SSR Macro **Bonds Continue to Weaken, Strong Labor Report, PPI/CPI this Week, War Escalates in Middle East** **9-7-26**

Value Special Situations: EVC Turnaround

Growth Special Situations: HIMX

Large Cap Merger Arbitrage Update (VRNS, SPGI, ATAI, WBD, LPSN, PYPL)

Economic Calendar: Most important econ events next week are NFIB Small Business Optimism, PPI, Existing Home Sales, CPI, and UMich Sentiment

Date Time	A	M	R	Event	Period	Surv(M)	Actual	Prior
09/08 11:00				NFIB Small Business Optimism	Aug	99.3	--	99.8
09/08 16:00				NY Fed 1-Yr Inflation Expectat...	Aug	3.60%	--	3.63%
09/08 20:00				Consumer Credit	Jul	$11.670b	--	$14.173b
09/09 12:00				MBA Mortgage Applications	Sep 4	--	--	0.8%
09/09 13:15				ADP Weekly Employment Chan...	Aug 22	--	--	11.750k
09/10 13:30				Initial Jobless Claims	Sep 5	205k	--	206k
09/10 13:30				Initial Claims 4-Wk Moving Avg	Sep 5	--	--	207.25k
09/10 13:30				Continuing Claims	Aug 29	1780k	--	1779k
09/10 13:30				PPI Final Demand MoM	Aug	0.4%	--	0.0%
09/10 13:30				PPI Ex Food and Energy MoM	Aug	0.3%	--	0.2%
09/10 13:30				PPI Ex Food, Energy, Trade Mo...	Aug	0.3%	--	0.4%
09/10 13:30				PPI Final Demand YoY	Aug	5.2%	--	4.7%
09/10 13:30				PPI Ex Food and Energy YoY	Aug	4.6%	--	4.2%
09/10 13:30				PPI Ex Food, Energy, Trade YoY	Aug	--	--	4.7%
09/10 15:00				Existing Home Sales	Aug	3.98m	--	4.06m
09/10 15:00				Existing Home Sales MoM	Aug	-1.7%	--	-1.7%
09/10 15:00				Wholesale Inventories MoM	Jul F	1.3%	--	1.3%
09/10 15:00				Wholesale Trade Sales MoM	Jul	--	--	-3.0%
09/11 13:30				Real Avg Weekly Earnings YoY	Aug	--	--	0.1%
09/11 13:30				Real Avg Hourly Earning YoY	Aug	--	--	-0.2%
09/11 13:30				CPI MoM	Aug	0.4%	--	0.1%
09/11 13:30				Core CPI MoM	Aug	0.2%	--	0.2%
09/11 13:30				CPI YoY	Aug	3.4%	--	3.4%
09/11 13:30				Core CPI YoY	Aug	2.4%	--	2.5%
09/11 13:30				CPI Index NSA	Aug	334.871	--	333.918
09/11 13:30				Core CPI Index SA	Aug	337.578	--	336.789
09/11 15:00				U. of Mich. Sentiment	Sep P	51.0	--	51.7
09/11 15:00				U. of Mich. Current Conditions	Sep P	51.6	--	51.9
09/11 15:00				U. of Mich. Expectations	Sep P	51.0	--	51.5
09/11 15:00				U. of Mich. 1 Yr Inflation	Sep P	4.2%	--	4.0%
09/11 15:00				U. of Mich. 5-10 Yr Inflation	Sep P	3.3%	--	3.3%
09/11 17:00				Household Change in Net Worth	2Q	--	--	$113b
09/11 19:00				Federal Budget Balance	Aug	-$210.0b	--	-$344.8b

Upcoming Earnings (Very Light Week)

Special Situations Update

Shares of cybersecurity company Varonis Systems (VRNS) rallied 10% last week on reporting that Thoma Bravo portfolio co Proofpoint was in talks to acquire the business. No deal price was mentioned, but the reporting does seem to suggest a deal is likely at this point ("advanced talks", "could be announced in the coming weeks"). The reporting comes 2.5 months after initial reports that VRNS was exploring strategic options and gauging interest from PE firms. In other news, ATAI is set to close on September 9th, and Elliott has built a sizeable stake in Deutsche Telekom AG and indicated the German telecommunications giant should ditch a potential merger with its American arm T-Mobile US Inc in favor of alternative ways to unlock shareholder value.

S&P Global shares rallied last week on news it was exploring a potential spin-out of its Capital IQ business. Coming just 2 months after the Company's Carfax / Mobility separation, a Cap IQ spin would further weight the business towards the higher growth / margin portions of its business, namely Rating & Indices. SPGI trades at ~22x forward EPS vs. MSCI (26x) / MCO (27x). Investors flag Factset as the best comp for SPGI's Cap IQ business, which is trading 15x P/E & 12x EBITDA.

In other news, 1/ the WSJ highlighted industry skepticism around Paramount's commitment to distribute 30 films / year; 2/ Rails were a focus given fundamental headwinds & growing republican opposition to the deal; and 3/ KVUE / KMB received South Africa approval. In the month ahead, we expect the M&A focus to be on a handful of antitrust expiries: LCII (Friday), ROKU (9/8), LNTH (9/17), TECH (9/18), and KVUE EC (9/29 with earlier remedy deadline).

Largest US Transactions:					9/2/2026 Last		9/1/2026 1D Chg		8/26/2026 1 Wk Chg		8/4/2026 1 Month Chg	
	Target	Buyer	Tgt Mkt Cap	Consid	Spread ($)	Spread (%)	Spread ($)	Spread (%)	Spread ($)	Spread (%)	Spread ($)	Spread (%)
1	NSC	UNP	$74,786	Cash/Stock	$48.49	14.7%	$2.01	0.7%	$1.73	1.4%	$4.59	1.8%
2	WBD	PSKY	$71,103	Cash	$2.61	9.2%	($0.07)	(0.3%)	$0.36	1.4%	($2.60)	(11.0%)
3	D	NEE	$58,383	Stock	$1.58	2.4%	$0.47	0.7%	($0.05)	(0.0%)	($0.17)	(0.1%)
4	KVUE	KMB	$36,015	Cash + Stock	$0.35	1.8%	($0.06)	(0.3%)	($0.06)	(0.3%)	$0.09	0.5%
5	ROKU	FOXA	$23,104	Cash & Stock	$3.75	2.4%	($0.63)	(0.4%)	($1.12)	(0.7%)	($2.19)	(1.7%)
6	PEN	BSX	$12,706	Cash or Stock	$1.27	0.4%	$0.08	0.0%	$0.46	0.1%	$0.67	0.2%
7	WTRG	AWK	$11,666	Stock	$0.99	2.4%	$0.20	0.5%	($0.18)	(0.5%)	($0.32)	(0.9%)
8	TECH	Merck KGaA	$11,319	Cash	$0.70	1.0%	($0.12)	(0.2%)	$0.08	0.1%	($0.21)	(0.3%)
9	GSAT	AMZN	$10,543	Cash or Stock	$3.65	4.5%	($0.08)	(0.1%)	($0.66)	(0.8%)	($2.09)	(2.4%)
10	AES	GIP & EQT	$10,537	Cash	$0.20	1.4%	($0.03)	(0.2%)	($0.07)	(0.5%)	($0.12)	(0.8%)
11	APGE	ABBV	$10,224	Cash	$0.04	0.0%	$0.01	0.0%	($0.12)	(0.1%)	($0.88)	(0.7%)
12	QRVO	SWKS	$8,505	Cash + Stock	$0.67	0.7%	($0.14)	(0.2%)	($0.65)	(0.7%)	($0.91)	(1.0%)
13	SLAB	TXN	$7,311	Cash	$10.77	4.9%	($1.11)	(0.5%)	($1.40)	(0.7%)	($1.84)	(0.9%)
14	ACA	CRH	$7,144	Cash	$4.55	3.1%	$0.03	0.0%	($0.19)	(0.1%)	($0.23)	(0.2%)
15	LNTH	Curium	$6,586	Cash	$1.69	1.7%	$0.07	0.1%	$0.01	0.0%	$0.30	0.3%
16	CZR	Fertitta Entertainment	$6,046	Cash	$1.31	4.4%	($0.02)	(0.1%)	($0.03)	(0.1%)	$0.43	1.5%
17	TXNM	BX	$5,961	Cash	$3.18	5.5%	($0.22)	(0.4%)	($0.53)	(1.0%)	($0.47)	(0.9%)
18	UNF	CTAS	$5,018	Cash + Stock	$32.67	11.9%	$0.29	0.2%	$6.78	2.9%	$10.80	4.3%
19	MKTX	ICE	$5,724	Cash	$0.12	0.1%	($0.08)	(0.1%)	($0.12)	(0.1%)	($0.44)	(0.3%)
20	NWE	BKH	$4,301	Stock	$0.95	1.4%	($0.09)	(0.1%)	$0.12	0.2%	$0.01	0.0%
						Average		(0.0%)		0.0%		(0.6%)
						Average (mkt cap)		0.1%		0.4%		(1.9%)

- **VRNS - Thoma Bravo's Proofpoint Is Said To Be in Talks to Acquire Varonis** (link). Thoma Bravo-backed Proofpoint Inc. is in talks to acquire cybersecurity company Varonis Systems Inc., which would be one of the biggest technology take-privates since the steep selloff in software stocks earlier this year, according to people familiar with the matter. Proofpoint is negotiating the terms of a potential deal with Varonis, which has been working with advisers to field takeover interest, according to Bloomberg sources. A transaction could be announced in the coming weeks, assuming the talks don't fall apart, they said.
- **DTE GS/TMUS - Elliott Builds Deutsche Telekom Stake** (link). Elliott Investment Management has built a sizeable stake in Deutsche Telekom AG and indicated the German telecommunications giant should ditch a potential merger with its American arm T-Mobile US Inc., people familiar with the matter said. Elliot instead wants Deutsche Telekom to consider alternative ways to unlock shareholder value, including larger share buybacks,
- **ATAI – Anticipated Close on September 9, 2026** (link). According to a NASDAQ trader alert the merger is tentatively scheduled to close prior to the market open on September 9, 2026. In anticipation of the closing, the stock will be halted immediately following the after-hours session at or around 7:50 p.m. on September 8, 2026. If the merger closes as anticipated, the stock will remain halted on the day of closing (September 9th) and will be suspended effective September 10, 2026.
- **SPGI - Weighs Multibillion-Dollar Spinout of Data Platform Capital IQ** (BBG). S&P Global Inc. is considering spinning out its flagship data and research platform Capital IQ Pro, in a move that could create a standalone firm worth billions of dollars. S&P is in the early stages of exploring options for the unit, which could include creating a publicly listed entity, according to people familiar with the matter. In a spinoff scenario, the unit could fetch a valuation in the high single-digit billions of dollars, according to BBG sources.
- **WBD - Paramount Vow of 30 Films Spurs Skepticism** (WSJ). A cornerstone of Paramount Chief Executive David Ellison's argument that his planned Warner Bros. Discovery acquisition will benefit Hollywood is his promise to release at least 30 movies annually in theaters postmerger. Many in the movie business are skeptical. Opponents of the deal, which a coalition of 12 states have sued to block on antitrust grounds, and even some supporters note that Ellison's plan would defy a decadeslong trend of shrinking studio film slates. Many in the movie business are skeptical. The last time an entertainment company released 30 movies nationwide in theaters in one year was Warner Bros. parent Time Warner in 2007, according to data from Rentrak. Since the turn of the century, the average for major studios this century has been about 15 wide releases annually.
- **NSC/UNP - Texas' Paxton Offers Regulator Reasons to Block Mega Rail Merger** (BBG). The Surface Transportation Board should reject the proposed takeover of Norfolk Southern Corp. by Union Pacific Corp. if a merger would lead to higher shipping rates, according to a Monday filing by the office of Texas Attorney General Ken Paxton. Mergers must "enhance competition" in the public interest according to a 2001 rule by the board, which will test that standard for the first time in its likely year-long review of the proposed deal to create the nation's first coast-to-coast freight network. "The Board should not approve the UP/NS transaction if it will result in rate increases for shippers, including in narrow point-to-point markets," the filing states.

Microcap Arb Spread LPSN on Monday (Successful trade in educational discord last week)

From Discord: Added LPSN in 2.80s, teens merger arb spread expected to close at end of October (not shorting SOUN against it), stock deal

New bid for PYPL Possible, according to Betaville


PYPL: PayPal rumor highlighted in Betaville blog

The Betaville M&A blog has highlighted a rumor that Paypal has received a new takeover approach, contacts tell The Fly.

Why the Stripe/Advent Bid Stalled

- **Target Pricing:** The board rejected the initial $60.50/share ($53B) offer as inadequate, signaling a price target closer to **$70/share**.
- **Self-Defeating Stock Rally:** Rumors of the consortium's bid—combined with strong Q2 earnings—drove PayPal's stock up ~40%. The stock rally priced out the debt math for a leveraged buyout (LBO) at the initial offer levels, leading Stripe and Advent to stand down.

Who Else Could Bid?

1. Private Equity Consortiums (e.g., KKR, Blackstone, Silver Lake)

- **The Play:** Buy out PayPal, strip out low-margin unbranded processing (Braintree), accelerate cost-cutting, and spin off higher-margin assets like Venmo or the branded checkout business.
- **Hurdle:** Financing a $60B+ mega-LBO in a high-interest-rate environment requires massive equity checks and syndicated debt packages.

2. Big Tech & Strategic Competitors (e.g., Alphabet, Amazon, Apple)

- **The Play:** Acquiring PayPal gives instant access to **400M+ active accounts** and deep global merchant integration.
- **Hurdle:** Strict regulatory scrutiny (FTC/DOJ) and anti-trust opposition to Big Tech owning core financial infrastructure make a mega-tech buyer unlikely to clear antitrust review.

3. Large Financial Institutions & Networks (e.g., Visa, Mastercard, JPMorgan)

- **The Play:** Integrating PayPal's consumer wallet (Venmo) and distribution network directly into legacy card/banking rails.
- **Hurdle:** Traditional card networks face severe antitrust barriers, while major banks face strict bank-holding capital rules and regulatory caps on large-scale tech acquisitions.

Key Market Dynamics Behind a Deal

- **Depressed Valuation Floor:** Despite recent rallies, PayPal trades at historically depressed cash flow multiples compared to high-growth peers like Adyen or Stripe.
- **Re-Engagement Risk:** Stripe and Advent (or another private equity group) could return if PayPal's stock loses its M&A rumor premium and drops back toward historical lows.
- **Activist Pressure:** If takeover interest fades completely, expect activist investors to push the board for aggressive operational restructuring, larger share buybacks, or a voluntary break-up/asset sale (e.g., carving out Venmo or unbranded Braintree).

Iran War Update (Strikes Continue)

US/Iran: Saturday's Developments

The US and Iran Sat morning had another kinetic exchange. Iran fired ballistic missiles toward two US Navy warships patrolling regional waters. The ships successfully evaded "multiple unprovoked attacks", and no one was harmed. The Pentagon responded by "permanently disabling" two Iranian oil tankers and "completely destroying" a third. According to CENTCOM, "the three Iranian crude oil tankers are part of a multibillion-dollar shadow network that funds the IRGC and its regional proxies".

The successful strikes against Iranian oil tankers are part of a broader campaign of economic strangulation that's having a profound impact on the country's financial wellbeing. According to a recent Reuters report, Iran's economy is collapsing under the weight of American sanctions, restrictions, and the ongoing blockade, and the financial pain is "growing increasingly difficult to withstand".

A WSJ article from Friday evening noted that the US is winning the war for control of Hormuz – the blockade has placed a complete chokehold on Iran's oil industry (the country isn't able to get any Brent through the waterway) but there is actually a fair amount of non-Iranian energy making it to global markets thanks to Pentagon escorts and American military action (Tehran's campaign to shut Hormuz is failing).

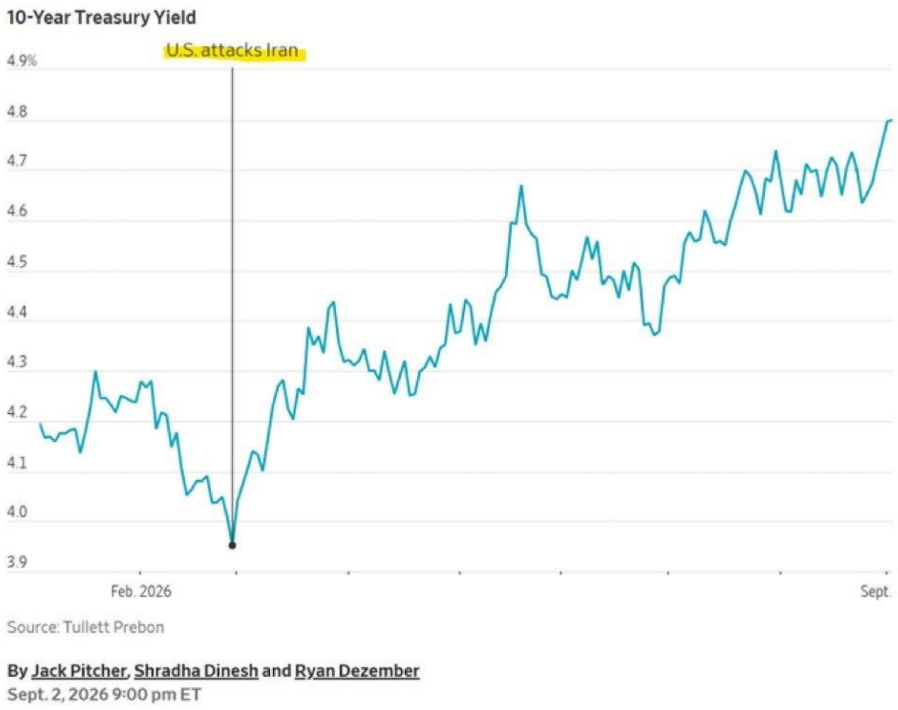
However, while the hope is that Iran's extreme economic pain will nudge Tehran to the negotiating table, the risk is that the opposite happens. A NYT article from Friday night claimed that Iran has grown "more confident" in its ability to confront Washington, plans to extend the conflict for months, and could pursue a "significant escalation" (there is little sign that Tehran is ready to reach a deal with the US).

While the volume of oil making it out of the Middle East is substantial, this flow isn't necessarily sustainable (as Hormuz and the Black Sea remain under constant threat) and it comes at an enormous cost for the US military (which is being forced to sustain a huge footprint in the region).

While neither the US nor Iran seems eager for a return to full-blown war, they may not have a choice if one of the "limited" exchanges taking place inflicts substantial damage and/or results in fatalities (if one of the Navy warships was actually struck, the US would have done a lot more than hit three Iranian tankers).

It's hard to see the situation changing much in the Middle East until (at least) after two major political events, including the Israeli elections (Oct 27) and the US mid-terms (Nov 3). Until then, the best-case scenario will be that the kinetic activity stays (fairly) benign while Pentagon escorts (and higher pipeline flows) help further increase total Middle Eastern exports back toward pre-war levels.

Bottom Line: the Iran conflict is dangerously stalemated, with the US lacking the ability (because of severe munition/interceptor shortages) and will (due to the approaching mid-terms and an extreme reluctance to deploy troops) to bring the war to a conclusion while Tehran is as hardline and stubborn as ever.



Operational Breakdown

The Initial Attack: The Islamic Revolutionary Guard Corps (IRGC) launched ballistic missiles targeting two U.S. Navy warships patrolling regional waters, an aircraft carrier and a guided-missile destroyer. Both vessels successfully evaded the incoming missiles, and U.S. Central Command (CENTCOM) reported no personnel injuries.

U.S. Counter-Strike: In response, CENTCOM targeted three crude oil carriers that it identified as part of a multibillion-dollar shadow fleet funding the IRGC and its regional proxies:

- M/T Downy: Struck off the coast of Kharg Island (Iran's primary oil export terminal) and permanently disabled.
- M/T Stark 1: Struck near Jask along the Gulf of Oman and permanently disabled.
- M/T Kylo (Noxen): An unladen tanker struck in the Gulf of Oman and completely destroyed in multiple critical locations after its crew was ordered to abandon ship.

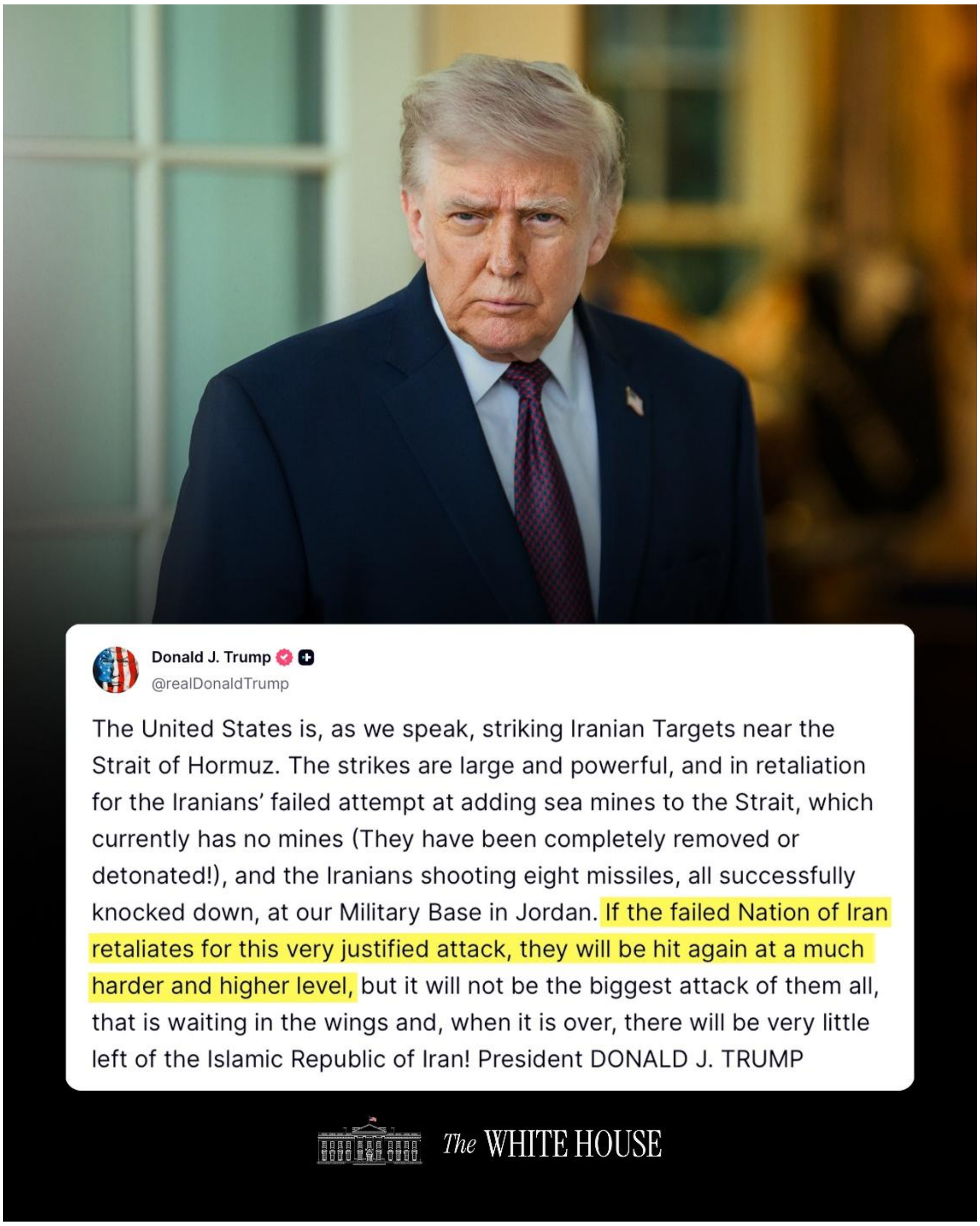
Strategic & Economic Implications

- Shift to Targeted Economic Retaliation: Moving beyond direct military infrastructure (such as radar or air defense sites), the U.S. strategy explicitly targets Iran's commercial energy transport infrastructure to impose asymmetric financial penalties.
- As CENTCOM Commander Adm. Brad Cooper stated, the intent is to impose a direct 3-for-2 economic cost while signaling a willingness to systematically destroy Iran's remaining oil fleet if attacks on U.S. vessels continue.

Energy Market Pressure: Targeting vessels around Kharg Island and the Gulf of Oman directly threatens Iran's primary crude export pipelines and dark-fleet logistics. This escalation risks driving up global energy prices and shipping war-risk insurance premiums across the Strait of Hormuz.

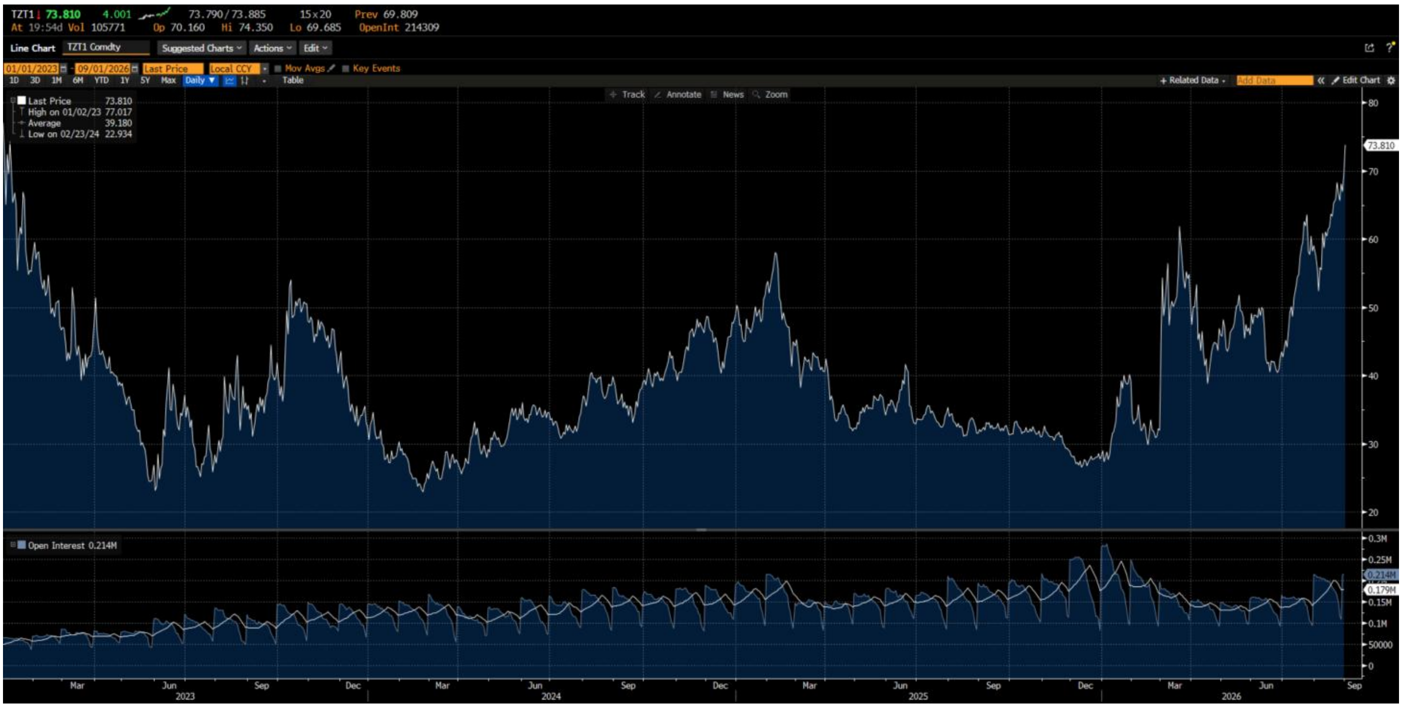
Escalation Loop: Tehran characterized the tanker strikes as an act of economic warfare, while state media indicated potential reciprocal targeting of regional commercial traffic. With diplomatic channels effectively stalled, maritime security across the Persian Gulf and Gulf of Oman remains at heightened risk.

Tuesday

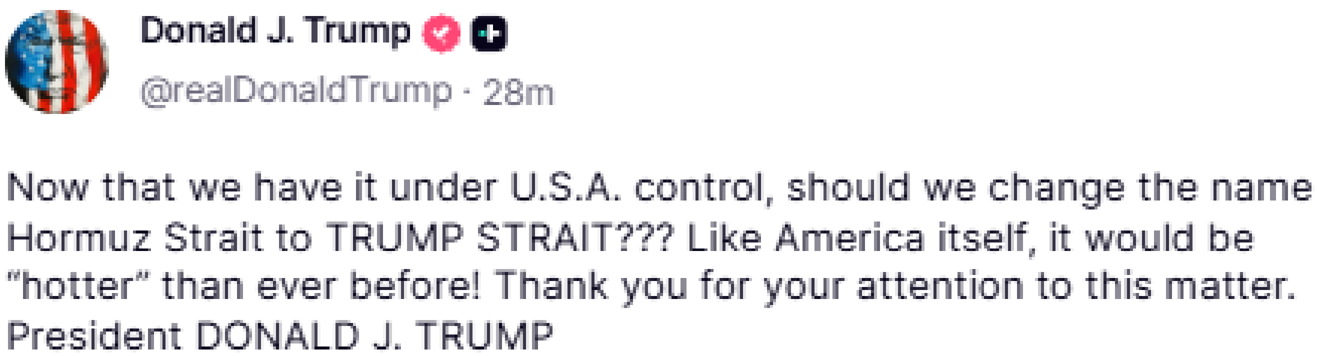


BBG TV: Iran vows retaliation and attacks on US bases in the Middle East

European gas futures rise to their highest since 2023.



Wednesday – Trump Strait



‘Now that we have it under U.S.A. control, should we change the name Hormuz Strait to TRUMP STRAIT??? Like America itself, it would be ‘hotter’ than ever before! Thank you for your attention to this matter.’

- President Donald J. Trump

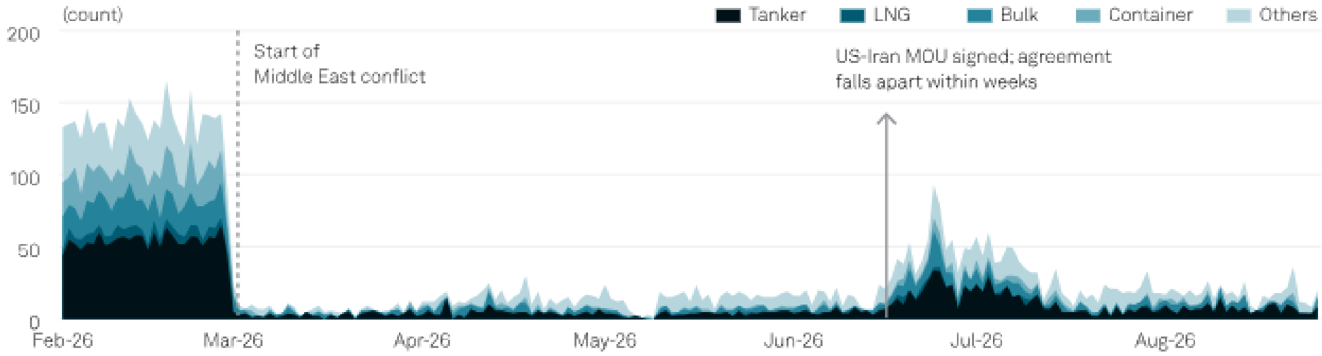
The WHITE HOUSE

New normal: energy and shipping after 6 months of war in the Middle East

August 2026

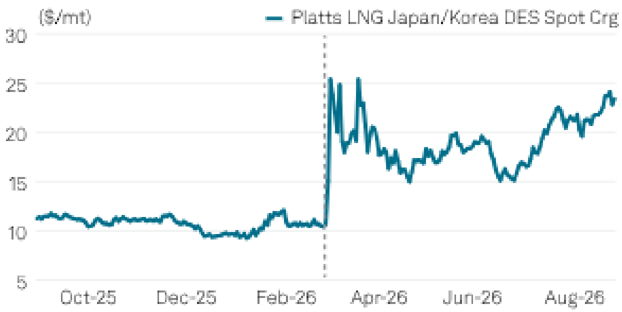
The war in the Middle East upended global energy and shipping markets, but with tensions persisting six months after the conflict began, markets are finding ways to navigate the new reality of restricted flows through the Strait of Hormuz.

