Druckenmiller Has A Warning: Don't Mess With Markets

Famed investor Stanley Druckenmiller published a Wall Street Journal opinion piece (Let The Bond Market Speak) on Monday, in which he warns Treasury Secretary Bessent about long-dated bond buybacks. His core thesis seems to rest on the paradox between Warsh?s strong belief in the information value of free markets and the Treasury?s actions to intervene in the bond market. Warsh has noted on a few occasions that market prices send valuable economic messages. To wit, he has limited guidance to better hear the market?s voice. Yet, the bond market is voicing fiscal concern, and the Treasury Department, likely in discussion with Warsh, is trying to suppress the market?s opinion.

Druckenmiller argues the Treasury move is all about defending a price the bond market wants to reject.

> *I have spent five decades trading on a simple premise: Markets aggregate information no committee possesses, and prices are how that information reaches decision makers. The long-term Treasury yield is the most important price in the world. It is also the only fiscal disciplinarian the U.S. has left.*

Druckenmiller?s primary concern is that yield suppression reduces the pressure that forces fiscal discipline on our leaders. He claims that ?*every basis point of artificial yield suppression is a subsidy to procrastination*.? Moreover, suppressed rates:

> *sugarcoat the interest-cost projections, shrink the apparent urgency, and let incumbents assure voters the debt is someone else?s problem.*

Another key point Druckenmiller raises is that intervention becomes self-reinforcing and markets will test Bessent?s resolve, forcing the Treasury to intervene in ever-growing amounts. Monday?s introduction of using the TGA for purchases supports his view.

His prescription: Use buybacks for ?*their stated purpose, small, scheduled, off-the-run liquidity operations announced at quarterly refundings, never off-cycle responses to yield levels*,? and ?*term out the debt honestly and pay the price the market sets*.

The only durable fix, he argues, is addressing the primary deficit directly, instead of the market that reflects it.

> If the 30-year must trade at 5.5% to clear, that isn't a crisis.
> It is an invoice.
>
> — **Stanley Druckenmiller**
> The Wall Street Journal, "Let The Bond Market Speak"

What To Watch Today

Earnings

COMPANY (TICKER)	TIMING	EPS EST.	REV. EST.
NVIDIA (NVDA)	After close, 4:20 p.m.	$2.08	$91.9B
Salesforce (CRM)	After close	$3.27	$11.33B
CrowdStrike (CRWD)	After close	$0.29	$1.44B
HP Inc. (HPQ)	After close	$0.66	$14.6B
Veeva Systems (VEEV)	After close	$2.22	$904M
Okta (OKTA)	After close	$0.96	$792M
Nutanix (NTNX)	After close	$0.48	$738M
Williams-Sonoma (WSM)	Before open	$2.05	$1.91B
Abercrombie & Fitch (ANF)	Before open	$1.90	$1.24B
Kohl's (KSS)	Before open	$0.56	$3.52B
Bath & Body Works (BBWI)	Before open	$0.24	$1.50B

Marvell, Autodesk, Elastic and Royal Bank of Canada report Thursday, Aug 27. Snowflake and NetApp report Wednesday, Sept 2.

