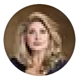
A Synthetic Bull Rally Cannot Afford To Stall



SAMANTHA LADUC

MAY 03, 2026 ·

So How Manipulated Was It?

April gains were historic.

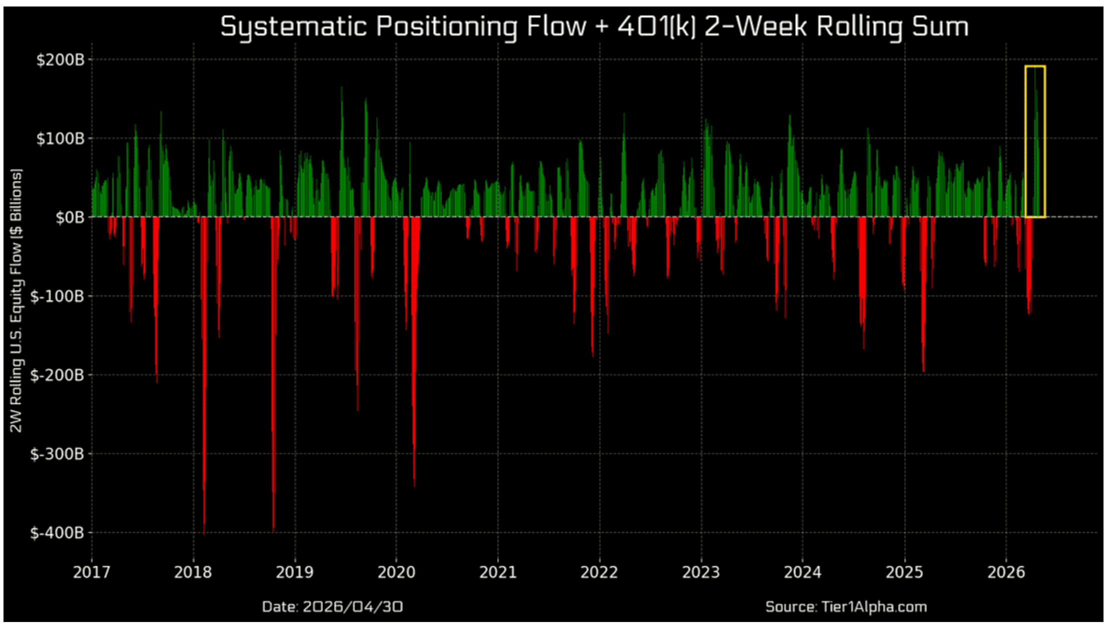
"This is historic. We've never seen a 5-10% decline in markets and then this type of a rally. It doesn't exist in the data set."

"You can look at 100 years, 125 years of data... it doesn't exist."
@jam_croissant

"the largest inflow of systematic capital into markets ever"

Mechanical buying you say?

> ***"As we have been tracking over the past several weeks,[the April advance, the 12th strongest monthly gain overall since 1960,] was supported by an estimated $251 billion in forced buying from 401(k) flows and systematic strategies, which created a powerful non-discretionary tailwind for equity beta as those funds piled back into index-related products."***



> ***"However, our models continue to indicate that much of that support has now largely run its course."***

As I said March 31st: "Flows Over Fundamentals"

Flows Not Fundamentals

SAMANTHA LADUC • APR 1

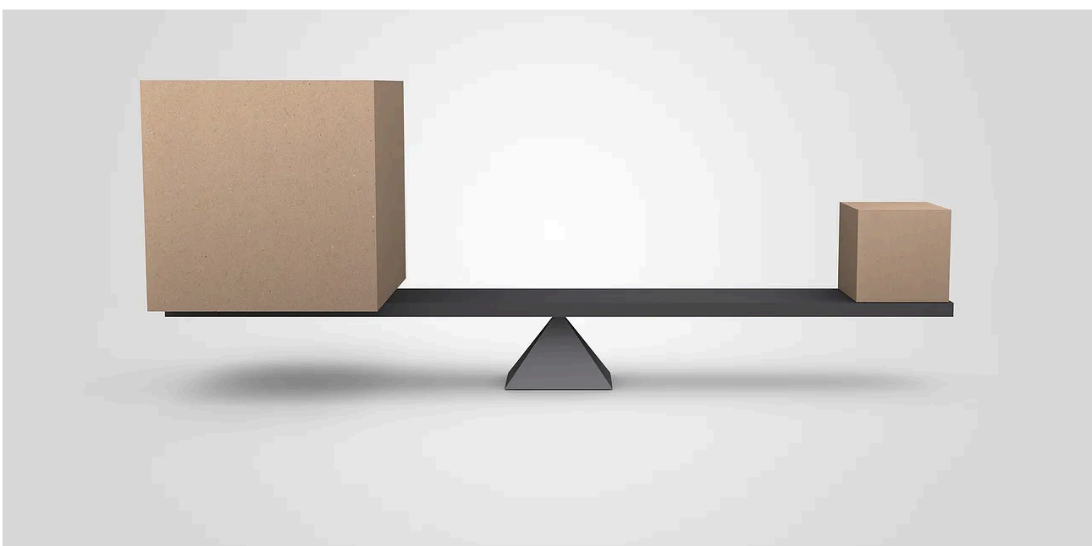
Now That's How You Markup A Tape!

