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

Transcript

Introduction and Market Overview - 00:00

Alright, so happy Sunday everyone. Uh, thanks for your time. You know, we love to share, um, our thoughts with you today on a few very important topics. Uh, as you saw last week, Bessent, um, increased Treasury bond buybacks, effectively a quasi QE, um, that the market didn't take very lightly. Uh, there are three times during last week where Bessent tried to calm the bond market and despite that, the 10-year continued to climb. The 30-year reached 5.29. Um, and you know, given the 10 year is a benchmark for mortgage rates, um, you know, this is not a very good thing for the consumer. You know, consumer spending has weakened according to **Goldman**. GDP estimates have slowed, uh, for to one and a half percent for the second half of the year. The majority of GDP growth is AI related spending, uh, which is another topic to discuss altogether.

Um, but we'll go through the economic calendar. There's quite a big economic calendar this week. Um, you know, gold rallied the most in a year this week. Crypto saw a three sigma positive move during the week. Um, we think that, you know, banks will benefit from higher rates if we if we don't see this rally get under control. Um, **Citigroup** is a large cap value name. We have $165 price target on it. Uh, we'd like to buy it on pullbacks. It should benefit, um, from higher rates. Um, **PRTH** is a special situation that we picked up around 550 during the week. Um, effectively the company has a majority shareholder and this shareholder, um, is competing with activists, uh, to take over the company. Uh, he has given the company a lowball bid at like five times cash flow, at $6 a share. We think that uh, he may have to raise that bid. So we'll talk about that name as well.

Um, there's a biotech short squeeze last week. Um, we shorted **MRNA** for a short for a very, uh, for a small, very quick profit. And we've kept a short on **BioNTech** because we think that, you know, the management suite has quit. Um, they don't have nearly the success of **MRNA** when it comes to cancer vaccines and it just benefited from that small cap squeeze, which we'll talk about. And then on special situations, **Warner Brother** had a couple positive things happen with some movie theaters flipping, uh, you know, to support the deal. And they also have posed a $7 million per day ticking fee, which goes from P-Sky to **Warner Brothers**, which only helps their downside case. Um, and then **LBRDK** is closing as well.

Economic Calendar Details - 02:40

Um, on the economic calendar, you know, for this coming week, it is quite a heavy calendar. The most important economic events next week are the ADP employment, the FHFA housing price index, new home sales, consumer confidence, personal income and spending, and the most important being the PCE price index, which is supposed to drop to 3.6 from 3.7 for the month of *July*, right ahead of Jackson Hole. Uh and obviously the core PCE, which is supposed to stay flat at 3.3%. Outside of that, you have durable goods, initial jobless claims, um, continuing claims and uh, UMich sentiment.

Earnings Season Overview - 03:18

In terms of earnings, we're basically at the end of earnings season, but there's still a few stragglers left to report. We saw um, a big miss last week from **Walmart**. Um, we'll see some retailers reporting this week as well. We see **Dick's Sporting Goods** on Tuesday. Um, we also have some tech stragglers, um, that are that still have to report. We have uh, **Intuit** after the close. Um, we have **Zoom**. We have **Box** after the close on Tuesday as well. On Wednesday, we have another retailer, um, **Kohl's**. Um, **Williams-Sonoma**, **JM Smuckers**, um, **Bath Bath & Body Works**. Um, and after the close, the most important name reporting next week is **Nvidia**. Okay. Um, after that, we have one of the biggest, um, **Salesforce** benchmark companies, biggest software benchmark companies, which is **Salesforce**, ticker **CRM**.

On the cybersecurity side, we have **CrowdStrike** and **Okta**. Um, and on Thursday, we have **Best Buy**. Um, where we'll see memory costs, you know, how much those, those memory costs affect sales due to higher laptop costs and other electronic prices. Um, we also have a number of Canadian banks reporting this week including **CIBC** and **Scotiabank**. On Thursday, we also have **Dollar General**. We'll see if they saw same-store sales decline like **Walmart** and **Royal Bank of Canada** and **TD Bank**. So that's a big Canadian bank reporting week. We also have another dollar store, **Dollar Tree** reporting pre-market on Thursday. **Burlington Stores**, another retailer on Thursday. Um, and then after the close, we have **Marvell**. We have **Iren** on, on the data center side. We have **Autodesk** on the software side, **Affirm**, **Ulta**, **Workday** on the software side again, **SentinelOne** on the cybersecurity side, **Elastic** on the software side, and finally **Gap** um, on Thursday.

Special Situations Update (Warner Brothers) - 05:08

In terms of the special situations update, shares of **Warner Brothers** finished Wednesday's session up 2%. You know, as you know, this spread has come in very dramatically. We got, we you know, we were adding when it was a 20% spread, now it's only 8.8 spread at the end of the week. So **Warner Brothers** is up 2% after **Cinema United**, who previously opposed the merger with P-Sky, changed course and joined the three largest theater chains in support of the merger. **Cinema United** is seeking a long-term commitment that **Paramount** would maintain or expand the number of films the studio offers in wide release, provisions that the merger would not increase the fees that theater owners pay to exhibit films, and continued to access the vast film libraries of **Paramount** and **Warner Brothers**. Bonta told reporters on Tuesday that he's happy to hear theater owner's views, but the fact remains that the proposed merger breaks the law. So we still have some anti-trust pushback.

Um, you know, they're worried about job losses, wage cuts, etc. But the market's looking past that given all the movie theaters are now in support of this deal. Uh, so the spread has come in from roughly a uh, 20% spread all the way down to an 8.8% spread. So that's been a win for us on the special sits front. In other news, the Surface Transportation Board, STB, um, announced a decision adopting a procedural schedule for the consideration of a revised merger application for **Union Pacific** and **Norfolk Southern**. Final briefs are due on *May 28th, 2027*, so that's quite a long ways from now.

Special Situations Update (Triple C, JBSNV) - 06:42

Um, shares of **Triple C** rallied as much as 12% last week after **Bloomberg** reported **Copart** is in talks to acquire the company with competition from several PE firms including **GTCR** and **Veritas Capital**. Lastly, **JBSNV** uh, announced that it has submitted a non-binding proposal to acquire all of the outstanding shares of common stock of **PPC**. **JBC** owns approximately 82% of **PPC** stock currently.

Warner Brothers/P-Sky Bond & Delaware DOI - 07:23

Early in the week, uh, P-Sky requested a $1.9 billion bond from the 12-state coalition that was opposing the deal that had filed the antitrust lawsuit. The bond is meant to cover the potential harm generated by the ticking fee should the deal not close by *October 1st*. In a statement, the AG's office argued that **Paramount** is sophisticated uh, and it knew that it would face regulatory review when it agreed to pay **Warner Brother** shareholders a $7 million per day ticking fee, and that California should not be made uh, to bear the burden of that decision. In other news, the Delaware DOI provided an update in regard to the pending merger between **BHF** and **Aquarian Capital**. The department stated that the acquisition has generated significant national and international interest as well as the questions about the department's regulatory review process. The department is using its expertise along with carefully selected outside specialists to evaluate the proposed transaction and ensure it meets all applicable regulatory requirements.

You can see the summaries of the **Warner Brother Cinema United** uh, deal, uh, deal um, acquiescence, the **NSC UNP** uh, deal, the **Triple C** um, acquisition from **Copart**. Um, the $1.9 billion bond requested by **Warner** uh, **Warner Brothers**, um, and the rejection from, from California, the AG. And then the **LBRDK** merger expected is expected to close uh, on *August 20th*, which, you know, just happened.

