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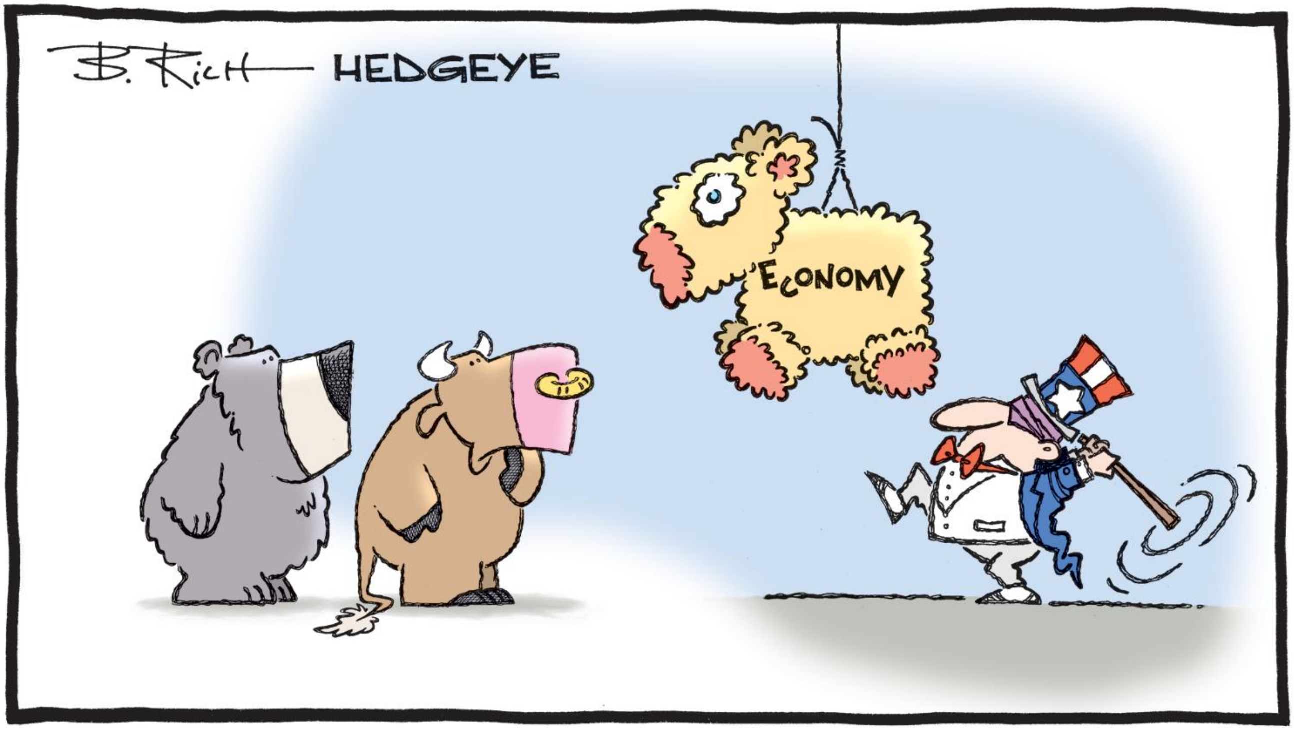
Newsletter for Week Ending 7/31/26

Youtube Channel



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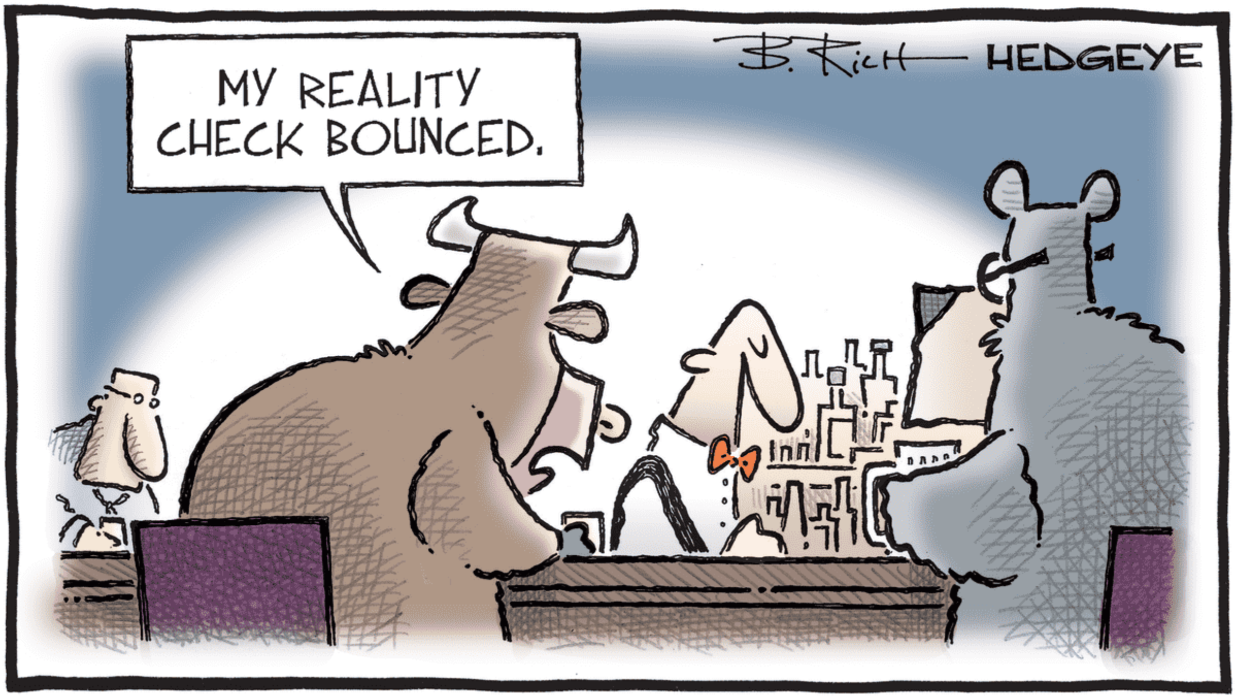

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Most of the charts shown in this newsletter are courtesy of StockCharts.com and can be found on the website shown at the top of the page. Here is a link to the StockCharts.com pricing and if you sign up, I would appreciate if you used my email as a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

Service Levels, Data Plans and Pricing | StockCharts.com

% Bullish 29%	Following the Leaders					
% Bearish 41%	Jesse Livermore Criteria % Bullish		Overall % Bullish For ALL columns, Green >60% Bullish, Red < 40% Bullish			
% Neutral 29%	47%		45%			
Symbol	New Highs?	New Lows?	Beating Peers?	Mvg Avg 21 > 50?	Positive Momentum?	Positive Acc/Dis?
NVDA	N	N	N	N	N	Y
AAPL	N	N	Y	Y	Y	Y
MSFT	N	N	Y	Y	Y	Y
AMZN	N	N	Y	N	Y	N
TSLA	N	Y	N	N	N	N
META	N	N	N	N	N	N
GOOGL	N	N	Y	N	N	Y
AVGO	N	N	Y	N	Y	N
MU	Y	N	Y	N	N	N
COST	N	N	Y	N	Y	N
NFLX	N	Y	N	N	N	Y
PLTR	N	Y	N	N	N	Y
AMD	Y	N	Y	N	N	Y
ORCL	N	Y	N	N	N	N
ANET	N	N	Y	Y	Y	Y
LLY	Y	N	N	Y	Y	Y
GEV	N	N	Y	N	N	N

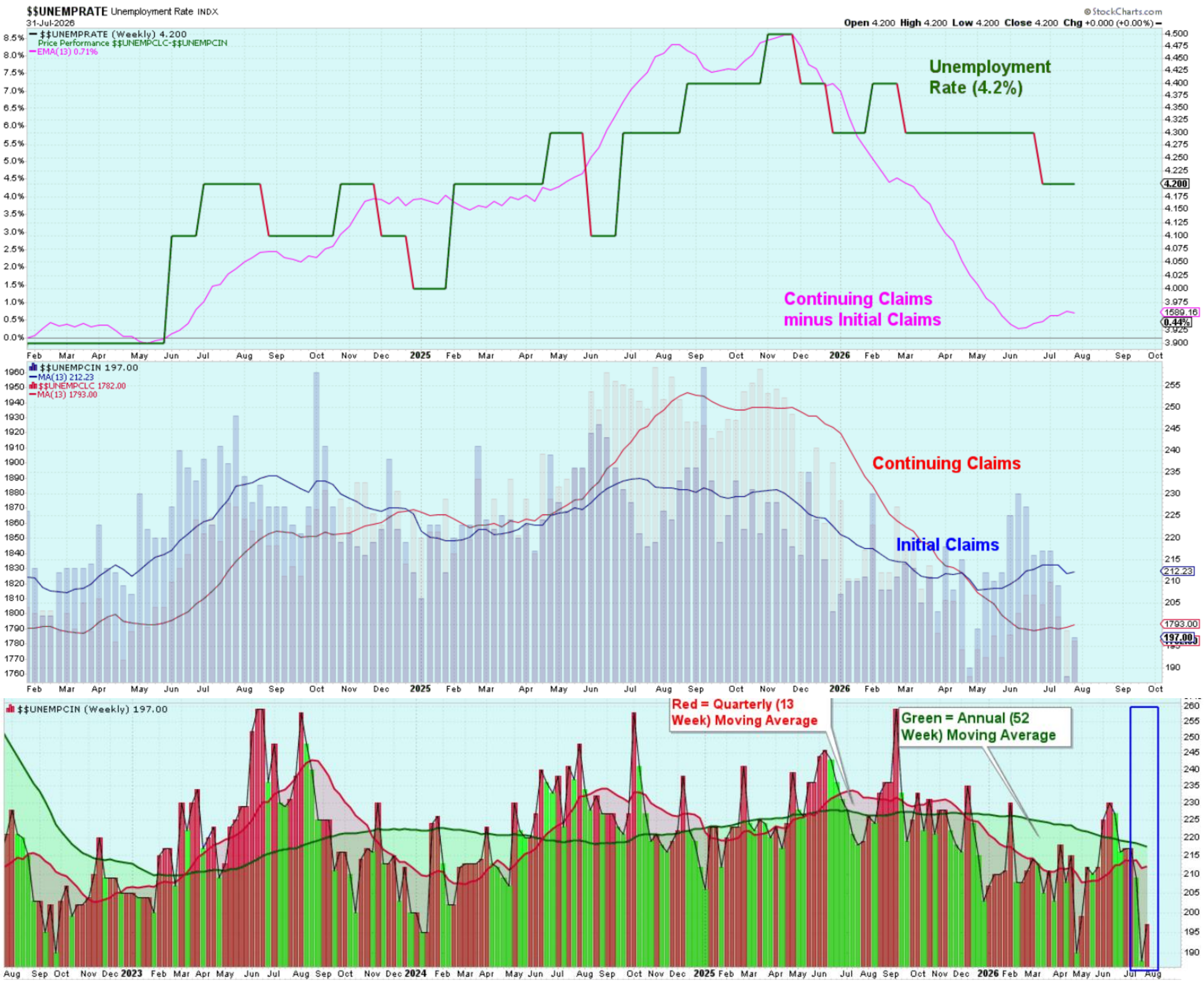
Economic Calendar for Last Week:

Time	Cur.	Event	Imp.	Actual	Forecast	Previous
		Monday, July 27, 2026				
08:30	US	Durable Goods Orders (MoM) (Jun)	★★★	0.3%	1.6%	-4.0%
14:50	US	U.S. President Trump Speaks	★★★			
		Tuesday, July 28, 2026				
10:00	US	CB Consumer Confidence (Jul)	★★★	90.8	92.4	92.2
		Wednesday, July 29, 2026				
10:30	US	Crude Oil Inventories	★★★	-7.167M	0.700M	2.010M
14:00	US	Fed Interest Rate Decision	★★★	3.75%	3.75%	3.75%
14:00	US	FOMC Statement	★★★			
14:30	US	FOMC Press Conference	★★★			
		Thursday, July 30, 2026				
08:30	US	Core PCE Price Index (MoM) (Jun)	★★★	0.1%	0.2%	0.3%
08:30	US	Core PCE Price Index (YoY) (Jun)	★★★	3.3%	3.3%	3.4%
08:30	US	GDP (QoQ) (Q2) P	★★★	1.5%	2.1%	2.1%
08:30	US	Initial Jobless Claims	★★★	197K	201K	188K
		Friday, July 31, 2026				
09:45	US	Chicago PMI (Jul)	★★★	57.6	56.0	56.7

Economic Calendar for Next Week:

Time	Cur.	Event	Imp.	Actual	Forecast	Previous
		Monday, August 3, 2026				
09:45	US	S&P Global Manufacturing PMI (Jul)	★★★		53.8	53.9
10:00	US	ISM Manufacturing PMI (Jul)	★★★		54.0	53.3
10:00	US	ISM Manufacturing Prices (Jul)	★★★		70.0	73.0
		Tuesday, August 4, 2026				
10:00	US	JOLTS Job Openings (Jun)	★★★		7.420M	7.594M
		Wednesday, August 5, 2026				
08:15	US	ADP Nonfarm Employment Change (Jul)	★★★		71K	98K
09:45	US	S&P Global Services PMI (Jul)	★★★		53.6	53.6
10:00	US	ISM Non-Manufacturing Prices (Jul)	★★★			67.7
10:00	US	ISM Non-Manufacturing PMI (Jul)	★★★		54.2	54.0
10:30	US	Crude Oil Inventories	★★★			-7.167M
		Thursday, August 6, 2026				
08:30	US	Initial Jobless Claims	★★★		205K	197K
		Friday, August 7, 2026				
08:30	US	Average Hourly Earnings (MoM) (Jul)	★★★		0.3%	0.3%
08:30	US	Nonfarm Payrolls (Jul)	★★★		88K	57K
08:30	US	Unemployment Rate (Jul)	★★★		4.2%	4.2%

The forecast for next week's unemployment rate is currently steady at 4.2%. Based on initial claims below, I would not be surprised to see it come in much lower, maybe 4.0% or even under 4. Even though Initial Claims ticked up slightly last week, the week before was the lowest reading since 1969!



Of course, a lower report will give the Fed cover to raise rates in September, so it could be a good news is bad news situation.

	CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES			
MEETING DATE	350-375	375-400	400-425	425-450
9/16/2026	33.00 %	67.00 %	0.00 %	0.00 %
10/28/2026	2.00 %	98.00 %	0.00 %	0.00 %
12/9/2026	0.00 %	55.26 %	44.74 %	0.00 %
1/27/2027	0.00 %	30.00 %	70.00 %	0.00 %
3/17/2027	0.00 %	0.00 %	98.86 %	1.14 %
4/28/2027	0.00 %	0.00 %	86.00 %	14.00 %
6/9/2027	0.00 %	0.00 %	81.79 %	18.21 %
7/28/2027	0.00 %	0.00 %	84.00 %	16.00 %
9/15/2027	0.00 %	0.00 %	93.11 %	6.89 %
10/27/2027	0.00 %	0.00 %	100.00 %	0.00 %
12/8/2027	0.00 %	13.48 %	86.52 %	0.00 %

It all comes down to earnings:

Current earnings season is running *hot*, with S&P 500 companies broadly beating expectations and Big Tech delivering outsized strength. Across the major reports available so far, the data points to a high-growth, AI-driven quarter with strong revenue beats, expanding margins, and elevated capex.

📌 **Top-Level Summary (Most Important Takeaways)**

- **84% of S&P 500 companies are beating earnings estimates** — an unusually high beat rate.
- **63% of companies have reported so far**, with blended **earnings growth at 27.1% YoY**, far above the ~13% expected at the start of the quarter.
- **Big Tech is the engine of the season**, posting massive revenue growth and record AI-related capex.
- **Financials are strong** (JPM, BAC, MS, WFC), showing broad-based revenue growth and improving markets.
- **Semiconductors (ASML, NVDA ecosystem) continue to outperform**, with raised guidance and strong AI-driven demand.