Read full story

And again April 14th: "Flows Over Fundamentals Part 2"

It's Complicated

SAMANTHA LADUC · APR 14



Knowing When & Why To Pivot

Read full story

I have a big post I have worked on this weekend on the bigger passive investment flows and mechanical buying that will shine a light on VALUE and AI trend-long portfolio construction. For now, a news item that caught my attention will only make this theme of mechanical buying/passive investing WORSE:

On S&P 500 (April 30th proposed) Rule Changes:

> ***"The S&P 500 is removing long-standing profitability requirements — the "enshittification" of the index. This change potentially turns the index into a "dumping ground" for Private Equity to offload unprofitable, highly leveraged companies onto retail index investors."***
>
> ***Interlude…***
>
> ***"The S&P500 has indeed "sold out." By proposing to kill the long-standing "profitability" requirement for the S&P500 (already weakened by the use of operating vs GAAP earnings), the S&P500 has offered itself up as the dumping ground for private equity."***

As posted by Michael W. Green from his pithy & witty subStack this weekend.

Yes, ladies and gentlemen. That means the S&P Dow Jones Indices are seriously considering waiving the GAAP profitability requirement (positive net income in the most recent quarter + sum of prior four quarters) for "***megacap***" companies!!

Plus, shortening the post-IPO waiting period to 6 months. You know why: for the upcoming large IPOs like SpaceX, OpenAI & Anthropic that may not yet be profitable but are hugely subscribed and investors need exit liquidity.

That's the market we have, not the one we want. But I remind you of this fact because you can't easily trade against a market of grift AND structural flows - even if myopic AI bulls think it's on purely organic fundamental buyers.

I try to help you separate these influences into compartments so you can zoom out to see the big picture trends, the twists & turns along the way, and ultimately help you to be more risk aware. And not to short just because it's unfair and ponzi-like.

There is perceived 'safety' in the herd for many. Even if they don't understand what they own.

Raging Bulls Run On Groupthink

Congratulations, bulls!

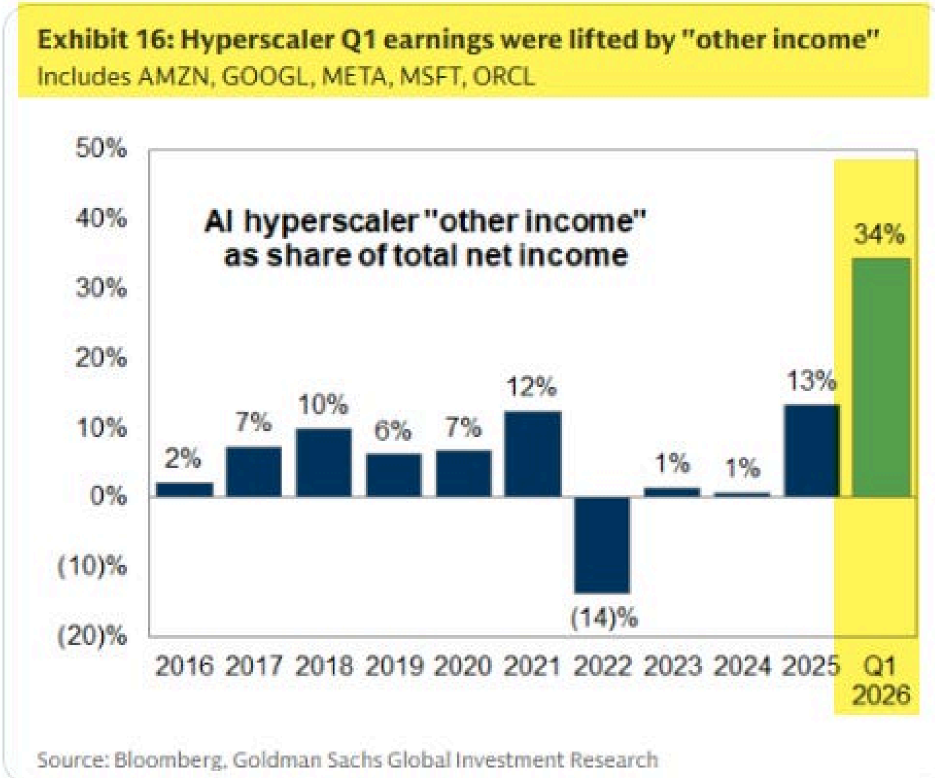
- Amazon just posted record profits.
- Google just posted record profits.
- Microsoft just posted record profits.
- Meta just posted record profits.

