

2 GRAY BEARDS | Week 175 Summary

May 9, 2026 | Tech Bubble Dynamics, Frozen Macro & Bond Market Levels

MARKET TONE: SQUEEZY, ODD, AND TECH-DRIVEN

Nick opens by characterizing the week as 'very squeezy and odd' — a market that only rewards you if you happen to be in tech. The conversation quickly anchors on a recurring theme in bubble markets: the Soros paradox.

Andy recounts both Soros and Druckenmiller's experiences with the late-1990s tech bubble. Soros's famous line — if you see a bubble, rush in — was, Andy argues, a statement of skill, not license. Soros was saying he was better than anyone at identifying bubbles early. Druckenmiller took it literally, knew he shouldn't buy, bought anyway, and caught the top. His own post-mortem: he learned absolutely nothing.

The point isn't academic. Both hosts feel they're watching the same setup repeat.

SEMICONDUCTORS: BUBBLE-LIKE BEHAVIOR, REAL EARNINGS BACKDROP

Andy breaks the market into two stories. First, semiconductors: earnings estimates have shifted dramatically — Micron, for example, has seen EPS go from roughly \$9 a share to \$99 a share, a 10x move in forward earnings in just two years. That's a legitimate fundamental story. The problem is that over the last few weeks, stocks have gone parabolic in a way that outruns even that extraordinary earnings growth.

Second, the rest of tech: passive flows do the heavy lifting. Investors seeking Nasdaq exposure buy the index regardless of individual merit. That lifts QQQ. Then S&P investors, seeing the index up ~8% on the year, buy more S&P to close their underweight — and that lifts everything else. Intel 5x-ing in under a year is the data point Andy flags as evidence of speculative frenzy layered on top of genuinely good fundamentals.

His conclusion: semiconductors are probably in a bubble. It may be early innings, but the behavior is there. The broader market is being pulled higher by it.

FROZEN MACRO: WHY EVERYTHING ELSE IS QUIET

Nick's framework for the volatility concentration in equities: there simply isn't volatility anywhere else. The Fed is on hold. Employment data is fine. CPI and PPI next week will likely print hot — both hosts expect it — but the market has already priced in an inflation spike tied to oil, and hopes are pinned on Iran calming down and the Strait of Hormuz reopening. So bond vol is suppressed. FX vol is low. Gold is barely moving.

When vol has nowhere else to go, it flows into the one market that will take it: equities. And within equities, it concentrates in the sector with momentum — tech. Nick points out that XLI (industrials), XLF (financials), and XLV (healthcare) are doing essentially nothing. Only XLK is moving.

Andy extends the framework: the war is the root cause. Central banks globally — those that were projecting cuts, those on pause, those cautiously hiking — have all been frozen by oil. They can't act until the oil situation resolves, which requires the war to resolve. That freezes the bond market and FX, which freezes gold. And the whole thing stays frozen until it doesn't.

IPO PIPELINE: THE SETUP FOR A POST-BUBBLE ENTRY

Nick raises a timing argument for not chasing tech here. The IPO pipeline is loaded: SpaceX, OpenAI, Anthropic — all multi-trillion dollar companies. Historically, markets tend to run up 10–15% into big IPOs, then sell off sharply afterward, often 20–30% from IPO prices. That post-IPO correction, not the current moment, is where Nick sees the real opportunity.

His view: we're in the pre-IPO markup phase. The trade is to wait for the post-IPO washout and buy into weakness then — both in equities broadly and in the new issues specifically.

NEW FED CHAIR: HE'LL TAKE TIME TO SETTLE IN

The new chair (expected to be confirmed Monday or Tuesday) will inherit a complicated institution. Andy and Nick note that establishing a new strategy, building consensus with FOMC colleagues, and signaling policy direction takes months. June is off the table for any significant move. Real volatility from a repositioned Fed — a differently-shaped yield curve, a new rate path — is a late-summer story at the earliest. That extended runway argues for patience rather than action now.

WHAT TO WATCH: VOLUME AS THE BUBBLE SIGNAL

Nick's primary signal for bubble exhaustion is volume. Right now, he characterizes the market as experiencing a 'sellers strike' — holders of tech are happy, not selling, not doing the math on what their positions are discounting. The signal to watch for:

- Volume spikes dramatically as buyers and sellers finally meet
- Sharp alternating daily swings — up 2%, down 2%, up 2%, down 4%
- That combination of elevated volume and erratic swings is Nick's tell that the move is ending

Until that pattern appears, the bubble can continue. Once it appears, the opportunity to position short or buy the subsequent dip becomes clearer.

NEXT WEEK: HOT CPI, AUCTION SUPPLY & BOND LEVEL WATCH

CPI and PPI are expected to be ugly. The more interesting question Andy raises is whether high headline inflation (energy and food) bleeds into core — as companies raise prices and consumers absorb them — or whether elevated energy and food costs actually suppress core demand as wallets tighten. Both are plausible. Neither resolves the macro, because oil doesn't get resolved by a data print.

Treasury supply is also meaningful next week: 3s, 10s, and 30s. The QRA last week was a non-event as expected. The longer-term coupon issuance story (more supply by 2027) remains intact but continues to be slow-moving.

On bond duration: Andy's framework is clear. A 30-year at 4.95% is not a generational opportunity. He wants to buy at 5.25–5.50% yield. That level would also represent a real yield around 3% — post-COVID highs in real rates — and at that point you'd have to think seriously about adding both duration and equities simultaneously if they're also down.

Nick agrees: hot CPI plus an Iran escalation that extends the oil supply disruption is the path to getting there. Not base case for next week, but it's the scenario that creates the setup.

PORTFOLIO POSTURE: SIT ON YOUR HANDS

Andy's framework for real-money (non-leveraged) investors currently underweight equities: suppose your target allocation is X, you're at X/2, and the gap is roughly 20% equity exposure. Should you buy now because the market has been running?

He walks through the math: if the S&P rallies another 10% from here, which would require tech to truly explode — you make roughly 2% more than you would have sitting out. That upside doesn't justify the risk. If it falls 10% instead — which he views as more likely — you'd be sitting on losses you didn't need. His conclusion: the price isn't right, FOMO isn't warranted, and the best move is to wait for the level.

- Equities: underweight, not chasing
- Bonds: watching for 5.25–5.50% on the 30-year before adding duration

- Real yields at ~3% would be the signal to consider both asset classes simultaneously
- Catalysts: hot CPI + Iran escalation could push yields to target levels

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