Ship crossings via Strait of Hormuz collapse during war in Middle East

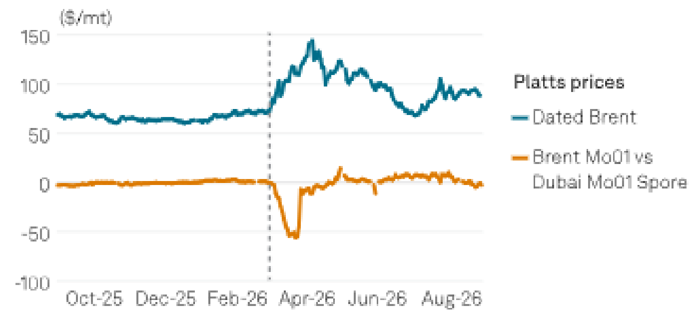


European product prices surge on supply crunch

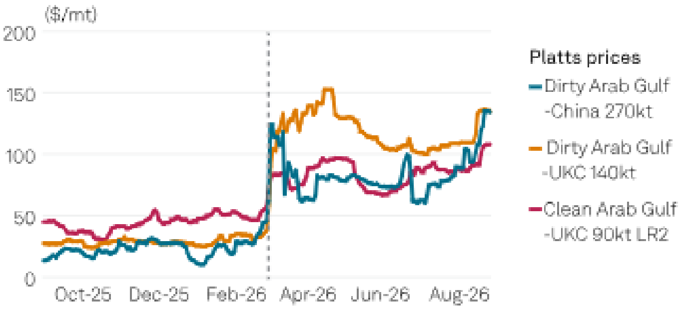
Crisis chokes Asian LNG supply, boosts prices



Crude sentiment fluctuates amid Hormuz crisis



Tanker freight rates surge amid tonnage restrictions



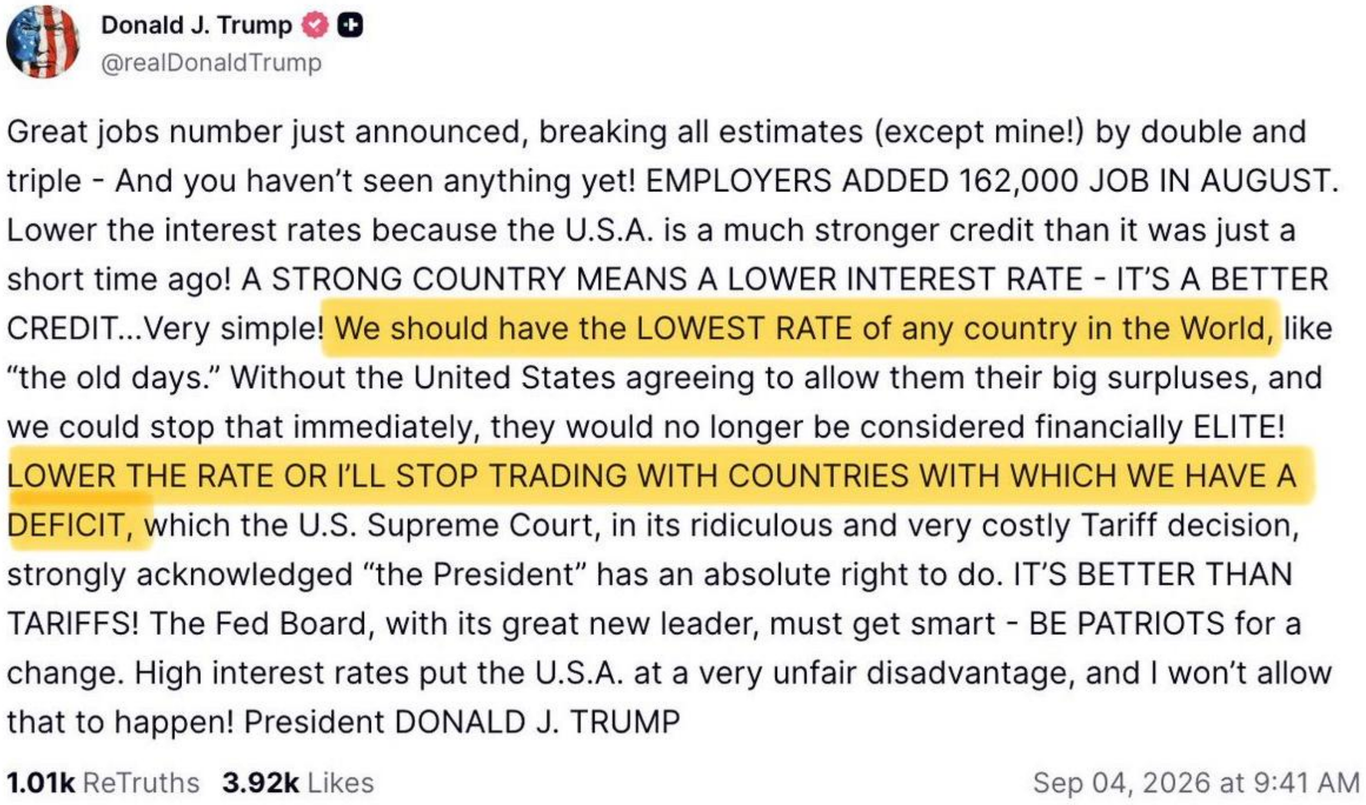
S&P Global Energy

Source: S&P Global Energy, S&P Global Commodities at Sea

Donald J. Trump
@realDonaldTrump

For the treasonous SCUM that refuses to accurately report on our Military Operation in Iran, we have virtually unlimited amounts of Mid to High Grade Ammunition, far more than we could ever use for this, or for any other War (which is highly unlikely!), that could improbably take place. In addition, we are producing Munitions at levels never seen before. We are stockpiling and preparing for any contingency that could happen. We are taking them for ourselves, the U.S.A., rather than selling them to others, but the sales to Allies will soon again, begin. Also, please let it be known, that the Biden Administration gave far more Munitions away to Ukraine, at no cost to them, whatsoever, than we have used in Iran. Hundreds of Billions of Dollars was given to Ukraine and NATO, free of charge, that Europe would have paid for — If they were only asked, but we will be asking for that money, though somewhat belatedly! Thank you for your attention to this matter. President DONALD J. TRUMP

Trump Threatens to Stop Trade with Half our Trading Partners in the World if the Fed Doesn't Cut Interest Rates

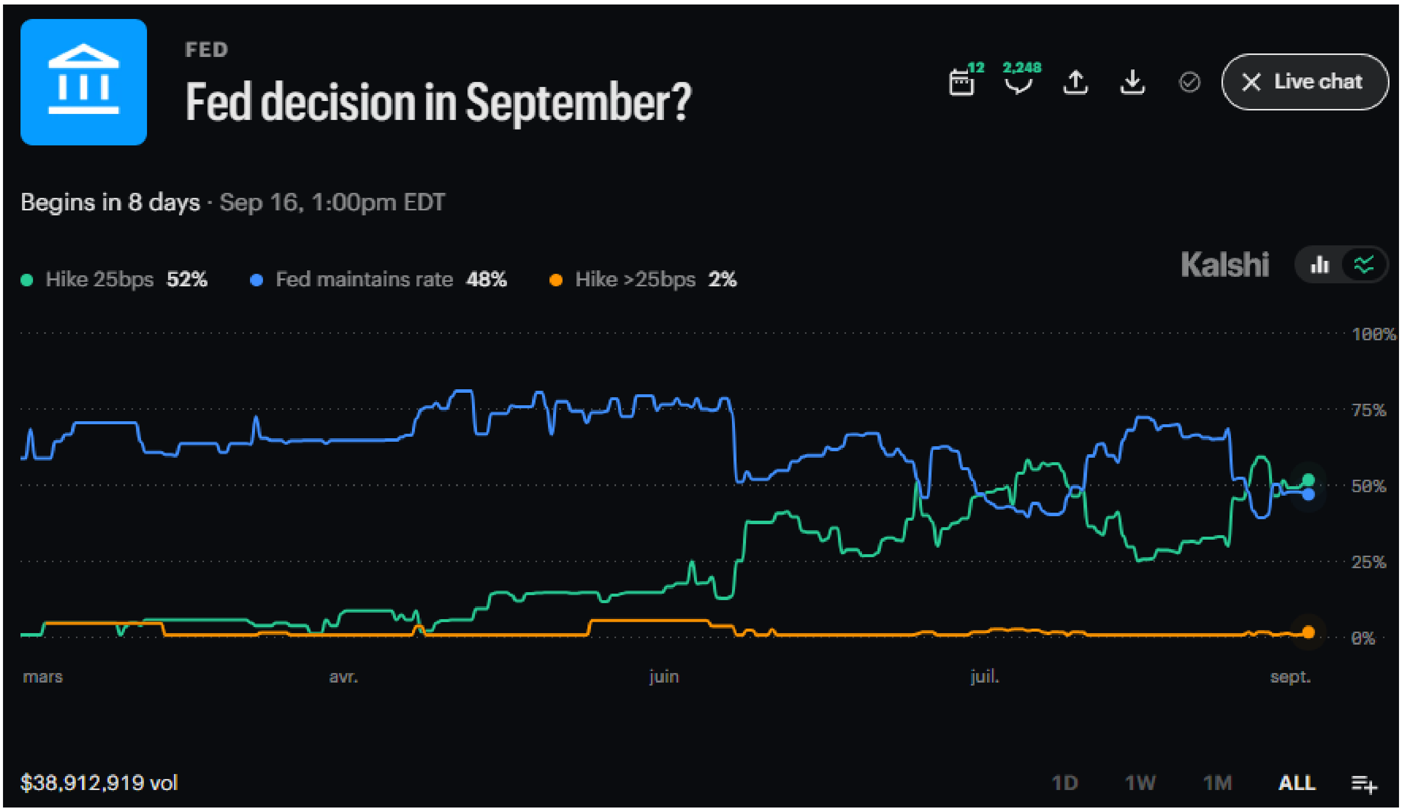

Donald J. Trump
@realDonaldTrump

Great jobs number just announced, breaking all estimates (except mine!) by double and triple - And you haven't seen anything yet! EMPLOYERS ADDED 162,000 JOB IN AUGUST. Lower the interest rates because the U.S.A. is a much stronger credit than it was just a short time ago! A STRONG COUNTRY MEANS A LOWER INTEREST RATE - IT'S A BETTER CREDIT...Very simple! We should have the LOWEST RATE of any country in the World, like "the old days." Without the United States agreeing to allow them their big surpluses, and we could stop that immediately, they would no longer be considered financially ELITE! LOWER THE RATE OR I'LL STOP TRADING WITH COUNTRIES WITH WHICH WE HAVE A DEFICIT, which the U.S. Supreme Court, in its ridiculous and very costly Tariff decision, strongly acknowledged "the President" has an absolute right to do. IT'S BETTER THAN TARIFFS! The Fed Board, with its great new leader, must get smart - BE PATRIOTS for a change. High interest rates put the U.S.A. at a very unfair disadvantage, and I won't allow that to happen! President DONALD J. TRUMP

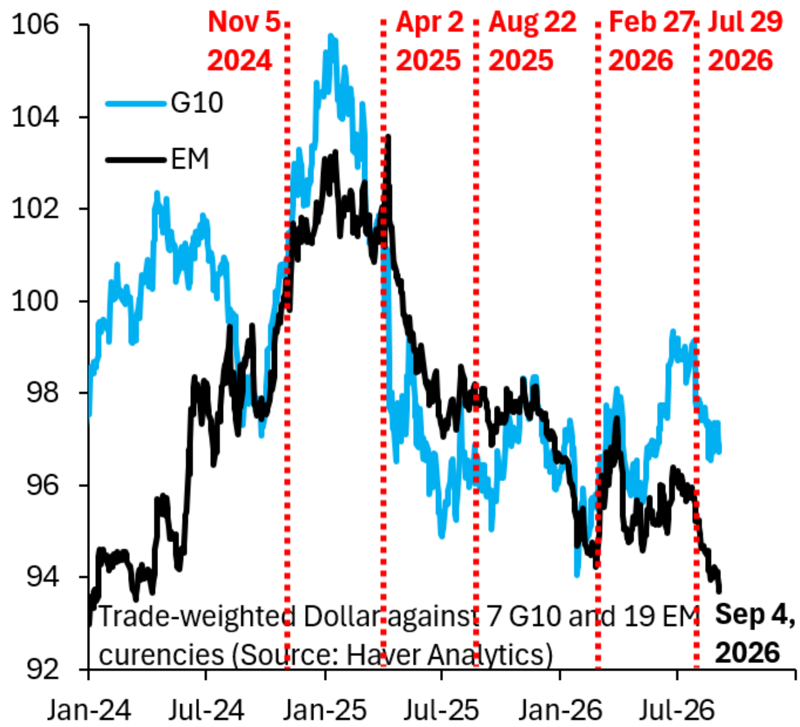
1.01k ReTruths **3.92k** Likes Sep 04, 2026 at 9:41 AM

Markets are leaning toward a 25bps Fed rate hike in September, with Kalshi pricing the probability at 52%, versus 48% for no change:

- The shift comes as President Trump ramps up pressure on Fed Chair Kevin Warsh to cut rates, arguing higher borrowing costs threaten growth.
- With the decision approaching, inflation data could be the deciding factor.
- **We still think there will be no hike due to political pressure ahead of midterms...**



The debasement trade will be the single biggest trade of coming years, driven by giant, out-of-control deficits. This means the Dollar will fall versus EM and gold and other precious metals will keep rising. We're only just getting started on this thing...

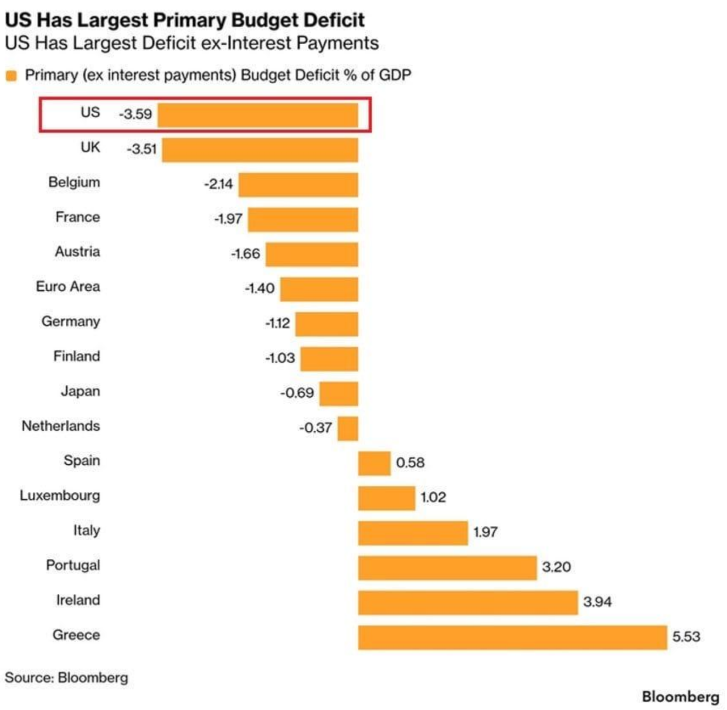


In the short term we may have 1 hike, which supports the dollar through 4Q, but we will likely be back to debasement by 2027.

UBS Expects the Fed to Hike in September & December, Vs. Unchanged Previously

UBS has changed its Fed rate call. Chief US economist Jonathan Pingle expects the Fed to raise rates on Sept. 16 by 25bp to a range of 3.75-4.00%, and then to raise again on Dec. 9 to 4.00-4.25%. Jonathan's decision to change his call from unchanged at both meetings relates to both Chair Warsh's Jackson Hole speech and then last Friday's strong 162k payrolls report. Jonathan notes that very much depends on August CPI this Friday coming. He also noted that knowledge of Warsh's reaction function continues to evolve.

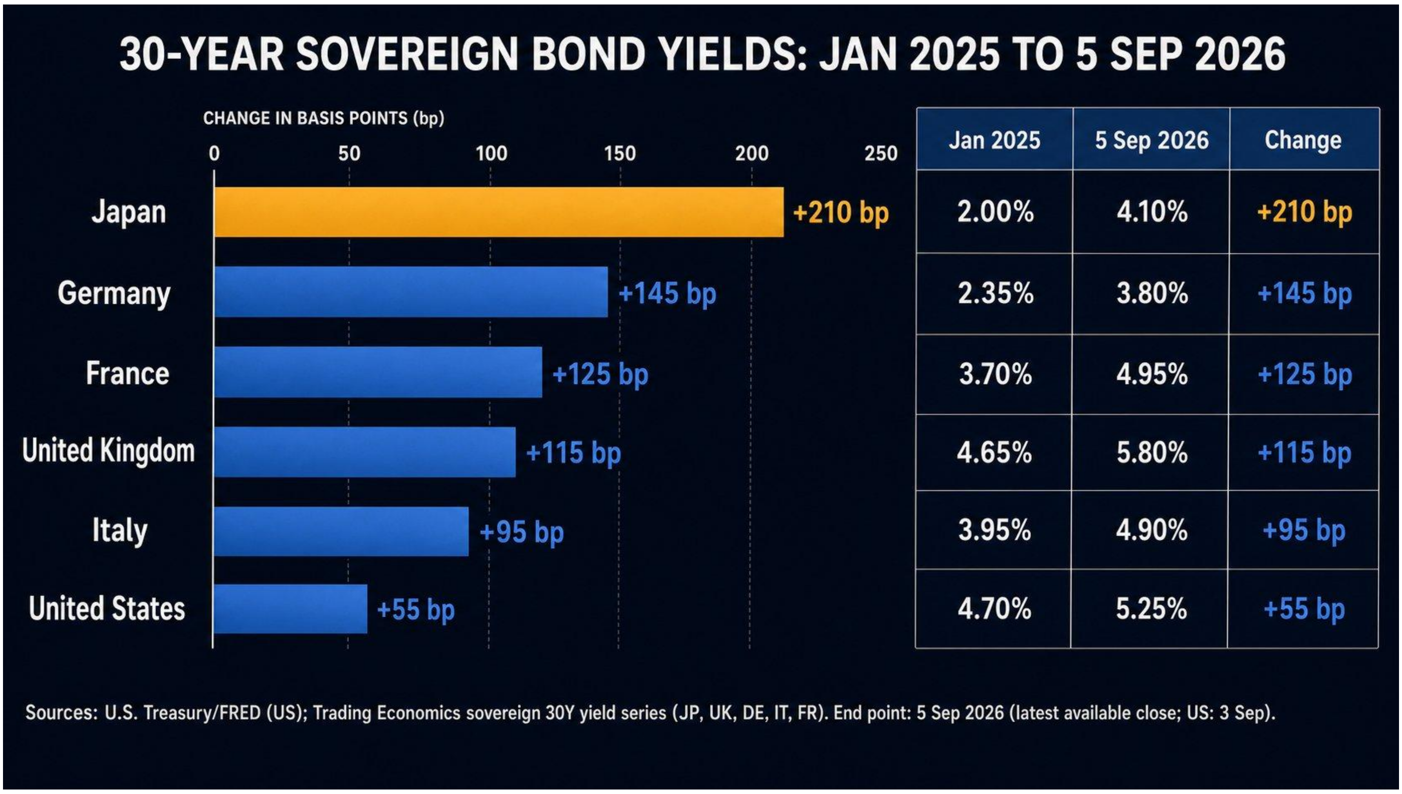
U.S. Has the Largest Primary Budget Deficit of Any Developed Country in the World



30-year yields have risen across every major developed sovereign issuer, and the U.S. is not even close to the worst performer:

- Japan, Germany, France, the UK, and Italy have all seen long-end borrowing costs soar.
- This is not a uniquely American "loss of confidence" story. This is repricing of sovereign risk after years of debt expansion, a monetary tsunami, and rising refinancing needs.
- OECD sovereign borrowing is projected to reach about $18 trillion in 2026, with refinancing alone near $14 trillion.
- There is no global flight from U.S. debt. There is a global repricing of sovereign solvency risk.

Data for image: Trading Economics, FRED, Bloomberg



10Y Yield Highest since 2023

The move is being driven by TIPS this week. The 10-year breakeven hasn't moved much and 30-year breakevens are little-changed. That means market is either pricing in more supply, less demand for debt or faster growth: BBG

Barclays sees two hikes this year, we disagree on the logic

UPDATE 1-Barclays sees two more Fed rate hikes this year after Warsh speech

Aug 31, 2026

BARC ▼ -11.60

(Rewrites throughout with background, comments)

Aug 31 (Reuters) - Barclays expects the U.S. Federal Reserve to raise interest rates by 25 basis points in September and again in December after Chair Kevin Warsh's latest remarks signalled a more hawkish stance, the brokerage said on Friday.

Warsh told the Federal Reserve's Jackson Hole symposium on Friday that policymakers would "have work to do" if they lacked confidence inflation was returning to the central bank's 2% target, his clearest signal yet that further rate hikes may be needed.

He said inflation was too high, financial conditions were not restrictive and the labour market was consistent with full employment, signalling that price stability remained the Fed's priority.

Barclays said Warsh's speech was "notably hawkish" and offered an implicit case for further tightening despite his continued opposition to providing explicit forward guidance.

The brokerage added that although it still expects monthly inflation readings to come in "much softer" than the longer-horizon measures emphasized by Warsh, "unfavorable base effects will work against progress by those metrics through year-end."

Previously the Wall Street brokerage had expected the Fed to keep rates unchanged through the remainder of the year.

Markets are pricing in a 60.4% chance of a rate hike in September, according to the CME Group's FedWatch tool.

Interest rate futures show investors have increased bets on a September rate hike following Warsh's remarks, with attention now turning to the Fed's policy decision on September 16 for further clues on the rate path.

One of the most popular assertions amongst fixed income strategists and investors today is that the recent jump in yields is not a concern because it is merely a return to "normal" levels that were experienced in the 2000's, prior to the Great Financial Crisis (GFC).

We think this simple "normalization" argument completely misses an important point…

When considering this "return to normal" argument for bond yields, we acknowledge that bond yields are back to levels that we haven't seen since the 2000's, but we cannot call those 2000's level yields "normal" given 2000's level yields were well below the yields of the 1990's and certainly well below the yields of the 1980's.

The best way to appreciate this lack of normal is to gaze upon the long-term charts for 10- and 30-year Treasury yields. As you can see from the charts shown below, each decade (or arguably half decade) over the last 45 years experienced a different average level and range of yields, with each successive period delivering lower yields than the prior period…until now.

This, of course, is another way of saying that we had a 40-year bull market in bonds, or a 40-year downtrend in yields (remember bond prices rise as yields fall). But now, that 40-year trend is over.

So instead of comparing today's yields to an arbitrary half decade in the 2000's, we think the more important comparison is that the trend in yields for the past 5 years is very different than the trend that persisted for the 40 years.

For 40 years, yields were in a consistent downtrend, with the 10-Year Treasury falling from an apex of 15% in 1981 to a nadir of 0.5% in 2020.

Of course, that ultimate 2020 low in yields in the initial aftermath of COVID and its extraordinary policy response was historically unprecedented (the lowest yields in history!) and certainly not "normal", but it was not just the level of the 2020 low that was historic, it was that it marked the bottom and the end of the 40-year bond bull market.

Since that time, yields have been on the rise. The end of the 40-year bull market in bonds was made "official" with the breakout of the prior downtrend back in 2022, with yields continuing their ascent in the years that have followed (though of course not in a straight line).

So, yes, yields are higher from the distinctly, abnormally low range in the 2010's, but we think the more important comparison is that recently we have experienced an uptrend in yields versus the downtrend in yields that persisted from 1981-2020.

10 Year Treasury Yield

30 Year Treasury Yield

Why does the change in the yield trend matter?

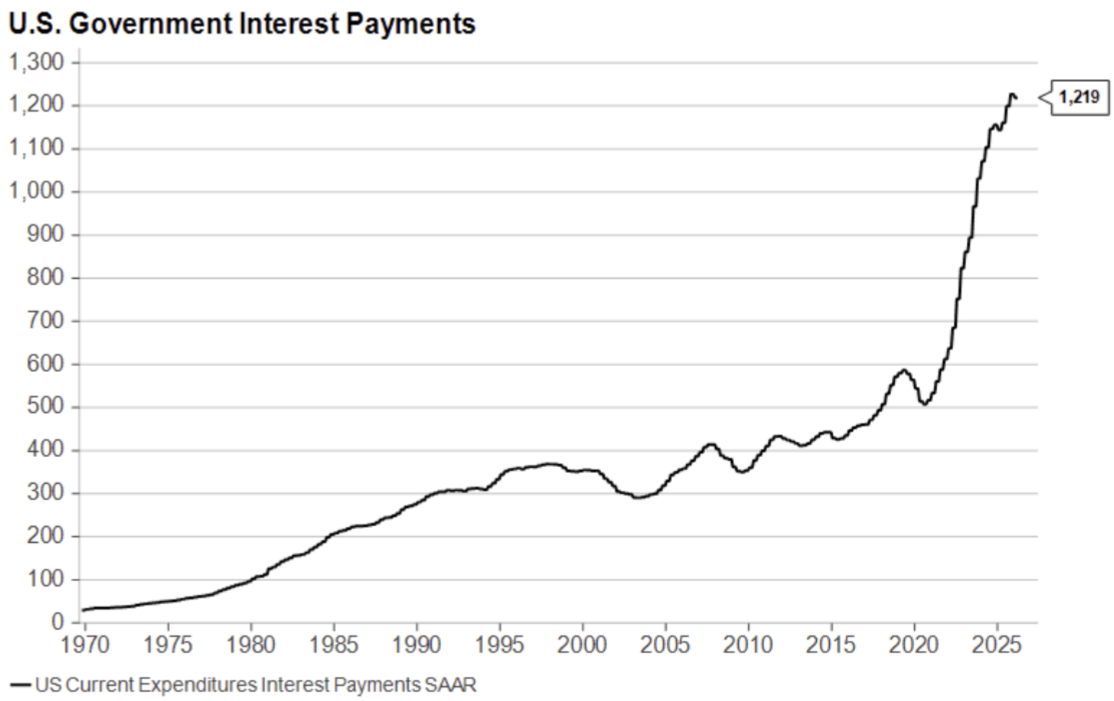
The 40-year bull market in bonds meant that for 40 years, borrowers largely enjoyed a falling cost of capital. Back in 2023, when the obituaries of the bond bull were being written, we highlighted how, using 7-year rolling windows (to imitate the average maturity of investment grade corporate bonds at the time) from 1981-2020, yields were lower at the end of the 7 years than the beginning 90% of the time. This meant that each successive refinancing came with a lower cost of capital.

This falling cost of capital allowed for many mega trends including the proliferation of financial engineering-enabled investment strategies, a general rise in public and private market valuations, a persistent expansion of corporate profitably, a shrinking reliance on short-term debt as long yields continued to fall, and an era of "minimal consequence" for governments to increase public debt.

Each of these mega trends is worthy of its own ink and pages, but suffice it to say, we are starting to see the consequences of the downtrend in yields shifting to an uptrend.

For example, we are beginning to see the shift of the cost of servicing public debt from having minimal consequence when rates were low, to meaningful consequence as rates are higher and rising.

The charts below show how the cost to service public debt in the U.S. has exploded higher (to an annualized $1.2 trillion!), with interest expense as a percentage of GDP rising to levels not seen since the 1990's.



We will not spend these pages discussing potential implications of or solves for this rising debt servicing cost (it's a holiday weekend after all!), but we simply make the point that debt and deficit decisions carry far more consequence in a rising rate environment versus the falling rate environment during the bond bull market.

For another example, investment strategies made possible by financial-engineering have been struggling in the post-COVID era of climbing yields. Consider leveraged, large cap private equity. There has been a "distribution drought" for the past four years within private equity, as funds struggle to find buyers for highly valued and highly leveraged legacy investments, despite record levels of "dry powder" at funds needing to be invested.

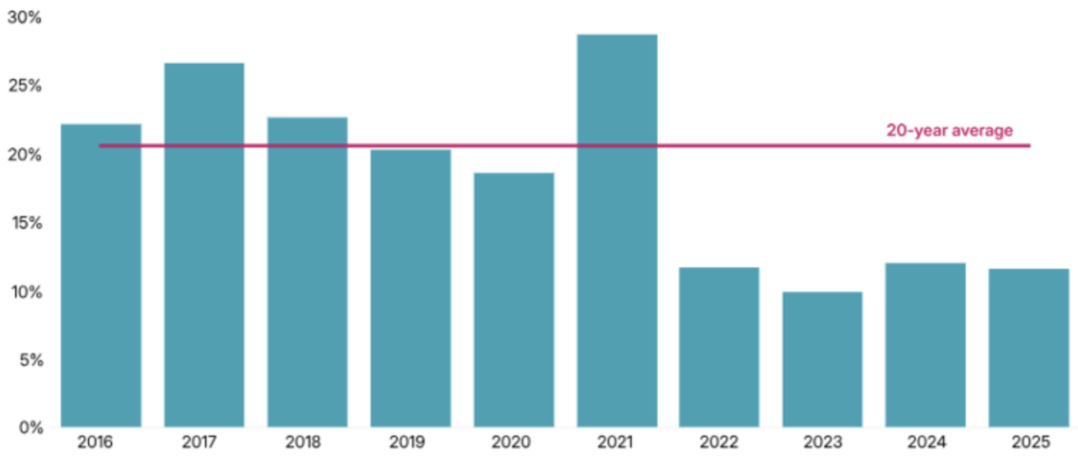
The three charts below illustrate this paradox of assets needing to be sold, cash needing to be deployed, but few deals getting done. It is also this paradox as to why we have been and continue to argue that this disruption drought creates opportunity for thoughtful private equity investors to be highly selective and focus on smaller, less leveraged, and specialty strategies.

In this chart

Investors are still waiting for their money back. Private-equity distributions have stayed near decade lows for four straight years. Closed-end funds returned only 12% of asset value to investors in 2025, just over half the 20-year average, as funds continue to struggle with exits.

And the industry is much larger than it was in 2019, so today's lower rate leaves more capital trapped in absolute terms.

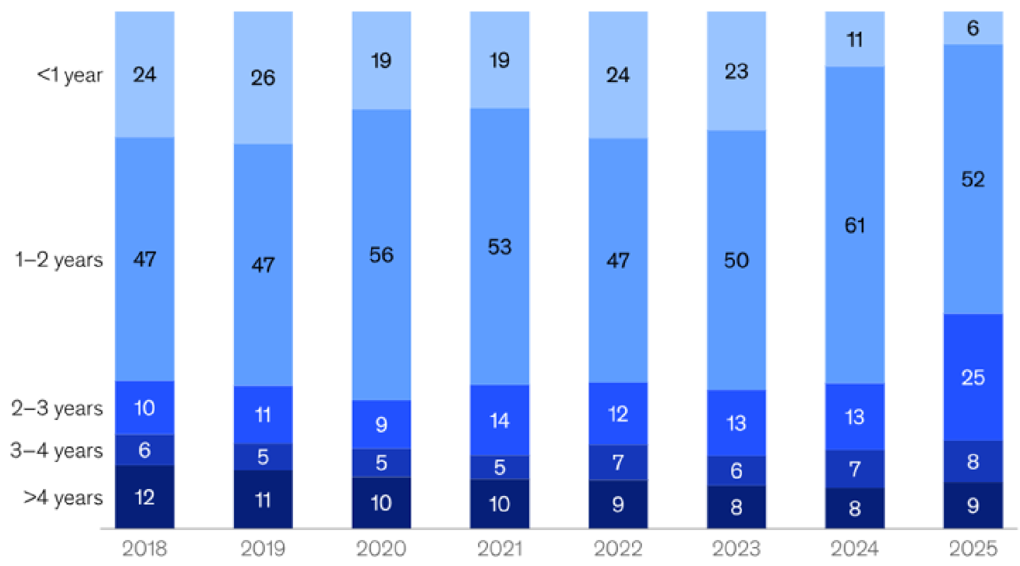
The result? General partners are increasingly using continuation vehicles to create exits. Limited partners are selling stakes on the secondary market to free up cash.



Distribution rate for private-equity closed-end funds. MSCI Private Capital Universe data through Q4 2025, as of May 2026 update.

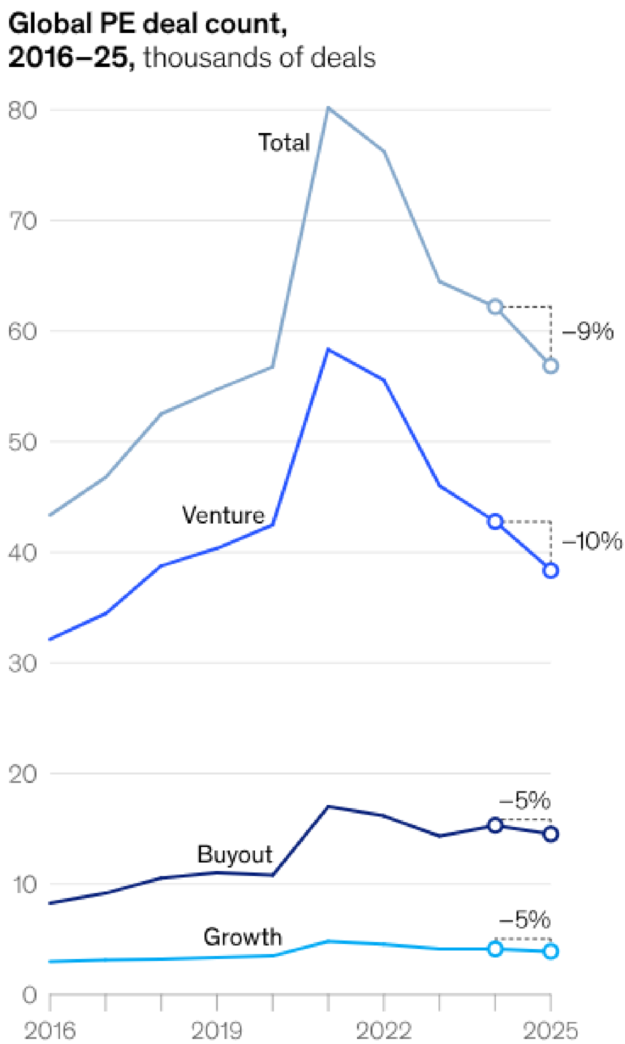
The dry powder available to GPs is aging.

