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Newsletter for Week Ending 8/7/26

Youtube Channel

Scientists Theorize Existence Of Movie Not Starring Zendaya

WNBA Coaches Stumped As To What The 'W' Stands For

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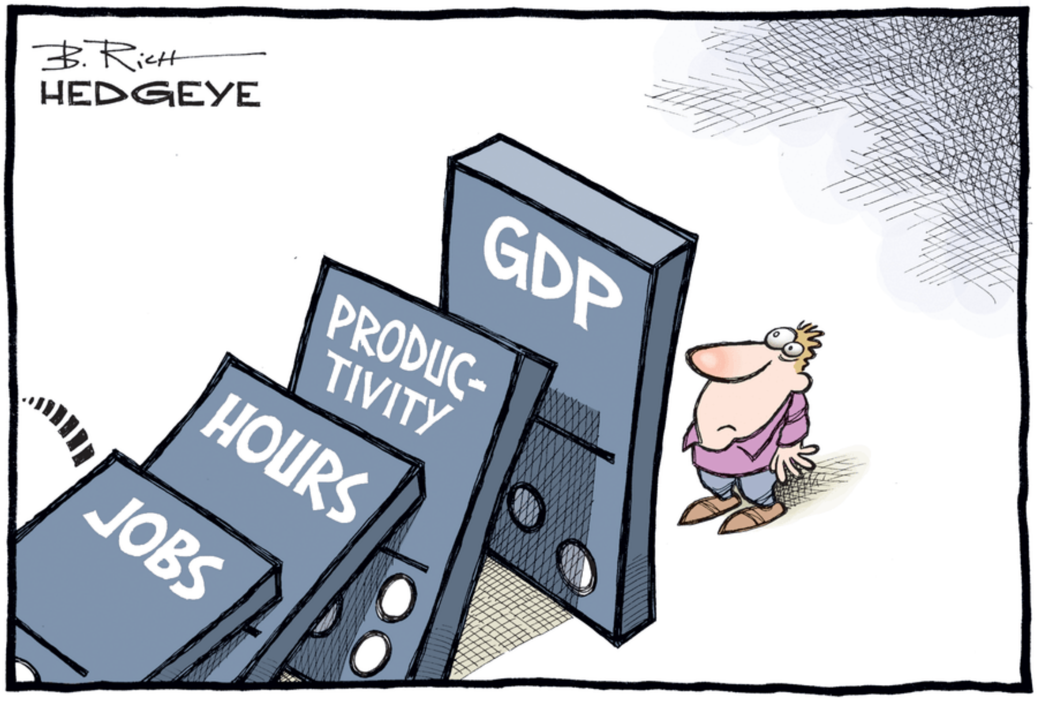

Disclaimer: I am not a financial advisor, and do not make any recommendations on what to buy or sell.

The information offered here is for educational purposes only and does not constitute financial, legal or professional advice. NO ONE, including me, has any idea what the market will do.

Each person must determine their own risk profile, trading/investing style and take responsibility for any trades they make. Always do your own research and due diligence before making any investment decisions.

Past performance does not guarantee future results!

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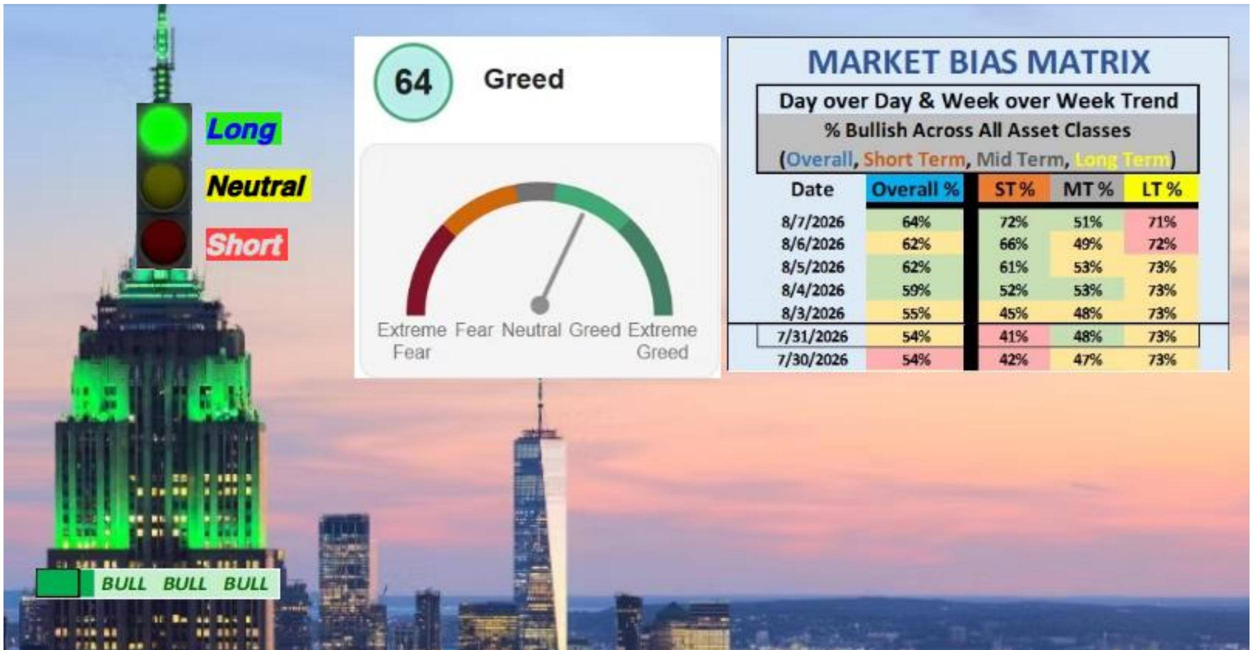
Most of the charts shown in this newsletter are courtesy of StockCharts.com and can be found on the website shown at the top of the page. Here is a link to the StockCharts.com pricing and if you sign up, I would appreciate if you used my email as a referral (danbyrd@comcast.net)

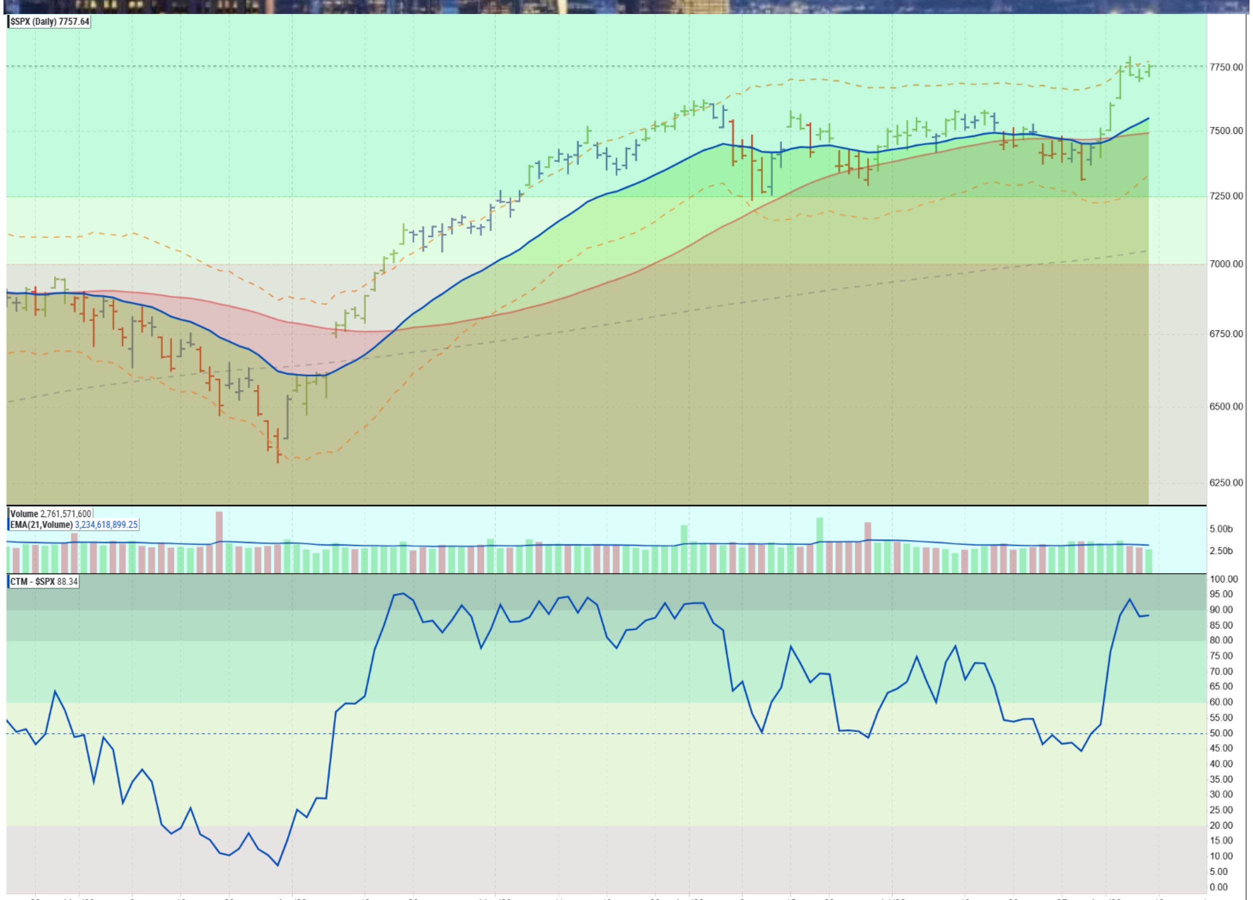
Service Levels, Data Plans and Pricing | StockCharts.com



MARKET BIAS MATRIX

Day over Day & Week over Week Trend
% Bullish Across All Asset Classes
(Overall, Short Term, Mid Term, Long Term)

Date	Overall %	ST %	MT %	LT %
8/7/2026	64%	72%	51%	71%
8/6/2026	62%	66%	49%	72%
8/5/2026	62%	61%	53%	73%
8/4/2026	59%	52%	53%	73%
8/3/2026	55%	45%	48%	73%
7/31/2026	54%	41%	48%	73%
7/30/2026	54%	42%	47%	73%



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Economic Calendar for Last Week:

Time	Cur.	Event	Imp.	Actual	Forecast	Previous
		Monday, August 3, 2026				
09:45	US	S&P Global Manufacturing PMI (Jul)	★★★	53.9	53.8	53.9
10:00	US	ISM Manufacturing PMI (Jul)	★★★	55.6	54.0	53.3
10:00	US	ISM Manufacturing Prices (Jul)	★★★	71.1	70.0	73.0
		Tuesday, August 4, 2026				
10:00	US	JOLTS Job Openings (Jun)	★★★	7.359M	7.440M	7.537M
		Wednesday, August 5, 2026				
08:15	US	ADP Nonfarm Employment Change (Jul)	★★★	44K	68K	95K
09:45	US	S&P Global Services PMI (Jul)	★★★	54.6	53.6	51.2
10:00	US	ISM Non-Manufacturing Prices (Jul)	★★★	70.3	65.0	67.7
10:00	US	ISM Non-Manufacturing PMI (Jul)	★★★	54.1	54.5	54.0
10:30	US	Crude Oil Inventories	★★★	2.479M	-1.500M	-7.167M
16:30	US	U.S. President Trump Speaks	★★★			
		Thursday, August 6, 2026				
08:30	US	Initial Jobless Claims	★★★	199K	203K	198K
		Friday, August 7, 2026				
08:30	US	Average Hourly Earnings (MoM) (Jul)	★★★	0.1%	0.3%	0.3%
08:30	US	Nonfarm Payrolls (Jul)	★★★	-23K	85K	20K
08:30	US	Unemployment Rate (Jul)	★★★	4.1%	4.2%	4.2%

Economic Calendar for Next Week:

Time	Cur.	Event	Imp.	Actual	Forecast	Previous
		Tuesday, August 11, 2026				
10:00	US	Existing Home Sales (Jul)	★★★		4.06M	4.09M
		Wednesday, August 12, 2026				
08:30	US	CPI (YoY) (Jul)	★★★		3.4%	3.5%
08:30	US	CPI (MoM) (Jul)	★★★		0.1%	-0.4%
08:30	US	Core CPI (MoM) (Jul)	★★★		0.2%	0.0%
10:30	US	Crude Oil Inventories	★★★			2.479M
13:00	US	10-Year Note Auction	★★★			4.580%
		Thursday, August 13, 2026				
08:30	US	PPI (MoM) (Jul)	★★★		0.2%	-0.3%
08:30	US	Initial Jobless Claims	★★★			199K
13:00	US	30-Year Bond Auction	★★★			5.058%
		Friday, August 14, 2026				
08:30	US	Core Retail Sales (MoM) (Jul)	★★★		0.2%	-0.2%
08:30	US	Retail Sales (MoM) (Jul)	★★★		0.2%	0.2%

Good news – the unemployment rate fell to 4.1%, primarily due to a lower participation rate

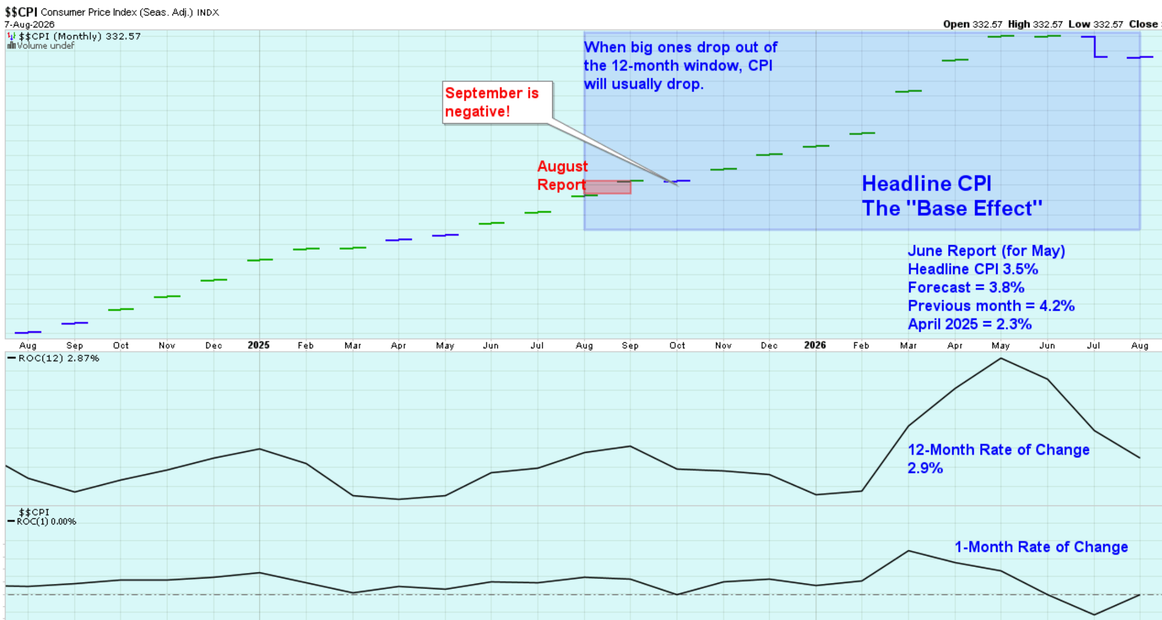
Bad news – the number of jobs came in negative, the first data point before a weaker GDP

Next week is inflation, and as you can see above, the forecast is for another lower reading. I think that might prove to be inaccurate as you will see below and the CPI number could come in slightly higher.

