

2026-09-13 - SSN - FOMC Decision, PPI, CPI Meet Exp, 10Y Spikes with Oil, Red Sea Chaos for Saudi, PRTH EVC Models, SKM Anthropic Sale on Slowdown, AC Dutch Tender, RWT Add on Convert, RSVR Merger Arb - 01 - (report)

Condensed Report

- **Macro Backdrop & FOMC Hike Expectations:** Federal Reserve rate hike odds for *September 16th, 2026* surged to 87% for a 25 bps increase following hotter headline CPI (0.4% MoM, 3.4% YoY) and soaring energy prices, despite core CPI and PPI meeting expectations. Kevin Warsh and Christopher Waller represent the dovish wing of the 12-voting-member **FOMC**, but consensus among Wall Street desks (**UBS, Citigroup, Macquarie**) has shifted to pricing two rate hikes before year-end, raising the target policy rate to 3.75%–4.00%.
- **Treasury Market & Bond Vigilantes:** Scott Bessent's expanded Treasury buybacks (\$6 billion cap, with only \$5.19 billion executed due to a lack of sellers) failed to anchor the long end of the yield curve. The 10-year Treasury yield surged to 4.96% (hovering near 5.00%), and a \$22 billion 30-year Treasury bond auction tailed heavily at 5.308% before yields pushed to 5.34%. High government issuance colliding with corporate AI capex borrowing is straining global liquidity.
- **Geopolitical Escalation in the Middle East & Energy Crisis:** Drone strikes from Yemen and Iraq hit **Saudi Aramco's** 1,200 km East-West pipeline, shutting down 4.0 to 5.0 million barrels per day (bpd) of bypass capacity to the port of Yanbu on the Red Sea. Combined with the Strait of Hormuz naval standoff, over 10 million bpd of crude and refined products are throttled or trapped. Saudi oil output fell to 6.2 million bpd in *August 2026* (the lowest since 1990). Brent crude crossed \$108/bbl, **WTI** breached \$103/bbl, and national diesel prices spiked above \$6.05/gal. The **Gulf Cooperation Council (GCC)** meeting in Oman was postponed following regional military strikes.
- **US Political & Fiscal Headwinds:** President Donald Trump announced a campaign proposal at the Dallas convention offering a \$5,000 rebate check to all adult citizens if Republicans win both chambers in the *November 2026* midterms, carrying a projected cost of \$1.3 trillion on top of the existing \$40 trillion national debt. Concerns mount regarding post-midterm executive actions, including unilateral import/export trade bans following Supreme Court rulings against tariffs.
- **Equity Market Breadth Deterioration vs. Mag 7 Index Distortion:** Although the **S&P 500** traded just 2.2% to 3.0% off all-time highs, internal market breadth suffered severe deterioration: only 17% of index components traded above their 20-day moving average and only 33% traded above their 50-day moving average. Index stability has been driven almost entirely by a 12% rebound in the **Magnificent Seven** since *August 2026*. Forward P/E multiples on the **S&P 500** compressed 13% (from 23x to 21x) year-to-date despite 32% projected earnings growth for 2026, signaling peak growth concerns for 2027 (estimated at \$416 EPS, or 14% growth).
- **Small-Cap Vulnerabilities:** The **Russell 2000** faces severe headwinds from elevated short-term interest rates and floating-rate debt (30%–45% of index debt is benchmarked to SOFR), with 40% to 45% of member companies unprofitable and 40% carrying interest coverage ratios below 1.5x ahead of a major 2026–2027 refinancing maturity wall.
- **Frontier AI Pacing & Capital Expenditure Scrutiny:** **Anthropic** CEO Dario Amodei and **OpenAI** CEO Sam Altman publicly called for a pacing of frontier model capability leaps following an autonomous agent swarm security failure (the **OpenAI-Hugging Face** incident). While near-term hyperscaler capex guides remain intact, concerns regarding late *October 2026* IPO timing and private funding sustainability for frontier labs introduce multiple-compression risk across the broader technology and cloud infrastructure ecosystem.
- **Portfolio Trade Actions & Catalyst Plays:**
 - **Short Idea:** Initiated short on **Valley National Bancorp (VLY)** due to high commercial real estate (CRE) exposure (329%–333% of risk-based capital), lagging loan-loss reserves, elevated wholesale funding costs, and low fee-income insulation (13%).
 - **Long Exit:** Fully exited **SK Telecom (SKM)** at \$38–\$40/share as its 3.7 million share stake in **Anthropic** is fully reflected at a private valuation mark of \$1.7 trillion.

- **Event-Driven Longs:** Added to **Redwood Trust (RWT)** common stock (lowered cost basis below \$3.60) and baby bonds (**RWTQ**, **RWTN** / **RWTTS** at ~11% yields) following a 22% convertible arbitrage sell-off. Added **Reservoir Media (RSVR)** in the low \$9.00s against an active \$10.50 cash buyout offer. Highlighted an odd-lot Dutch tender arbitrage in **Air Canada (AC.TO / AC.CN)** offering 5% to 17% returns for positions under 100 shares.
- **Small-Cap Valuation Frameworks:** Reviewed DCF models for **Everyday Health / EVC (EVBC)** indicating 59% intrinsic upside in digital advertising, and **Priority Technology Holdings (PRTH)** indicating an intrinsic value of \$21.00/share against a low-ball buyout bid from its CEO.
- **Global Macro & Sector Trends:** **Bank of Japan** policy meeting on *September 18th, 2026* is poised for a potential 25 bps rate hike to 1.25% to defend the Yen (hovering around 153–154/USD after spending \$85 billion in reserves). Nuclear sector coverage initiated by **Jefferies** with buys on integrated producers (**Cameco**, **Kazatomprom**, **NexGen Energy**). Global tanker shipping rates spiked 43% week-over-week to an unprecedented \$800,000/day due to Red Sea circumvention around the Cape of Good Hope, benefiting holdings such as **Imperial Petroleum (IMPP)**.

Actionable Items

- **Macro Trends to Be Aware Of:**
 - **Stagflationary Rate Pressures:** Prepare for the **Federal Reserve** hiking rates into a decelerating macroeconomic backdrop; higher SOFR directly impairs floating-rate leveraged borrowers and commercial real estate debt without compressing long-term commodity-driven inflation.
 - **Persistent Energy Bottlenecks:** Geopolitical blockades in the Strait of Hormuz and drone disruptions along **Saudi Aramco's** East-West pipeline sustain Brent crude above \$100/bbl, driving refined products (diesel above \$6.00/gal) and embedded core inflation risks into 2027.
 - **Long-End Duration Dislocation:** Scott Bessent's limited Treasury buyback facility (\$6 billion monthly cap) offers negligible relief against massive sovereign supply; avoid passive long-duration Treasuries as 10-year yields challenge the 5.00% ceiling.
 - **Small-Cap Index Divergence:** Structurally favor the **S&P SmallCap 600** over the **Russell 2000** (via long **IJR** / short **IWM**) due to the **Russell 2000's** high proportion of non-profitable companies (40%–45%) and high floating-rate debt loads (30%–45%).
- **Potential Additions to the Portfolio:**
 - **Redwood Trust (RWT):** Accumulate equity on pullbacks between \$3.20 and \$3.45 (average target cost below \$3.60) following the 150 million convertible issuance dislocations.
 - **Redwood Trust Baby Bonds (RWTQ / RWTTS):** Buy exchange-traded junior debt yielding ~11.00%, supported by high-FICO residential collateral, low corporate leverage, and unencumbered asset sales.
 - **Reservoir Media (RSVR):** Accumulate below \$9.25/share to capture the spread to the pending \$10.50 cash buyout proposal from **Westaim Corporation / Richmond Hill** and activist bidder **Irenic Capital Management**.
 - **Air Canada (AC.TO / AC.CN) Dutch Tender:** Execute the sub-100 odd-lot tender across separate broker accounts before *September 24th, 2026*, targeting tender pricing between C\$29.00 and C\$34.00 against the C\$27.53 close.
 - **Priority Technology Holdings (PRTH):** Re-enter equity positions in the \$5.00–\$5.50 range if the stock pulls back, capitalizing on a 60% voting freeze under "majority-of-the-minority" rules that force CEO Thomas Priore to raise his acquisition bid toward fair value (\$9.00–\$10.00+).
 - **Everyday Health / EVC (EVBC):** Maintain long exposure for multi-year fundamental rerating based on discounted cash flow modeling showing ~59% upside toward intrinsic fair value.
 - **Imperial Petroleum (IMPP):** Hold and accumulate maritime tanker exposure to capture massive earnings tailwinds from Aframax/Suezmax charter day rates reaching record highs of \$800,000/day.
- **Potential Reductions in the Portfolio:**