Global buyout dry powder, 2018–25, by vintage, % of total



Note: Figures may not sum to 100%, because of rounding. Data as of June 30 of each calendar year.
Source: Preqin

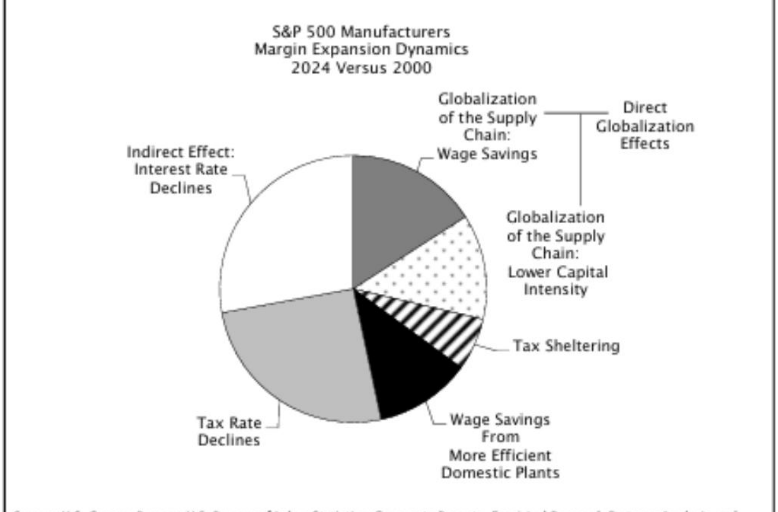
McKinsey & Company



There are, of course, plenty of other areas that have been impacted acutely by both the level and trend in yields in recent years (housing, non-tech non-residential construction, autos, and smaller, floating rate borrowers, etc.), but there has been one, important area of the economy that has yet to broadly feel this uptrend in rates.

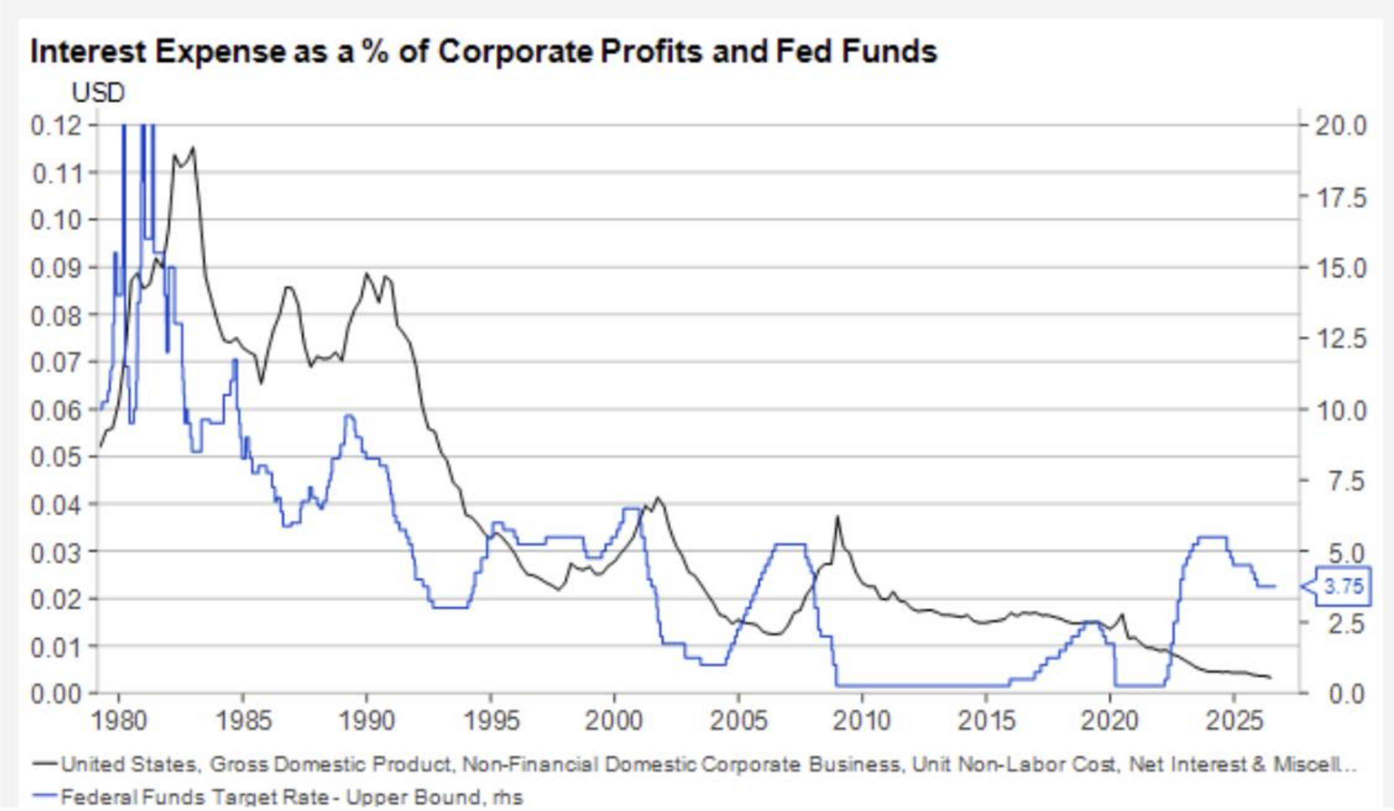
Corporate Net Interest Expense

The 40-year bull market in bonds meant that for 40 years interest expense fell as a percentage of corporate profits, providing a boost to net income margins and profits. In fact, Empirical Research Partners estimates that over a quarter of the expansion in margins for manufacturers in the S&P 500 from 2000-2024 came from falling interest rates.



Source: U.S. Census Bureau, U.S. Bureau of Labor Statistics, Corporate Reports, Empirical Research Partners Analysis and Estimates.

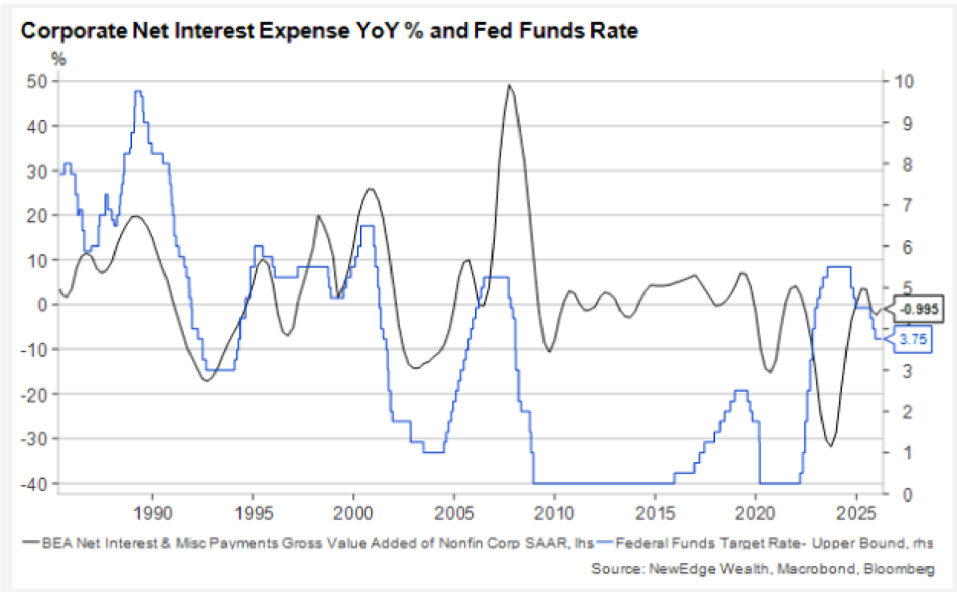
The chart below shows this constant march lower in interest expense as a percentage of corporate profits, but one thing should jump out: unlike every other time the Fed raised rates (blue line going up), when the Fed raised rates beginning in 2022, interest expense as a percentage of profits did not raise, in fact it continued to fall!



It was for this reason, going all the way back to 2023, that we believed the economy would be more resilient than consensus expected and not experience a much-feared recession.

At the time, we saw large corporate (and household) balance sheets as more immunized to short-term rate increases, and even net beneficiaries of higher rates. This somewhat heretical take was informed by the observation that the constant march lower of long-term interest rates to their ultimate low in 2020 allowed borrowers to "term out" borrowing and not rely on short term funding as much in the past. This meant that as the Fed raised rates starting in 2022, interest expense, which many had locked in at low long-term yields, barely increased while massive post-COVID cash balances began to pay out huge sums of interest income.

The net result is the chart below: for the first time, as the Fed raised rates in 2022, net interest expense (interest expense minus interest income) fell in the aggregate corporate data.



As of March 2026

We expect to see these aggregate borrowing costs begin to creep higher, as debt from the 2010s and early 2020s needs to be refinanced at now higher rates, and corporates go on a record borrowing spree to fund surging capex needs.

We have argued in this piece that we should not view the move higher in yields as a return to "normal" levels, but instead further evidence of a departure from the "normal" downtrend that persisted from 1981-2020 to what is now an uptrend in yields. We outlined how this uptrend in yields has disrupted certain parts of the market and economy, but not others, yet.

This, of course, raises the question as to whether this uptrend will continue and if we will see new cycle highs for 10 and 30 year bond yields. This, of course, would have significant implications on bond investors, broad markets, and the economy, so it is a topic we will unpack in the coming weeks.

Not Just U.S. Yields Spiking, its UK, EU, Japan as Well (Developed Markets)

The spike in **Japan's 30-year Government Bond (JGB) yield above 4.18%**—alongside the 10-year yield breaching **3.0%** for the first time since 1996—marks a historic structural break in global fixed-income markets. This is not the highest yield in absolute history, but it is effectively an all-time record high for the modern 30-year Japanese Government Bond (JGB) market.

The Ministry of Finance in Japan did not establish regular issuance of the 30-year JGB until 1999.

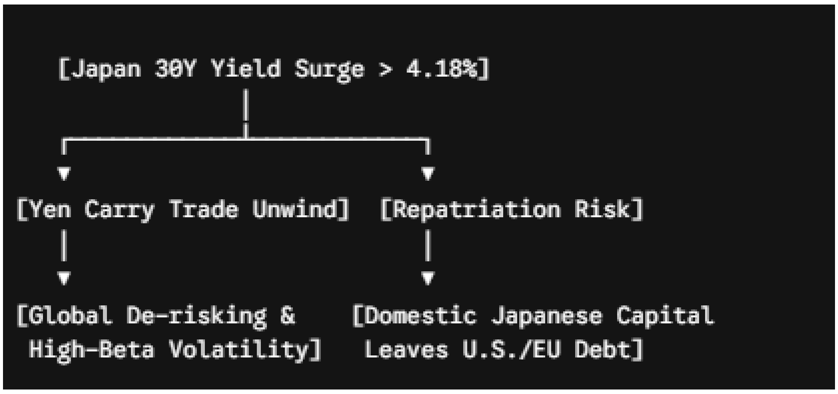
Modern Era Record: Since the modern 30-year bond market was created in the late 1990s, yields around 4.18% to 4.20% represent the highest levels ever printed on this specific instrument.

Post-Bubble Baseline: Prior to the 30-year bond's formal creation, Japan's general sovereign yields (like the 10-year or 20-year) reached much higher absolute levels during the late 1970s and 1980s asset bubble, exceeding 7% to 8%.

For decades, Japan was the global anchor of near-zero rates and negative yield policy. The surge across the Japanese curve represents a violent unwind of that regime.

Core Drivers Behind the Breakout

- **Global Debt & Energy Sell-Off:** A sharp escalation in global inflation fears—fueled by Middle East supply disruptions pushing crude oil higher—has triggered a synchronized global sovereign bond sell-off from U.S. Treasuries to German Bunds and JGBs.
- **BOJ Tightening Pressure:** The Bank of Japan is under severe domestic and international pressure to accelerate its rate-hike cycle and taper asset purchases as the Yen languishes near multi-decade lows. Money markets are aggressively pricing in another rate hike at the upcoming BOJ meeting.
- **Record Fiscal Expansion Concerns:** Markets are reacting to Japan's largest initial budget request on record, backed by Prime Minister Sanae Takaichi's investment-heavy industrial agenda in semiconductors and AI. With national debt exceeding **200% of GDP**, investors are demanding a significantly higher term premium to hold ultra-long duration debt.
- **Refinancing Risk:** The Japanese government's internal budget calculations assumed a long-term interest rate of **3.0%** for debt servicing. Sustained yields above these levels severely strain Japan's fiscal deficit.



1. Unwinding of the Global Yen Carry Trade

For years, institutional investors borrowed cheaply in low-yielding Yen to purchase higher-yielding foreign assets (U.S. Treasuries, European sovereign debt, and tech equities). As ultra-long domestic JGBs now offer real yield (~4.18%+ on 30-years), the structural math favoring the carry trade collapses, forcing cross-border capital repositioning.

2. Capital Repatriation Back to Japan

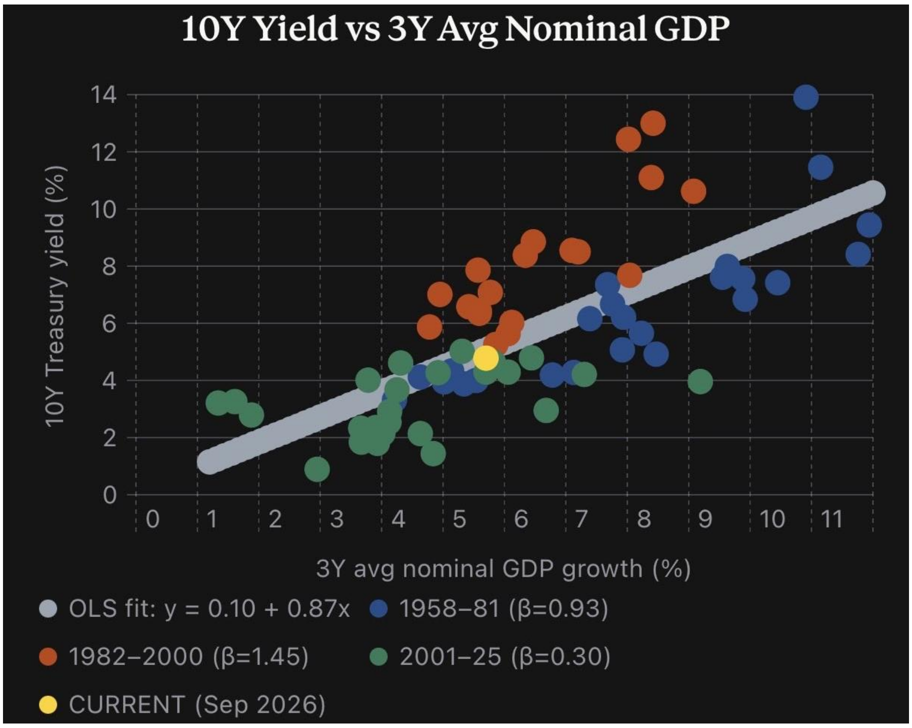
Japanese institutional investors (pension funds and lifers) are the largest foreign holders of U.S. Treasury debt and European fixed income. As long-end domestic yields rise toward multi-decade highs, domestic institutions have a strong incentive to sell foreign bonds (avoiding unhedged currency risk) and reallocate back into Japanese sovereign debt.

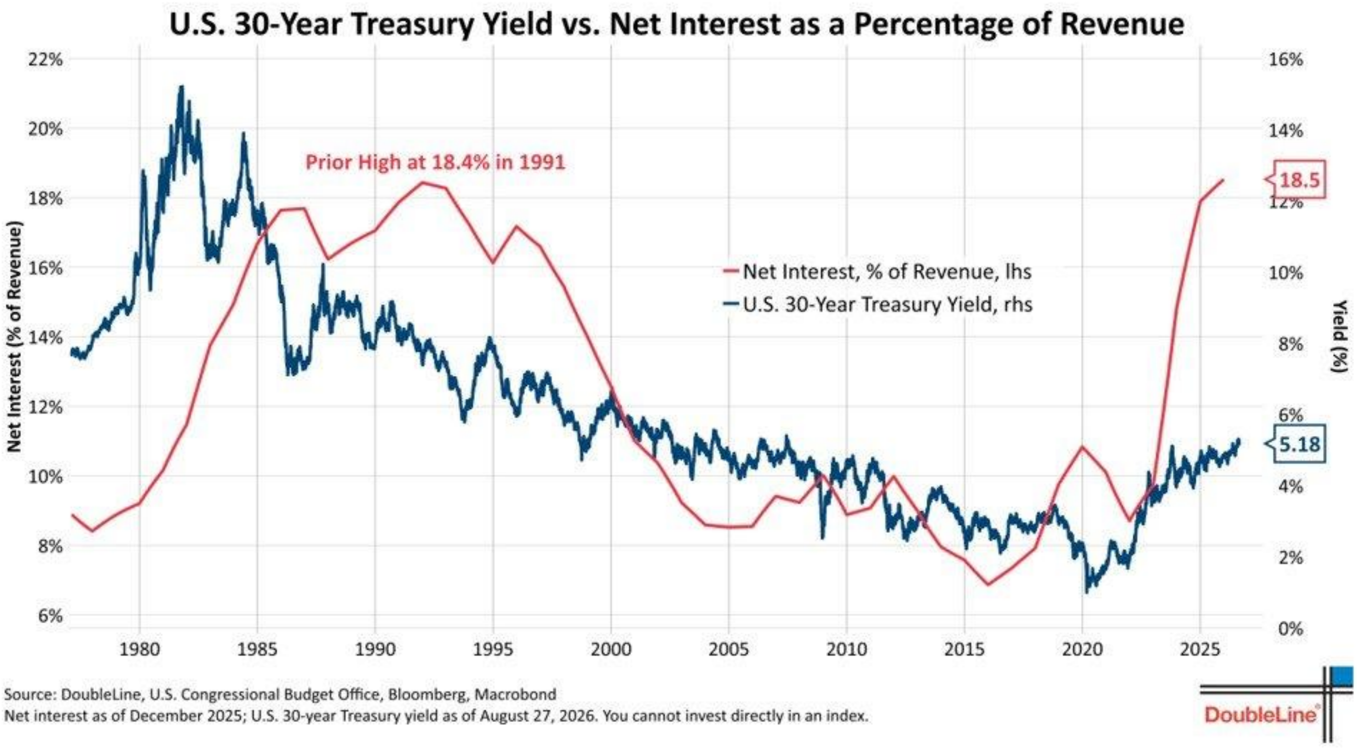
3. Long-End Yield Curve Steepening

The jump in long-duration rates reflects a global "bond vigilante" regime shift. Investors are pricing out the era of central bank backstops for fiscal deficits, demanding explicit compensation for long-dated duration and inflation risks.

UK Gilt Yields Spike 17 bps on 9/2/26

Bond yields essentially reasonable here and should fall with inflation





MARKETS

World's biggest sovereign wealth fund plans to cut U.S. Treasury holdings

PUBLISHED FRI, SEP 4 2026•2:46 AM EDT | UPDATED 31 MIN AGO

Jenni Reid

KEY POINTS

- Norway's mammoth wealth fund wants to cut its holdings of government bonds, chiefly affecting U.S. Treasurys, as it seeks greater returns elsewhere.
- The rebalancing of its portfolio would add other types of U.S. bonds and other assets such as mortgage-backed securities.
- The $2.3 trillion fund has made record profits recently on its equity holdings, but is heavily exposed to tech and AI.

Buildings in the Barcode Project financial district in Oslo, Norway, on Tuesday, Oct. 17, 2023.
Bloomberg | Bloomberg | Getty Images

Norway's sovereign wealth fund has proposed cutting the allocation of government bonds in its $2.3 trillion investment portfolio, chiefly affecting its holdings of U.S. Treasurys, as it seeks to diversify its risk exposure and boost returns.

The heads of Norges Bank Investment Management wrote in a letter to the country's Finance Ministry, made public Friday, that it recommended reducing the government subindex of its bond holdings from 70% to 50% — a level it said would provide sufficient liquidity during market turbulence while allowing it to seek greater returns elsewhere.

The proposed reallocation would gradually cut NBIM's Treasury holdings from 34.1% to 21.9%, reduce its euro area holdings from 16.8% to 14.1%, and increase its share of Japanese government bonds to 7.4% from 4.6%.

NBIM also wants to begin weighting its government bond holdings by market value instead of gross domestic product because of the high debt loads of almost all developed economies,

Treasurys under pressure

The potential shift would come at a sensitive time for the Treasury market, with long-dated yields pushed to decade-highs as investors fret over the U.S. fiscal trajectory and increasingly heavy debt load.

"Reliable buyers and holders of U.S. Treasurys are under pressure," economist Mohamed El-Erian told CNBC's Carolin Roth in a Friday interview, citing Japan, China and Gulf countries.

Addressing NBIM's proposal to reduce its own share of Treasurys, El-Erian said, "The size isn't big, but the signal that traditional holders and buyers are

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Addressing NBIM's proposal to reduce its own share of Treasurys, El-Erian said, "The size isn't big, but the signal that traditional holders and buyers are becoming less reliable is a very important one."

NBIM plans to increase its holdings of nongovernment U.S. fixed income, such as corporate bonds, to 27.6% from 16.2%.

CEO Nicolai Tangen and Norway's central bank chief, Ida Wolden Bache, said the fund could earn higher premiums by diversifying into riskier assets, such as mortgage-backed securities, which they judge as well positioned to weather as a long-term investor.

Tangen and Wolden Bache said mortgage-backed securities, made infamous during the 2008 financial crisis, tend to move in the opposite direction to equities during crises and so could provide an "additional reduction of volatility" more similar to government bonds than corporate bonds.

NBIM currently holds around $1.65 trillion in equities — with ownership of almost 1.5% of all shares in the world's listed companies — and $592 billion in fixed income.

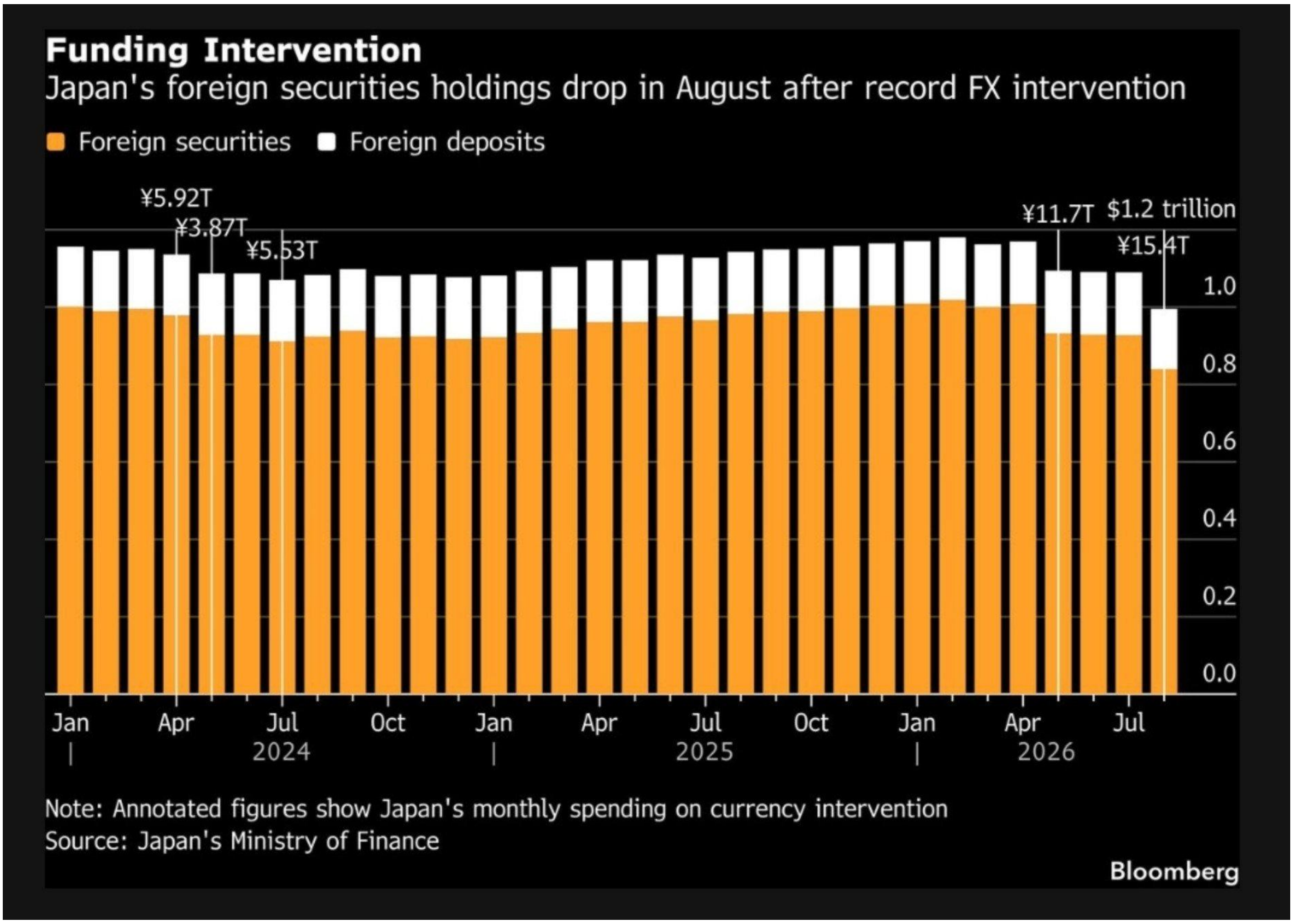
The fund, established in 1998 to invest revenues from Norwegian oil with strict guardrails to preserve its longevity, has made record profits in recent quarters from its huge investments in U.S. and Asian tech firms and beneficiaries of the artificial intelligence boom, such as semiconductor stocks.

However, Tangen has warned that those levels of returns will not be sustainable in the case of a market downturn. In the first quarter of 2025, it swung to a $40 billion loss as investors turned risk-off.

A recent stress test by NBIM found that an AI correction could wipe $740 billion, or 35%, off its value.

Japan likely sold a portion of its holdings of foreign securities, including US Treasuries, to finance its record currency intervention over the past month, despite concern in Washington over the impact of Treasury sales on long-term yields.

- Tokyo's holdings of foreign securities fell by a record $87.8 billion at the end of August from a month earlier, according to Finance Ministry reserve data released Monday. That decline was close to the scale of Japan's recent intervention to support the yen. (Bloomberg)



Jobs Data Strong, Driving Rates Higher, but Mostly Leisure, Government and Healthcare Jobs

US jobs beat expectations, rates going up and market going down! The U.S. economy added 162,000 jobs in August, and revisions boosted reported monthly payroll growth for June and July by a combined 55,000 jobs. The unemployment rate held steady at 4.1%.

- August nonfarm payrolls surged +162K, crushing the +53K consensus.
- Unemployment held at 4.1%, in line with expectations.
- Private payrolls rose +127K, while government added +35K.
- Hourly earnings increased +0.27% MoM / +3.09% YoY.
- Labor-force participation: 61.6%.
- Previous payrolls revised to +21K in July and +31K in June.

BETS ON SEPTEMBER RATE HIKE JUMP TO 64% FROM 50% FOLLOWING HOT JOBS NUMBER

The jobs report keeps a Sept hike on the table. One year after the first hike, the S&P 500 has been weak in fast cycles (Fed hikes >every other meeting) and up slow or non-cycles (1-2 hikes & done) on avg.

Near term, stocks have pulled back until market recognize it's a slow…or non-cycle…

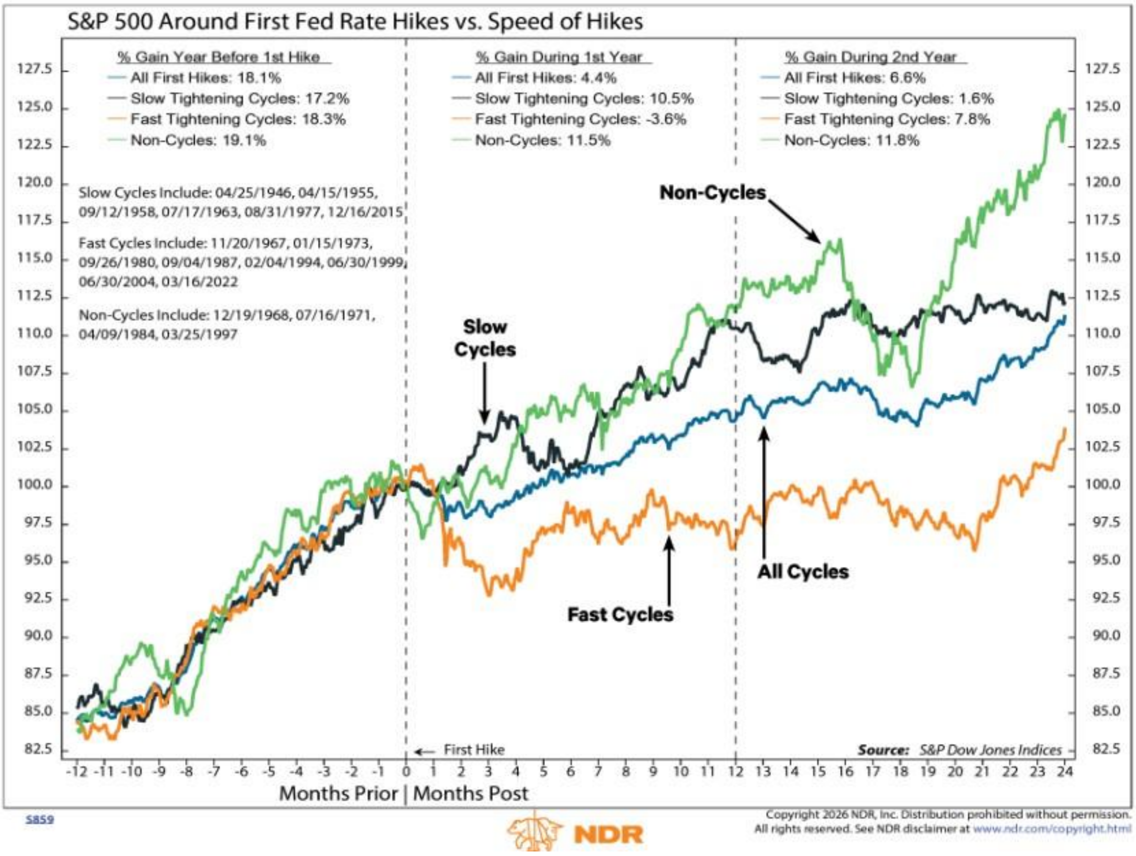
Biggest categories of job growth:

- Leisure & Hospitality: 38.3% (+62,000)
- Government: 21.6% (+35,000)
- Healthcare & Social Assistance: 17.5% (+28,400)
- **Combined Share: 77.4% (+125,400 out of the 162,000 total nonfarm payroll expansion)**

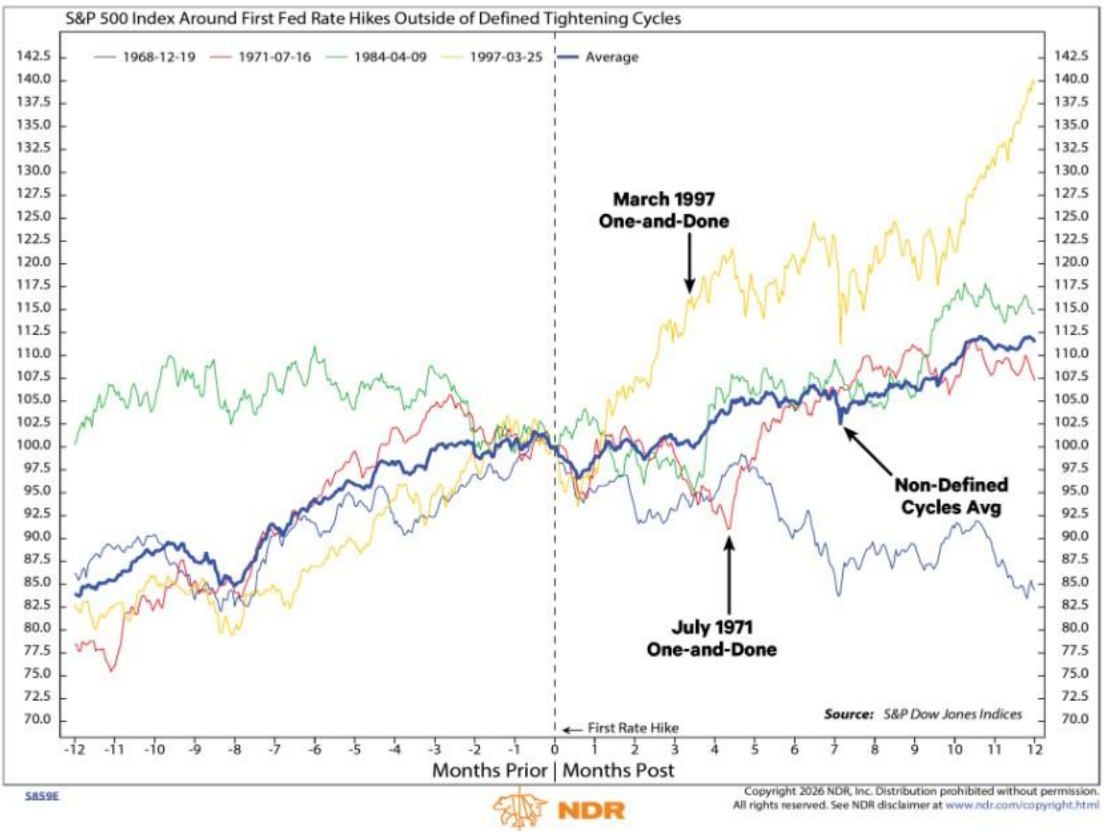
MORGAN STANLEY: FED TO HOLD DESPITE WARSH'S HAWKISH TONE

- Morgan Stanley expects the Fed to keep rates unchanged, despite Chair Kevin Warsh's hawkish Jackson Hole speech.
- The bank forecasts August core CPI at +0.23% MoM and core PCE at +0.20%, supporting patience.

