2 GRAY BEARDS | Week 173 Summary

April 25, 2026 | Market Commentary & Portfolio Positioning

MARKET OVERVIEW

The persistent tech-led squeeze continues, now into its third week, defying the broad market weakness that Andy and Nick both expected to spill over into the full index. While nearly every sector outside of tech got hit, the Nasdaq and S&P were buoyed by an extraordinary rally in semiconductors — the chip index up roughly 32% in a single month — keeping the headline numbers afloat.

Nick framed the core tension: the squeeze is running entirely on tech, while the rest of the market has been quietly deteriorating. The Dow remains well off all-time highs. Equal-weighted S&P (RSP) was down week-over-week. Bonds went nowhere. Gold is flat. Oil is elevated but choppy on Iran headlines the market has largely stopped caring about.

SEMICONDUCTOR RALLY — WHAT'S DRIVING IT

The catalyst was not a fundamental shift — Andy was explicit about that. Texas Instruments and Intel reported, which lit up the storage and commoditized chip names. AMD ran sympathetically without even reporting. ASML (equipment) and TSMC (foundry) — arguably the two most important structural names in the space — did relatively little.

Andy's read: this is a herding dynamic, not a short squeeze. There weren't enough sellers. Anyone long a semiconductor name had no reason to sell, so even modest incremental buying produced outsized moves.

The big question now is next week's hyperscaler earnings (Meta, Google, Microsoft) and what they say about CapEx:

- If CapEx comes in above expectations again: semiconductor names likely sell off (happened every prior quarter), while the market broadly may struggle.
- If CapEx guidance disappoints or plateaus: semiconductor names get crushed, the thesis starts to crack.
- Nvidia reports in a month — currently priced for ~100% YoY earnings growth, down from prior years. At $5T market cap, it's cheap on forward earnings if they execute, but the path is narrow.

Bottom line: nothing in the fundamental data changed this week. The rally is a function of positioning and the absence of sellers, not a re-rating of the sector.

FED TRANSITION — POWELL INVESTIGATION DROPPED, WALLER PATH CLEARER

A significant development that received little mainstream attention: the Trump administration dropped the investigation into the Fed's building overspend, clearing the way for Kevin Waller's Senate confirmation. Nick put the odds of Waller taking over as Fed Chair in June at 99%.

The broader read: with the investigation dropped, the political pressure on Powell shifts. There's now a credible path to Powell resigning his governor seat — not certain, but likely if he gets adequate assurances. That would hand Trump another Fed appointment.

Andy's framework on what this means for rates:

- Cut when necessary: neutral scenario, data-driven.
- Cut when marginal: modestly supportive for the belly of the curve, but not a strong catalyst on its own.
- Cut when not necessary: sell the dollar, buy gold. Protect yourself. Rotate toward foreign equities, away from bonds.

He doesn't expect the extreme dovish scenario, but notes it's already begun to price in — Z6 (Dec 2026 Fed Funds futures) has rallied since the announcement, and 5s30s has steepened. Markets are starting to price one to two additional cuts later in 2026.

Andy's structural view: 50bps of cuts between now and year-end is not warranted by current data — including Iran. If that happens anyway, it's a signal to get defensive.

RATES & CURVE

The long end has done nothing all year — tight range, no signal. The action, if it comes, will be in the belly: 4s, 5s, 6s starting to price in a more dovish Fed trajectory as Waller takes over and geopolitical tail risks gradually ease.

Nick expects a modest bull flattening in the belly while the long end sits still. Andy broadly agrees — any front-end pricing of cuts is better for lagging cyclical equity sectors without necessarily disturbing the long end.

Auctions next week: 2s, 5s, 7s (first batch in a while). No major data surprises expected — Andy's view is that backward-looking economic data won't move markets. What matters is forward-looking: oil, CapEx guidance, Fed signals.

MACRO BACKDROP

The data picture remains flat and arguably unreliable:

- Employment: no meaningful change, still solid on the surface.
- Inflation: elevated, oil-driven. Until oil falls, inflation stays sticky. The Fed can't credibly cut into that.
- Growth: still supported by AI CapEx. Consumer demand is holding but would weaken if oil stays elevated.
- Iran: wild card, but market has stopped pricing tail risk aggressively. Oil chops on headlines without trending.

Neither host expects the upcoming consumer confidence or durable goods prints to shift the broader narrative. The market is in a forward-looking mode — this week's data is noise.

KEY CATALYSTS — WEEK AHEAD

Event	What to Watch
Hyperscaler Earnings (Apr 29)	Meta, Google, Microsoft CapEx guidance. Above expectations = chips fall, broad market uncertain. In-line or below = chips crushed, thesis under pressure.
2s / 5s / 7s Auctions	First batch in a while. Demand tone will set the mood for the belly. Watch for any signal on foreign buyer appetite.
FOMC + BOE / BOC / ECB	Four central bank decisions in one week. Biggest surprise risk is a hawkish ECB vs expectations — which Andy views as a buy-the-dip opportunity.
QRA (Following Week)	Treasury expected to continue underweighting coupon supply. No change to headline levels anticipated, but worth monitoring the composition.

POSITIONING & TACTICAL VIEW

Both hosts are in wait-and-see mode through the April 29 earnings cluster before making new moves. The broad thesis:

- Tech: expensive, overbought, pivotal week ahead. Not chasing.

- Lagging sectors (Dow components, equal-weight, value): constructive on dips, particularly if they sell off while hyperscalers are stable or rallying — that's the cleaner signal. If they fall because hyperscalers fall, be patient.
- Bonds: long end range-bound. Front end becoming incrementally interesting as Waller transition approaches.
- Gold: flat but remains the hedge of choice if the Fed cuts before it needs to.
- FX / Dollar: any dovish overshoot by Waller = sell USD. Already some early pricing of this.

Bottom Line: The market is at an inflection point. The chip rally has no new fundamental basis — it's positioning and illiquidity of sellers. Next week's hyperscaler CapEx guidance will either validate or crack the semiconductor thesis. Meanwhile, the Fed transition is the quiet macro variable that could reshape the curve and finally give the lagging cyclical sectors some air. Wait for clarity, buy lagging sectors on clean dips, and keep gold as the hedge against a Fed that gets political.