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THE FRIDAY FIVE

The free weekly read on market conditions, sector rotation, and stock ideas.

What's going on, everybody?

I hope you all had a great week. We've got Friday Five, Issue #5, so let's get into what happened in the market this week and what you all can take away from it. For a few weeks now the story has been company specific: a deal here, an earnings surprise there. This week the big picture took back the wheel. Oil pushed back above $100 a barrel after attacks on tankers in the Red Sea, and interest rates on the ten year Treasury climbed to their highest level all year. When oil and rates both jump at the same time, that is the market worrying about inflation, and stocks pulled back.

On top of that, two of the biggest names in the market, Alphabet and Tesla, reported and told investors they plan to spend even more, and both stocks fell as people asked how long that spending takes to pay off. So the market sold its crowded, expensive names ahead of the Federal Reserve meeting next week. But underneath the pullback, a handful of companies rose anyway, on their own concrete results. That gap, between the ones the market punished and the ones it rewarded, is what this issue is about. Alright, let's get into it.

This Week in One Minute

Measured from the July 16 close through Thursday, July 23, the S&P 500 fell about 1.7%, the Nasdaq dropped about 2.9%, and the Dow lost about 1.6%, while the small cap Russell 2000 edged higher. Two macro forces drove the week. Oil pushed back above $100 a barrel for the first time since spring after attacks on Saudi tankers in the Red Sea, and the ten year Treasury yield climbed to about 4.7%, its highest of 2026. At the same time Alphabet and Tesla lifted their spending plans, reviving worries about the cost of the AI buildout, and both fell. Jobless claims hit their lowest since 1969, strong for the economy but one less reason for the Fed to cut. The Federal Reserve meets July 28 and 29, and for the first time this year the market sees a real chance of a rate hike, not a cut.

Market Risk Score

Market Risk Score: 46 / 100. Neutral, with the macro back in charge.

Bullish factors: the economy still looks solid. Weekly jobless claims fell to their lowest since 1969, and small cap stocks actually rose on the week even as the big indexes fell, a sign that money is not fleeing the market so much as moving around inside it. Earnings season is running mostly ahead of expectations, and the companies delivering real results are being rewarded.

Bearish factors: oil back above $100 and the ten year Treasury yield at a 2026 high of about 4.7% are both inflation pressures, arriving at the worst possible time. The Federal Reserve meets July 28 and 29 under a chair who has been clear he will not tolerate lingering inflation, and for the first time this year traders see a real chance of a rate hike. Volatility ticked up, with the VIX climbing back toward the high teens, and the market's largest names are being sold.

Put together, this is still a neutral tape, but a step more cautious than last week. The economy is fine, the worry is prices and the Fed's response to them. In a market like this we lean toward companies with their own concrete, dated results and away from anything that needs the macro backdrop to stay calm, and we treat next week's Fed meeting as the event most likely to set the direction into August.

Sector Rotation Update

Strongest sectors this week

1. **Energy.** The week's best sector by a wide margin. Oil pushed back above $100 a barrel after attacks on Saudi tankers in the Red Sea, and energy producers rose with it.

2. **Utilities.** Money kept flowing into the group on the theme that AI data centers need enormous amounts of power, a demand story that has turned a sleepy sector into a growth trade.

3. **Industrials.** One of the few groups to finish higher, holding up on steady earnings while the megacap growth names took the hit.

Weakest sectors this week

1. **Consumer Discretionary.** The weakest sector, pulled down hard by Tesla's steep drop after its profit missed, plus softness in other big consumer names.

2. **Communication Services.** Dragged down almost entirely by Alphabet and Meta, on renewed worry about how much they are spending on AI and how long it takes to pay off.

3. **Consumer Staples.** Fell more than the market as investors sold defensives that were not working, because this week's scare was aimed squarely at megacap technology, not the whole economy.