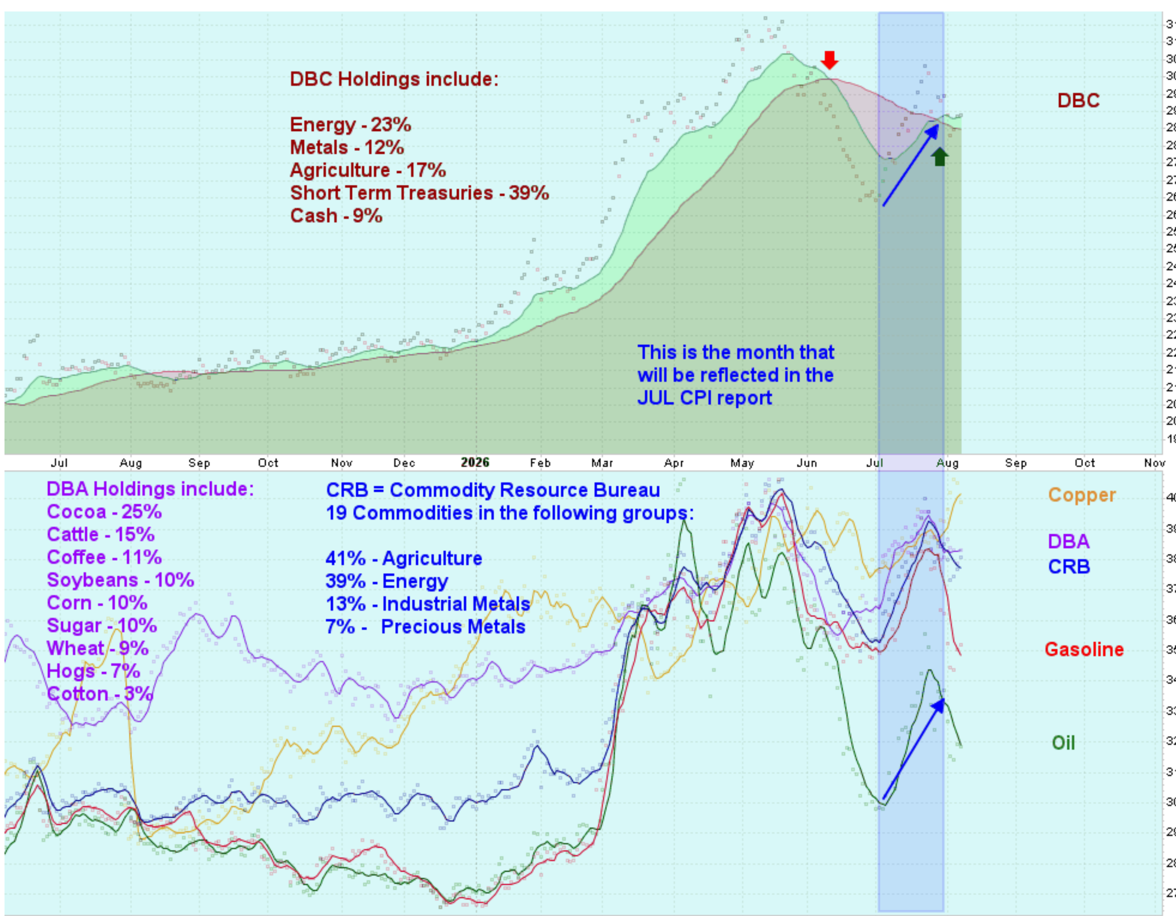
But next month may see a much higher inflation reading, just before the next Fed meeting.

What will Warsh do?

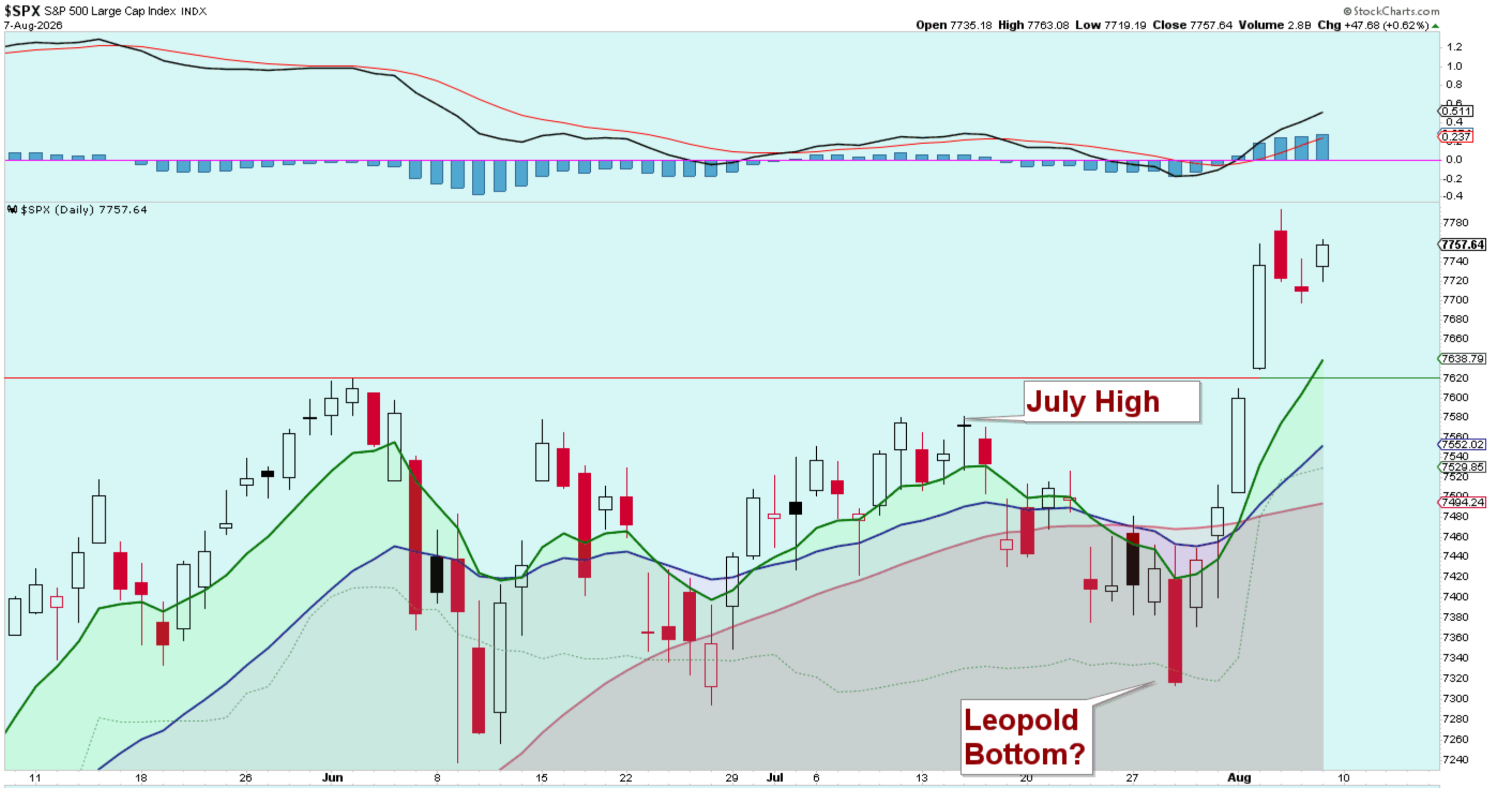
Here is the current "Base Effect". You can see that a normal size one will drop off in next week's report. This usually translates to a flat or slightly lower CPI, all things being equal.



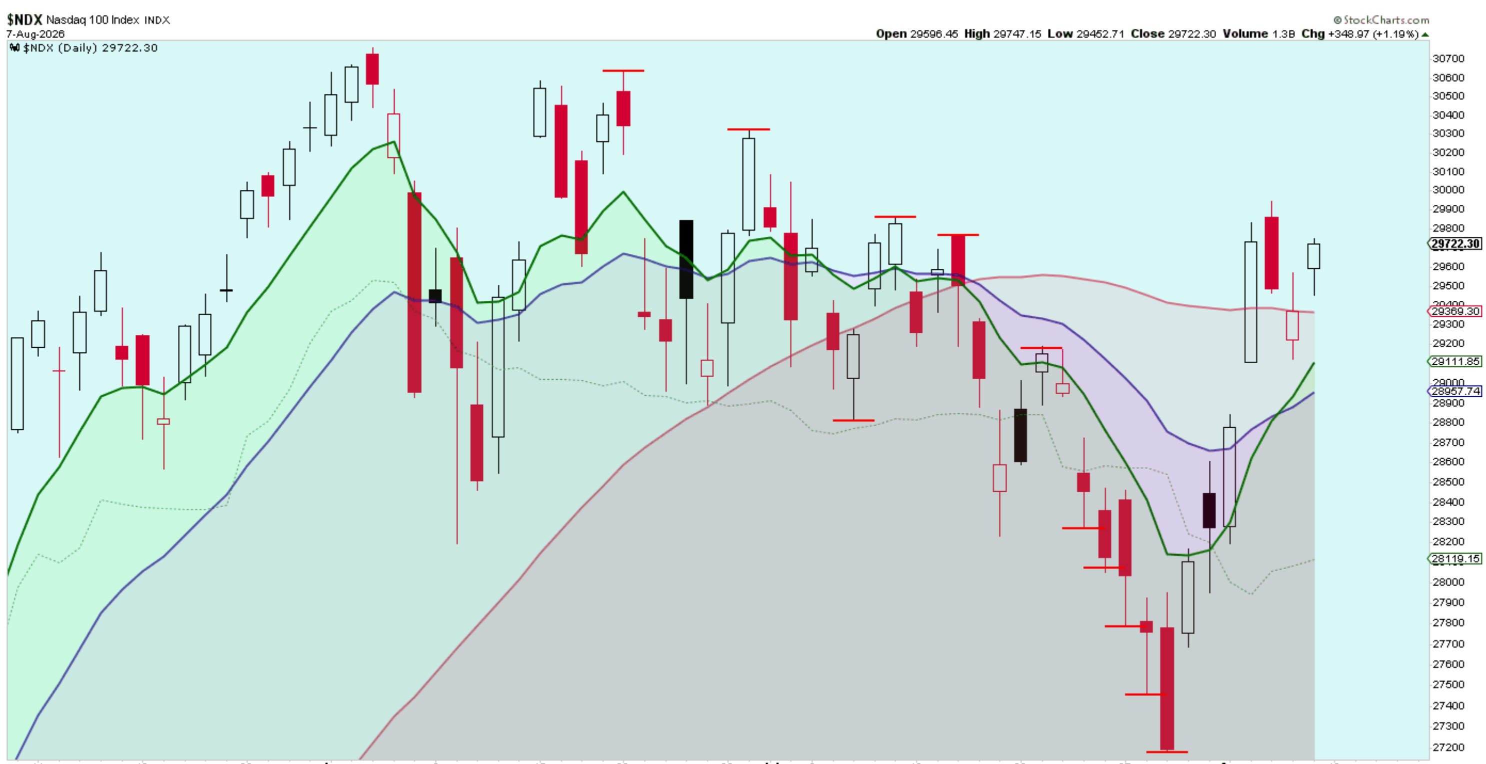
But look at commodities, especially Oil. While it has pulled back recently, for the month of July that the CPI will report on, it went much higher. I think this could result in a slightly HIGHER inflation reading on Wednesday.