Defense Sector Spending - 08:52

Um, there's a $500 billion funding request made uh, for missile and air defense over the past week. The US Navy specifically requested **RTX** um, for Tomahawk missiles, you know, giving them a $23 billion contract. So this is very positive for defense companies. You can see the 2027 budget request versus the 2024 budget request. We have almost 600 billion of patriot, patriot interceptors, um, 400 billion of THAAD missile defense, um, 200 billion of of Navy missile defense. Now, when you add all this up, it's almost a trillion dollars. So, you know, the 70 billion that we've spent on the Iran war is not accurate. We've deployed a lot of our defensive capabilities in the Middle East and our offensive missiles um, that need to be rebuilt and restocked. So our estimate is that this war is is basically cost half a trillion dollars already in all the spent ammunition and interceptors and now we have to rebuild.

Um, and that's going to be added to the budget deficit. So we could easily be seeing a 3 trillion plus budget deficit next year. You know, with our current uh, debt over 40 trillion, over 100% debt to GDP, you know, we're approaching Greece type debt levels. Um, and it's quite embarrassing to be frank. There's really no way that they're going to get this under control outside of monetizing the debt and, you know, given what the bond market is doing to Bessent, um, by forcing the Treasury to do this quasi QE even further and the bond market is going to test that.

Nvidia Price Hikes - 10:30

In other news, before we get into the long bond discussion, **Nvidia** is hiking prices by 15% plus to hyperscalers and other customers. **Nvidia's** biggest customers, which include hyperscalers like **Microsoft**, **Amazon**, **Google**, **Meta**, have been told that the prices of servers containing its artificial intelligence chips are going up more than 15% in many cases with memory chip costs soaring. The price hikes will impact systems including those with the flagship **Vera Rubin** and **Grace Blackwell** chips and will depend on the generation of **Nvidia** chips and memory configurations.

Companies who build servers under contract for large data center operators like **Microsoft**, **Alphabet**, and **Google**, and **Oracle** have already notified their customers of the forthcoming increases. The price hikes will go into effect on system shipped early next year and will impact systems including those uh, with the **Vera Rubin** and **Grace Blackwell** chips. The inability of the industry's most dominant company to hold the line on prices or absorb the growing costs show how much leverage makers of memory chips like **Samsung**, **SK Hynix** and **Micron** have amid the surge in demand for AI infrastructure. In fact, if you look at the price of NAND and DRAM chips, it continues to go parabolic.

Major technology companies including **Apple** and **Qualcomm** have recently said they've been forced to charge more for their products because of chip shortages. **Nvidia's** accelerator processors are the heart of computers that create and run AI software. And their effectiveness depends on how much dynamic random access memory or DRAM they're paired with. The two Korean companies, **Micron** and **Samsung**, account for most of the world's production of that type of chip. **Nvidia** has also raised prices for its gaming-oriented PC graphics graphics cards. The company has a gross margin of 75%, um, but that should be, you know, that's likely a teap, uh, sorry, a peak, uh, a peak margin.

The price increases are also likely to add complexity to the industry's massive AI data center center build out ambitions, you know, to add on to power delays, project delays, labor shortages. Um, **Nvidia's** reporting its earnings this week, so we'll see what they have to say about these price hikes.

Open Source AI Models - 12:42

There's been more and more news about open source artificial models, um, growing in importance or artificial intelligence models growing in importance. Rapid um, advances in open source artificial intelligence models, which are cheaper to run than closed-end closed source alternatives, have raised questions about who stands to gain and lose amongst the AI chain. Jim Covello, who's head of **Goldman Sachs** equity research, thinks that these smaller, faster, cheaper models could ultimately benefit the hyperscalers, the largest cloud computing providers. Open source models will more likely than enterprises can can properly implement AI in their organization, Covello said in his latest piece, um, by demonstrating that AI can boost corporate profits, open source models could in turn encourage more companies to adopt the technology, which is actually good for the cloud providers. He thinks it's good for the hyperscalers because it's more likely that you're going to be able to probably fill up this capacity that you're adding.

One technology bottleneck is the model optimization layer. Leading AI models are already powerful and capable. What companies lack is a way to route their queries to different models so that the highest consequence jobs go to the more expensive frontier models and the lower consequence queries are sent to open source models. That's going to be one of the big keys to unlocking the economic value of AI in the enterprise. As hyperscalers raise significant amounts of capital to build AI infrastructure, now including uh **Alibaba**, which is raising 10 billion overseas, investors are pressing harder on how and when they plan to see a return on their investments. Until relatively recently, every time one of these companies would announce higher capital expenditures, the market would reward that company. Over the last quarter or so, you've really seen a significant shift where the market is questioning this a lot more.

Local vs. Frontier AI Models - 14:27

Now, local models are catching up with frontier models, but the frontier models continue to evolve. Open weights local models have closed the gap dramatically for standard everyday user queries. So Q&A, drafting, basic coding, single-turn summarization. For 70-80% of these routine tasks, a modern local model provides an experience comparable to a cloud LLM. The 89% figure below for 2026 is an optimized ensemble calculation rather than a real world single model deployment metric. So it, you know, so it's statistically inflated, but it assumes, you know, a perfect use of these open source models and perfect routing.

Zipu AI's OX Alpha Model - 15:07

This OX Alpha is a 100% uh, GLM model created by **Zipu AI** and it looks almost like um, **Anthropic's** Mythos class from very early results. It's very likely going to be called GLM6 and it's absolutely mogging every frontier and S in cyber benchmarks. You can see how it ranks in the table below on page seven. First off, **Zipu AI** code names its models with the names of Chinese zodiac signs following by Alpha. They did this in *February of 2026* with GLM5, code naming it Pony Alpha and releasing it later as GLM5. The same was released on open router as stealth pony Alpha, hence OX Alpha.

OX Alpha's tokenizer is one of is one for one identical to GLM's. No other labs tokenizer gets passed 411 when it comes to tokenizer similarity. You can see in the next page that OX Alpha's tokenizer, um, you know, how it compares to um, other players, um, and other models that are out there. OX Alpha is free right now, unlimited usage and no guard rails on open router and open code. But if this model drops as an open source model and and really turns out to be as good as Mythos on all coding and cyber benchmarks, it might just be the final nail in the coffin. Uh, and it could be another deep seek moment. However, they simply, you know, they probably won't have enough GPU or compute uh for it to scale right now.

Anthropic's Market Struggle - 16:37

There is news in the **Financial Times** that **Anthropic's** best AI model struggles to attract users as cheaper tools thrive, including **Anthropic's** other models. Corporate demands have been shifting. **Anthropic's** flagship frontier model Fable 5 has plateaued at roughly 11% of total corporate corporate spend on **Anthropic** tools. This is because of a rise of cheaper alternatives. Enterprise clients are actively routing work away from the costliest frontier models towards cheaper, good enough options, including lower tier models like Opus 5, as well as open weight alternatives.

In terms of business model implications, this trend challenges the assumption that technical uh capability leadership automatically translates into revenue, forcing AI labs to rethink pricing structures ahead of expected market exits and IPOs, like **Anthropic's** IPO expected for *October*.