The devil might be in the details, but few will look.

> ***"The hyperscalers' earnings growth this quarter was boosted by an unusually large contribution from equity stakes in private companies." GS***

Mike Zaccardi, CFA, CMT @MikeZaccardi · 9h

GS: The hyperscalers' earnings growth this quarter was boosted by an unusually large contribution from equity stakes in private companies.



5 · 33 · 91 · 38K

Bethany McLean @bethanymac12 · 2h

I guess the question is how much those same private companies are in turn contributing to revenue growth/backlog?

2 · 3 · 464

ron insana
@rinsana

Does that mean there is a risk associated with circular financing and input purchases?? I am shocked!

Read this part again:

> ***Hyperscaler A1 earnings were lifted by "other income".***

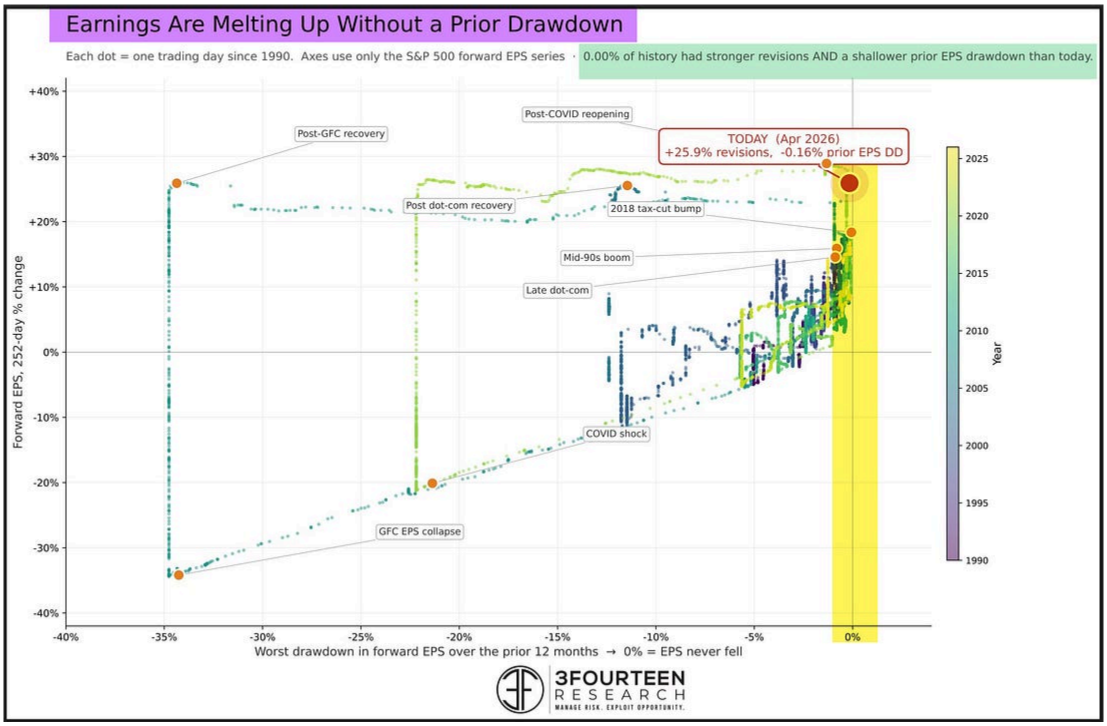
If we just focus on the fabulous profits from the "MAG3 Hyperscalers as Venture Capitalist" play, we see this detail:

- ***GOOGL: ~60% of net income came from equity gains (SpaceX, Anthropic).***
- ***AMZN: ~55% of net income was attributable to Anthropic gains.***

- ***MSFT: Mixed quarterly impact, assumed OpenAI losses but avoided the specifics.***
- ***META: Rather than investing in AI startups, Meta is investing in its own "agentic" AI models and "personal superintelligence". Maybe that's part of why it's doing poorly relative to the pack.***

Now, let's parse those upgraded earnings revisions which are the reason-for-the-season in outsized market returns (since MAG7 is heavily cap-weighted in indices):

> ***"0% of history had stronger revisions AND a shallower prior EPS drawdon than today" @WarrenPies***



> **»Market is pricing in "other income" not actual earnings from AI revenue, but that doesn't stop revised earnings from melting up!«**

Now, what about Nvidia? per Gemini:

As of early 2026, NVIDIA (NVDA) has built a strategic investment portfolio focused heavily on AI infrastructure, data center builders, and specialized tech partners. According to recent filings and reports, the company's equity portfolio is focused on long-term AI ecosystem growth, with significant positions in companies like CoreWeave, Intel, and Applied Digital.