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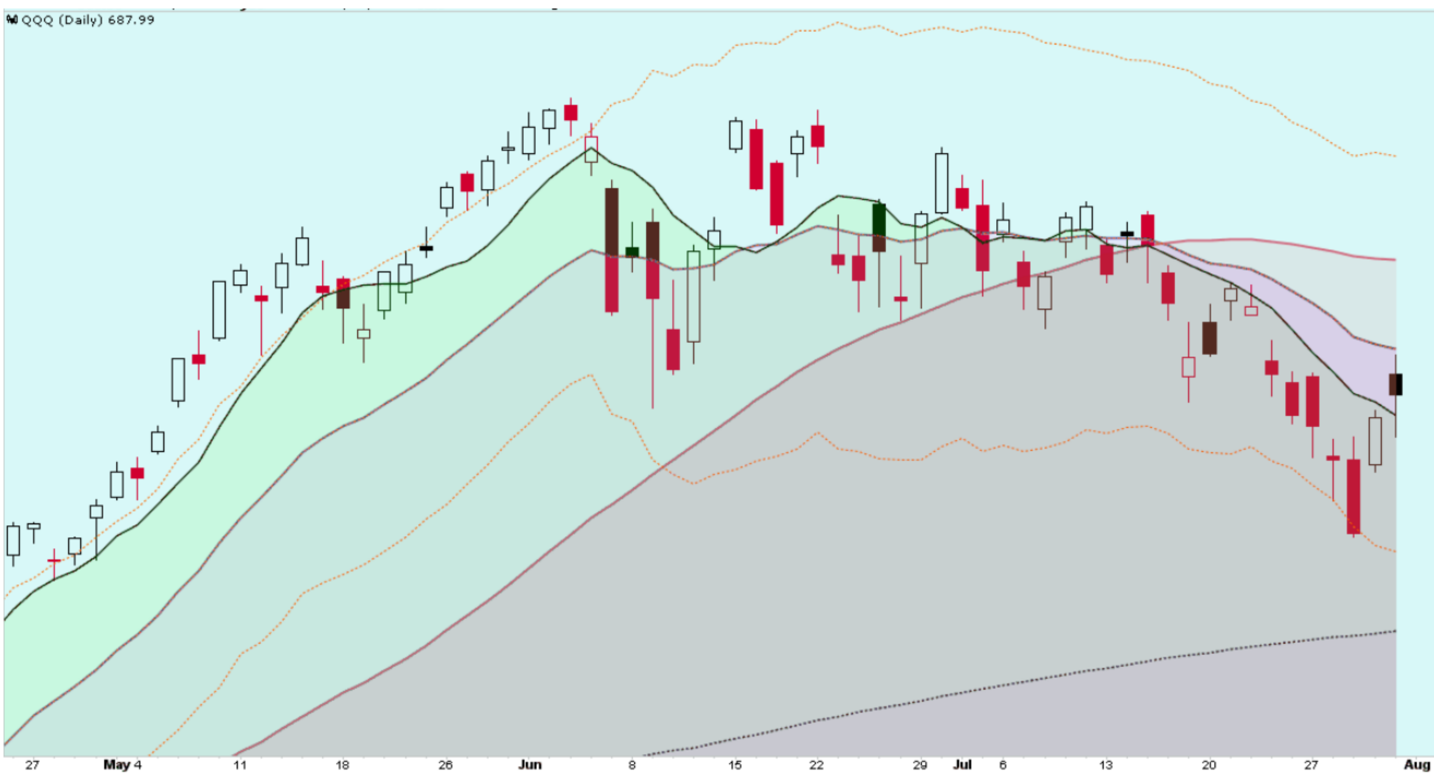
On my YouTube channel Thursday and Friday I did a segment called “Tale of 2 Charts”

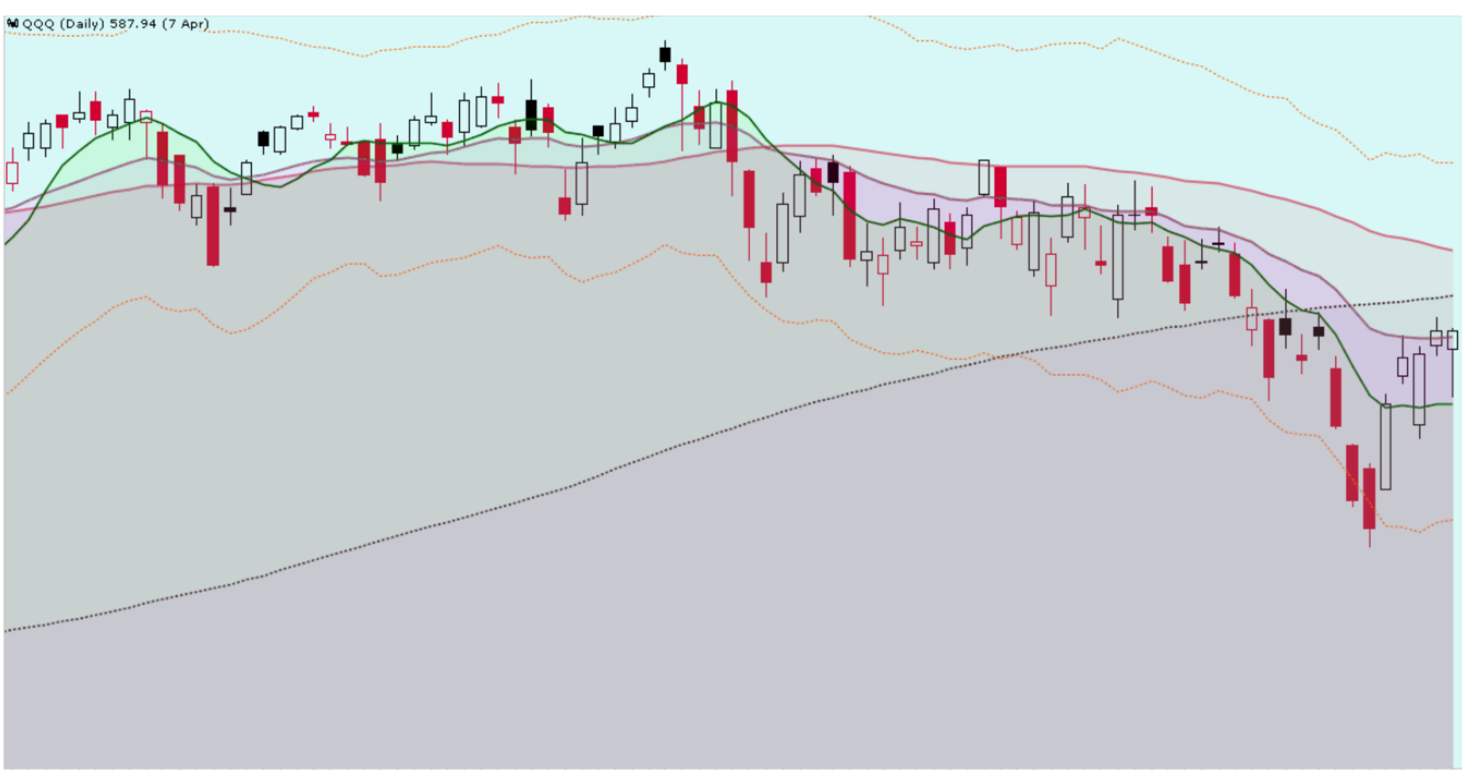
More coming next week with AMD, PLTR, AMGN, WDC, SNDK all reporting.

Here is the current chart of the QQQ (Nasdaq 100). You can see it is in the "Red Zone" when the 8 and 21 EMA's are below the 50 SMA. Could this one just be starting?



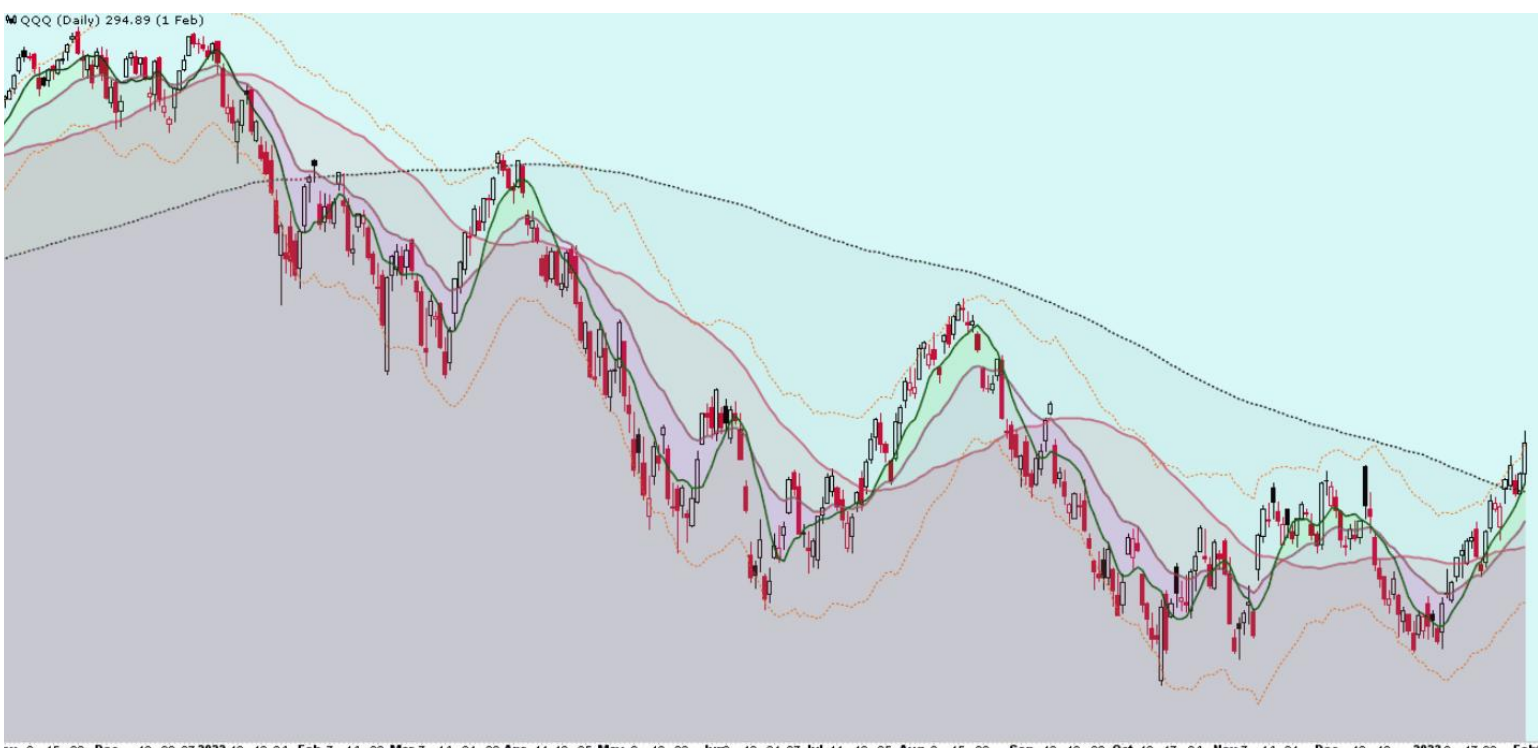
How does this compare to other periods when we were in the Red Zone?

Here is earlier this year: Watch for a "Bull Trap" rally to the 50 MA like in February.



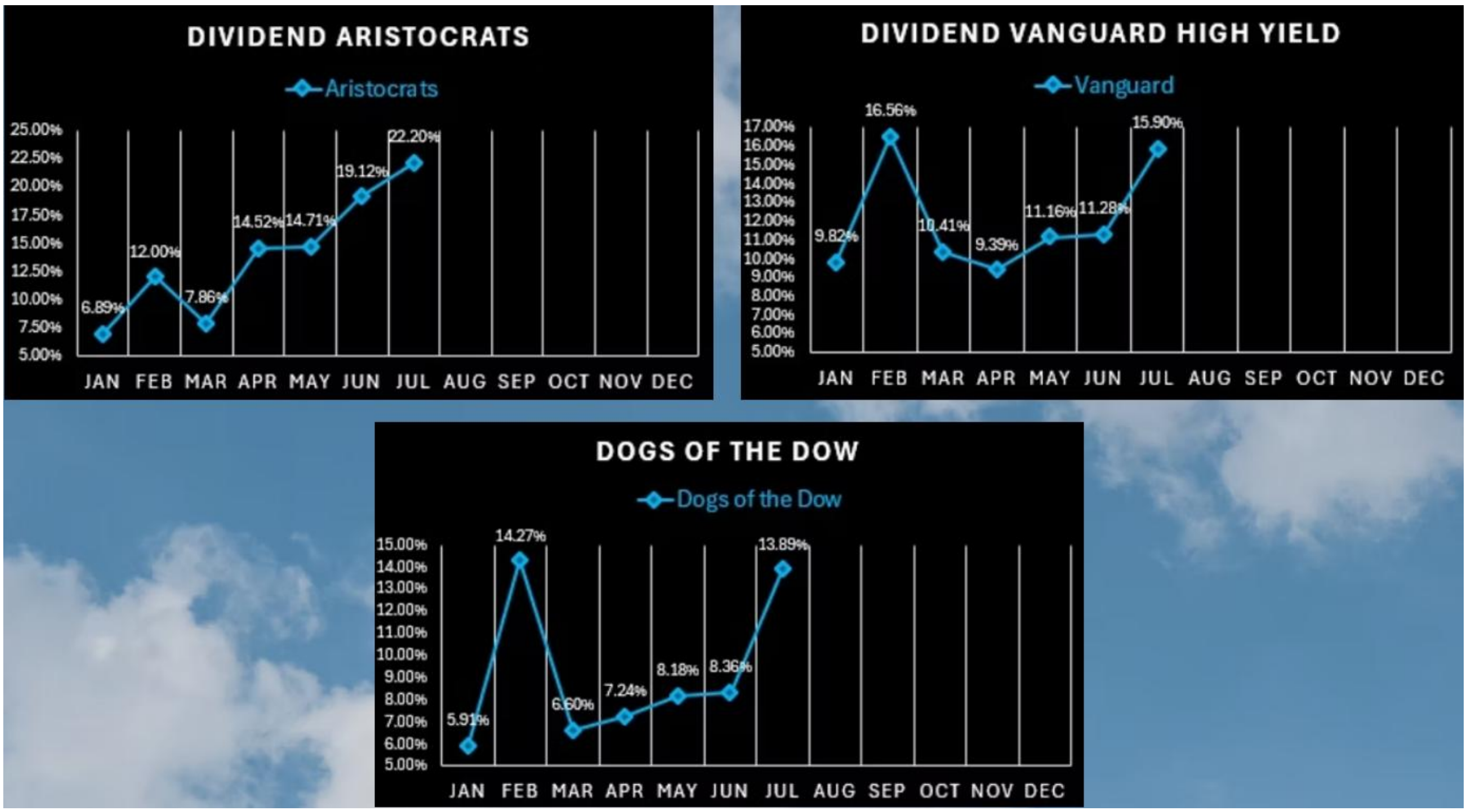
A rally to the 21 and 200 MA in March of 2025:

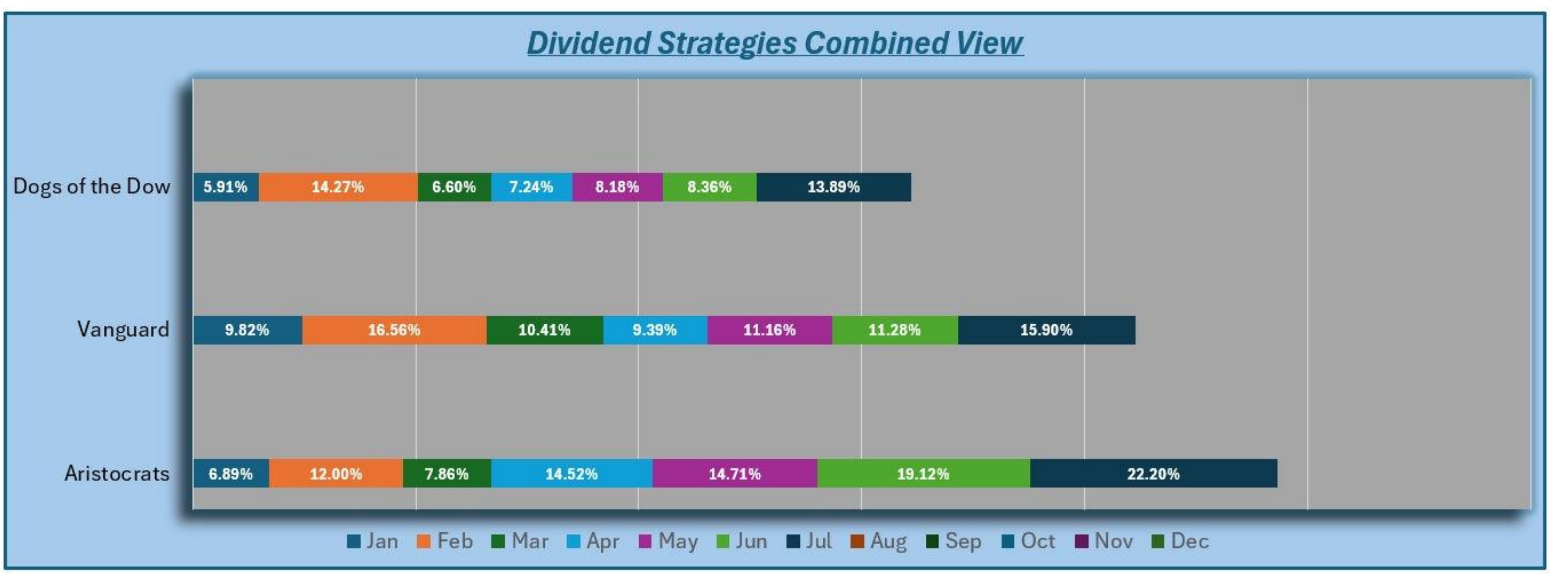
And of course, the 2022 Bear market when the Red Zone extended below the 200 MA, which acted as resistance throughout the year:



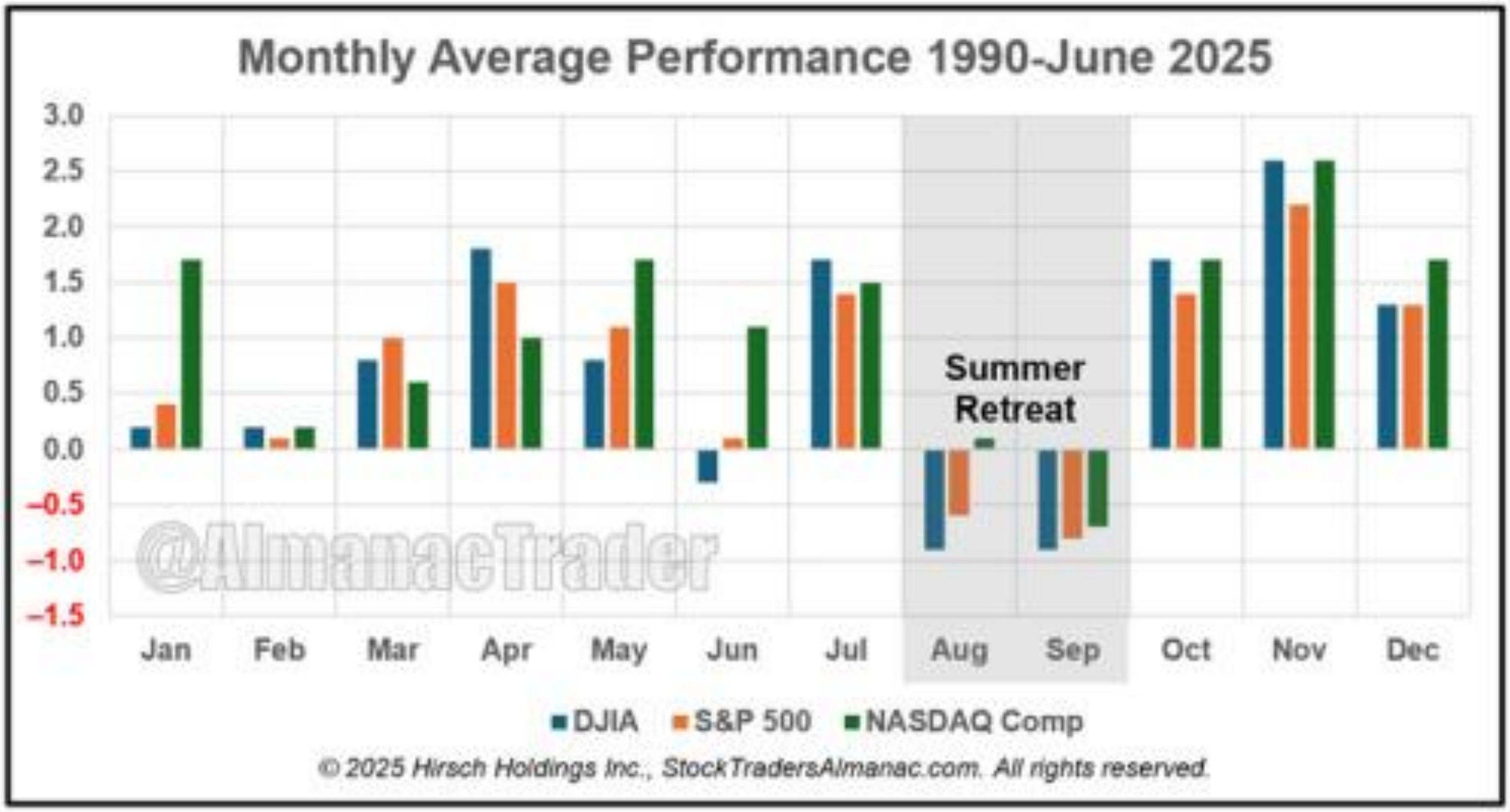
One more month completed for the Dividend portfolios and they are still looking strong for the year. The company tickers for these can be found on the website on the Portfolios page.

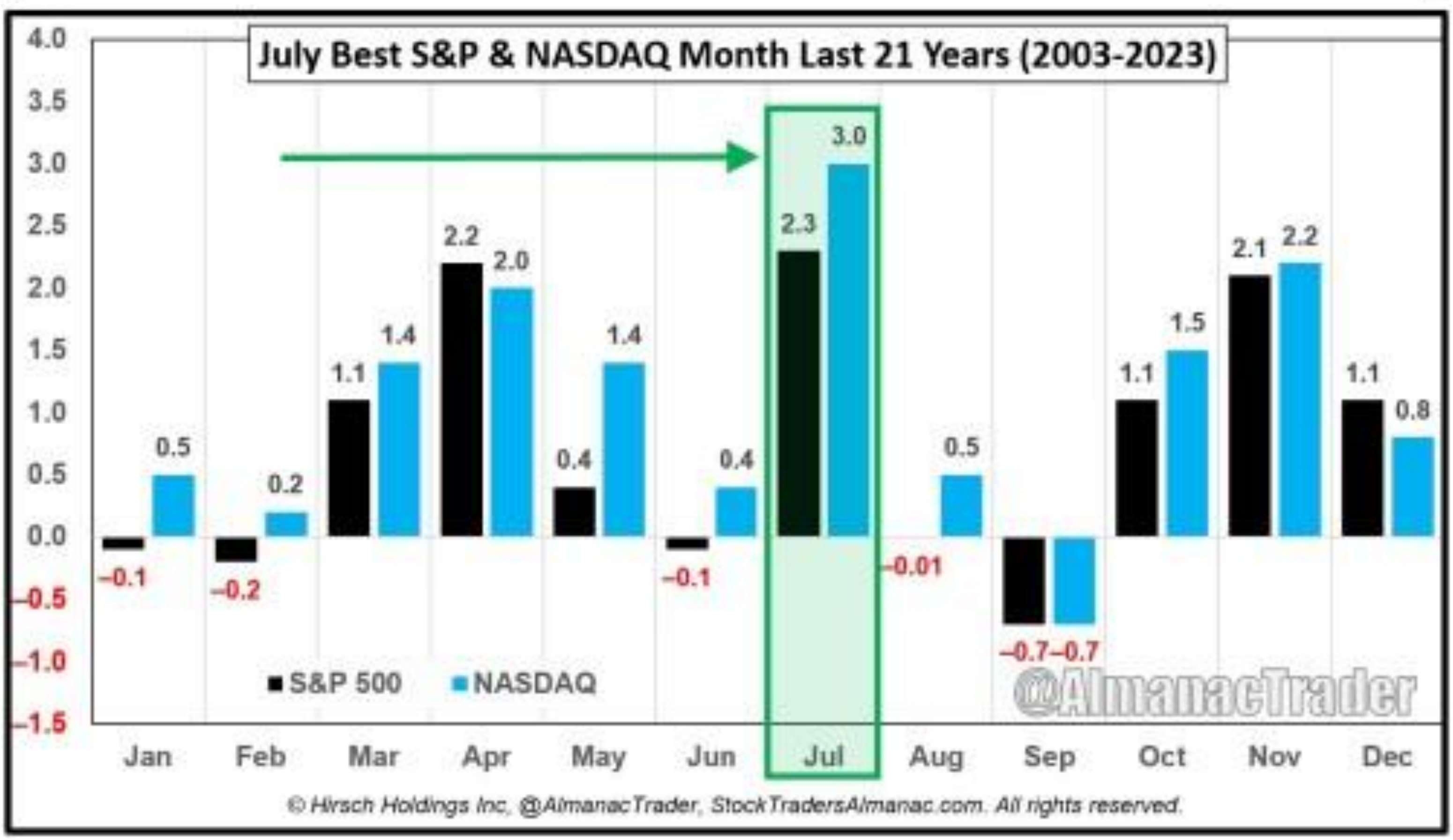
Dividend Aristocrats is the clear leader with over 22% gain just past the halfway point in the year:





Just a reminder of what's ahead:





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Here is an interesting article sent to me by a subscriber. I have discussed the potential issues with the 30 Year Japan Government Bond getting above 4% and that world governments would do something to try to stop or delay it. Looks like that has begun. This is something that will likely take a while to play out, but could be one catalyst that ends the current Secular Bull market in 2 or 3 years.

[US Treasury informed banks that it may intervene in Japan's yen, source says | Reuters]

Here is the current 30Y JGB:

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Weekly Performance:

NAME	LAST	CHG	% CHG	+/-
IGV - iShares Expanded Tech-Software Sector ETF	94.58	+6.60	+7.50%	
MAGS - Roundhill Big Tech ETF	65.96	+2.81	+4.45%	
XRT - SPDR S&P Retail ETF	89.78	+2.77	+3.18%	
$OEX - S&P 100 Index	3,690.98	+54.45	+1.50%	
$TNX - CBOE 10-Year US Treasury Yield	47.45	+0.66	+1.41%	
XLF - Financial Select Sector SPDR Fund	56.94	+0.63	+1.12%	
SPY - SPDR S&P 500 ETF	747.03	+8.10	+1.10%	
DIA - SPDR Dow Jones Industrial Average ETF	524.32	+5.56	+1.07%	
QQQ - Invesco QQQ Trust	687.99	+3.76	+0.55%	
$SML - S&P 600 Small Cap Index	1,768.56	+7.09	+0.40%	
IWM - iShares Russell 2000 ETF	291.20	+0.03	+0.01%	
GLD - SPDR Gold Shares	371.54	-0.36	-0.10%	
XLE - Energy Select Sector SPDR Fund	59.55	-0.07	-0.12%	
VGT - Vanguard Information Technology ETF	113.15	-0.15	-0.13%	
XLK - Technology Select Sector SPDR Fund	175.35	-0.53	-0.30%	
$MID - S&P 400 Mid Cap Index	3,758.64	-25.22	-0.67%	
CHAT - Roundhill Generative AI & Technology ETF	81.96	-0.90	-1.09%	
TLT - iShares 20+ Year Treasury Bond ETF	82.25	-1.00	-1.20%	
$USD - US Dollar - Cash Settle	99.80	-1.66	-1.64%	
DBC - Invesco DB Commodity Index Tracking Fund	29.45	-0.65	-2.16%	
XBI - SPDR S&P Biotech ETF	147.01	-3.47	-2.31%	
DTCR - Global X Data Center & Digital Infrastructure ETF	27.44	-0.67	-2.38%	
DBA - Invesco DB Agriculture Fund	27.51	-0.73	-2.58%	
SMH - VanEck Semiconductor ETF	540.53	-20.66	-3.68%	
XHB - SPDR S&P Homebuilders ETF	103.69	-4.75	-4.38%	
$BRENT - Brent Crude Oil - Spot	89.68	-8.70	-8.85%	
$VIX - Volatility Index - New Methodology	15.99	-2.59	-13.94%	

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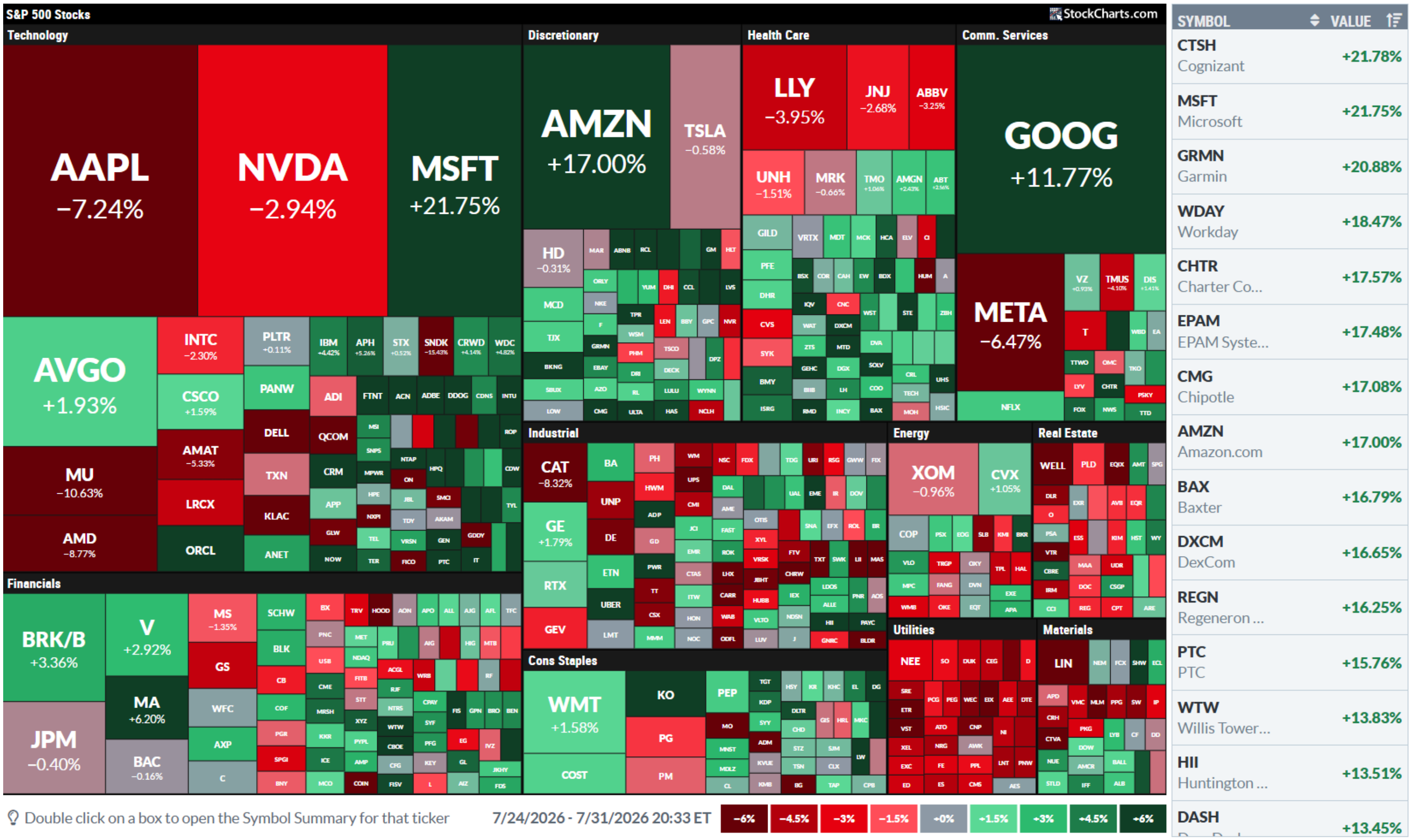