The Fed, Bond Market, and the US Debt - 17:30

Very importantly this week, Bessent pleaded with the bond market to calm down three times, promising additional long-end purchases as the US debt load tops 40 trillion. So now, according to the **Financial Times**, no fewer than three times in three weeks, Bessent has given the message to investors to please stop selling his bonds, but they're selling his bonds anyway, taking borrowing costs to extraordinary heights in the same week the US debt crossed 40 trillion for the first time. Worse, investors are now selling the currency too, as the dollar fell, the dollar took a sizable hit after the buyback announcement, which resulted in a big rally in gold and a three sigma rally in crypto, specifically in Bitcoin, Ethereum, and Solana.

On Sunday, US Treasury Secretary Scott Bessent scheduled a press conference for Monday at 2:00 p.m. tomorrow Eastern at the Treasury Department. The primary triggers and market context surrounding this announcement include one, the reacceleration of the bond market sell-off. The failed intervention. The Treasury department attempted to curb curb long-term borrowing costs by announcing plans to at least double its long duration bond buybacks, purchasing 4 billion per option in 10 to 30 year treasuries. For those of you who don't know, this was to start on *September 9th* and the US government already owns about 50% of all long-term bonds. Not much dissimilar to Japan. While long-dated treasuries initially rallied on the news, the gains completely unwound by Friday. Yields snapped back towards multi-year highs with the 30 year hovering around 5.25% as investors dismissed the buyback strategy as a band-aid on a bullet hole.

Two, fiscal debt and debt deficit concerns. Right now we have 40 a 40 trillion dollar debt wall. Total US national debt surpassed 40 trillion last week, coinciding with the CBO projected annual budget deficit of 6% of GDP. Essent has indicated that Monday's announcement will include new measures aimed at fiscal consolidation to demonstrate a path towards reducing federal deficits. Escalating Iran tensions, and now a trade war with Canada. In addition to debt management, Essent stated earlier in the week that Monday's press conference will detail stricter economic sanctions against Iran and potential secondary enforcement against nations aiding Iranian oil flows.

Congressional Testimony & Fed Mandate - 19:45

Congressional testimony by Jeffrey M. Lacker, a a former president of the Richmond Fed delivered during the House Financial Services Committee last week, was titled "Revisiting the Treasury Fed Accord" and directly challenged Worsh and Bessent. The highlighted passage carried a major implication for the institutional boundary between the Federal Reserve and the US Treasury, and the core meaning of the highlighted passage, which we took a screenshot of on the next page on page 11, basically redefines a third leg of the Federal Reserve's mandate. So under the Federal Reserve Act, the Fed has a statutory dual mandate for maximum employment and price stability. That legally includes a third often overlooked mandate containing a moderate long-term interest rate.

Minimizing the term premium is something he discusses as well and should be interpreted specifically as minimizing the inflation risk premium and macroeconomic uncertainty premium built into treasury yields. And number three, the price stability lowers borrowing costs. Lacker argues that the best way the Fed can keep long-term yields low for the US Treasury is not by capping yields or buying government bonds, which is QE, but by maintaining tight control of inflation so that bond holders don't demand a higher risk premium to hold US debt.

Lacker vs. Bessent & Worsh on Policy - 21:00

So what he's doing is he's pushing back against fiscal dominance. As the US government debt expands and interest expense surges, there is a growing political pressure for the Fed to use its balance sheet to hold down long-term yields, which is also called yield curve yield curve control, which Bernanke started after um, 2008 with Operation Twist, or targeted Treasury purchases. Lacker's testimony pushed directly in the opposite direction, warning that using central bank liquidity to fund or stabilize federal deficits degrades monetary policy independence. He also revisited the 1951 Treasury Fed accord. Prior to 1951, the Fed was forced by the Treasury to cap government borrowing rates to low levels to fund World War II debt. The historic 1951 accord ended this yield peg and established modern Fed operational independence.

Lacker is advocating for a new accord that explicitly prohibits the Fed from stepping into secondary Treasury markets under the guise of yield management or market functioning backstops unless strictly necessary, forcing Congress and the Treasury to absorb the market price of their fiscal policies. If Congress adopts this framing, the Fed would move away from long-duration bond interventions like QE or Operation Twist to revert to a bills only or pure short-term framework. The Treasury would no longer be able to count on the Fed balance sheet expansion as a buyer of last resort to absorb term risk or compress long-term yields. Jeffrey Lacker's testimony functions as a direct critique of the economic playbook being pursued by Treasury Secretary Bessent and Fed Chair nominee Kevin Worsh, which is what resulted in the market to second guess the tenure.

While Lacker supports the conceptual idea of a new accord in theory, he's warning against how Worsh and Bessent intend to implement it. Lacker rejects Treasury interventions to cap yields, whereas Bessent has been actively managing long duration debt via buybacks and maturity manipulation to keep long-term yields down just like Yellen used to. Lacker has basically said that the only legitimate way to moderate long-term interest rates is by eliminating inflation risk, which is getting worse with this new tariff war and the Iran war. Worsh's proposal around the Treasury Fed accord argues that the Fed should maintain strict independence on setting short-term interest rates while collaborating with the Treasury's non-monetary balance sheet policy and emergency swap lines. Lacker warns that, and he's publicly pushed back on Worsh's version of the accord, according to the reporting by Briefs Finance in the analysis by the Brooking Institute, Lacker warned that Worsh's arrangement risks turning into a less constructive agreement that lets the Treasury use the Fed's balance sheet to bypass Congress, perpetuating bad practices and compromising the Fed's independence.

Lacker's position even back in *March of 2026*, before the House Financial Services Committee, he advocated that any new pact must legally force the Fed to adopt a bills only strategy. You can see, you know, highlighted what he's trying to say on page 11.

US Government Debt Analysis - 24:03

On page 12, you can see the world's largest government debts in 2026, with the US twice as large as China, including its shadow debt and its provincial debt, and roughly four times the size of Japan, 10 times the size of France, 15 times the size of India. The president last week said that the United States is considering buying sizable amounts of Bitcoin on live television, which has yet to be supported as well, which helped push cryptocurrencies higher.

Market Reactions to Treasury Yields - 24:31

The surge in the 30-year Treasury yield to multi-decade highs near 5.29% last week, its highest level since 2007, is driven by a confluence of fiscal, monetary and market structural pressures. The unprecedented fiscal deficits and Treasury supply with a non-war deficit of 6%, the government faces massive ongoing budget deficits which will increase by half a trillion next year with requests to build our missile defense systems after what we've spent in the Middle East, requiring the Treasury to issue relentless supplies of long-dated bonds.

Following the Federal Reserve's decision to hold benchmark interest rates unchanged last week, or last month, Central Bank communication signaled a hands-off approach to guiding the yield curve. The market responded by steepening the curve, pushing long-term yields sharply higher while short-term yields held relatively steady. Sticky inflation readings have diminished expectations for aggressive rate cuts, forcing market participants to price in higher long-term neutral rates. Investors are demanding additional compensation or term premium to hold fixed income over a 30-year horizon given long-term purchasing power risks.

Crowded capital markets and alternative debt, corporate issuers, particularly major tech companies raising trillions of dollars to finance massive AI projects, have flooded the corporate bond market. This creates direct yield competition for sovereign US debt, forcing US Treasury yields to stay higher for institutional buyers like pension funds and insurers. You can see the US 30-year over the last 20 years effectively peaking last week. The US federal debt, as you can see in the following graph on page 14, you know, has reached 40 trillion. You know, I had expected yields to effectively start to peak, but the new expenditures of 600 billion on missile defense systems and uh new military budget which is expected to be over a trillion and a half, um, has raised deficit expectations over 3 trillion next year and it's made it it's made it harder uh to find a peak in yields.