Key Equity Positions and Portfolio Breakdown (Approx. Q1 2026)

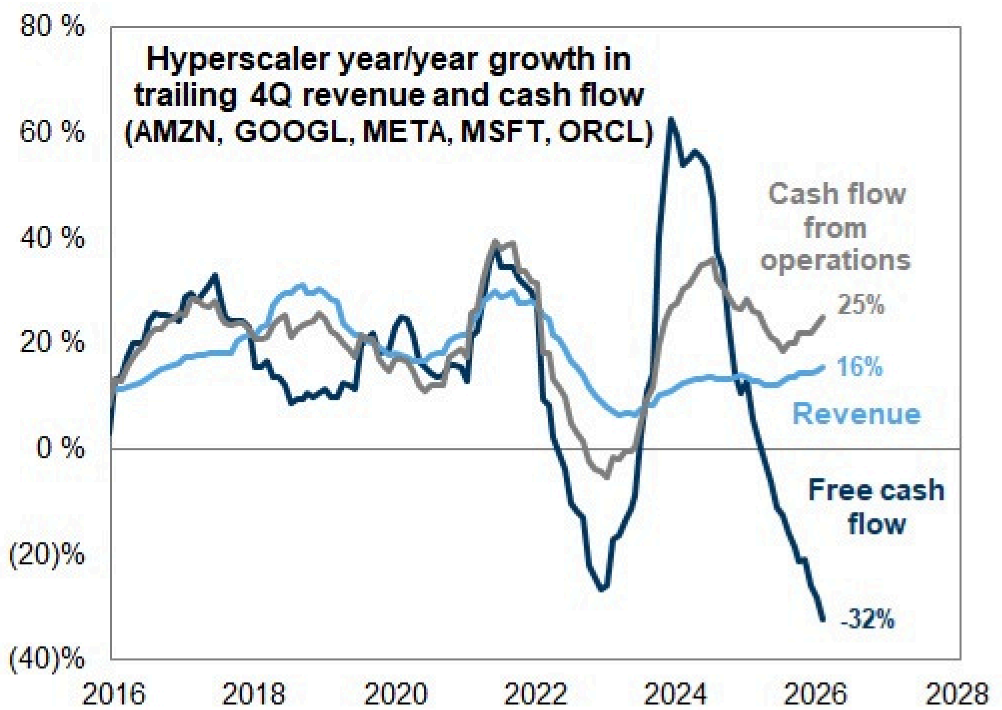
Total Portfolio Value: Estimated at over $13 billion based on latest 13F filings.

- **CoreWeave (CRWV):** Comprises a major part of the portfolio, focused on AI cloud infrastructure.
- **Intel Corporation (INTC):** A substantial holding, representing a significant percentage of the equity portfolio, aimed at data center partnerships.
- **Applied Digital Corporation (APLD):** A 7.7-million share stake that has performed strongly, benefiting from its role in data center construction.
- **Nebius Group N.V. (NBIS):** An AI-first cloud infrastructure firm with 1.2 million shares held, showing rapid growth.
- **Nokia Oyj (NOK):** A $1 billion equity stake initiated to advance AI-powered radio access networks.

Getting back to the hyperscalers… there is this little annoyance called Free Cash Flow that bears watching.

Their FCF is rolling over and is increasingly being funded by debt:

> ***"With Hyperscaler capex over the next 12mo estimated at $700B-$1T, and their free cash flow growth rate running -34% YoY, more and more must issue debt to fund the AI trade" @infraa_***



Source: FactSet, Goldman Sachs Global Investment Research

In a nutshell: Forward earnings expansion is being financed by FCF destruction.

> Capital spending hits cash today. It hits earnings slowly over years as depreciation.
>
> So a hyperscaler spends $180 billion, recognizes ~$30 billion of expense on the income statement, and earnings look fine while $150 billion of cash walks out the door. ***Forward earnings keep expanding because depreciation smooths the hit. Free cash flow gets destroyed because the cash leaves now.***
>
> The gap is being funded four ways — each one pulling future cash flows forward to pay for the buildout today:
>
> • **Finance leases (Microsoft)** — lease the data center, headline capital spending understates the real commitment, future lease payments sit off the capex line
> • **Bond issuance (Meta, Alphabet, Oracle)** — 30-year paper funding 5-year chips, swapping future interest and principal for cash now
> • **Vendor financing** — Nvidia funds OpenAI, OpenAI buys compute, providers buy Nvidia chips. Everyone pulling future AI revenue forward

> to pay for chips today.
> • **Project finance (CoreWeave, Stargate)** — debt secured by the chips and the customer contract; the lender is underwriting future utilization
>
> Every dollar of forward earnings is being bought with multiple dollars of borrowed present cash, secured against future revenue from a customer (OpenAI) whose Chief Financial Officer won't sign off on the IPO.
>
> Fiber optic was real. The cables still carry traffic. The companies that laid them didn't survive the financing.
>
> Tilt Macro ™ via @TiltMacro

The worry in not knowing what you own is this:

Costs financed simply mean they are deferred for short term growth. That makes it all look amazing as investors project to infinity. But, eventually, the growth slows with financing, but the costs do not.