TIMEFRAME

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

	NAME	LAST	CHG	% CHG	+/-	DATE
≡	Aggressive - 03 - XLY - Consumer Discretionary Select Sector SPDR Fund	116.09	+6.68	+6.11%		07-31, 16:00
≡	Aggressive - 02 - XLC - Communication Services Select Sector SPDR Fund	108.24	+1.94	+1.83%		07-31, 16:00
≡	Aggressive - 04 - XLF - Financial Select Sector SPDR Fund	56.94	+0.63	+1.12%		07-31, 16:00
≡	Defensive - 06 - XLP - Consumer Staples Select Sector SPDR Fund	85.05	+0.92	+1.09%		07-31, 16:00
≡	z1 $SPX - S&P 500 Large Cap Index	7,489.72	+77.74	+1.05%		07-31, 16:00
≡	z2 $NDX - Nasdaq 100 Index	28,274.20	+145.85	+0.52%		07-31, 16:00
≡	z3 IWM - iShares Russell 2000 ETF	291.20	+0.03	+0.01%		07-31, 16:00
≡	Defensive - 09 - XLV - Health Care Select Sector SPDR Fund	162.55	-0.02	-0.01%		07-31, 16:00
≡	z4 GLD - SPDR Gold Shares	371.54	-0.36	-0.10%		07-31, 16:00
≡	Defensive - 11 - XLE - Energy Select Sector SPDR Fund	59.55	-0.07	-0.12%		07-31, 16:00
≡	Aggressive - 01 - XLK - Technology Select Sector SPDR Fund	175.35	-0.53	-0.30%		07-31, 16:00
≡	Aggressive - 05 - XLI - Industrial Select Sector SPDR Fund	179.84	-2.82	-1.54%		07-31, 16:00
≡	Defensive - 10 - XLB - Materials Select Sector SPDR Fund	50.43	-0.83	-1.62%		07-31, 16:00
≡	z5 $BTCUSD - Bitcoin to US Dollar	62,945.76	-1,146.72	-1.79%		07-31, 20:48
≡	Defensive - 08 - XLRE - Real Estate Select Sector SPDR Fund	45.07	-0.88	-1.92%		07-31, 16:00
≡	Defensive - 07 - XLU - Utilities Select Sector SPDR Fund	44.35	-1.94	-4.19%		07-31, 16:00

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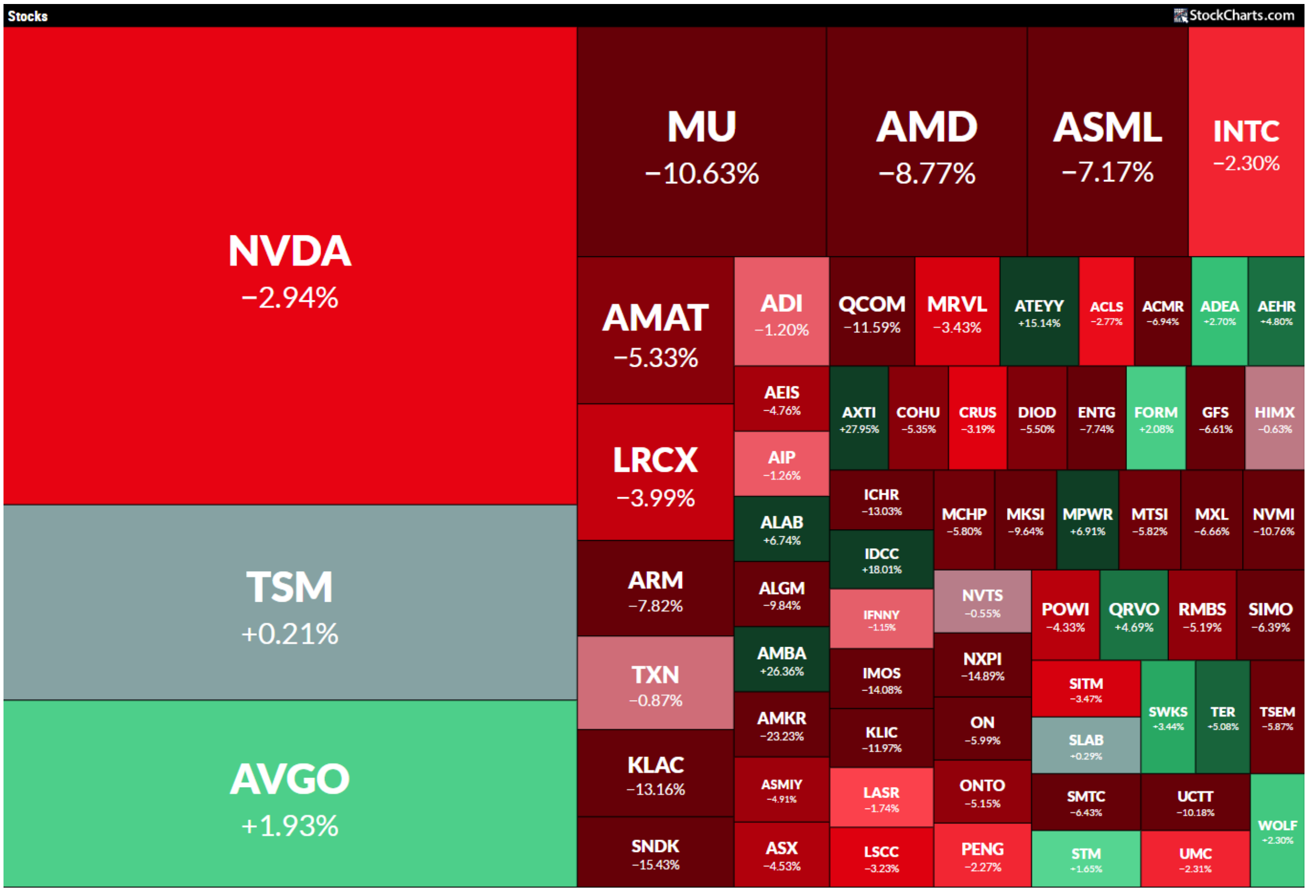
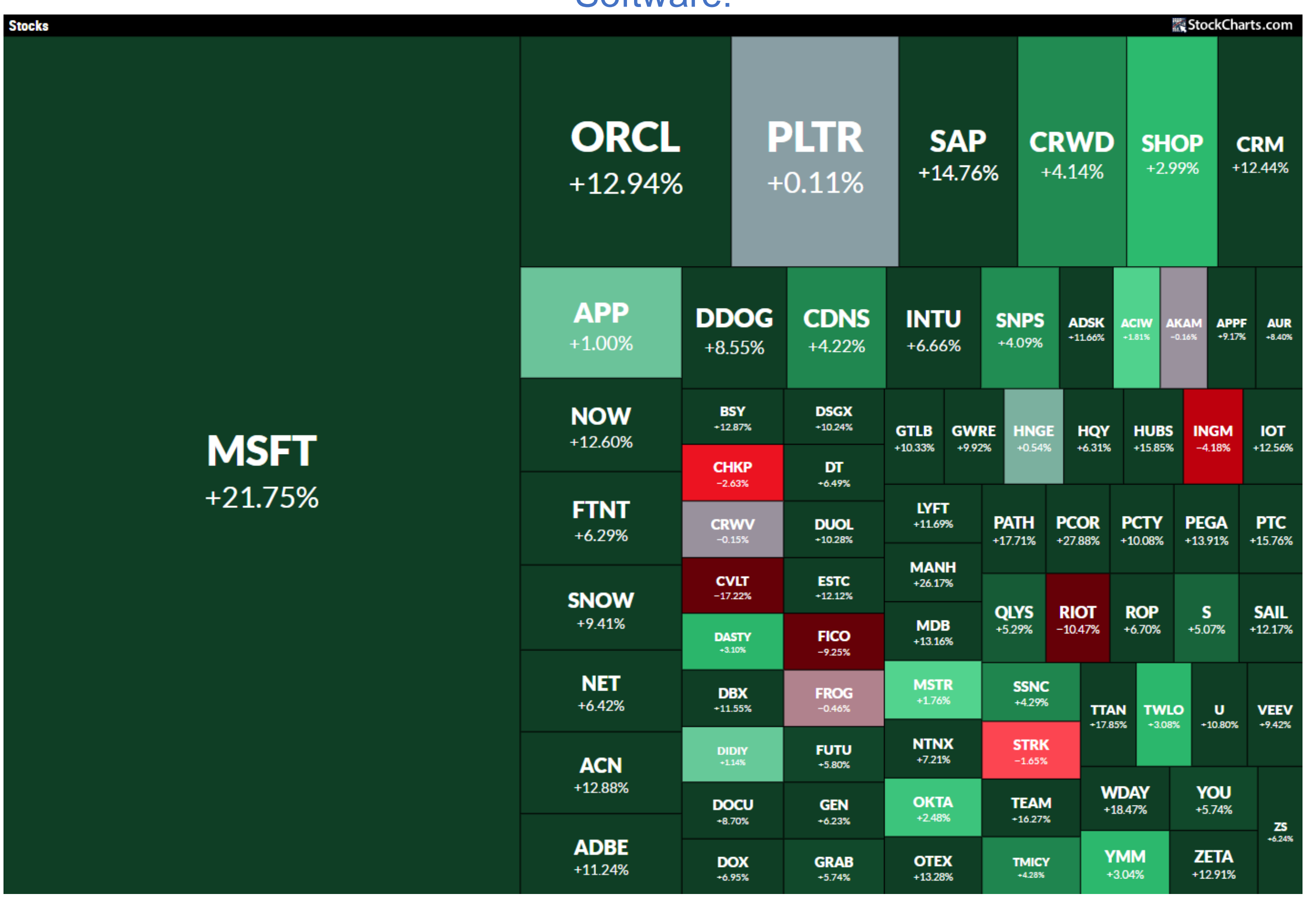
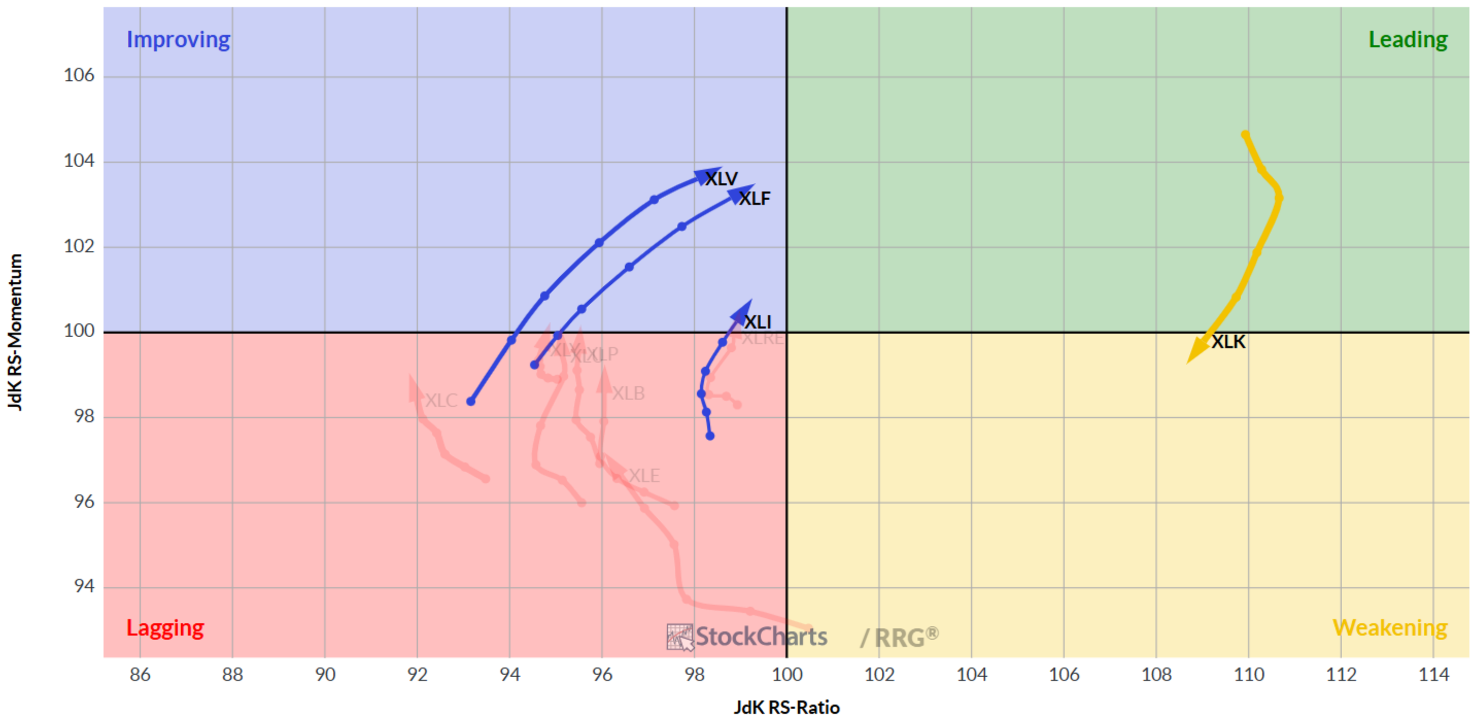
Semiconductors:



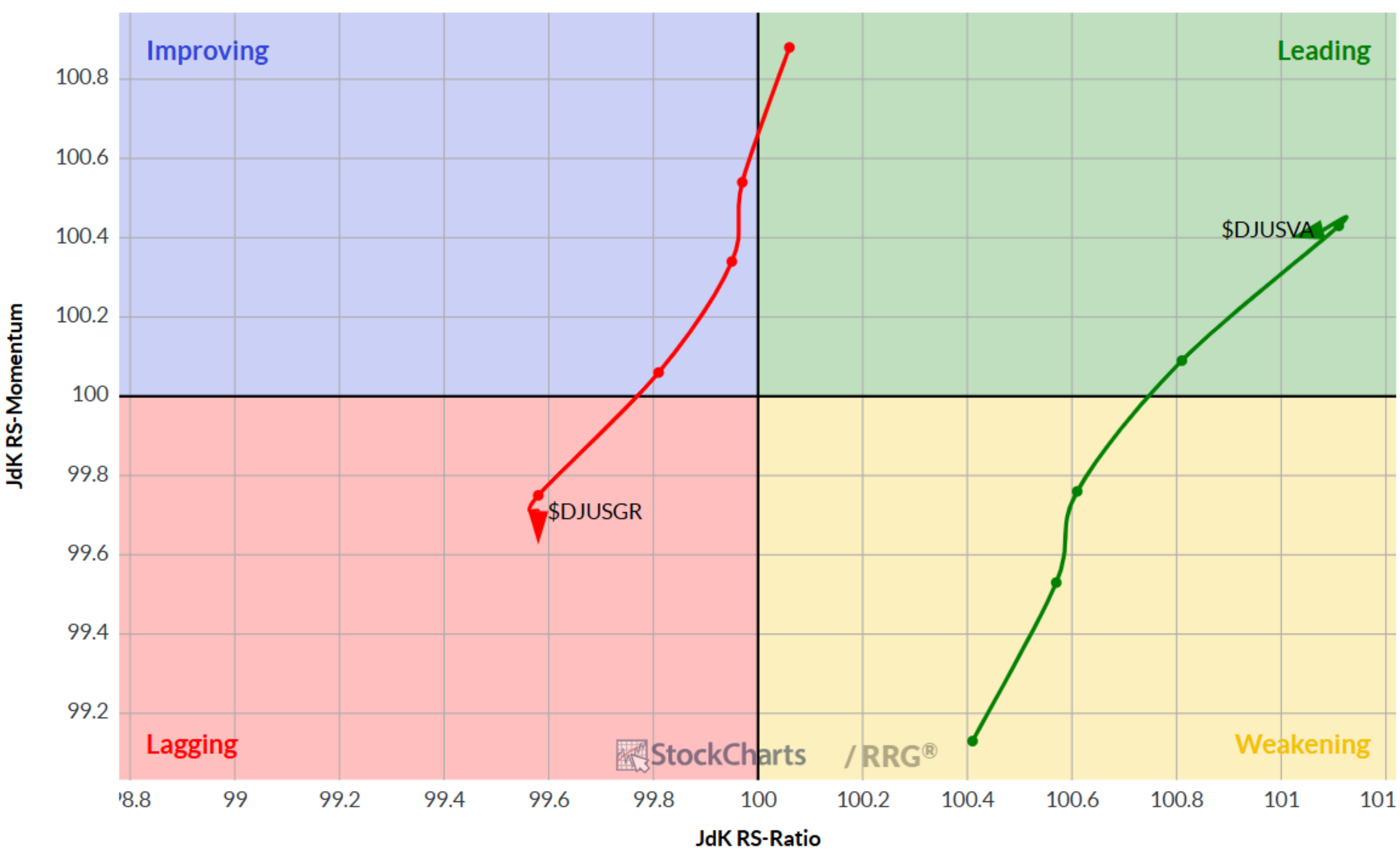
Software:



Technology now in the "Weakening" quadrant, but it's the direction of the line that is important. XLV, XLF and XLI are leading.



Growth and Value clearly going in opposite directions.



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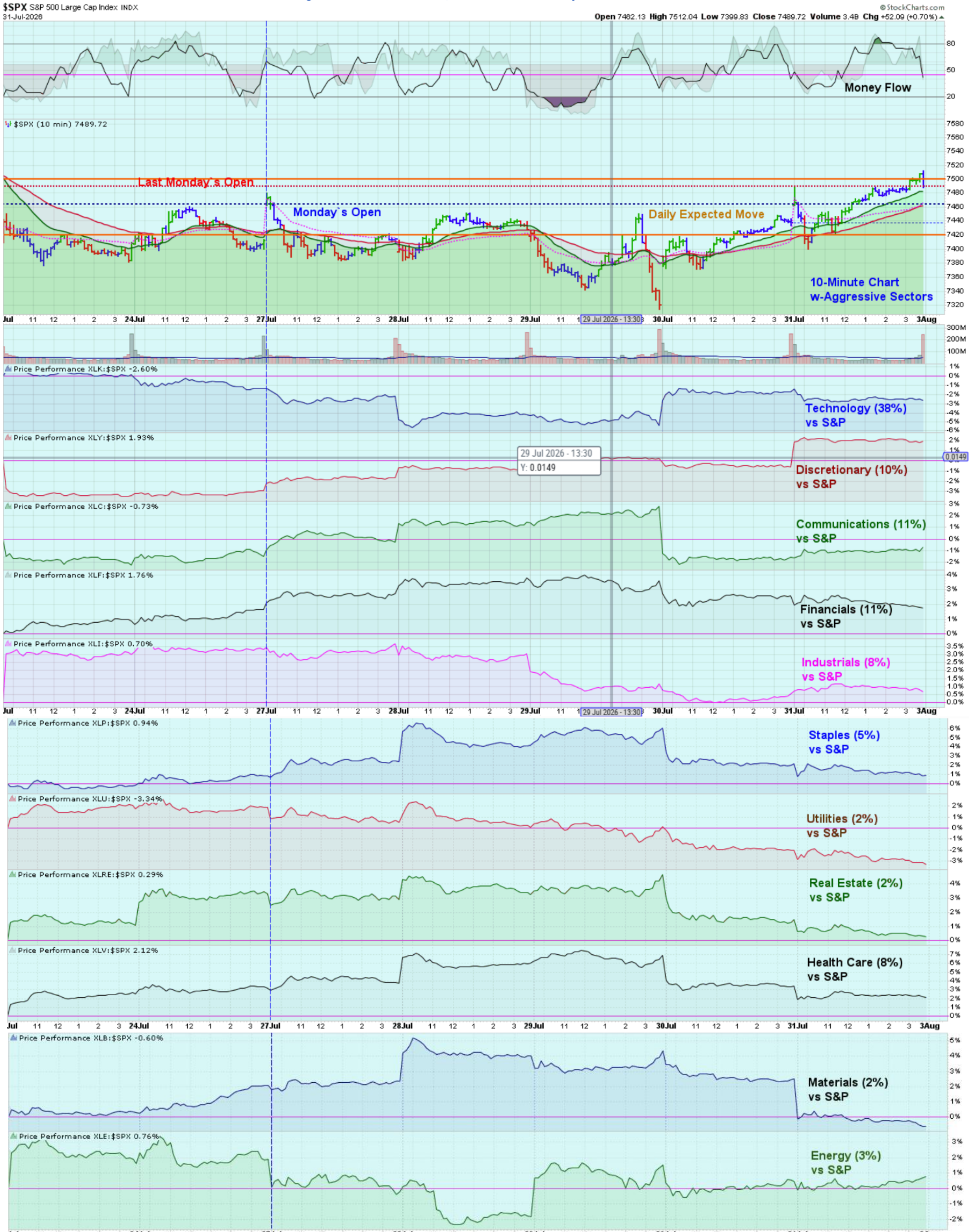
10-Minute Charts: S&P went right to the Expected Daily Move and reversed!



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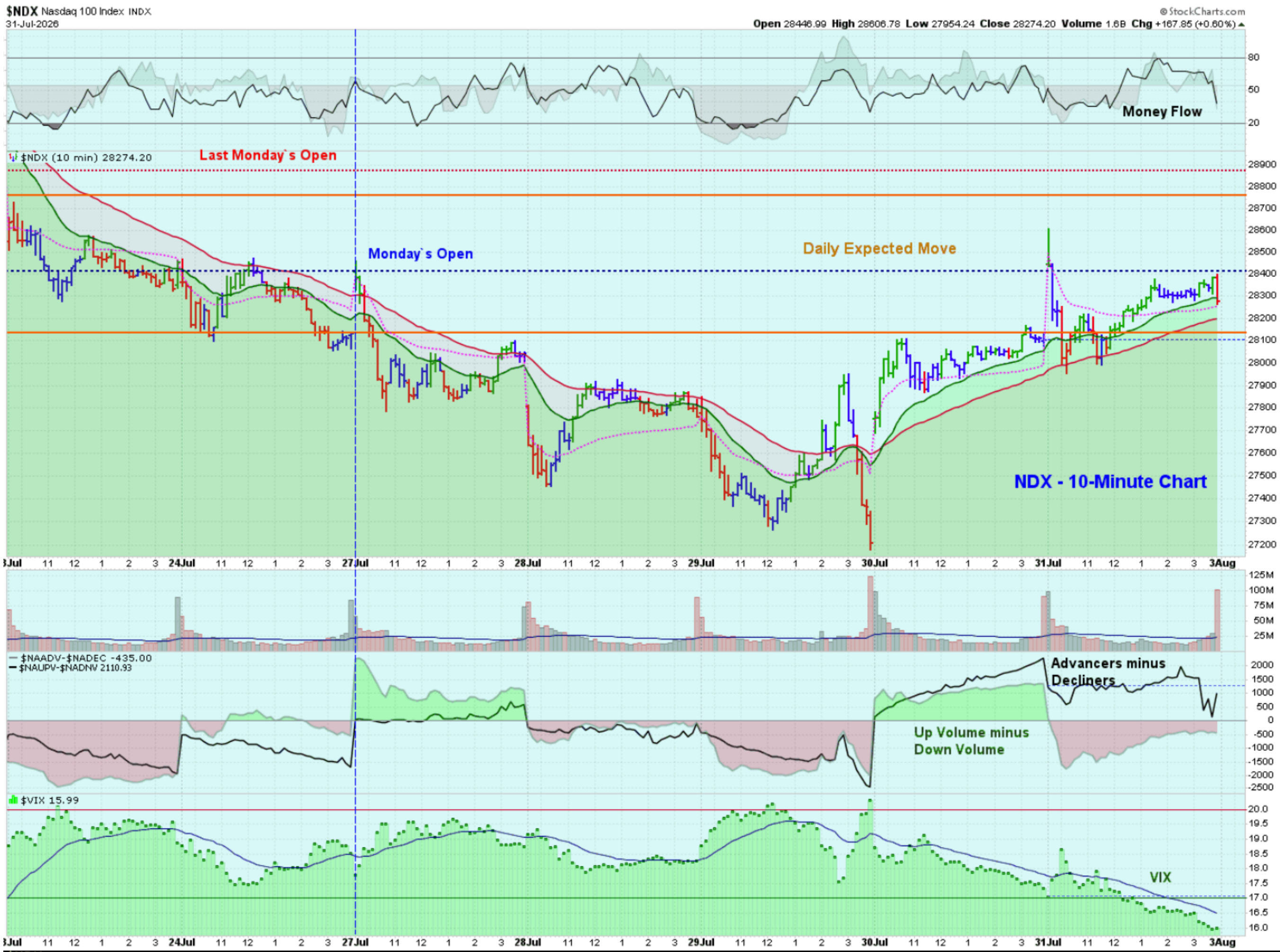

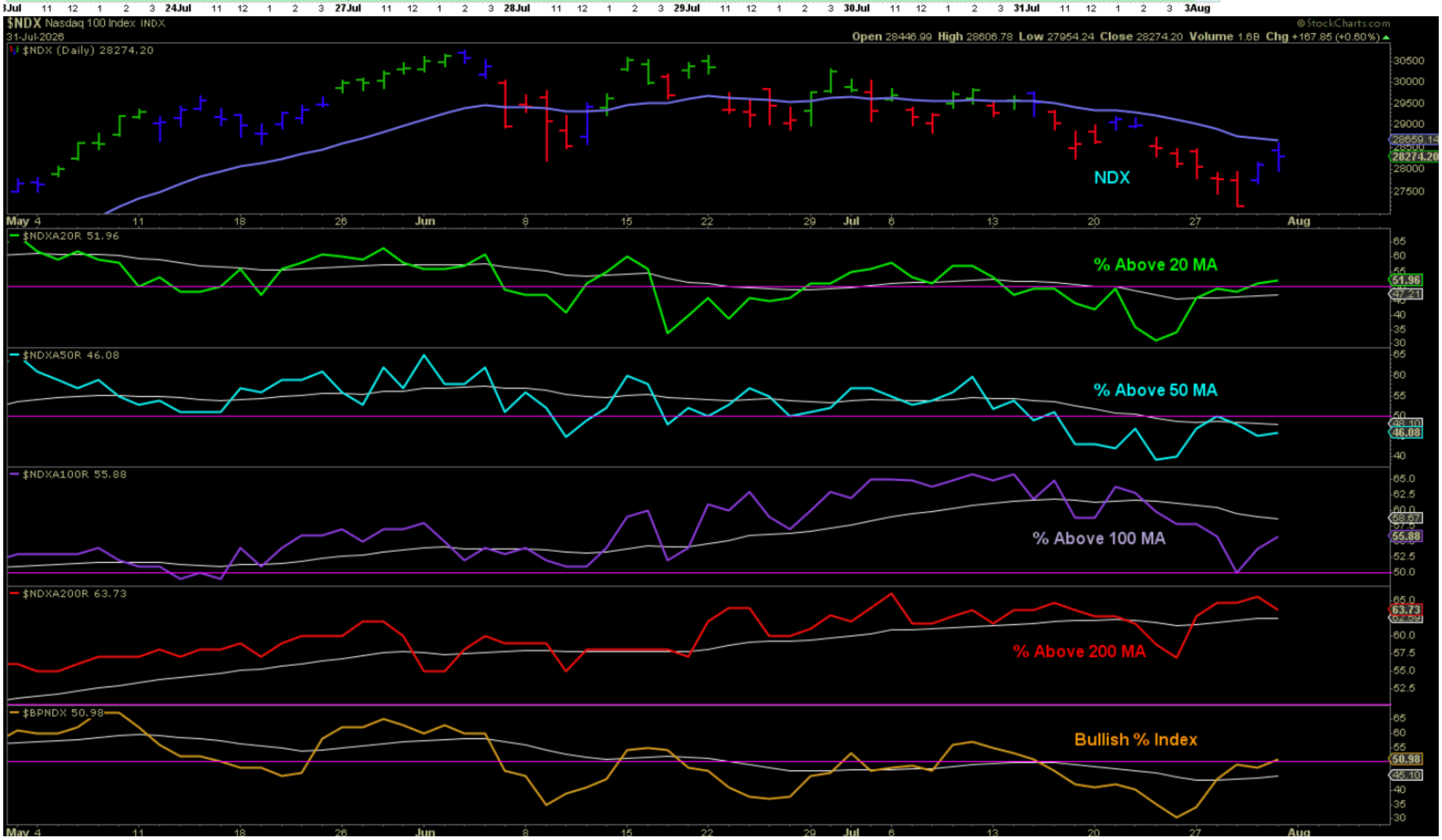

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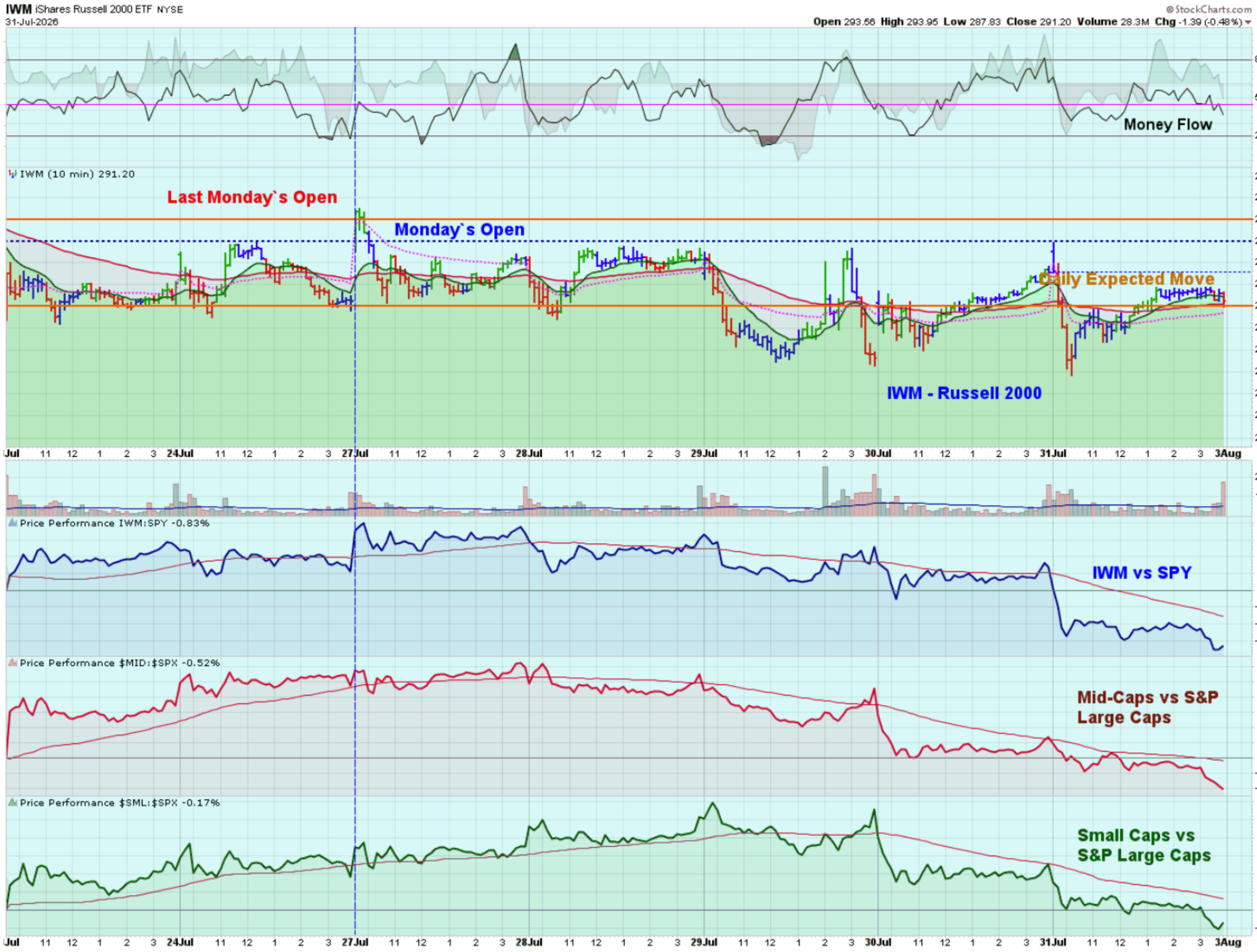