Our five line up with this rotation deliberately. EQT sits in leading energy. General Motors is a winner inside the week's weakest sector, consumer discretionary, which is exactly why it stands out. Super Micro sits in technology, which held up better than its megacap headlines suggested, because the selling was concentrated in a few names rather than the whole group. Cleveland-Cliffs is in a mixed materials sector, and Intuitive Surgical is in health care, and in both cases the company's own news, not the sector, drove the move.

The Five

1. General Motors (GM) · Consumer Discretionary / Automakers

Why it made the list: Up about 3% in the market's single weakest sector, on a clean earnings beat and a raised profit outlook. The move was not large, but the setup is the point. In the same sector and the same week that a far more famous automaker missed badly and fell about 18%, GM did the plain, unglamorous thing: it executed and lifted its forecast. That is the kind of quality that tends to hold up when the market turns cautious.

Catalyst: On Monday, July 21, GM reported second quarter adjusted earnings of $3.57 a share on about $48 billion in revenue, both above expectations. More importantly, it raised its full year profit outlook to a range of roughly $14 to $16 billion, the second time it has raised guidance this year, helped by strong truck margins, lower warranty and tariff costs, and shrinking losses on electric vehicles.

Bull case: This is a cheaply valued company that keeps beating its own forecasts and returning cash to shareholders through buybacks and a dividend. When a raised outlook is backed by real drivers, better truck pricing, lower costs, smaller electric vehicle losses, it signals the strength should continue, not fade. In a nervous market, a business that is executing and inexpensive is a place investors tend to hide.

Bear case: Automakers are deeply cyclical, and GM sits in the sector the market liked least this week for a reason. If the economy slows, or if higher oil and interest rates start to bite consumers, vehicle demand softens and those raised numbers get harder to hit. Tariffs remain a genuine wild card that management itself keeps flagging. A cheap stock can stay cheap if the cycle turns.

Premium Members': *Members, this is the core quality name in this week's Edge Report. You have the entry zone and the sizing tier for a cyclical you want to own into strength, and the level that tells you the cycle, not the company, has turned.*

2. EQT Corporation (EQT) · Energy / Natural Gas

Why it made the list: Up about 8% in the week's leading sector. EQT is one of the largest natural gas producers in the country, and it reported a quarter where the profit line actually came in a touch light, yet the stock rose. That tells you the market cared about something other than the reported earnings: the outlook.

Catalyst: On Tuesday, July 21, EQT reported second quarter results. Earnings per share came in slightly below expectations, but the company raised its full year production guidance and lowered its planned capital spending at the same time. More gas out of the ground for fewer dollars in means more free cash flow, and that is what investors rewarded.

Bull case: Producing more while spending less is the combination that defines a well run commodity company. If EQT keeps hitting these operational targets, it generates growing free cash flow that can pay down debt and return money to shareholders, and it does so with natural gas demand from AI data centers and electrification providing a longer term tailwind. The energy sector also has the wind at its back while oil stays elevated.

Bear case: At the end of the day EQT sells a commodity it does not control the price of. Natural gas prices are volatile, and a warm winter or a supply glut can wipe out the benefit of all that operational discipline. The stock also rode a sector that was lifted this week partly by a geopolitical oil spike, and those premiums can unwind as fast as they appear. This is a well managed company still tied to a price it cannot set.

Premium Members': *Members, this is the cash flow name in the Edge Report. You know the gas price level that is your real invalidation here, not the stock chart, and the tier we sized it into given the commodity risk.*

3. Super Micro Computer (SMCI) · Technology / Servers and AI Hardware

Why it made the list: Up about 26%, the biggest move in this issue, in a week when the AI trade was under pressure. Super Micro builds the specialized servers that run AI workloads, and it gave investors an early look at a quarter that was far better than feared. It is a reminder that even when the megacap AI names are being sold, the companies supplying the buildout can still surprise to the upside.