JPMorgan and Evercore on Bond Buybacks - 26:42

Total interest on US debt is now 1.4 trillion, which is actually higher than our present year's defense spending. On Wednesday, **JPMorgan** issued a warning that the Treasury's expanded bond buybacks will lower long-term yields only temporarily, it won't solve the real problem. The US is running a 6% budget deficit near full employment, national debt has surpassed 40 trillion and **JPMorgan** estimates a funding gap exceeding 3.5 trillion in the coming fiscal years, the highest deficit in history. Without meaningful fiscal reform, attempts to suppress yields will continue to undermine the Treasury's regular and predictable approach, raise a term premium, and ultimately push long-term borrowing costs even higher. They call it just a a bandaid. And you can see there's an immediate impact on long-end yields on page 15, but then on the following page, page 16, the 10-year yield then quickly within two days, um, broke that decline. **Evercore** is also skeptical that the administration can realistically do anything at this point on the deficit that would be material. We'll see what Bessent has to say tomorrow at 2:00 p.m.

The US right now is spending 100 billion more on debt interest than defense, according to **Yardeni**. Since Bessent took office and the Iran war started, the 10 years gone from 4% all the way to 4.7%. And the US Treasury planned to sell a net 97 billion of long-term bonds in the market versus the 4 billion of of uh buy is, you know, shows that the buys are really de minimus.

Jefferies' Analysis of Treasury Buybacks - 28:04

Zervos, uh the head of macro at **Jefferies**, wrote this on bond buybacks. The US Treasury's announcement to upsize its long-end buybacks on Wednesday has created plenty of controversy and confusion amongst the financial markets. To dispel some of this confusion, he has outlined below some of the bullet points on how he sees operations impacting the macro landscape. Further, given the growing number of market surprises in *August*, the buybacks, the Yen intervention by Bessent and the numerous high profile losses, it's probably a good time to hold a firm line macro call in his opinion. The exact timing of the buyback announcement was a shock to some given that the refunding announcement was only two weeks ago. However, the tool of buybacks should be seen distinct from the long-standing practice of announcing stable and predictable auction schedules. Buybacks are tactical. They're designed to counter shifts in the short-term market conditions. Alternatively, auction schedules are built to foster secular stability.

Tactical buybacks were first floated by the Treasury Secretary in *April of 2025* during this administration in response to aggressive foreign selling of US Treasuries. After the Chair of announcement. And even just the threat at that time worked effectively to settle yields after the large spike in the 10-year Treasury from 3.9% to 4.6% after tariffs. Given that experience, I would argue that Treasury holds all the cards here. Those fighting tactical buybacks will soon find out that there's only one bond vigilantly out there and it's the Treasury Secretary who can continue to ramp up the amount of bonds they buy back. Tactical buybacks targeting the long end of the curve are nothing more than Operation Twist. The only difference from previous twists like Bernanke's is that historically the Fed has been the initiator of such actions. As of now, the Treasury has largely wrestled that tool away from the Fed. In some ways, the lack of Fed action back in *April of 2025* when the rate market conditions went hyper-spastic, almost surely led the Treasury to take a more forceful lead with twist operations.

While some folks are calling buybacks QE, this is not entirely correct. There are, however, some strong similarities. QE is the purchase of long-dated US Treasuries funded with reserve creation. And only the Fed can create reserves. However, you can think of a reserve as a one-day T-bill that only banks can hold. The mechanics therefore look very much like a twist operation in so far as long duration bonds are swapped for short duration bills. And the market implications are also quite similar with regards to lowering of term premia. The difference with QE, however, is that the printing of new high-powered money shifts inflation expectations. With QE, there's the creation of new government liabilities that are unconstrained by fiscal considerations like a debt ceiling. Thus, QE should be seen as more powerful and inflationary, given that it can be used to monetize the debt. QE generates more of a psychological effect with inflation expectations in a tactical Treasury twist. What the Treasury is doing is simply issuing short-term bills to buy long-term bonds. So they're not creating money. That's the primary difference.

That said, these specific Treasury twist operations do create some room for fiscal expansion. And as such, they also have the potential to generate some QE style reflationary or inflationary impact. Remember, I meant reflationary. Um, remember the Treasury is buying long-dated bonds with $50, $60 and $70 prices, old issues with low coupons. This LME reduces overall debt outstanding and leaves room for fiscal expansion. With less fiscally binding constraints for the Treasury, the market may look at these operations in a more similar vein to fully fiscally unconstrained exercises like QE. To that end, the power and the punch of these Treasury twists may be even more than many in the market are predicting.

He ends with a last observation on the buyback announcement. Thus far, the range on the 10-year yield since the presidential election in *2024* has been 90 bips. Going back in time, it's very difficult to find periods of nearly two years with this much stability. One would need to go back to the conundrum period in the mid-2000s to find anything similar. So for all the talk of dollar debasement, credibility risk around Fed independence, fiscal recklessness, tariff Armageddon, geopolitical risk and every other Chicken Little style warning, a 90 basis point in the tens for some 22 months is quite remarkable. Risk markets love stability and long end rates, and this administration fully recognizes that. The tactical buybacks are yet another business-friendly policy like deregulation that should support risk assets and economic growth more broadly. Now, in my opinion, as long as Bessent in the 2:00 p.m. speech tomorrow is able to cut the deficit and increase the amount of bonds he buys back, because 4 billion in an auction simply isn't enough.

The Big Tech Bond Paradox - 32:49

Now, let's talk about the big tech bond paradox because US tech is also issuing trillions of debt. So the US federal debt, as you know, hit 40 trillion. The only way to deal with this is growth because no political party is ready to cut spending. So how are we getting that growth? Well, it's AI CAPEX. That CAPEX is coming from big tech companies like **Meta**, **Google**, **Microsoft**, **Amazon** and **Oracle**. But then how are those big tech companies funding their CAPEX? Well, initially, it was free cash flow, but that dried up. So now it's by issuing bonds. So **Google** issued a 100-year bond with a 6-year yield. **Meta** and **Oracle** have issued bonds with 6-8% yields at the long-dated side as well. The US 10-year Treasury yield is now above 4.7%, the 30-year is above 5.2%. The US sells these treasuries in order to fund the government. People then buy them with the expectation that this is the safest return they can get because the US will never default on their debt. The yields that are currently being offered are the highest in decades. So what's the problem? Well, the big tech companies are giving bond yields that are two or 300 basis points above what the US Treasury is offering, which is an issue because if you are a credit investor and don't think that **Meta** and **Google** are going out of business, why would you not buy their debt over US government debt?