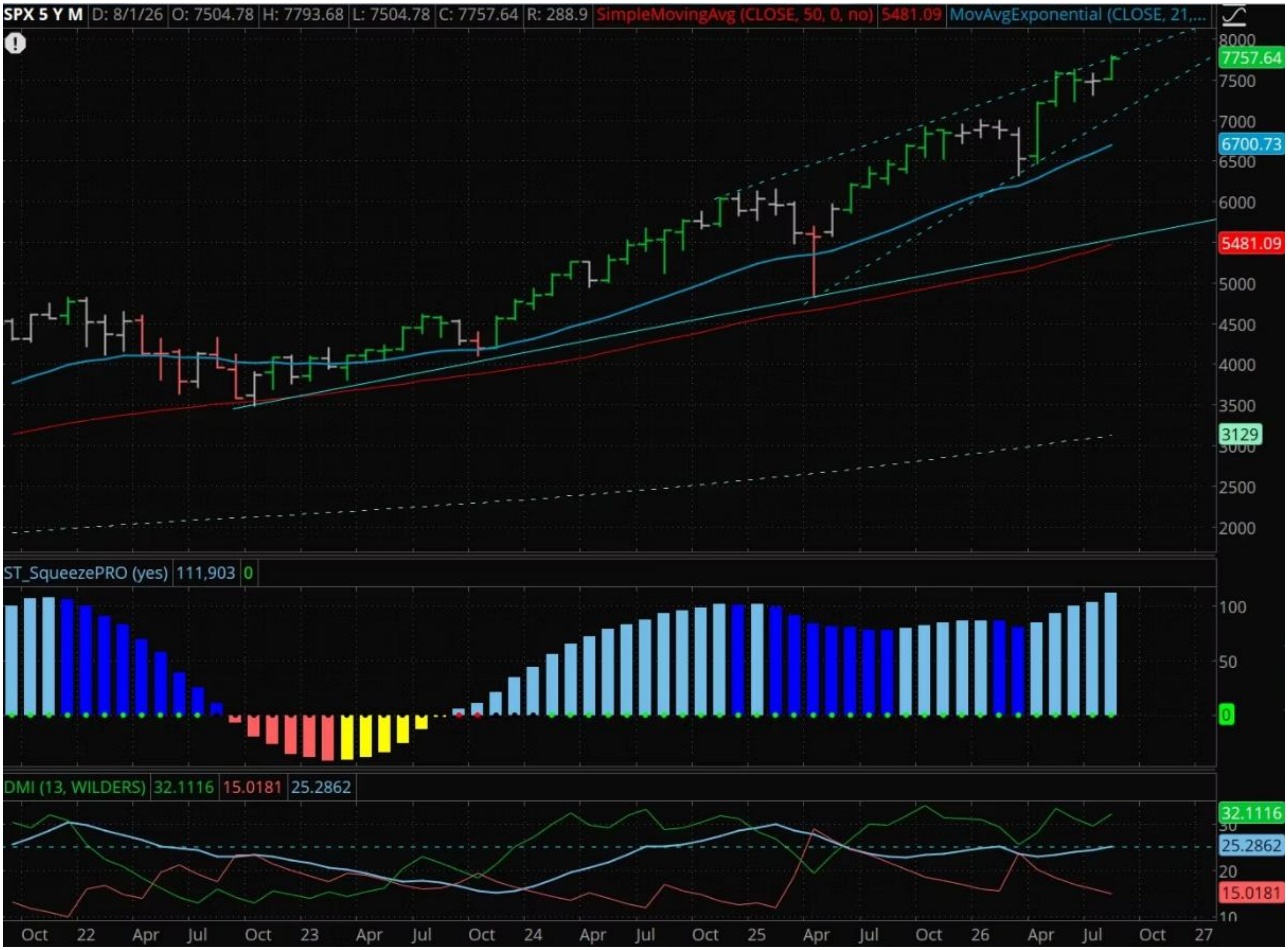
After the July High on 7/15, the market sold off until Leopold's Situational Awareness hedge fund lost $35 Billion in about 3 weeks. That looks like the bottom and then we roared to new all time highs where the S&P is now consolidating.



The technology heavy NDX is the laggard but also had an impressive move last week.



Stepping back and looking at a monthly chart of the SPX you can see just how bullish things are. After a Red monthly bar in April, it has stayed well above the 21 MA and is right at the top of the upward wedge. Wedges like this often break to the downside, but since this is a Monthly chart, that could still be next year. And look at the momentum bars in the 2nd panel, they continue to accelerate.



The ADX line in the bottom is also very bullish with the Green (Bulls) Line staying above the Red (Bears) line.

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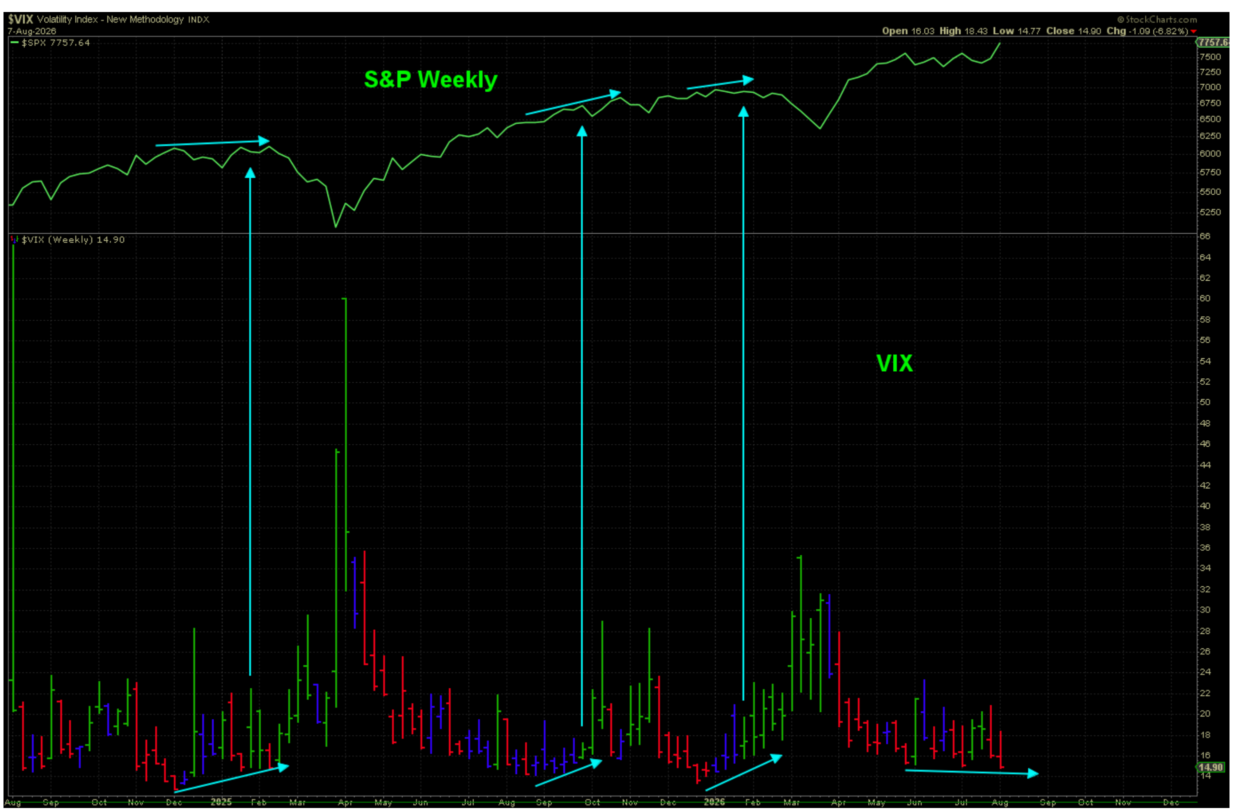
And the VIX (Fear Index) remains ridiculously low at less than 15!

When the VIX starts moving higher AND there is a Green Bar, a pullback comes soon after, neither of those are there right now.



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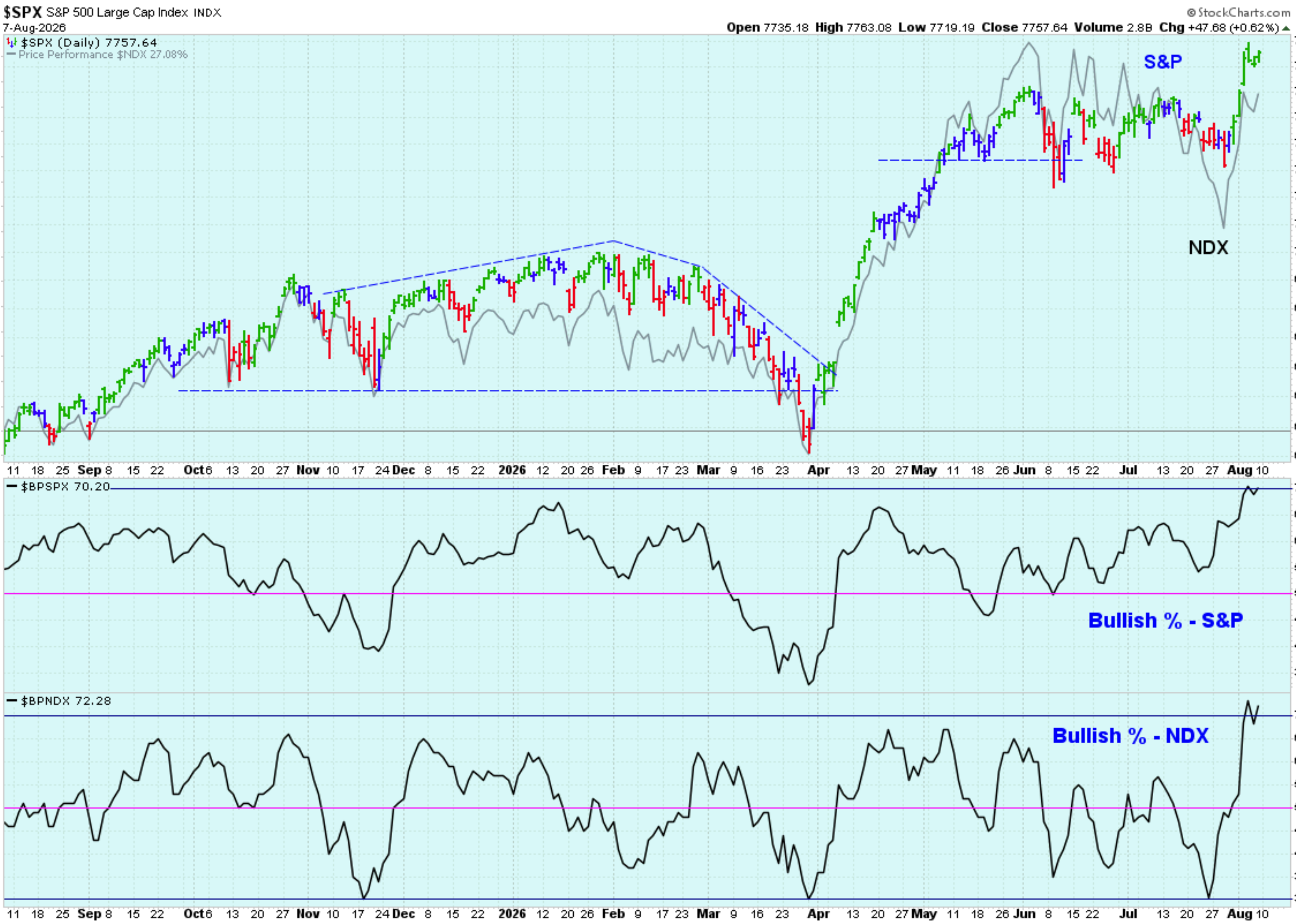
The Bullish % Index, which shows the % of stocks with bullish configurations, is above 70% for both the S&P and NDX. While tops sometimes form at these levels, it is still a very bullish trend.