And then it will make sense why it matters that these companies aren't earning their capex anymore; they're financing it.

A Synthetic Bull Rally Cannot Afford To Stall

Before timing the 39% crash in silver and 16% in gold, I posted my thesis that the options market was driving the FOMO in the precious metal rally and that fire needed oxygen to continue to burn which I warned I saw soon leaving.

Mega Silver Bubble Meets Mega Gold Bull Market

SAMANTHA LADUC · JAN 30

“PROTECT NOW. WE CAN’T WAIT UNTIL FEBRUARY”

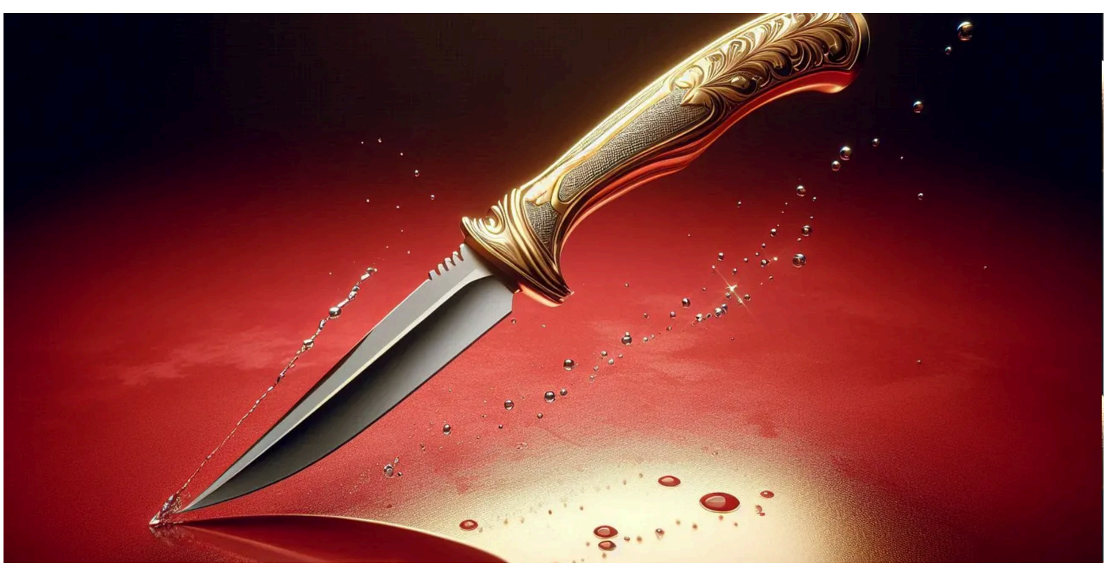
Read full story

It’s not lucky. It’s preparation. I timed this historic crash in metals LIVE because I was looking for the exhaustion signal that would cause a case of vertigo when fervant bulls would look down and L.I.F.O. (last-in-first-out) trapped longs would trigger volatility and a liquidation event - which I went on to say would cause investors to stay sidelined for months after.

ALL OF THAT HAPPENED! THIS IS NOT MY FIRST RODEO!

Catching This Falling Knife Of Metal Madness

SAMANTHA LADUC • FEB 1



‘Rare’ Is An Understatement

Read full story

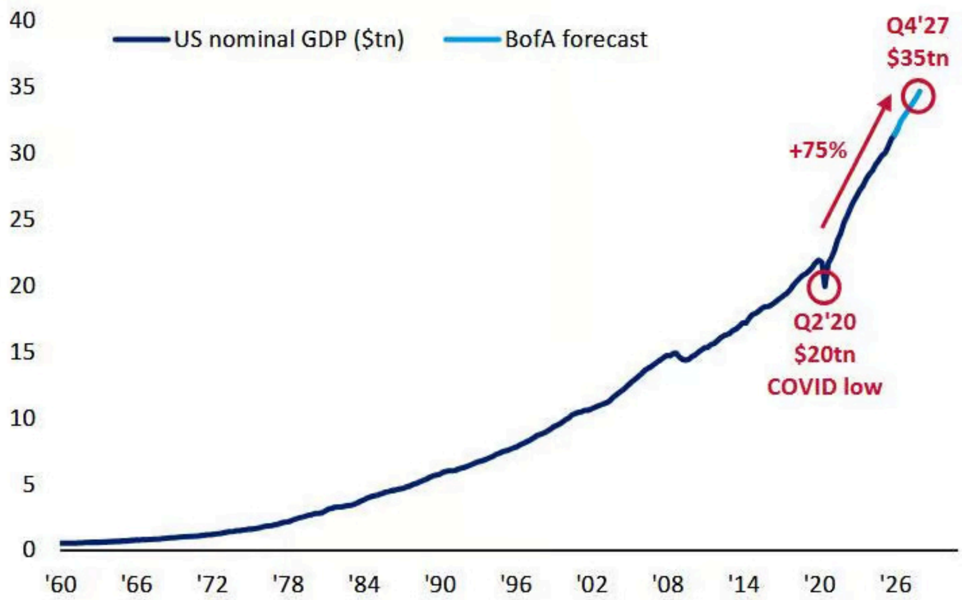
Now, I did NOT see the V-shaped semi rally on the March 30th lows, but I did warn of mechanical buying in my “Flows Over Fundamentals” write-ups and I DID recommend “cheap calls and call spreads” to take advantage of right-tail risk - specifically April 6th, before Trump’s April 8th ceasefire post. THAT was luck & risk management for heavy shorts.