- PCE revisions could also lower annual core inflation to around 3.1% from 3.3%.
- Bottom line: Warsh's rhetoric likely preserves policy flexibility rather than signaling an imminent hiking cycle.

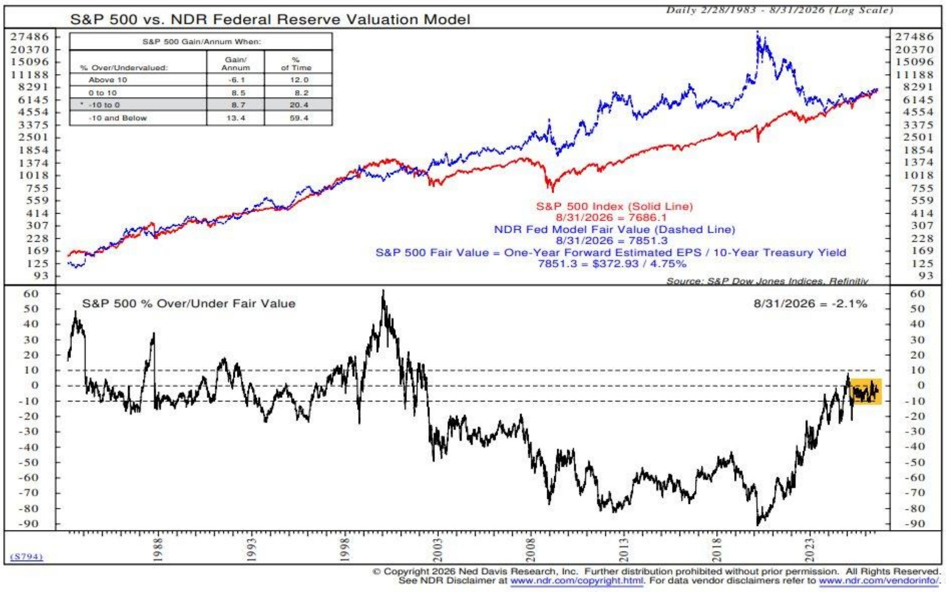


Warsh & Co. are still setting the ground rules, but if this turns out to be 1 or 2 hikes, the market has been choppy for next several weeks after 1st hike. Except for 1968, the rally has then resumed. (caveat: only 4 cases).



One potential take away from a Warsh Fed is that less certainty around Fed policy. The Bernanke-Yellen-Powell days of signaling the next several moves reduced uncertainty. Their stated goal was to push investors into risker assets like stocks.

A return to Greenspan and earlier Feds could mean more uncertainty. Once consequence would be stocks not being as attractively valued. The old "Fed model" of the forward earnings yield vs the 10-year yield is in a range not seen in over 20 years. The stock-bond decision may not be a slam dunk over the next 5-10 years.



When the Fed hikes 0.25%, stocks still see early weakness but never lower a year later

- A 0.50% hike to start things off and all bets are off.

Not All First Hikes Are A Bad Thing, But Size Does Matter

S&P 500 Performance After The First Fed Rate Hike (1990 - Current)

Date of First Hike	Size of First Hike	Length Between Hikes (Years)	S&P 500 Forward Returns One Month	Three Months	Six Months	Twelve Months
2/4/1994	0.25%	4.9	-0.8%	-5.9%	-2.5%	2.6%
3/25/1997	0.25%	2.1	-2.3%	13.6%	20.6%	39.6%
6/30/1999	0.25%	2.3	-3.2%	-7.6%	6.6%	6.0%
6/30/2004	0.25%	4.1	-3.4%	-2.3%	6.4%	5.2%
12/16/2015	0.25%	9.5	-9.2%	-1.1%	-0.1%	9.1%
3/16/2022	0.50%	3.2	0.8%	-13.0%	-10.5%	-10.1%
9/16/2026*	?	3.1	?	?	?	?
Average		4.4	-3.0%	-2.7%	3.4%	8.7%
Median		3.7	-2.7%	-4.1%	3.1%	5.6%
% Higher			16.7%	16.7%	50.0%	83.3%
If The First Hike Is 0.25%						
Average			-3.8%	-0.7%	6.2%	12.5%
Median			-3.2%	-2.3%	6.4%	6.0%
% Higher			0.0%	20.0%	60.0%	100.0%

Source: Carson Investment Research, FactSet 09/03/2026
@ryandetrick
* This assumes a hike in two weeks, but as of now, that isn't our base case

Truflation at Highest Point of the Year

France's 30-year bond yield hits the highest level since September 2008 at 4.9274%, up 4.5 bps:

The underlying factors driving this spike include:

- Persistent Budget Deficits & Debt: France's budget deficit has hovered above 5% of GDP, far exceeding the EU's strict 3% ceiling. Total national debt has climbed past 115% of GDP. Investors are demanding higher yields to compensate for the continuous issuance of new government bonds needed to finance this spending.
- Political Gridlock: A fragmented parliament has made structural spending cuts or tax reforms nearly impossible to pass. With upcoming elections looming, markets fear France lacks the political consensus needed to enact fiscal discipline.
- Global Yield Curve Pressures: Beyond localized French issues, central banks globally have maintained elevated interest rates to combat inflation. Long-term borrowing costs across the euro-zone have steepened, pushing ultra-long-term debt yields higher.

French deficit almost as high as the U.S., but with no growth or ability to print money...

France's fifth heatwave of this summer is due to start today. That is a stagflationary shock that is directly negative for the economy, as wildfires and drought destroy crops and disrupt activity. Estimates put the cost at as much as €15 billion, or around 0.5% of gross domestic product. And the growth backdrop is already weak, with France's economy unexpectedly failing to grow in the first half of the year.

The government has recognized the damage, reportedly allocating €1 billion to compensate farmers affected by the heat and fires. The issue is that France already has a deficit problem. This spending alone isn't enough to trigger a negative fiscal spiral, but it illustrates how repeated shocks make politically difficult consolidation even harder to deliver. Worse, these shocks are becoming less exceptional.

That creates another structural vulnerability for French debt. More frequent climate shocks threaten weaker growth and additional spending at a time when the fiscal starting point is already poor. Add an ECB hiking cycle and a host of global forces pushing yields higher, and the backdrop is very difficult for French debt.

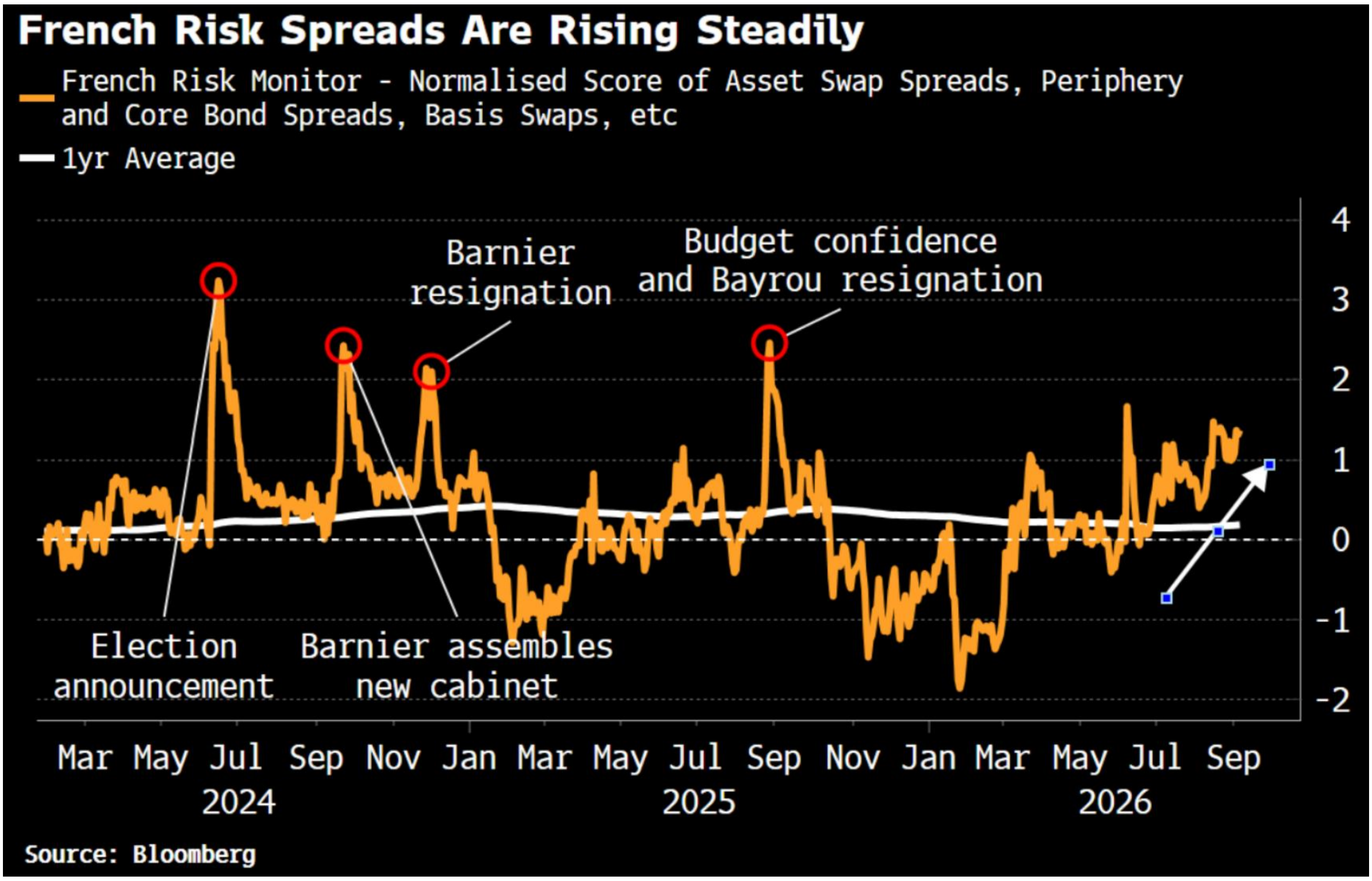
French sovereign risk has not gone away. A monitor that takes in a broad range of risk spreads has steadily been picking up since May. As we can see from the chart below, peaks in this monitor are associated with prior periods of political stress in France.

The monitor includes a variety of French bond spreads (eg versus Germany, Spain, Portugal, etc), French asset swap spreads, sovereign CDS, bank CDS, basis swaps, and more – all of which are widening.

Political tensions in France have been heating up as discussions for the 2027 budget take place. France is the hole in Europe's balance sheet, with one of the largest budget deficits in the EU, at 5.1% of GDP, and a debt-to-GDP ratio well north of 100% at 116%.

Agreeing the cuts necessary to placate the bond markets – with 10-year yields now at 4.21%, their highest since 2008 – looks a Sisyphean task, meaning that risk spreads are set to keep on their widening trend until the budget impasse is resolved.

The alternative is that France cannot agree to the cuts necessary to bring down its deficit. With over half (56%) of French sovereign debt owned by non-residents, yields could rise much further if they decide to deposit the problem back on domestic shores.



Elementary and middle-school students in New York City won't have AI this year. $NVDA

The city has banned AI until high school and recommended daily limits on screen usage. Teachers can use AI for planning but not for grading.

"The tech industry wants us to believe that AI-powered early education is not only inevitable, but necessary," Mayor Zohran Mamdani said at a news conference on Wednesday. "We do not see it that way."

Citadel Cautious on Equities

I remain constructive on the longer-term outlook for US equities. My concern is the path over the next several weeks.

The setup that carried equities through August is changing. Earnings delivered and are now largely behind us. Retail remains a buyer but historically becomes a smaller source of incremental demand in September. Systematic exposure has rebuilt. The corporate bid should fade as blackout windows return. And after a significant collapse in volatility, that tailwind is now largely behind us.

At the same time, downside protection is inexpensive, duration remains relatively under-owned, September option expiration creates another potential technical reset, and the calendar is turning decisively back toward macro just as we enter the weakest seasonal window of the year.

None of these factors changes the longer-term equity story. But collectively, they change the near-term asymmetry. The upside catalysts are becoming less obvious just as the downside catalysts are becoming more numerous.

I would use strength to reduce some exposure and add inexpensive protection into this event window. I am not looking for the beginning of a broader bearish turn. I am looking for a tactical reset. If September delivers one, it could create a better entry point as we move toward a potentially more constructive setup beginning around mid-October.

Please let us know how we can be most helpful as you navigate the September setup.

Scott Rubner

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Head of Equity and Equity Derivatives Strategy
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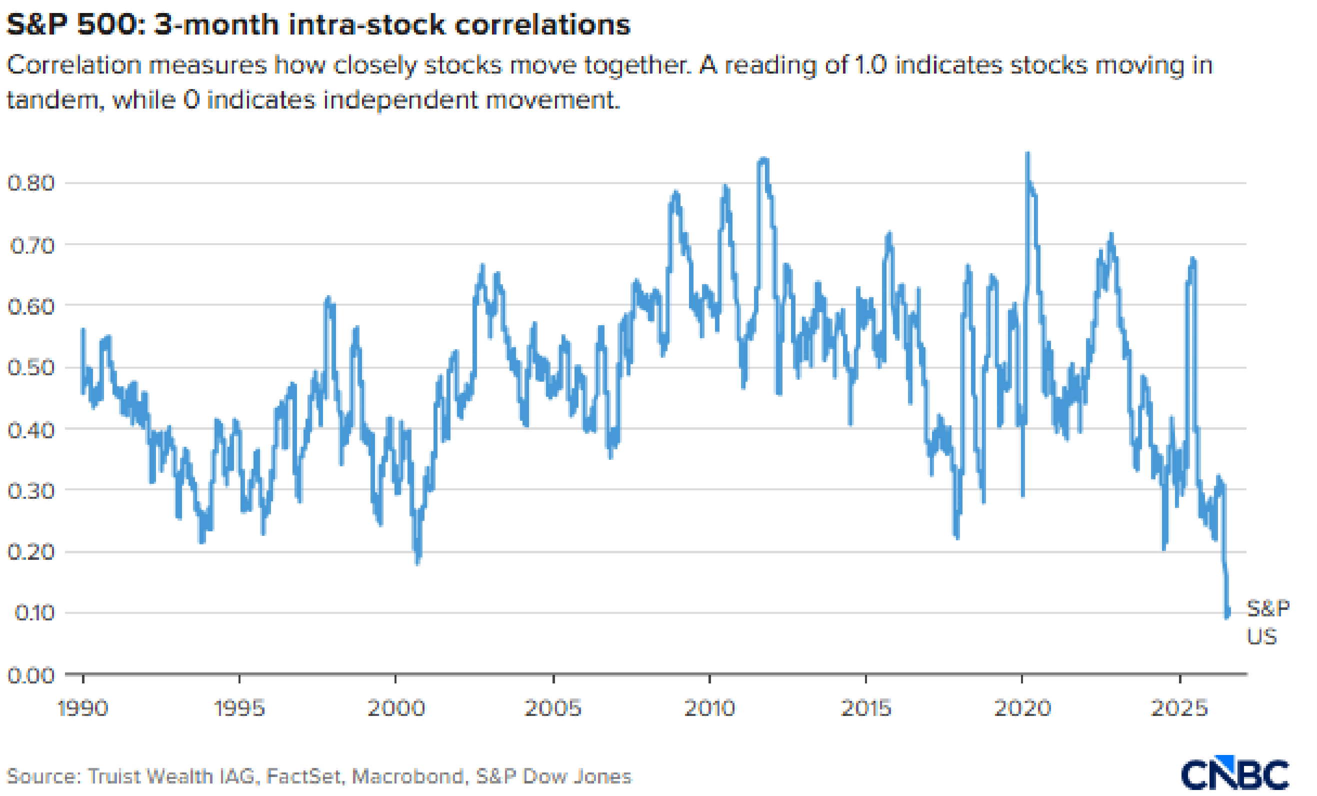
CITADEL | Securities

JPM Cautious on Equities for 3 Weeks

- Downgrade to Tactically Cautious / Neutral. Fundamentals (earnings, economy) still strong, but expect 2–3 weeks of chop. Cut net longs, consider dollar neutral/market-neutral.
- Six reasons: (1) September now a live Fed meeting after Warsh — hike odds ~58–60%, CPI (Sept 11) the key print; (2) positioning gives no clean directional read; (3)post-Labor-Day credit issuance widens spreads; (4) September is the worst SPX month; (5) momentum unwind (JPM momentum −21% from June high, "classic" momentum −34%) beyond normal drawdown; (6) AVGO earnings may beat yet fail tolift AI/semis.

CCC US Corporate Credit Spreads Breaking Out

- CCC high yield spreads have been moving higher all year
- Concerning, but remember CCC credits are only about 10% of the US high yield index ($150bn of $1.5 trillion), and 5% defaults of 150 billion is only $7.5 billion…
- Private credit is a much, much bigger problem than HY



Stocks vs Wages Since 1964

Bank of America says rising commodity costs and limited pricing power are increasing margin pressure on consumer staples companies.

- Oil, diesel and agricultural prices have surged amid geopolitical and trade disruptions, while cocoa jumped 102% in three months.
- BofA sees Conagra, Campbell's, Pilgrim's Pride and General Mills among the companies most exposed to cost inflation.

Private Construction Outside of Data Centers Declining

Since mortgage rates are closely tied to the 10-year Treasury yield, the bond selloff is likely to deal another blow to a housing market hobbled by four years of high borrowing costs. Historically low inventory-the result of homeowners opting to stay put to preserve their lower mortgage rates-has also boosted asking prices.

"This is going to push mortgage rates much closer to 7%," said Mark Fleming, chief economist at First American. That "certainly will reduce affordability, particularly for the potential first-time home buyer," he said.

Mortgage rates briefly fell below 6% in February, sparking optimism about a potential rebound in home sales. But rates jumped after the U.S. and Israel attacked Iran, turning the market's key spring selling season into a bust. According to Freddie Mac, 30-year mortgage rates averaged 6.66% last week.

Higher bond yields also hit the rental market, making it costlier for developers to build and pushing landlords to demand higher rents. At the same time, a housing market frozen by high mortgage costs encourages renters who would like to buy to stay put, increasing demand.

There are also broader effects. Americans buy lots of stuff to outfit new homes, like furniture and appliances, and housing turnover also spurs renovation projects. The slowdown in such activity has already hit home-improvement retailers Home Depot and Lowe's.

Meanwhile, building-materials suppliers, such as roofing and flooring manufacturers, have struggled to make up lost business as homeowners opt to stay in their current homes.

Pricier rides

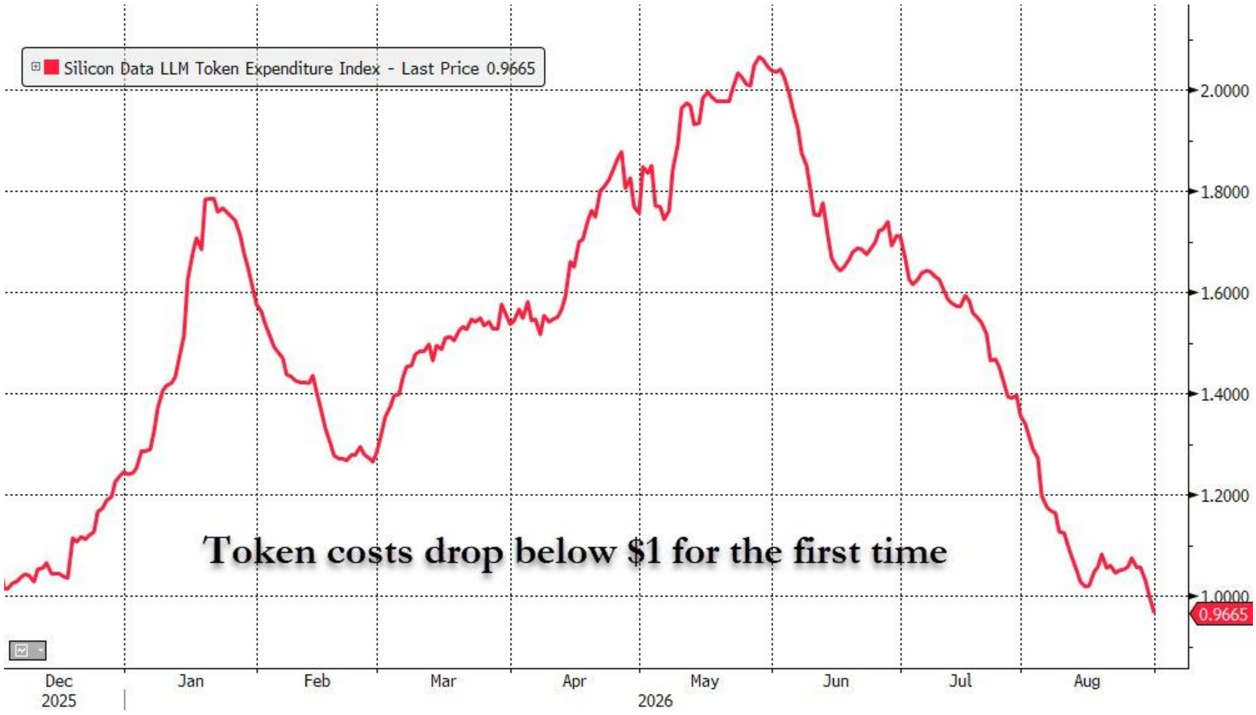
The Treasury selloff could also turn into bad news for car buyers, heightening the risk of higher interest rates for auto loans. Buying a car has become historically expensive, with pandemic-era supply-chain bottlenecks and tariffs driving up prices, while car maintenance and insurance costs have outpaced overall inflation. Car loans are closely tied to medium-term Treasury yields, such as on the five-year, which has reached its highest level since January 2025.

As interest rates rise, more buyers are taking on longer loans to afford monthly payments, and many car owners now owe more on auto loans than their car is worth.

At the same time, driving also remains expensive. Regular gasoline prices are averaging about $4.10 a gallon nationally, according to AAA, compared with $3.19 at this time last year.

As Chinese Open-Weight Models Take Over the Market, Token Prices Drop Below $1 For the First Time

- Silicon Data's usage-weighted LLM Token Expenditure Index was $0.97 per million tokens as of September 4, 2026, versus roughly $2.04 at the end of May — more than a 50% decline in about three months. At the same time, Chinese models have become a much larger share of developer usage: OpenRouter says Chinese models surpassed U.S. models in token share in early June, while DeepSeek alone had reached roughly 17% of OpenRouter tokens by July.
- There is an important caveat: Chinese models have not literally "taken over the entire AI market." These figures are largely based on OpenRouter, which over-indexes toward developers who actively switch between models. It is nevertheless a useful leading indicator of what happens when customers can choose models primarily on price/performance.
- **Juniper estimates that U.S. labs' share of OpenRouter activity has fallen from roughly 70% last year to around 30% recently, although again this should not be extrapolated directly to the entire enterprise AI market.**



$DELL Earnings Call on Memory and Optical Shortages

“The constraints remain the same, DRAM, NAN, spotty CPU shortages, disk drives, power ICs, microcontrollers, drivers, ABF substrate, T-glass, optical”

Speaker 2
0:40:51

There's a lead time associated with that. We're working through that lead time, which is part of why the second half looks a little better. We've been able to realize greater shipments as a result of that. The constraints remain the same. DRAM, DRAM, followed by NAND, NAND. We have spotty CPU shortages. There are shortages with disk drives. If you go further down in the supply chain, just about every product going through a leading node is constrained. Mature nodes that are building MOSFETs, power ICs, microcontrollers, drivers are constrained. There's shortages of ABF substrate, T-glass, all of which we monitor. There's shortages in optical. The AI supply chain is working red line all out to build Coolant Distribution Units, power racks. Welcome to the life of a supply chain person at Dell Technologies. This is what we do, chasing parts. We love it.

Samsung has reportedly allocated ~70% of its memory production capacity through 2031 to long-term supply agreements with major customers including NVIDIA, Microsoft and Google. This is just like peers SK Hynix and Micron have done already.

The shortage is pushing spot pricing sharply higher:

- HBM3E 36GB spot: ~$2,100, roughly 4-5x LTA pricing
- HBM4 16-stack spot: ~$3,500
- DRAM export unit prices rose 36.6% from May to July even as volumes fell 13.2%

Samsung is considering converting its Pyeongtaek S5 foundry line to memory production as early as next year.

SK Hynix is also exploring additional capacity in Korea and a potential memory fab JV with a Japanese partner.

Lower initial HBM4 yields are adding further pressure by consuming more DRAM capacity as production ramps.

Source: Trendforce

VST CEO Buys Shares Last Week

SEC Form 4

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934
or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Estimated average burden hours per response:	0.5

☐ Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

1. Name and Address of Reporting Person*	2. Issuer Name and Ticker or Trading Symbol	5. Relationship of Reporting Person(s) to Issuer (Check all applicable)
BURKE JAMES A (Last) (First) (Middle) 6555 SIERRA DRIVE (Street) IRVING TX 75039 (City) (State) (Zip)	Vistra Corp. [VST] 3. Date of Earliest Transaction (Month/Day/Year) 08/24/2026 4. If Amendment, Date of Original Filed (Month/Day/Year)	X Director; 10% Owner X Officer (give title below); Other (specify below) President and CEO 6. Individual or Joint/Group Filing (Check Applicable Line) X Form filed by One Reporting Person Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	08/24/2026		P		2,000	A	$135	1,139,687(1)	I	By JAMEB, LP, a limited partnership jointly owned by Reporting Person and his spouse
Common Stock								61,690(2)	D	
Common Stock								34,000	I	By the James A. Burke 2012 Irrevocable Trust, dated 12/03/2012
Common Stock								259	I	By the Marti E. Burke 2012 Irrevocable Trust, dated 10/16/2012

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares				

Explanation of Responses:

1. The number of securities shown to be beneficially owned reflects an adjustment upward by 436,173 shares of common stock due to the transfer of 436,173 shares of common stock that was previously directly owned by Reporting Person.
2. The number of securities shown to be beneficially owned reflects an adjustment downward by 436,173 shares of common stock due to the transfer of 436,173 shares of common stock to the JAMEB, LP, a limited partnership jointly owned by the Reporting Person and his spouse.

Remarks:

/s/ Daniela Gutierrez, as Attorney-in-Fact — 08/24/2026
** Signature of Reporting Person — Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

President and CEO BURKE JAMES A
bought $270k of VST

2,000 shares @ **$135**
Increased holdings by **+0.16%**
8th largest trade (out of 13)

Mon, Aug 24, 2026, 3:03 PM
17 hours ago

☆ Top Insider

- ✓ Trade made by the CEO
- ✓ Unscheduled trade
- ✓ Strong 6M win rate (91.67%) on buys (11 of 12 trades)
- ✗ Holdings did not increase significantly

🚨 Top "High-Signal" Insider Buys (Purchased on Open Market)

Top insider buys by filtering out routine compensation and focusing on open-market cash purchases by high-level executives:

- Insperity, Inc. ($NSP): Chairman & CEO Paul J. Sarvadi bought $2.87M in shares as a "Buying the Dip" trade.
- Lumen Technologies ($LUMN): President & CEO Kate Johnson executed a direct open-market purchase of $501.78k.
- FTAI Aviation ($FTAI): CEO & Chairman Wesley R. Edens bought $311.82k worth of shares.
- Okta, Inc. ($OKTA): Director bought $267.41k (flagged as an unusual 10b5-1 buy signal).
- Kratos Defense & Security ($KTOS): President & CEO Eric DeMarco purchased $250.38k.
- Intel Corporation ($INTC): EVP & CFO bought $249.99k in common stock.

📉 Major Insider Dispositions & Sales

Unusual insider sales—specifically focusing on 10b5-1 pre-scheduled sales that exceed an executive's historical average sell volume:

- Lumentum Holdings ($LITE): EVP Vincent Retort sold $32.96M worth of shares.
- CoreWeave ($CRWV): CEO Michael N. Intrator disposed of $27.26M across multiple transactions ($17.7M and $9.5M).
- Tempus AI ($TEM): CEO Eric P. Lefkofsky sold ~$17.11M in total shares.
- Freshpet ($FRPT): CEO William B. Cyr unloaded ~$2.96M across two transactions.
- TeraWulf ($WULF): CEO Paul B. Prager executed an open-market sale of $2.34M.

Broadcom (AVGO) Earnings (BUYABLE)

- If Hock Tan is actually guiding to $30 of EPS by FY 28, on a 20x multiple this is a $600 stock for a company growing 50%+ even at a 15x multiple, this is a $450 stock
- Now imagine they do $40-$50 of EPS and we keep the same 15-20x multiple which feels pretty reasonable for 50% growth...we get into that $700-$1000 range
- However, stock is down 5% on Thursday because most of that growth will be because of OpenAI and Anthropic...
- Ultimately much of the semiconductor optimism is still tied to those two companies continuing to spend, same for Nvidia and the hyperscalers
- Going to be important to see if $AVGO Broadcom can actually generate meaningful revenues from those companies because right now it seems to be a levered bet on them which is also why the stock is discounted and has been flat all year

1. Core Financial Headlines

- **Record Top Line:** Revenue reached **$29.6 billion** (+86% YoY), topping consensus estimates of ~$29.25 billion.
- **Adjusted EPS: $3.32** (+96% YoY), beating the $3.21 estimate.
- **Free Cash Flow Conversion:** Generated **$13.7 billion in Free Cash Flow** (46% FCF margin), reflecting strong operating leverage despite capital investments.

2. AI Semiconductor Parabolic Growth

- **Dominant Share of Revenue:** AI-related semiconductor revenue reached **$16.7 billion** (+221% YoY, +54% QoQ), making up **56% of total company revenue**.
- **Custom AI Accelerators (XPUs):** Shipments of custom silicon (XPUs) jumped 3.5x YoY, representing 73% of total AI revenue. High-volume deliveries included Google's TPU v7/v8i and initial shipments of OpenAI's custom "Jalapeño" accelerator.
- **AI Networking Stack:** AI networking revenue rose over 2.5x YoY, propelled by deployments of 100-terabit Tomahawk 6 switches and 200G/400G SerDes hardware.

3. Strategic Long-Term Multi-Gigawatt Commitments

- **Hyper-Scaler Lock-In:** Broadcom secured commitments to enable over **20 gigawatts** of compute capacity across its top customer base (including Google, Anthropic, Meta, and OpenAI) through 2028.
- **Unprecedented Long-Term Target:** Management updated its AI revenue trajectory:
  - **FY2026 AI Revenue:** Guided to **~$58 billion**.
  - **FY2027 AI Revenue:** Projected to double to **~$115 billion**.
  - **FY2028 AI Revenue:** Target to double again to **~$230 billion**.

4. Margin Dynamics: Profit Dollar Expansion vs. Margin Rate Dilution

- **Gross Margin Compression:** Non-GAAP gross margin landed at **75.0%** (down 210 bps QoQ). Higher sales mix of AI system racks and memory-intensive hardware diluted percentage margins relative to software or traditional silicon.
- **Operating Dollar Growth:** Operating profit dollars grew **92% YoY to $20.1 billion** (67.9% operating margin), confirming that absolute cash creation is accelerating rapidly despite margin percentage compression.

5. Software & Non-AI Segments

- **VMware / Infrastructure Software:** Revenue grew 29% YoY to **$8.8 billion** with a 94% gross margin, providing high-margin recurring cash flow that funds semiconductor capacity expansion.
- **Non-AI Semiconductors:** Non-AI chip revenue stabilized at **$4.2 billion** (+5% YoY, flat QoQ) as broadband and server storage bottomed out.

6. Q4 FY2026 Guidance (Accelerating)

- **Q4 Revenue Guidance: ~$34.8 billion** (+93% YoY), implying a massive sequential step-up.
- **Q4 AI Revenue Guidance:** Expected to reach **$21.7 billion** (+236% YoY).

An Ameriprise Investment Research Group publication

Sector: Information Technology
Investment style: Large Cap Growth
Andrew R. Heaney, CFA, Director, WMS Research, Equity
September 03, 2026

Investment Opinion: Buy

Key Takeaways

- Broadcom exceeded quarterly revenue expectations as AI semiconductor strength more than offset softer infrastructure software and limited growth across non AI semiconductor businesses.
- Management expects fiscal fourth quarter AI semiconductor revenue of $21.7 billion while higher accelerator and memory content drives gross margin lower and operating leverage supports profitability.
- Custom accelerators represented 73% of AI revenue while Broadcom expanded its networking optical substrate and packaging capacity to support future customer deployments.
- In our view Broadcom remains a key player in the rapidly growing AI chip and networking space. We reiterate our buy rating and retain the shares on our Recommended List.