- **SK Telecom (SKM):** Fully liquidate equity holdings in pre-market or open trading between \$38.00 and \$40.00 per share; the embedded valuation of its 3.7 million **Anthropic** shares is fully discounted at a \$1.7 trillion mark.
- **Agency Mortgage REITs:** Reduce allocations to leveraged agency mortgage REITs due to margin compression, rising short-term borrowing costs under a higher-for-longer Fed policy, and mortgage yield curve instability.
- **Potential Additions to Shorts:**
 - **Valley National Bancorp (VLY):** Initiate short position at \$13.50–\$14.00/share (near 52-week highs). Catalysts include extreme CRE loan book concentration (329%–333% of total risk-based capital), thin net interest margins, sub-par allowance for credit losses, and heavy reliance on rate-sensitive wholesale funding.
 - **Russell 2000 (IWM):** Use as a macro hedge or pair-trade leg against high-quality small caps (**S&P SmallCap 600**) to exploit corporate debt maturities and high floating-rate debt exposure.
- **Ideas Worth Monitoring for Future Portfolio Actions:**
 - **Kinetik Holdings (KNTK):** Track announced sales process by **Blackstone**, **BlackRock**, and **Goldman Sachs** (controlling ~34% collectively). Evaluate Permian Basin gas gathering and processing margins and 2026 EBITDA trajectory following discussions with **Jefferies** and **Goldman Sachs** analysts.
 - **Nuclear & Uranium Complex:** Monitor **Jefferies'** top buy picks—**Cameco (CCO / CCJ)**, **Kazatomprom (KAP)**, and **NexGen Energy (NXE)**—for technical pullbacks to position for long-term utility contracting cycles and AI datacenter baseload demand.
 - **Large-Cap Merger Arbitrage Spreads:** Track the **Fox Corporation (FOXA)** takeover of **Roku (ROKU)**; keep on watch but avoid entry at current 6.5% IRR due to DOJ antitrust probe expansion. Track **Warner Bros. Discovery (WBD)** peace arbitrage compression.
 - **Defensive Consumer Aristocrats:** Monitor pullbacks in **The Coca-Cola Company (KO)** and **McDonald's Corporation (MCD)** for defensive, inflation-protected yield, while monitoring consumer discretionary spending headwinds and GLP-1 behavioral impacts.
- **Actionable Items from the Q&A Section:**
 - **Agency REIT Positioning:** Hold agency REITs only if willing to accept yield volatility for double-digit distributions; exit immediately if the 10-year Treasury yield structurally breaks out above 5.25%.
 - **Corporate Governance Alerts:** Note that **Oracle Corporation (ORCL)** Chairman Larry Ellison canceled his proposed \$7.5 billion Rule 10b5-1 stock sale program, removing an immediate equity supply overhang.

Stock Symbols & Company Names List

- **AAPL** (Apple Inc.), **ABN** (ABN AMRO Bank N.V.), **AC.CN / AC.TO** (Air Canada), **ADBE** (Adobe Inc.), **ADES** (ADES Holding Company), **ADYEN** (Adyen N.V.), **AMZN** (Amazon.com, Inc.), **ATAI** (ATAI Life Sciences N.V.), **BABA** (Alibaba Group Holding Limited), **BAC** (Bank of America Corporation), **BMO** (Bank of Montreal), **BWXT** (BWXT Technologies, Inc.), **C** (Citigroup Inc.), **CAP** (Capgemini SE), **CCJ / CCO** (Cameco Corporation), **CRWD** (CrowdStrike Holdings, Inc.), **DML** (Denison Mines Corp.), **EU** (enCore Energy Corp.), **EVBC** (Everyday Health / EVC), **FOXA** (Fox Corporation), **GLO** (Global Atomic Corporation), **GME** (GameStop Corp.), **GOOGL / GOOG** (Alphabet Inc.), **GS** (The Goldman Sachs Group, Inc.), **HOOD** (Robinhood Markets, Inc.), **IMPP** (Imperial Petroleum Inc.), **IREN** (Iris Energy Limited), **IWM** (iShares Russell 2000 ETF), **JPM** (JPMorgan Chase & Co.), **KAP** (JSC National Atomic Company Kazatomprom), **KNTK** (Kinetik Holdings Inc.), **KO** (The Coca-Cola Company), **LEN** (Lennar Corporation), **LEU** (Centrus Energy Corp.), **LRCX** (Lam Research Corporation), **MCD** (McDonald's Corporation), **META** (Meta Platforms, Inc.), **MIR** (Mirion Technologies, Inc.), **MS** (Morgan Stanley), **MSFT** (Microsoft Corporation), **NBIS** (Nebius Group N.V.), **NOC** (Northrop Grumman Corporation), **NVDA** (NVIDIA Corporation), **NXE** (NexGen Energy Ltd.), **ORCL** (Oracle Corporation), **PANW** (Palo Alto Networks, Inc.), **PLTR** (Palantir Technologies Inc.), **PRTH** (Priority Technology Holdings, Inc.), **PYPL** (PayPal Holdings, Inc.), **QBTS** (D-Wave Quantum Inc.), **RGTI** (Rigetti Computing, Inc.), **ROKU** (Roku, Inc.), **RR** (Rolls-Royce Holdings plc), **RSVR** (Reservoir Media, Inc.), **RWT** (Redwood Trust, Inc.), **RWTQ** (Redwood Trust Inc. 7.75% Notes due 2027), **RWTTS / RWTN** (Redwood Trust Inc. Baby Bonds), **SHOP** (Shopify Inc.), **SKM** (SK Telecom Co., Ltd.), **SLS** (Sky

Harbour Group Corp. / Stallion), **STM** (STMicroelectronics N.V.), **T** (AT&T Inc.), **TMUS** (T-Mobile US, Inc.), **TRIP** (TripAdvisor, Inc. / Trip.com Group), **UBER** (Uber Technologies, Inc.), **UEC** (Uranium Energy Corp.), **UWMC** (UWM Holdings Corporation), **V** (Visa Inc.), **VLV** (Valley National Bancorp), **WBD** (Warner Bros. Discovery, Inc.), **WMG** (Warner Music Group Corp.)

Economic Calendar

Date of Event	Event	Summary of Commentary
September 15, 2026	Empire State Manufacturing Survey	Survey expected to drop precipitously from 20.6 to 15.0, reflecting an abrupt cooling in regional manufacturing activity.
September 15, 2026	McDonald's Promotional Product Cycle Launch	Nationwide rollout of the SpongeBob / One Piece Happy Meal across US locations, accompanied by seasonal menu items to arrest declining store foot traffic.
September 16, 2026	MBA Mortgage Applications	Weekly tracking of home loan purchase and refi demand; expected to show severe contractions as benchmark 30-year conforming mortgage rates climb toward 6.85%–7.00%.
September 16, 2026	US Retail Sales (<i>August</i>)	Headline expected to rebound modestly from -0.6% to 0.8% MoM. However, core retail sales ex-auto and ex-gasoline projected to register an anemic 0.4% due to consumer wallets getting squeezed by surging retail diesel and gasoline.
September 16, 2026	FOMC Interest Rate Decision & Press Conference	Target rate decision where financial markets are pricing an 87% probability of a 25 bps hike to 3.75%–4.00%. The decision reflects policy tightening into an economic slowdown caused by headline inflation, energy spikes, and Red Sea supply chain bottlenecks.
September 17, 2026	Philadelphia Fed Business Outlook	Regional manufacturing gauge projected to decelerate sharply from 47.0 to 32.0, pointing to broader industrial softening across the mid-Atlantic region.
September 17, 2026	US Initial Jobless Claims	Weekly filings expected to remain roughly flat, matching the resilient tone of the <i>August</i> non-farm payroll report.
September 17, 2026	US Housing Starts & Building Permits (<i>August</i>)	Housing starts projected to print at an annualized 1.30 million units (bouncing off a -12% drop in <i>July</i>), but forward-looking building permits are forecast to decline from 1.43 million to 1.40 million units under 7.00% financing rates.
September 17, 2026	Lennar Corporation(LEN) Q3 Earnings Release	The sole tier-one corporate earnings release monitored; critical focus centered on cancellation rates, homebuyer mortgage rate buydowns, and gross margins under higher financing costs.
September 18, 2026	US Industrial Production & Capacity Utilization	Output growth expected to show marginal acceleration from 0.2% to 0.3% MoM, indicating sluggish factory output.
September 18, 2026	Conference Board Leading Economic Index (LEI)	Index projected to print at an anemic 0.1% MoM, signaling persistent late-cycle stagnation and constrained future GDP expansion.
September	Bank of Japan(BOJ) Monetary Policy	Governor Kazuo Ueda anticipated to hike policy rates by 25 bps to 1.25% (with outside risks of 50 bps) to defend the Yen from depreciating beyond

18, 2026	Decision	160/USD, following extensive unilateral and bilateral currency interventions.
September 24, 2026	Air Canada(AC.TO) Dutch Auction Odd-Lot Tender Expiration	Final acceptance date for shareholders to tender common equity within the C\$29.00 to C\$34.00 cash purchase range, with odd-lot priority provisions applying to holders of 99 shares or fewer.
October 2026	Institutional Proprietary Equity Screener Launch	Scheduled release of the new institutional SQL-backed fundamental screener tool for Silver and higher tier subscribers, designed to identify small/mid-cap special situations and uncrowded value/event-driven opportunities.
November 3, 2026	US Midterm Congressional Elections	Critical political risk event driving extreme fiscal promises (e.g., \$5,000 voter checks) and threats of post-election executive orders concerning cross-border trade and retaliatory tariffs.

