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WEEKEND ALPHA
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Weekend Alpha

Stocks Rise, Led by Nvidia

Thomas Lee, CFA [AC]
HEAD OF RESEARCH

- Markets have been somewhat rangebound, but we saw two clearing events this week that could make a larger move upward.
- The first was Core PCE, which came in a little above consensus. However, the largest contributor (40%) was financial services, so our thesis on softening inflation arguably remains intact.
- Nvidia also reported earnings this week, helping to clear away some of the uncertainty about the AI trade. We saw probably the best reaction to Nvidia's numbers in some time, and it's actually helped the rest of the AI complex.
- Though markets have been somewhat range-bound, the week after Jackson Hole has historically been a good week for stocks. So I think a larger move is incoming.

Read the Latest FLASH

Mark L. Newton, CMT [AC]

HEAD OF TECHNICAL STRATEGY

- $NVDA’s move out of the triangle it has been building since May came on the heaviest volume since late May, though on Thursday it was software, not semis, that carried technology on the day.
- $QQQ cleared its own triangle and closed near the highs of the session, which sets up 729–734 first and a test of the all-time highs thereafter.
- Breadth and the equal-weighted indices are the piece still left to prove itself here, and I would want to see them follow. It’s right to lean bullish and to use dips as an opportunity to add exposure.

[Read the Latest Daily Technical Strategy]

Sean Farrell AC

HEAD OF DIGITAL ASSET STRATEGY

- The bottoming process increasingly looks complete, the macro regime is beginning to turn more favorable, and the appropriate posture is shifting from selling strength toward adding on meaningful pullbacks.
- The evidence for a broader regime change continues to build. Treasury is increasingly signaling that it is willing to actively manage duration and potentially deploy TGA liquidity to resist pressure in the long end, which could simultaneously suppress real yields and accelerate liquidity growth. Strategy, meanwhile, has rebuilt its balance sheet and created a sizeable discretionary cash pool that gives it the ability to respond countercyclically to future dislocations.
- Against that backdrop, I have added another 5% of risk to both of our model portfolios, bringing cash allocations down to 35%, our most aggressive positioning since the last bull market.

Read the Latest Digital Assets - Comments

L. Thomas Block

WASHINGTON POLICY STRATEGIST

- Democrats now see the South Carolina Senate race as a possible flip.
- Darline Graham initially struggled in the state's primary, but she has gained the support of President Trump.
- A bipartisan opposition to data centers seems to be growing across the U.S., seen in both blue and red states.

Read the Latest US Policy

STOCKS RISE, LED BY NVIDIA

Kent Fung

VICE PRESIDENT, MARKET INTELLIGENCE

Key Takeaways

- The S&P 500 rose 0.49% to 7,711.76 this week, while the Nasdaq Composite advanced 0.85% to 26,402.42. Bitcoin was at USD $77,573.00 on Friday afternoon, roughly flat off of Monday's levels.
- Fundstrat Head of Research Tom Lee observed key clearing events this week,with a constructive interpretation of Core PCE and Nvidia's results.
- Head of Technical Strategy Mark Newton sees Nvidia as a possible catalyst for further gains in the near term.

"I don't like to give advice. I like to give people information because everyone's life is different, and everyone's journey is different."— Dolly Parton (Jan. 19, 1946 - Aug. 25, 2026)

Good evening,

The final full week of trading in August is now over. With just one trading left in August, the S&P 500 is up almost 3% thus far for the month, while the Nasdaq Composite is up about 4.1%. This upswing might well have been bolstered by seasonality trends that exaggerate or magnify market reactions. As Fundstrat Head of Research Tom Lee explained, "We are in the dog days of August," when "[many] traders are away and market volumes are lighter."

Aside from seasonality, two key "clearing events" played a role in this week's gains, in Lee's view. The first was Core PCE numbers. Though they came roughly in line with consensus expectations, Lee's team viewed the numbers "under the hood" as actually indicating that inflation is softening. The largest contributor to PCE inflation (10 basis points out of 25) was financial services – in other words, arguably driven by stock-market gains causing an increase in fees collected.

The second major clearing event for Lee was Nvidia's quarterly earnings report. The AI monolith reported numbers that Lee described as "just astounding," helping to propel the rest of the AI complex higher in Wednesday after-hours trading.