As a result, people are selling US Treasuries to buy hyperscaler debt, causing yields to go higher, and then buying big tech corporate debt. The paradox in all this is that Big Tech needs to issue this debt in order to continue to spend on CAPEX, and that same CAPEX growth is what's supposed to solve our debt issues. If Big Tech stops spending on CAPEX, we wouldn't have any growth. But in order for them to get the growth, they have to issue bonds with high coupons and take away money from the long end of the curve of US Treasuries, causing the highest yields we've seen in 20 years. The simple way to resolve all of this is to end the Iran war because oil prices will go down, inflation expectations will go down, and credit markets will buy up US Treasuries yielding 4.5 to 4.7% since they will be getting a great yield on lower inflation expectations. The problem is the war hasn't stopped for months and the market doesn't think it's stopping anytime soon, which means until it does, we have to deal with higher oil prices, higher yields on bonds, and more uncertainty for stocks if the credit market continues to to scream that yields need to come down. And now on top of this, we have a trade war with Canada. And by the way, right after we see this *November* midterm elections, you better believe we're going to have even more trade wars. So it's just complete nonsense coming from the executive branch of government, which is working against the Treasury, which is working against the Fed, and which is working against the American people.

Impact on Gold and Precious Metals - 35:22

Now, how Bessent's remarks could affect gold and precious metals. When an official actor reveals where their pain threshold is, and then sizes the defense too small to be decisive, the market's rational move is to lean on it until they escalate or fold. If you take the Sterling in 1992, the Swiss National Bank's Euro peg in 2015, or the Bank of Japan's yield curve control in 2022 to 2023 when, you know, Japan yen volatility spiked, you know, two of those folded. The Bank of Japan instead escalated repeatedly. The Bank of Japan ended up owning half of the JGB market, which is probably what's going to happen in the US. And the pressure never disappeared. It just used the Yen as a release valve, which means the dollar should also fall if we go in that direction, which is positive for gold, which is positive for for silver, which is positive for real estate and agricultural land, and it's also positive for crypto.

Analyzing the Treasury's Actions - 36:18

Now, price what the Treasury has announced, 4 billion minimum per operation, a fixed calendar, cap size, call it 15 to 30 billion across the whole window against a market that absorbed 742 billion of treasury sales in a single week this month. And a CBAC warning of about 1.45 trillion funding gap in addition between fiscal 27 and 28. Precious metals are already looking past the flow and pricing the escalation path. Programs like this have a habit of growing. You can see gold spiked from, you know, GLD spiked from 370 all the way to 420. Um, with, you know, gold in ounces uh, rallying to about $4,700 per ounce last week, and silver rallying back to about $69 an ounce. And copper also rallied to about 6.6 a pound. Um, and copper stocks like HBM have also done quite well, which we are holders of.

White House Crypto Summit Recap - 37:12

Then we have the White House crypto summit recap. President Trump, we're on page 20, said that the US is considering buying sizable amounts of Bitcoin and other cryptocurrencies, which has not yet been approved. Um, he's relying on Paul Atkins of the SEC and other experts to make this decision. Trump is calling on Congress to pass the crypto clarity act, which is not going to pass because of all the corruption in the executive branch. Trump has also said that the US is ensuring it remains the undisputed leader in Bitcoin and crypto. Hyperliquidator hype pumped 15% to 69 after Trump says the CFTC is working to bring it to the US. SEC chair Paul Atkins said that we will ensure the greatest advances of the technological frontier are realized right here in America. The **Gemini** co-founder said America should lead crypto and win the market. Of course they would. And Trump says he ended the war on crypto once and for all, like the 50 other wars he said he stopped.

Consumer Spending Slowdown (Goldman Analysis) - 38:05

Consumer spending is is slowing according to **Goldman** this week, **Goldman Sachs Asset Management**. The US consumer spending growth is forecast to slow in the second half of 2026 after a surge in tax refunds in the spring likely provided a temporary boost to the consumer, according to Jean Hatzius. Their economists expect real inflation adjusted US consumer spending to grow only 1 to 1.5% in the second half of 2026, down from 1.8% in the first half with the straight of Hormuz still closed, elevated energy prices could pose an additional risk to the outlook for consumer spending. A renewed spike in gasoline prices which are already high because of crack spreads would further hurt consumers, especially those with lower and middle incomes. Strong business investment and the effect of earlier large equity wealth gains should continue to support overall US GDP growth, albeit at a pace slightly below its potential. **GS** forecast US real GDP to expand at only 2.1% this year.

In addition, Hatzius notes that US inflation data has improved meaningfully over the last two months because of real estate prices coming down, for example, and with temporary drivers like tariffs, software and accessories and energy that have kept inflation elevated set to fade, we'll see. **GS** says it doesn't expect the Federal Reserve to hike rates in 2026 or in the upcoming meeting in *September*. In a sign that policy hawks have become louder, three members of the FOMC dissented in the vote to hold the key policy rates steady last *July*, this *July*. But after two months of materially softer jobs and inflation data, it's hard to see any of the doves shifting towards hikes, Hatzius writes. He notes that it's now very unlikely that the FOMC will hike rates in its *September* meeting, and the market is pricing for the key policy rate, uh, seems too hawkish. The US Treasury's plan to double its purchases of long-dated government bonds could prompt investors to allocate more money to longer maturity securities in their opinion. So **Goldman's** taking a very dovish approach.

The announcement is part of a bigger story as the Treasury takes a more activist approach in managing the issuance profile of government debt, including signals that it may tilt future issuance towards shorter maturities and use those proceeds to buy longer term maturities, according to Mike Mitchell, head of US Treasury and inflation trading at **Goldman**. If the Treasury repurchases a full amount outlined, it would buy back a third of the long-dated debt it issues, Mitchell told Tony Pasquariello, the global head of hedge fund coverage in a podcast. It remains to be seen whether a change in the issuance mix will have a lasting impact on the trajectory of longer maturity Treasury yields according to Mitchell. Investors are demanding more term premium or compensation for holding longer dated debt amid fiscal risks and heavy supply of longer maturity debt from governments and companies. With the term premium around the middle of its long-term range, he expects it to drift higher, which is contrary to what he said earlier. A more durable change would likely require a fiscal consolidation through some combination of reduced spending or higher taxes or further good news on inflation.

The latter could reduce market expectations of a rate hike in the medium term. Otherwise yields on longer dated maturity treasury could climb until they reach a level where there's enough of a value proposition for investors or they damage growth. Mitchell thinks that this level could be 5.2 to 6% on the 10 year.

PRTH Special Situation Analysis - 41:23

Last week we added a starter position in **PRTH** at 552 per share. The company, um, founder actually bid um over $6 a share to take the company private, which is only five and a half times cash flow. We think that this was a lowball bid. There's an activist in the company called **Buckley Capital Advisers** who sent an open letter to the board special committee stating that the $6 bid drastically undervalues the company. Buckley releases some of the parts model valuing **PRTH** at $15 to $20 per share. For those of you who don't know, **Priority Technology Holdings** or **PRTH** provides payment and data processing services. The company offers consumer and commercial payments, automated accounts payable, integrated banking and payments infrastructure and electronic fund transfer solutions. The company's based in Alpharetta, Georgia, has a $500 million market cap, has a total enterprise value of 1.4 billion, has 900 million of debt, which is the main issue, which is about four times debt to EBITDA. The company is a cash cow. It did about 75 million of free cash flow in 2025, is expected to do 91 million of free cash flow this year. 91 million on its 460 market cap is a levered free cash flow yield of about 20%. So it's arguably quite cheap, uh, where we bought it, as long as the company continues to grow.

The chairman and CEO of the company, Thomas Priori, alongside investors, submitted a non-binding take private proposal to acquire the remaining stock he doesn't already own at $6 to $6.15 per share in cash. He already owns about 55 to 58% of the company. Priority submitted the bid right after **PRTH** released a soft Q3 earnings on purpose, which caused the stock to plummet from 7 down to 487. The $6 to $6.15 offer was anchored right between the pre-crash price and the post-earning lows, effectively creating a low premium environment above the distressed level.