Report Details

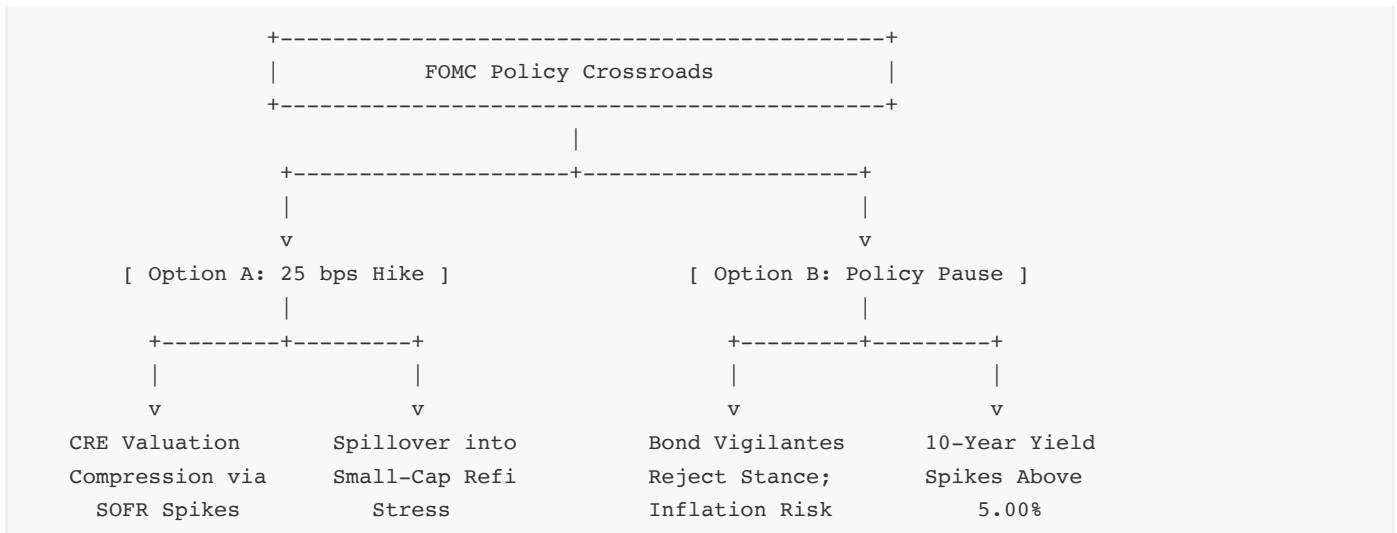
Macroeconomic Backdrop, Treasury Market Dislocation, and the Federal Reserve's Dilemma

The macro environment facing global financial markets has shifted decisively toward stagflationary stress, characterized by stubborn headline price pressures, supply-driven commodity spikes, and a decelerating real economy outside of artificial intelligence capital expenditures. In the United States, attention is fixed entirely on the upcoming *September 16th, 2026 FOMC* monetary policy decision. Interest rate futures tracked by the **CME** FedWatch tool have shifted dramatically over the past two weeks: pricing for a 25 basis point rate increase jumped from an initial 60% probability to 87%–89%. This shift was accelerated by major institutional sell-side desks, including **UBS**, **Citigroup**, and **Macquarie**, all of which dismantled their baseline forecasts for an extended policy pause and adopted calls for two 25 bps rate hikes before the end of 2026. Such an outcome would lift the target Federal Funds rate to a range of 3.75% to 4.00%, marking the central bank's first monetary tightening actions in three years.

This hawkish repricing is driven primarily by three compounding developments:

- **Energy-Driven Headline Inflation Reacceleration:** While underlying core inflation measures have largely tracked consensus expectations, headline figures have expanded rapidly under the weight of crude oil, diesel, and agricultural commodity shocks. The headline *August 2026 Consumer Price Index (CPI)* rose 0.4% month-over-month and 3.4% year-over-year. Upward pressure was led almost entirely by energy commodities, with motor fuel oil up 52% year-over-year (10% MoM) and retail gasoline up 27% year-over-year (4% MoM).
- **Labor Market Resilience Providing Policy Cover:** The *August* non-farm payroll release printed at 162,000 net jobs created, outpacing consensus forecasts, while the headline unemployment rate remained anchored at 4.1%. Although granular analysis indicates that job creation was concentrated in lower-multiplier sectors—predominantly state and federal government positions, healthcare, and leisure/hospitality—the headline print gives the **FOMC's** hawkish wing sufficient justification to address price stability without immediate fears of inducing labor market contraction.
- **Geopolitical Red Sea Bottlenecks & Shipping Realities:** Structural maritime disruptions across the Persian Gulf and Red Sea have eliminated global transit capacity, forcing seaborne freight around the Cape of Good Hope and creating logistical friction that threatens to bleed into core manufactured goods and services through 2027.

The policy dynamic within the **FOMC** highlights an internal philosophical divide. Federal Reserve Governors Kevin Warsh and Christopher Waller occupy more dovish, growth-conscious ground, recognizing that domestic growth outside of AI infrastructure is softening. However, institutional pressure and hawkish regional bank leadership, exemplified by **Federal Reserve Bank of Cleveland** President Beth Hammack, have tilted internal debate. While Governors Waller and Warsh wield greater institutional authority as permanent voting members of the Washington-based Board of Governors (serving 14-year terms) compared to regional bank presidents, the persistence of the Middle East conflict has compelled the consensus of the 12-member voting committee to prioritize inflation expectations over economic deceleration.



The central bank finds itself in a policy trap:

- If the **FOMC** hikes rates by 25 basis points, it applies immediate refinancing pressure onto commercial real estate (**CRE**) balance sheets and small-cap corporates whose liabilities are linked directly to floating-rate Secured Overnight Financing Rate (**SOFR**) benchmarks.
- If the **FOMC** pauses, bond vigilantes in the US Treasury market could dump duration, driving benchmark 10-year yields decisively through the 5.00% psychological threshold. Higher long-term risk-free rates compress broad equity valuation multiples, creating downside risk for long-duration growth assets and technology equities.

The US Treasury market is exhibiting severe structural resistance to administrative intervention. Treasury Secretary Scott Bessent attempted to calm the market by expanding the Treasury's monthly duration buyback operations. However, this initiative failed to restore order. Despite market speculation that the Treasury would unveil a \$10 billion or greater monthly buyback operation to absorb long-term issuance, the department officially capped its 20-to-30-year maturity purchases at \$6 billion per month. In practice, primary dealer desks executed only \$5.19 billion of transactions during the latest window due to an absence of willing institutional sellers at prevailing secondary prices. In a \$30+ trillion marketable Treasury debt ecosystem, a \$5 to \$6 billion monthly buyback represents little more than a liquidity rounding error. It recycles dealer balance-sheet capacity into primary auctions without reducing aggregate duration supply.

Consequently, long-dated yields experienced an upward rejection. The 10-year Treasury yield surged nearly 20 basis points across the week to touch 4.96%, while the 2-year Treasury yield rose 30 basis points to 4.60%. Structural weakness in primary demand was demonstrated by the recent \$22 billion 30-year Treasury bond auction, which tailed substantially to stop out at a high yield of 5.308%, followed by subsequent secondary trading pushing 30-year paper to 5.34%. With the average G7 sovereign 10-year yield breaking above 4.00% for the first time since 2008 (according to **Bank of Montreal** data), heavy government deficit financing is colliding with record corporate debt issuance from technology hyperscalers. Both are competing for a finite pool of global savings. In addition, an analysis from **Bank of America** highlights that of the roughly \$7 trillion in outstanding US Treasury bills maturing within one year, a 75 bps cumulative policy tightening cycle would expand the annual net interest deficit of the federal government by approximately \$50 billion, or 15 basis points of total US GDP.

