



Weekly Update

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- Powell caves on rates
- The Trump wildcard is still looming, but the market does not care
- AI is not dead yet
- Earnings recap (positive!)
- New Homes Sales and Prices are falling
- Quick Hits
- Where did all the crypto money go?
- Chart Crime of the week

	Last	5d %	YTD %	1yr %
S&P 500	6,481	1.3%	10.9%	16.8%
QQQ	\$573.55	1.4%	12.5%	21.3%
US 10 YR	4.24%	4.30%	4.58%	3.84%
USD/DXY	98.2	98.2	108.5	101.1
VIX	14.9%	15.7%	17.4%	17.1%
Oil	\$63.82	1.0%	-10.6%	-15.1%

*10yr, DXY, and VIX are levels not changes

** Oil is front month futures, beware

And just like that, the recent negative narratives have vanished. Most notably, Fed Chairman Powell told the market to expect rate cuts starting in September. He used the usual Fed-speak about using a balanced approach to its dual mandate (full employment and price stability). And while he did not quite hammer home the full-bull message, easing monetary policy into a still-growing economy was all the market needed to hear.

There are still some negative narratives swirling. Tariffs are still in the news. India (and anyone cozying up to Russia) is squarely in the crosshairs. Trump is talking about combatting digital taxes (we thought this would be a day-one issue for Trump...we hope he follows through and cracks down on this obvious extortion by our friends in Europe). The hoopla around Trump and the Fed is intensifying. And the federal government creeping into capitalism is raising a few eyebrows (including Chalk Creek's). Obviously, the overlapping dynamic is Trump. As weird as it may sound, the market is almost completely desensitized to anything Trump...at least in the short term.

Some of the recent fears around the Artificial Intelligence spending spree have also dissipated. Not only did Meta deny the story about the demise of its spending plans, apparently it hired more people from Apple's AI

group! Meta also signed a large contract with Google's Cloud division. And as a funny sidenote, Elon Musk tried to recruit Mark Zuckerberg for a joint bid for OpenAI. Looking at some Earnings from this week, Nvidia's stock might be marginally lower, but its growth and guidance remain unrivaled. And paradoxically, even with the growth in AI, it might be premature to signal the death of Software (some large Earnings beats across the spectrum).

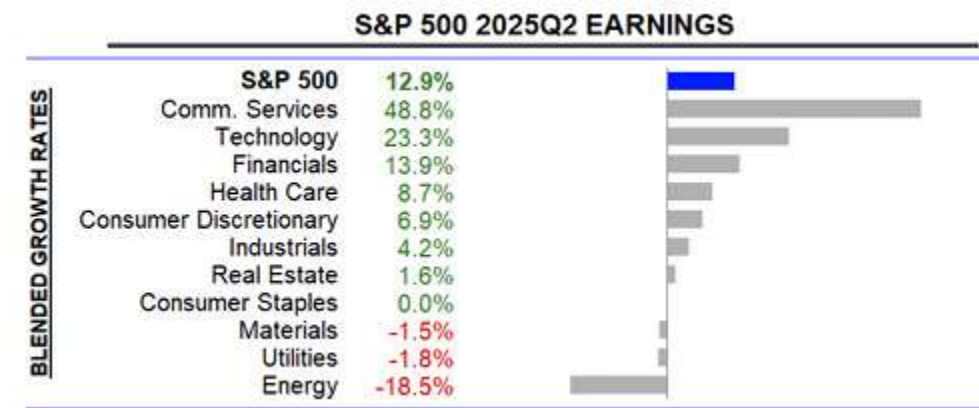
➤ Powell headlines

Here are some soundbites from Powell's Jackson Hole speech:

- Policy is in restrictive territory.
- Balanced approach to dual mandate.
- Higher risks for inflation than for Labor. Effects of tariffs are now "clearly visible." But the effects from tariffs will be relatively short-lived (but risk of prolonged higher prices leads to labor inflation...he says unlikely).
- Slowdown in labor market is larger than believed. But this slowdown has not opened up a lot of slack in the labor market – it is still in balance. Growth has slowed in the first half (1.2% vs 2.5% last year).

➤ Earnings recap (positive!)

Here is an Earnings recap *before* Nvidia and the software names.



