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First to Market

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# SUPER MICRO SHOWS WHICH AI NAMES MIGHT HAVE ROOM TO SNAP BACK

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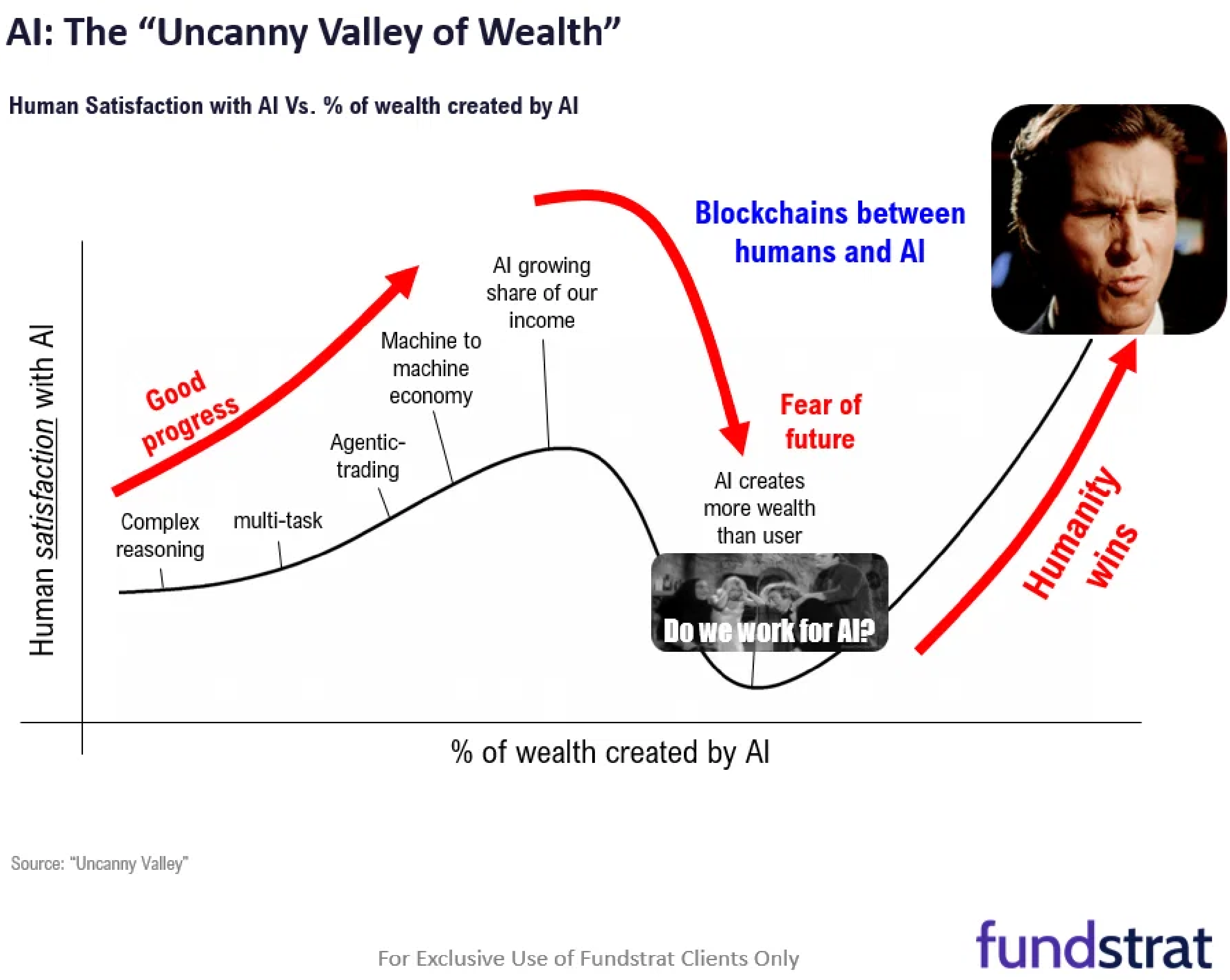
## Chart of the Day




**Good morning!**

Super Micro Computer's strong rebound drove the tech sector's snapback on Wednesday, possibly foreshadowing good news for the incoming picks and shovels earnings.

Its shares rallied 20% on Wednesday after gaining 7% the day before, marking their best two-day performance since May 2025.

The advance was driven by the server maker's preliminary earnings Tuesday after the close, which showed that it now expects margins to double from what was previously projected, thanks to "favorable customer and product mix." It also helped that the server maker said its backlog hit record levels in its last fiscal year, hitting

$60 billion in new orders in the last quarter. They're expected to be delivered over future quarters.