Head of Technical Strategy Mark Newton was similarly impressed by Nvidia's results, suggesting that 'It was [Nvidia CFO Colette Kress's] declaration that next year is going to still be much higher than what the street expects that got the stock really going in the after hours." In discussions during our weekly research huddle, he added, "I think that that's really the game changer."

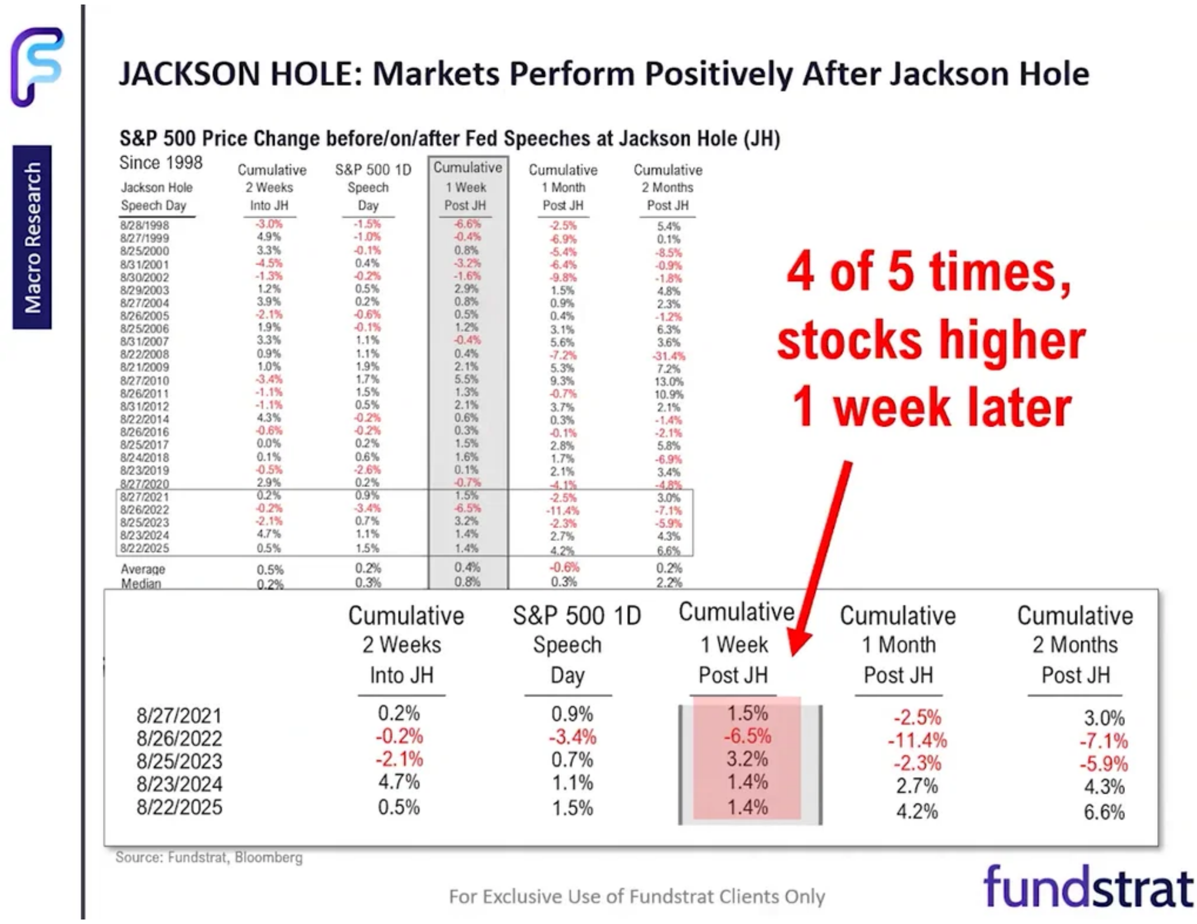
Also like Lee, Newton views Nvidia's results as likely to have a noticeably positive impact on equities as a whole. "I think that that's likely going to be something that causes technology to turn back higher. I think the market's going back to new highs very quickly and it's going to be led by Nvidia." He clarified, "I don't know that we get to 8,000 right away but I do think we push back to new highs."