➤ New Homes Sales and Prices are falling

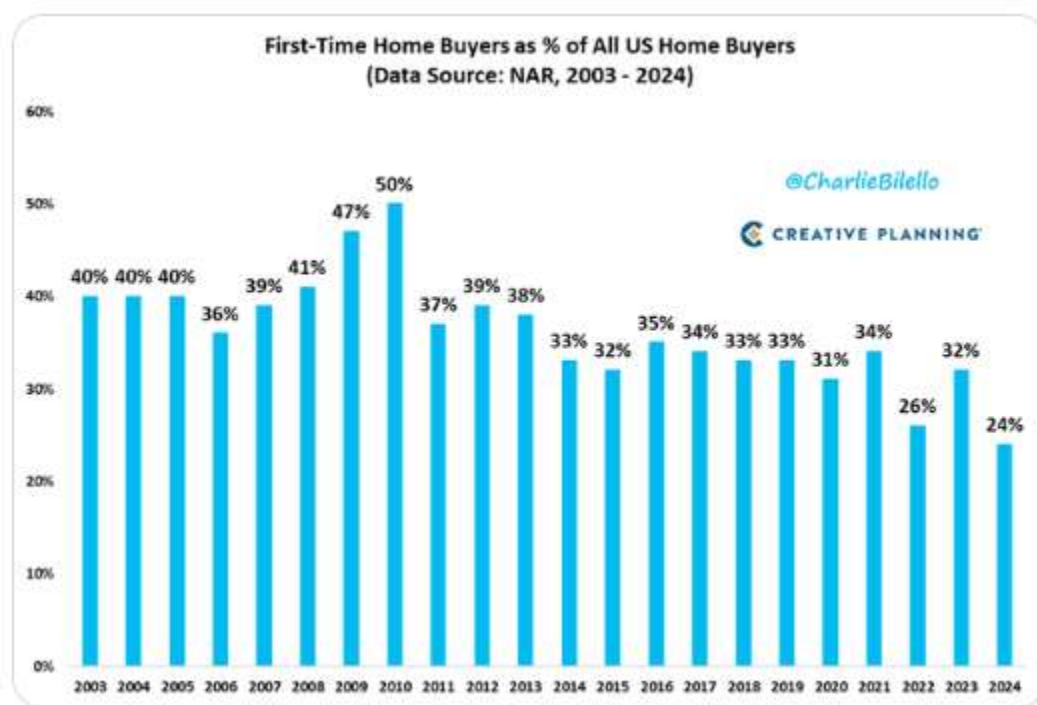
New Home Sales decreased marginally in July (-0.6%). The annualized run-rate slowed to 652k. Building Permits also slowed -2.2%. The run-rate moved down to 1.362mm from 1.393mm. Both of these are still near 5-year low (Permits are worse, Sales are up a touch).

The Housing Price Index fell for the third month through June. This data only includes mortgages insured by Freddie and Fannie (limit is \$806,500 except for the areas designated as high cost of living).

The average 30-year mortgage remained steady at 6.69%.

Mortgage Applications were also steady.

Here is the missing piece to the Housing market: First-time buyers. (This chart is through 2024, but the trend holds so far in 2025, too). We think sellers caving on price and lower mortgage rates will combine to help revive the market (in terms of turnover).



➤ Other economic data is mixed/positive

The Dallas Fed Manufacturing index slipped into negative territory (+0.9 to -1.8). The Dallas Fed Services index increased to its highest level in seven months (2 to 6.8).

The Richmond Fed Manufacturing index improved but is still negative (-20 to -7). The Richmond Fed Services index increased modestly (2 to 4).

Durable Goods Orders in July decreased -2.8%. This follows on the large drop in June of -9.4%. But this came on the heels of the giant +16.5% increase in May. The more important (and less volatile) Core Capital Goods Orders increased +1.1%.vs -0.6% in June. This was better than the flattish expectation.

Redbook Retail Sales accelerated to +6.5%

Consumer Confidence in August declined a bit to 97.4 from 98.7%. This was marginally better than expected.

➤ Where did all the crypto money go?