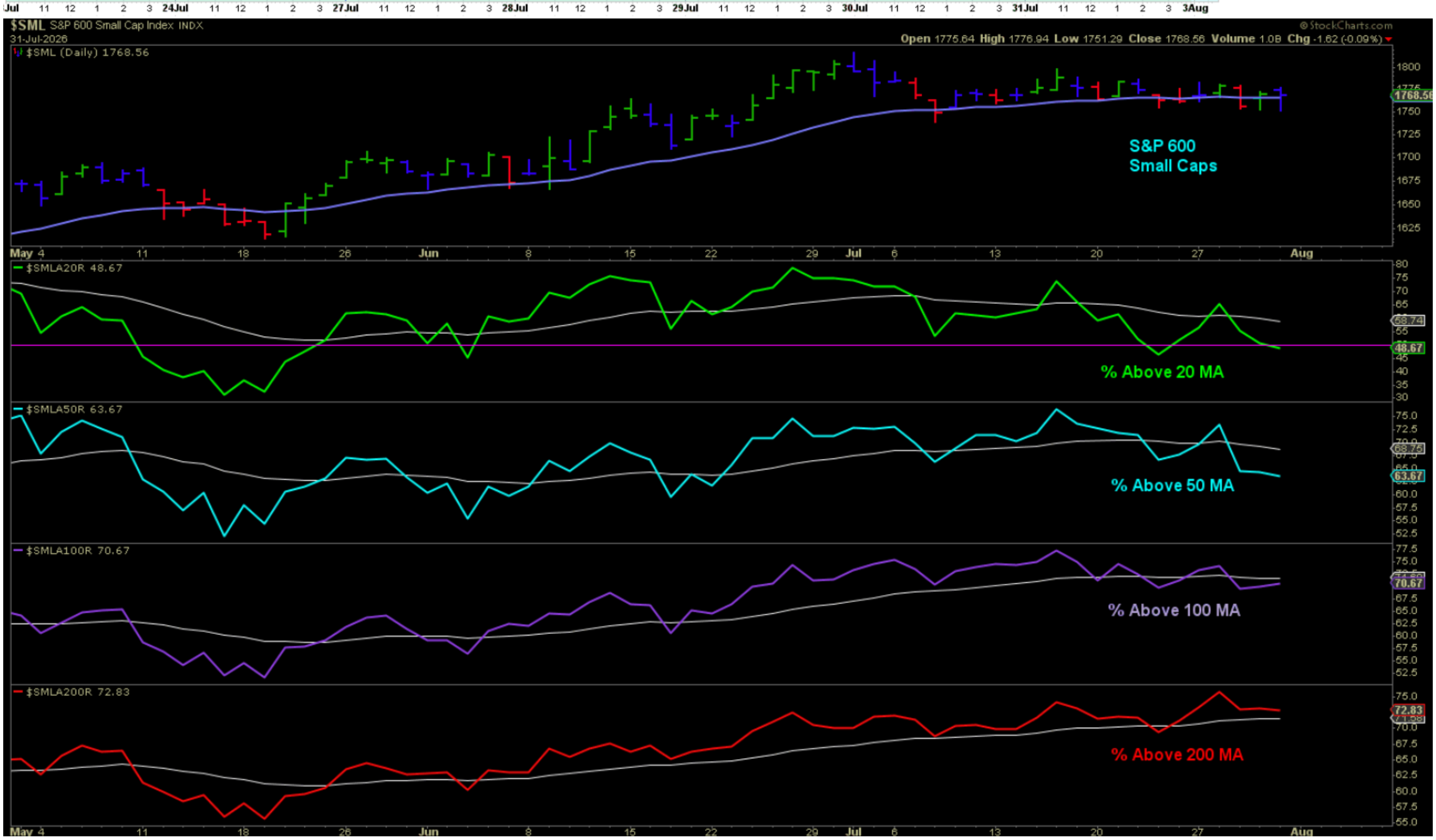

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Top 10 Best & Worst Large Caps for the Week:

NAME	SECTOR	INDUSTRY	LAST	CHG	% CHG	+/-
CTSH - Cognizant Technology Solutions Corp.	Technology	Computer Services	55.35	+9.90	+21.78%	
MSFT - Microsoft Corp.	Technology	Software	464.72	+83.02	+21.75%	
WDAY - Workday, Inc.	Technology	Software	160.34	+25.00	+18.47%	
CHTR - Charter Communications Inc.	Comm. Services	Entertainment	144.98	+21.67	+17.57%	
AMZN - Amazon.com, Inc.	Discretionary	Broadline Retailers	271.58	+39.47	+17.00%	
DXCM - DexCom Inc.	Health Care	Medical Supplies	83.45	+11.91	+16.65%	
TEAM - Atlassian Corp.	Technology	Software	101.02	+14.13	+16.27%	
REGN - Regeneron Pharmaceuticals, Inc.	Health Care	Biotechnology	762.63	+106.62	+16.25%	
DASH - DoorDash Inc.	Discretionary	Special Consumer Services	196.16	+23.25	+13.45%	
ORCL - Oracle Corp.	Technology	Software	129.87	+14.88	+12.94%	

NAME	SECTOR	INDUSTRY	LAST	CHG	% CHG	+/-
NXPI - NXP Semiconductor N.V.	Technology	Semiconductors	229.16	-40.08	-14.89%	
KLAC - KLA Corp.	Technology	Semiconductors	182.82	-27.70	-13.16%	
QCOM - QUALCOMM Inc.	Technology	Semiconductors	147.61	-19.36	-11.59%	
MU - Micron Technology, Inc.	Technology	Semiconductors	823.03	-97.92	-10.63%	
UPS - United Parcel Service, Inc.	Industrial	Delivery Services	104.22	-10.57	-9.21%	
ODFL - Old Dominion Freight Line, Inc.	Industrial	Trucking	212.14	-20.85	-8.95%	
AMD - Advanced Micro Devices, Inc.	Technology	Semiconductors	476.15	-45.80	-8.77%	
CAT - Caterpillar, Inc.	Industrial	Commercial Vehicles	814.81	-73.92	-8.32%	
ARM - Arm Holdings Plc	Technology	Semiconductors	239.69	-20.32	-7.82%	
AAPL - Apple, Inc.	Technology	Computer Hardware	308.91	-24.11	-7.24%	

WEEKLY VIEW

WEEKLY VIEW

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

NAME	SECTOR	INDUSTRY	LAST	CHG	% CHG	+/-
MKTX - MarketAxess Holdings Inc.	Financial	Investment Services	162.30	+45.61	+39.09%	
BLKB - Blackbaud Inc.	Technology	Software	42.80	+10.09	+30.85%	
VRRM - Verra Mobility Corporation	Industrial	Diversified Industrials	5.29	+1.24	+30.62%	
NEOG - Neogen Corp.	Health Care	Medical Supplies	12.04	+2.64	+28.09%	
MANH - Manhattan Associates, Inc.	Technology	Software	191.36	+39.69	+26.17%	
ITGR - Integer Holdings Corp.	Health Care	Medical Equipment	121.21	+22.59	+22.91%	
EXLS - ExlService Holdings Inc.	Industrial	Business Support Services	33.93	+6.26	+22.62%	
CHEF - Chefs' Warehouse, Inc.	Staples	Food Retailers	115.35	+20.49	+21.60%	
GDYN - Grid Dynamics Holdings Inc.	Technology	Software	6.89	+1.20	+21.09%	
BDC - Belden Inc.	Technology	Electrical Components	124.05	+21.29	+20.72%	

NAME	SECTOR	INDUSTRY	LAST	CHG	% CHG	+/-
MYGN - Myriad Genetics, Inc.	Health Care	Biotechnology	2.86	-2.75	-49.02%	
MNRO - Monro, Inc.	Discretionary	Special Consumer Services	12.25	-4.54	-27.04%	
PSN - Parsons Corp.	Technology	Computer Services	44.21	-14.52	-24.72%	
AMKR - Amkor Technology, Inc.	Technology	Semiconductors	49.87	-15.09	-23.23%	
WU - Western Union Co.	Financial	Consumer Finance	6.36	-1.86	-22.63%	
MTZ - Mastec, Inc.	Industrial	Heavy Construction	263.10	-74.74	-22.12%	
OI - Owens Illinois, Inc.	Materials	Containers & Packaging	7.15	-1.93	-21.26%	
RXO - RXO Inc.	Industrial	Transportation Services	20.25	-5.38	-20.99%	
OLN - Olin Corp.	Materials	Commodity Chemicals	18.51	-4.69	-20.22%	
DFH - Dream Finders Homes Inc.	Discretionary	Home Construction	12.79	-3.13	-19.66%	

WEEKLY VIEW

WEEKLY VIEW

From Real Investment Advice:

The Momentum Crash: Is It Over? - RIA

Excerpt:

💰 Is The Momentum Crash Over?

What a week that was. As I discussed on Thursday on the *Real Investment Show*, the average retail investor portfolio is likely faring far worse than the broad market index. The momentum crash we just lived through was the fastest on record. It ended last Thursday with a $45 billion hedge fund handing its entire public equity book to Citadel in a single block trade.

None of it should have been a surprise. On June 22, in *The Technical Backdrop: When Flows Meet a Hawkish Fed*, I wrote that a market running on flows, leverage, and shrinking leadership could melt up into July. It could also reverse hard the moment those mechanical buyers turned into sellers. **The close of that piece was blunt**, **and was published on the exact day momentum peaked.** It is also named the mechanism.

*"**Lastly, watch the long end of the curve.** If Warsh's signal keeps the ten-year climbing, the most expensive, most crowded, most rate-sensitive corner of this market, the same one soaking up forty cents of every dollar, is the corner that pays for it first."*

The most crowded corner of this market, the one soaking up forty cents of every S&P 500 dollar, would pay for rising yields first. That is precisely what happened. Two weeks ago, *Momentum Meltdown Catches Traders By Surprise* flagged the same divergence in miniature. Last week, *The AI Capex Bill Comes Due* walked through the $800 billion megacap air pocket. The only question left is whether the correction is finished or whether this was the first act.

Momentum Crashed. The Average Stock Did Not.

Start with the magnitude, because the numbers are without precedent. Morgan Stanley's sector-neutral momentum index fell 17.4% over four sessions, the worst four-day stretch in the history of the series. The comparable declines were roughly 11% after the dot-com peak and again in the 2022 inflation bear, and 14% after the Covid crash. The technology and media slice of that basket dropped 36% in four days, against a prior record near 20% set in the 1999 to 2001 unwind.

You can see the same thing in instruments you can actually trade. The iShares Momentum ETF fell 18.0% from its June 22 peak to its July 29 low, and semiconductors, measured by SOXX, surrendered 29.0% over those same twenty-five sessions. Momentum broke. The equal-weight S&P 500 closed at a record high on July 28. Right in the middle of the wreckage.

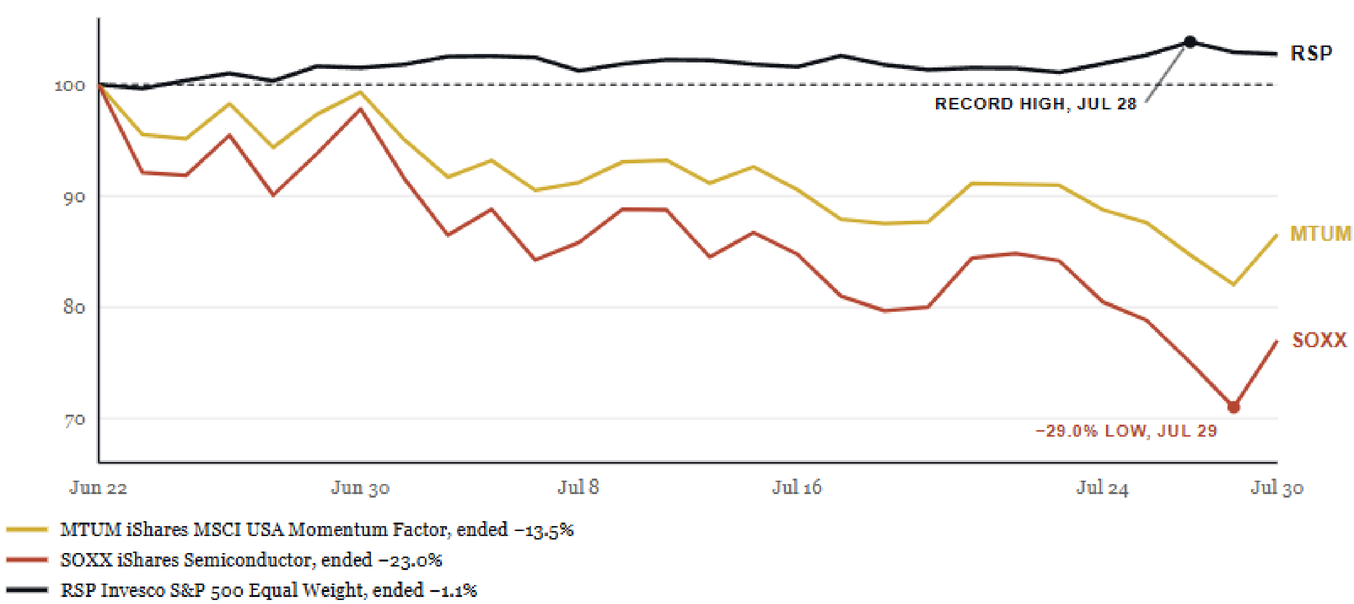
While for many retail investors, it may *"feel"* like a market crash, it wasn't. It was a rotation, and leveraged traders were liquidated.

None of that is new. In *More Market Wisdom: Jesse Livermore, Part 2*, we walked through how leadership rotates across cycles. The Nifty Fifty became the laggards of the late 1970s. Technology dominated the late 1990s, then delivered a lost decade. Energy was close to unownable from 2014 through 2020, then led the market in 2021 and 2022. Staying rigidly committed to yesterday's leaders is the most reliable path to underperforming in the next cycle.