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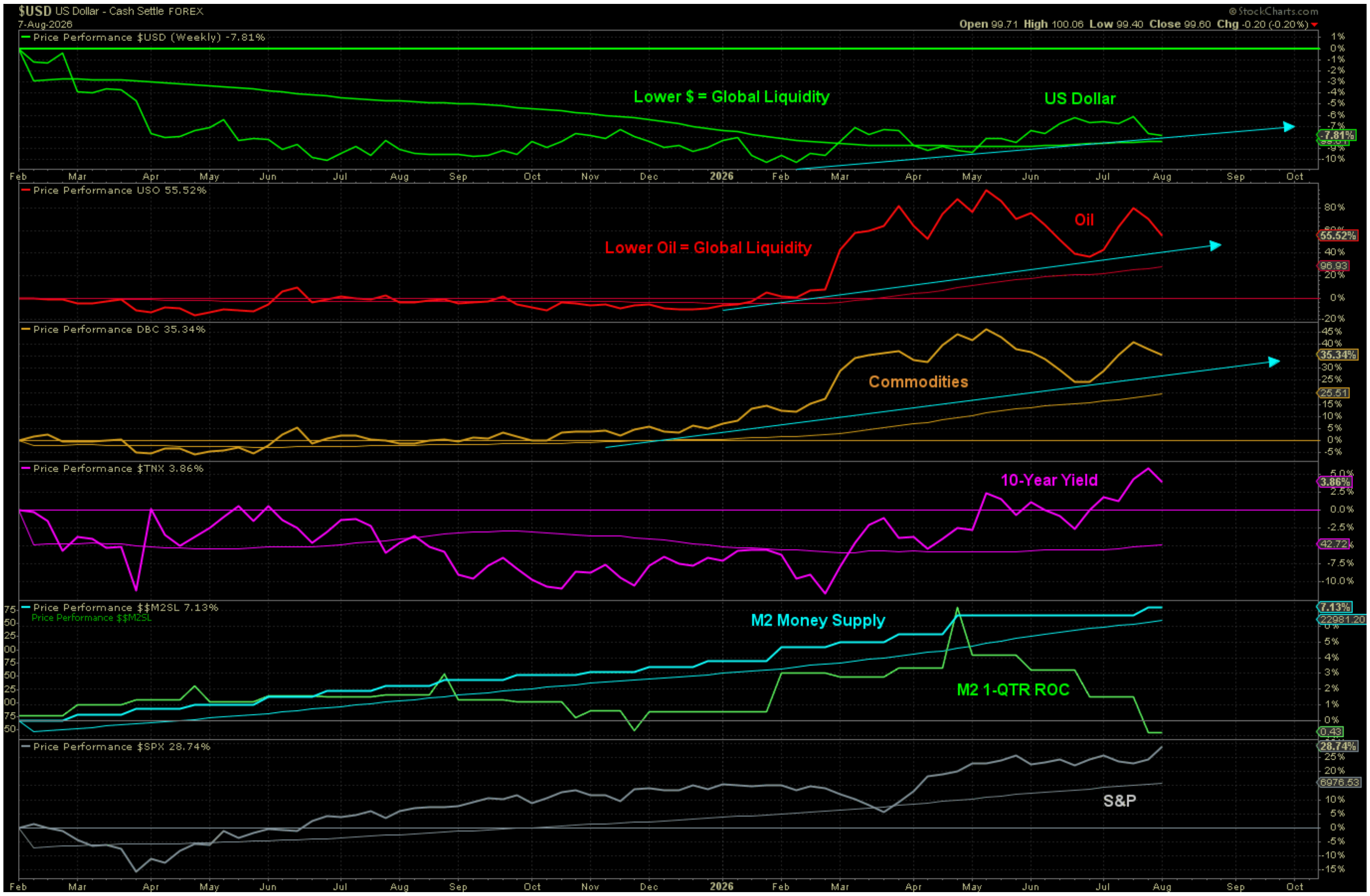
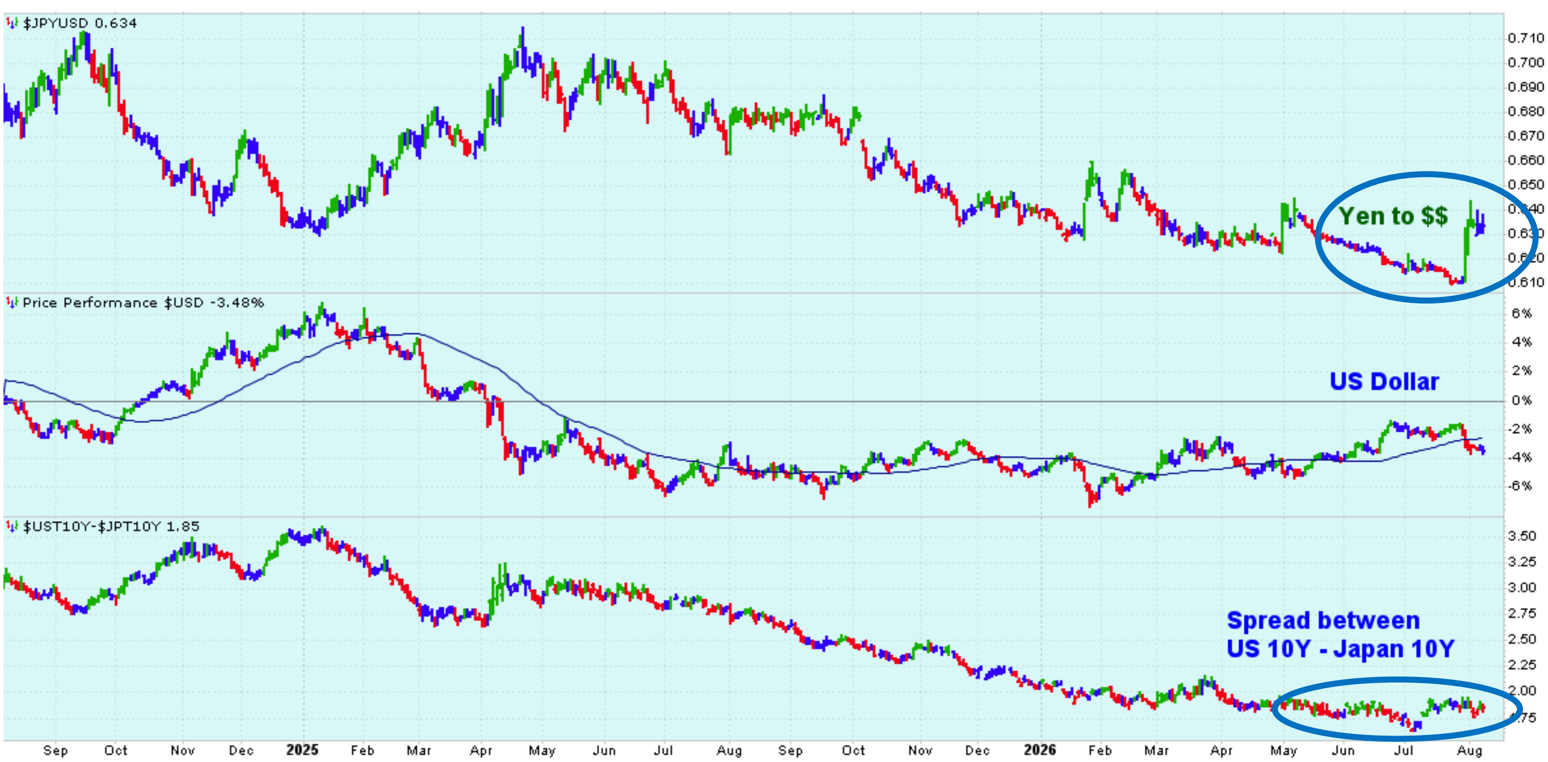
Key indicators:



Recent efforts to save the Yen may be only temporary.



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Weekly Performance:

NAME	LAST	CHG	% CHG	+/-
CHAT - Roundhill Generative AI & Technology ETF	89.11	+7.15	+8.72%	
IGV - iShares Expanded Tech-Software Sector ETF	102.69	+8.11	+8.57%	
SMH - VanEck Semiconductor ETF	582.70	+42.17	+7.80%	
VGT - Vanguard Information Technology ETF	121.45	+8.30	+7.34%	
GLD - SPDR Gold Shares	398.47	+26.93	+7.25%	
XLK - Technology Select Sector SPDR Fund	187.97	+12.62	+7.20%	
XBI - SPDR S&P Biotech ETF	157.37	+10.36	+7.05%	
XHB - SPDR S&P Homebuilders ETF	110.80	+7.11	+6.86%	
QQQ - Invesco QQQ Trust	723.03	+35.04	+5.09%	
MAGS - Roundhill Big Tech ETF	69.14	+3.18	+4.82%	
$OEX - S&P 100 Index	3,839.04	+148.06	+4.01%	
IWM - iShares Russell 2000 ETF	301.56	+10.36	+3.56%	
SPY - SPDR S&P 500 ETF	773.26	+26.23	+3.51%	
$MID - S&P 400 Mid Cap Index	3,885.57	+126.93	+3.38%	
MTUM - iShares MSCI USA Momentum Factor ETF	309.32	+9.73	+3.25%	
DTCR - Global X Data Center & Digital Infrastructure ETF	28.31	+0.87	+3.17%	
DIA - SPDR Dow Jones Industrial Average ETF	539.62	+15.30	+2.92%	
$SML - S&P 600 Small Cap Index	1,811.16	+42.60	+2.41%	
XLF - Financial Select Sector SPDR Fund	57.60	+0.66	+1.16%	
XRT - SPDR S&P Retail ETF	90.82	+1.04	+1.16%	
TLT - iShares 20+ Year Treasury Bond ETF	82.76	+0.84	+1.03%	
DBA - Invesco DB Agriculture Fund	27.62	+0.11	+0.40%	
$USD - US Dollar - Cash Settle	99.60	-0.20	-0.20%	
$TNX - CBOE 10-Year US Treasury Yield	46.60	-0.85	-1.79%	
DBC - Invesco DB Commodity Index Tracking Fund	28.91	-0.54	-1.83%	
XLE - Energy Select Sector SPDR Fund	57.50	-2.05	-3.44%	
$BRENT - Brent Crude Oil - Spot	82.19	-5.74	-6.53%	
$VIX - Volatility Index - New Methodology	14.90	-1.09	-6.82%	

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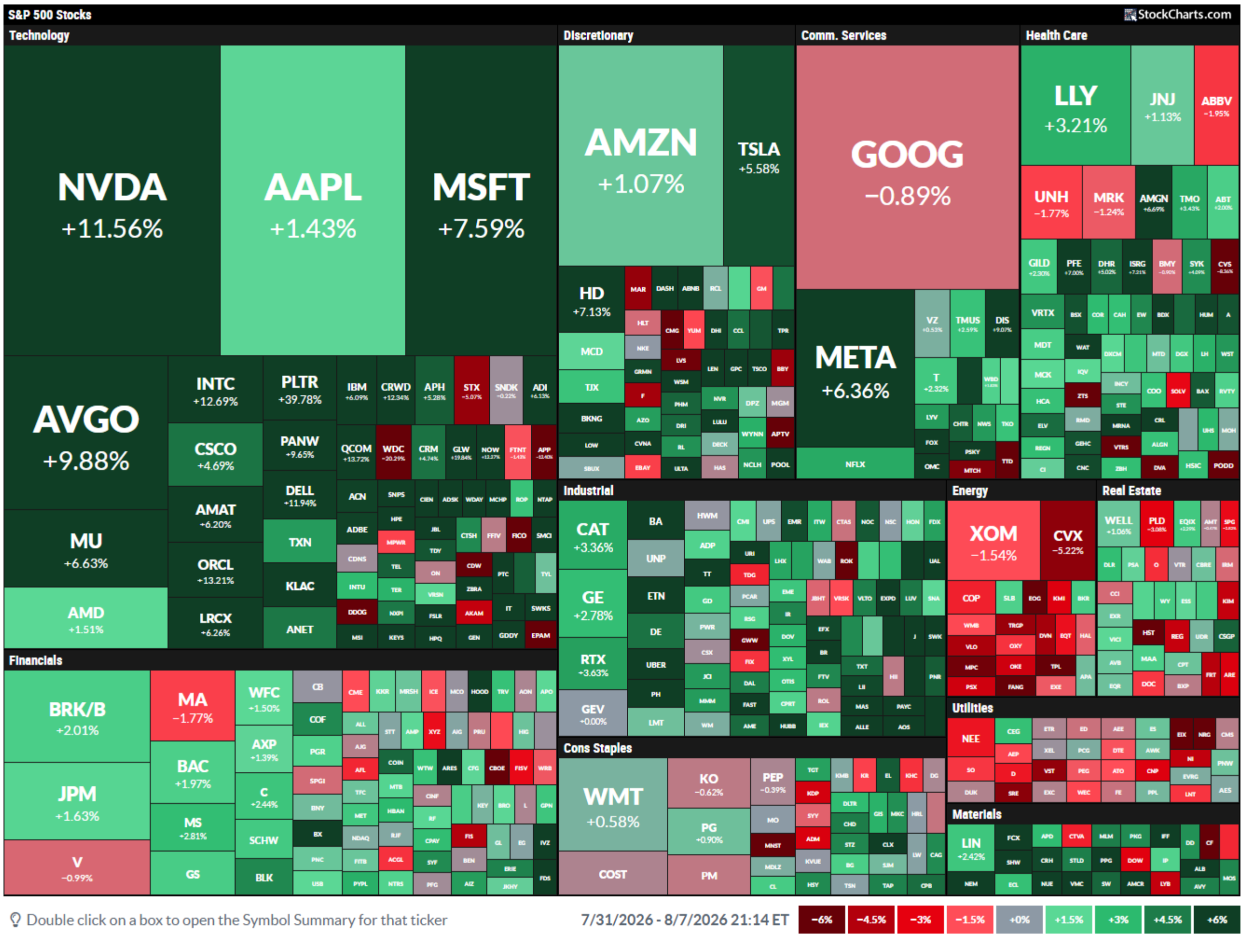

SYMBOL	VALUE
PLTR Palantir	+39.78%
PAYC Paycom Soft...	+31.09%
ZBRA Zebra Tech	+28.14%
IT Gartner Gro...	+22.90%
NEM Newmont	+20.56%
GLW Corning	+19.84%
LDOS Leidos Holdi...	+19.01%
FSLR First Solar	+18.49%
ABNB Airbnb	+17.52%
PSKY Paramount ...	+15.45%
CRL Charles River	+15.04%
MCHP Microchip T...	+14.00%
QCOM QUALCOMM	+13.72%
CVNA Carvana	+13.61%
SWKS Skyworks S...	+13.39%
ORCL Oracle	+13.21%
INTC	+12.69%