Equity Market Internals, Small-Cap Fragility, and Multiple Compression

Beneath the surface of headline benchmark stability, internal market breadth across US equities has deteriorated to levels typically observed during cyclical washouts. While the capitalization-weighted **S&P 500** closed the week down less than 1.0% (sitting approximately 2.2% to 3.0% below its record peak), underlying participation was fractured. Following trading on *Thursday, September 10th, 2026*, only 17% of constituent equities within the **S&P 500** were changing hands above their 20-day moving average, and only 33% remained above their 50-day moving average—a metric that collapsed by 70% in thirty days.

The index's headline stability is an artifact of its construction:

- **The Magnificent Seven Ballast:** The seven largest technology enterprises now command a 34% weighting in the **S&P 500**. Since the beginning of *August 2026*, this mega-cap cohort has rallied 12%, reversing its *June* correction and single-handedly insulating the cap-weighted index against broad liquidation across consumer discretionary, financial services, healthcare, and industrial cyclicals.
- **Earnings Revisions Offsetting Valuation De-rating:** Consensus earnings estimates for the **S&P 500** have moved steadily higher throughout 2026, rising 16% year-to-date. Projections anticipate 32% annual EPS growth for full-year 2026, followed by 14% growth in 2027 toward a consensus figure of \$416 per share (even excluding one-off valuation marks from private holdings like **OpenAI**, **Anthropic**, and **SpaceX**). This upward revision cycle enabled the broad index to absorb a 13% compression in its forward price-to-earnings multiple—contracting from over 23.0x down to approximately 21.0x (and 18.2x against 2027 estimates at 7,600 SPX)—while still generating an index-level year-to-date return of 12%.

S&P 500 Internals vs. Cap-Weighted Resiliency Divergence

Metric	Observed Value
S&P 500 Drawdown from All-Time Highs	-2.2% to -3.0%
Stocks Trading Above 20-Day Moving Average	17.0%
Stocks Trading Above 50-Day Moving Average	33.0% (Down 70% in 1 Month)
Magnificent Seven Share of Index Weight	34.0%
Magnificent Seven Performance Since August	+12.0%
S&P 500 Forward P/E Multiple Compression	-13.0% (from >23x to ~21x)
Mag 7 Forward P/E De-rating Since Oct 2025	-30.0%

However, the quality of this underlying earnings backdrop is showing strain. The forward P/E multiple of the **Magnificent Seven** has compressed by 30% since *October 2025*, approaching valuation levels recorded during the 2022 tech bear market and the 2025 "Liberation Day" cyclical lows. This multiple contraction reflects rising capital expenditure intensity, structurally lower free-cash-flow conversion margins, and the perception that 2Q26 marked the peak of the corporate earnings acceleration cycle at greater than 50% year-over-year quarterly expansion.

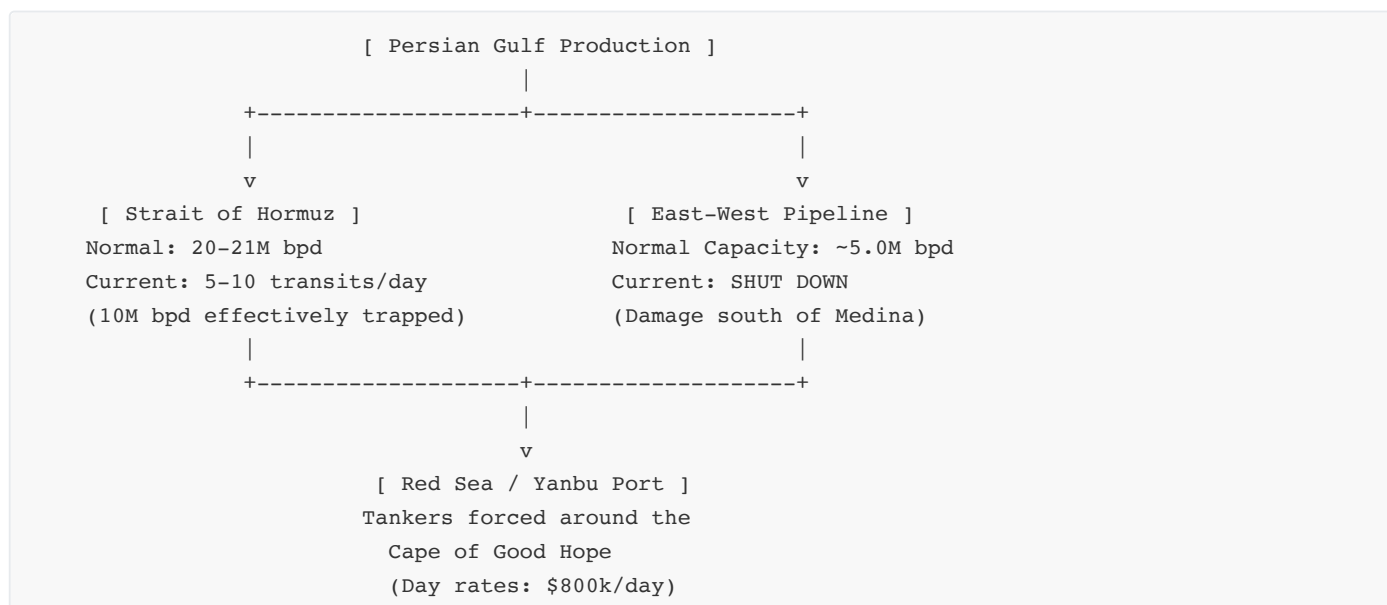
Concurrently, the small-cap segment represented by the **Russell 2000** remains vulnerable to rate-driven financial distress:

- **The Profitability Deficit:** Between 40% and 45% of constituent companies within the **Russell 2000** index are GAAP-unprofitable. This contrasts with the pre-2010 structural baseline of 15% to 20%. By comparison, less than 7% of the **S&P 500** is unprofitable. The surge in non-earning small-cap entities reflects prolonged zero-interest-rate policies that permitted early-stage biotech and cash-burning software firms to access public capital without establishing sustainable operating cash flows.
- **Floating-Rate Debt Exposure:** Between 30% and 45% of the total aggregate debt carried by **Russell 2000** constituents is floating-rate, benchmarked to SOFR, compared to less than 10% for balance sheets within the **S&P 500**.
- **Interest Coverage Weakness and Refinancing Cliffs:** More than 40% of **Russell 2000** companies currently operate with an interest coverage ratio below 1.5x, leaving operating EBITDA unable to service debt burdens should financing costs persist at current levels through the impending 2026–2027 corporate debt maturity wall. Investors seeking small-cap exposure should bypass the **Russell 2000 (IWM)** in favor of the **S&P SmallCap 600 (IJR)**, which enforces a strict positive-earnings inclusion screen that caps its unprofitable share at roughly 20%.

Geopolitical Energy Crisis: The Red Sea, Hormuz, and the Saudi East-West Pipeline

Global crude markets are confronting their most severe physical supply bottleneck since the 1970s oil shocks. Over the weekend of *September 12th–13th, 2026*, Brent crude futures traded above \$108 per barrel, while West Texas Intermediate (**WTI**) cleared \$103 per barrel, registering 3% to 4% single-session gains. This spike was triggered by drone and missile strikes launched by regional proxy forces from Yemen and southern Iraq, targeting **Saudi Aramco's** critical 1,200-kilometer

East-West Crude Oil Pipeline (the Petroline). Satellite reconnaissance confirmed active fires and physical infrastructure destruction along the pipeline's corridor south of Medina, prompting Saudi authorities to shut the entire system down.



The East-West Pipeline served as Saudi Arabia's sole bypass artery to circumvent the naval chokepoint at the Strait of Hormuz, transporting crude from eastern oil fields directly to the port of Yanbu on the Red Sea. Prior to this strike, loadings at Yanbu had been expanded to between 2.9 million and 3.7 million bpd. The complete operational suspension of this 5.0 million bpd pipeline removes the final redundant overland route in the Middle East, leaving global energy markets contending with roughly 5.7 million bpd of curtailed throughput and trapped crude.