Diversification is what converts that rotation from a portfolio problem into a portfolio feature. We covered the practical version in *Momentum Strategies, and Physics: Mass And Velocity Matter*, and the structural version in *The Passive Aggressive Market,* where investors rotate hard between factor ETFs and still call it passive investing. Last week priced the difference. Own the equal-weight index, and you made a record high on July 28. Own the momentum factor, and you gave back 18%.

MOMENTUM CRASHED. THE AVERAGE STOCK DID NOT.

Indexed to 100 at the June 22, 2026 close. Daily closes through July 30, 2026.



Source: RIA Advisors. Daily adjusted closes via Massive Market Data, as of the July 30, 2026 close.

Leverage Was The Mechanism. Rates Lit The Fuse.

During Thursday's meltdown, I called Michael Lebowitz, and we discussed that it *"felt"* as if someone was being liquidated. It turned out that a hedge fund, Situational Awareness, which ran leverage roughly 4x its equity base through total return swaps, was the victim. Within a day, it liquidated nearly 3/4 of its holdings.

It is the structure that matters. **Prime brokers hold the physical shares while the client takes the economic exposure, so the position never appears in a public filing, and no single broker sees the whole book.** Goldman Sachs, JPMorgan, and Bank of America were the counterparties here.

Here is the crucial point: **When the collateral fell far enough, the "Prime Brokers" decided to sell. Not the fund.**

We have written that sentence before, in *Margin Debt Surges As Bulls Leverage Bets***:**

That process is at the discretion of the broker-dealers that extended that leverage in the first place.

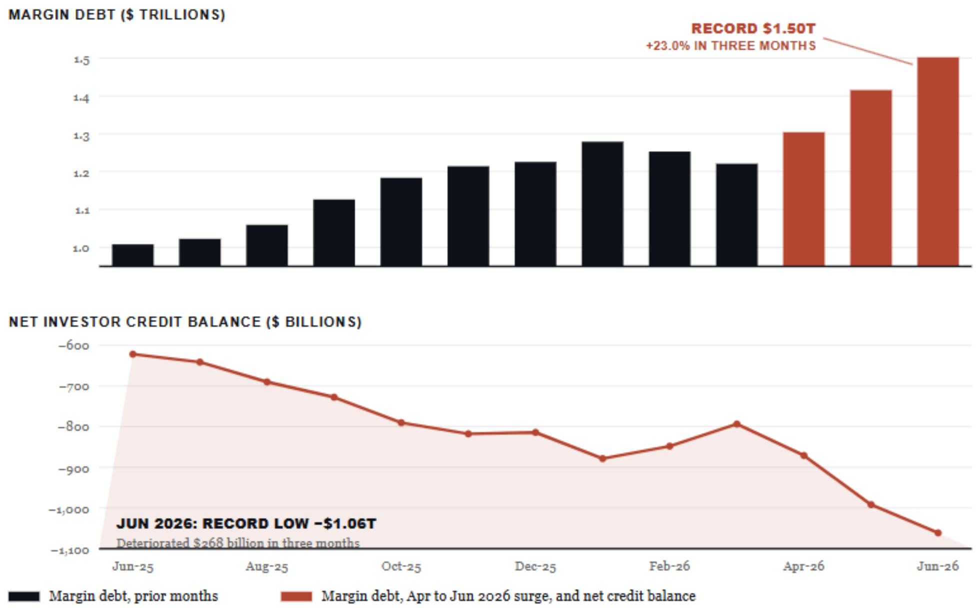
So what tipped the collateral? Rates. After the FOMC meeting this past week, the front end of the curve barely flinched. The long end did the damage, with the 30-year closing that day at 5.20%, its highest level in 19 years. **Nothing in this market is more sensitive to the long end than an unprofitable growth stock bought with borrowed money.**

The backdrop was already stretched thin. Margin debt set another record in June at $1.50 trillion, up 49% from a year ago, while the net investor credit balance sank to a record negative $1.06 trillion. That is the thinnest cushion against forced selling ever recorded, a point we walked through in *Margin Debt Risk: The Ratios That Mislead Investors*.

The timing in the chart below is what matters. Leverage actually fell from January into March. Then it went vertical. Margin debt jumped 23.0% in the three months through June, and the credit cushion thinned by $268 billion over that same stretch. That build topped out precisely as momentum did.

RECORD LEVERAGE, RECORD-THIN CUSHION

FINRA margin statistics, monthly. June 2025 through June 2026 reference months.

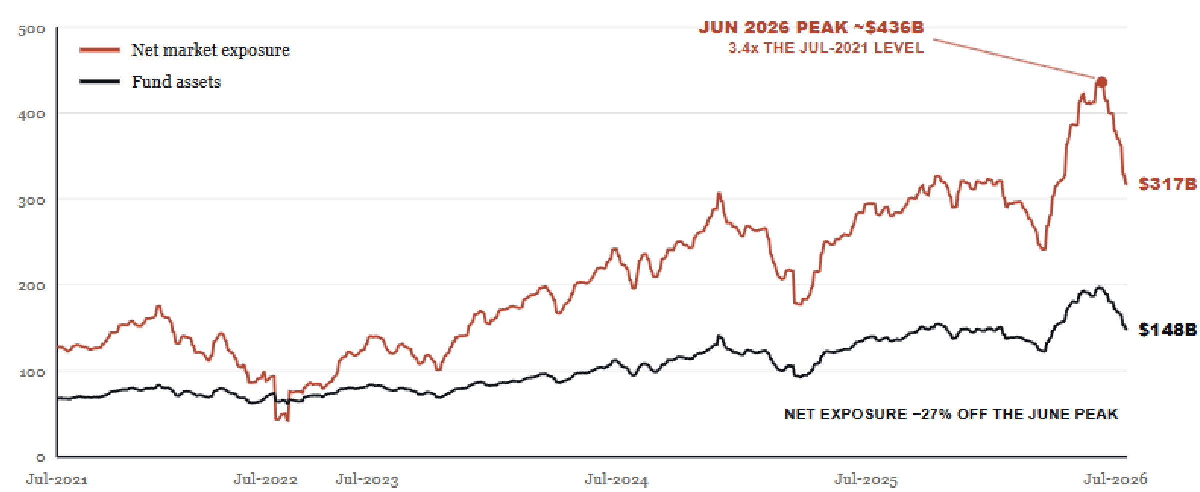


Source: RIA Advisors. FINRA Rule 4521(d) margin statistics, retrieved July 31, 2026. Net credit balance = free credit balances in cash accounts plus free credit balances in margin accounts, less debit balances in margin accounts.

Situational Awareness was not the only leveraged buyer in that corner, either. Citadel's desk put levered ETF assets at a record $218 billion in June, up roughly 60% from the end of March, with semiconductor-linked leverage nearly tripling. We mapped where that money was pointing in *A Supply Tsunami Is Coming*.

THE RETAIL SIDE OF THE SAME LEVERED TRADE

US-listed levered ETF assets and net market exposure ($ billions). Inverse funds offset levered exposure.



Source: RIA Advisors chart. Underlying series from The Daily Shot (@SoberLook), "US-Listed Levered ETF AUM & Net Exposure," published July 31, 2026. Levels digitised from the published chart, approximate to within roughly $10 billion.

The Daily Shot tracks a slightly wider universe, and its version shows the round trip. Net market exposure across US levered and inverse ETFs peaked near $436 billion in mid-June, about 3.4 times its level in the summer of 2021. It has since fallen 27%, and fund assets are down 25% from their peak.

That is the retail mirror of the de-grossing of the reported prime desks. It also explains why Thursday had so much fuel. **Two dollars in a 3x fund carries six dollars of market risk, so when that complex shrinks, the selling is mechanical, and then it stops.**

INDICATOR	LATEST	CONTEXT	TREND
30-year Treasury yield	5.25%	Highest in 19 years. Up 30 bps from the June 22 momentum peak.	▲
10-year Treasury yield	Above 4.70%	Highest since January 2025.	▲
2-year Treasury yield	4.22%	As of July 29. Down 15 bps in a week. The front end is not the problem.	▼
Fed funds target	3.50% to 3.75%	Held July 29 on a 9-3 vote. Three dissents wanted a hike.	—
Odds of a September hike	~63%	Priced down from near 80% before the decision.	▼
FINRA margin debt	$1.50 trillion	Record. Up 49.0% year over year, and 23.0% in three months.	▲
Net investor credit balance	−$1.06 trillion	Record low. Thinned by $268 billion since March.	▼

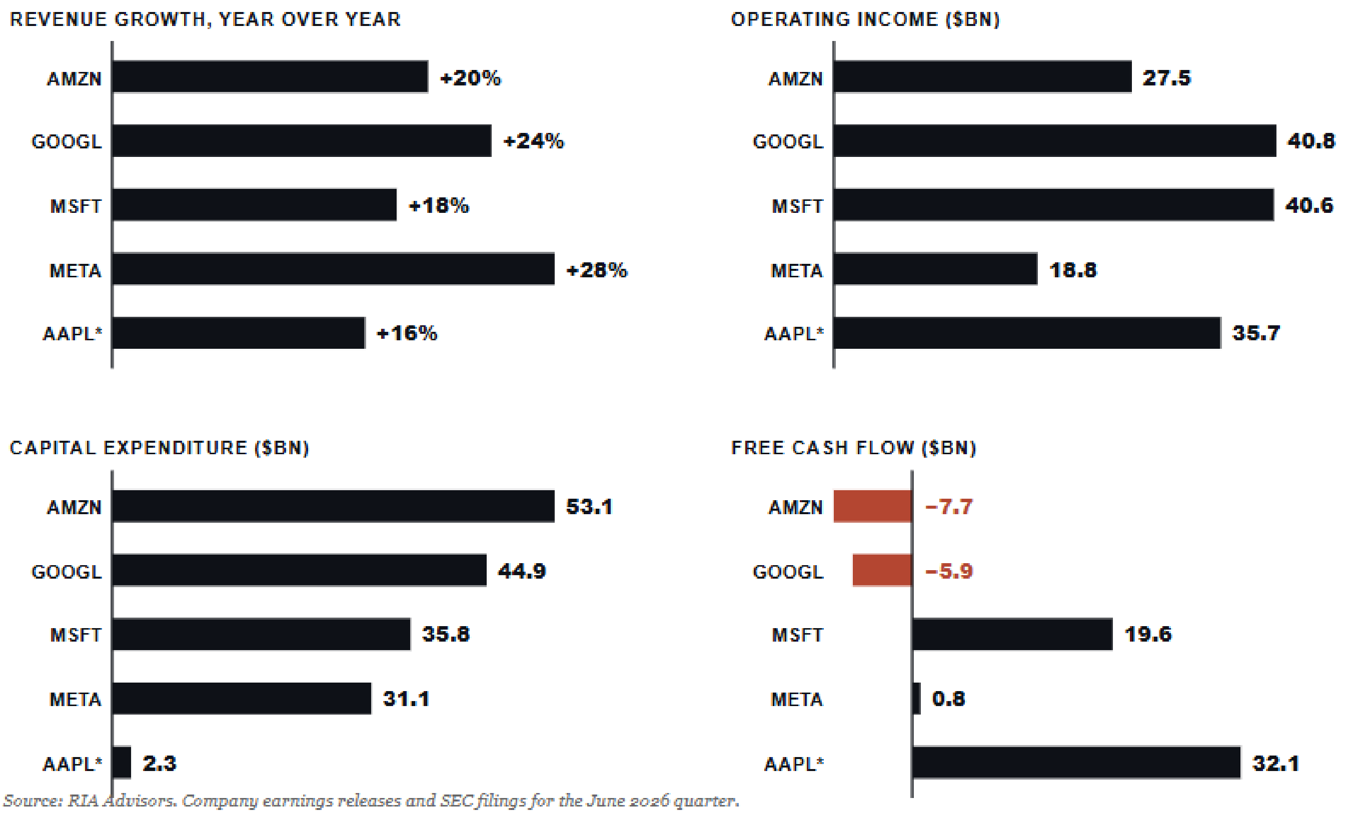
The 30-year and 10-year are Friday, July 31 closes per market reporting. The 2-year is the July 29 Treasury par curve close via Massive Market Data, the latest published. Rate-hike odds via fed funds futures pricing after the July 29 decision. Margin debt and net credit balance computed from FINRA Rule 4521(d) margin statistics, June 2026 reference month, retrieved July 31, 2026.

The Fundamentals Never Broke

Here is where the opportunity argument lives, and it deserves a fair hearing. Microsoft grew Azure revenue 43% in constant currency, above a 40.2% estimate, and surpassed $100 billion in annual Azure revenue for the first time. Amy Hood told the Street that capital spending will grow again in fiscal 2027. Amazon lifted its 2026 capex plan toward $220 billion on an *AWS-driven beat*.

CAPEX IS REAL. THE CASH FLOW IS WHERE THEY SPLIT.

Quarter ended June 2026, as reported. Apple's fiscal third quarter ended June 27.



Source: RIA Advisors. Company earnings releases and SEC filings for the June 2026 quarter.
Capex is cash purchases of property and equipment. Amazon is net of proceeds and incentives. Meta includes finance-lease principal. Microsoft excludes finance leases, which would lift its capex to $41.0bn. Free cash flow is operating cash flow less capex, as reported.
**Apple does not disclose quarterly cash flows. Capex shown is one third of the $6.8bn reported for the nine months to June 27, 2026. Apple free cash flow uses the $34.4bn of June-quarter operating cash flow stated on its earnings call.*

That scorecard kills the simple version of the story. Amazon spent the most of anyone, $53 billion against $45 billion of operating cash flow, printed the worst free cash flow in the group, and jumped about 9% after hours. Alphabet spent less, burned less, and fell 7%.

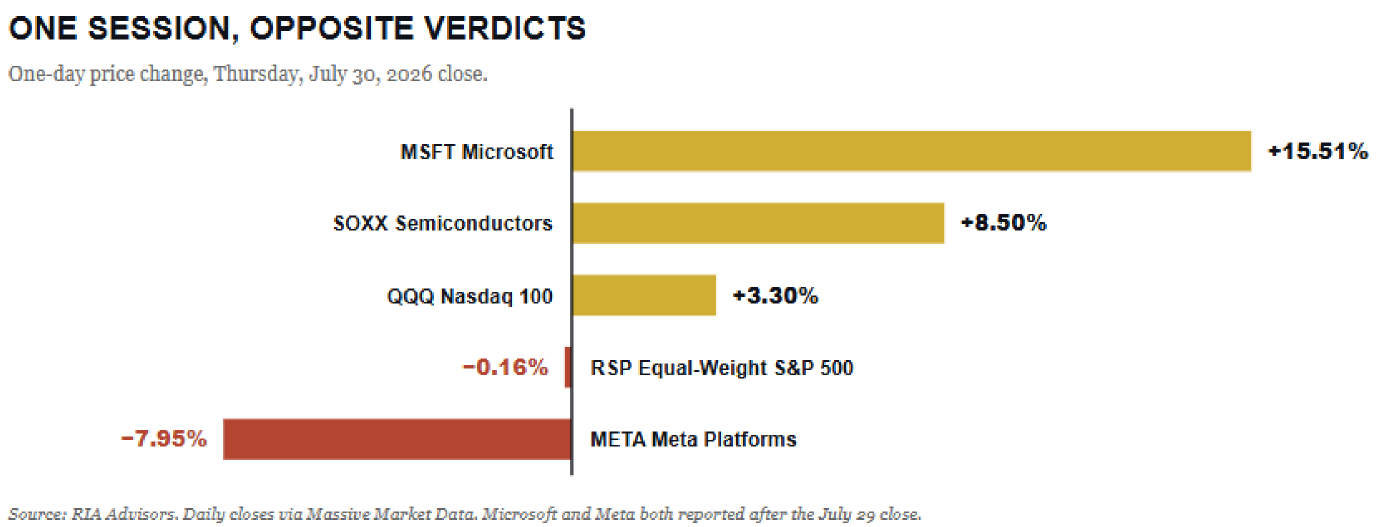
So, why the difference? It clearly was not an issue of *"cash flows"* as the narrative suggests. What separated them was evidence that the spending is already earning inside the operating line.