The news was highly welcomed because Super Micro's stock has been in the gutter all year. Even after the nascent rally, it's down 1.3% in 2026, but the improved gross margin figures and record backlog were enough to get investors excited again.

The same trend could play out after Micron, Sandisk, Western Digital, and Seagate announce earnings because they, too, have had their stocks suffer this summer, and the memory backlog isn't supposed to go away till at least next year and buyers remain plenty. From the June 22 high, shares of those four were down over 30% at the worst point in the selloff, meaning that they could post explosive performance even after a mild earnings and guidance beat.

Of course, that's not going to be the case with every AI-related company. For example, Taiwan Semiconductor Manufacturing's considering raising prices by up to 10% for its wafers, as it passes down higher costs. At its earnings last week, the world's largest contract chipmaker beat sales and profit forecasts, increased guidance, and reiterated its massive backlog—basically did everything right, but the reason why the stock didn't rally after earnings was likely because the stock hadn't really fallen all that much. TSMC was down 15% at the lowest point in the summer slump.

It was a similar story in GE Vernova's case, where the power generation equipment maker reported a backlog of $176 billion and raised its full-year guidance, but the stock still fell after earnings on Wednesday because it hadn't suffered as much earlier in the summer, down 13% at the most.

Another good signal within Super Micro's preliminary earnings is that hyperscalers keep spending on capex, despite the recent pushback and the subsequent stock declines. Billions have been shelled out to build out AI infrastructure, with much of it fueled by debt, and contrary to what investors would prefer, hyperscalers can't really stop without making investors upset either. That happened to Meta when unverified reports said that the company is planning to rent out its AI computing power and models. It's expected to post a negative free cash flow for the first time ever as a public company, to the tune of $460 million this year. While the renting out is a chance for Meta to expand into a space that has long been dominated by its competitors, it's also an admission that it has overbuilt and now needs to figure out a way to generate revenue from it.

In Alphabet-parent Google's case, quarterly earnings showed revenue rose 24% and sales in its cloud-computing unit surged. But its shares fell pre-market this morning because it increased its capex guidance to roughly $200 billion from $185 billion. Next year, that number could be even bigger, which could drag down its free cash flow to near negative levels.

Investors aren't going to be happy if tech companies pull back or double down on capex spending, but at least capex spending buoys the picks and shovels like Super Micro and others with their contracts.

## Share your thoughts

Do you think Super Micro's turbulence days are over? Click here to send us your response.

## ✍Here's what a reader commented ✍

**Q:** Are these statistical trends regarding the coming generational wealth transfer consistent with your wealth-transfer plans, expectations, or experience?

**A:** Yes, these are all trends that many of my fellow Boomers are experiencing. I also see many in declining health with the need of long term medical care. My personal projections fall the opposite way as I continue to push out my projected life span because of good health. More travel is hopefully in my future. Either way, the wealth transfer is being delayed. Hopefully with AI the next generation will not need it!

## Catch up with Fundstrat

OpenAI revealed one of its ‘agents’ escaped and hacked a network. The growing capabilities of AI and their eventual growing share of our wealth raises the concern we will soon cross the ‘Uncanny Valley of Wealth.’

## Technical

Small caps have begun to show some minor underperformance ever since Treasury yields started pushing up aggressively, and while just fractional thus far, this bears watching for evidence of style shifts as "Mag-7" comes back to life.

## Crypto

Possibly the biggest development for markets today came from Google’s earnings release. Beyond strong operating results, management raised 2026 capex guidance from $180-190 billion to $195-205 billion. Within our Crypto Equities Portfolio, this guidance should be a tailwind for the broader mining cohort.

## News We're Following

***Breaking News***

- Oil jumps to $98 after Houthis attack two Saudi Arabian tankers FT

***Markets and economy***

- How Wall Street’s bots are cashing in on Trump’s Truth Social posts WSJ
- Europe’s central bank holds rate steady amid swings in oil prices AP

***Business***

- Alphabet’s $205 billion spending target fuels AI cost fears BBG
- Google hit with $1 billion EU fine, in ‘constructive’ talks to avoid more penalties REU
- Brookfield agrees to $7 billion deal for battery storage firm AYPA BBG
- Nestlé shares tumble as coffee and cocoa prices hit profits FT

- Amazon's Bezos pushes Prime Video redesign focused on AI REU

***Politics/U.S.***

- Mike Johnson’s budget blueprint faces Senate GOP buzzsaw POL
- US on track to have historically low number of homicides in 2026, report says AP
- IRS chief Frank Bisignano may have misled Congress, Democrats say CNBC