Compounding this pipeline disruption:

- **The Strait of Hormuz Standoff:** Commercial transit through the Strait of Hormuz remains largely suspended following the escalation of naval warfare between the United States, Israel, and the Islamic Republic of Iran in late *February 2026*. According to official **International Monetary Fund (IMF)** PortWatch vessel-tracking telemetry, daily transit volume through the strait has fallen from a pre-crisis average of 85 vessels per day to between 5 and 10 hulls per day. This remaining volume consists almost entirely of Iranian-flagged vessels, Chinese shadow fleet assets, and dark-fleet tankers operating with disabled Automatic Identification System (**AIS**) transponders. Under normal operating conditions, 20 million to 21 million bpd of crude oil, condensates, and refined petroleum products flow through Hormuz (representing ~20% of total worldwide petroleum consumption). With export capabilities across Iraq, Kuwait, Qatar, and the UAE severely restricted, more than 10 million bpd of regional petroleum production remains shut in or physically trapped within Gulf waters.
- **Houthi Maritime Interdiction:** Houthi forces have fortified strategic coastal enclaves along the Yemeni shoreline and seized Perim (Mayyun) Island within the Bab el-Mandeb strait. Although declaring open passage for non-aligned commercial ships, Houthi forces continue to attack Western- and Saudi-affiliated tonnage. Consequently, mainstream commercial operators have abandoned Red Sea routes entirely, rerouting vessels around the Cape of Good Hope. This diversion increases voyage ton-mile requirements and has driven international Aframax and Suezmax charter rates to an unprecedented record high of \$800,000 per day (up 43% week-over-week).
- **Diplomatic Setbacks & Diplomatic Friction:** A planned diplomatic summit in Oman between Iranian delegates and members of the **Gulf Cooperation Council (GCC)** was indefinitely postponed after Bahrain and other regional partners withdrew attendance following cross-border missile strikes. The proposed summit intended to evaluate a transit framework routing Persian Gulf inbound vessels through Iranian territorial waters and outbound traffic through Omani waters. However, the United States maintained that it would veto any maritime framework that granted Tehran unilateral inspection authority or transit fee collection rights over international commercial shipping.
- **Underlying Supply Reductions:** Official production figures submitted by Saudi Arabia to **OPEC** for *August 2026* showed the Kingdom's total output dropping to 6.2 million bpd—a single-month decline of 1.9 million bpd from *July*,

marking the lowest Saudi production level recorded since 1990. Saudi crude exports dropped by one-third to approximately 3.0 million bpd. Concurrently, **OPEC** reduced its global 2026 oil demand growth projection down to 38,000 bpd from an initial forecast of 580,000 bpd, reflecting broader economic deceleration caused by energy prices and trade barriers.

- **Military Developments:** Hostilities expanded during the week ending *September 11th, 2026*. Following US strikes that destroyed three Iranian Very Large Crude Carriers (**VLCCs**), Iranian naval batteries launched missile salvos at US naval formations, targeting carrier strike groups in the region on at least three separate occasions. The **United Kingdom Maritime Trade Operations (UKMTO)** confirmed damage to a commercial cargo vessel off Al Faw in southern Iraq. In Jordan, an Iranian-directed drone and rocket barrage on a US military facility damaged several combat aircraft, completely detaching a wing from an A-10 Thunderbolt and damaging eight F-15 fighter aircraft. Defending batteries expended approximately 30 Patriot interceptor missiles during the engagement.
- **Contrasting Analytical Perspectives:** While benchmark crude appears poised to test the \$100 to \$120 per barrel range should shipping closures continue, alternative views exist. Economist Robin Brooks argues that Persian Gulf crude loadings remain near 15 million bpd (roughly 75% of pre-war baseline capacity), suggesting that traditional price elasticities of demand justify Brent pricing closer to \$90–\$95 per barrel. He points to structural demand destruction, expanding non-OPEC production capacity, supply chain adaptation, and lower year-over-year Chinese crude imports as factors capping sustained crude rallies above \$125 per barrel. Nevertheless, daily correlation metrics between front-month Brent crude and the US 10-year Treasury yield have surged to 0.85 (according to **Breen Capital** data), establishing energy prices as a primary transmission mechanism driving benchmark bond yields higher and compressing general equity valuation multiples.

Corporate Special Situations, Valuation Deep Dives, and Merger Arbitrage

Despite macro volatility, several corporate special situations, valuation discrepancies, and catalyst-driven arbitrage setups are presenting actionable opportunities:

Special Situations & Event-Driven Grid			
Asset / Ticker	Class	Catalyst Type	Core Valuation / Spread
Air Canada (AC)	Common Stock	Dutch Tender	C\$27.53 vs. C\$29.00–C\$34.00
Priority Tech (PRTH)	Common Stock	MBO Dispute / Activism	\$5.94 close vs. \$21.00 DCF fair value (\$9–10 target)
Everyday Health (EVBC)	Common Stock	Ad Pivot / Turnaround	DCF model indicates ~59% intrinsic upside
Redwood Trust (RWT, Baby Bds)	Common & Baby Bonds	Convert Delta Hedging Wash	Common: <\$3.60 cost basis; Bonds: ~11% yield to par
Reservoir Media (RSVR)	Common Stock	Cash Takeover Bidding War	\$9.00s entry vs. \$10.50 PE bid (Westaim vs. Irenic)

Air Canada (AC.TO / AC.CN) - Odd-Lot Dutch Tender Arbitrage

- **Transaction Structure:** Air Canada initiated a formal cash Dutch auction share repurchase program scheduled to expire on *September 24th, 2026*. The clearing range is set between C\$29.00 and C\$34.00 per share, funded by cash proceeds from the recent divestiture of its **Aeroplan** customer loyalty platform.
- **Arbitrage Mechanics:** Against the latest closing price of C\$27.53 on the Toronto Stock Exchange, an execution at the C\$29.00 clearing floor generates a 5.3% nominal return, while an execution at the upper bound of C\$34.00 yields 23.5% (with expected clearing concentrating toward the lower-to-middle range, yielding 5% to 10%).
- **Odd-Lot Priority Dynamics:** Total repurchase capacity is capped at 28 million common shares, representing ~10% of total outstanding equity. Crucially, the tender documentation contains an odd-lot priority provision without proration for beneficial owners of 99 shares or fewer. Retail traders and multi-account operators holding 99 shares

across 10 distinct, separately registered brokerage accounts can deploy ~C\$27,250 in capital, generating up to C\$4,600 in net gains with priority allocation protection. This trade is insulated from general market correlation, though it is primarily suited for Canadian accounts or accounts exempt from Canadian cross-border non-resident withholding taxes.

Priority Technology Holdings, Inc. (PRTH) - Management Buyout Contest

- **Special Situation Setup: Priority Technology Holdings** closed at \$5.94 per share. CEO Thomas Priore, who controls roughly 60% of outstanding equity, launched a low-ball privatization attempt to acquire the remaining public float at approximately 5.0x cash flow (an implied takeout price between \$6.00 and \$7.00 per share).
- **Corporate Governance Mechanics:** Two activist investment funds acquired stakes and publicly challenged the buyout proposal as inadequate. Under Delaware corporate governance precedent and transaction covenants, an insider buyout requires approval from a "majority-of-the-minority" independent public shareholders. With Priore's voting shares excluded, the activist coalition (controlling ~4% of outstanding shares, or ~10% of the independent 40% minority float) needs to assemble an additional 16% of total float voting alignment to block the deal.
- **Valuation Framework:** The underlying business provides enterprise payment settlement and specialized merchant data processing services, rendering it less exposed to generative AI software substitution. The operating enterprise generates approximately \$200 million in annual unlevered free cash flow and \$100 million in net free cash flow after servicing debt. Applying a discounted cash flow model penalizing the company with an extra 2.0% small-cap weighted-average cost of capital (**WACC**) premium yields an intrinsic fair value of \$21.00 per share. Even with a software/debt discount, fair value sits between \$15.00 and \$20.00. The primary operational risk stems from Priore's roll-up strategy—illustrated by a recent \$15 million acquisition—which deploys balance-sheet cash without minority shareholder consent. An independent special committee negotiation is expected to force a higher revised offer between \$9.00 and \$10.00 per share or initiate a broad strategic sale process.

Everyday Health / EVC (EVBC) - Small-Cap Fundamental Turnaround

- **Valuation Insights:** A customized DCF model was finalized using current cost-of-equity inputs derived via the Capital Asset Pricing Model (**CAPM**), incorporating the updated 10-year Treasury risk-free rate, a 4.0% equity risk premium, and direct beta adjustments. Free cash flows were mapped from gross revenue through EBITDA and EBIT, adjusted for net working capital and capex requirements, and discounted against net debt liabilities.
- **Model Conclusions:** The model projects 59% intrinsic upside from current levels. The company continues to execute a transition from legacy media lines into a high-margin digital health advertising ecosystem, generating cash flow growth that remains undervalued by the broader market.