- **AWS grew 37%** with segment operating income up 64% and margin back to 39.4%.
- **Azure grew 43%** with remaining performance obligations at $678 billion.

However, Meta went the other way, with operating income down 8% and the margin down from 43% to 31%. After that, the market did the talking with Microsoft rising 15.5% on Thursday, and Meta falling 8.0% in the same session. This wasn't surprising after

Meta missed by more than a $1 per share, guided Q3 revenue to the low end, and declined to commit to a 2027 spending figure.

The market is not punishing capital spending, nor rewarding cash flow. It is paying for proof that the spending is already earning inside the operating line. Read that again, because it is the entire trade.



Both halves of that scorecard are distorted by a single timing mismatch, which I laid out in *"AI Capex Depreciation Risk Is The Catch To Record Earnings."* Cash leaves now, so free cash flow understates these businesses. Depreciation lands later, so operating income flatters them. Roughly $760 billion in spending this year is offset by only about $211 billion in recognized depreciation.

THE FREE CASH FLOW AIR POCKET — FIVE HYPERSCALERS COMBINED

YEAR	FREE CASH FLOW	WHAT THE CONSENSUS ASSUMES
2025	~$178B	The baseline, before the capex surge lands†
2026E	~$16B	Down 91%. The air pocket year
2027E	n/a	The unstated transition year
2028E	~$185B	The V-shape begins, capex assumed to taper
2029E	~$387B	Cash flow assumed to soar past prior peak

Source: WSJ / Visible Alpha consensus estimates. †2025 figure implied by the stated 91% decline into 2026. 2027 not specified by consensus. Net income is projected to compound near 20% annually through 2029.

So is the market mispricing Alphabet, which is investing, against Apple, which is not? Partly, yes. Alphabet was sold on an in-line core quarter, not a broken one, and 82% cloud growth against a contracted backlog is not a sign of a business in trouble. But that is not a free option either.

Consensus already assumes free cash flow snaps back from roughly $16 billion this year to $387 billion by 2029. That snapback is an assumption, not a result. **And Microsoft just stretched the useful life of its data centers from fifteen years to twenty-five, which cuts reported depreciation without changing a single server.** Demand is REAL. What broke was the financing stacked on top of it, and who pays the depreciation bill remains unsettled.

Is The Correction Over? The 2000 Playbook Says No.

So, for the one question everyone wants an answer to: ***"Is it safe to go back into the 'momentum' waters?"***

BTIG's Jonathan Krinsky called time on the momentum crash Thursday morning, and on the bounce I think he's right. Goldman's high-minus-low momentum index had fallen 23% below its 200-day average after sitting 40% above it in mid-June. It has rarely spent much time beyond 20% below that line in twenty-five years. Stretched is stretched. A dislocation that extreme produces a Thursday almost mechanically, and Microsoft's print gave buyers a reason to show up at once.

However, a bounce is not a bottom. Krinsky's own 2000 comparison is the useful part of that note. One month past the dot-com peak, the SOX had fallen 35%. It then rallied roughly 37% and still went on to test its 200-day moving average. Semiconductors closed Thursday 23.0% below the June 22 peak, 11.1% under the 50-day moving average, **but still 25.6% *above* the 200-day.**

Sit with that last figure for a second. Even after the fastest momentum crash on record, SOXX trades a quarter above its own long-term trend line. Trapped longs from June do not sell on the first bad day. They sell into the first rally that gets them close to even.

SCENARIO	SOXX LEVEL	FROM CLOSE	WHAT WOULD CONFIRM IT
Bounce runs to the 50-DMA, then fails	567.67	+12.4%	Leadership narrows back to a handful of names while the 30-year holds above 5.10%. My base case.
Full retest of the 200-DMA	402.86	−20.2%	A second levered fund is forced out, or a hyperscaler trims its capex guide, or the 30-year breaks 5.25%.
The July 29 low holds, new highs follow	655.01	+29.7%	The 30-year drops back under 5.00% and breadth expands alongside momentum rather than against it.

Levels are SOXX moving averages and the June 22, 2026 peak close, computed from daily adjusted closes via Massive Market Data through July 31, 2026. Percentages measured from the July 31 close of 504.89.

What Should Investors Do Now

Okay, what do we do now heading into the seasonal weak months of August and September? **First, treat this bounce as a gift for repositioning, not an invitation to re-risk.** The forced seller is gone. But Citadel holds a large block of the same paper and has no obligation to keep it. Secondly, if the 30-year keeps threatening a multi-year breakout, that adds to the risk, and that one variable decides whether the AI complex gets a durable bid or another leg lower.

ACTION	WHERE	RATIONALE
Sell strength, don't chase it	The levered second derivative: neoclouds, memory momentum names, bitcoin miners rebranded as AI hosts	These were the collateral in the swap book. They are already down 21% to 47%, so the question is no longer price, it is which balance sheets fund themselves through a retest.
Own the monetizers	Hyperscalers converting capital spending into reported revenue, with Microsoft the cleanest example	The market has started discriminating. Proof gets paid. Promises get sold.
Scale in on the retest	Semiconductor and AI infrastructure exposure, added closer to the 200-DMA than to the 50-DMA	The 2000 template says the first rally off a crash low gets faded before the actual low prints.
Tighten risk controls	Raise stops on remaining momentum exposure and carry above-normal cash	With margin debt at a record and the credit balance at a record negative, the next unwind starts the same way this one did.
Don't treat equal weight as a bunker	RSP at a record high carries its own asymmetry	If momentum rallies, it likely comes out of recent winners. If momentum fails again, correlations go to one and RSP goes with it.

However, there are opportunities in the rubble, and the following is a quick screen to start from, grouped by what each name actually does in the buildout. Look at the last column before anything else, because Friday rewrote it. Five names now sit above where they were at the momentum peak, and the top two are Microsoft and Amazon, the two heaviest spenders in the group. While some of the selling was certainly due to the liquidation of Situational Awareness, not all of it was. **Everything that builds, supplies, or finances the buildout, without yet showing a return, is still down 10% to 47%.**

BUCKET	ROLE IN THE BUILDOUT	CANDIDATES TO RESEARCH, WITH MOVE SINCE JUNE 22
Monetizers	Capex already showing up in the operating line	MSFT +27%, AMZN +17%, GOOGL +2%, ORCL −26%
Builders	Engineering, construction and electrical equipment doing the physical build	EMR 0%, ETN −5%, EME −8%, PWR −10%, GEV −12%, DY −14%, FIX −16%, CAT −20%, MTZ −35%, STRL −36%
Suppliers	Compute, networking, memory, thermal and power gear sold into the build	ANET +3%, AVGO −1%, NVDA −4%, CLS −12%, AMD −14%, TSM −14%, SMCI −20%, MU −32%, MOD −32%, VRT −33%
Power	Generation and grid capacity feeding the load	NRG −3%, CEG −5%, VST −11%, BWXT −20%, TLN −24%
Levered second derivative	Neoclouds and miners repurposed as AI hosts, financed rather than funded	CLSK −21%, CORZ −29%, RIOT −30%, NBIS −33%, IREN −35%, CRWV −36%, APLD −39%, BTDR −40%, BE −40%, HIVE −42%, SNDK −47%
The non-participant	Cash-rich, reinvesting almost nothing in the buildout	AAPL +4%

Screening universe for research, not recommendations. Price change from the June 22, 2026 close to the July 31, 2026 close, computed from daily adjusted closes via Massive Market Data. Buckets are ours.

Two things follow. The levered bucket is already flushed, so the case for trimming it is no longer about valuation; it is about which balance sheets survive a retest. **And the builders and suppliers are where contracted revenue meets washed-out prices, which is the part of this list I would spend the weekend on.**

My read is a tradable rally that fails that potentially fails, particularly if rates continue to push higher this week. If I'm wrong, I'm wrong by buying quality early. That's the cheaper mistake. We continue to suggest using strength to upgrade quality, cutting names whose only thesis was price momentum, and holding cash to act on a retest of support.

Trade accordingly.

Good Luck Trading…

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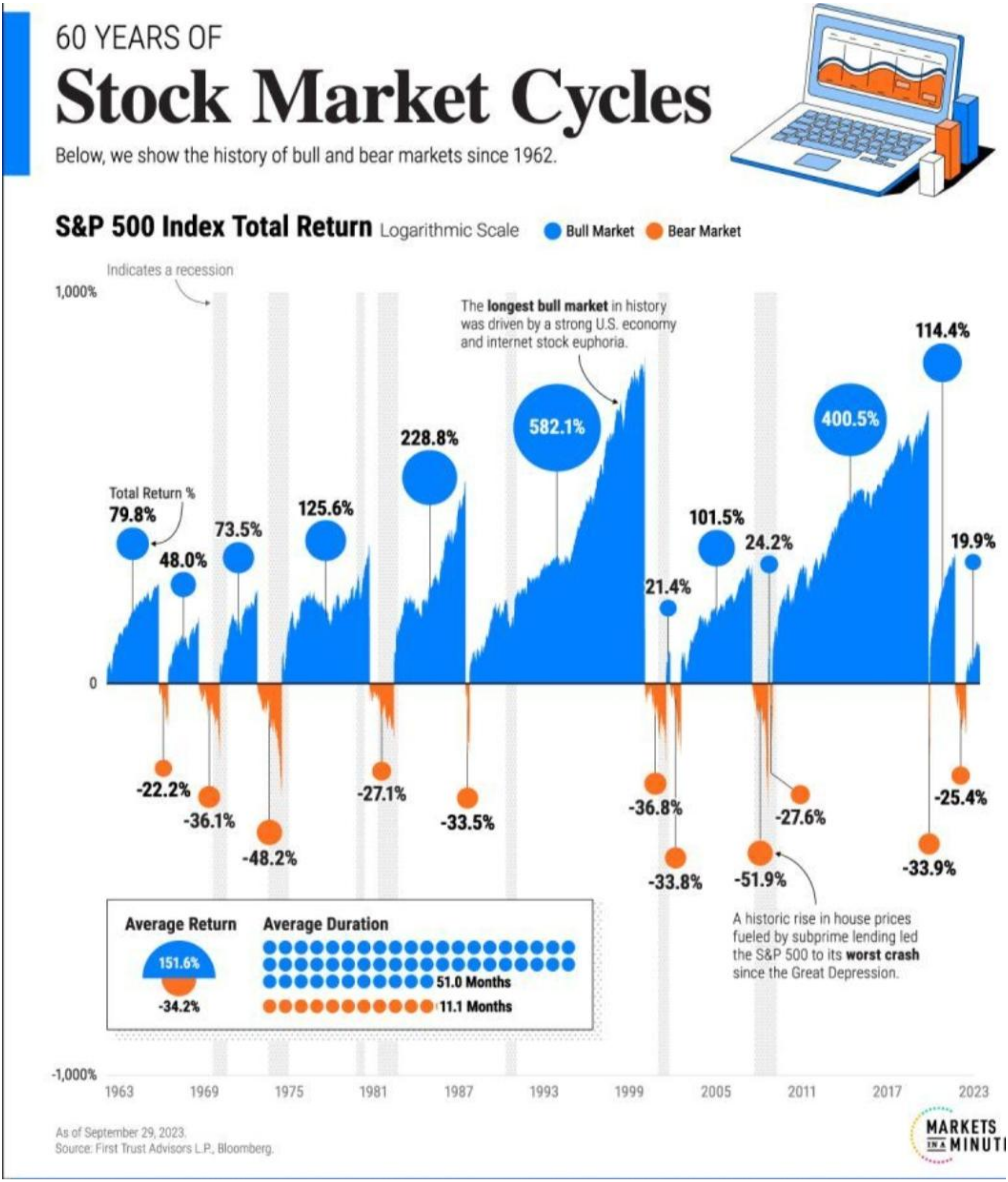

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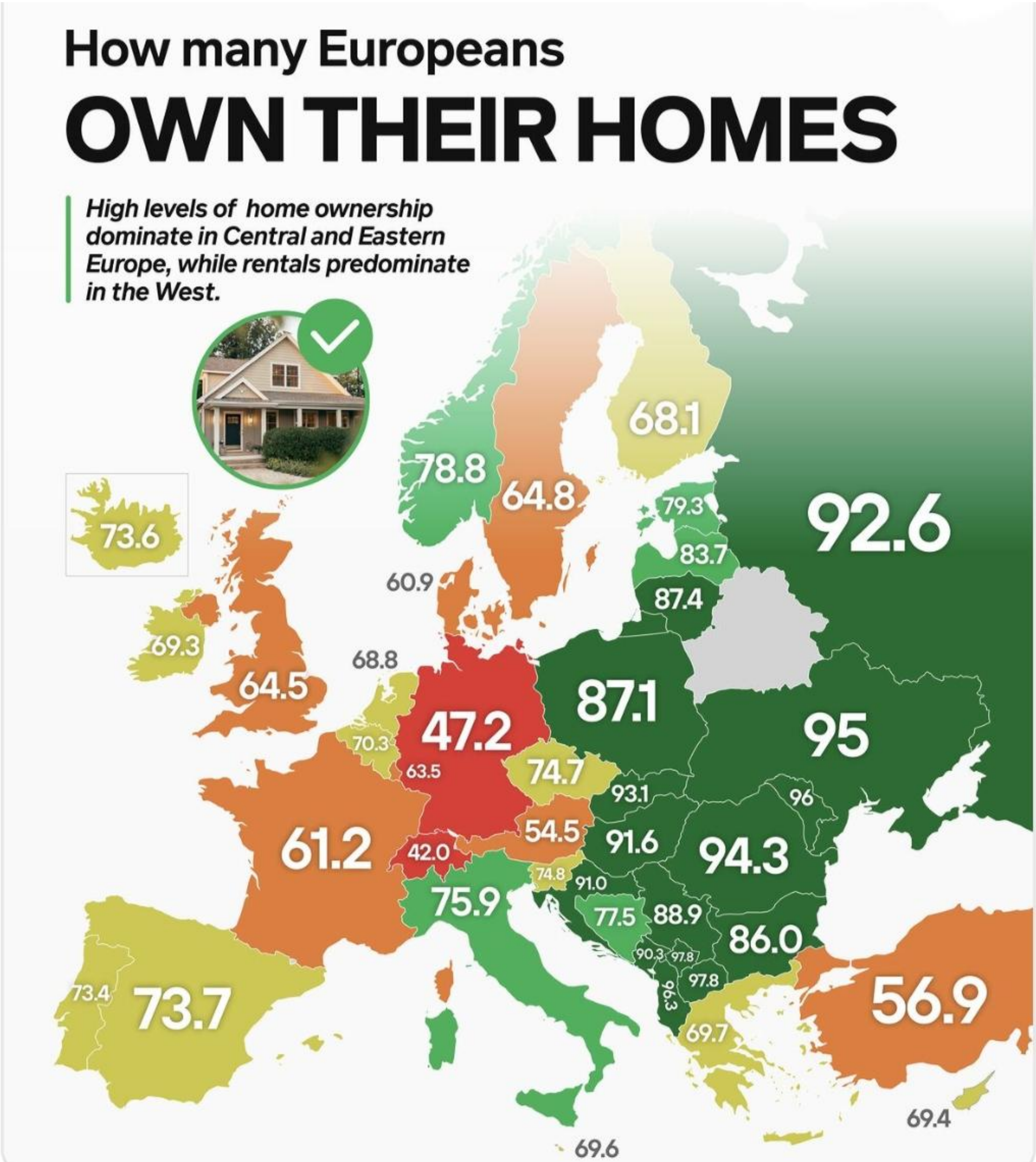

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