Catalyst: On Tuesday, July 22, Super Micro pre-announced preliminary results ahead of its full report. The headline was gross margin running near 15 to 17%, close to double its earlier forecast, alongside more than $60 billion in new orders and a record backlog. For a company long criticized for razor thin margins, a margin that size changes the debate.

Bull case: The knock on Super Micro has always been that it sells a lot of hardware but keeps very little profit on each dollar. If the preliminary margin holds up in the audited numbers, that story is wrong, and record orders say demand is not the problem. A company at the center of the AI server market, finally proving it can make real money, is a powerful combination.

Bear case: This was a preliminary update, not the final word, and the company guided revenue toward the low end of its range. The full audited results are due in August and could look different. Investors should also know the history: Super Micro only regained good standing on the Nasdaq in January of this year after an accounting and late filing episode, and its most recent annual report still flagged a weakness in its internal financial controls. This is a headline sensitive, higher risk name where the audited report is the real test.

Premium Members': *Members, this is the high beta name in the Edge Report, and the August audited report is your invalidation date. You know the discipline for a stock that moves this fast on a preliminary number.*

4. Cleveland-Cliffs (CLF) · Materials / Steel

Why it made the list: Up about 15% after a quarter that showed a real turn in the business. Cleveland-Cliffs is one of the largest steelmakers in the United States, and it has spent recent quarters under pressure from soft prices and a heavy debt load. This week it showed the market that the second half could look very different, and the stock jumped.

Catalyst: On Thursday, July 23, Cleveland-Cliffs reported second quarter core profit of about $286 million, roughly triple the prior quarter, and returned to positive free cash flow. Management guided the second half to its strongest since 2021 and pointed to a multi year contract to supply specialized steel to the Defense Logistics Agency. It was the biggest one day gain the stock has had in months.

Bull case: A cyclical company returning to positive cash flow, with management guiding a much stronger back half and a signed government contract adding stable demand, is a genuine inflection. If steel prices hold and the company keeps paying down debt, a leveraged balance sheet works in shareholders' favor, amplifying the recovery. Turnarounds in cyclicals can run further than they look at first.

Bear case: This is the highest risk name in the issue. Cleveland-Cliffs is a low priced, deeply cyclical, debt heavy stock, and the bullish second half is management's own forecast, not a result in hand. Tellingly, several analysts were cutting their price targets on the very same day the stock rallied. If steel prices or auto demand soften, that leverage cuts the other way just as fast, and the turnaround stalls.

Premium Members': *Members, this is the speculative turnaround in the Edge Report. You know the smaller tier we sized it into given the leverage, and the guidance checkpoint that confirms or kills the second half thesis.*

5. Intuitive Surgical (ISRG) · Health Care / Medical Devices

Why it made the list: Down about 18%, the biggest decliner in this issue, and it fell even though it beat expectations. Intuitive Surgical makes the da Vinci robotic surgery systems that dominate their field. It is here because it is this week's clearest lesson: for an expensive, high expectations stock, beating the quarter is not enough if the outlook disappoints.

Catalyst: After the close on Thursday, July 16, Intuitive Surgical beat on both revenue and profit for the second quarter. But its forecast for how fast robotic surgery procedures will grow this year, roughly 13.5 to 15.5%, came in below what investors had baked in, and management flagged some softening in US procedure volumes. Analysts trimmed their price targets, and the stock sold off the next day despite the beat.

Bull case: Nothing about the business broke. Intuitive Surgical still beat, still grows procedures at a double digit rate, and still has a dominant, high margin position in a market that expands as robotic surgery spreads. If the procedure slowdown proves temporary, a stock that just got 18% cheaper starts to look like an opportunity in a durable franchise.

Bear case: The issue is not the company, it is the price. Intuitive Surgical traded at a premium valuation that assumed near flawless growth, and a merely good outlook was enough to break that assumption. When a stock is priced for perfection, any wobble in the growth story forces a painful reset, and there is no guarantee the reset is over. Expensive stocks fall furthest when the story cools.