TIMEFRAME

One Week | Columns | Send Daily Report | Send Weekly Report | Search Table

NAME	LAST	CHG	% CHG	+/-	DATE
z4 GLD - SPDR Gold Shares	398.47	+26.93	+7.25%		08-07, 16:00
Aggressive - 01 - XLK - Technology Select Sector SPDR Fund	187.97	+12.62	+7.20%		08-07, 16:00
z2 $NDX - Nasdaq 100 Index	29,722.30	+1,448.11	+5.12%		08-07, 16:15
Defensive - 10 - XLB - Materials Select Sector SPDR Fund	52.86	+2.43	+4.82%		08-07, 16:00
z1 $SPX - S&P 500 Large Cap Index	7,757.64	+267.92	+3.58%		08-07, 16:15
z3 IWM - iShares Russell 2000 ETF	301.56	+10.36	+3.56%		08-07, 16:00
z5 $BTCUSD - Bitcoin to US Dollar	64,950.65	+2,120.22	+3.37%		08-07, 20:15
Aggressive - 03 - XLY - Consumer Discretionary Select Sector SPDR Fund	119.86	+3.77	+3.25%		08-07, 16:00
Aggressive - 05 - XLI - Industrial Select Sector SPDR Fund	185.18	+5.34	+2.97%		08-07, 16:00
Aggressive - 02 - XLC - Communication Services Select Sector SPDR Fund	111.25	+3.01	+2.78%		08-07, 16:00
Defensive - 09 - XLV - Health Care Select Sector SPDR Fund	165.68	+3.13	+1.93%		08-07, 16:00
Aggressive - 04 - XLF - Financial Select Sector SPDR Fund	57.60	+0.66	+1.16%		08-07, 16:00
Defensive - 06 - XLP - Consumer Staples Select Sector SPDR Fund	85.12	+0.07	+0.08%		08-07, 16:00
Defensive - 08 - XLRE - Real Estate Select Sector SPDR Fund	44.98	-0.09	-0.20%		08-07, 16:00
Defensive - 07 - XLU - Utilities Select Sector SPDR Fund	43.61	-0.74	-1.67%		08-07, 16:00
Defensive - 11 - XLE - Energy Select Sector SPDR Fund	57.48	-2.07	-3.48%		08-07, 16:00

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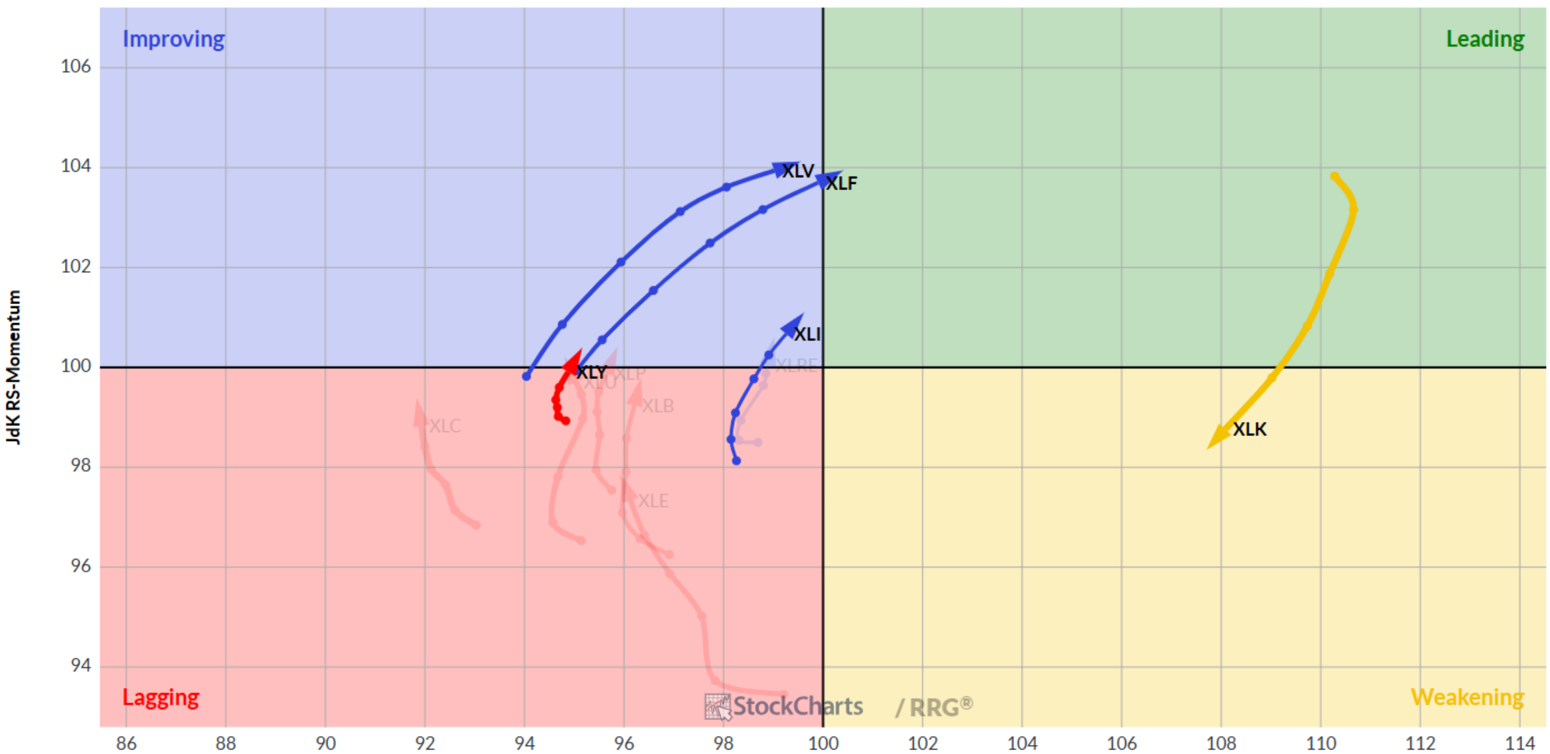
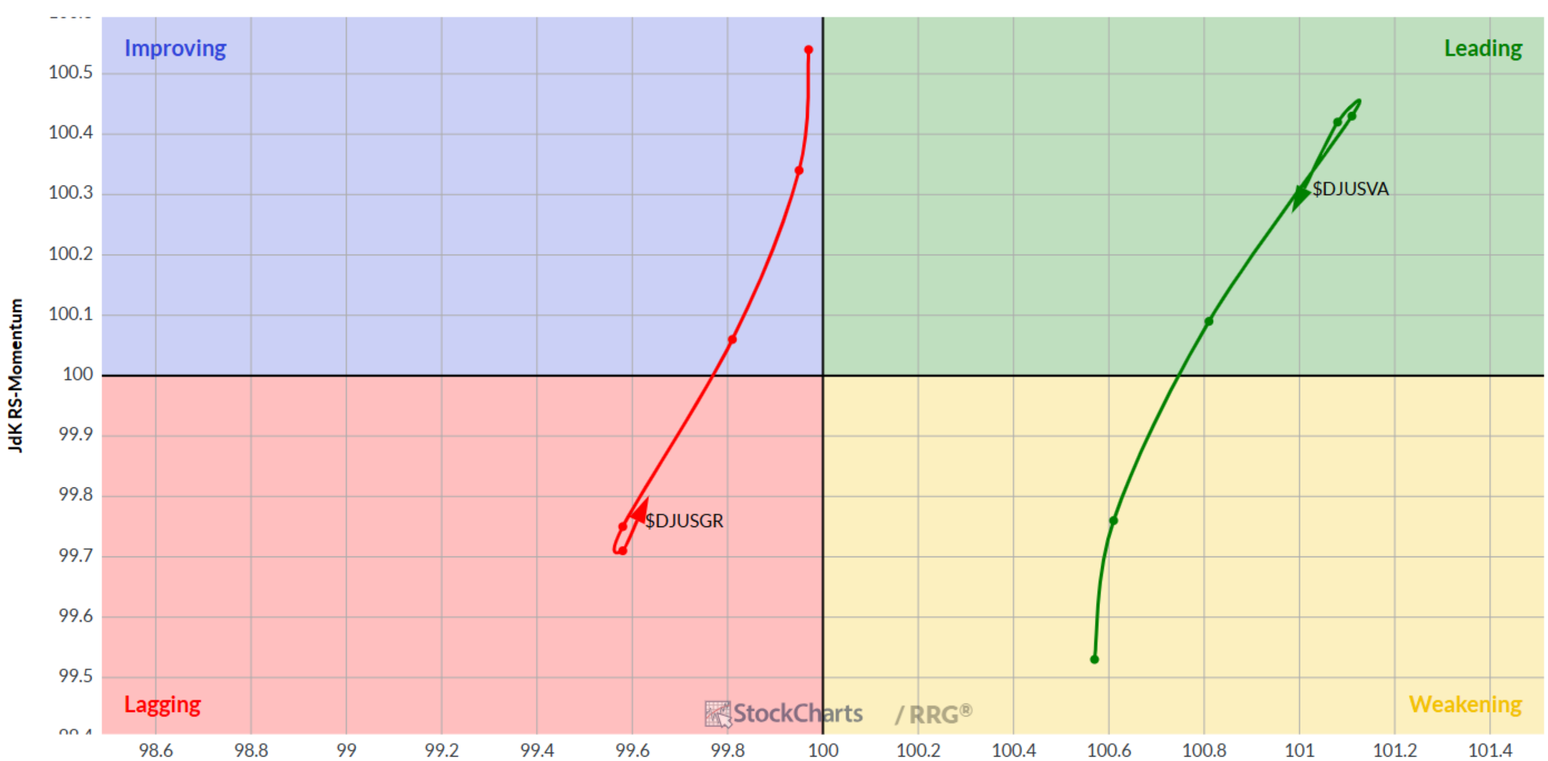
Sector rotation – Arrow pointing up and to the right is optimal.



Growth and Value swapped direction, at least for this week:



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10-Minute Charts:

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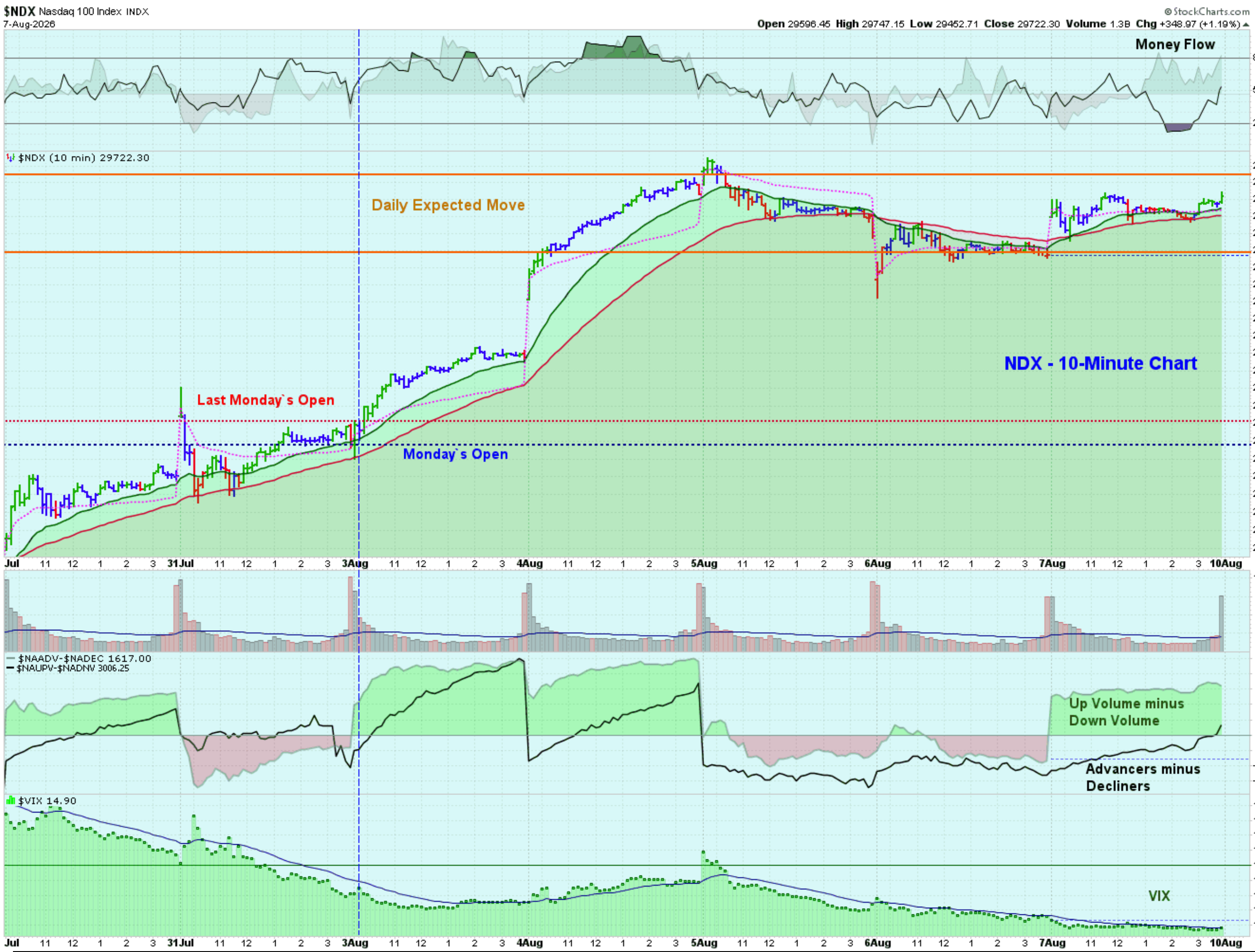

