETF Capital Inflows & Market Structure

Despite macroeconomic, fiscal, and geopolitical headwinds, capital allocations into US-listed Exchange-Traded Funds (ETFs) accelerated. According to **Goldman Sachs** asset flow monitoring, total capital allocated into US-listed ETFs is projected to exceed \$2.0 trillion in 2026, representing a 40% expansion relative to 2025. Capital inflows crossed \$1.0 trillion in the first six months of 2026 alone.

This expansion has been driven by retail participation and rapid structural product innovation, including defined-outcome funds, single-stock leverage, active fixed-income wrappers, and derivative-income structures. With more than 1,100 new ETF vehicles launched year-to-date, the total count of US-listed ETFs has crossed 6,000, surpassing the total number of individual operating equities across the Russell broad-market indices.

Weekly Market Recap (Day-by-Day Granular Breakdown)

- **Monday:**
 - **NVIDIA (NVDA)** participated in a \$1.5 billion financing round for SB Energy to develop 4.25 gigawatts of dedicated power infrastructure for **OpenAI's** data center campus in Ohio.
 - **Anthropic** reported an annualized revenue run rate of \$65 billion for *July 2026* alongside positive quarterly EBITDA and operating income.
 - S&P 500 breadth metrics indicated that 121 index constituents exhibited negative beta relative to the benchmark index—the highest non-correlation reading since the 2000–2001 dot-com unwinding. Julian Emanuel of **Evercore ISI** reiterated a 7,750 base target and 9,000 bull-case projection for the S&P 500.
 - **Fabrinet (FN)** posted quarterly revenue of \$1.32 billion, exceeding market consensus estimates.
 - **Tesla (TSLA)** finalized deployment preparations to launch its purpose-built Cybercab autonomous transport platform in Austin, Texas.
 - **Uber Technologies (UBER)** announced a strategic equity investment in drone operator **Zipline**, targeting 1 million automated drone meal deliveries for **Uber Eats** by 2029.
 - China released weak *July 2026* credit and aggregate financing data, showing bank loan contractions of 50 billion yuan—the third monthly decline recorded this century.
 - Top options volume concentrated in **NVDA, TSLA, MU, SpaceX, AAPL, AMZN, META, MSFT, INTC**, and **AMD**.
- **Tuesday:**
 - **Nuvea** secured municipal development approval for its Vineland, New Jersey data center development, clearing a key milestone for its \$17.4 billion **Microsoft (MSFT)** enterprise cloud infrastructure agreement.
 - Equities experienced broad macro-driven selling, led by an 8% to 10% pullback across semiconductor equities as the 10-year Treasury yield rose toward 4.70% and geopolitical risks increased.
 - **OpenAI** reported Q2 ending revenue of \$6.7 billion (+18% sequentially), triggering concerns regarding capital efficiency relative to planned infrastructure CapEx.
 - US macroeconomic data: *July* Import Prices declined 0.4%; Housing Starts dropped 12% to an annualized

1.239 million units (vs. 1.35 million expected); ADP private payrolls printed at +9,500 jobs per week.

- **Google (GOOGL)** finalized logistical directives to transfer hardware production lines for Pixel smartphones, smartwatches, and earbuds out of China into Vietnam and India starting in 2027.
- **Bank of America's** August Fund Manager Survey showed a net 56% of surveyed institutions overweight equities—the highest reading since *November 2021*. **Morgan Stanley** noted active institutional managers remained net underweight MegaCap technology (-129 bps relative weight in Q2).

- **Wednesday:**

- **Moderna (MRNA)** and **Merck (MRK)** announced that their Phase 3 randomized trial evaluating mRNA personalized cancer vaccine Intisumeran combined with Keytruda demonstrated statistically significant reductions in melanoma recurrence and metastasis, prompting the independent data monitoring board to halt the trial early at interim analysis. **MRNA** equity spiked 175% on a short squeeze before giving back 30% from intraday peaks.
- **Bitcoin** surged 8% to touch \$78,000, wiping out \$1.5 billion in short positions within 24 hours.
- **Nuvea** priced a \$4.5 billion convertible senior notes offering, prompting convertible arbitrage hedging pressure.
- **Starlink** submitted regulatory applications in India for its Gen 2 satellite constellation.
- **Goldman Sachs** structured a \$1.15 billion high-yield bond offering to finance Virginia data center infrastructure operated by **CoreWeave**.
- **NVIDIA** engaged in discussions to invest in synthetic data provider Merker at a \$20 billion private valuation.
- US broker-dealer margin debt contracted by \$85 billion in *July* to \$1.42 trillion—the largest single-month deleveraging on record—driven by semiconductor and regional equity liquidations.

- **Thursday:**

- Crypto liquidations totaled \$3.5 billion across leveraged derivatives accounts; total digital asset market capitalization increased by \$280 billion as **Bitcoin** stabilized above \$72,000 and **Ethereum** crossed \$2,300.
- **Deutsche Bank** reiterated a Buy rating and \$200 price target on **Palantir Technologies (PLTR)**.
- **Amazon (AMZN)** committed \$2.0 billion across Latin America for Prime Video regional production and sports broadcast acquisitions.
- **Walmart (WMT)** shares dropped 8% (its largest single-session decline since *May 2022*) after missing Q2 US comparable store sales (2.6% actual vs. 3.7% expected)—its slowest quarterly growth in over six years.
- **SpaceX** and **AST SpaceMobile (ASTS)** registered preliminary bidding interest for 800 MHz wireless spectrum licenses valued at \$6.0 billion, with formal submissions due in early *September 2026*.
- **Charles Schwab** retail investor data revealed that the median value of consumer brokerage accounts (individual stocks, funds, IRAs, and 401ks) reached \$350,000, up 75% (\$150,000) since *January 2026*.