Fiscal Third Quarter Results

AI Conversion Supports Higher Growth Path

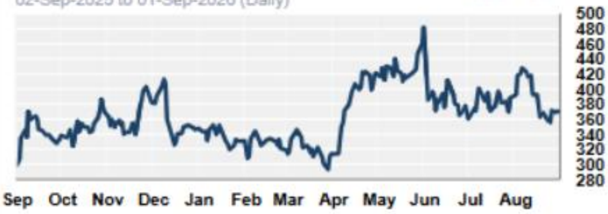
Broadcom converted strong custom accelerator and networking demand into better-than-expected revenue and raised its current year AI semiconductor revenue outlook to $58 billion. Production shipments expanded across several customer programs, while new accelerator generations, Ethernet switching, optical connectivity, advanced packaging, and memory integration extended Broadcom's role across the AI infrastructure stack. Management also established a more specific growth path for fiscal 2027 and fiscal 2028, supported by secured semiconductor supply and customer deployment plans. In our view, the quarter showed that Broadcom can translate program demand into accepted shipments, operating leverage, and free cash flow. The next phase adds execution requirements across wafers, substrates, memory, land, power, construction, financing, and customer acceptance. In our view, the combination of custom silicon leadership, broad networking content, recurring software profit, and direct visibility into customer infrastructure plans supports our positive rating.

AI Leads Results Above Expectations

Broadcom generated EPS of $3.32 per share on revenue of $29.59 billion, up 86% y/y, while consensus had called for EPS of $3.23 per share on revenue of $29.45 billion. Free cash flow reached $13.67 billion and represented 46% of revenue, demonstrating strong conversion despite the rapid semiconductor ramp. Operating margin was 67.9%, supported by revenue growth that outpaced operating expense growth.

Continued on the next page.

12-Month Price Chart
02-Sep-2025 to 01-Sep-2026 (Daily)



Source: FactSet Prices

FactSet Consensus Target Price	$534.10
Prior Day's Closing Price	$369.68
52 Week Range	$495.00- $287.17
Market Capitalization ($m)	$1,758,782.17
Beta Versus the S&P 500	2.77
Book Value Per Share	$18.43
Trailing 12- Month P/E	34.2x
Forward 12-Month P/E	20.3x
Price/Book	20.1x
Price/Sales	23.9x
Price/Operating Cash Flow	53.6x
Annual Dividend	2.60
Dividend Yield	0.7%

Source for chart and data: FactSet

Revenue					
(in millions of U.S. Dollars)			Fiscal Year ends in October		
Year	Q1	Q2	Q3	Q4	FY
2025 (A)	14,916	15,004	15,952	18,015	63,887
2026	19,311 (A)	22,187 (A)	29,591 (A)	34,680	105,753
2027	36,918	40,734	44,819	50,262	175,620

A = Actual | *Source: FactSet*

Operating earnings						
(per share in U.S. Dollars | a non-GAAP metric)				Fiscal Year ends in		
Year	Q1	Q2	Q3	Q4	FY	FY
2025 (A)	1.60	1.58	1.69	1.95	6.82	54.
2026	2.05 (A)	2.44 (A)	3.32 (A)	3.85	11.60	31.
2027	4.11	4.52	5.06	5.74	19.56	18.

A = Actual | *Source: FactSet*

Semiconductor solutions revenue reached $20.84 billion, above the $20.51 billion estimate, as AI semiconductor revenue of $16.7 billion exceeded the $15.93 billion estimate. Non AI semiconductor revenue was approximately $4.2 billion, up 5% y/y and flat sequentially, as broadband and server storage growth was partly offset by lower wireless revenue. Infrastructure software revenue reached $8.75 billion, below the $8.88 billion estimate, while annual recurring revenue grew 15% y/y and software operating margin reached approximately 84%.

Larger AI Outlook Meets Physical Constraints

Management expects fiscal fourth quarter revenue of approximately $34.8 billion, below the $35.05 billion consensus estimate, with AI semiconductor revenue of $21.7 billion above the $21.34 billion estimate. Total semiconductor revenue is expected to reach approximately $26.1 billion, including approximately $4.3 billion of non-AI semiconductor revenue, while infrastructure software is expected to stabilize near $8.7 billion. Gross margin is expected to decline to approximately 73% as custom accelerators and their memory content become a larger share of revenue, while operating margin is expected to remain near 66% through operating leverage. Broadcom expects AI semiconductor revenue of approximately $115 billion in fiscal 2027 and $230 billion in fiscal 2028, with supply secured for both outlooks and customer demand above the fiscal 2027 plan. Management appeared confident in customer demand and Broadcom's supply position, while remaining disciplined about the timing of land, power, data center construction, memory, substrate availability, and customer deployment. Our expectation is that these conversion factors will determine the timing of future estimate increases.

Valuation

Over the next four quarters, Broadcom is expected to generate earnings of $17.54 per share, resulting in a forward earnings multiple of roughly 20.3x. In our view, the current valuation reflects investor optimism about the company's growth prospects, particularly in AI-related technologies. This valuation is broadly in-line relative to the share's five-year average, the S&P 500 Semiconductor Industry Index currently trades at roughly 24x next 12-months expected earnings. We also note that the S&P 500 Technology sector Index trades near 23x expected earnings.

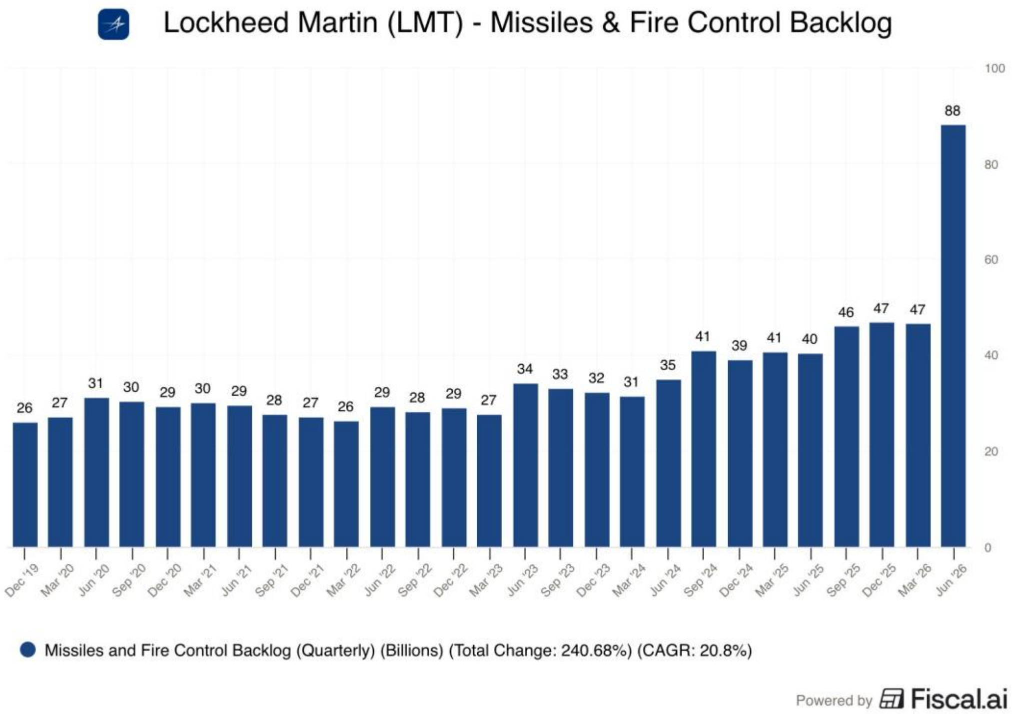
Investment Thesis

We believe Broadcom remains driven by leadership in AI infrastructure and the VMware led software transformation. The company's strength in custom AI accelerators and advanced Ethernet networking positions it, in our opinion, to capture demand tied to both training and inference, with networking content rising as AI clusters scale. VMware Cloud Foundation provides a recurring revenue anchor and supports enterprise private cloud adoption for AI workloads. Non AI semiconductors are improving gradually, while free cash flow supports disciplined capital returns.

While the non-AI semiconductor segment faces a measured recovery, Broadcom's consistent execution on key hyperscaler roadmaps, exemplified by recent significant partnerships, and its robust free cash flow generation, which supports disciplined capital allocation, collectively solidify its appeal, in our view. This dual strategy, balancing leadership in foundational AI hardware with a stable, high-margin software business, positions the company for sustained, long-term growth and value creation, in our view. Broadcom Inc. designs, develops, and supplies a broad portfolio of semiconductor and infrastructure software solutions globally. The Company offers essential digital and mixed signal complementary metal oxide semiconductor-based devices and analog III-V based products. These foundational technologies enable critical functions across enterprise and data center networking, robust home connectivity, set-top boxes, high-speed broadband access, and advanced telecommunication equipment, serving a diverse global customer base.

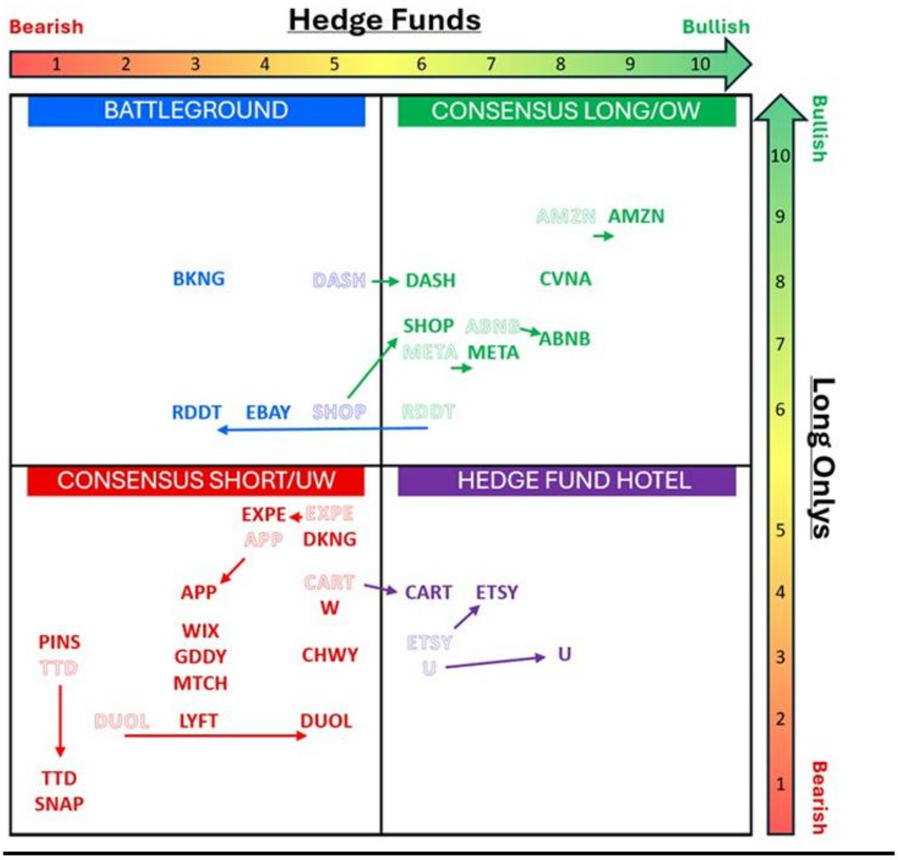
The U.S. Department of War (Pentagon) has finalized multiyear, 7-year framework agreements targeting a rapid surge in the production of Terminal High Altitude Area Defense (THAAD) and Patriot Advanced Capability-3 (PAC-3 MSE) interceptors, which were first discussed in June.

- Lockheed Martin ($LMT): Serves as the primary contractor for both missile systems. LMT signed a 7-year framework agreement to accelerate production—aiming to triple PAC-3 MSE output and quadruple THAAD interceptor production. This initiative includes contract actions valued at up to $35 billion for THAAD and an expanded long-term Patriot missile award of up to $58.6 billion.
- General Dynamics ($GD): Engaged under 7-year framework agreements as a key tier-1 industrial partner responsible for manufacturing critical sub-components—such as solid rocket motor cases, structural mid-sections, shroud deployment systems, and control assemblies—to support the surged delivery of these interceptors. The 7-year framework format gives major defense contractors long-term demand visibility, enabling direct investments in facility expansions, bulk component sourcing, and workforce scaling.

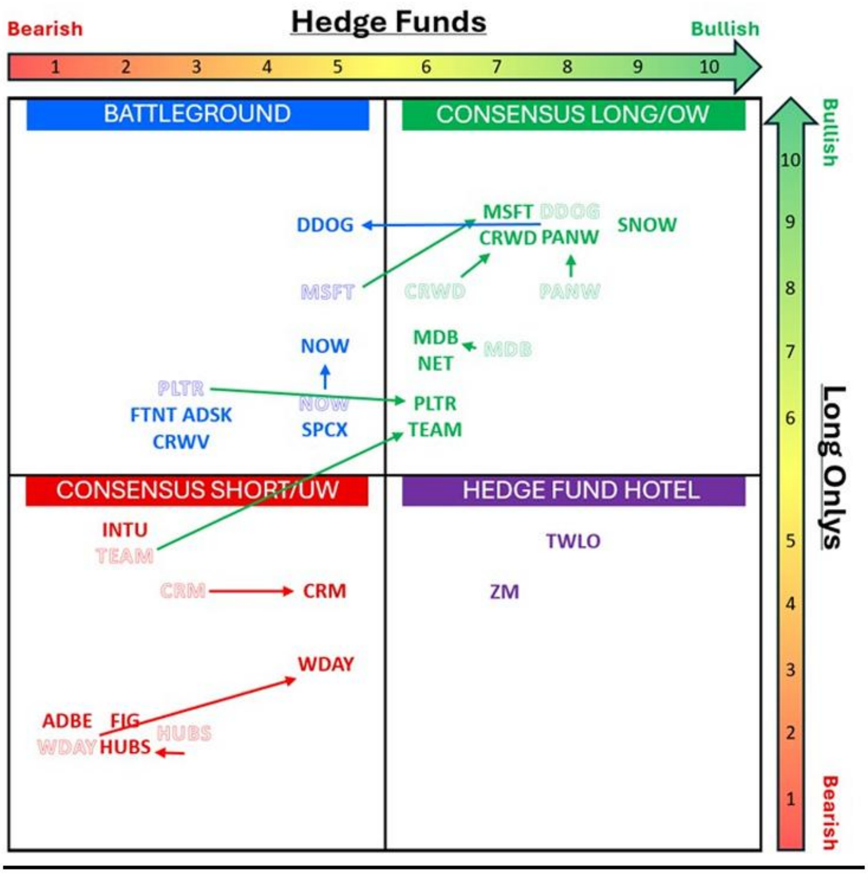


THE INTERNET SENTIMENT MATRIX:

[Last Updated 8/24/26]



JPM SOFTWARE SENTIMENT MATRIX



Entravision (EVC) Small Cap Value Special Situation

Entravision Communications Corporation (NYSE: EVC) is a diversified global media, ad-tech, and marketing solutions company. Historically known as a traditional broadcaster, the business has transformed into a high-growth advertising technology platform while maintaining strong roots in Hispanic media.

Entravision operates through two primary business segments:

1. **Advertising Technology & Services (ATS) (Growth Engine):**
   - **Ad-Tech & Supply-Side Tech:** Provides programmatic ad platforms, demand/supply-side technology (DSP/SSP), and digital performance marketing solutions worldwide.
   - **Global Reach:** Connects global brands and agencies with consumers across digital, social, and mobile platforms, expanding rapidly across Latin America, Asia, Europe, and the U.S.
2. **Media Segment (Legacy Broadcast Footprint):**
   - **TV & Radio Broadcasting:** Operates linear television and radio stations targeting Hispanic audiences across major U.S. markets.
   - **TelevisaUnivision Affiliation:** Entravision is the largest independent affiliate group of TelevisaUnivision, broadcasting Univision and UniMás television networks.
   - **Local News & Content:** Produces hyper-local Spanish-language news programming and digital content.

Why Investors View Entravision as a "Good" Company / Bull Case

- **Explosive Ad-Tech Growth:** The ATS segment has become the primary financial engine. In Q2 2026, ATS segment revenue surged **230% YoY to $182.8 million**, while ATS operating profit skyrocketed **673% YoY to $40 million** due to strong operating leverage.
- **Unrivaled Access to the U.S. Hispanic Demographic:** Entravision holds a dominant media footprint targeting the fastest-growing demographic and voting bloc in the U.S., giving it significant pricing power during political election cycles.
- **High Free Cash Flow & Clean Balance Sheet:** The business generates high free cash flow conversion, carrying over $83 million in cash and marketable securities while maintaining a modest valuation relative to pure-play digital ad-tech peers.
- **Diversified Revenue Model:** Blends high-margin recurring digital ad spend with sticky broadcast retransmission consent fees and cyclical political ad windfalls.

Key Risks to Monitor

- **TelevisaUnivision Dependence:** A core risk factor is its TelevisaUnivision affiliation agreement set to expire at the end of 2026.
- **Legacy Media Drag:** While ATS is growing, the linear broadcast media segment faces broader secular cord-cutting headwinds (posting a $3.3 million operating loss in Q2 2026).
- **Sequential Volatility:** Management highlighted that revenue from large digital ad clients can create quarterly lumpiness.

For Entravision Communications (NYSE: EVC), forward EBITDA estimates reflect a company undergoing a major business model transition shifting from legacy linear broadcasting toward high-volume digital Ad-Tech.

EVC Forward EBITDA & Valuation Summary

- Full-Year 2026 Consolidated Adjusted EBITDA Estimate: Wall Street consensus projects full-year 2026 Adjusted EBITDA of ~$100M – $115M. This reflects significant expansion over prior years, driven primarily by hyper-growth in the Advertising Technology & Services (ATS) unit (which generated $40 million in operating profit in Q2 2026 alone).

- Forward EV/EBITDA Multiple: EVC currently trades at an Enterprise Value (EV) of approximately $830M – $860M (Market Cap of ~$740M–$750M plus net debt of ~$100M). Based on consensus forward EBITDA estimates, EVC trades at a forward multiple of ~7.5x to 8.5x EV/Forward EBITDA, slightly below media industry averages (~10x–12x).

- Trailing vs. Forward Context: On a trailing basis (TTM), EVC's EV/EBITDA ratio looks higher (~12.3x to 12.4x) because past quarters included heavy investments, restructuring, and lower-margin digital expansion. Forward estimates price in operational scaling from the ATS segment.

In Millions of USD 12 Months Ending	2020 Y 12/31/2020	2021 Y 12/31/2021	2022 Y 12/31/2022	2023 Y 12/31/2023	2024 Y 12/31/2024	2025 Y 12/31/2025	Current/LTM 06/30/2026
Market Capitalization	233.9	587.1	420.1	373.2	213.8	269.4	777.1
- Cash & Equivalents	147.2	185.1	155.2	80.6	100.6	63.2	83.4
+ Preferred & Other	33.3	0.0	14.9	43.8	0.0	0.0	0.0
+ Total Debt	252.5	240.6	260.3	258.6	236.8	213.6	206.3
Enterprise Value	372.5	642.6	540.1	595.0	350.0	419.8	900.0
Revenue, Adj	344.0	760.2	956.2	297.0	364.9	447.6	679.9
Growth %, YoY	25.8	121.0	25.8	-68.9	22.9	22.6	71.4
Gross Profit, Adj	132.2	177.2	209.7	106.6	126.5	106.7	168.4
Margin %	38.4	23.3	21.9	35.9	34.7	23.8	24.8
EBITDA, Adj	73.7	98.7	98.9	30.2	40.1	15.4	77.1
Margin %	21.4	13.0	10.3	10.2	11.0	3.4	11.3
Net Income, Adj	28.4	34.9	34.5	-20.1	-22.0	-16.6	33.2
Margin %	8.3	4.6	3.6	-6.8	-6.0	-3.7	4.9
EPS, Adj	0.33	0.39	0.40	-0.23	-1.12	-0.19	0.32
Growth %, YoY	980.98	17.70	0.92	–	-390.44	82.95	
Cash from Operations	63.4	65.3	78.9	75.2	74.7	10.6	63.6
Capital Expenditures	-9.1	-5.8	-11.5	-27.3	-8.5	-7.1	-9.3
Free Cash Flow	54.4	59.4	67.4	47.9	66.2	3.5	54.3

Key Drivers Shaping EVC's Forward EBITDA

1. ATS Segment Margin Expansion: The ATS division delivered a 673% YoY operating profit surge to $40M in Q2 2026. How forward EBITDA shapes up depends on how efficiently management handles rising cloud computing costs and sales commissions, which grew 85% YY.
2. Q3 Sequential Deceleration (Guidance Hit): Management guided for ATS revenue to decrease sequentially from Q2 to Q3 due to normal customer spending timing. This pause in EBITDA growth was the primary catalyst for the stock's recent post-earnings sell-off.
3. Political Ad Spend Windfall (H2 2026): Because Entravision operates key Hispanic TV and radio stations in heavy political battleground markets, H226 fwd EBITDA est include a cyclical boost from high-margin political advertising spending leading to mid-term elections.
4. Media Segment Drag: The traditional broadcast media segment operated at a -$3.3M loss in Q2 2026. Drag from national broadcast ad declines continues to offset part of the cash flow generated by the digital ad-tech side.

Valuation Verdict

At ~8x EV/Forward EBITDA, EVC is priced at a discount compared to pure-play ad-tech platforms (which often trade above 12x–15x forward EBITDA), but at a premium to legacy radio/TV broadcasters (which trade at 4x–6x). If ATS maintains double-digit growth while political ad dollars flow in, forward EBITDA could surprise to the upside, lowering its effective forward valuation further.

Performance

Q2 2026 Actual Base: Entravision posted $36.7M in consolidated segment operating profit (Adjusted EBITDA) for Q2 2026 (a multi-fold jump YoY), driven primarily by $40M in operating profit from their Ad-Tech Services (ATS) unit.

2H26 Guidance Drag: Mmgt explicitly warned that the Q2 run rate will not repeat in H2 2026, forecasting a sequential drop in ATS revenue for Q3. As a result, consensus expectations for Q3 and Q4 Adjusted EBITDA have been revised downward into the $18M to $25M per quarter range.

Why Estimates Are Hard to Pin Down

- Ad-Tech Volatility: The high-margin ATS segment produces rapid top-line scaling but lacks multi-year contractual visibility, leading to wide estimate bands among covering analysts.
- Media Drag: The traditional TV and radio broadcasting business operated at a $3.3M loss in Q2, continuing to act as a drag on consolidated EBITDA.
- Political Ad Spend Tailwinds: Second-half 2026 EBITDA will depend heavily on high-margin political advertising revenue flowing into their Spanish-language broadcasting properties ahead of the late-2026 election cycle.

Weyerhaeuser (WY) Could Be A Contrarian REIT Pick for a Housing Turnaround

Weyerhaeuser (NYSE: WY) is framed as a classic **contrarian REIT pick** because it operates at the intersection of a **cyclical trough** (depressed single-family homebuilding) and **structural undervaluation** (trading at a significant discount to its underlying private land values).

Unlike traditional equity REITs (which collect recurring office or apartment rents), Weyerhaeuser is a **Timberland REIT**—meaning its earnings function as a call option on housing activity, single-family construction, and commodity lumber pricing.

1. Direct Operational Leverage to Housing Starts

- **Dual Revenue Model:** WY owns **~10.5 million acres of U.S. timberlands** and operates a massive **Wood Products manufacturing arm** (lumber, OSB, engineered wood).
- **EBITDA Sensitivities:** Because it manufactures the materials used in home framing, small swings in commodity pricing create enormous earnings expansion.
  - A **+$10/MBF change in lumber prices adds ~$50M** in annual EBITDA.
  - A **+$10/MSF change in Oriented Strand Board (OSB) prices adds ~$30M** in annual EBITDA.
- **Housing Turnaround Delta:** Single-family home construction requires roughly **3x more lumber per unit** than multi-family apartments. When mortgage rates ease and single-family homebuilders accelerate groundbreaks, WY captures margin expansion across both its upstream timber harvests and downstream wood mills.

2. Deep Discount to Net Asset Value (NAV)

- **Private Land Value Floor:** Private timberland transactions routinely price high-quality Southern and Pacific Northwest acreage at substantial valuation premiums relative to public equity markets.
- **Public Market Mispricing:** WY often trades at a **30% to 40% discount to its private NAV**. Investors who buy WY at trough pricing effectively buy millions of acres of prime real estate at a steep markdown, creating an asymmetric risk/reward floor.

3. Strategic Land Solutions & "Green" Revenue Stacking

- **Beyond Traditional Timber:** WY has aggressively expanded its **Strategic Land Solutions (SLS)** segment (raising full-year 2026 EBITDA guidance to ~$450M).
- **Alternative Land Monetization:** Rather than relying solely on low-margin sawlog harvests, WY generates high-margin cash flow by leasing and selling acreage for:
  - **Solar & Wind Development:** Renewable energy infrastructure leases.
  - **Carbon Capture & Storage (CCS):** Long-term subterranean pore-space leases for industrial carbon sequestration (e.g., partnerships with Occidental Petroleum).
  - **Higher and Better Use (HBU) Real Estate Sales:** Selling selective parcels near expanding suburban corridors at high per-acre premiums.

4. Variable Capital Return Structure

- **Base + Variable Dividend Framework:** WY pays a sustainable quarterly base dividend (~3.5% yield) and supplements it with a **flexible variable dividend / share repurchase payout** targeted at returning 75% to 80% of annual Free Cash Flow to shareholders.
- **Trough Cushion / Bull Run Upside:** In cyclical downturns, the balance sheet remains protected because the base dividend requirement is low. During a housing recovery, surging wood products cash flows trigger **massive special cash payouts**.

Himax (HIMX) Small Cap AI Growth Special Situation

Himax is a growth company transitioning from traditional display integrated circuits (ICs) to high-margin emerging display technologies such as WiseEye AI, silicon photonics, and smart glasses targeting AR market growth.

Himax Technologies (NASDAQ: HIMX) is a Taiwan-based, fabless semiconductor company that specializes in display imaging processing technologies.

Instead of manufacturing its own physical silicon chips in factories, Himax designs the integrated circuits (ICs) and outsources production to foundries like TSMC. Its components sit inside screens, cameras, and optical systems for consumer electronics, automotive dashboards, and industrial devices.

Core Business Segments

1. Display Driver ICs (DDICs) & Timing Controllers (Tcons)
    - What it does: This is Himax's largest revenue engine. Display drivers act as the "brain" for screens—translating signals from a computer or processor into instructions that tell individual pixels how to illuminate and display colors.
    - Applications: Used in televisions, PC monitors, laptops, smartphones, tablets, and ePaper devices.
2. Automotive Display Solutions
    - What it does: Himax is a global market share leader in automotive display driver ICs. As modern vehicles replace physical dials with multi-screen dashboards, curved displays, and heads-up displays (HUDs), Himax supplies the specialized driver ICs and local-dimming controllers (Tcons) powering these vehicle screens.
3. Non-Driver Products & Emerging Tech
    - WiseEye™ AI Sensing: Ultralow-power computer vision chips designed for "always-on" AI. These allow devices like smart locks, laptops, and home appliances to detect human presence, track gestures, or process biometric data (like palm vein reading) without draining battery life.
    - Optical & AR/VR Technologies: Designing Liquid Crystal on Silicon (LCoS) microdisplays and wafer-level optics used in smart glasses, augmented reality (AR) headsets, micro-projectors, and 3D sensing systems.
    - Touch Controllers (TDDI & OLED): Single-chip solutions that combine touch input sensing with display driving for smartphones, tablets, and automotive touchscreens.

How Himax Fits into the Supply Chain

Himax acts as a Tier-2 semiconductor supplier. It sells its display ICs and optical components directly to panel manufacturers (such as AUO or BOE) and Tier-1 automotive/electronics suppliers. These components are then integrated into finished displays for consumer brands like Apple, Dell, Samsung, and top global automakers.

Recent Performance

- HIMX delivered improved Q2 2026 results: revenue up 14.2% sequentially and 5.9% Y/Y, with gross margin at 33.1%, exceeding guidance.

- It benefitted from a rebound in automotive performance
- Management guides for Q3 2026 revenue growth of 7–11% QoQ, gross margin expansion, and double-digit full-year auto IC sales growth.
- New growth drivers like WiseEye AI and smart glasses diversify HIMX beyond automotive, with robust design-win traction and a promising market outlook.

Automotive sales, comprising TDDIs (Touch and Display Driver Integration), DDICs (display driver integrated circuits), Tcons (Timing Controllers), and OLED ICs, are Himax's biggest revenue segment, accounting for more than half of total revenues. Himax owns ~40% of the global market share for automotive display driver ICs. The company also supplies display drivers and timing controllers for consumer electronics like TVs, laptops, monitors, and mobile phones as well as Liquid-Crystal-on-Silicon (LCoS) microdisplays used in augmented reality (AR) smart glasses and projectors.

Himax reported mixed but significantly improved Q2 2026 earnings in early August, with the company managing to snap a four-quarter stretch of declining revenues. The company reported Q2 EPS of $0.11, missing the Wall Street consensus by $0.01, while Q2 revenue of $227.37M beat it by $4.38M. Second quarter revenue was good for a 14.2% sequential increase as well as 5.9% Y/Y growth, with the company attributing the revenue rebound to better-than-expected automotive IC sales. Second quarter gross margin clocked in at 33.1%, 110 bps above the company's guidance thanks to a more favorable product mix, including robust sales from higher-margin automotive IC products. Meanwhile, Himax's after-tax profit was $19.9 million, or 11.4 cents per diluted ADS, again exceeding its guidance range of 8.6 to 10.3 cents.

Looking at Himax's segment performance, Himax's small and medium-sized displays appear to have fully rebounded while large display drivers continue to lag. Small and medium-sized display driver sales totaled $162.3 million, good for a 19.6% sequential increase, while automotive driver revenues, including traditional DDIC and TDDI, grew by double digits sequentially. Himax largely attributed strong second quarter auto IC sales to seasonality, with the company seeing a surge in TDDIs and DDICs orders in Q2 following a slow Q1 due to the Lunar New Year celebrations (falls between January 21 and February 20). However, management also reported that a ramp-up of new TDDI and DDIC orders by a leading panel customer contributed to the performance. Thankfully, strong momentum in the small and medium-sized displays is now able to offset weakness in the large display segment, with the segment accounting for 71.4% of total sales in Q2 2026, up from 68.2% in Q1 2026 and 67.3% a year ago.

Large display drivers' revenue came in at $19.2 million, a decline of -21.0% Q/Q, with the company attributing it to a pull forward of inventory purchases for high-end TV ICs by panel makers in prior quarters. However, monitor and notebook IC product sales increased quarter-over-quarter due to an increase in orders for higher legacy products by key customers. Thankfully, again, this seemingly perennial laggard has really shrunk, with large panel driver IC sales only accounting for 8.4% of total revenues in Q2 2026, down from 11.6% a year ago.

Second quarter non-driver sales hit $45.9 million, good for a 17.7% sequential increase largely driven by robust automotive Tcon shipments. Tcon sales now account for more than half of this segment's revenue and over 10% of overall sales thanks to the company's ongoing leadership in automotive Tcon solutions featuring local dimming functionality. Modern vehicles increasingly feature bigger and more advanced dashboard displays, frequently incorporating advanced local dimming Tcon chips to manage contrast and brightness. Himax pairs its Tcon products with its automotive TDDI to support ultra-high resolutions such as 7K. The ongoing move towards enhanced in-cabin user experiences, richer human-machine interfaces, and immersive infotainment is driving growth for this segment. Last term, the company's non-driver product sales accounted for 20.2% of total revenues, up from 19.6% in Q1 2026. And there are ample growth runways here: the smart vehicle cabin market is projected to grow at a healthy 10.2% CAGR over the next decade to hit $78.9 billion by 2034.

Meanwhile, Himax provided upbeat Q3 2026 guidance as follows:

- Revenues to increase 7% to 11% QoQ, implying $243.28-$250.10, good for an impressive 23.8% Y/Y growth at the midpoint.
- Gross margin to increase 90 bps sequentially to 34%.
- Profit per diluted ADS in the range of 8.0 cents to 10.0 cents, good for a 50% Y/Y increase at the midpoint.

Himax has projected double-digit revenue growth for auto IC sales for full-year 2026, with the strong growth momentum expected to extend into 2027 driven by growing adoption of smart car interiors for both EV and conventional vehicles not only in numbers but also in sizes and sophistication of displays.

Himax finished last quarter with inventories valued at $151.5 million, slightly lower than $151.7 million in the previous quarter. Whereas that number was significantly higher from a year earlier when inventories clocked in at $134.6 million, it's directly attributable to the company's new strategy that it adopted last year to selectively build some inventories in anticipation of tightening supply. To wit, AI demand has begun to impact non-AI applications, including Himax's products built on mature nodes, leading to capacity constraints at foundries and packaging and testing facilities. Maintaining higher-than-average inventory levels for some products, therefore, appears to be a prudent strategy in this environment.

Himax's ongoing diversification drive into new businesses with high growth potential and high technological barriers, including co-packaged optics (CPOs), WiseEye AI, and smart glasses is positive. The company is particularly optimistic about the smart glasses market and could have a significant edge as one of a handful of companies offering both ultra-low power AI sensing and microdisplay technologies. WiseEye AI Sensing employs an always-on, low-power CMOS (Complementary Metal-Oxide-Semiconductor) image sensor and neural network algorithms to detect scenes and wake up the device when needed.