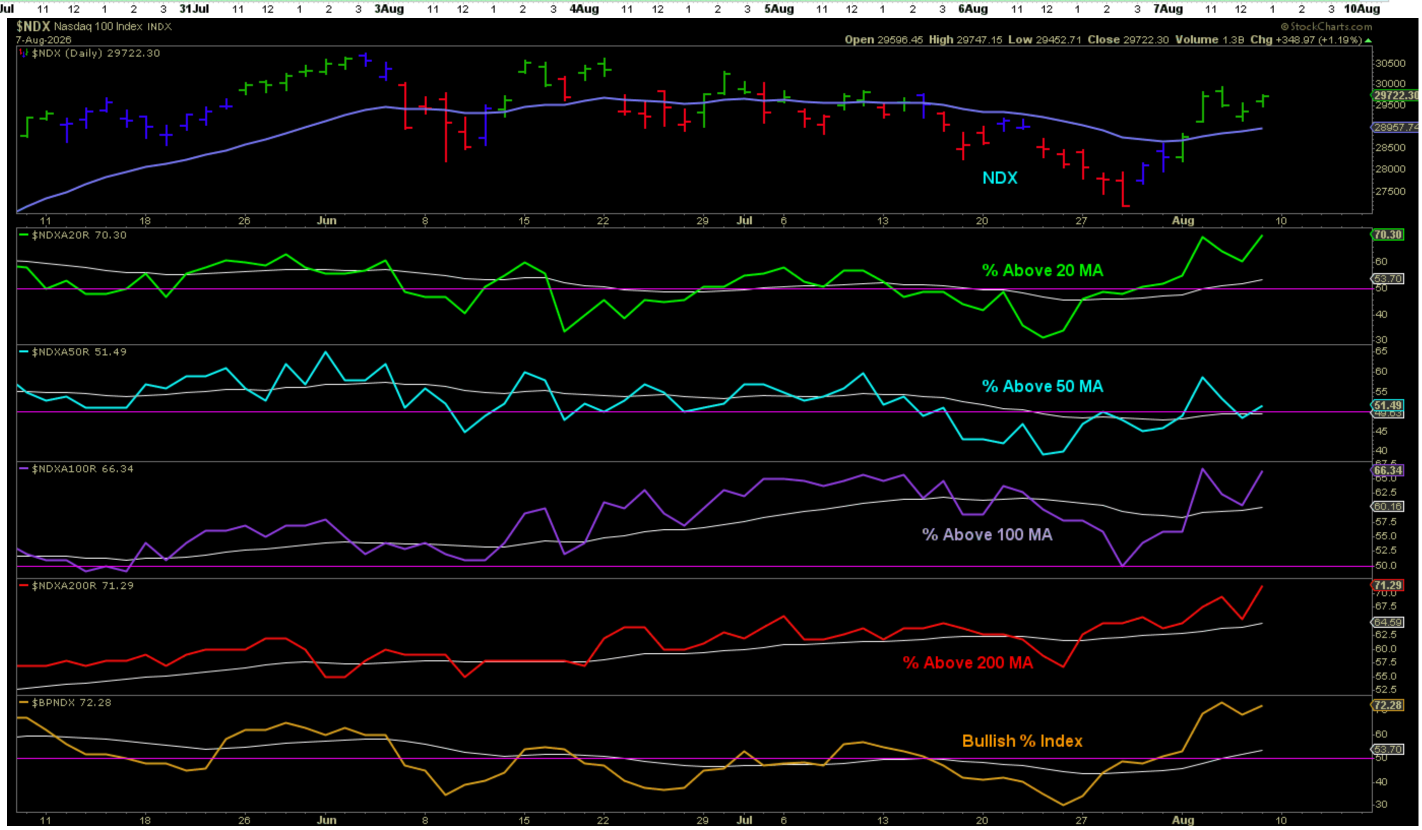

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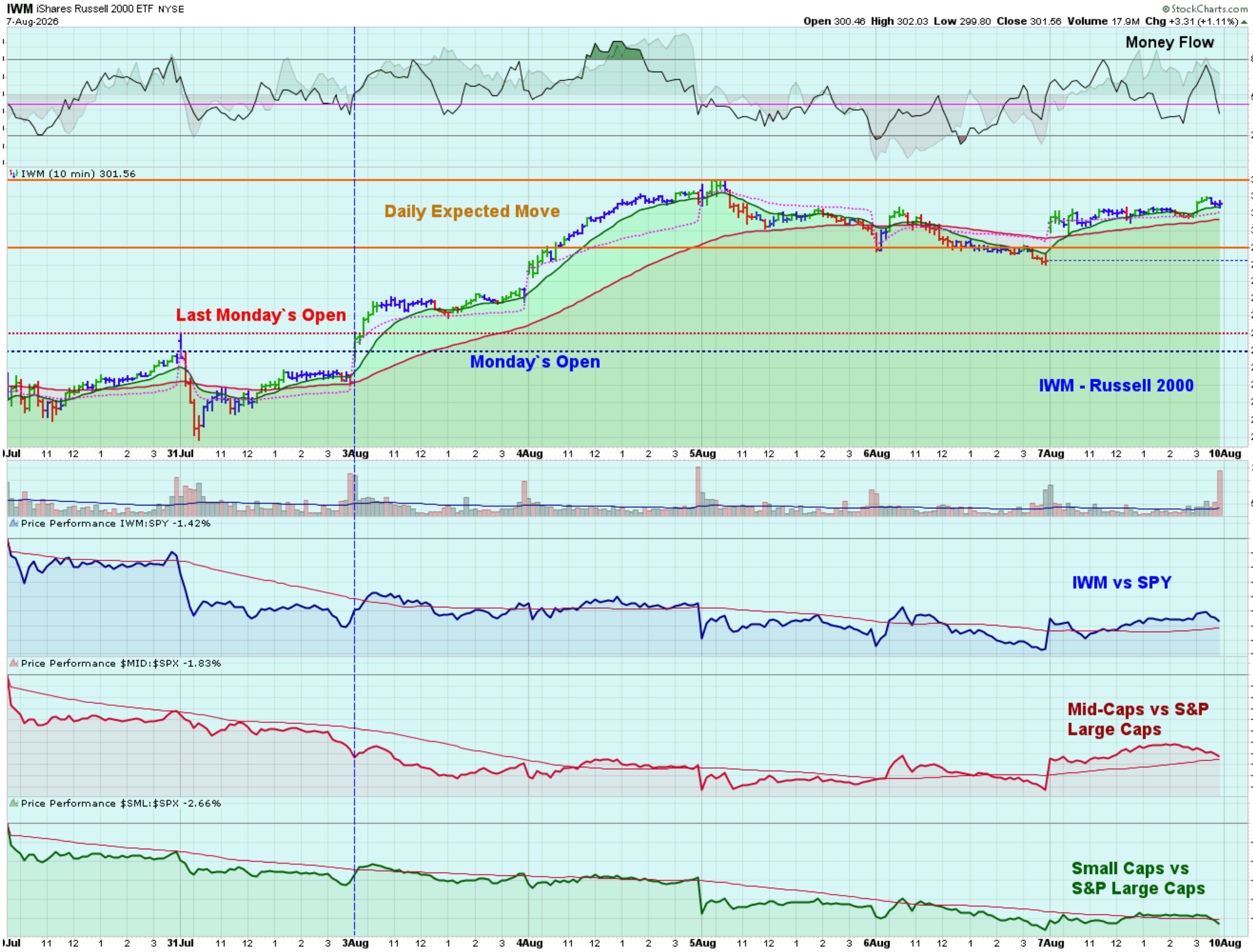

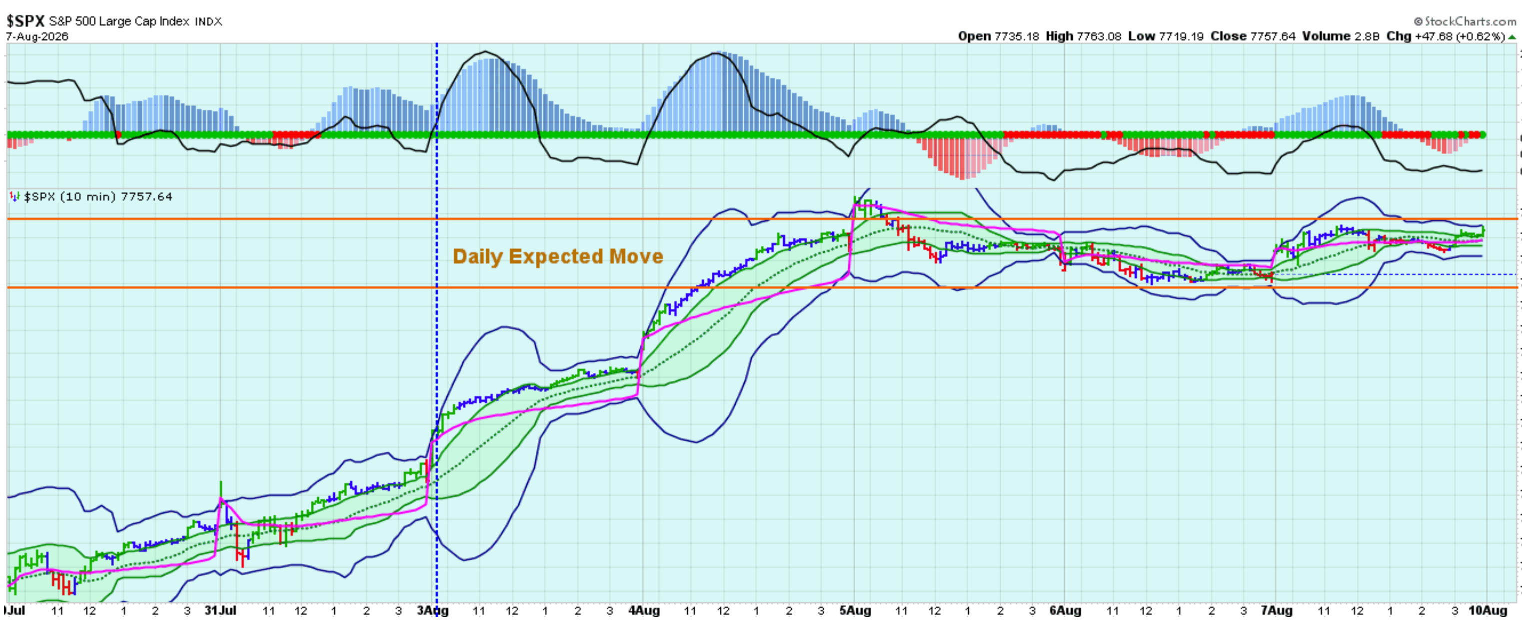

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Top 10 Best & Worst Large Caps for the Week:

NAME	SECTOR	INDUSTRY	LAST	CHG	% CHG	+/-
TEAM - Atlassian Corp.	Technology	Software	149.07	+48.05	+47.57%	
PLTR - Palantir Technologies, Inc.	Technology	Software	172.01	+48.95	+39.78%	
SHOP - Shopify, Inc.	Technology	Software	151.57	+34.42	+29.38%	
ARM - Arm Holdings Plc	Technology	Semiconductors	282.57	+42.88	+17.89%	
ABNB - Airbnb Inc.	Discretionary	Travel & Tourism	178.07	+26.55	+17.52%	
MRVL - Marvell Technology Inc	Technology	Semiconductors	218.72	+31.16	+16.61%	
MCHP - Microchip Technology Inc.	Technology	Semiconductors	84.69	+10.40	+14.00%	
QCOM - QUALCOMM Inc.	Technology	Semiconductors	167.86	+20.25	+13.72%	
ORCL - Oracle Corp.	Technology	Software	147.02	+17.15	+13.21%	
INTC - Intel Corp.	Technology	Semiconductors	101.65	+11.45	+12.69%	

NAME	SECTOR	INDUSTRY	LAST	CHG	% CHG	+/-
TTD - Trade Desk Inc.	Comm. Services	Media Agencies	13.80	-4.24	-23.50%	
DDOG - Datadog Inc.	Technology	Software	233.93	-34.04	-12.70%	
APP - Applovin Corp.	Technology	Software	346.80	-49.10	-12.40%	
CVS - CVS Health Corp.	Health Care	Pharmaceuticals	95.70	-8.73	-8.36%	
CDW - CDW Corp.	Technology	Computer Services	135.81	-12.00	-8.12%	
FANG - Diamondback Energy, Inc.	Energy	Exploration & Production	188.04	-14.91	-7.35%	
MNST - Monster Beverage Corp.	Staples	Soft Drinks	90.36	-6.02	-6.25%	
CVX - Chevron Corp.	Energy	Integrated Oil & Gas	186.56	-10.27	-5.22%	
MAR - Marriott International, Inc.	Discretionary	Hotels	353.91	-18.92	-5.07%	
AZN - Astrazeneca PLC	Health Care	Pharmaceuticals	161.42	-7.10	-4.22%	

DAILY VIEW

DAILY VIEW

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Top 10 Best & Worst Small/Mid-Caps for the Week:

NAME	SECTOR	INDUSTRY	LAST	CHG	% CHG	+/-
COHR - Coherent Corp.	Technology	Electronic Equipment	379.13	+116.24	+44.22%	
HTZ - Hertz Global Holdings Inc.	Discretionary	Automobiles	2.27	+0.69	+43.22%	
FWRD - Forward Air Corp.	Industrial	Delivery Services	19.35	+5.30	+37.72%	
MTRN - Materion Corp.	Materials	Nonferrous Metals	290.05	+79.21	+37.57%	
QNST - QuinStreet Inc.	Comm. Services	Media Agencies	21.08	+5.58	+36.00%	
SITM - SiTime Corp.	Technology	Semiconductors	725.28	+190.08	+35.52%	
CRSR - Corsair Gaming Inc.	Technology	Computer Hardware	14.35	+3.74	+35.25%	
DOCS - Doximity Inc.	Health Care	Medical Equipment	27.40	+6.49	+31.04%	
KTOS - Kratos Defense & Security Solutions, Inc.	Industrial	Defense	60.77	+14.17	+30.41%	
CACI - CACI Intl, Inc.	Technology	Computer Services	644.43	+146.68	+29.47%	

NAME	SECTOR	INDUSTRY	LAST	CHG	% CHG	+/-
AHCO - AdaptHealth Corp	Health Care	Medical Equipment	5.69	-5.11	-47.31%	
QDEL - QuidelOrtho Corporation	Health Care	Medical Supplies	12.29	-4.49	-26.74%	
LZ - LegalZoom.com Inc.	Industrial	Business Support Services	5.77	-2.10	-26.68%	
CCOI - Cogent Communications Holdings, Inc.	Comm. Services	Internet	9.92	-3.58	-26.52%	
TRIP - TripAdvisor, Inc.	Comm. Services	Internet	10.78	-3.38	-23.90%	
SEZL - Sezzle Inc.	Financial	Financial Administration	118.02	-36.73	-23.74%	
PARR - Par Pacific Holdings Inc.	Energy	Exploration & Production	66.29	-19.74	-22.95%	
SEDG - SolarEdge Technologies, Inc.	Technology	Renewable Energy Equipment	31.76	-9.44	-22.91%	
FOUR - Shift4 Payments Inc	Technology	Software	41.26	-11.74	-22.15%	
EXTR - Extreme Networks, Inc.	Technology	Telecom Equipment	23.97	-6.17	-20.47%	

DAILY VIEW

DAILY VIEW

Real Investment Advice:

[AI Narrative Risk: The Hyperscaler Story Changes Again. - RIA]

Excerpt:

From early June, the market did not fall, but went sideways. **This is crucial to understand because an overbought tape corrects one of two ways.** It can either drop in price or work off the excess over time. This current cycle chose time. Eight weeks of chop reset momentum without breaking the trend. Tuesday's record close at 7,736.52 confirmed buyers had finally absorbed the overhead supply. Friday extended it on the jobs print, and volume confirmed the move rather than contradicting it. **That is what separates a real breakout from a squeeze**.