That's not just due to tech, but also due to continued strength from other sectors. "The fact that the market is as broad-based as it is is actually a very big positive, and it was able to absorb technology's [earlier] decline without falling. We went sideways for two months, and then tech stabilized, and now we're pushing higher."

But what part of tech? A Fundstrat team member asked Newton, "Would you do semis or software?"

"Both of them," Newton responded. "In general, you know, I think you want to be long tech between now and year end and you spread your bets."

Part of the week's earlier gains were erased on Friday afternoon following Federal Reserve Chair Kevin Warsh's keynote speech at the annual Jackson Hole Economic Policy Symposium, with some interpreting his remarks as hawkish in tone. Lee sees this as likely a temporary move, noting that in recent history, one-week forward returns after Jackson Hole have been positive four out of five times. We can see this in our Chart of the Week.



Macro Research

JACKSON HOLE: Markets Perform Positively After Jackson Hole

S&P 500 Price Change before/on/after Fed Speeches at Jackson Hole (JH)

Since 1998

Jackson Hole Speech Day	Cumulative 2 Weeks Into JH	S&P 500 1D Speech Day	Cumulative 1 Week Post JH	Cumulative 1 Month Post JH	Cumulative 2 Months Post JH
8/28/1998	-3.0%	-1.5%	-6.6%	-2.5%	5.4%
8/27/1999	4.9%	-1.0%	-0.4%	-6.9%	0.1%
8/25/2000	3.3%	-0.1%	0.8%	-5.4%	-8.5%
8/31/2001	-4.5%	0.4%	-3.2%	-6.4%	-0.9%
8/30/2002	-1.3%	-0.2%	-1.6%	-9.8%	-1.8%
8/29/2003	1.2%	0.5%	2.9%	1.5%	4.8%
8/27/2004	3.9%	0.2%	0.8%	0.9%	2.3%
8/26/2005	-2.1%	-0.6%	0.5%	0.4%	-1.2%
8/25/2006	1.9%	-0.1%	1.2%	3.1%	6.3%
8/31/2007	3.3%	1.1%	-0.4%	5.6%	3.6%
8/22/2008	0.9%	1.1%	0.4%	-7.2%	-31.4%
8/21/2009	1.0%	1.9%	2.1%	5.3%	7.2%
8/27/2010	-3.4%	1.7%	5.5%	9.3%	13.0%
8/26/2011	-1.1%	1.5%	1.3%	-0.7%	10.9%
8/31/2012	-1.1%	0.5%	2.1%	3.7%	2.1%
8/22/2014	4.3%	-0.2%	0.6%	0.3%	-1.4%
8/26/2016	-0.6%	-0.2%	0.3%	-0.1%	-2.1%
8/25/2017	0.0%	0.2%	1.5%	2.8%	5.8%
8/24/2018	0.1%	0.6%	1.6%	1.7%	-6.9%
8/23/2019	-0.5%	-2.6%	0.1%	2.1%	3.4%
8/27/2020	2.9%	0.2%	-0.7%	-4.1%	-4.8%
8/27/2021	0.2%	0.9%	1.5%	-2.5%	3.0%
8/26/2022	-0.2%	-3.4%	-6.5%	-11.4%	-7.1%
8/25/2023	-2.1%	0.7%	3.2%	-2.3%	-5.9%
8/23/2024	4.7%	1.1%	1.4%	2.7%	4.3%
8/22/2025	0.5%	1.5%	1.4%	4.2%	6.6%
Average	0.5%	0.2%	0.4%	-0.6%	0.2%
Median	0.2%	0.3%	0.8%	0.3%	2.2%

4 of 5 times, stocks higher 1 week later

	Cumulative 2 Weeks Into JH	S&P 500 1D Speech Day	Cumulative 1 Week Post JH	Cumulative 1 Month Post JH	Cumulative 2 Months Post JH
8/27/2021	0.2%	0.9%	1.5%	-2.5%	3.0%
8/26/2022	-0.2%	-3.4%	-6.5%	-11.4%	-7.1%
8/25/2023	-2.1%	0.7%	3.2%	-2.3%	-5.9%
8/23/2024	4.7%	1.1%	1.4%	2.7%	4.3%
8/22/2025	0.5%	1.5%	1.4%	4.2%	6.6%