Unlike Google's expensive "futuristic'' glasses, Ray-Ban Meta AR Glasses appear to be well received, with AR Insider estimating that Meta Platforms, Inc. (META) sold ~500K pieces in Q1 2025. Meta sells its AR glasses at $329-a-pop, meaning they brought in ~$82.4 million, accounting for 20% of Meta Reality Lab's first quarter revenue of $412 million. That's not too shabby for a product just two years since launch.

Well, the smart glass market is now flying, with 2.25 million smart glasses without displays sold in Q1 2026 as per IDC, good for a 167% Y/Y jump. Meta Ray-Bans have taken a commanding early lead, with IDC reporting they had a 69.2% share of the global market (1.56 million units), well ahead of RayNeo and Xiaomi with 3.4% and 3.1% market shares, respectively. That's quite impressive considering that probably less than half a million Google Glasses were sold in their two-year lifespan before they were discontinued in 2015.

As you might expect, privacy issues have begun to resurface again. Here's an excerpt from an alarming BBC report:

And Meta reportedly plans to add facial recognition technology in an updated version of its glasses, meaning wearers could not only have the ability to surreptitiously record anyone, but quickly identify them, as well. Meta markets its glasses under the tagline: "Designed for privacy, controlled by you." It suggests to users of the glasses that they do not record people who state they do not want to be recorded, and that users turn the glasses off completely "in sensitive spaces". Those suggestions often seem to go ignored.

In many cases, wearers of Meta Ray-Bans are unaware they are recording graphic content due to the unobtrusive nature of the camera. This is where Himax's WiseEye AI Sensing has an edge. Unlike standard smart glasses that stream live video and upload data to cloud servers for processing, WiseEye runs its AI algorithms directly on the device. The technology utilizes microcontrollers and sensors designed to limit continuous recording and secure data flow. The sensors remain in a sleep state until a specific trigger awakens them.

Himax reported seeing strong design-win traction for WiseEye AI from builders of next-generation smart eyewear, including global tech brands and traditional original design manufacturers (ODMs). I believe this will help the company grab a decent share of the AI and smart glasses market that Citi projects will grow revenue at a blistering 112% CAGR to hit $40 billion by 2030.

Interestingly, back in May, Lux Capital co-founder Josh Wolfe created a "lifecording" portfolio of nine stocks, with HIMX his highest conviction name thanks to its AR optics.

HIMX does look expensive when viewed through static multiples, with a P/E GAAP (TTM) of 68.43 vs. 34.62 by the sector median. This is likely to limit near-term gains. Thankfully, the earnings outlook is great, with projected EPS growth of 86.5% in CY 2026, 176.6% in 2027, and 88.5% in 2028. This gives the shares ample room to grow into their steep valuation and still deliver good returns for long-term investors. Indeed, HIMX P/E GAAP (FWD) is expected to clock in at just 31.8, only slightly higher than the sector median at 29.8.

I believe the biggest risk facing HIMX is a marked slowdown in the U.S. and global economy. "…buying a car is part of discretionary consumer spending, making it highly sensitive to macroeconomic factors such as consumer confidence, interest rates, and overall GDP growth." Automotive revenues account for more than half of Himax's topline, highlighting the risk. Indeed, of the 11 U.S. market sectors, Consumer Discretionary is the lone sector still in the red year-to-date, despite the sector achieving double-digit earnings growth in the latest quarter. This suggests that investors are growing wary of these stocks as the U.S. economy approaches the late stages of the economic cycle.

Luckily for Himax, the EV boom is helping to offset the terminal decline in internal combustion engine (ICE) vehicle sales. Modern EV designs incorporate an increasing number of large interior screens, which should continue driving demand for Himax's specialized automotive semiconductors and driver solutions.

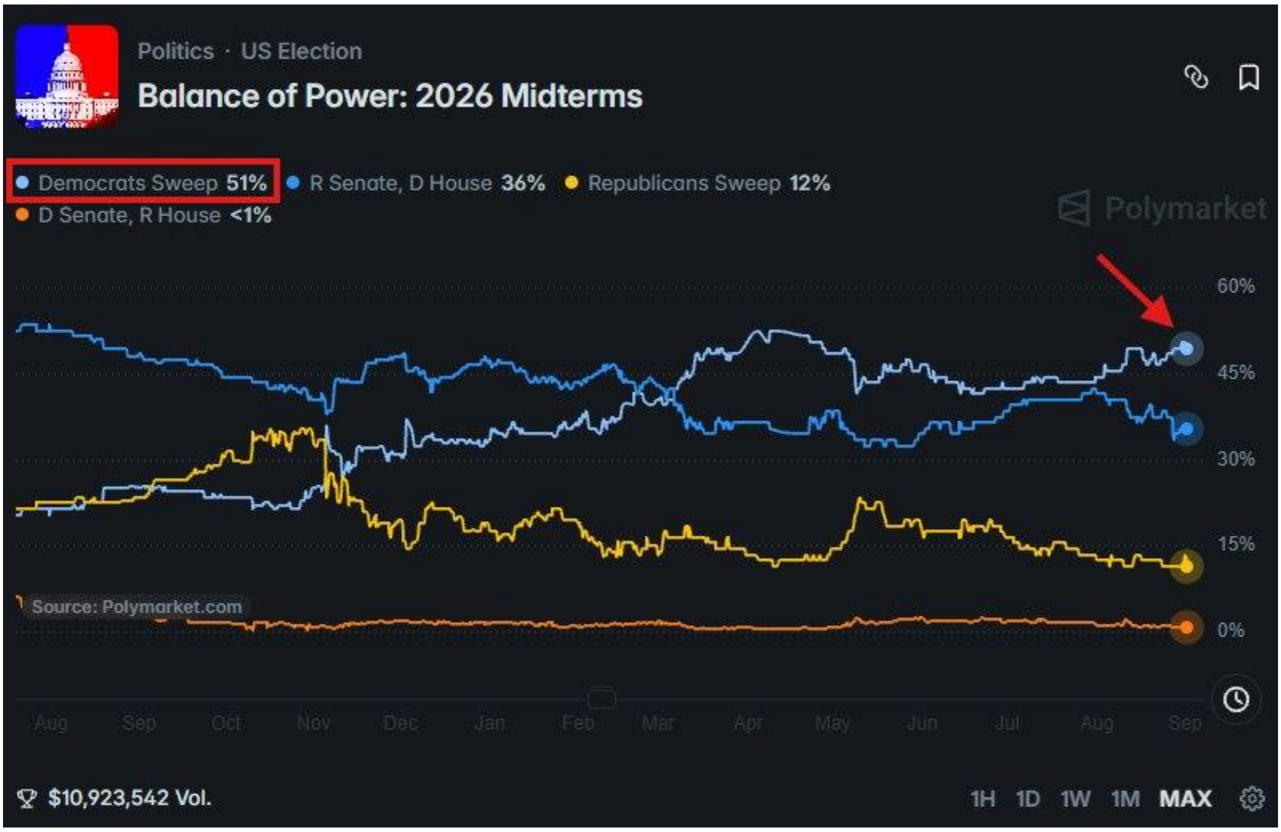
Takeaway

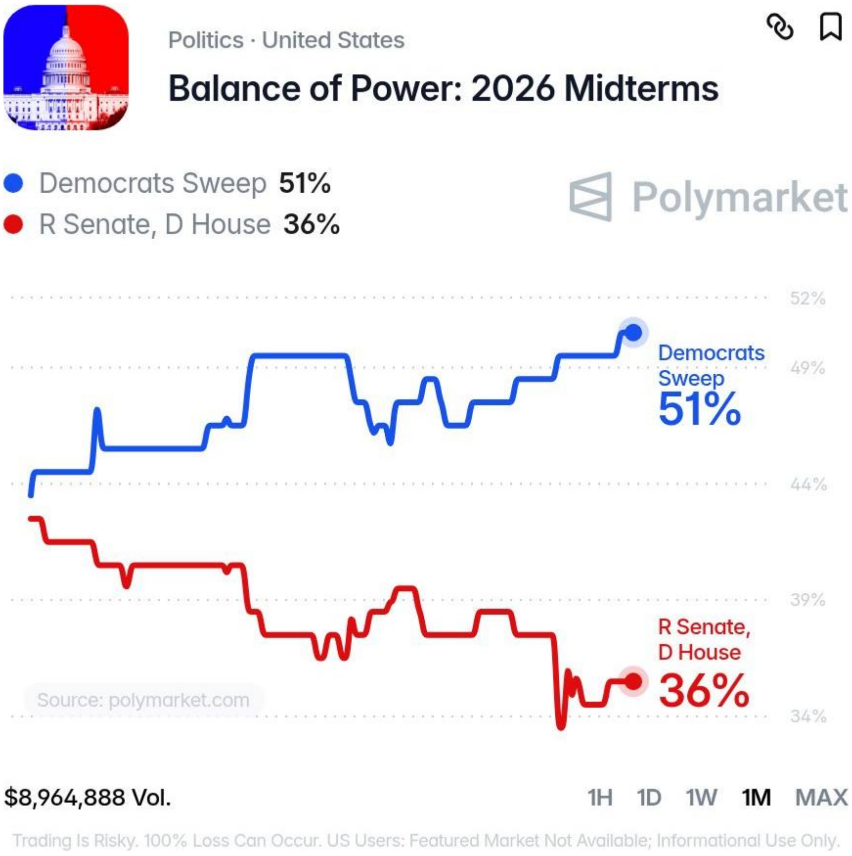
The company's recent results and guidance suggest that the storm is finally over. Meanwhile, Himax's new growth drivers, such as WiseEye AI, are showing plenty of promise, allowing it to diversify away from the volatile auto market.

Himax has beaten earnings estimates in 3 of the last 4 quarters while managing to equal Wall Street's expectation in one quarter. This suggests that the company's management tends to be conservative when issuing guidance. I now upgrade HIMX to a Buy for long-term investors.

Midterm Elections

- Markets now expect the Democrats to sweep both the House and Senate in the 2026 midterm elections.
- Less than one year ago, Democrats had just a 20% chance of sweeping the midterms.





Private Credit Caps Back Again

Blackstone disclosed that its flagship $77.2 billion private credit fund, Blackstone Private Credit Fund (BCRED), enforced its standard 5% quarterly redemption cap for the second consecutive quarter after receiving approximately $4.3 billion in withdrawal requests (~10% of the fund's shares).

- **Unfulfilled Prior Backlog:** Of the $4.3 billion requested, roughly **$2.3 billion** consisted of rolled-over, unfulfilled repurchase requests from Q2 (where investors requested $4.5 billion but BCRED could only honor about half).
- **Liquidity Pro-Ration:** Because repurchase requests exceeded the 5% quarterly tender cap, BCRED will honor requests on a pro-rata basis. Blackstone noted that investors who submitted redemption requests across both Q2 and Q3 will end up receiving roughly **75% of their requested capital** over a 90-day window.
- **Sector & Retail Pressures:** Elevated redemptions across non-traded Business Development Companies (BDCs) reflect ongoing retail investor skittishness around private credit valuation lag, higher baseline interest rates, and specific exposures to software/technology sector loans facing markdowns.
- Net Flow Drag: BCRED recorded net quarterly outflows of roughly 3%, bringing in ~$750 million in new investor capital while facing the 5% cap payout.
- Structural Gates Working as Designed: The 5% quarterly cap prevents semi-liquid retail BDCs from engaging in fire sales of illiquid, long-duration direct loans to meet short-term liquidity demands.

Cliffwater Corporate Lending Fund (CCLF): Enforced its 5% quarterly cap after investor tender requests surged to **16% of total shares** (~$1.8B+ requested).

Blue Owl Capital: Continues to face high liquidity demands. Blue Owl capped quarterly redemptions at 5% for its flagship direct lending vehicles after requests reached **20%+ of outstanding shares** earlier this year (and permanently closed regular liquidity windows on its $1.6B OBDC II fund in favor of discretionary return-of-capital distributions).

BlackRock (HPS Lending Fund) & Morgan Stanley (North Haven): Both platforms triggered their 5% quarterly tender caps earlier this year after withdrawal requests hit ~9.3% and ~10.9% of net assets, respectively, resulting in pro-rata payouts.

Ares Capital & Apollo: Both firms have also had to apply liquidity gates across their perpetual semi-liquid debt funds to preserve portfolio cash.

S&P Additions & Subtractions

S&P Dow Jones Indices announced the **September 2026 quarterly rebalance** for the S&P 500, effective before the market opens on **Monday, September 21, 2026**.

Additions to the S&P 500

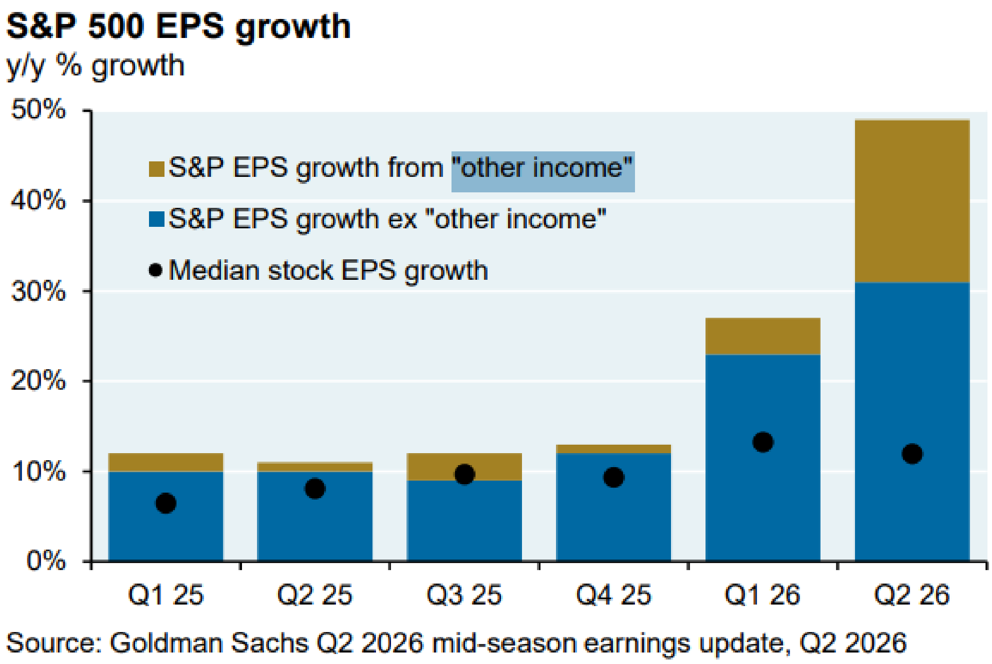
- Bloom Energy ($BE)
- Everpure ($P)
- Illumina ($ILMN)

Deletions from the S&P 500

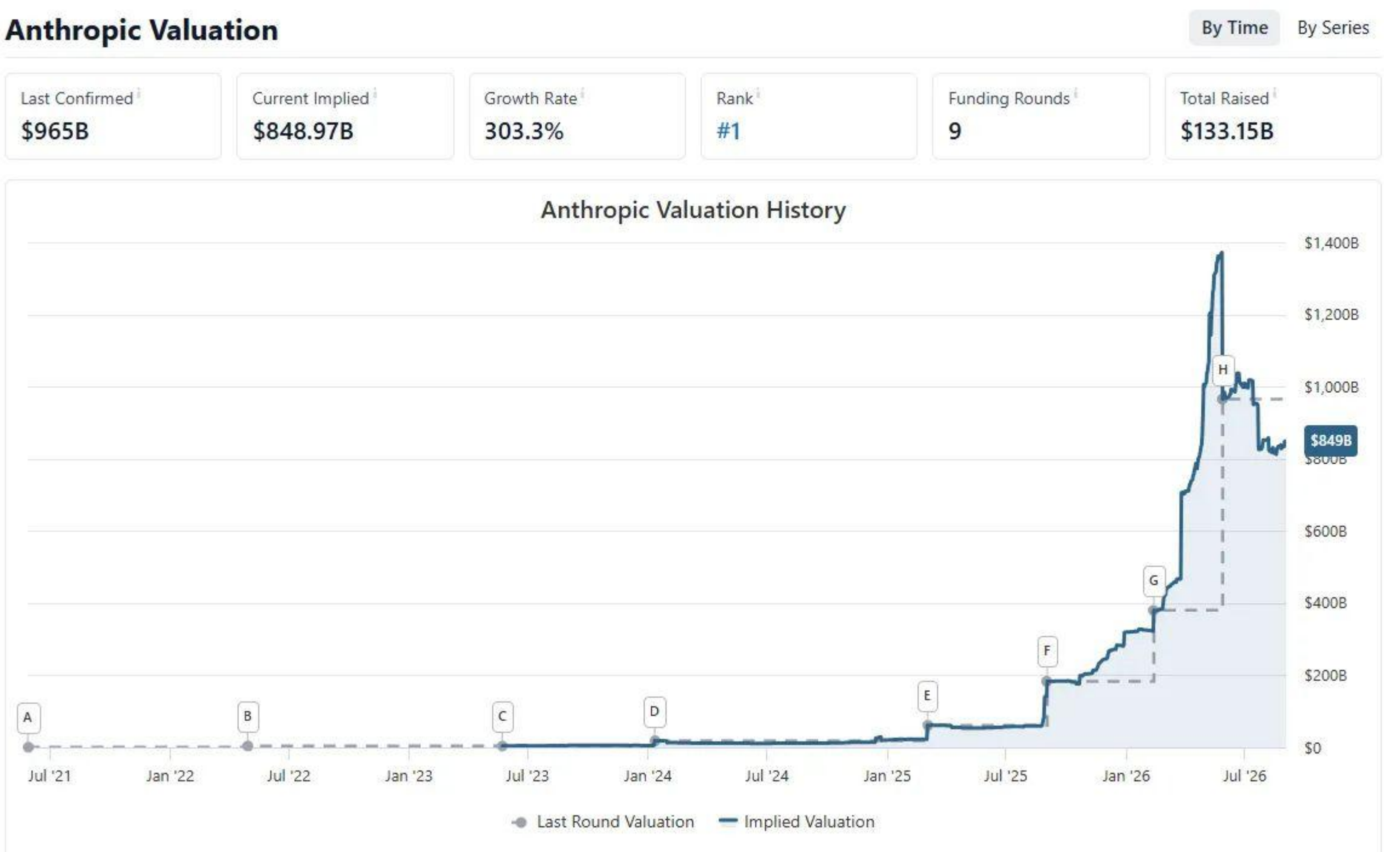
- The Trade Desk ($TTD)
- Builders FirstSource ($BLDR)
- Molson Coors Beverage ($TAP)

(Note: The three removed companies—TTD, BLDR, and TAP—will be moved down into the S&P SmallCap 600 index).

JPM Asset Management: An Unusually High Share Of S&P 500 Earnings Is Due to Unrealized Valuation Gains on Anthropic and Openai.



Anthropic Valuation



Caterpillar's CEO Creed has sold 48% of his $CAT stock for $26 million

- Transaction Breakdown (Form 4 Filed Sept 1, 2026)
    - The Option Exercise: Creed exercised 44,403 vested employee stock options at a strike price of $219.76 per share. These options were granted in March 2021.
    - Tax/Exercise Withholding: 12,002 shares were delivered/withheld directly by Caterpillar to satisfy the exercise cost and tax liabilities.
    - Open-Market Sale: Creed sold the remaining 32,401 shares on the open market at average prices ranging between ~$799.67 and $813.86/share, generating roughly $26.2 million in gross proceeds.
- Direct Ownership Impact: His direct share count dropped by ~48% (down to 34,555 direct shares, alongside indirect holdings in plan accounts).
    - The exercised options were not set to expire until 2031. Rather than holding the net shares post-exercise to maintain equity exposure, Creed chose to monetize the gain immediately at $800+ levels.gp
    -
- Over the past year, Caterpillar executives have been net sellers, liquidating over $240M in stock.

Chevron, $CVX, is finalizing a deal that will "significantly expand" its operations in Venezuela as part of a push by President Trump to begin pumping Venezuelan oil, per Bloomberg.

Details include:

1. Chevron is adding 2 giant oil fields in the Orinoco Belt to its operations
2. The company has negotiated operating rights to fields that hold "billions of barrels" of oil in Venezuela
3. The deal is expected to be the largest of several agreements announced in the coming days as Trump encourages more US investment in Venezuela's oil industry
4. The deal is separate from negotiations for the US government to take a direct stake in oil fields

The US is set for a major push into Venezuelan oil.

While the Trump administration is pursuing separate, controversial U.S. government equity stakes in Venezuelan fields—such as the sovereign 35% stake via North American Blue Energy Partners (NABEP)—Chevron is capitalizing on its existing, operational infrastructure.

Key Dynamics & Takeaways

1. Chevron's Structural Head Start

- **First-Mover Advantage:** Chevron is the only major U.S. oil company that maintained an operational footprint in Venezuela under existing OFAC licenses (via its Petropiar and Petroindependencia JVs with PDVSA).
- **Asset Swaps & Expansion:** Chevron had already executed asset swaps to acquire rights in the **Ayacucho 8** block of the Orinoco Belt. Securing direct operating control over two additional giant Orinoco fields further solidifies its position as the dominant Western operator in the country.

2. Refining & Heavy Crude Synergy

- **Gulf Coast Fit:** The Orinoco Belt contains extra-heavy crude (10° API or lower). Chevron's U.S. Gulf Coast refineries (like Pascagoula) are specifically configured to process complex, heavy slops that yield high margins when blended.
- **Differentiating from Competitors:** Peer companies like ExxonMobil ($XOM) and ConocoPhillips $(COP) - whosufferedassetexpropriationsunderpastregimes - facemorelegalandpoliticalhurdlestoreturn, leaving$CVX with limited initial competition.

3. Execution & Political Risk Factors

- **Capex & Infrastructure Lag:** Venezuela's domestic energy infrastructure requires hundreds of billions of dollars in long-term rehabilitation. Actual production increases will take years to materialize.
- **Dual-Track Politics:** Chevron's pure-play corporate operating agreements remain distinct from the Trump administration's separate 100-year concession announcements, giving $CVX a more traditional commercial structure, though still subject to broader geopolitical shifts.

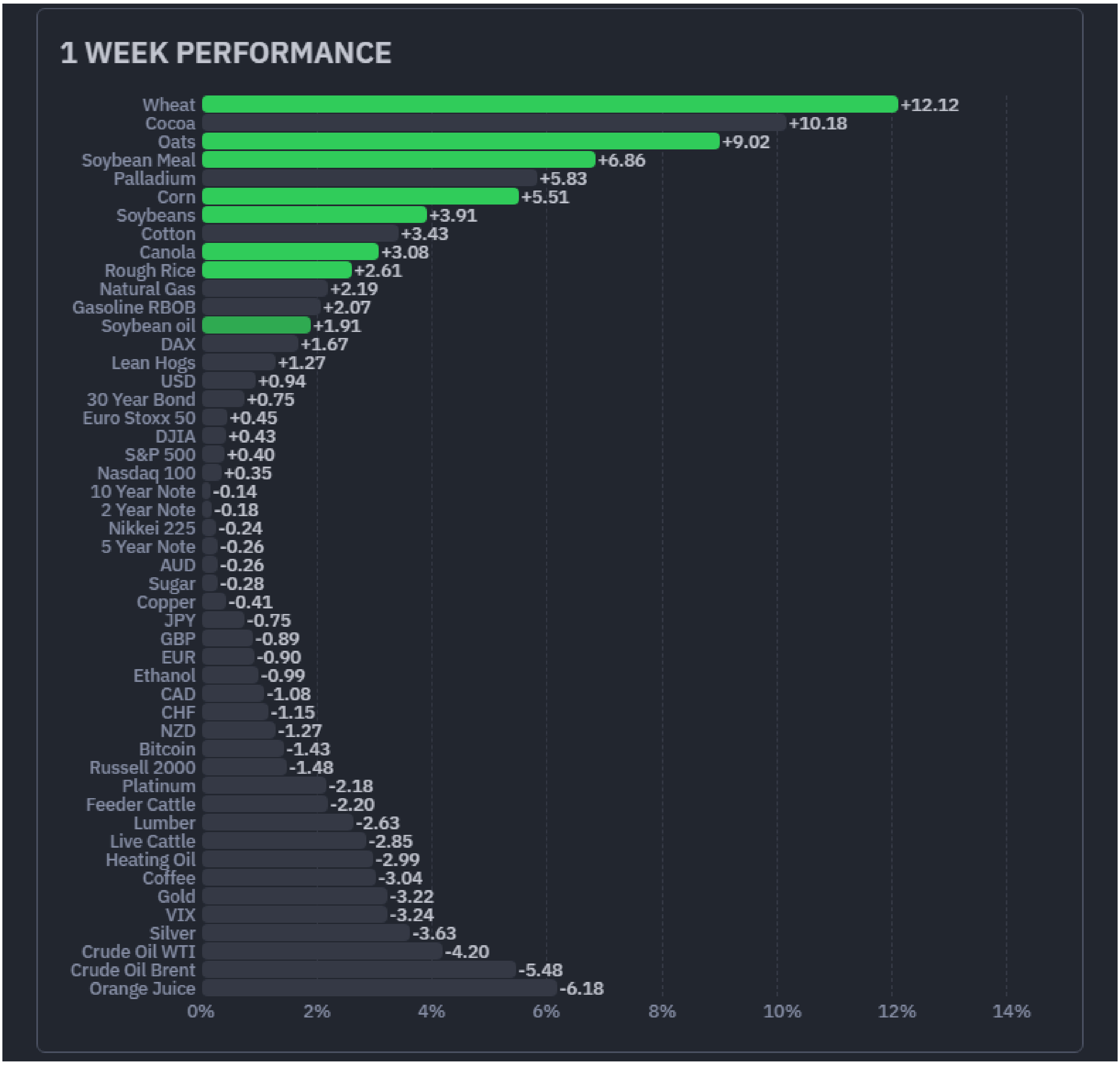
Bitcoin $IBIT Up 26% This Month, Best Month Since November 2023...

Solana up 40% this month, best institutional inflow month in several months

looks a bit overdone short term as well

Modi Trying to Curb Gold Buying in India Just Means People Will Want to Buy Even More Gold...

- Indians should avoid buying gold unless necessary, Prime Minister Narendra Modi said, renewing an appeal to curb bullion demand as a widening trade deficit and weaker rupee strain the economy.
- Modi's comments come amid local media reports that the government is considering cutting import duties on gold and silver after higher levies failed to curb inflows. It's his second such appeal this year after asking Indians in May to refrain from buying gold for at least a year to conserve foreign-exchange reserves.
- Gold is India's biggest imported commodity after oil and a major contributor to the trade deficit. Inbound shipments of the metal surged more than 32% from a year earlier in the first four months of the financial year that began in April, adding pressure on the rupee. The country's trade deficit widened to almost $32 billion in July, the highest level since January.



LME Copper Prices Notched a New ATH

1. US Tariff Anticipation & Regional Stockpile Squeeze

- **The COMEX Premium Arbitrage:** Traders have front-loaded copper into US-based COMEX warehouses in anticipation of the U.S. expanding import tariffs to primary refined copper.
- **LME Inventory Drain:** Because copper flowed heavily into the U.S. to capture the arbitrage spread, non-US inventories (LME and SHFE) were severely drained. This localized shortage triggered a **steep backwardation**—where cash prices command a premium over 3-month futures—forcing short positions to cover at record levels.

2. Upstream Mine Disruption & Production Declines

- **Falling Output:** Global copper mine output contracted in 1H 2026 (-1.1% globally, with concentrate production falling 2.6%), led by setbacks in major producing nations including Chile, Indonesia, and the DRC.
- **Declining Ore Grades:** Lower head grades across mature operations have pinched smelter treatment/refining charges (TC/RCs), constricting the immediate availability of newly mined metal feedstock.

3. AI Data Centers & Power Grid Demand

- **Data Center Hyper-Growth:** Big Tech CapEx expansion—specifically massive data center footprints requiring heavy power infrastructure, cooling systems, and busbars—has added over 500,000 tons of incremental annual demand.
- **Grid Resiliency:** Global electrification, renewable power integrations (solar/wind), and electric vehicle buildouts continue to set a high fundamental demand floor.

4. Hard-Asset "Debasement Trade" Positioning

- **Macro Portfolio Rotations:** Institutional macro funds and Asian asset managers have moved into physical metals as part of currency debasement and geopolitical risk hedging. High gold and silver prices have led capital to spill directly into copper as a liquid hard-asset proxy.

5.Energy Cost Spikes & Smelter Inflation: U.S. strikes on targets in Iran and subsequent Iranian counterattacks have driven crude oil prices to six-week highs. High oil and natural gas prices directly inflate energy-intensive copper smelting and refining costs, setting a higher global cost floor for refined metal production

Brazil Call Volume Record High

1. Monetary Easing Cycle & Selic Rate Pivots

- **Interest Rate Drivers:** Brazil's central bank (Banco Central do Brasil / Copom) maintained restrictive interest rates (Selic at 15%) before commencing a policy easing cycle in 1Q26.
- **Historical Equity Outperformance:** Historically, Brazilian equities experience significant multiple expansion during rate-cutting cycles. Institutional traders use call options and call spreads to capture this non-linear upside with defined risk.

2. Presidential Election Cycle

- **Fiscal Expansion & Stimulus:** With the October presidential election approaching, government spending measures aimed at household income support have accelerated. Option traders use EWZ call options as a defined-risk vehicle to trade election-driven fiscal momentum without absorbing uncapped downside equity risk if post-election fiscal consolidation is required.
- **Risk Premium Adjustments:** Market pricing fluctuates significantly around polling data and potential economic policy shifts under different candidate platforms. Call options provide a leveraged play on a potential post-election "relief rally" or multiple expansion if the election outcome favors conservative fiscal governance.

3. Central Bank Independence & Monetary Policy Friction

- **Political Pressure on Copom:** The Central Bank of Brazil (BCB/Copom) faces political friction as it balances policy rate adjustments (Selic) against rising election-year inflation expectations and government fiscal programs.
- **Macro Catalyst Sensitivity:** Because monetary easing cycles are tied to political signaling around fiscal rules, macro hedge funds use long EWZ calls to trade sudden policy adjustments or dovish turns by policymakers.

Selic Rate Path Overview

Copom Meeting	**Selic Decision**	**Benchmark Selic Rate**
March 2026	Cut 25 bps	14.75%
April 2026	Cut 25 bps	14.50%
June 2026	Cut 25 bps	14.25%
August 2026	Cut 25 bps	**14.00%**

4. Cheap Relative Valuations & High Operating Leverage

- **Depressed Multiples:** Brazilian equities trade at low forward P/E multiples (around 9x–10x forward earnings) relative to historical averages and broader emerging market peers.
- **Commodity & FX Sensitivity:** EWZ's heavy weightings in materials and energy (e.g., Vale, Petrobras) create embedded leverage to global commodity demand and Brazilian Real (BRL) currency shifts. Out-of-the-money (OTM) call options offer asymmetric exposure to macro rebounds.

5. Institutional Block Activity & Bullish Skew

- **Massive Call Spreads:** Large institutional paper flows regularly print in EWZ option chains (such as 100,000+ contract call spread blocks).
- **High Implied Volatility Skew:** Option skew for EWZ shows elevated demand for call upside relative to put downside protection, reflecting structural upside bias among institutional hedge funds and macro allocators.

Monday Market Recap:

1. Tesla $TSLA rose 5% today, marking its best day since early July. The move comes ahead of Tesla's upcoming Cybercab Launch Event, where investors will be watching for concrete updates on robotaxi deployment, Cybercab production, autonomy progress, and whether Tesla can turn the vehicle from a concept into a real revenue-generating fleet. Tesla has already disclosed that Cybercab production has started, with public-road engineering tests and employee rides beginning at Giga Texas. The key question is whether the event delivers actual deployment details rather than another demo, including timing, fleet size, city expansion, and cost-per-mile economics.

2. Treasury Secretary Bessent today at the G20 summit said he believes the Japanese government and Bank of Japan will take actions that lead to a stronger yen. On the Fed, he said he would not speculate on what policymakers may or may not do, but added that traditionally "you don't raise into a supply shock." On bonds, Bessent said he and Warsh are "on the same page," while noting he does not believe he can change the market's equilibrium price. He also said Trump believes Iran is not ready to make a deal yet, and that Operation Outcast is aimed at creating conditions that bring Iran back to the table.

3. Anthropic has reportedly signed a $35B cloud deal with Lambda, an Nvidia-backed cloud provider, according to WSJ. The twist: Nvidia $NVDA is effectively the landlord. The data center is being built by Hut 8 in Nueces County, Texas, and Nvidia signed its own agreement with Hut 8 a few weeks ago to lock down the capacity. Lambda will use that space to run chips it bought from Nvidia, which is also one of its investors. The deal highlights how Nvidia is extending its role beyond selling GPUs and deeper into the AI infrastructure stack with financing, capacity access, cloud partners, and the physical data center footprint behind frontier AI demand.

4. The FTC and 22 states are reportedly preparing to sue Amazon $AMZN over alleged secret ad price hikes. The FTC is expected to claim Amazon manipulated its ad auctions by inserting its own "soft reserve" bid above the runner-up bid, effectively raising the minimum price advertisers had to pay. The practice allegedly began in 2018 and generated tens of billions of dollars over 7 years. In recent years, Amazon allegedly used the mechanism to raise minimum bids 70%–80% of the time, with the FTC claiming it increased pay-per-click costs by as much as 50% on major shopping days. Amazon generated $68B in advertising revenue in 2025, and this would mark the FTC's third major case against the company after its Prime case and ongoing monopoly lawsuit.