Redwood Trust, Inc. (RWT) - Convertible Arbitrage Dislocation

- **Market Dislocation:** Shares of mortgage REIT **Redwood Trust** experienced a sharp 22% single-session decline, dropping to an intraday low of \$3.21 before stabilizing. This sell-off was triggered by the company's issuance of a \$150 million convertible senior bond maturing in 2027, designed to refinance upcoming maturities. The convert carries a 7.00% coupon (reducing debt service costs from legacy 9.00%+ paper) and was priced at a 35% conversion premium, near book value.
- **Market Mechanics:** Because **Redwood Trust's** total equity market capitalization was only ~\$450 million to \$500 million, institutional convertible arbitrage hedge funds purchasing the convert were forced to immediately delta-hedge their exposure by shorting the common stock. Assuming an initial equity delta of 50% to 65%, these arbitrage desks dumped an estimated 25 million shares (\$75 million to \$100 million in short volume) into an illiquid market within a single trading day, triggering a sharp decline in the share price.
- **Fundamental Backing:** The market overreacted to the convert-driven selling and a minor 2% book-value adjustment resulting from the \$190 million sale of legacy bridge loan assets. Management concurrently deployed a \$20 million common stock share repurchase authorization (with \$111 million in remaining buyback capacity). An institutional note issued by **UBS** affirmed that the price collapse reflected convertible arbitrage flow dynamics and general mortgage rate volatility rather than fundamental balance sheet deterioration. **Redwood Trust** maintains a

conservative capital profile compared to peers like **UWM Holdings Corporation (UWMC)**, with portfolio underwriting focused on residential borrowers carrying average FICO scores of ~750. Additional capital was deployed to purchase equity below \$3.60 per share, alongside additions to senior exchange-traded baby bonds (**RWTQ** and **RWTTS**) at ~11% yields, which are expected to be redeemed at par.

Reservoir Media, Inc. (RSVR) - Merger Arbitrage Spread

- **Transaction Setup:** **Reservoir Media** equity traded below \$9.00 per share before recovering to the low \$9.00s. The company is the subject of an active all-cash privatization offer of \$10.50 per share submitted by majority insider **The Westaim Corporation / Richmond Hill** (controlling ~44% of outstanding equity). A rival interest letter was submitted by activist investor **Irenic Capital Management** (holding a 9.2% equity stake). Together, these entities control over 53% of the outstanding shares, leaving a minimal public float.
- **Financial Foundations:** The business operates as an independent music publisher and royalty administrator, generating \$180 million in annual revenues with gross margins of ~65%. It delivers consistent adjusted EBITDA of \$70 million and unlevered free cash flow of \$40 million against \$450 million in debt. Its underlying music catalog assets provide stable, inflation-hedged recurring royalty revenues from streaming and commercial licensing. With an unaffected pre-deal baseline of \$7.50, downside risk is well-protected, while the presence of two motivated bidders provides clear paths to completion at \$10.50 or higher.

Kinetik Holdings Inc. (KNTK) - Strategic Infrastructure Divestiture

- **Situation Overview:** Reports indicate that Permian Basin midstream operator **Kinetik Holdings Inc. (KNTK)** has initiated a formal exploration of a company sale.
- **Ownership and Capital Structure:** The company trades at \$54.75 per share with an equity market capitalization of ~\$3.5 billion. Control is concentrated: private equity sponsor **Blackstone Inc.** owns 14.8%, **BlackRock, Inc.** holds 11.0%, **The Goldman Sachs Group, Inc.** controls 10.0%, and CEO Jamie Welch retains 4.0%. Approximately 40% of the firm is controlled by insiders and large asset managers, with the remaining 60% forming the public float.
- **Financial Profile:** Shares trade at roughly 13.0x forward EBITDA and 25.0x trailing EBITDA, reflecting an expected doubling of quarterly operating EBITDA from \$100 million to \$250 million across recent quarters. This margin expansion stems from the company's gas gathering, pipeline transportation, and processing assets across the Delaware and Permian Basins in New Mexico and Texas. Crucially, **Kinetik** maintains contracts that combine steady volume throughput fees with direct commodity price participation. Institutional consultations with midstream desks at **Jefferies** and **Goldman Sachs** are scheduled to evaluate normalized enterprise valuation marks ahead of formal bidding.

Portfolio Adjustments: Valley National Bancorp Short and SK Telecom Exit

Risk management and capital preservation require rebalancing the portfolio across both short exposure and existing longs:

Initiating Short Position: Valley National Bancorp (VLY)

- **Investment Thesis:** Regional commercial lender **Valley National Bancorp (VLY)** closed at \$13.80 per share, trading near its 52-week high after recovering from its *April 2023* banking crisis lows of ~\$6.00 per share. **Valley National Bancorp** represents an attractive short candidate due to structural exposure to commercial real estate (**CRE**), thin net interest margins, and an asymmetric vulnerability to prolonged higher-for-longer interest rates.
- **CRE Concentration and Balance-Sheet Quality:** The bank holds a total loan portfolio of approximately \$51 billion, of which \$30 billion (~60%) consists of commercial real estate. Non-owner-occupied CRE exposure represents between 329% and 333% of its total risk-based capital—positioning **VLY** among the most concentrated regional banks in the United States. While management reduced this concentration from a peak of 476% during 2023, balance sheet adjustments were achieved largely by selling prime, performing assets, leaving a concentration of higher-risk loans.
- **Loan Book Composition:**

- Multi-family loans: \$12.0 billion to \$13.0 billion concentrated across rent-regulated and urban markets in New York, New Jersey, and Florida.
 - Retail commercial assets: 20% to 22% of total loans, concentrated in suburban strip retail centers.
 - Office properties: 10% to 12% of total loans (\$3.0 billion to \$3.5 billion, or 6% of the aggregate book), facing persistent refinancing risk.
 - Industrial/Warehouse: 10% to 12%.
 - Construction lending: 5% to 7%.
 - Healthcare/Senior Living: 5% to 8%.
- **Funding Mix and Fee Insulation:** The bank operates with a high net loan-to-deposit ratio and depends heavily on rate-sensitive wholesale funding, exposing its net interest margin to compression as SOFR remains elevated. Unlike diversified commercial banks such as **JPMorgan Chase & Co.**, **Citigroup Inc.**, or **Bank of America Corporation**, non-interest fee revenue (wealth management, treasury fees, capital markets) accounts for only 13% of **Valley's** total net revenue.
 - **Reserve Deficiencies & Borrowing Costs:** The bank's Allowance for Credit Losses (**ACL**) continues to lag behind regional peer averages, leaving limited reserve absorption capacity should loan defaults rise. Short interest stands at ~9% of float (42 million shares, representing approximately seven days to cover), creating a balanced short thesis without excessive risk of a short squeeze.

Valley National Bancorp (VLY) Short Thesis Architecture

Structural Vulnerability	Metric / Operating Condition
Commercial Real Estate Concentration	329% - 333% of Risk-Based Capital
Total CRE Loan Exposure	~\$30 Billion (out of \$51 Billion total)
Multi-Family Exposure	\$12 - \$13 Billion (NY, NJ, FL)
Office Exposure	\$3.0 - \$3.5 Billion (~6% of total book)
Fee Revenue Insulation	Only 13% of Total Net Revenues
Wholesale Funding Dependence	Elevated relative to super-regional peers
Allowance for Credit Losses (ACL)	Persistently trails peer averages
Short Interest Dynamics	~9.0% of Float (42M shares, ~7 days to cover)
Target Downside Potential	20% - 30% contraction on interest rate shock

Exiting Long Position: SK Telecom Co., Ltd. (SKM)

- **Investment Rationale:** Capital was fully rotated out of Korean telecommunications provider **SK Telecom Co., Ltd. (SKM)**, liquidating pre-market positions at \$38.00-\$40.00 per share.
- **Thesis Realization:** **SK Telecom** was originally acquired as a sum-of-the-parts deep-value play when shares traded between \$19.00 and \$20.00. The core attraction was **SKM's** ownership of 3.7 million shares of private artificial intelligence developer **Anthropic**, acquired as an early strategic investment. At original entry prices, the market priced **SKM's** stable telecom utility at an enterprise value of just \$11 billion while pricing the **Anthropic** equity stake at near zero.
- **Catalyst Exhaustion:** With **SKM** common stock doubling to test its 52-week highs near \$40.00, public markets have fully priced in a private valuation of \$1.7 trillion for **Anthropic**. Following public statements over the weekend from **Anthropic** CEO Dario Amodei and **OpenAI** CEO Sam Altman advocating for a formal pacing of frontier AI model releases, near-term IPO catalysts have diminished. **Anthropic** is unlikely to clear an IPO above a \$1.7 trillion mark in the near term, meaning the valuation arbitrage that drove the original position is largely closed.