- **Friday:**

- **UBS** equity derivatives strategy recommended asymmetric volatility positioning—selling *October* VIX put options to fund *November* VIX put/call structures—to hedge potential volatility heading into the *September*FOMC and *November* midterm elections.
- Cross-asset valuation metrics showed that the percentage of S&P 500 constituents offering dividend yields higher than the 10-year US Treasury yield dropped to 63.4% (excluding *July 2016* / COVID disruptions), marking the highest relative equity-to-bond premium since the 2008 financial crisis.
- **Duolingo (DUOL)** rallied after inadvertently leaking positive internal daily active user metrics on *August 18, 2026*.
- Equity long/short statistical correlations broke down further; **Citadel** reportedly liquidated over 80% of its recently acquired situational awareness systematic portfolio.
- The **RSN Focus Fund** noted that equity concentration reached modern records, with the top 10% largest US

corporations accounting for 78% of aggregate US equity market capitalization.

- **Alibaba Group (BABA)** announced an HK\$80 billion (\$10.2 billion USD) international share placement to finance hyperscale AI infrastructure.

Deep Dive: PRTH Special Situation

A starter position was established in **Priority Technology Holdings (PRTH)** at \$5.52 per share (closing the week at \$5.61). Based in Alpharetta, Georgia, **PRTH** is an integrated payment and data processing vendor operating across merchant acquiring, automated accounts payable (B2B payments), and banking-as-a-service infrastructure.

The investment thesis centers on a take-private proposal from Chairman and Chief Executive Officer Thomas Priori. Controlling between 55% and 58% of voting equity, Priori submitted a non-binding proposal to acquire the remaining minority shares for \$6.00 to \$6.15 in cash. The timing of the bid occurred after **PRTH** reported soft Q3 earnings, which had previously caused the stock to drop from \$7.00 to \$4.87.

Key fundamental and transaction considerations include:

- **Valuation & Cash Flow Generation:** At a \$460 million market cap and \$1.4 billion enterprise value, **PRTH** generated \$75 million in free cash flow in 2025 and is projected to produce \$91 million in 2026, representing a levered free cash flow yield of ~20%. Net debt stands at \$920 million (\$1.04B debt less \$120M cash), which translates to ~4.0x debt-to-EBITDA on \$230 million of projected 2026 EBITDA.
- **Activist Pushback & Downside Protection:** Activist asset manager **Buckley Capital Advisors** submitted an open letter to the Board's Special Committee detailing a sum-of-the-parts valuation model that values the company between \$15.00 and \$20.00 per share. **Steamboat Capital Partners** also submitted formal objections opposing the \$6.00 proposal.
- **Asymmetric Risk/Reward:** The \$6.00 to \$6.15 bid establishes an operational valuation floor near ~5.5x free cash flow. Given legal duties to minority shareholders, the Special Committee is incentivized to negotiate an improved offer. A revised bid of \$7.00 to \$8.50 per share represents 25% to 50% upside from current price levels, while conservative intrinsic value is estimated near \$10.00 (+78% upside).

Deep Dive: Citigroup (C) Relative Value Play

Citigroup (C) represents a high-conviction large-cap value turnaround that benefits structurally from a sustained higher-rate environment. Trading at a forward price-to-earnings multiple of 9.5x and below 1.2x price-to-tangible book value (PTBV), the lender maintains a substantial valuation discount relative to tier-one banking peers:

Institution	Forward P/E Multiple	Price-to-Tangible Book Value (PTBV)	Relative Multiples / Profile
Citigroup(C)	9.5x	< 1.2x	Target Price: \$165; Deepest discount among money-center peers; balance sheet restructured under CEO Jane Fraser.
Goldman Sachs(GS)	14.0x – 15.0x	~1.8x – 2.0x	Premium institutional trading and advisory franchise.
Morgan Stanley(MS)	16.5x (at \$214/share)	> 2.2x	Premium wealth management multiple.

Under Chief Executive Officer Jane Fraser, **Citigroup** has simplified its corporate structure, divested non-core international consumer banking units, and expanded higher-return wealth management operations. Should market volatility persist alongside a prolonged high-yield regime, **Citigroup** offers an asymmetric profile with a \$165 price target.

Questions & Answers (Q&A) Section

- **Session Inquiries & Wrap-Up:**

The host reviewed the primary actionable setups discussed during the session:

- Maintaining tactical positioning in **Priority Technology Holdings (PRTH)** to capture an expected buyout bump above \$6.00.
- Adding **Citigroup (C)** on market pullbacks as an undervalued large-cap banking turnaround.
- Maintaining short exposure in **BioNTech (BNTX)** following speculative sympathy buying.
- Noting the spread tightening across **Warner Bros. Discovery (WBD)** merger arbitrage positions.

No live audience inquiries were submitted during the call. The speaker confirmed the session recording and supporting analytical models would be uploaded to the SSR portal, with additional written inquiries to be answered in the morning Q&A forum.

Footer

- **Title:** 2026-08-23 - SSN - Bessent Loses Control of 10Y, Gold Rallies, Crypto 3 Sigma Move, Citi Value, PRTH Special Situation, MRNA Biotech Squeeze, WBD Success in Spread Compression - (report)
- **Creation Date:** 2026-08-23
- **Model (may not be accurate):** gemini-2.5-pro
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