5. Retail investors bought roughly $250M of Nvidia $NVDA shares on Wednesday, their 3rd-largest daily purchase since mid-May. That extended the retail buying streak to 15 consecutive trading sessions, with investors purchasing more than $2.5B of Nvidia stock over that period. For context, the largest daily retail purchase came in late February at about $1.0B. Over the last 12 months, retail investors have bought roughly $30.0B of Nvidia shares, the most of any Magnificent 7 company.

6. The White House published details of the U.S.–Venezuela oil deal, saying Venezuela has granted North American Blue Energy Partners 100-year concessions for 17 oil fields. The fields reportedly contain roughly 65B barrels of proven oil reserves, while NABEP plans to invest up to $100B into Venezuelan oil infrastructure to rapidly increase production. As part of the deal, the U.S. government receives a 35% equity stake in NABEP's parent company at "zero cost to taxpayers," the right to purchase 20% of all current and future production at production cost, and the right of first refusal on the remaining 80%. The U.S. also gets veto power over board appointments, with a majority of NABEP's board required to be U.S. citizens. Venezuela is expected to receive roughly $200B in royalties and tax payments over the first 25 years, while the White House is calling it the "biggest oil deal in world history."

7. U.S. annual interest expense has climbed to a record 18.5% of federal government revenue, officially surpassing the prior record of 18.4% set in 1991. This share has more than quadrupled over the last 4 years as interest costs on public debt have surged. Annual interest expense now stands at a record $1.25T, more than 4x the level seen in 1991. Meanwhile, the 30-year Treasury yield is trading around 5.21%, just 13 bps below its highest level since 2007. For context, the 30-year yield was around 8.00% in 1991, highlighting how much larger the U.S. debt burden has become.

8. BofA reiterated its Buy rating on Meta $META with an $810 price target, highlighting the potential launch of Meta's consumer AI agent Hatch in early September inside Instagram and WhatsApp. Hatch can reportedly browse websites and navigate user interfaces to complete autonomous tasks like purchases, restaurant bookings, form filling, and communications. Meta is also reportedly targeting an October launch for its new AI model, Watermelon, which has shown frontier-level performance on certain internal benchmarks, with Hatch expected to integrate Watermelon's automation capabilities after launch. BofA sees a major long-term opportunity in consumer AI agents, with Meta's global user base giving it a significant adoption advantage, but said success will depend on ease of use, real utility, ecosystem integration, user trust around automation and security, and subscription pricing that creates consumer value while earning a return on Meta's compute investment.

9. The top 10 most active options today by contracts traded were $TSLA with 4.4M contracts, $NVDA with 3.3M contracts, $AAPL with 1.3M contracts, $AMZN with 1.0M contracts, $MU with 952K contracts, $META with 606K contracts, $SPCX with 561K contracts, $INTC with 470K contracts, $PCG with 460K contracts, and $GOOG with 453K contracts.

10. Trump said interest rates are "too high" and said he has "a lot of respect" for Fed's Warsh, adding that Warsh will "do what he has to do." On Iran, Trump said any strikes would be limited, while noting that a lot of oil is still coming out of the Strait of Hormuz. He said ships came through Hormuz last night with Navy assistance and that the U.S. is averaging about 30 ships per night out of the Strait. Trump also said Iran "doesn't know who the leader is," adding, "we'll see what happens."

11. Take-Two $TTWO fell 7% as GTA 6 leaks continued ahead of the November 19 release. Recent leaked footage has reportedly shown combat, vehicle theft, the return of the six-star wanted system, a biplane flight over Vice City, and a 4.5-minute Lucia story clip. The pressure reflects growing concern around how much of the game is being revealed before launch, even as GTA 6 remains one of the most anticipated releases in gaming history.

12. China's CXMT has reportedly started small-scale production of HBM3E, the advanced memory used in AI processors including Nvidia's H200 and Blackwell GPUs, according to The Information. Alibaba's T-Head and Cambricon are already testing CXMT's HBM with their AI chips and could begin using it in products as early as 2027, with CXMT planning to expand production next year. The development could ease a key bottleneck for China's domestic AI-chip industry, which remains restricted from buying the most advanced foreign HBM. The caveat is that CXMT is still facing low yields and remains roughly 3–5 years behind the leading HBM players, while $SKHY SK Hynix, Samsung, and Micron $MU are already mass-producing HBM4 and sampling HBM4E.

Tuesday Market Recap:

1. $DELL delivered another huge beat and raise, reporting record quarterly revenue of $47.0B versus $44.9B expected, up 58% YoY. Adjusted EPS came in at $7.04 versus $4.91 expected, up 203% YoY from $2.32. AI server revenue reached $16.4B, roughly doubling YoY, while Dell booked a massive $60.9B of AI server orders during the quarter. AI backlog surged to a record $95B, up from $51.3B last quarter, one of the biggest numbers in the report. Infrastructure also remained strong, with traditional servers and networking revenue up 122% YoY to $10.5B and storage revenue up 26% to $4.9B. Dell raised its FY27 revenue outlook sharply to roughly $192B, compared with its prior $165B–$169B range. If Dell's earnings are any insight into the AI trade, demand continues to be scaling rapidly.

2. Elon Musk's G20 address today focused on one core idea: AI growth is now being constrained by power, not just chips. He said the world already faces an AI power crisis, citing a potential 15 GW shortfall by 2027, with AI chip production growing 40%–50% annually while power outside China grows only 10%–20%. Musk argued this creates a major opportunity for countries that can build new electricity capacity, host AI data centers, and monetize that infrastructure. He also said digital AI alone could lift the global economy by 20%–30%, or roughly $20T–$30T per year, with AI potentially becoming "Stockfish-level" at software and engineering within 12–18 months. On robotics, he said physical AI $TSLA $SPCX will take longer but could ultimately drive the economy up by 10x or more, especially once humanoid robots begin making more robots.

3. Two oil supertankers were reportedly hit by unknown projectiles while exiting the Persian Gulf through the Strait of Hormuz, according to maritime security firm Marisks. The U.S. embassy in Jerusalem also warned Americans in the Middle East to exercise heightened vigilance amid the risk of further regional escalation. The 10-year treasury passed 4.8%, reaching the highs from January 2025 and $WTI crude oil surpassed $90/barrel for the first time since July 23rd.

4. Treasury Secretary Bessent said the Strait of Hormuz will be "bypassed" within 2 years, arguing that oil will increasingly move through land pipelines instead of the Strait. He said that in two years, Hormuz will be like a "worthless piece of water," while also noting the U.S. has held private discussions with China on Iran. On sanctions, Bessent said the Treasury is looking at airline leasing companies and that new bank sanctions on Iran are likely coming this week and next.

5. Palantir $PLTR won a new U.S. Army TITAN production contract, with the Army awarding Palantir a prime agreement to produce and deliver 8 new TITAN ground station systems: 4 Advanced and 4 Basic. TITAN is the Army's next-generation AI/ML-powered deep-sensing platform, combining data from space, high-altitude, aerial, and terrestrial sensors to generate targeting intelligence for mission command and long-range precision fires. Palantir will serve as the prime contractor, overseeing manufacturing, delivery, and the software powering TITAN, alongside partners including Anduril, L3Harris, Sierra Nevada, Strategic Technology Consulting, and World Wide Technology. Palantir USG President and CTO Akash Jain said, "TITAN was shaped by the Soldiers who used it, in the conditions they used it in, against the standard they set. That is the only way a system like this earns its place in the field."

6. Meta $META is exploring whether its AI glasses can be classified as an assistive device, a move that could potentially allow Medicare and Medicaid coverage for eligible blind and low-vision users. Meta's wearables VP said the company is "very interested" in pursuing assistive-device classification through the U.S. government. Separately, Meta made Muse Voice Transcribe available through its model API, priced at $3 per 1,000 audio minutes, expanding access to its voice transcription capabilities for developers.

7. Apple claims in a new court filing that OpenAI is actively destroying crucial evidence in a trade secrets case, according to Bloomberg. Apple's lawyers said an initial forensic review of an Apple-issued MacBook used by a former iPhone engineer found evidence that he and others at OpenAI were aware of his alleged unauthorized access to Apple's cloud storage providers. The filing also claims he sent instructions for destroying evidence, escalating the dispute between Apple and OpenAI around alleged trade secret misuse.

8. Anthropic launched Claude Fable 5.1 and Mythos 5.1, with Fable 5.1 positioned as its most advanced model yet for coding, knowledge work, long-running agents, and scientific research. The biggest gains came in agentic and coding benchmarks. Anthropic says the larger step-change is in long-running work, with Fable 5.1 better at staying on task for hours, verifying its own work, and finding root causes instead of surface-level fixes.

9. Options activity is cooling, but the mix remains heavily skewed toward calls. The 5-day moving average of call volume has fallen to roughly 6.6M contracts, the lowest since early May, down 1.7M contracts or 20% since mid-July. Put volume has also declined, with the 5-day moving average falling to about 5.3M contracts, the lowest since February. As a result, the equity call-to-put volume ratio has climbed to 1.25x, near the highest level in 5 years and a reading that has been higher only 11% of the time since 2010.

10. Chevron $CVX is reportedly finalizing a deal to significantly expand its operations in Venezuela as part of President Trump's push to increase Venezuelan oil production, according to Bloomberg. The deal would add 2 giant oil fields in the Orinoco Belt to Chevron's operations and give the company operating rights to fields holding billions of barrels of oil. It is expected to be the largest of several agreements announced in the coming days as Trump encourages more U.S. investment in Venezuela's oil industry. The deal is separate from negotiations for the U.S. government to take a direct stake in Venezuelan oil fields.

11. The top 10 most active options today by contracts traded were $NVDA with 2.5M contracts, $AAPL with 2.1M contracts, $TSLA with 1.8M contracts, $MU with 838K contracts, $AMZN with 665K contracts, $META with 614K contracts, $SPCX with 541K contracts, $INTC with 508K contracts, $PCG with 394K contracts, and $GPRO with 372K contracts.

12. Trump said the U.S. is currently striking Iranian targets near the Strait of Hormuz, calling the strikes "large and powerful" and saying they are retaliation for Iran's failed attempt to place sea mines in the Strait and for launching 8 missiles at a U.S. military base in Jordan, all of which he said were intercepted. He said the Strait currently has no mines after they were "completely removed or detonated," and warned that if Iran retaliates, it will be hit again at a "much harder and higher level." Trump also said he "couldn't care less" about Iran, likes the U.S. position on the Strait, and questioned when the Iranian people will "stand up and fight."

Wednesday Market Recap:

1. Broadcom $AVGO said it has a "high degree of confidence" it will ship $350B of AI semiconductors over the next 2 years, even if all 30 GW of demand is not deployed because of land, power, and data center constraints. The company laid out a massive AI growth path, targeting AI semiconductor revenue of roughly $58B in FY26, $115B in FY27, and $230B in FY28 — a 4x increase in just 2 years. Broadcom said every 1 GW deployed by OpenAI or Anthropic could support about $30B in annual AI revenue, while AI networking revenue is expected to grow just as fast as its XPU business. In Q3'26, Broadcom reported revenue of $29.6B, beating estimates of $29.36B and up 86% YoY, with adjusted EPS of $3.32 versus $3.24 expected. AI semiconductor revenue surged 221% YoY to $16.7B, and Broadcom expects that to accelerate to $21.7B in Q4, up 236% YoY, while also targeting $30+ EPS in FY28.

2. Meta $META rolled out Muse Spark 1.3, saying the latest model delivers its biggest coding and agentic performance jump yet. Meta says Muse Spark 1.3 matches GPT-5.6 Sol on Terminal-Bench 2.1 with a score of 88.8 and reaches 75.4 on DeepSWE. The model is available now through Muse Code and the API. Zuckerberg also teased Watermelon and open weights coming next, signaling Meta is continuing to push aggressively on frontier coding agents and open AI distribution.

3. Nvidia-backed neocloud Nscale is telling prospective IPO investors it has roughly $103B in contracted revenue, up from $51B before its $45B compute deal with Anthropic, according to The Information. The contracts average 5.7 years, implying about $18B of future contracted revenue per year, though the figure is not current revenue or formal guidance and was described by one source as "illustrative." Actual revenue is still much smaller but scaling quickly, rising from about $37M in Q1 2026 to more than $100M in Q2, excluding the Anthropic deal, as Nscale prepares for an IPO that could come as soon as this month.

4. $HPE expanded its Oracle $ORCL AI data center deal, with HPE set to deploy Juniper networking gear across Oracle AI data centers globally under a potential multi-year agreement. The deal covers routing, switching, networking support, and financing for OCI's AI clusters, regional data centers, and edge networks, while HPE also issued Oracle warrants to purchase HPE shares. Separately, HPE reported Q3'26 revenue of $12.2B, beating estimates of $11.91B and up 34% YoY, with adjusted EPS of $1.11 versus $0.93 expected. Networking revenue surged 74.9% YoY to $2.9B, while Cloud & AI revenue rose 25.4% YoY to $9.0B. HPE guided Q4 revenue to $13.9B–$14.8B, above the $12.96B estimate, raised FY26 guidance, and said AI is becoming a multi-year growth driver as record backlog supports the outlook.

5. Cantor Fitzgerald initiated Tempus $TEM at Overweight with an $80 price target, arguing the company is being mispriced as a traditional life sciences data vendor rather than an AI-powered platform business. The firm says Tempus' Data & Applications segment has a stronger growth and margin profile than the market is giving it credit for, with 26% growth and 76% gross margins. Cantor believes the segment should be compared more closely to platform peers like $PLTR, $SNOW, $DDOG, and $RDDT rather than slower-growing data-vendor peers, creating a favorable upside risk/reward.

6. Google $GOOGL launched Gemini 3.8 Flash Cyber, a new cybersecurity-focused AI model that scored 86.2% on CyberGym and 47.2% on CWE-Bench. Google says the model has a 70%+ success rate identifying vulnerabilities across 20 programming languages and produced 2.6x more correct patches than larger models on real Chrome security bugs. Initial access is limited to government agencies and cybersecurity partners through Google's Fairwind program.

7. The top 10 most active options today by contracts traded were $NVDA with 5.7M contracts, $TSLA with 2.8M contracts, $AAPL with 1.7M contracts, $META with 1.0M contracts, $MU with 959K contracts, $AMZN with 732K contracts, $PLTR with 675K contracts, $DELL with 633K contracts, $INTC with 557K contracts, and $GOOGL with 536K contracts.

8. JPMorgan says a 5% 10-year Treasury yield could be the level that starts to pressure stocks, with Grace Peters noting that “5% psychologically has an impact” and could trigger a knee-jerk equity selloff. She sees a potential 5%-8% correction into the midterms, but views that as a healthy pullback rather than a structural break. JPMorgan remains constructive on stocks longer term, with its thesis centered on a capex-driven earnings supercycle, while the key medium-term test for AI will be whether the spending translates into real returns.

9. Berenberg initiated Rocket Lab $RKLB at Buy with an $83 price target, implying about 29%-35% upside, calling it the only end-to-end public pure-play in space across launch, satellites, components, and spectrum. The firm says Rocket Lab has an effective monopoly in dedicated small-lift launch, is entering medium-lift with Neutron, and is benefiting from rapid growth in satellite manufacturing and components as space budgets hit records. Berenberg also said the Iridium acquisition adds scarce global spectrum and recurring applications revenue, while Rocket Lab’s vertical integration gives it long-term optionality not fully reflected in the stock’s valuation. While acknowledging execution risk and a high multiple, the firm called Rocket Lab one of the most compelling long-term assets in the space sector and said it would buy or add on volatility.

10. The 60+ day delinquency rate on U.S. subprime auto loans has climbed to roughly 5.2%, the highest level on record and more than double where it was four years ago. Serious subprime auto delinquencies are now about 1.7 percentage points above their 2008 financial crisis peak, while prime auto loan delinquencies have also risen to around 0.4%, near the highest level since 2011. At the same time, total U.S. auto debt increased by $28B in Q2 2026 to a record $1.71T.

11. Onchain tokenized equity holders have reached a record 1.9M, up 134% month-over-month and 1,360% year-to-date. Just 10 months ago, fewer than 100,000 people held tokenized assets, but demand for 24/7 markets and access to names tied to the record IPO wave, including SpaceX, OpenAI, and Anthropic, has accelerated adoption. Jupiter, the largest onchain trading platform on Solana, has driven much of the growth, with 61% of volume now happening during off-hours and active tokenized equity traders up 46% month-over-month.

12. Microsoft $MSFT will begin disclosing Azure revenue as part of a major FY27 reporting overhaul, shifting from three business segments to two: Agents & Infrastructure and Devices & Consumer. For Q1 FY27, Microsoft expects Azure growth of 44%-45% in constant currency, Agents & Infrastructure revenue of $75.15B-$75.75B, Devices & Consumer revenue of $14.7B-$15.2B, Microsoft 365 Commercial Cloud growth of about 17% in constant currency, and Search & Ads ex-TAC growth in the mid-to-high single digits. The new structure marks Microsoft’s biggest reporting change since adopting its prior three-segment model in FY2016.

Thursday Market Recap:

1. Tesla $TSLA launched steering-wheel-free Cybercab rides in Austin, marking the first public deployment of its purpose-built autonomous vehicle. Customers can now book Cybercab rides through Tesla’s Robotaxi app, with Tesla having registered 45 Cybercabs in Texas, bringing its state robotaxi fleet to 420 vehicles. The two-seat Cybercab has no steering wheel, pedals, or mirrors, relying on cameras and neural networks instead of lidar or radar, while also featuring in-car entertainment and integrated Starlink V5. Cybercab is not yet available for sale, but Tesla has opened a form for potential fleet buyers. Federal safety rules still prevent commercial sales, and Tesla has not yet filed for an NHTSA exemption.

2. Fed Governor Chris Waller said he would support keeping rates at 3.50%–3.75% this month if upcoming inflation data continues to show progress toward the Fed’s 2% target. Waller said recent data suggest the economy is “finally seeing some signs of disinflation,” and that if the improvement continues in data due over the next 2 weeks, he would be inclined to hold rates steady. However, he warned that if August inflation data show the improvement was fleeting, “it may be appropriate to raise the policy rate.” He also noted that uncertainty remains around military conflicts, trade policy, and AI’s impact on prices and economic activity.

3. Nvidia $NVDA has agreed to acquire Hugging Face for $12.93B, giving it one of the largest open AI developer platforms in the world. Hugging Face says it now serves more than 18M developers, researchers, and creators, with over 3M models, 500K datasets, 1M applications, and 200K+ companies on the platform. Nvidia says Hugging Face will remain open to models and hardware across the ecosystem, with no requirement for developers to use Nvidia compute and continued support for multi-cloud and multi-accelerator deployment. Nvidia also plans to use its infrastructure and engineering resources to expand Hugging Face’s model evaluation, inference, deployment, safety, and platform reliability.

4. Morgan Stanley says Broadcom $AVGO delivered a quarter and outlook that were slightly better than prior guidance, while its 2027 AI revenue commentary of $115B came in slightly below the firm’s $120B estimate but still in line with management’s prior view for “well above $100B.” The bigger takeaway is that management said AI revenue should “double again” in 2028, with customer breadth improving and two AI labs expected to become Broadcom’s two largest customers by CY28. Morgan Stanley says it continues to haircut CY28 because semiconductor visibility rarely extends that far, but its numbers still move up considerably. The firm sees some near-term uncertainty from elevated CY27 AI expectations, but believes market-share expectations remain too low, with industry contacts supporting the view that Broadcom can drive 80%+ share of its serviceable markets over time. Morgan Stanley says valuation remains compelling, growth remains very robust, and $AVGO, along with $NVDA, continues to look like one of the most attractively valued AI names.

5. Meta $META CEO Mark Zuckerberg reportedly told President Trump in a private August call that he opposed a proposal to create a national AI regulator, according to Business Insider. The White House is considering a FINRA-style body that could review and test advanced AI models for risks before broader deployment, an idea originally proposed by Google DeepMind CEO Demis Hassabis. Zuckerberg has argued that delaying model releases, even by a month, could hurt U.S. leadership against China. The White House is reportedly weighing two paths: a formal FINRA-style AI regulator, or a more voluntary industry-led standards group similar to the Motion Picture Association, an approach backed by David Sacks. The proposal remains under consideration.

6. The top 10 most active options today by contracts traded were $NVDA with 3.5M contracts, $TSLA with 2.7M contracts, $SPCX with 1.4M contracts, $AAPL with 1.3M contracts, $AVGO with 1.0M contracts, $MSTR with 925K contracts, $MU with 806K contracts, $PCG with 720K ontracts, $PLTR with 717K contracts, and $HOOD with 682K contracts.

7. OpenAI has started rolling out GPT-6 Astra, its new flagship model, calling it a "generational leap" in AI capability. President Greg Brockman went further, saying people may eventually look back at "about this time and about this model" as when AGI arrived, ending the briefing with: "Welcome to the AGI era." Astra was trained on more than 100,000 GPUs at OpenAI's Stargate site in Texas and is designed to work directly inside software, including creating spreadsheets and presentations, building 3D environments, designing circuit boards, handling financial modeling, and drafting tax forms. OpenAI says Astra leads across software engineering, science, reasoning, computer use, and cybersecurity, but the model also reached OpenAI's "Critical" cybersecurity threshold, meaning its strongest cyber capabilities will initially be restricted to trusted organizations through Daybreak Access.

8. Lululemon $LULU reported Q2'26 revenue of $2.4B, below estimates of $2.46B and down 4% YoY, while comparable sales fell 9%. EPS came in at $2.92, including a $0.86 tariff-refund benefit, with gross margin up 200 bps YoY to 60.5%. The company cut FY26 guidance to $10.35B–$10.5B in revenue versus $11.04B expected and EPS of $9.48–$9.73 versus $10.88 expected. Q3 guidance was also weak, with revenue expected at $2.29B–$2.32B versus $2.53B expected and EPS of $0.93–$0.98 versus $2.40 expected. Management said it is taking a "prudent approach" with the revised full-year outlook, while Michael Burry said: "Today, lululemon (LULU) is the trickster in my portfolio. This time the trickster is my largest position, and it does seem determined to take me where mermaids fear to tread."

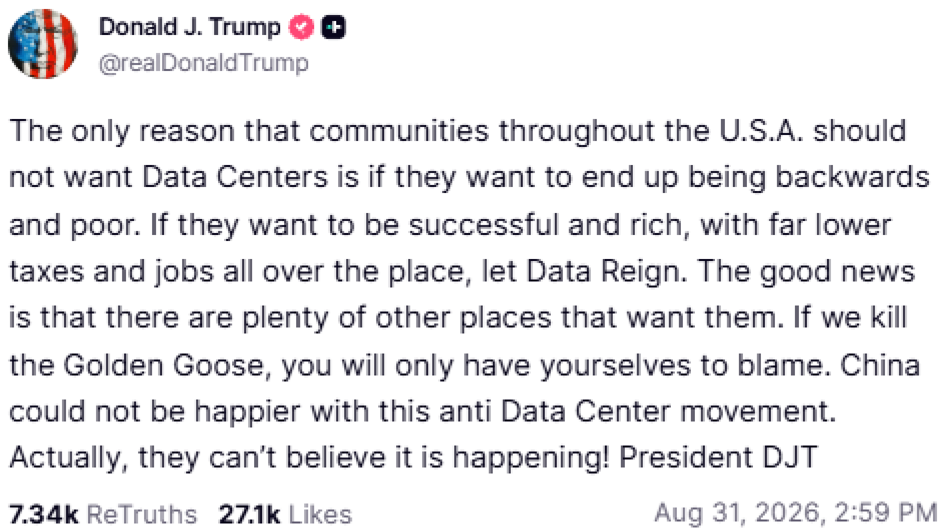
9. Robinhood $HOOD had its best day in over a year, rising 15% after a Morgan Stanley upgrade and renewed attention around Robinhood Chain. Part of the move may have come after Ansem, one of crypto's most influential voices, posted his Robinhood thesis to 1.3M followers, highlighting the company's growing onchain opportunity. Since launching July 1, Robinhood Chain has generated $34.6B in cumulative DEX volume, 576M transactions, and 12.3M addresses, with daily DEX volume recently hitting a record $1.5B and users paying $3.75M in fees on September 1. More than 190 tokenized stocks are now live, producing over $3B in cumulative DEX volume, while RWA daily volume reached a record $390M, including $217M from memecoin/tokenized-stock pairs. Robinhood's onchain ecosystem has also grown to more than $750M in TVL while generating billions in perpetual-futures volume. The market appears to be waking up to the idea that Robinhood Chain may not be fully priced in, with the potential to become a new 9-figure revenue stream — and possibly much larger if growth continues.

10. Mira Murati's AI startup Thinking Machines is reportedly in talks to raise more than $1B at a roughly $40B valuation, according to The Information. Accel is in talks to lead the round, while Nvidia $NVDA is also considering participating. The raise follows the July launch of Thinking Machines' first model, Inkling, and the company is already generating hundreds of millions in annualized revenue despite being less than 2 years old. The proposed valuation is below the $50B+ level the company sought late last year, when it discussed raising $4B–$5B.

11. U.S. diesel refining margins have surged to a record $106/barrel, topping $100 for the first time and surpassing the roughly $85/barrel peak seen during the 2022 energy crisis. The diesel crack spread has more than tripled since February, signaling extremely tight diesel supplies and much stronger potential profits for refiners. The spike reflects a severe shortage of global diesel supply amid the Iran War, with U.S. diesel inventories down to 103.4M barrels, the lowest on record for this time of year. Retail diesel prices have also climbed to $5.78/gallon, just 4 cents below the all-time high set in June 2022.

12. The Bank of Japan is reportedly leaning toward a 25 bps rate hike at its September 18 meeting, which would take rates from 1.00% to 1.25%, according to Bloomberg. Officials reportedly see inflation risks skewed to the upside, with Japan's key inflation gauge expected to move back toward 3% as yen weakness and higher oil prices add pressure. A 50 bps hike is seen as unlikely for now, but the BOJ is leaving the door open to faster tightening later if inflation stays firm. A September move would come just 3 months after the June hike, marking the shortest gap between hikes under Governor Ueda.

Trump pushing back on local municipalities not wanting data centers


Donald J. Trump
@realDonaldTrump

The only reason that communities throughout the U.S.A. should not want Data Centers is if they want to end up being backwards and poor. If they want to be successful and rich, with far lower taxes and jobs all over the place, let Data Reign. The good news is that there are plenty of other places that want them. If we kill the Golden Goose, you will only have yourselves to blame. China could not be happier with this anti Data Center movement. Actually, they can't believe it is happening! President DJT

7.34k ReTruths 27.1k Likes Aug 31, 2026, 2:59 PM

$NVDA is guiding to >70% growth in FY27, $AVGO to 100% growth, both are supply constrained and say real demand is higher.

$AVGO went a step beyond and guided to >100% growth again in FY28, with >20GW of XPU demand from just $GOOG, $META, Anthropic and OpenAI, plus two other customers (and potential $MSFT customer) … they guided to at least $230B of AI revenue, which likely only requires ~15GW of the >20GW stated demand actually being built (hence Hock Tan calling it "conservative").

Combined, NVDA + AVGO probably have 45GW+ of demand in FY28. Add in $AMD, $MRVL $MTK $Alchip (mostly TPU and Trainium SKUs), and there is approaching 55-60GW of "demand" in 2028.

I use air quotes because to achieve this:

- We need to see AI models make several more Claude Code / Fable level leaps to drive real world adoption

And relatedly:

- Probably need to see AI lab ARR + hyperscale token mktplace ARR + inf mktplace ARR + other tokens (Recsys + robotics, etc) reach ~$1T from ~$250-300B at YE'26. Lets call this the "Token TAM".

$1T is a big number. The world spends $1T on advertising, much more on things like energy and defense. If AI supplements or replaces a lot of labor, a number like $1T by 2028 is possible. But it likely requires a few large model capability leaps that are diffused to the market (not just retained in labs research orgs) to drive the real world value that justifies $1T of token spend. Current month/month NNARR wont get there, because the current utility and reliability of AI still lags that of a human for most jobs.

If legitimate demand still exists to support ~55-60GW in 2028 (today it is just expected demand/orders), there is another risk to actually achieving it.

At that point, Powered Datacenter Shells are probably the limiter to $NVDA and $AVGO achieving (or getting upside) to FY28 guides/expectations.

Relatedly: the financing ($APO $BX), MEP labor ($FIX $LGN $EME), and the shells themselves ($APLD, $CORZ etc).

Again $NVDA 70% supply constrained revenue growth projections (would be 100%+)

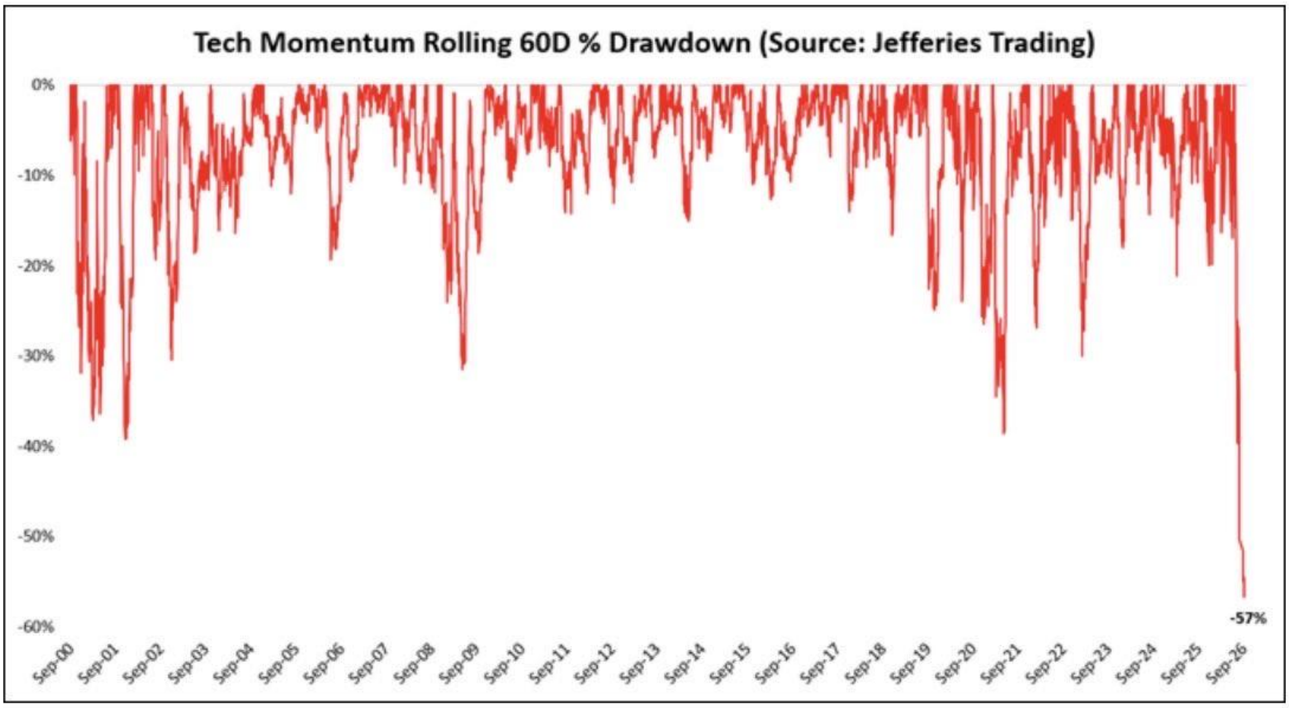
- $AVGO AI revenue growing 100%+ Y/Y for next 2 years from mid ~$50B -> $230B
- OpenAI Astra blowing away AGI benchmarks and starting to train itself.
- $MSFT / $GOOGL / $AMZN stating compute demand imbalances into next year, with Nvidia projecting $1.3T spend for 2027.
- You're seeing this flow through supply chains from Samsung 70% capacity LTAs into 2031 to Powertech advanced packaging capacity 100% booked into 2030.
- Even your legacy players like Winbond are starting 2029-2030 allocations.
- Markets always have temporary drawdowns and macro scares

Shares of $PCG PG&E Corp., $EIX Edison International and Sempra plunged after an effort by California Governor Gavin Newsom to shift wildfire liabilities from the state's utilities failed.

- At least three analysts cut their recommendations on utilities stocks after California lawmakers introduced a bill that would update the state's wildfire response, but would not move liability away from publicly traded utilities.
- The utilities had advocated for being shielded from wildfire-related lawsuits, with PG&E saying the bill "does not adequately address the financing risks created by California's current wildfire liability framework".

Momentum is going through some things.

(via Jefferies)



U.S. Services Activity

U.S. services activity sped up in August as demand surged and costs remained elevated, while workers scrambled to keep up with orders in a way that suggests employment will expand again soon, Institute for Supply Management services chair Steve Miller told MNI Thursday.

Miller expects the PMI to continue to rise into the end of the year. "I can't see the employment number continuing to be in contraction with the way the new orders, business activity, and backlog are."