Now that shorts have covered and Nasdaq put in its best month since 2002, it bears repeating: ***IRAN RISK IS STILL NOT PRICED IN***

Add to that:

- The Japanese bond yields continue to push higher, so BOJ performed an intervention. (Expensive but worth it, for now.)
- As oil continues to rise, UAE announced it was leaving OPEC+. (Do we now refer to them as “OPEC-” now?)
- With ECB laying the path to hike rates soon, and Japan forced to at some point this year, the Fed has no consensus and Miran is the lone rate-cut hold-out vote who is leaving soon.
- Oh, and the FOMC has a new shadow-chair in Powell after Kevin Warsh replaces Powell on May 15th, but Powell stays on as thorn in Trump’s side.
- Prices continue to rise for consumers and producers, as dis-inflation attacks wages.
- Disposable income continues to fall but nominal GDP rising from government spending is expected to save U.S. - just remember 75% is from AI investment.

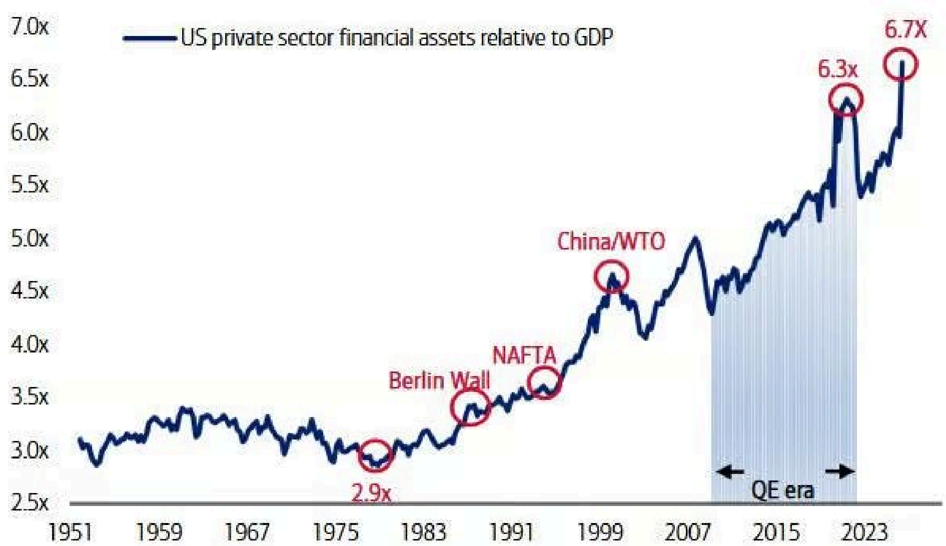
Chart 2: The Boom Loop
US nominal GDP in midst of unprecedented 75% surge from 2020 to 2027



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Chart 8: Wall St on pace to surge to nearly 7x the size of Main St
US private sector financial assets relative to GDP