Economy

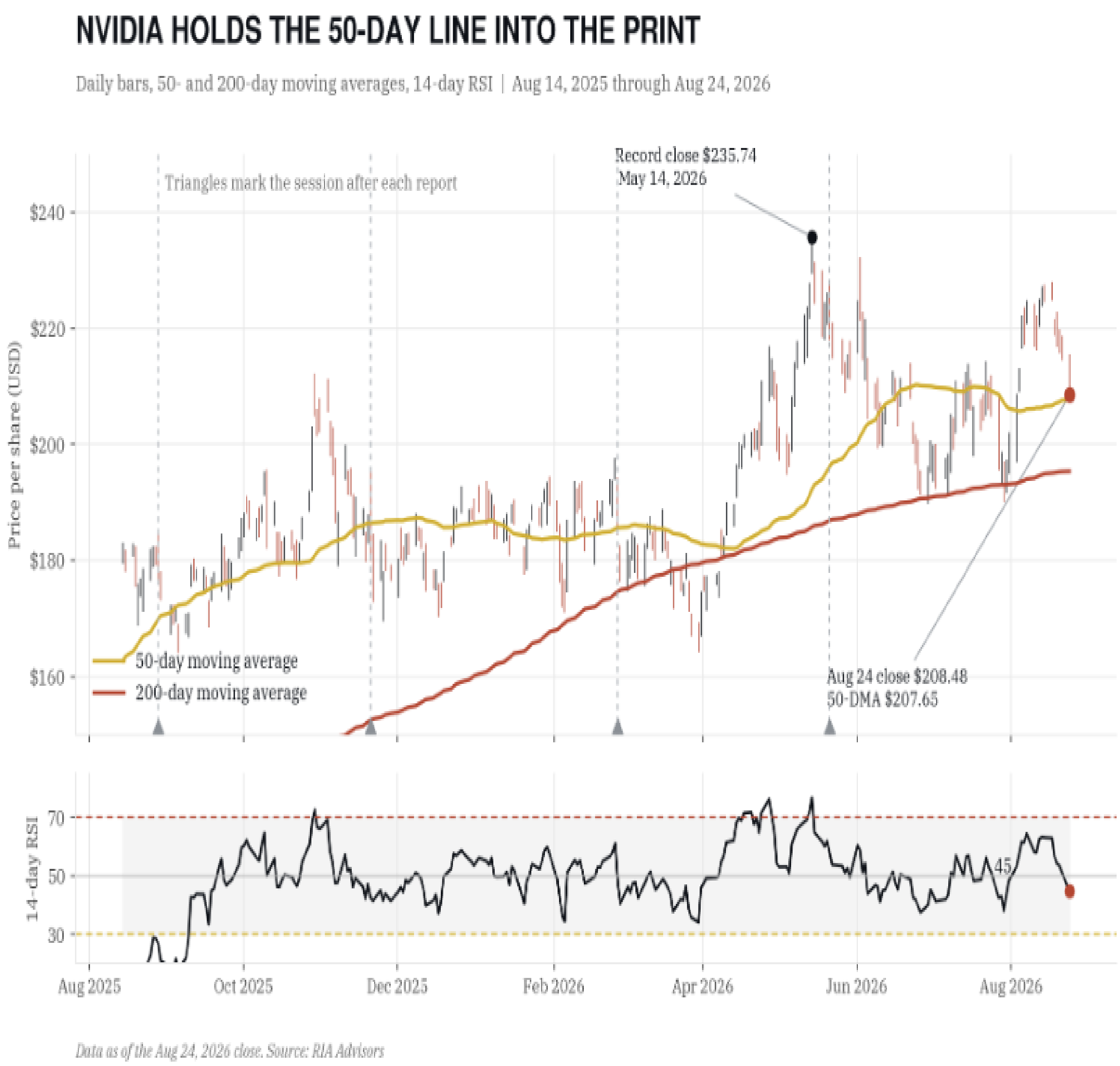
TIME (ET)	RELEASE (PERIOD)	PRIOR	CONSENSUS	FORECAST
7:00 a.m.	MBA Mortgage Applications (w/e Aug 21)	-0.4%	n/a	n/a
8:30 a.m.	GDP, 2nd estimate (Q2 2026)	+1.5%	+1.5%	+1.5%
8:30 a.m.	Corporate Profits (Q2 2026)	n/a	n/a	n/a
8:30 a.m.	Core PCE Price Index, m/m (Jul)	+0.1%	+0.2%	+0.2%
8:30 a.m.	Core PCE Price Index, y/y (Jul)	+3.3%	+3.3%	+3.3%
8:30 a.m.	PCE Price Index, m/m (Jul)	-0.1%	+0.1%	+0.2%
8:30 a.m.	Personal Income, m/m (Jul)	+0.2%	+0.3%	+0.3%
8:30 a.m.	Personal Spending, m/m (Jul)	+0.3%	+0.2%	+0.2%
8:30 a.m.	Durable Goods Orders, m/m (Jul, advance)	+0.3%	+0.7%	+0.6%
8:30 a.m.	Durable Goods ex-transport, m/m (Jul)	+0.6%	+0.8%	+0.8%
10:30 a.m.	EIA Crude Oil Inventories (w/e Aug 21)	+4.4M bbl	+1.9M bbl	n/a