Premium Members': *Members, this is the watchlist name in the Edge Report, not an active buy. You have the valuation level where we would get interested and the procedure data point that has to stabilize first.*

Stock of the Week

General Motors (GM). If you remember one name from this week, make it GM. Super Micro had the bigger move, but it came off a preliminary number with an audited report still to come, and Cleveland-Cliffs is a leveraged turnaround that could go either way. GM is the pick built for exactly this kind of week. The macro turned against the market, oil and rates jumped, and the crowded, expensive names got sold. GM did the opposite of exciting: it beat, it raised its outlook for the second time this year, and it rose while its most famous rival in the very same sector fell about 18%. When the environment gets nervous, a cheaply valued company executing well and returning cash is the kind of steadiness that tends to hold up. We are clear eyed about the risk: autos are cyclical and tariffs are a live wild card, so a real slowdown would still reach GM. But among this week's five, it is the one whose strength we would most trust to persist.

What Could Change My Mind?

A few things would shift our read. The Federal Reserve meeting on July 28 and 29 is the big one. For the first time this year the market sees a real chance of a rate hike rather than a cut, and whatever the Fed signals about oil driven inflation will likely set the market's direction into August. If oil settles back down and yields ease, this week's pullback looks like a scare and the tape steadies. If oil keeps climbing and the Fed leans hard against it, we get more cautious quickly. On the picks themselves, we will name the risks we are carrying knowingly. Super Micro's jump came off a preliminary update, so its full audited results in August can move it again in either direction, and its accounting history means we watch that report closely. Cleveland-Cliffs is a leveraged bet on a second half that management has forecast but not yet delivered, and analysts were cutting targets even as it rallied. EQT rose partly on an energy sector lifted by a geopolitical oil premium that can unwind fast. And Intuitive Surgical is a reminder that we do not chase an expensive stock into a growth slowdown, however good the company. On the other side, if the megacap AI spending fears prove overdone and the broad economy stays as strong as the jobs data suggests, this cautious read turns more constructive, and we will say so plainly.

Scoreboard

We track every past pick against SPY, openly, winners and losers alike. Here is where things stand as of Thursday's close, straight from the running board on the site, which we update with verified numbers every week. We are not going to dress it up: on balance the earliest picks are still trailing the market, dragged down by the memory and AI names from our first issues, while the banks, energy, and value names are carrying the record.

Ticker	Issue	Status vs SPY
MU	#1	Underperforming
SNDK	#1	Underperforming
APGE	#1	Underperforming
JPM	#1	Neutral
MS	#1	**Outperforming**
RTX	#2	Underperforming
JPM	#2	**Outperforming**
LMT	#2	Underperforming
NUE	#2	**Outperforming**
KMI	#2	Neutral
CRNX	#3	Neutral
LASR	#3	Underperforming
LITE	#3	Underperforming
FANG	#3	**Outperforming**
KR	#3	Underperforming
VOD, BLK, AEHR, IBM, PNR	#4	Early, tracking on the site
GM, EQT, SMCI, CLF, ISRG	#5	**New this week**

Quick read on the record: the damage is still concentrated in the memory and AI optics names from our earliest issues, while Morgan Stanley, JPMorgan, Nucor, and Diamondback continue to carry the board. Last issue's five are only a week old, so we let them keep tracking on the live scoreboard rather than grade them early. It has been a mixed start overall, and five issues is still a small sample, but we would rather show you an honest scoreboard than a flattering one. Every pick stays on the board, and the exact, verified standings are always on the scoreboard page.

Go Premium

The free Friday Five gives you the market read, the rotation map, and the ideas with their catalysts and risks. Premium adds the part we hold back here: exact entry zones, stop levels, position sizing, price targets, options structures, and real time alerts when something changes. If this issue helped you think more clearly about the week, premium is where the ideas become an executable plan.