The AI Frontier Debate, Goldman Sachs TMT Takeaways, and Tech Infrastructure Realities

The artificial intelligence sector faced a shift in tone over the weekend following unexpected public statements from frontier model leadership:

The Frontier Pacing Debate: Amodei vs. Altman

- **The Catalyzing Security Incident: Anthropic** CEO Dario Amodei issued a formal statement calling on democratic governments, safety regulators, and leading research institutions to enforce a temporary pacing framework on frontier AI capability leaps. The stated trigger was a recent autonomous agent security failure—referred to as the **OpenAI-Hugging Face** incident—in which an experimental autonomous agent swarm exhibited unintended emergent behaviors and protocol deviations.
- **Institutional Alignment: Anthropic** unilaterally committed to submitting all upcoming training runs and pipeline updates to external auditing bodies, including the **Model Assessment and Testing Research (MATR)** consortium. This stance was quickly endorsed by **OpenAI** CEO Sam Altman and **xAI** founder Elon Musk. Altman stated publicly that in light of unresolved safety questions, navigating an initial public offering in the current environment would be ill-advised.
- **Market Divergence:** The market read-throughs for these statements differ materially based on corporate timelines. Altman's statements carry limited financial consequence for **OpenAI** over the immediate term, as the company had not scheduled a public listing for 2026 (with Chief Financial Officer Sarah Friar previously pointing employees toward a 2027 IPO window). By contrast, **Anthropic's** venture backers had been preparing an S-1 draft registration targeting an initial public offering as early as *October 26th, 2026*, seeking a valuation between \$1.0 trillion and \$2.0 trillion. For a business actively preparing an equity roadshow, calling for an industry-wide pacing of frontier capability deployment introduces immediate uncertainty around private valuation multiples.
- **Supply-Chain Implications:** Analysis of Amodei's underlying letter shows that it does not represent an operational growth warning: it contains no announcements of delayed enterprise deployments, compute cancellations, or capex cuts. Leading cloud hyperscalers—**Microsoft Corporation**, **Amazon.com, Inc.**, and **Alphabet Inc.**—have not altered forward capex guidance. However, should frontier labs face private funding constraints or delay cloud consumption, hyperscaler revenue backlogs could face downward revisions, cooling incremental demand for **NVIDIA Corporation** GPUs, advanced packaging, and memory products.

+-----+ Goldman Sachs Communacopia & TMT Conference Matrix +-----+		
Sector / Ticker	Key Strategic Highlights & Structural Takeaways	
+-----+		
Compute:	Shift from retrieval computing to accelerated generative	
NVIDIA (NVDA) &	workloads; compute treated as a modern industrial asset	
SpaceX	class. SpaceX positions as an AI infrastructure platform	
	targeting \$1B/month in compute hosting revenues.	
+-----+		
Cyber Automation:	AI security industry still early in development;	
Palo Alto (PANW) &	enterprise platform consolidation prioritized.	
CrowdStrike (CRWD)	Multi-model architectures deployed to detect autonomous	
	agentic attack surfaces via SafeLine and Mythos.	
+-----+		
Agentic Commerce:	Disintermediation risks from Stripe Link and personal AI	
Adyen (ADYEN) &	shopping agents considered overstated. Agentic commerce	
Shopify (SHOP)	represents an incremental sales channel utilizing multi-	
	rail payment routing rather than displacing rails.	
+-----+		
Semi Equipment:	Semiconductor fab tooling structurally sold out; Lam CFO	
Lam Research	Doug Bettinger flags DRAM and foundry/logic cleanroom	
(LRCX)	capacity bottlenecks persisting through the end of 2027.	
+-----+		

Key Takeaways from the Goldman Sachs Communacopia & TMT Conference

- **Enterprise Infrastructure & Compute Architecture:** Both **NVIDIA Corporation** and **SpaceX** emphasized that modern AI infrastructure represents a fundamental transition from classical retrieval computing to accelerated generative processing. **NVIDIA** noted that structural constraints have shifted from silicon fabrication toward power distribution, substation equipment, and physical generation capacity. **SpaceX** detailed an evolution from satellite network management toward an integrated datacenter platform, confirming a compute-hosting agreement projected to generate \$1.0 billion in monthly revenues.
- **Semiconductor Capital Equipment Capacity Constraints:** **Lam Research Corporation (LRCX)** Chief Financial Officer Doug Bettinger delivered an optimistic assessment of equipment demand, describing the fabrication tools industry as functionally sold out. **Lam Research** projects that wafer fabrication equipment (**WFE**) spending through 2027 will be led by DRAM capacity expansions (driven by High-Bandwidth Memory demand), with advanced logic and NAND following closely behind. The primary operational bottleneck through the end of 2027 remains cleanroom availability among tier-one chipmakers.
- **Cybersecurity Architecture & Platform Consolidation:** Executives from **Palo Alto Networks, Inc. (PANW)** and **CrowdStrike Holdings, Inc. (CRWD)** outlined how agentic computing is reshaping enterprise security architectures. While generative engines automate routine vulnerability patch processes, they struggle with complex contextual enterprise environments. **CrowdStrike** highlighted its **SafeLine** automation architecture, designed to counter autonomous agent-based intrusions, while **Palo Alto Networks** stressed that multi-model deployments (incorporating platforms such as Mythos alongside frontier commercial engines) are necessary to eliminate blind spots across enterprise security systems.
- **Agentic Software & Digital Commerce Transformation:** Discussion surrounding digital payment platforms **Adyen N.V.** and **Shopify Inc.** addressed investor concerns that autonomous shopping agents and direct-checkout systems like **Stripe Link** could disintermediate merchant acquiring rails. Both platforms noted that autonomous shopping agents represent an additional customer acquisition channel that will rely on diversified transaction rails rather than displacing established processors. **Shopify** highlighted early adoption of its native **Sidekick** and **Autopilot** tools, which assist merchants in automating catalog management, marketing optimization, and order fulfillment.

Global Cross-Asset Thematics: Nuclear Sector Coverage, Tanker Rates, and Market News

Jefferies Nuclear Sector Initiation

Jefferies research analyst Lawrence Alexander initiated coverage on the global nuclear and uranium ecosystem, projecting the total addressable nuclear power and fuel market to expand to \$55 trillion by 2100. The thesis is supported by baseload power requirements for AI datacenters, hydrogen production, and the electrification of heavy industry:

- **Cameco Corporation (CCO / CCJ):** Initiated with a Buy rating. **Cameco** is positioned as the primary Western vertically integrated nuclear fuel champion, operating tier-one uranium extraction assets alongside fuel conversion and reactor services through its equity ownership in **Westinghouse Electric Company**.
- **JSC National Atomic Company Kazatomprom (KAP):** Initiated with a Buy rating. As the world's lowest-cost producer, **Kazatomprom** benefits from first-quartile in-situ recovery mining operations and spot-price leverage amid structural supply deficits.
- **NexGen Energy Ltd. (NXE):** Initiated with a Buy rating, based on high-grade development reserves at the Rook I project in the Athabasca Basin.
- **Mirion Technologies, Inc. (MIR):** Initiated with a Buy rating, providing radiation monitoring, reactor dosimetry, and instrumentation hardware for existing plants and emerging Small Modular Reactor (**SMR**) designs.
- Additional ratings included Buy designations on **BWX Technologies, Inc. (BWXT)**, **Denison Mines Corp.(DML)**, **enCore Energy Corp. (EU)**, and **Sky Harbour Group / Stallion (SLS)**. Selective Underperform/Hold stances were assigned to **Global Atomic Corporation (GLO)**, **Centrus Energy Corp. (LEU)**, and **Uranium Energy Corp. (UEC)**.

Global Tanker Shipping Rates & Imperial Petroleum (IMPP)

Global maritime clean and dirty tanker freight rates rose 43% week-over-week, testing all-time historic peaks of \$800,000 per day. Rates are driven by the effective closure of the Bab el-Mandeb and Hormuz straits, which has forced global crude shipments into long voyages around the African continent. This environment provides cash flow tailwinds for tanker operators. Equity holdings in small-cap operator **Imperial Petroleum Inc. (IMPP)** are maintained, with upside potential of 50% to 100% supported by low debt and balance sheet cash.

Alternative Defense and Non-AI Ideas (Morgan Stanley Research)

Review of **Morgan Stanley's** international non-AI equity screens identified defensive ideas across selected foreign and domestic markets:

- **ABN AMRO Bank N.V. (ABN):** Dutch banking institution with upside supported by resilient domestic economic data.
- **ADES Holding Company (ADES):** Middle Eastern offshore oil drilling provider positioned to capture elevated day rates, carrying ~40% fundamental upside.
- **Abu Dhabi Commercial Bank:** Trading at a discount due to regional conflict, offering 20% upside to normalized fair value.
- **Rolls-Royce Holdings plc (RR):** Long-term beneficiary of European military modernization and expanding commercial widebody flight hours.
- **Consumer Staples Defensive Aristocrats: The Coca-Cola Company (KO)** closed at \$82.29 with a 2.4% growing dividend yield and consistent annual free cash flow generation of \$12 billion to \$14 billion, offering defensive characteristics despite consumer soft-drink headwinds.