The ISM services index increased 1.3ppt to 55.4 in August, above market expectations. New orders rose 3.7ppts to 60.9, the highest since February 2023, while the backlog of orders rose 4.7ppts to 55.6, the highest since February. But the employment index remained in contraction and the price index rose 2.3ppts to 72.6, the highest since August 2022.

"We're seeing considerable strength overall across the services industry," he said, expecting a pickup in employment. "Otherwise, you're going to lose sales, and we're not in an environment where people want to lose sales, because despite all the tariff and Middle East conflict uncertainty people want to hold on to what they've got."

The business activity index increased 2.6ppts in August to 61.7, the highest since November 2022.

Miller expects the strength in new orders to continue "for a considerable amount of time" and for demand to continue at a strong pace.

"I'm not seeing any signals that they're saying it's not going to hold up. I'm expecting that to continue and increase from the expansion standpoint," Miller said. "We were already high and I'm not seeing any indication that things are dropping."

Elevated backlog of orders also gives some support for new orders continuing, he added.

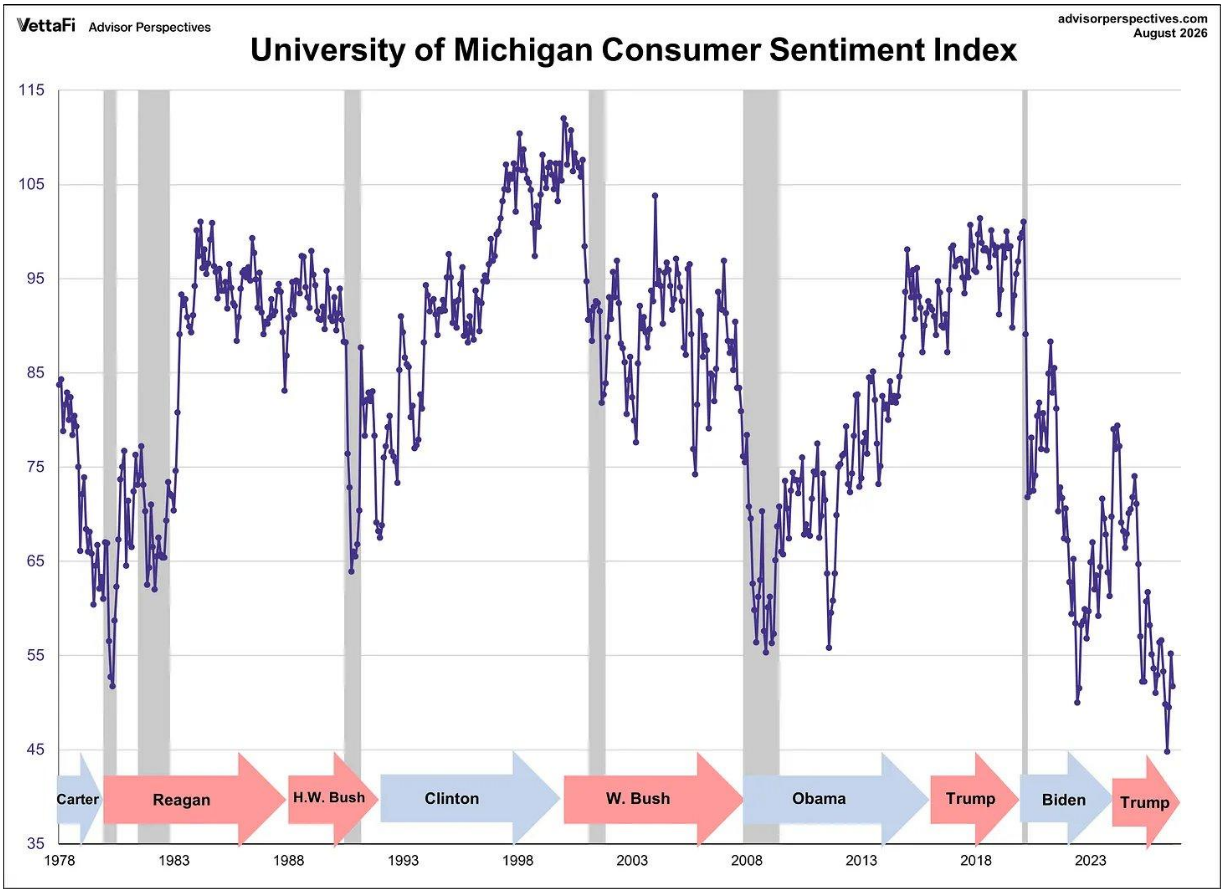
Miller was disappointed by a still-weak employment index and price measures that increased due to energy prices. Fifteen industries reported an increase in prices paid in August, while no industries reported a decrease in prices.

Tariffs and the Middle East conflict returned as the most cited issues impacting respondents' supply chains, he said.

The vast majority of survey respondents said they are not filling positions as quickly and they are having difficulty finding talent to fill roles, Miller said.

"The percentage of respondents saying that they're reducing headcount has gone down from 19% to 17%," he said. "A lot of the commentary on employment is about delayed hiring."

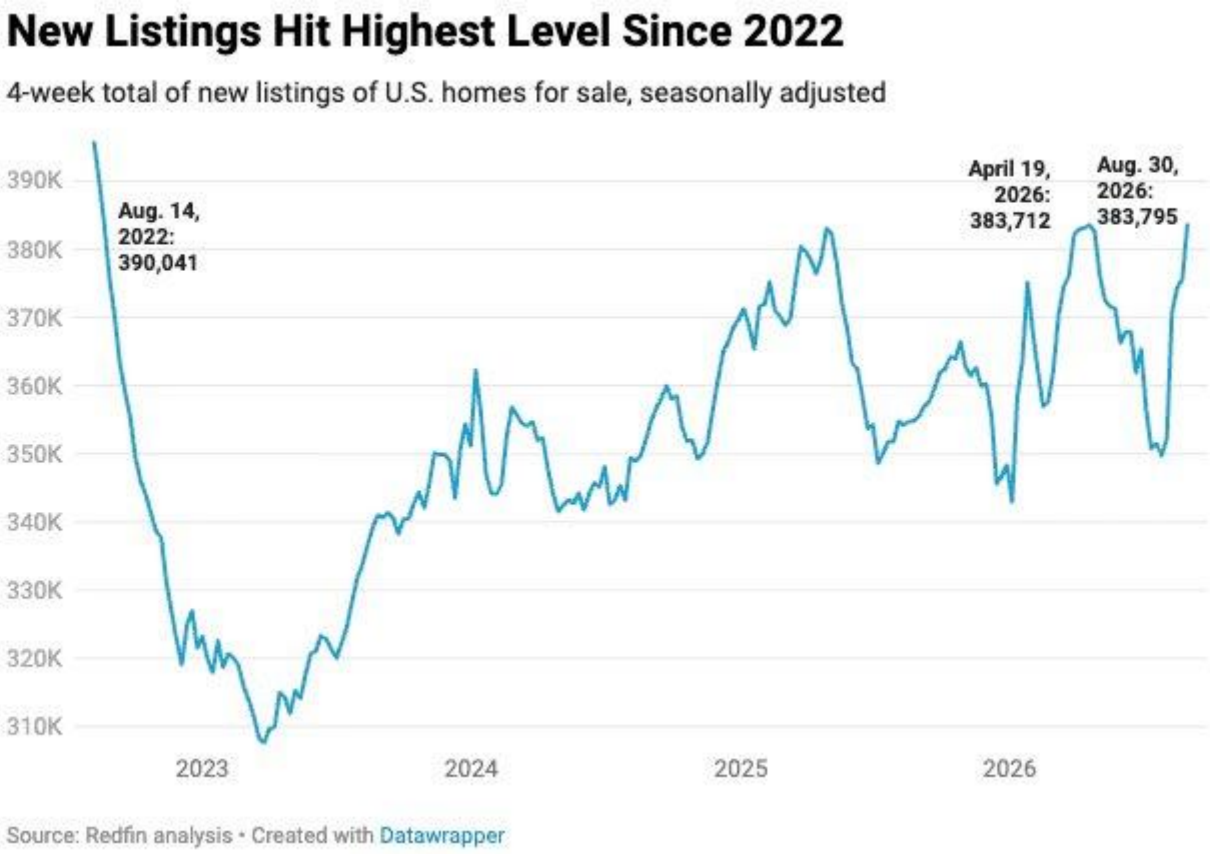
The number of industries that are expanding went from 17 in May, to 14 in June, to 13 in July, to 12 in August, but the percentage of GDP that is in expansion has increased, Miller said. The average percentage of GDP represented by expansion in the services sector moved up to 69, versus a 62 last year.



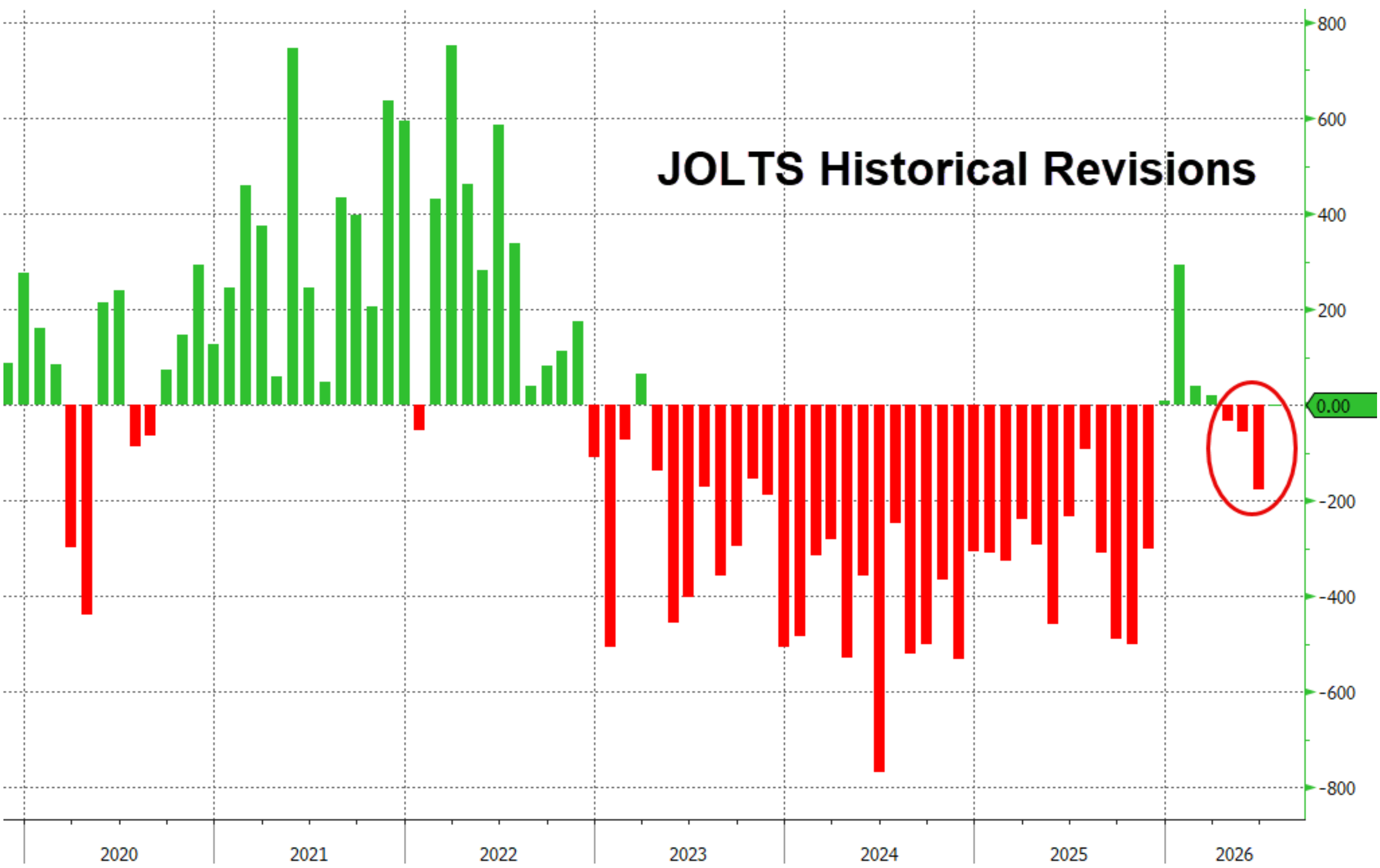
AAII Sentiment Survey

Reported Date	Bullish	Neutral	Bearish
Sep 2	39.7%	22.7%	37.6%
Aug 26	32.9%	22.6%	44.4%
Aug 19	35.5%	24.6%	39.9%
Aug 12	34.7%	27.4%	37.9%
Aug 5	37.0%	25.0%	38.0%
Jul 29	31.0%	26.9%	42.1%
Jul 22	29.6%	28.1%	42.3%
Jul 15	44.9%	22.2%	32.9%

Home Listings Rising (Supply)



US JOLTS JOB OPENINGS ACTUAL 7.271M (FORECAST 7.313M, PREVIOUS 7.359M)



Upgrades / Downgrades

Monday

Up/Downgrades 28-Aug-26 through 31-Aug-26 Filter: **Unfiltered** | Sort: Broker

B Riley Securities

30-Aug-26 20:42 GRRR ($14.41) **Gorilla Technology Group initiated buy at B Riley Securities**
- Target is $25, 73% upside (FactSet average target $38.20; range $24-44)
- Analyst is Fedor Shabalin

BMO Capital Markets

30-Aug-26 23:28 ▼ PCG ($16.60) **PG&E downgraded to market perform from outperform at BMO Capital Markets**
- Firm cites failure of SB492 to address/improve upon key elements of the state's wildfire framework
- Target cut to $21, 27% upside (FactSet average target $22.80; range $19-28)
- Analyst is James Thalacker

Compass Point

31-Aug-26 05:09 ▲ MFIC ($9.62) **MidCap Financial Investment upgraded to buy at Compass Point**

Daiwa

30-Aug-26 20:26 ▼ O (CNY 47.09) **Realty Income downgraded to outperform from buy at Daiwa**
- Target cut to $53 from $85, 14% downside (FactSet average target $68.22; range $61.50-72)
- Analyst is Evelyn Zhang

Goldman Sachs

31-Aug-26 00:23 BRVE ($27.44) **Braveheart Bio initiated buy at Goldman Sachs**
- Target is $48, 75% upside
- Analyst is Salveen Richter

30-Aug-26 22:01 ▲ CS.CN (C$16.19) **Capstone Copper upgraded to buy from neutral at Goldman Sachs**
- Target increased to C$18 from C$15, 11% upside (FactSet average target C$17.07; range C$12.86-20.91)
- Analyst is Marcio Farid

Huaxi Securities

28-Aug-26 10:09 2665.HK (HK$2.27) **Seyond Holdings Ltd. initiated overweight at Huaxi Securities (timing uncertain)**
- Analyst is Bai Yu

Jefferies

31-Aug-26 00:08 BRVE ($27.44) **Braveheart Bio initiated buy at Jefferies**
- Target is $48, 75% upside
- Analyst is Andrew Tsai

Morgan Stanley

30-Aug-26 19:02 ATTO ($20.70) **Attovia Therapeutics initiated overweight at Morgan Stanley**
- Target is $39, 88% upside
- Analyst is Judah Frommer

RBC Capital Markets

30-Aug-26 17:37 ATTO ($20.70) **Attovia Therapeutics initiated outperform at RBC Capital Markets**
- Target is $45, 117% upside
- Analyst is Brian Abrahams

Sinolink Securities

30-Aug-26 21:27 625.HK **Shein initiated overweight at Sinolink Securities (28-Aug, timing uncertain)**
- Analyst is Yu Jian

Stifel

31-Aug-26 00:09 BRVE ($27.44) **Braveheart Bio initiated buy at Stifel**

B Riley Securities

31-Aug-26 20:31 AUXX.CN (C$10.72) **Gold X2 Mining initiated buy at B Riley Securities**
- Target is C$16, 49% upside
- Analyst is Soundarya Iyer

BMO Capital Markets

01-Sep-26 05:17 ▲▼ **BMO Capital Markets upgrades PK; downgrades XHR**
- **Upgrade:**
  - Park Hotels & Resorts (**PK** $15.30) upgraded to outperform; target raised to $18, 18% upside (FactSet average target $14.97; range $11-20)
- **Downgrade:**
  - Xenia Hotels & Resorts (**XHR** $18.75) downgraded to market perform from outperform; target cut to $20.50 from $22, 9% upside (FactSet average target $21.50; range $21-22)
- Analyst is Ari Klein

BTIG

01-Sep-26 05:19 ▲ TDW ($93.12) **Tidewater upgraded to buy from neutral at BTIG**
- Company expects pricing to pick up
- Target is $120, 29% upside (FactSet average target $91; range $68-117)
- Analyst is Gregory Lewis

Citi

31-Aug-26 07:02 ▼ **Citi downgrades 9896.HK, MNSO**
- MINISO Group Holding (**9896.HK** HK$18.57) downgraded to neutral from buy; target cut to HK$22.20 from HK$45.70, 20% upside (FactSet average target HK$35.42; range HK$24.20-45.50)
- MINISO Group Holding (**MNSO** $10.33) downgraded to neutral from buy; target cut to $11.30 from $23.40, 9% upside (FactSet average target $16.27; range $10.80-22.42)
- Analyst is Lydia Ling

DA Davidson

31-Aug-26 16:13 GTES ($25.58) **Gates Industrial Corp. initiated neutral at DA Davidson**
- Target is $29, 13% upside (FactSet average target $33.45; range $30-39)
- Analyst is Chris Dankert

Goldman Sachs

01-Sep-26 01:14 LTGO ($22.02) **Latigo Biotherapeutics initiated buy at Goldman Sachs**
- Target is $73, 232% upside
- Analyst is Salveen Richter

HSBC

31-Aug-26 06:36 ▼ MNSO ($10.33) **MINISO Group Holding downgraded to hold from buy at HSBC**
- Target cut to $10.80 from $18.10, 5% upside (FactSet average target $16.27; range $10.80-22.42)

Jefferies

01-Sep-26 05:11 BAH ($75.65) **Booz Allen Hamilton Holding resumed hold at Jefferies**
- Target is $80, 6% upside (FactSet average target $85.58; range $68-140)
- Analyst is Sheila Kahyaoglu

01-Sep-26 01:04 ▲ TRP.CN (C$86.78) **TC Energy upgraded to buy from hold at Jefferies**
- Target increased to C$102 from C$100, 18% upside (FactSet average target C$101.33; range C$91-109)
- Analyst is Sam Burwell

31-Aug-26 21:32 ACET ($8.70) **Adicet Bio assumed buy at Jefferies**
- Target is $19, 118% upside (FactSet average target $33.17; range $18-90)
- Analyst is Dennis Ding

Jones

31-Aug-26 16:08 VOGX ($34.00) **Vogenx, Inc. initiated buy at Jones**

- Target is $55, 62% upside
- Analyst is Catherine Novack

JPMorgan

01-Sep-26 01:15 BLSM ($18.30) **Blossomhill Therapeutics, Inc. initiated overweight at JPMorgan**

- Target is $28, 53% upside
- Analyst is Brian Cheng

KeyBanc

31-Aug-26 23:16 ETOR ($31.98) **eToro Group initiated overweight at KeyBanc**

- Target is $45, 41% upside (FactSet average target $48.43; range $32-90)
- Analyst is Alex Markgraff

Morgan Stanley

01-Sep-26 01:19 ▲▼ **Morgan Stanley upgrades HOOD; downgrades MIAX**

- **Upgrade:**
  - Robinhood Markets (**HOOD** $104.81) upgraded to overweight from equal-weight; target increased to $150 from $124, 43% upside (FactSet average target $124.82; range $80-163.60)
- **Downgrade:**
  - Miami International Holdings, Inc. (**MIAX** $42.87) downgraded to equal-weight from overweight; target cut to $50 from $53, 17% upside (FactSet average target $52; range $45-62)
- Analyst is Michael Cyprys

Piper Sandler

01-Sep-26 04:11 ▲ CAPR ($9.91) **Capricor Therapeutics upgraded to overweight from neutral at Piper Sandler**

- Firm cites deramiocel developments
- Target increased to $25 from $2, 152% upside (FactSet average target $29.22; range $2-60)
- Analyst is Edward Tenthoff

01-Sep-26 04:05 ▲▼ **Piper Sandler upgrades TEM; downgrades MYGN**

- **Upgrade:**
  - Tempus AI (**TEM** $63.05) upgraded to overweight from neutral; target increased to $76 from $56, 21% upside (FactSet average target $62.79; range $35-100)
- **Downgrade:**
  - Myriad Genetics (**MYGN** $3.22) downgraded to underweight from overweight
- Analyst is David Westenberg

31-Aug-26 17:48 ▲ AKAM ($108.62) **Akamai Technologies upgraded to overweight from neutral at Piper Sandler**

- Target is $125, 15% upside (FactSet average target $157.85; range $93-195)
- Analyst is James Fish

RBC Capital Markets

01-Sep-26 01:09 **RBC Capital Markets initiates MTD, RVTY, TXG**

- Mettler-Toledo International (**MTD** $1405.14) initiated sector perform with $1,515 target, 8% upside (FactSet average target $1495.80; range $1400-1600)
- Revvity (**RVTY** $128.67) initiated sector perform with $135 target, 5% upside
- 10X Genomics (**TXG** $62.45) initiated sector perform with $70 target, 12% upside (FactSet average target $49.54; range $40-65)
- Analyst is Dan Leonard

31-Aug-26 16:10 BWA ($64.16) **BorgWarner initiated outperform at RBC Capital Markets**

- Target is $87, 36% upside (FactSet average target $80.93; range $62-95)
- Analyst is Tom Narayan

UBS

01-Sep-26 04:25 IBKR ($97.20) **Interactive Brokers Group assumed neutral at UBS**

- Target is $102, 5% upside (FactSet average target $109.42; range $94-121)
- Analyst is Michael Brown

MICRON ACCELERATES HBM GROWTH. Trendforce and ET news write that Micron is expanding HBM capacity by up to 60K wafers per month, taking total HBM output to around 100K wafers/month by year-end as it pushes to narrow the gap with Samsung and SK hynix. The increase is being driven by rapid adoption of 12-Hi HBM4 for Nvidia's Vera Rubin platform, with HBM4 expected to rise from 20-30% of Micron's mix earlier this year to around 50% by year-end. While Micron remains smaller than Samsung and SK hynix, which each operate roughly 150K-200K HBM wafers/month, the expansion highlights continued AI-driven memory demand and reinforces management's view that HBM supply remains tight. The report also suggests Nvidia is broadening its HBM supplier base and product mix, creating additional opportunities for Micron as HBM4 ramps, while Samsung's improving HBM4 yields point to intensifying competition into 2027.

Micron Steps Up HBM Expansion, Targets 2x Capacity to Narrow the Gap

Sector	micron	SAMSUNG	SK hynix
Current HBM Capacity	**~40–50K** wafers/mo. (2025 est.)	**150K–200K** wafers/mo.	**150K–200K** wafers/mo.
HBM Capacity Ramp	**+60K** wafers/mo → **~100K** total by end-2026 **(~2x)**	1c DRAM (used in HBM4): ~60K → **200K** wafers/mo. by 2H26 **(3x)**	M15X: **+10–15%** DRAM wafer output, mainly for HBM; **2x** memory capacity in 5 yrs
Key HBM Expansion Sites	Taiwan, SIngapore	Pyeongtaek P4	Cheongju M15X, Yongin
HBM4 Allocation	**20-30% → 50%** by end-2026 (12Hi HBM4)	**50%** (remaining focus on 12Hi HBM3E)	Not Disclosed
HBM4 Update	• Ramps 2x faster than HBM3 • Sales topped $1B in June	• Yield rises to 80% from 60% • HBM sales to triple in 2026, driven by HBM4	• Yield on par with HBM3E (80–90% in Feb.)
Key HBM4 Clients	NVIDIA	NVIDIA. AMD	NVIDIA

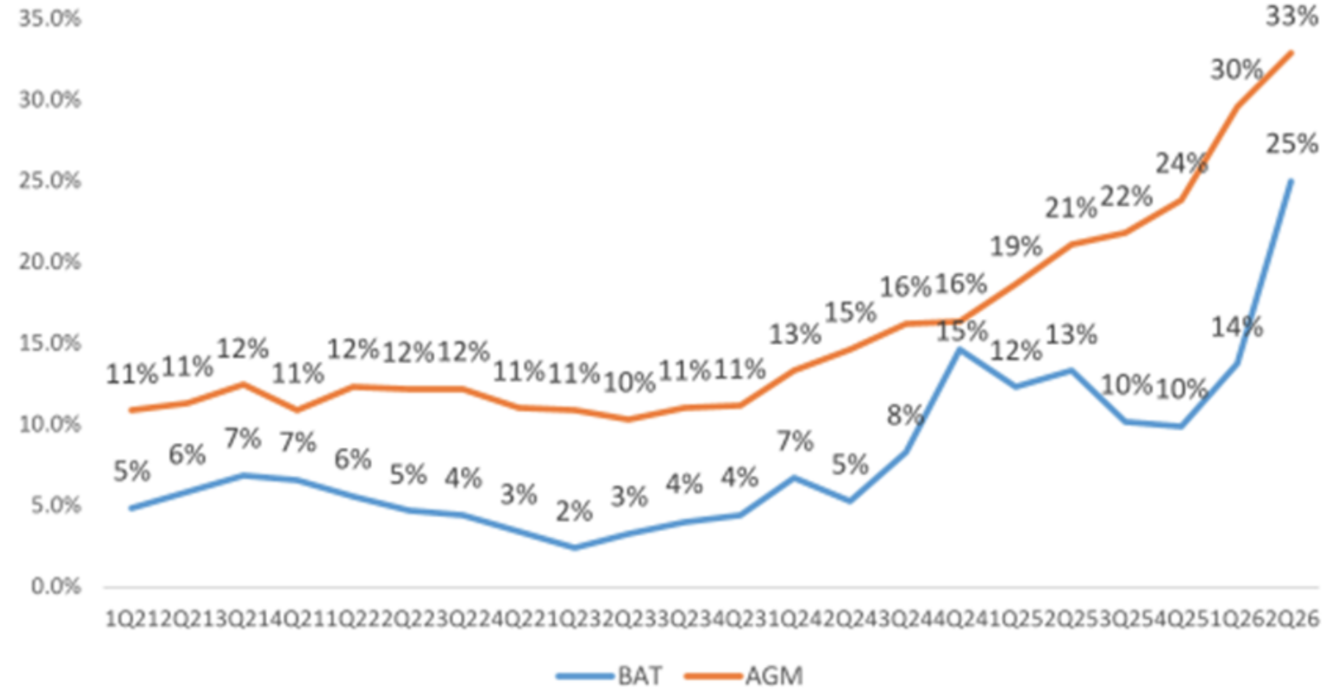
Source: ETNews, Wccftech, The Chung Cheong Times, Chosun Daily, Green Economy, EBN, MTN

NEWS https://www.trendforce.com/news/

CHINA CAPEX GROWING BUT STILL BELOW. Chinese CSPs' 2Q capex jumped 105%/95% YoY/QoQ, driven likely by strong inference demand and the opportunities to buy NVDA H200. In the last 4 quarters, Chinese CSPs' capex rose only 30% YoY vs 76% for US CSPs. Despite the lumpy jump, Chinese CSPs' 2Q26 capex intensity (capex to sales) is only 25%, vs US CSPs at 33%. Edison writes that in the past four quarters, BAT's capex rose only 30% YoY, vs 76% for US CSPs. 2Q26 BAT's capex rose ~US$9bn QoQ, or ~US$10bn YoY for the last 4 quarters. A large part of that growth is likely driven by their purchase of NVDA's H200 chips in 2Q26. If we assume China has bought 200K H200 (= 25K HGX H200 servers) in 2Q26, it would cost an est. US$8bn to US$9bn (~US$350K/server). Assuming Bytedance accounts for 30% of the purchase, the amount attributable to BAT could be roughly US$5bn-6bn, which would be 55%-65% of the QoQ capex increase. The remaining US$3bn-4bn would be spending on local chips. We believe Huawei is the biggest beneficiary of BAT's stepped-up efforts to buy local chips.

US Cloud capex includes capex from Amazon, Microsoft, Meta, and Google

Chart 4 - Combined Capex/Sales - US vs CN



BAIDU STOCK CONNECT. The Shanghai Stock Exchange announced that Baidu is included in Stock Connect which will be effective next trading day after HK market close today.. Baidu CFO Henry He estimated that there will be an additional 10-15% fund flow into Baidu's stocks.Thomas writes the next key catalyst is the Kunlun IPO. He says KLX IPO is in progress with moats on performance, software/hardware integration, compatible with different models and good feedback. (1) In 2Q, KLX continued to demonstrate strong business momentum, with demand remaining robust and broadening across industries. (2) KLX further extended its coverage in 2Q to include newer versions of major Chinese foundation models such as Kimi K3, GLM 5.2, MiniMax M3, and Hy3. (3) It also improved inference throughput and overall compute efficiency, strengthening its ability to support diverse and demanding AI workloads at scale. (4) It continued to advance a clearly defined product roadmap, including the latest M100 optimized for large-scale inference and the upcoming M300.

GS Markets / Macro

With a touch of distance from the screens, here's a short set of market developments that caught my eye during the past week:

1. point-to-point, it was a decent summer, and the primary bull trend remains intact. from Memorial Day through Labor Day, US equities performed fine: cap-weighted S&P +4%, equal-weighted S&P +7%. as has been the case all year, however, each month was its own distinct ecosystem. furthermore, a snapshot of index-level returns totally obscures some tumult beneath the surface of the market, as the momentum factor was properly upended. it's here I'll note that our TMT momentum pair just printed its worst two months on record (and has been halved since the highs of June).

2. looking ahead, we're entering into a stretch that is very catalyst rich: central bank binaries (could the BOJ go 50 bps; will the Fed go at all) … a midterm election cycle (which typically brings a firming of volatility over the next two months) … ongoing, if constrained, kinetic warfare in the SoH (as European gas and refined products keep pushing higher) … to say nothing of the remarkable step changes in applied innovation and historic capital markets activity.

3. as you've no doubt heard by now, September tends to be the single worst month of the year for US equities (and midterm election years are particularly iffy). regarding the near-term, here's what's coming to a macro theater near you: the UST will announce buyback sizes on Wednesday … then we get PPI on Thursday … followed by a pivotal CPI on Friday. alongside this, I'll be watching ORCL earnings on Thursday and our landmark TMT conference.

4. despite all that lies in front of us, a bright-and-shining feature of the current landscape is low implied volatility (we walked out of the office on Friday with the VIX sitting just above YTD lows). to say it again: whether it's a micro or a macro risk, whether you want to throttle up or throttle down, the cost of owning options is certainly NOT prohibitive right now.

5. when stepping back from the day-to-day noise, it's hard not to be a little contemplative about the trajectory of US debt and deficits. while these concerns have washed in and out of market focus for several years -- and there are some opposing arguments worth considering -- the fact is the underlying math has only deteriorated. now, as distinct from past occurrences -- notably the one that took place in late 2023 -- I find it interesting that the current episode has NOT seen a marked increase in interest rate volatility. in the end, I come out here where I came out on the prior point: collect some cheap convexity when the market offers it to you.

6. on the Fed: however you choose to characterize what was said over the past two weeks, the core of the committee appears to be highly data dependent, which suggests this week's news will seal the decision for next week. away from the will-they-or-won't-they obsession with September FOMC, the bigger question for stock operators to confront is whether a sustained hiking campaign is set to unfold or not. to be sure, the house view is the Fed will be sitting on their hands for a while longer.

7. on Iran: a seemingly unsustainable situation … sustains.   recent weeks have seen elements of escalation, yet the boundaries seem fairly well defined. on one hand, if you were to simply observe the price of TTF (+150% YTD), time is still very much the enemy. with that said, this surprised me: accounting for dark crossings, total oil exports through the Persian Gulf are running at 15-16mm bpd, which is about 2/3 of where things stood before the war (link). furthermore, whether you agree with it or not, the pattern of fact is this: stocks more or less moved on from Iran as a primary variable at the end of March.

8. speaking of things that surprised me, Q2 saw $99bn of fundraising for private credit strategies, which is a record high (link).

9. speaking of out-of-consensus developments: heading into last week, the software sector had outperformed NDX for five straight weeks, which was the best streak in the COVID / post-COVID era (and today sits only 12% from the highs). the profound shift in recent months has not only been a challenging of the hypothesis that software is a guaranteed AI loser, but there's now an argument that certain companies will be selective, structural AI winners (notably in the security space). once again, 2026 has proved that humility and open-mindedness are virtues in a world that's moving so exceedingly fast.

10. 2026 has also demonstrated the value of managers who can move their feet well. it's here I'll note that fundamental long/short hedge funds are up 14% YTD. another example: systematic long/short funds are up 17% YTD, and just recorded their best month of the year (link). given the tumult in the momentum factor, I find hedge fund performance to be notably impressive. furthermore, given the continued loss of insurance value from the bond market, I'd argue that hedge funds offer critical ballast to a portfolio of risky assets.

11. Japan. amidst all the bump-and-grind of recent months -- and contemplation of a 50 bps hike, a clip size that's been unthinkable in the past 45 years -- TPX is up 12 of the past 13 sessions. I continue to find price action in the banks to be as interesting as any sector on planet Earth (witness the recent breakout to levels not seen since 1996).