In addition to **Buckley Capital Partners**, which stated the company's worth $15 to $20 a share, **Steamboat Capital Partners** also jointly submitted a formal letter opposing the takeover at $6 a share. Independent conservative estimates place the fair intrinsic value of this company closer to $10 a share, which is a 40% premium to where it, more than, sorry, based on the 561 close, $10 would be a 78% premium to the close.

Now, the special committee, because the board's special committee is tasked with negotiating on behalf of minority shareholders, they face intense public and legal pressure from activists not to approve the $6 offer without extracting a bump. With the stock hovering at around 561 at at about five and a half times cash flow, the founder's bid acts as a structural price floor, you know, at least a small discount to that bid. The primary upside driver, um, you know, there's some upward asymmetry here because the minority shareholders are represented by the special committee, you could easily see a bump to a $7 or $8 offer from the CEO, which would be based on, you know, $7 offer versus the 561, would be roughly 25% upside. You know, an 850 on the 561 Friday close would be a 50% upside. So it's quite asymmetric risk reward here.

If you look at the following page, you can see where we bought it in the middle of the day on *August 21st*. We're, you know, we're positioned to buy more. Um, the only risk here is you can see that the company does have a moderate, a moderate amount of debt at about, um, you know, 1 billion minus the 120 of cash. So roughly 920 of net debt divided by, you know, the 230 of EBITDA this year, it's about four times levered, which is not egregious, but it is moderately high leverage.

Citigroup as a Value Play - 45:17

Another name which is less risky on pullbacks that we think is interesting is **Citigroup**, which is still a value stock, trading at below 1.2 times price to tangible book value and nine and a half times forward PE, a big discount to peers. For example, you know, the company's cleaned up its balance sheet, it's building its wealth management franchise. And if you look at multiples, you know, for, for example, on PE, you know, **Goldman** trades at roughly, you know, 14 to 15 times earnings on a forward basis. **Morgan Stanley**, um, currently trades at 214 a share, um, which is roughly, you know, 16 and a half times forward PE. So this, you know, stock trades at about nine and a half P, so it's still like a 50% discount to **Goldman** and **Morgan Stanley** and remains the deep the deepest discount for money center mega banks. Now, we normally wouldn't be buying this, but if you think that interest rates are going to stay high, um, you know, bank should benefit and Jane Fraser has done a wonderful job turning City around. So we think that if there's a market pullback, um, you know, due to high interest rates, you know, City could be an interesting name to add. Um, we have, um, you know, a model with key drivers, um, documenting the company's turnaround, um, that we've shared in the SSR Q&A tab.

Iran War Update - 46:38

Now, in the Iran war update, Trump advised officials to stop negotiating with Iran last week after the latest deal with Oman and the risk of an offensive strike. Um, you can read this, this very long rant on page 26.

Goldman on Oil and Refinery Runs - 46:52

Um, **Goldman** has also now putting up a red flag on uh oil and refinery runs right as Canadian tariffs restart. The worst thing Canada could do because we buy all our um, sour crude and cheap crude from Canada for our complex refineries. The worst thing Canada Canada could do in this tariff war is to stop sending oil here. But **Goldman** is saying is that they've been seeing diverging margins and runs, refined product supply and product margins typically move together along the supply curve as demand shifts, but an unprecedented supply constraint has driven sharp divergence. Global refinery runs are down 7 million barrels a day, while margins remain near record highs.

What they're saying is that capacity outages for refineries are putting a ceiling on runs and that's what's driving crack spreads up despite oil prices remaining moderately low. Uh, that's why gasoline prices are so high because crack spreads have been driven higher. Margins and runs usually move together. So in the short run, elevated refinery runs tend to reflect refiners' expectations of strong demand and high profitability and therefore coincide with higher margins. The positive relationship between refinery runs and margins reflects the typical upward sloping supply curve. Higher margins in turn incentivize refiners to lift supply, leading to builds and refined product stocks that eventually rein margins, but we're not there yet.

A $10 per barrel rise in the US average of gasoline and diesel margins tend to boost global refinery runs by .6 to .8 million barrels per day the following month. But because of the issues we have in the Middle East, these um refinery runs have not increased despite refinery margins being very high.

US-Canada Trade Talks Collapse - 48:36

So US Canada trade talks basically fell apart at the last minute this week with 50% fresh tariffs on billions of dollars of Canadian goods taking effect and the Prime Minister Mark Carney promising to retaliate. The US tariffs kicked in on Saturday on hundreds of items the US buys from Canada, such as plywood, liquor, electrical equipment and hockey gear, totaling around 20 billion. Carney said he suspected suspended talks and his government would match these duties dollar for dollar to protect his workers. One of the issues is that, you know, Canada imports a lot of goods from China and the US is trying to protect itself from trans shipment.

The two sides blamed each other for the collapse. The US Trade Representative Jameson Greer and the Canadian negotiators made 11th hour demands that upended a draft deal worked out over days of negotiations. Key drivers behind the breakdown, section 338 catalyst, the punitive 50% tariffs from President Donald Trump invoking section 338 of the tariff act of 1930, which was a depression era statute to target countries deemed to have discriminated against US commerce. The US targeting is is targeting 20 billion of goods from Canada, um, or about 28 Canadian dollars worth of worth of goods. Specific sectors include dairy, liquor, automobiles, plywood, electrical equipment, and hockey gear. The move zeros in on areas where Washington claims Canada unfairly penalizes US markets, notably provincial bans on US alcohol sales and dairy market access restrictions. This tariff has no USMCA carve outs like the other ones did in the past, uh, which is likely worse uh, in this tariff war.

Um, Jameson Greer in the US stated that Washington offered Ottawa the best treatment of any major exporter, which included proposed cuts to tariffs on Canadian steel and aluminum down to 25%, autos down to 15%. Greer argued uh, accused Canada of scuttling the deal by introducing new 11th hour demands, backing out of prior commitments and refusing to lift its own retaliatory measures on American products. Prime Minister Mark Carney suspended negotiations and recalled his diplomatic team, stated that last-minute changes in the US proposals were unfair, uneconomic, and called into question the reliability of any deal. Carney emphasized that Canada would not accept a deal at any price and vowed to match the 20 billion tariffs dollar for dollar with retaliatory measures set to take place on *September 8th*, targeting US steel, dairy and consumer sectors. The targeted economic damage, while 20 billion is not huge, it's 5% of Canada's total exports to the US, it's just the start. You know, Trump has said that he would escalate um, if this is not turned back.

Details of the US-Canada Trade Dispute - 51:18

You can read Carney's objective uh on the press release on page 29 and uh Greer outlines the deal that Canada rejected on page 30 to see both sides. In an interview, Jameson Greer, President Trump's trade representative laid out details of what the US had offered Canada before the the deal crumbled. The US had offered to reduce its tariffs on steel, aluminum and autos, eliminate a recently imposed tariff on Canadian lumber before negotiations suddenly collapsed. In an interview with the New York Times, Greer detailed previously confidential and unreported elements of the US trade offer to Canada, saying those measures would have given Canada the most preferential treatment of any trading partner.