Source: Fundstrat, Bloomberg

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Elsewhere

A federal judge ruled that the U.S. government infringed on the free-speech rights of Anthropic when it designated the AI firm as a "supply-chain risk" in March. U.S. District Judge Rita F. Lin agreed with Anthropic's assertion that the Pentagon provided no evidence that the company is in fact a national security risk. Instead, Lin ruled, the designation was imposed to "make a public example out of Anthropic for its ‘arrogance’ in criticizing the government." The designation came after it became publicly known that Anthropic was seeking contractual guarantees that the federal government would not use Anthropic's AI to power fully autonomous weapons or for domestic surveillance, terms to which the Pentagon refused to agree. A second lawsuit regarding the Pentagon's actions remains pending.

Flash floods devastated Nepal on Wednesday, with the death toll rising above 500 and at least 1,900 still missing on Friday afternoon. Rescue efforts have been hampered by fears that additional floods could take place. Geologists currently believe the floods began on Wednesday morning (local time) in Nepal and Tibet after a massive high-altitude glacier weakened and a large section broke away, triggering shockwaves similar to those of a 5.2-magnitude earthquake. This, in turn, triggered a rock and ice avalanche that temporarily dammed up the Lhende Khola river system. When the temporary dam burst, the resulting 33-foot surge of water swept downwards, engulfing entire villages in seconds in what some described as an inland tsunami.

Meta settled a landmark lawsuit brought by the state attorneys general of 47 states (plus Washington, D.C., other U.S. territories), agreeing to pay up to $17.1 billion to settle allegations that the social media intentionally designed Facebook and Instagram to addict children, subject them to mental-health risks, and collect data on children under 13 without parental consent. In addition to the payments, Meta agreed to restrict teen accounts to 2 hours a day, block teen usage of certain beauty filters, block all teen usage between midnight and 6 a.m., and turn off push notifications during school hours. The amount paid by Meta and the usage restrictions could both be expanded if YouTube (owned by Alphabet), TikTok, and Snapchat all agree to similar restrictions.

The U.S.-Canada trade war escalated this week, with the U.S. imposing a 50% tariff on Canadian goods including autos/auto parts, steel, and lumber. Canada retaliated with duties on U.S. products including steel, dairy, appliances, copper wire, and electronics. Talks broke down last weekend, with U.S. Trade Representative Jamieson Greer accusing Canada of demanding more from what would already have been "the best deal in the world," while Canada accused the U.S. of trying to usurp its national sovereignty by seeking limits on trade deals between Canada and other countries, and by seeking to weaken long-held Canadian protections for French language and culture.

President Trump has signed an executive order to change the name of "Lake Ontario" to "Lake America". The president signed the order following the trade-war escalation described above. It is unclear whether the name of this Great Lake might revert back if or when a trade deal is eventually reached with the erstwhile Land of Maple. The name Ontario comes from the Iroquois/Huron languages, and it means "lake of shining waters."

And finally: In case there was any confusion, the National Hurricane Center issued a statement to refute suspicions that Tropical Storm Dolly was named after the late Dolly Parton, who passed away earlier this week. It would have been an odd tribute for the legendary singer and philanthropist, anyway: as of this writing, Tropical Storm Dolly is expected to mostly dissipate, though some heavy rainfall could still result in Leeward Islands, Puerto Rico, the Virgin Islands and Hispaniola over the weekend. For the record, the names of storms and hurricanes are chosen well in advance, generally cycling through alphabetically. As is standard practice for particularly deadly storms, the previous D name, Diana, was retired after 1990's Hurricane Diana caused 139 fatalities in Mexico's Yucatan Peninsula.

Important Events

S&P Global Manufacturing PMI, Aug. final Prev.: 53.2	Tue, Sep 1 9:45 AM ET
ISM Manufacturing PMI, Aug. Est.: 55.2 Prev.: 55.6	Tue, Sep 1 10:00 AM ET
Fed Releases Beige Book	Wed, Sep 2 2:00 PM ET
Non-farm Payrolls, Aug. Est.: 55K Prev.: -23K	Fri, Sep 4 8:30 AM ET

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