2 GRAY BEARDS | Week 173 — One Page Summary

April 25, 2026 | Nick & Andy

MARKET OVERVIEW

The tech-led squeeze entered its third week with semiconductors up ~32% in a single month — the chip index adding 125 points — while nearly every other sector declined. RSP (equal-weight S&P) was down week-over-week. Bonds, gold, and oil were all flat to choppy. The Dow remains well off all-time highs. The squeeze is narrow and entirely positioning-driven.

SEMICONDUCTOR RALLY

Catalyst was Texas Instruments and Intel earnings — not ASML or TSMC, which did little. Andy's read: herding dynamic, not a short squeeze. No sellers = outsized moves on modest buying. Nothing changed in the fundamental thesis. The key read is Apr 29 hyperscaler earnings:

- CapEx above expectations → chips sell off (has happened every prior quarter); broader market uncertain.
- CapEx misses or plateaus → chips get crushed, AI CapEx thesis starts to crack.
- Nvidia (~$5T) reports next month — priced for 100% YoY earnings growth. Cheap on forward earnings if they execute; path is narrow.

FED TRANSITION

Trump dropped the Powell building investigation, clearing Waller's Senate confirmation path — Nick puts odds at 99% he takes over in June. Powell likely resigns his governor seat once he gets adequate cover. Andy's three-scenario framework:

- Cut when marginal: modest belly support, incrementally positive for lagging equities.
- Cut when not necessary (50bps unwarranted by data): sell USD, buy gold, rotate to foreign equities, reduce bonds.

Z6 (Dec 2026 Fed Funds) has already rallied; 5s30s steepening. Markets beginning to price 1–2 additional 2026 cuts. Andy: 50bps of cuts this year is not justified by current data — if it happens, get defensive.

RATES & CATALYSTS — WEEK AHEAD

Event	What to Watch
Hyperscaler Earnings (Apr 29)	Meta, Google, Microsoft CapEx guidance — the single most important data point for semis and the AI thesis.
2s / 5s / 7s Auctions	First batch in a while. Foreign demand tone and belly pricing in focus as Waller transition approaches.
FOMC + BOE / BOC / ECB	Four central bank decisions. Hawkish ECB surprise = buy the dip. No major moves expected from Fed.
QRA (Following Week)	Treasury expected to continue underweighting coupon supply. Watch for composition shifts.

TACTICAL VIEW

Waiting through Apr 29 before making new moves. Buy lagging cyclicals (Dow components, equal-weight, value) on dips — particularly if they sell off while hyperscalers hold or rally (cleaner signal). If they fall because hyperscalers fall, be patient. Long end range-bound all year. Front end incrementally interesting. Gold is the hedge against a Fed that cuts before it needs to.

Bottom Line: Tech squeeze is positioning, not fundamentals. Apr 29 hyperscaler CapEx is the make-or-break. Waller transition is the quiet macro variable — reshapes the curve and gives lagging sectors room to run if he cuts modestly. Stay patient, buy dips in the unloved, keep gold as the hedge.