So the obvious question is whether you chase a market at record highs. History argues against the fear. Going back a decade, we count eleven prior cases where the S&P broke to a new high after at least two months without one.

FORWARD S&P 500 RETURNS AFTER A BREAKOUT TO A NEW HIGH

HORIZON	AFTER BREAKOUT AVG / % POSITIVE	ANY TRADING DAY AVG RETURN	WORST CASE: BREAKOUT VS ANY DAY
1 month	+1.9% / 82%	+1.2%	−5.3% vs −33%
3 months	+4.5% / 91%	+3.5%	−8.4% vs −31%
6 months	+7.2% / 80%	+6.8%	−3.3% vs −25%
12 months	+16.4% / 80%	+14.0%	−2.8% vs −21%

S&P 500 via SPY, Aug 2016 to Aug 2026. A breakout is defined as the first new closing high after at least two months without one, giving 11 cases with 12-month forward data. Source: RIA Advisors, Massive Market Data.

The downside is what surprises people. The worst 12-month outcome in that group was a 2.8% dip, compared with a 21% drawdown for the worst year following a random day since 2016. Carson Group's work dates back to 1957, and it lands in the same place: stocks are higher a year after a new high roughly 71% of the time. **New highs beget new highs FAR more often than they ring the bell at the top.**

None of that even remotely suggests abandoning discipline. We are extended, and the markets are not cheap. The index runs 10% above its 200-day average into a historically soft August-to-October window, and breadth is thinning again. In our equity models, we are staying long the trend and holding cash for the pullback that eventually arrives. If you are trying to add money into the markets, do that on weakness toward the 50-day, not on strength into round numbers.

💰 AI Narrative Risk: The Cost Of Trading The Story

Two weeks ago, in *The AI Capex Bill Comes Due*, we closed the week at 7,411.98 with an AI capex scare and an oil shock against us. Last week, we asked whether *the momentum crash was over*. On Tuesday, the S&P 500 closed at 7,736.52, its first finish above 7,700. This morning, July payrolls printed at -23,000, against expectations of +83,000. Almost nothing about the underlying businesses changed across those sessions. **However, the AI narrative story changed twice.** That gap is the subject of this piece because ***"AI narrative risk"*** has cost investors more this year than being wrong about AI ever did.

Let's dig into it.

Four Obituaries And Not One Funeral

First, let's start with the overall pattern, because it is the most useful thing here. Over the last roughly eighteen months, the market has written the AI narrative's trade obituary four separate times. Each obituary was intelligent and written by serious people who argued with one another with real evidence, from a *widely cited MIT study* to a $1.1 billion options position. Each one produced a violent repricing inside the AI complex that never became a market event.

FOUR AI BEAR CASES, AND WHAT EACH ONE ACTUALLY BROKE

CYCLE	THE CLAIM	THE DAMAGE	WHAT HAPPENED NEXT
Jan 2025 **DeepSeek**	Cheap Chinese models make US training spend worthless	Nvidia −17%, $593B erased in one session, the largest single-day loss on record. Semis −9.2%	Nvidia traded back to within about 1% of its pre-event close inside three weeks
Aug 2025 **MIT NANDA study**	95% of enterprise AI pilots deliver no measurable profit impact	Broad selling across Nvidia, CoreWeave, Microsoft and Alphabet	The index made new highs into the autumn
Nov 2025 **Burry's short**	Extended useful lives inflate hyperscaler profits by $176B	Palantir −16% intraday despite a beat and raise. Nasdaq −2%, every Mag 7 name lower. Palantir went on to fall more than 40% from its high	The index recovered within weeks. Palantir took nine months, then erased a 29% year-to-date loss in one session on Aug 4
H1 2026 **Capex and debt**	Spending has outrun cash flow and hyperscaler credit is cracking	Alphabet −7% on its capex raise. Nasdaq fell almost 10% from its June record	S&P 500 closed at a record 7,757.64 on Aug 7, 2026, up 3.6% on the week

Sources: Reuters and Bloomberg (Jan 2025), Fortune (Aug 2025), Yahoo Finance and 24/7 Wall St (Nov 2025), CNBC and CNN Business (2026). Index levels via CNBC and Yahoo Finance. Palantir Q2 2026 results and the 29.5% Aug 4 move per CNBC and Forbes; the stock entered the print down 29% year to date and exited roughly flat.

Look at the pattern rather than any single row. **Each time, the claim changes, whether it was the models are too cheap to justify the chips, to an enterprise that would never pay, to fake accounting, to stretched balance sheets.** However, the shape never changes. Something inside the complex gets destroyed, and the index goes on to make new highs.

Retail Bought The Story And Sold The Stocks

Here is what turns this from an intellectual exercise into a P&L problem. Scott Rubner's team at Citadel Securities tracks retail order flow, and their *July data* is the cleanest illustration of narrative risk I have seen this cycle.

WHAT RETAIL ACTUALLY DID IN JULY, PER CITADEL SECURITIES

MEASURE	THE READING
Retail Technology selling, final week of July	Largest week in the dataset since January 2019, exceeding the previous record by more than 80%
Concentration of that selling	Overwhelmingly in the semiconductor and memory names retail had accumulated most aggressively in May and June. Average daily net selling ran more than 5x the previous record
Largest retail Tech sell days on record	Two of the top three occurred inside that single week
Software	Largest one-day retail liquidation ever observed in the sector
Overall retail equity selling	On pace for the largest week since 2022, with net selling every session and average daily notional near 2x the November 2025 episode
Leveraged ETF assets	Down more than $60 billion from the June peak. Technology down roughly 40%, semiconductors down nearly 55% in a month
S&P 500 semiconductor market value	Roughly $1.5 trillion lost, cutting the industry's index weight from nearly 20% to 16%

Source: Citadel Securities Global Market Intelligence, "August – After The Reset," Scott Rubner, Aug 3, 2026. Figures are as reported by Citadel from its own retail order-flow platform.

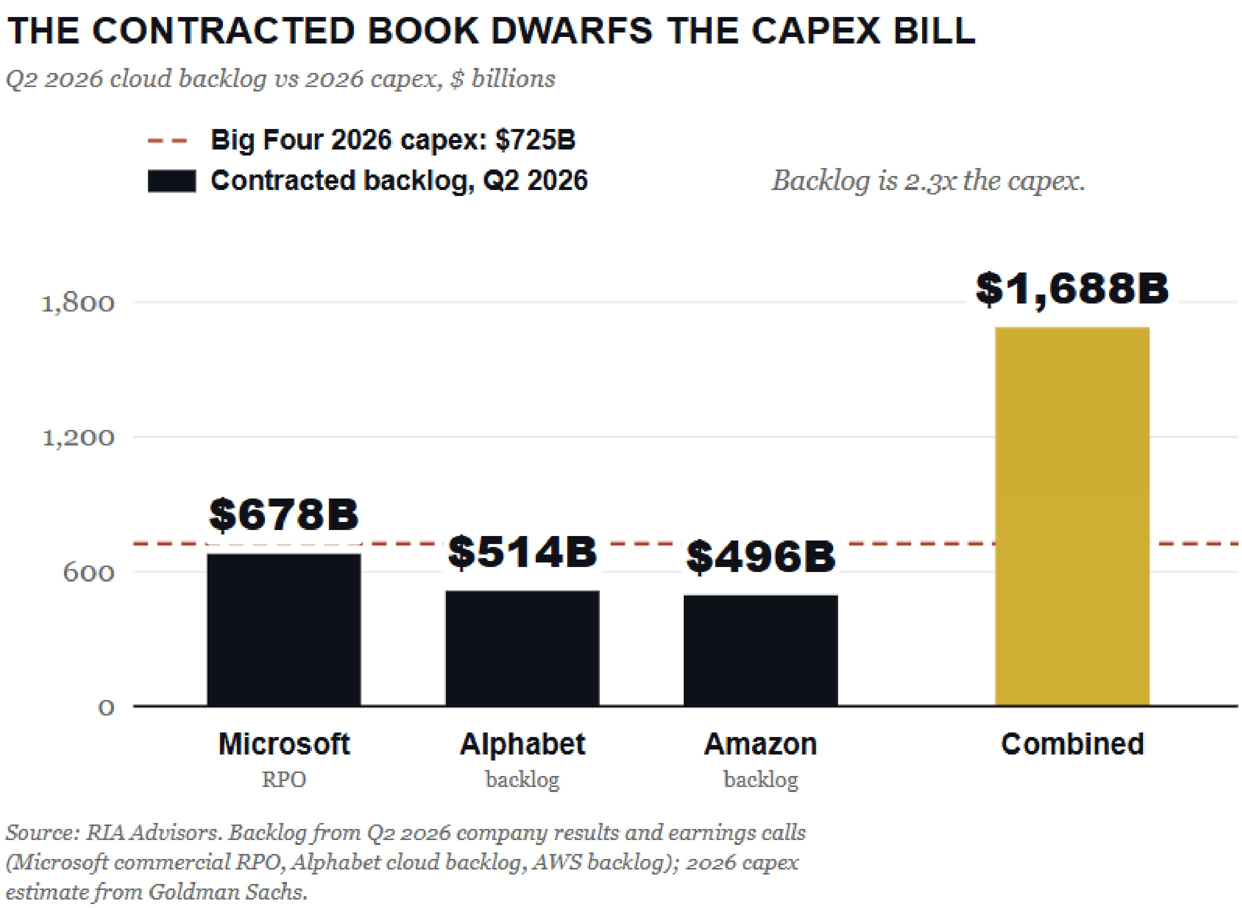
Read those rows together. **Separately, they look like a sentimental story, and together they describe the single most expensive mistake available to an investor this year, which is being right about a theme and wrong about which part of it you own.** Through May and June, retail aggressively accumulated semiconductor and memory names on the narrative that the infrastructure layer captured the value. In the final week of July, they sold those same names at more than five times the previous record. Days later, the hyperscalers rose between 4.6% and 6%, and the index closed at a record.

They were not wrong about AI, but they were wrong about WHERE twice, and the second mistake landed at the point of maximum discouragement. **That is what a narrative does to a portfolio.** It tells you what to own without telling you what you are paid to own it.

This past week supplied the epilogue. SanDisk and Western Digital both reported beat-and-raise quarters on Wednesday night. Then on Thursday, SanDisk fell more than 6%, and Western Digital dropped 13%. Coming in, the two were up roughly 469% and 201% on the year. AppLovin lost nearly 20% on mixed results. The point here is that when a stock falls on a beat, the price is carrying the story, not the numbers.

What Was Knowable All Along

The frustrating part is that the *July bear case* was checkable while it was being made. The claim was that spending had decoupled from demand. So do the arithmetic. Microsoft's commercial remaining performance obligation reached $678 billion. Alphabet's cloud backlog reached $514 billion. Amazon's reached $496 billion. That is $1.688 trillion of contracted revenue against roughly $725 billion of 2026 capital spending across the four largest hyperscalers.



The contracted book is 2.3 times the spending it must justify, and the duration is short. **Microsoft disclosed a weighted average duration of 2.3 years, with the slice converting inside twelve months growing 37% year over year. Alphabet expects to recognize just over half of its backlog within 24 months.** None of this required a forecast, just a reading of the disclosures instead of the headlines.

Andy Jassy told analysts that ***"the demand we already have for 2028 is striking."*** The return question was equally testable. Here is the point. In theory, if AI workloads carried structurally worse economics, a rising AI mix would compress cloud margins. In reality, it did the opposite.

