

Weekly Note

Provided by The Wilson Team

Good day everyone,

The Fed cut interest rates by 25bps yesterday (12.10). But that was only part of the story. The unexpected announcement was \$40billion of bills the Fed will start buying this month. Markets interpreted that as quantitative easing and moved higher on the day. Recall that the Fed had been doing quantitative tightening as recently as last month. Something shifted dramatically, in my opinion, to cause the Fed to begin pumping that much liquidity into the financial system...

And then came Oracle's earnings announcement after the close yesterday (12.10). Earnings were OK. Their projected data center spend was not, considering it was going to be \$10billion more than their projected cash flow. How will they finance this spend? Investors are selling first and asking questions later in the after market... Oracle is down 11%+.

Do you recall when ORCL was up over 40% after their Q2 earnings announcement? Euphoric is the only word to describe the action. But as I type, the share price is now BELOW where it was BEFORE that announcement. Love turned to hate inside of 4 months... See the chart below:

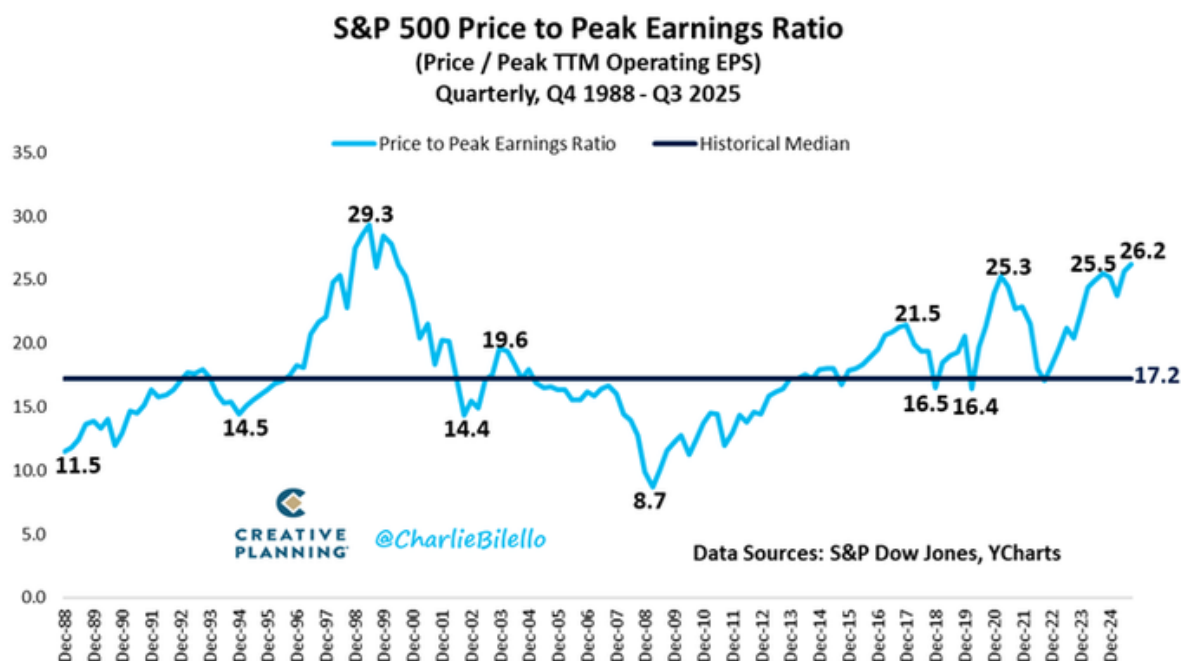
CHART = ORCL



Source: ThomsonOne

Most of the AI trade has soured, for now. But Broadcom's earnings will be released after the close today (12.11) and could reverse the negative sentiment ORCL's earnings have caused. We'll see.