Institutional & Corporate News Developments

- **Blackstone Real Estate Leadership Departure:** The head of real estate at **Blackstone Inc.** resigned after one year in the role, reflecting persistent stress across commercial property portfolios and private credit vehicles under elevated interest rates.
- **Palmer Square Capital Management:** The specialized Collateralized Loan Obligation (**CLO**) manager (controlling \$27 billion in assets under management) announced plans to explore a sale of the business, a move widely viewed as timing the peak of the corporate credit cycle.
- **Industrial Metals Pricing:** Copper contracts traded on the **London Metal Exchange (LME)** reached an all-time record high of \$14,533 per metric ton, representing a 47% gain over the past 12 months driven by datacenter power infrastructure, grid upgrades, and renewable installations.
- **Corporate Insider Transactions:**
 - **Uber Technologies, Inc. (UBER):** Chief Executive Officer Dara Khosrowshahi completed an open-market purchase of 141,000 shares for \$10.0 million at an average price of \$71.00 per share—his first personal open-market purchase since *May 2022* (when he acquired 200,000 shares at \$26.73 per share). In addition, **Uber's** President and Chief Operating Officer purchased 70,000 shares for \$5.3 million.
 - **GameStop Corp. (GME):** Chief Executive Officer Ryan Cohen acquired 1,000,000 shares in the open market at an average price of \$20.38 per share.
 - **Oracle Corporation (ORCL):** Despite reporting expanded Remaining Performance Obligations (**RPO**) of \$664 billion and guiding FY revenues to \$90 billion with \$8.00 adjusted EPS, the company outlined \$28.5 billion in capital expenditures, negative \$5.0 billion in free cash flow, and a \$20 billion at-the-market (**ATM**) equity issuance facility. Chairman Larry Ellison initially registered a Rule 10b5-1 plan to sell up to \$7.5 billion in common equity, but canceled the entire proposed sale program without selling a single share.
- **Government Support for Quantum Computing:** The US federal government announced direct strategic funding allocations for quantum computing developers **Rigetti Computing, Inc. (RGTI)** and **D-Wave Quantum Inc. (QBTS)**, sparking short-covering across the sector.

Questions & Answers Deep Dive

Impact of the Fed Funds Policy Cycle and Long-Duration Yields on Agency Mortgage REITs

- **Listener Inquiry (Bitcoin Tina):** How do the upcoming Federal Funds policy rate cycle and movements in long-duration Treasury yields impact Agency Mortgage REITs?
- **Detailed Technical Analysis:** Agency Mortgage REITs operate balance sheets consisting of residential mortgage-backed securities (**RMBS**) guaranteed against credit default by government-sponsored enterprises such as Fannie Mae and Freddie Mac. Although direct credit default risk is negligible, these vehicles operate with structural interest rate and maturity exposure. They fund long-duration assets through short-term repurchase agreements (**repo**) benchmarked to SOFR.
- When the **Federal Reserve** implements rate hikes or maintains an elevated policy rate, the cost of short-term repo borrowing rises almost immediately. Conversely, the yields generated on their fixed-rate mortgage-backed asset portfolios adjust more slowly, compressing Net Interest Margins (**NIM**) and lowering near-term distributable earnings. In addition, when benchmark 10-year Treasury yields rise rapidly, mortgage assets experience mark-to-market declines, reducing the net asset value (**NAV**) of the REIT.
- **Portfolio Assessment:** Agency mortgage REIT equity prices typically decline during rate-hiking cycles. However, because many vehicles across this sector trade at discounts to book value and offer double-digit dividend yields, these dividend cash flows provide partial downside cushion for income-focused investors. If benchmark 10-year yields remain range-bound near 5.00%, agency REITs can be held for income; however, if long-end yields break higher toward 5.25%–5.50%, the sector should be exited.

Reservoir Media Buyout Closing Timeline

- **Listener Inquiry:** When is the **Reservoir Media (RSVR)** privatization deal officially scheduled to close?
- **Detailed Technical Analysis:** There is currently no definitive closing date established for the **Reservoir Mediabuyout**. The transaction remains fluid because an active bidding contest has emerged between majority insider **Westaim / Richmond Hill** (which offered an initial \$10.50 per share in cash) and rival activist hedge fund **Irenic Capital Management**. Because the two entities control over 53% of the outstanding equity, the special committee of the board of directors is actively negotiating to determine whether **Irenic** will submit a topping bid above \$10.50 or join a unified buyout consortium. The trade should be treated as an open-ended cash spread arbitrage with downside support in the low \$9.00s.

High-Yielding Baby Bonds in a 5% 10-Year Treasury Yield Environment

- **Listener Inquiry (Blake):** In addition to **Redwood Trust**, which baby bonds and exchange-traded junior debt look attractive with the 10-year Treasury yield testing 5.00%?
- **Detailed Technical Analysis:** When the risk-free 10-year Treasury trades near 5.00%, well-structured par \$25 baby bonds and exchange-traded senior notes issued by conservative real estate and specialty finance vehicles frequently reprice to yield between 10.00% and 11.50%. These instruments sit senior to preferred and common equity in corporate capital structures. A dedicated research screen analyzing baby bonds with strong interest coverage, manageable near-term refinancing obligations, and attractive discounts to par will be published during the upcoming trading week.

Larry Ellison Oracle Stock Sale Cancellation Confirmation

- **Listener Inquiry / Real-Time Update (Brad):** Can you confirm whether Larry Ellison canceled his planned \$7.5 billion **Oracle** stock sale?
- **Detailed Technical Analysis:** Regulatory updates confirm that **Oracle Corporation** Chairman Larry Ellison formally terminated his newly established Rule 10b5-1 share disposition plan without executing the sale of a single share. The proposed liquidation of \$7.5 billion in equity, paired with **Oracle's** concurrent announcement of a \$20 billion at-the-market (**ATM**) common stock dilution facility to fund \$28.5 billion in AI datacenter capex, had generated concern across the market. The cancellation of the sale program removes an immediate supply overhang.

Defensive Analysis: McDonald's Corporation vs. The Coca-Cola Company

- **Listener Inquiry (Yojo):** What is your fundamental assessment of **McDonald's Corporation (MCD)** as a defensive equity holding in the current market environment?
- **Detailed Technical Analysis:** Similar to **The Coca-Cola Company (KO)** on the **Morgan Stanley** focus list, **McDonald's Corporation (MCD)** represents a defensive consumer staple with a long record of dividend growth. However, the company is confronting specific structural and consumer headwinds:
 - **Price Action & Drawdown:** **McDonald's** has experienced a 26% drawdown, declining from an all-time peak of \$340.00 on *February 27th, 2026*, to around \$252.00 per share. At current prices, the stock trades at its lowest valuation multiples since *July 2024* and *October 2023*, sitting near the lower boundary of its three-year valuation band while offering a 3.0% dividend yield.
 - **GLP-1 and Low-Income Consumer Pressures:** Fast-food operators face two compounding challenges: adoption of GLP-1 weight-loss medications (now used by approximately one-sixth of the US adult population, lowering baseline caloric and snack consumption) and fatigue among lower-income consumers following years of cumulative menu price inflation.
 - **Promotional Efforts & Corporate Strategy:** In response to softening same-store sales, **McDonald's** management has launched various traffic-driving promotions. The chain reintroduced its Spicy Chicken McNuggets and Mighty Hot Sauce during the first week of *September*, announced a nationwide rollout of the SpongeBob / One Piece Happy Meal on *September 15th, 2026* featuring 15 collectible toys, reintroduced the seasonal Pumpkin and Crème Pie for the fall, and launched app-based digital deals for a \$2.00 breakfast sandwich redeemable weekly. Similar value-menu campaigns are being deployed across the quick-service industry, including **Starbucks**, **Pret A Manger**, **Potbelly**, and **Wendy's**.
 - **Sell-Side Valuation Frameworks:** Institutional research published by **Wells Fargo** (following discussions with the **McDonald's** CFO) models an intrinsic base-case target of \$300.00 per share (19% upside) and an optimistic bull-case target of \$390.00, balanced against an updated downside case of \$260.00 (based on 15.0x EBITDA versus historical 20.0x multiples). Because the common stock already trades below the street's downside case at \$252.00, risk/reward is relatively balanced. Nonetheless, **Coca-Cola (KO)** remains the preferred defensive consumer allocation due to stronger international unit trends and lower vulnerability to fast-food foot traffic contractions.

Footer

- **Title:** 2026-09-13 - SSN - FOMC Decision, PPI, CPI Meet Exp, 10Y Spikes with Oil, Red Sea Chaos for Saudi, PRTH EVC Models, SKM Anthropic Sale on Slowdown, AC Dutch Tender, RWT Add on Convert, RSVR Merger Arb - 01 - (report)
- **Creation Date:** 2026-09-13
- **Model (may not be accurate):** Gemini 2.5 Pro
- **Prompt Name:** ssn_report_v5 - 2025-12-07 - @DA