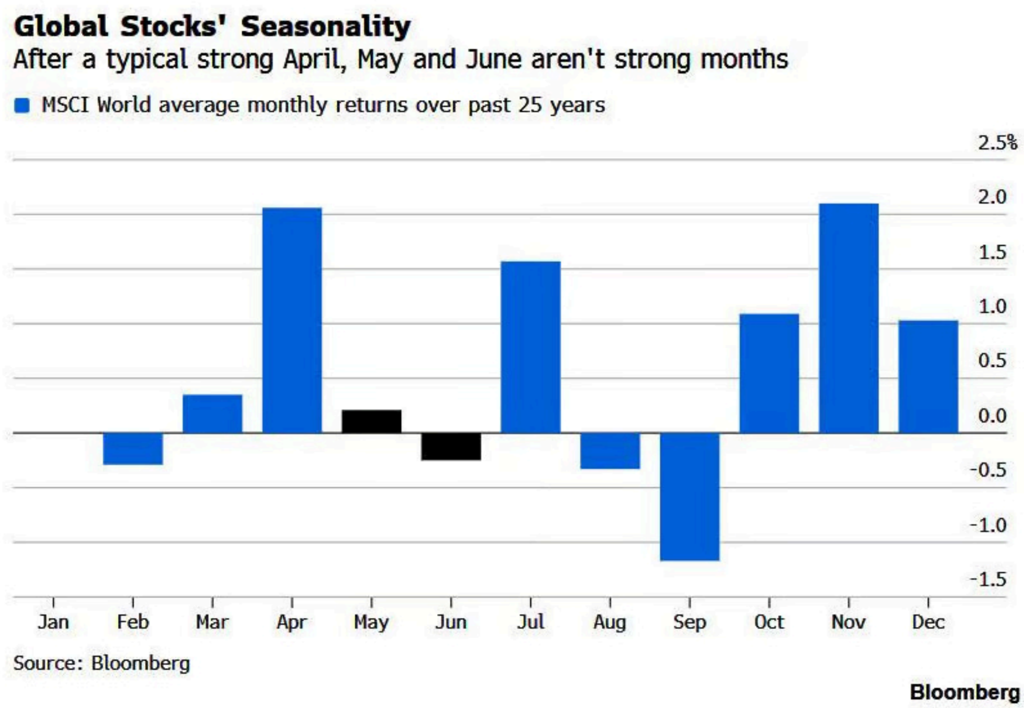
Source: BofA Global Investment Strategy, Bloomberg, Haver. *Latest as of Q2'26 assuming BofA Global Research estimates for GDP, assuming quarterly rise in financial assets using estimated quarterly return for NYA Index

BofA GLOBAL RESEARCH

And with that:

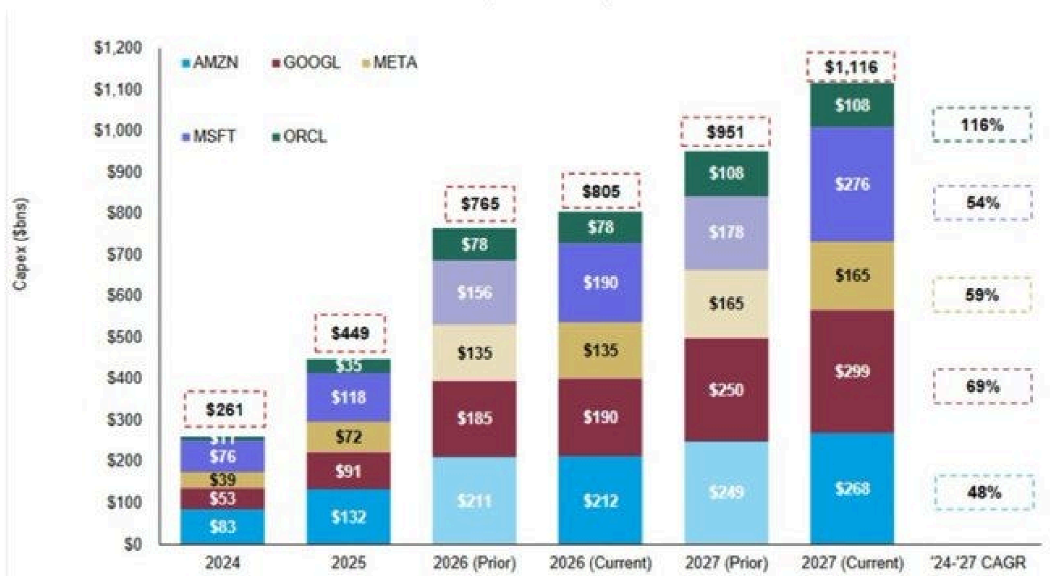
"the door to doom starts to open" according to BAC Hartnett...once yields start ramping to the upside and bonds crash - as they always do in boom-bust bubble cycles.

The easy gains are made. Time to hedge again. Especially as the oil shock, inflation and bond yields are about to get priced in the longer the Strait of Hormuz stays closed. Seasonality doesn't help.



Five weeks of strong market gains. Earnings expectations rising. Capex forecasts accelerating.

Exhibit 1: Morgan Stanley now sees hyperscaler capex approaching \$800bn/\$1.1trln in '26/'27 vs \$765bn/\$950bn previously