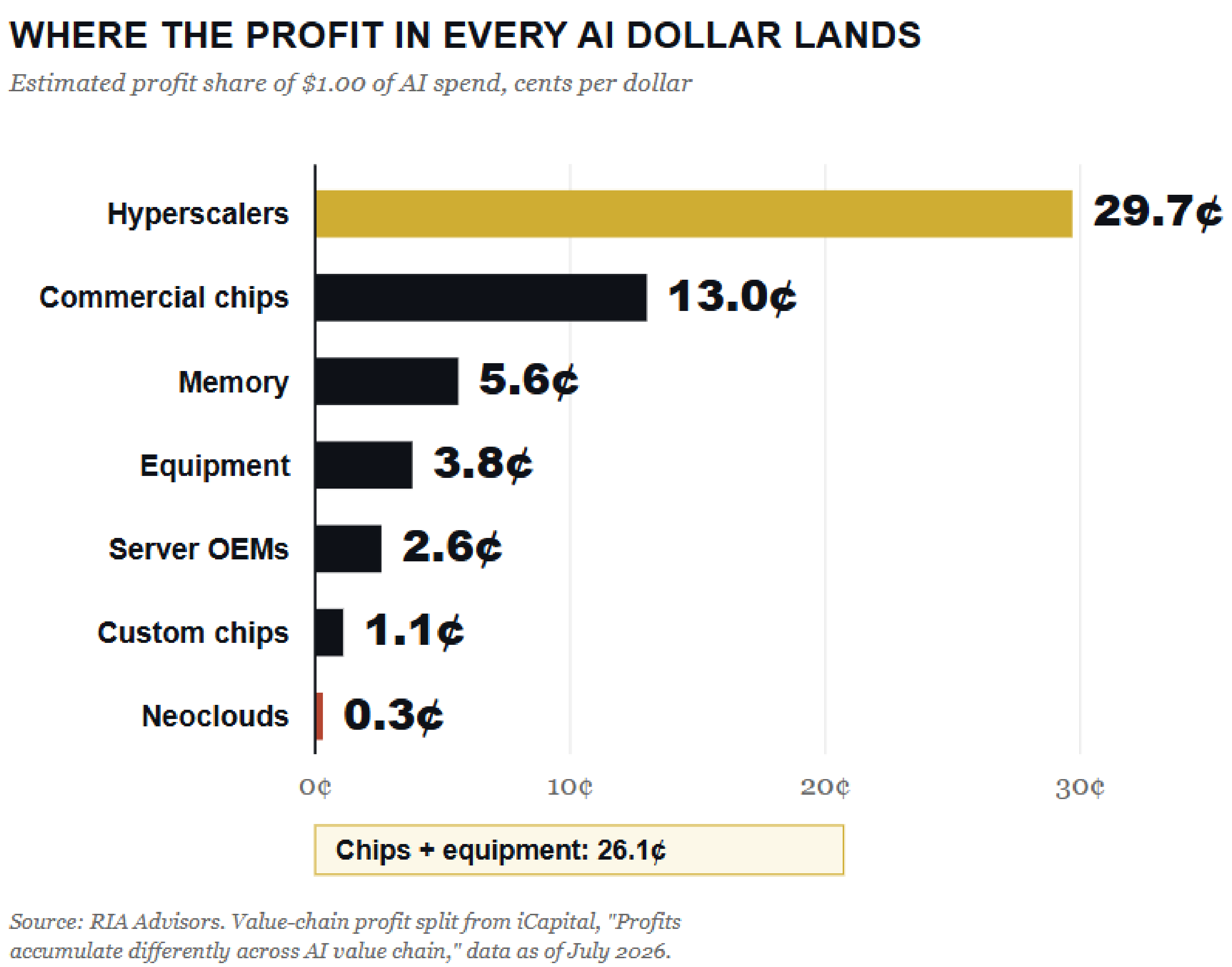
THE RETURNS TEST THE BEAR CASE SET, AND THE Q2 2026 RESULT

MEASURE	Q2 2026	CONTEXT	TREND
Google Cloud operating margin	35.6%	Up from 20.7% a year earlier, with AI a larger share of mix	▲
AWS operating margin	~39%	+520 bps year over year excluding a ~$600M energy-derivative benefit	▲
AWS revenue growth	+36.7%	Fifth straight quarter of acceleration, fastest in 18 quarters	▲
Azure revenue growth	+43%	Guided to roughly 45% in constant currency for the September quarter	▲
Microsoft cloud revenue from non-frontier-model customers	~90%	Of a $214B fiscal-year cloud business, which undercuts the "it is all OpenAI" claim	—
Microsoft commercial RPO	$678B	+84%, and +25% excluding OpenAI entirely	▲

Source: Q2 2026 company results and earnings-call disclosures for Alphabet, Amazon and Microsoft, as of Aug 4, 2026.

Where The Profit Actually Lands

So, here is where this whole AI narrative matters. The question we need to be asking, and understanding, is where the profit in an AI dollar actually ends up.



Pay very close attention to the chart above. Currently, the hyperscalers keep 29.7 cents of every dollar spent on AI. Conversely, the entire chip and equipment complex retains 26.1 cents in combined revenue, while the neoclouds retain only 0.3 cents.

That split has been roughly stable through all four narrative cycles, which is precisely what makes it useful. Through Tuesday, Micron was up nearly 700% over twelve months while Meta was down 25% and Microsoft 6%. **Think about that, for the last eighteen months, the market bid up the 26 cents and discounted the 30 cents.**

The Next Narrative Is Already Forming

Good Luck Trading…

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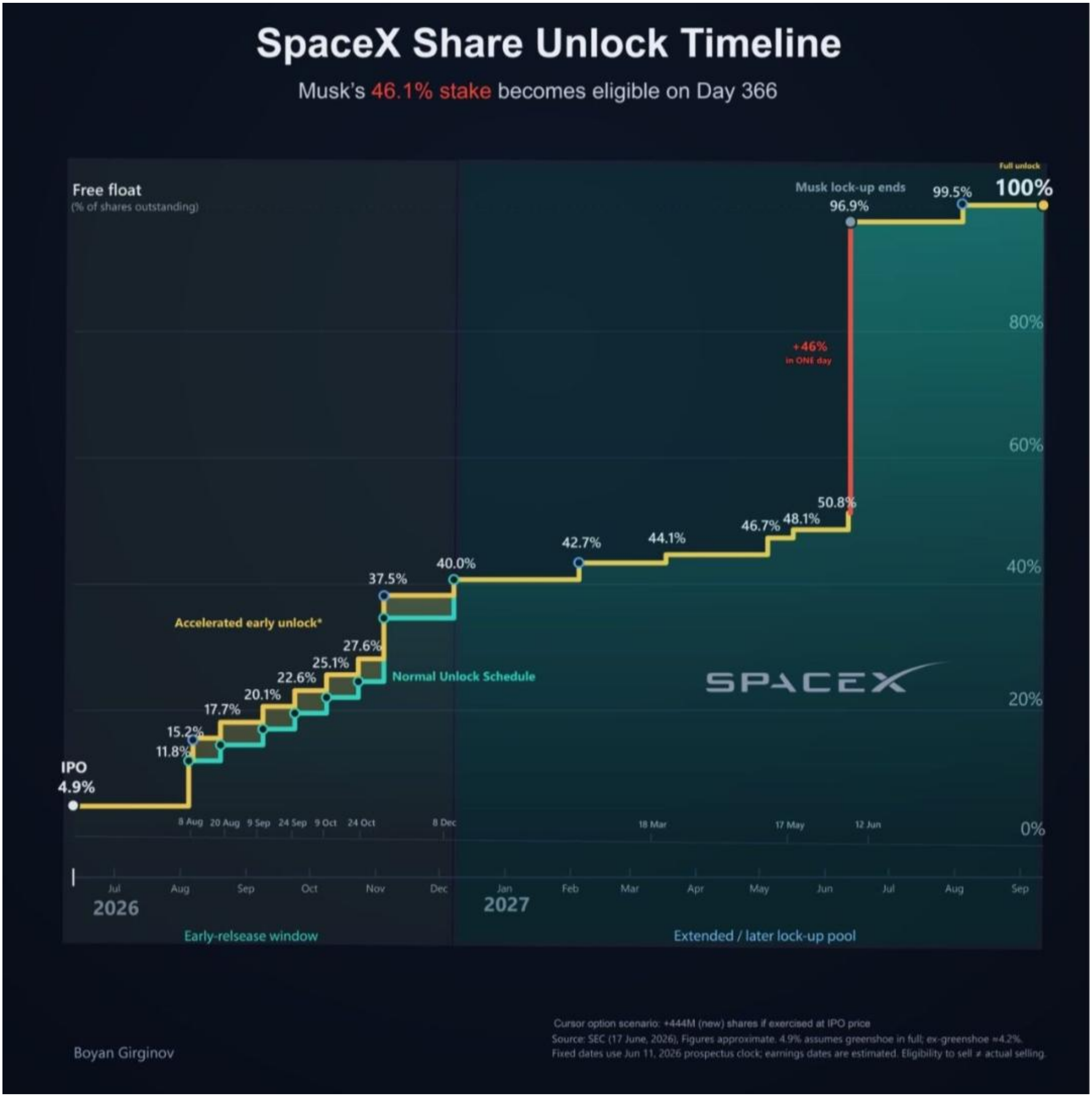

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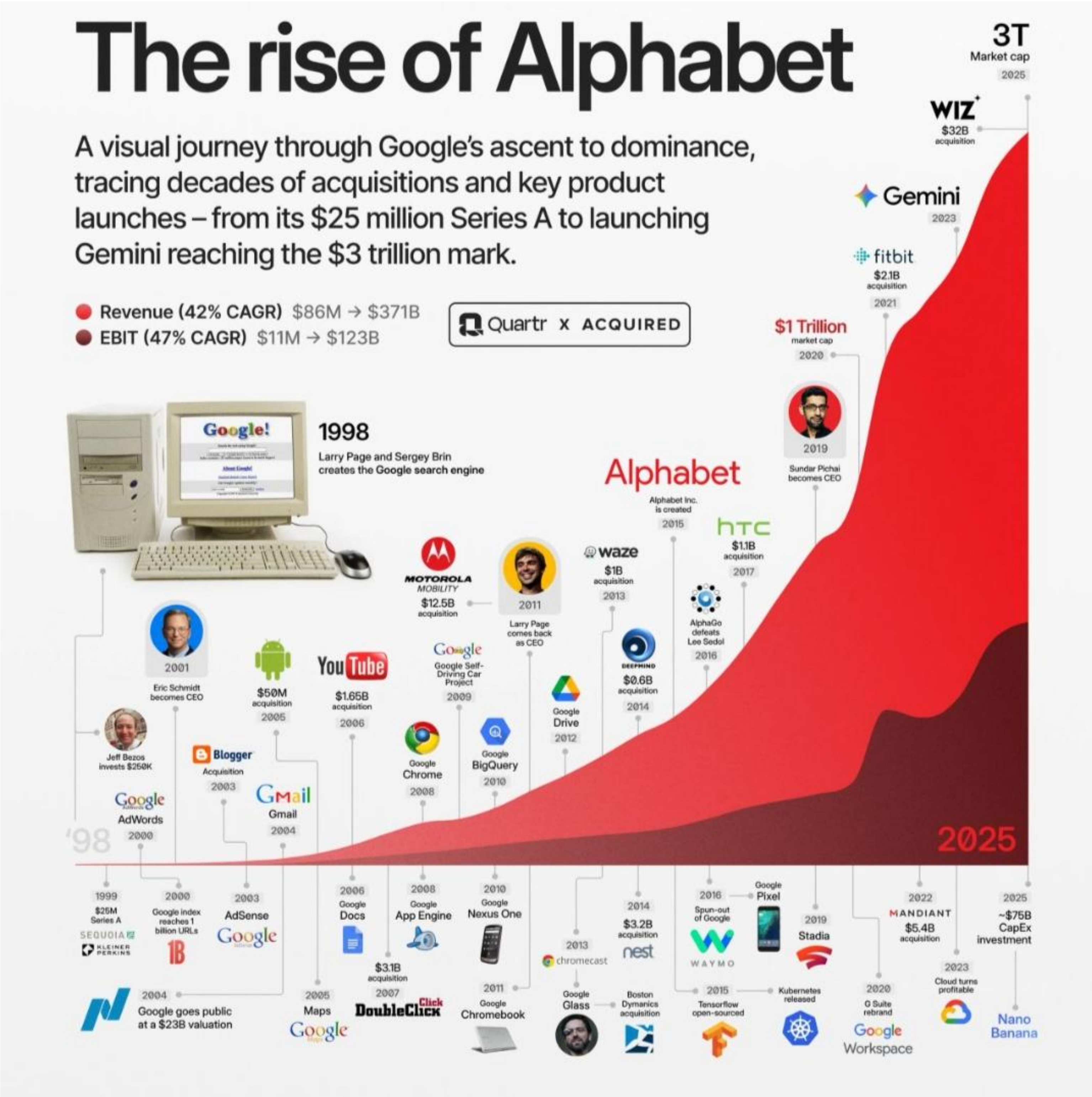

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A Professor Explained Marketing To Students:

1. You see gorgeous girl in party, you go to her & say I am rich marry me- "That's Direct Marketing."
2. You attend a party & your friend goes to a girl & points at you telling her. He is very rich, marry him-"That Advertising".
3. Girl walks to you & says, you are rich, Can you marry me - "That's Brand Recognition".
4. You say I'm very rich marry me & she slaps you. "That's Customer Feedback".
5. You say I'm very rich marry me & she introduces you to her husband.- "Thats' Demand & Supply Gap".
6. Before you say I'm rich, marry me, & your wife arrives - "That's Restriction From Entering New Market".

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