Fed speakers: none scheduled. The Fed is NOT in blackout, and the next FOMC meeting is September 15 and 16. Chair Warsh delivers his first Jackson Hole keynote Friday, Aug 28, at 10:00 a.m. ET.

Market Trading Update

Yesterday, we walked through&#2013266080;***how the Treasury?s cash rebuild could turn a modest buyback into a genuine market mover***. Today, the Nvidia earnings preview, because the largest company in the index reports after the close, and the options market is pricing the quietest print in years.

Using Monday?s close, Nvidia sat at $208.48, right on its 50-day moving average of $207.65 after giving back 7.4% over the past week. The stock still holds 6.7% above its rising 200-day average near $195.34, but it?s 11.6% below the May 14 record close of $235.74. The 14-day RSI is 45. The MACD rolled under its signal line last week. Momentum has cooled, not collapsed.

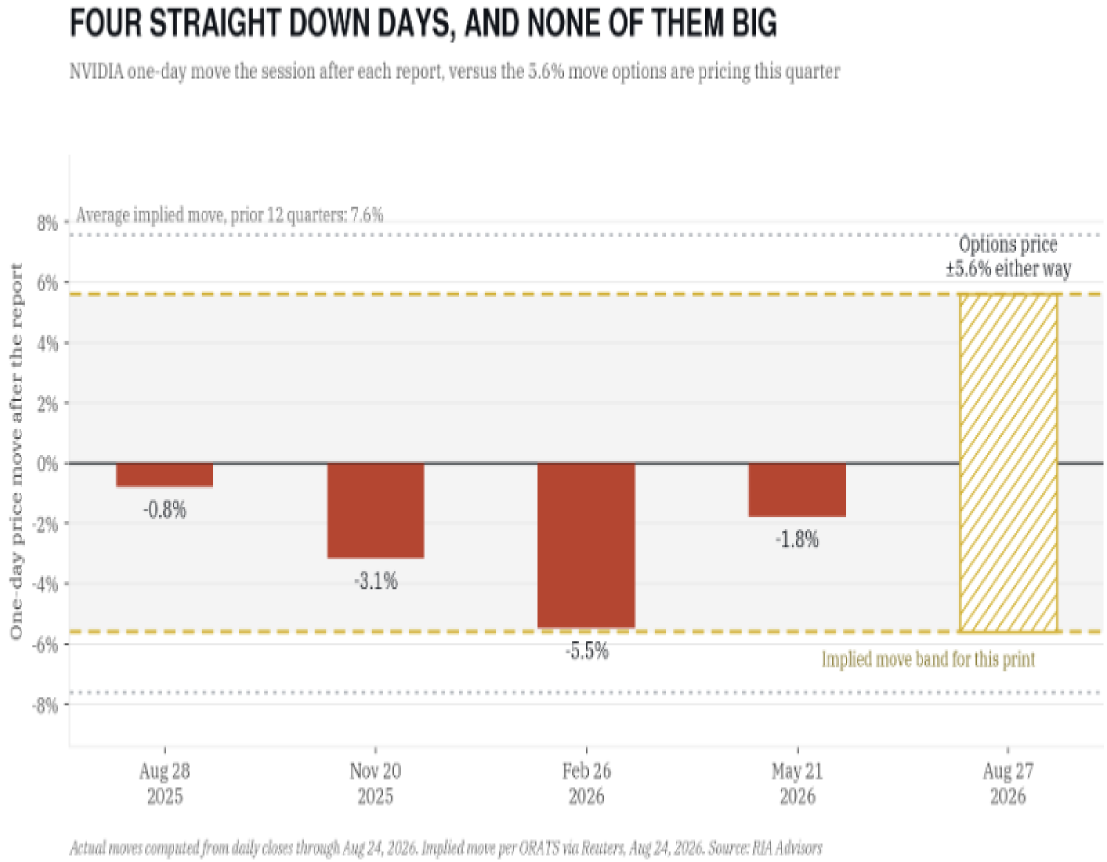


Data as of the Aug 24, 2026 close. Source: RIA Advisors

Here?s where it gets interesting. Options are pricing a move of roughly 5.6% in either direction, per ORATS data cited by Reuters. That?s the smallest expected swing ahead of any Nvidia report in at least three years. During the prior 12 quarters, the average was 7.6%. However, don?t mistake a 5.6% swing, which will equate to roughly $260 billion in market value. To put that into perspective, that is equivalent to the market capitalization of more than 90% of the companies in the index individually.

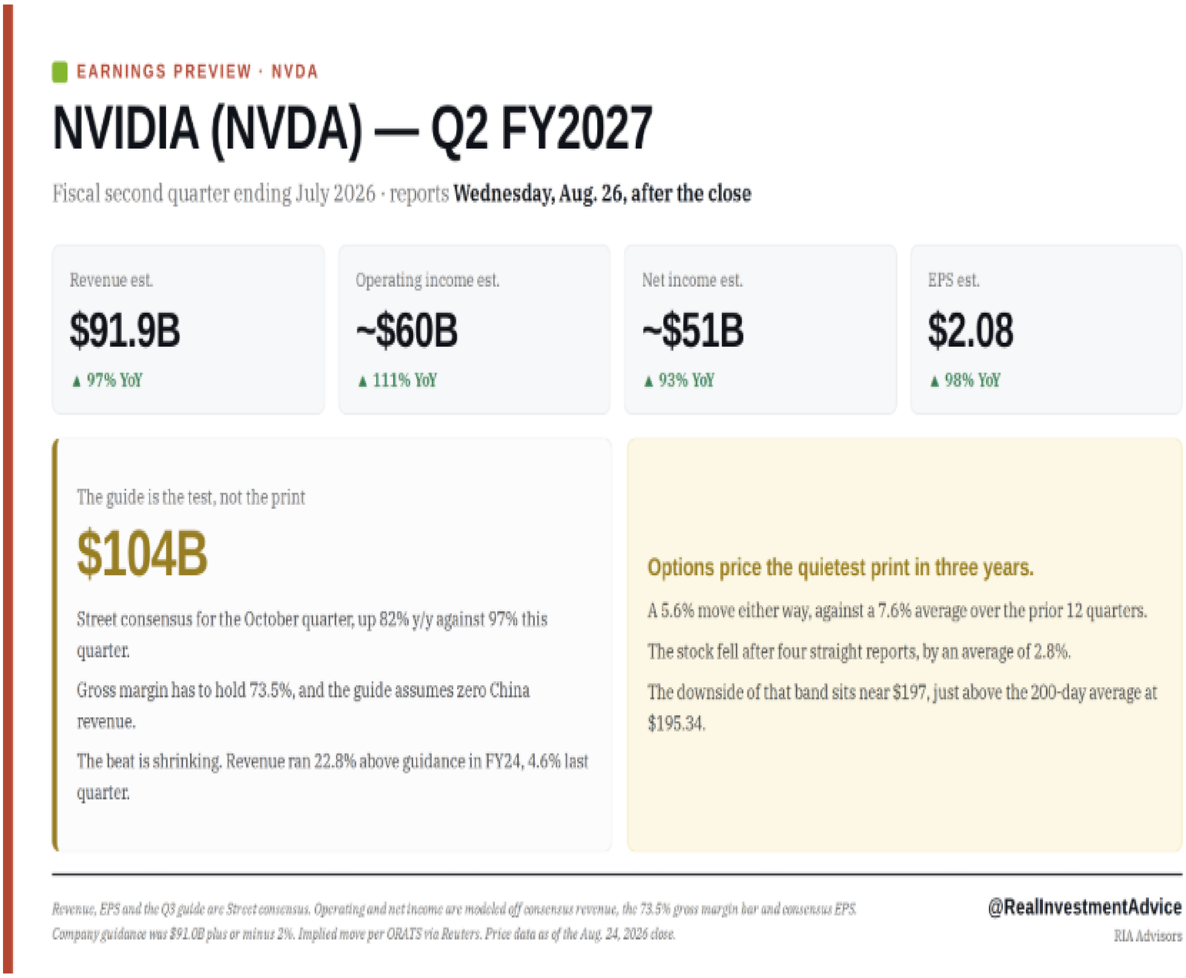
> *?Nvidia has not been moving the way it used to on earnings.? ? Chris Murphy at Susquehanna*