Trade talks between the countries suddenly soured late Friday night following a week of talks in which negotiators appeared hopeful for an agreement. Mr. Trump abruptly threatened Canada with a 50% tariff on about 20 billion of its exports. Those tariffs were set to go into effect on *August 19th*, but on the night before, Trump delayed the tariffs until *August 22nd*. But over following days and particularly late night through Friday, the consensus crumbled. Greer said the Trump administration had pledged to eliminate the 10% tariffs on softwood lumber that Trump imposed last year using a provision known as 232. The US had also offered a 25% tariff reduction that Trump put in place last year. The US offered to lower tariffs on metals. Um, on aluminum, the US had offered to reduce its tariffs from 25% from 50%. For products made with steel and aluminum like golf clubs and beer cans, the United States offered to cut those tariffs anywhere from 10 to 25%, with the lowest tariffs set at 15%.

Greer said the US had also offered to suspend the 50% tariffs that it brought into effect early Saturday morning on Canadian dairy, wine, and hockey six and other goods. Obviously, we would completely suspend the 50% section 338 tariffs that were going to apply to 5% of Canadian exports, he said. Carney said that Canada had walked away from negotiations not just because it assessed that what was being offered by the United States negotiation team was insufficient, but also because US officials were asking for concessions that Canada was not prepared to make. So, you know, these these negotiations are likely still happening, but, you know, what's worrying to me is that this is all happening while the Iran war is is taking place with inflation fears, term premium fears, and US 30-year yields and 10-year yields making new highs. You know, if anything, this um tariff war should have been paused uh, until the Iran war um, was resolved. But unfortunately, um, we have tariffs and oil prices being a risk going into midterm elections now.

US ETF Flows and Market Euphoria - 54:14

Despite all of this, US ETF flows have accelerated this year, um, with retail euphoria driving much of this. Investments in US listed exchange traded funds on page 31 are expected to top 2 trillion this year, a 40% jump over 2025 according to **Goldman Sachs**. In the first half of 2026 alone, investors poured more than 1 trillion into US listed ETFs. The surge is being largely driven by an unprecedented wave of product innovation, including levered ETFs and tax efficient ETFs. More than 1,100 new ETFs launched this year, and that record is on track to be broken by year end, pushing the total number of US listed ETFs past 6,000. They're going to be more ETFs than stocks in the Russell indices, which is unbelievable. We're now seeing some of the most advanced active management strategies in the markets expressed within the ETF wrapper. These range from levered funds to innovative fixed income offerings to structured derivatives. And you can see the path, or the pace of ETF inflows on page 31.

Weekly Market Recap (Day by Day) - 55:18

Now to do a quick weekly recap day by day from Monday through Friday of the most important events of last week. We'll quickly run through. On Monday, **Nvidia** was backing **OpenAI's** Ohio campus with a $1.5 billion investment in SB Energy because energy is the main bottleneck in support for a 4.25 gigawatt of AI infrastructure. **Anthropic's** revenue run rate reportedly surged ahead of its IPO, rising to more than 65 billion in *July* of 2026 from 47 billion in *May* and 9 billion at the end of 2025. The company also posted over 11.5 billion in preliminary revenue for its latest completed quarter, up from 787 million a year ago, while generating positive operating income and EBITDA. The company is supposed to IPO in *October*.

US interest expense on the national debt reached a record 1.4 trillion with debt servicing costs nearly tripling since 2020. If rates stay near current levels, interest payments are projected to rise to 1.7 trillion by *November 2028*, which would be the highest percentage of tax revenues in history, putting it on pace to overtake social security and national defense expenses. This is why we have to cut rates. **Evercore** ISI's Julian Emanuel says the S&P 500 could reach 9,000 over the next 12 months, while estimating a 7750 base case target, which is basically where we are now. He argues that the usual bull market killers, recession, sharply higher long-term yields, and extreme investor chasing still have not shown up. I would argue that sharply higher long-term yields are a big risk. At the same time, 121 S&P 500 stocks now have negative beta to the index, the highest number since the 2000 to 2001 dot-com unwind.

Fabrinet, **FN**, reported uh, revenue of 1.32 billion, which was a big beat last week. The top 10 most active options contracts were in **Nvidia**, **Tesla**, **Micron**, **SpaceX**, **Apple**, **Amazon**, **Meta**, **Microsoft**, **Intel**, and **AMD** last week. **Tesla** reportedly is preparing to launch its purpose built Cybertruck cab in Austin as soon as this month. **Uber** is investing in **ZipLine** as the company's expand into drone delivery for **Uber Eats**, which is quite exciting. The goal is to reach 1 million drone deliveries by the end of 2029. China's credit data weakened very sharply in *July* with new loans falling by 50 billion, only the third monthly decline this century and more than three times worse than expected, which shows you how weak the Chinese economy and household demand is, which I think is going to result in some sort of a Chinese stimulus announced later this year.

Morgan Stanley sees **Amazon** with a bull case path to 500 by 2027 driven by AWS potentially scaling towards 1 trillion in annual revenue over the next eight to 10 years. **UBS** expects **Nvidia** to beat its quarter two revenue estimates by roughly three to four billion next week, with revenue reaching 94 to 95 billion. It also sees guidance of 107 to 108 billion. And analyst Timothy Arcuri sees Blackwell demand remaining stable while Rubin units are starting to layer in ahead of a bigger FQ, F, uh, fiscal fourth quarter step up as Rubin gets to 500,000 GPU units per month. On Tuesday, **Nuvea** got approval for its Vineland, New Jersey data center expansion, a major hurdle tied to its $17.4 billion **Microsoft** cloud deal, which is insane.

Tuesday's sell-off was driven by macro pressure. The VIX had been sitting near a two-year low, leaving stocks vulnerable to any pickup in volatility with the 10-year spiking to 4.7%. Trump said the US was not holding talks with with Iran. The move was especially sharp in tech with many semiconductor names on Tuesday down 8 to 10%. **Anthropic** is reportedly preparing to give CEO Dario Amodei and co-founders enhanced voting rights ahead of the potential um, IPO in late *September*, *October*. **OpenAI** said revenue reached 6.7 billion at the end of Q2, up only 18% and the market was was very worried that um, **OpenAI's** growth rate is decelerating given hundreds of billions of dollars it needs to spend on CAPEX.

July economic data came in mixed. Import prices fell .4%. Housing starts came in at a very low 1.239 million versus 1.35 million due to mortgage rates, down 12%. ADP said private employers only added 9.5 thousand jobs per week. **UBS** remains bullish on **Micron** with a buy rating uh given price uh increases uh and uh future capacity additions. Onchain tokenization equity trading volume hit a record 9 billion in 2026, given the tokenization of stocks, uh with **Jupiter** leading the Solana based tokenization equities, uh 95% Q over Q. **Bank of America's** *August* fund manager survey shows investor bullishness approaching extreme levels, which is quite dangerous. A net 56% of managers overweight equities, the highest since *November of 2021*.

Google has reportedly told suppliers it plans to move production of all Pixel smartphones, watches and earbuds out of China starting in 2027, mainly to Vietnam and India, which is going to be a big boom to the Vietnam and Indian uh economies. **Morgan Stanley** says active fund managers remain underowned in MegaCap tech, um, with the gap widening to -129 basis points in Q2. **Nvidia** is actually underowned by big funds according to them. On Wednesday, **Moderna** and **Merck** said their personalized **MRNA** cancer vaccine Intisumeran, combined with Keytruda, showed melanoma recurrence and spread in late stage trials. The phase three study was stopped at its first interim analysis after positive results, which resulted in 175% surge in **MRNA** stock, which we shorted and, you know, from the peak, that stock fell about 30%. Um, we covered it, you know, I think we made about a high single digit percentage because we covered the first half around break even.