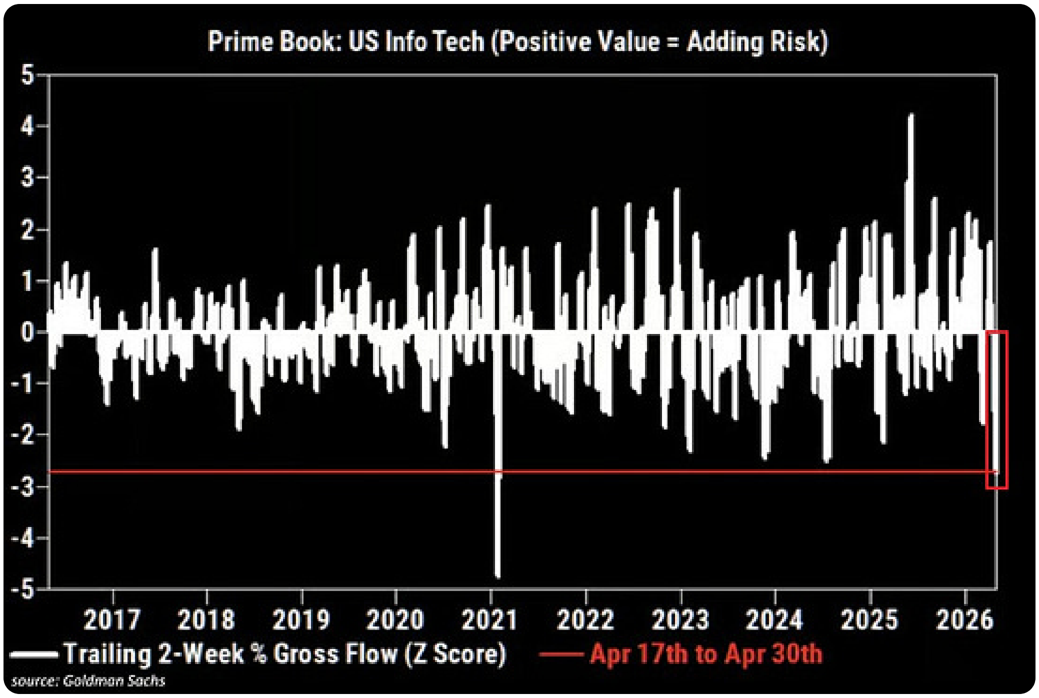


Source: Company data, Morgan Stanley Research estimates. See Internet: GOOGL, AMZN, and META Surprises and Learnings (30 Apr 2026)

It's the infinite money machine! And a lot is seemingly already priced in if hedge funds are taking profits into the highs.

The Kobeissi Letter
@KobeissiLetter

Hedge funds are rushing to reduce tech exposure: Hedge funds just posted their largest 2-week reduction in US information technology exposure over the last decade, excluding the meme stock frenzy in early 2021. This was driven by long sales outpacing short covers at a ratio of



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ENGAGE LIVE WITH ME & MY TEAM

Early Mid-Week Market Thoughts

Mid-week I will update my roadmap. Hint: we haven't hit SPX $7300 yet (my target early last week). All the while we grind higher, I still see a "Fragile Upside".

Fragile Upside

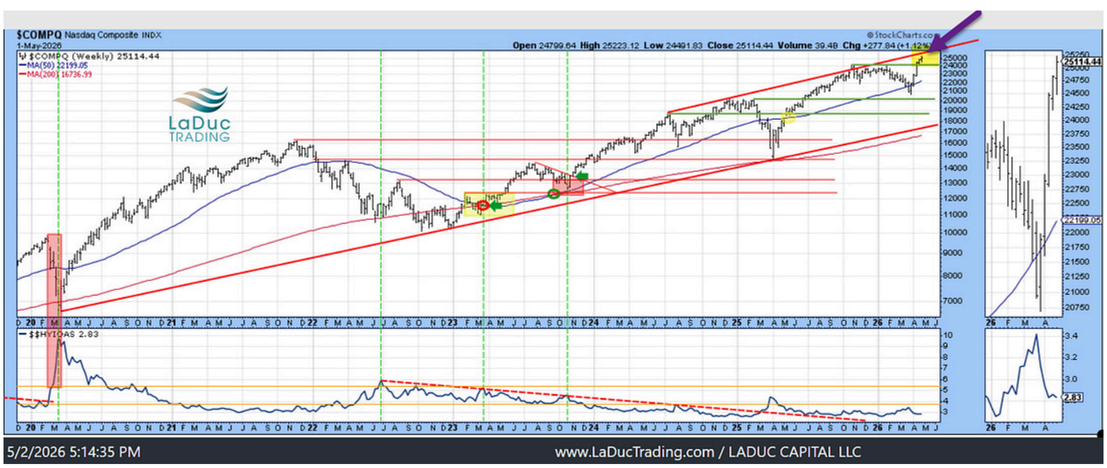
SAMANTHA LADUC · APR 27

“Going Nowhere Fast” Is About To Change

Read full story

Hardware Rotation Into Software is on my radar after AMD reports Wednesday and before Non-Farm Payrolls Friday. Will show you what I mean then.

About that time, COMPQ should be at an inflection point for some digestion/indigestion.



It’s my job to scan & synthesize market-moving news to upcoming macro event risks, combine with sentiment & money flows, and then techicially serve up highest-conviction market, sector & stock plays for clients live. UPGRADE TO PRO FOR MY LIVE TRADING ROOM