The record agrees. The stock fell the day after four straight reports by 0.8%, 3.1%, 5.5%, and 1.8% respectively. That averages 2.8%, or half of what?s priced.



Actual moves computed from daily closes through Aug 24, 2026. Implied move per ORATS via Reuters. Source: RIA Advisors

Here are the expectations for this evening. Consensus is looking for roughly $91.9 billion in revenue, up 97% from $46.74 billion a year ago, with earnings near $2.08 per share, up from $1.05. They are maintaining gross margins at 73.5%, and operating income is expected to be close to $60 billion, up from $28.44 billion last year. Net income runs around $51 billion versus $26.42 billion. The bar is set decently high.



Revenue, EPS and the Q3 guide are Street consensus. Operating and net income are modeled off consensus revenue, the 73.5% gross margin bar and consensus EPS. Company guidance was $91.0 billion plus or minus 2% and assumes zero China revenue. Source: RIA Advisors

Those numbers are not the real risk. The risk is in the October guidance. The street wants $104 billion, so anything softer and the multiple has to do the work by itself. Therefore, we need to pay close attention to three things.

1. *Does gross margin hold that 73.5% line?*
2. *Does China stay at zero inside the guide?*
3. *And how does management frame Vera Rubin?s timing relative to the $166 billion that the four largest cloud buyers spent last quarter?*

Notice, too, that the beat is shrinking, and revenue upside relative to guidance has compressed from 22.8% in fiscal 2024 to 4.6% last quarter. In other words, a beat is expected, but a BIG beat is not.

The downside of that implied band sits near $197, just above the 200-day line. Trade the levels after the report, not the headline in the first ten minutes.