Crypto rallied very sharply on Wednesday. Bitcoin jumped roughly 8%, briefly touching 78,000, you know, and then rallying to 77,000 later in the week. The move liquidated an estimated 1.5 billion of short positions, driven by a mix of low yield pressure from Treasury buybacks, regulatory optimism, a decline in the US dollar, and the White House crypto meeting. **Nuvea** announced a proposed private offering of 4.5 billion of convertible senior notes, which put pressure on the name uh, given the convertible hedging. short, you know, when you issue a big convert, there's usually convertible arbitrages that buy it and short some of the stock. Um, on Wednesday, the US national debt also crossed about 40 trillion with 10 trillion just added in the in the last uh 4.5 years.

The US Treasury announced it would double its long-term government bond buybacks on Wednesday. Starlink also applied for an India approval of its gen 2 network. **Goldman** is preparing for roughly a $1.15 billion junk bond to finance Virginia data centers linked to **CoreWeave**. Um, **Nvidia** reportedly discussed investing in AI data supplier Merker on Wednesday, that would value the startup at 20 billion. **Weibo** reported um a big beat on earnings. President Trump is said to reduce tariffs on automobiles uh from Canada, but that reversed today. US margin debt actually fell by 85 billion in *July* to 1.42 trillion, the largest monthly decline ever, given the big deleveraging in semiconductor stocks and the same deleveraging we saw in Korea. But that margin's already going up again in *August*.

On Thursday, crypto crypto markets saw their seventh largest uh, you know, short covering event ever with uh 3.5 billion in leverage positions wiped out in 24 hours. Um, despite the forced liquidations, a total crypto market actually added roughly 280 billion in the same period as Bitcoin crossed 72k and Ethereum moved uh to 2300. On Thursday, Treasury Secretary Bessent said the US Treasury will assess bond market conditions and take further action if needed. The market didn't like that. **Anthropic** is reportedly adding **Citigroup** to its IPO bank lineup, making the IPO more real with **Morgan Stanley**, **Goldman Sachs**, and **JPMorgan** among the lead banks working on the listing. **Anthropic** is actually trying to raise more than **SpaceX**.

Deutsche Bank reiterated its buy rating and 200 price target on **Palantir**. **Amazon** plans to invest more than two billion across Latin America um, through Prime video, focused on original content and live sports. **Super Micro** said an independent investigation found no evidence that current senior management knew about the alleged export diversion scheme involving two former employees and a contractor, basically selling uh, **Nvidia** GPUs to China. Well, I'm sure that's true. Huh. **Walmart** fell 8% um, on Thursday after a slow same store sales print. The worst day since *May of 2022* and reporting its slowest US comp sales growth in more than six years. US comps rose just 2.6%, missing the 3.7% estimate, the lowest comp sales estimate in several years.

Um, **SpaceX** and **AST SpaceMobile** reportedly interested in acquiring 800 megahertz spectrum licenses valued at about 6 billion. The preliminary bids are due in early *September*. The median value of US consumer stock market investments climbed to a roughly 350k per person, including holdings in individual stocks, mutual funds for 1Ks and IRAs per **Schwab**. That figure has more than doubled over the last two years and is up 150k or 75% since *January* alone, which is unbelievable. **Micron** is committing 10 billion over the next decade to build **Micron** research labs, a new long-term US research hub based in Boise. **Micron** has already planned 250 billion of US spending on R&D and CAPEX. And **Broadcom** is reportedly seeking more than 60 billion in financing tied to its latest AI deal, which resulted in a huge spike in its CDS with the full package potentially nearing 100 billion. The structure couldn't include 60 to 70 billion of senior secured debt plus 30 billion of junior debt.

On Friday, crypto markets saw their seventh largest liquidation. All right, let's let's jump uh to page 37. **UBS** expects further volatility. Um, after *July* FOMC, um, they stressed caution ahead of a busy market macro calendar over the next several weeks, especially amidst a seasonally volatile and liquidity deficient period. Um, *September* FOMC, midterm elections are the two notable risks that have risen um, in terms of pricing. Lastly, investors who believe midterm election risk pricing might continue to rise or remain elevated may, you know, they think um, you know, should sell the VIX *October* puts to buy *November* puts. Um, S&P 500 stocks with dividend yields greater than the 10-year Treasury yields hit a record of 63.4%, excluding the COVID-19 crash back in *July of 2016*. So, effectively, stocks are the most expensive to bonds than they've been since the great financial crisis because of where yields are today. **Goldman** showing high refinery outages in the Middle East and in Russia being the key drivers of low global refinery runs, um, and crack spreads. That's on page 39. Um, the **MRNA** melanoma cancer vaccine driven short squeeze recap, um, is on page 40 and my my reason for shorting **Moderna** stock down to 140, uh, is written up there in a paragraph. We think the **BioNTech** could be uh, a better short, which was up 22% for no reason. We did cover half of it. It did fall to like 107 and then it bounced back at the end of the week. We might add to that short again. Smith cap squeezes uh, across biotech and crypto. You can see all the names that have squeezed last week on page 41, maybe to look at some ideas. Um, **Duolingo** gained after inadvertently disclosing user growth data. So that was a big leak, um, on *August 18th*. All correlations are breaking down according to **Goldman**. Long-short correlations have been breaking down all year. You you saw that with um, the **Citadel** acquisition of the situational awareness portfolio, which by the way, they've already sold 80% of this past week. Uh, **JPMorgan's** Brian Hevey explains why tech momentum plunged on Tuesday. The main driver of the momentum reversal um, was that, you know, **Anthropic's** 65 billion ARR number um, was below various data sources that implied higher growth of 75 to 80 billion.

Walmart's big miss in same-store sales, you can see graphically on page 43 and according to the **RSN Focus Fund**, the highest concentration in the top 10% of US companies which owns 78% of US market value. That graph is also on page 43 and on page 44. Despite all the fear we have about government debt, US corporate debt as a percentage of market cap is still very much contained. **SK Hynix** upgrades because of the sharp price increases in NAND and DRAM and the fact that **SK Hynix** announced a surprise 30 billion share buyback, caught the market off guard. Um, **JPMorgan** has now kept an overweight on **SK Hynix** because of that massive buyback plan. And **Alibaba** announced an 80 billion Hong Kong dollar capital raiser, 10.2 billion uh, US share placement in Hong Kong. Um, the company will be raising cash just like US hyperscalers to invest in AI infrastructure.

Q&A Section - 01:07:06

So quite a lot that we covered during this call. I do want to get to some Q&A. Um, the interesting special situations, we talked about **PRTH** and **Citigroup**, which should benefit from higher interest rates if rates continue to go higher as being one of the cheapest money center banks. Um, you know, remember for that one to buy on pullbacks. Um, we might short some more **BioNTech**. Um, **Warner Brothers** has played out really well with the spread compressing from 20% to 8.8%. Um, let's just quickly go to the Q&A. I don't see any questions. So what I'll do is I'm going to uh, upload the recording and you can if you have any further questions, you can just throw them in the Q&A tab and I'll address them in the morning. Um, thanks for listening. Have a wonderful evening and a successful trading week this week.

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