For now, investors are paying 26.2 times peak S&P 500 earnings, the highest valuation we've seen since 2000 and over 50% above the historical median. A decade ago this same ratio was at 16.8. Here's a chart to help you "see" the changes:



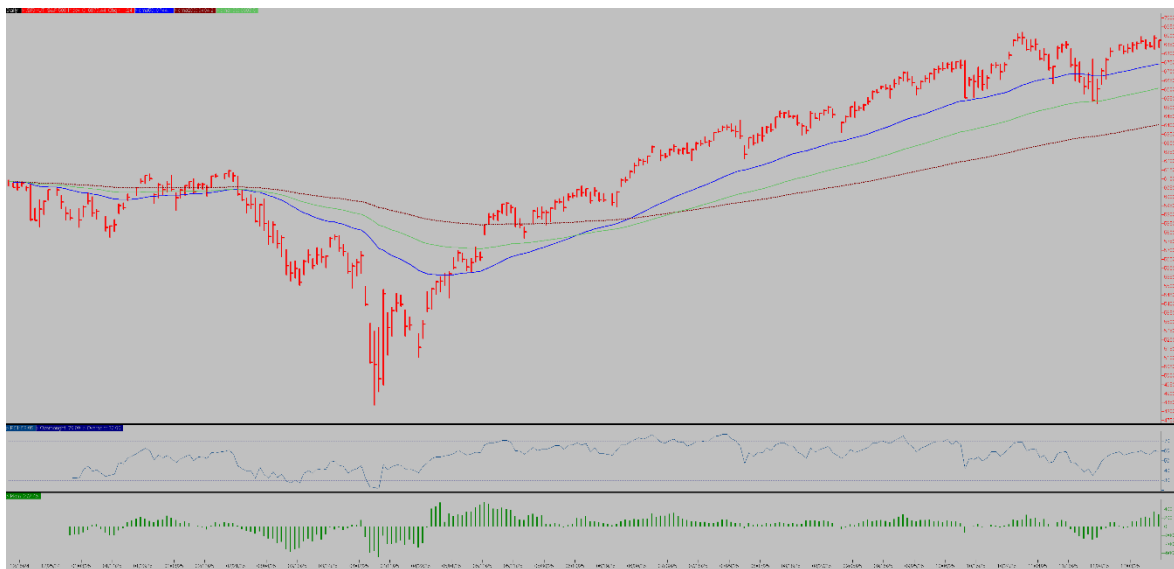
Source: S&P Dow Jones 12.11.25

How much longer will investors be willing to pay this type of premium for earnings? My hunch is that after the turn of the year we may see some profit-taking, with investors pushing capital gains out into the future. We'll see if that pans out.

For now, markets seem content to believe that the Fed has things under control, is pumping liquidity into the financial system, and will cut rates again sometime early next year...

Now to the S&P 500 chart. Recall that in the chart below, the **RED** line is the **daily** price movement of the S&P 500, the **BLUE** line is the 50-day moving average, the **GREEN** line is the 100-day moving average and the **BURGUNDY** line is the 200-day moving average. The chart is also a **one-year** lookback from 12.11. As a reminder, in a normal market, the red line is above the blue line and the blue line is above the burgundy line.

CHART = S&P 500 (daily)



Source: Thomson One

We are back near all-time highs. What happens to make us exceed previous highs? Is upside more likely than downside from here? The chart above is inconclusive. In my view, we are in a wait-and-see environment at present. Cash may be a valuable asset for the next several weeks...

I think I'll leave it there for this week. If you've seen something you'd like to discuss, please feel free to reach out. And if you are benefiting from reading these notes, others in your social circle may benefit as well. Why not forward it to a few? If they choose to begin to receive it, they need only send me an email.

Contact us to receive our weekly note

6501 Peake Road, Building 300 Macon, GA 31210
TF: 844-533-6533 | F: 478-336-5440
ewilson@wealthenhancement.com
wealthenhancement.com/advisor/eric-wilson