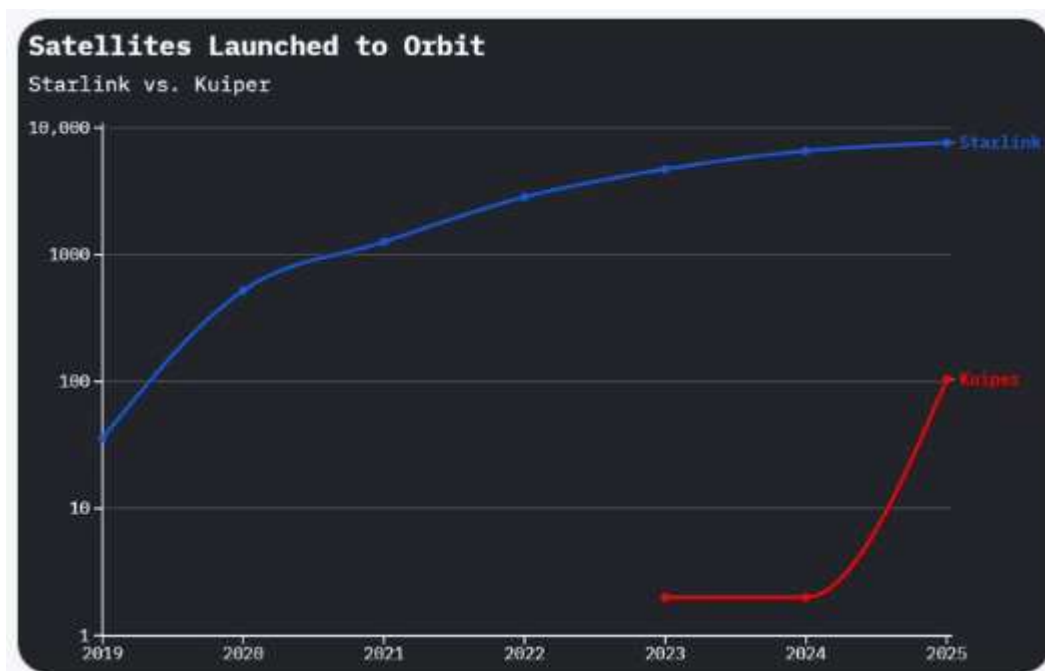
We have talked a lot about the silly digital-asset treasury companies. These are the SPACs (sometimes wannabe, sometimes actual) that combine a shell company with a pot of real money to buy fake money. The idea is that the market will give the newly created perpetual motion machine a value (real money) much greater than the value of its assets (fake money). The latest to jump into this arena is, of course, the Trump family. Their flagship entity is joining forces with Crypto.com to buy Cronos tokens. Crypto.com, known for its Super Bowl commercials and stadium-naming rights, “supports” the Cronos blockchain and thus the Cronos token. Other than the usual tangle of shenanigans and conflicts, the best part of this story is that the new entity will have more capital (through token-equity, cash, and debt) than the entirety of the Cronos token outstanding. We would love to see them buy it all just to see how this exercise would play out. (The great Matt Levine wrote about this, but our dark-crypto-web surfing found the story before him!)

Here is another one that bridges the worlds of traditional finance and the make-believe. There is a hedge fund called Numerai. It crowd-sources its investment ideas. These independent analysts submit their ideas along with how much they would stake on the idea. One differentiator here is that these quants (they are all quants) make recommendations on securities that are anonymous to them...only Numerai knows what the actual bet is. The size of the bet from the analyst is made in NMR tokens...created and controlled by Numerai. And the real kicker...these analysts get paid in NMR tokens. Of course, Numerai gets paid in good old fashioned USD. The fund lost 17% in 2023. It made 25% in 2024. And JP Morgan is investing \$500mm with them now. This more than doubles the assets under management. (The great Matt Levine also wrote about this one. But, again, we found this without his help!)

➤ Chart Crime of the week

Amazon has been touting its “low Earth orbit satellite broadband network.”

File this one under when *not* to use a log scale. 10,000 vs 100 is not that close.



➤ Quick Hits

- The first commercial flight in America was between St. Petersburg and Tampa.
- Customs officers at Detroit Metropolitan Airport have recently discovered imports of primate meat and rodent meat.
- There are now more ETFs (exchange traded funds) than publicly listed companies.
- 10 biotech companies have pivoted to “digital assets” in 2025.
- The largest holder of “Taylor Swift and Travi Kelce get engaged in 2025” contracts accumulated his position on Sunday and Monday before the Tuesday announcement.
- 80’s hip hop band De La Soul is currently exploring legal options against the author of a book chronicling the band’s life story. They call it an “unauthorized” account.
- De La Soul was the first band to be sued for sampling another artist’s work (The Turtles). The band had initially tried to pay The Turtles \$1,000 for their unauthorized use of their work. De La Soul lost \$1.7mm in a settlement.
- The platypus does not have a stomach.
- China’s Three Gorges Dam has increased the length of a day by 0.06 microseconds.
- Jerry Rice had 27 dropped passes in his 20-year career.
- Switzerland has 400,000 safety bunkers.
- Cut and Shoot is the name of a city in Texas (Population 1,158).
- A fire in Turkmenistan has been burning for 54 years. It is known as The Door to Hell.

Trading: We shuffled some more of our Staples...cutting the slowing growth rates and adding to accelerating rates of change. We also moved around some of our online sports betting. We might be trimming this outright if the hype around football season continues (buy the rumor and sell before the news). We altered some of our macro positioning (this stuff is usually very cyclical). We trimmed some of our long in Germany to buy Australia. We added to Small-caps.

TSLAQ: We have repeatedly mentioned how Tesla touts to the public its “Full Self Driving” capabilities while at the same time telling the regulators that it has no such capabilities. This two-faced approach has manifested itself in the courts now, too. Musk has publicly (and repeatedly) disparaged the use of lidar and radar. But in defending itself in a recent fraud lawsuit, Tesla contended the customer should have known that lidar was needed for self-driving. The judge agreed.

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