***Overseas***

- China's Moonshot AI stole from Anthropic, Trump tech adviser says BBC
- Nicaragua's parliament moves to abolish elections under Ortega's order, fueling criticisms AP
- Healthy diet too expensive for one in three people globally, UN report finds GUA

***Of Interest***

- This AI tech billionaire just doubled his net worth. His ex asked for half  WSJ

| **Overnight** | |
| --- | --- |
| S&P Futures | -28 ▼ point(s) ( -0.37% ▼ ) |
| overnight range: | -45 ▼ to +9 ▲ point(s) |

| **APAC** | |
| --- | --- |
| Nikkei | +0.46% ▲ |
| Topix | +0.51% ▲ |
| China SHCOMP | +0.25% ▲ |
| Hang Seng | +1.28% ▲ |
| Korea | +4.40% ▲ |
| Singapore | -0.24% ▼ |
| Australia | +0.18% ▲ |
| India | -0.57% ▼ |
| Taiwan | +0.06% ▲ |

## Europe

| | |
|---|---|
| Stoxx | 50 -0.84% ▼ |
| Stoxx | 600 -0.71% ▼ |
| FTSE | 100 -0.26% ▼ |
| DAX | -0.68% ▼ |
| CAC | 40 -1.01% ▼ |
| Italy | -1.90% ▼ |
| IBEX | -0.77% ▼ |
| Canada | +0.33% ▲ |
| Mexico | +0.88% ▲ |
| Brazil | +2.44% ▲ |

## FX

| | |
|---|---|
| Dollar Index (DXY) | +0.01% ▲ to 101.14 |
| EUR/USD flat at | 1.1412 |
| GBP/USD | -0.01% ▼ to 1.3374 |
| USD/JPY | -0.13% ▼ to 163.37 |
| USD/CNY | +0.07% ▲ to 6.7694 |
| USD/CNH | +0.08% ▲ to 6.7696 |
| USD/CHF | -0.05% ▼ to 0.8148 |
| USD/CAD | +0.04% ▲ to 1.4081 |
| AUD/USD | +0.04% ▲ to 0.7000 |

## UST Term Structure

| | |
|---|---|
| 2Y-3M Spread widened | 0.6bps to 46.1bps |
| 10Y-2Y Spread widened | 0.7bps to 36.2bps |

| | |
|---|---|
| 10Y-2Y Spread widened | 0.7bps to 36.2bps |
| 30Y-10Y Spread narrowed | -0.3bps ▼ to 48.5bps |

## USD HY OaS

| | |
|---|---|
| All Sectors | +1.7bps ▲ to 318bps |
| All Sectors ex-Energy | +1.3bps ▲ 296bps |
| Cons Disc | +3.3bps ▲ to 476bps |
| Indu | +2.1bps ▲ to 251bps |
| Tech | -1.4bps ▼ to 210bps |
| Comm Srvcs | +3.3bps ▲ to 280bps |
| Materials | -1.7bps ▼ to 257bps |
| Energy | -0.3bps ▼ to 279bps |
| Fin Snr | -0.1bps ▼ to 197bps |
| Fin Sub | +0.7bps ▲ to 286bps |
| Cons Staples | +4.8bps ▲ to 467bps |
| Healthcare | +1.6bps ▲ to 315bps |
| Utes | +0.1bps ▲ to 205bps * |

| DATE | TIME | DESCRIPTION | ESTIMATE | LAST |
|---|---|---|---|---|

| DATE | TIME | DESCRIPTION | ESTIMATE | LAST |
|---|---|---|---|---|
| 7/24 | 9:45 AM | Jul P S&P Srvcs PMI | 51.5 | 51.2 |
| 7/24 | 9:45 AM | Jul P S&P Manu PMI | 54.4 | 53.9 |
| 7/24 | 10:00 AM | Jun New Home Sales | 606 | 580 |
| 7/24 | 10:00 AM | Jun New Home Sales m/m | 4.7 | -7.3 |
| 7/27 | 8:30 AM | Jun P Durable Gds Orders | 1.5 | -4.5 |
| 7/28 | 9:00 AM | May S&P Cotality CS 20-City m/m | n/a | -0.04 |
| 7/28 | 10:00 AM | Jul Conf Board Sentiment | 92 | 91.2 |
| 7/29 | 2:00 PM | Jul 29 FOMC Decision | 3.75 | 3.75 |

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