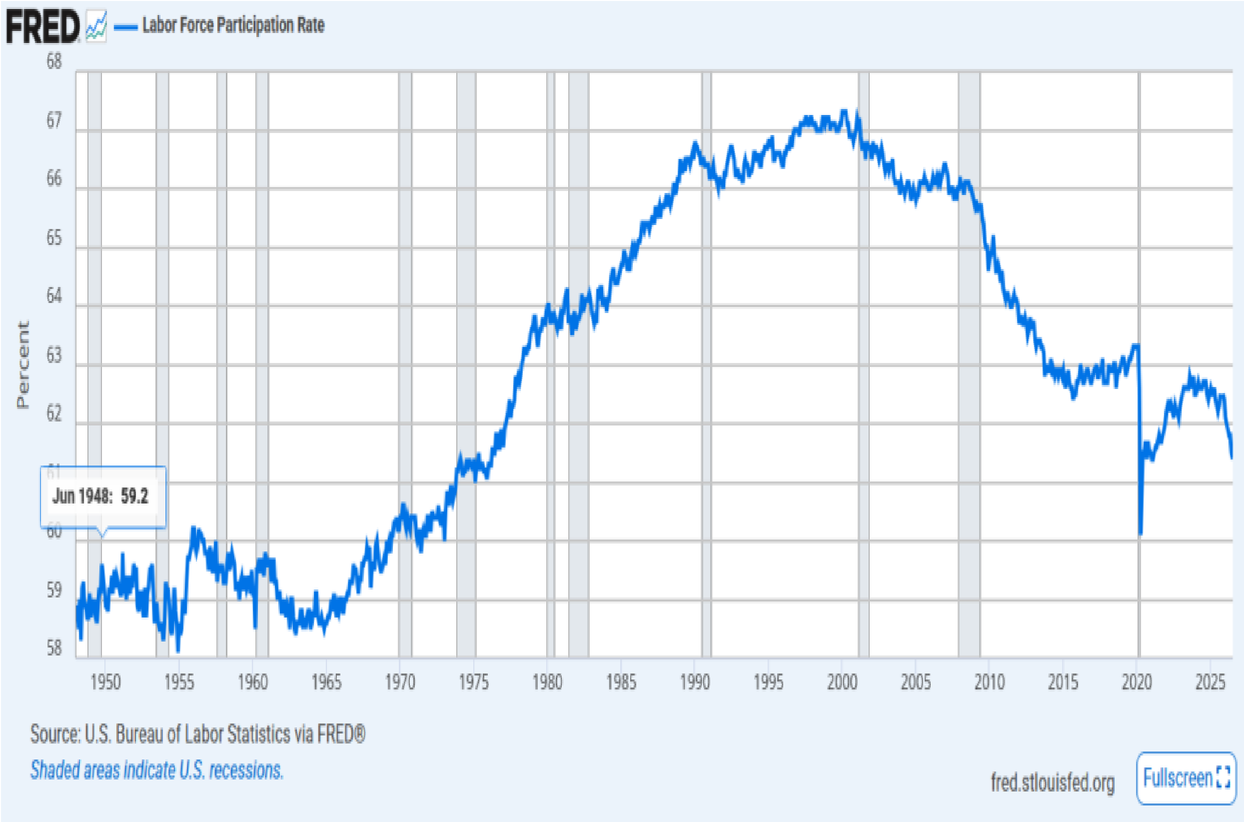
The BLS Participation Rate Tumbles: What It Means

July?s unemployment rate fell to 4.1%, which, on the surface, seems like good news.&#2013266080; Unfortunately, the rate fell because 264,000 people left the labor force, not because more people found jobs. In fact, household employment declined by 87,000. The labor force participation rate, as shown below, now sits at 61.4%, down 0.8% from 62.2% a year ago and is the lowest reading outside the pandemic since 1976.

The St. Louis Fed recently broke down what?s driving the decline, and the answer is not necessarily that unemployed workers have stopped looking for jobs.&#2013266080; A ?*statistical population-control revision*? the BLS made in January accounts for 43% of the decline. Another sizeable chunk is due to our aging population; older workers are participating less, as more baby boomers retire. This accounts for another 41% of the decline. The remaining piece is the concern. There has been a sharp drop in the number of prime-age workers 25 to 54.

So what would unemployment actually look like if participation had been steady? Using the civilian population base of roughly 270 million, if participation had held at January?s 62.1% rather than sliding to 61.4%, the labor force would be about 1.9 million people larger. Assuming those additional people remained unemployed rather than found work, the unemployment rate would be closer to 5.2%, more than a full point above 4.1%. If we strip out the roughly 84% the Fed attributes to statistical and demographic factors, the resulting rate would likely sit only a tenth or two above the current 4.1%, not especially concerning on its own.

The gap between 4.1% and 5.2%, then, is mostly demographics, not as much a wave of discouraged workers as the number alludes to.



Tweet of the Day

New UPDATED Trading Rules With Desktop Printout

?Want to achieve better long-term success in managing your portfolio? Here are our ***&#2013266080;[15-trading rules for managing market risks.?]()***

Please [subscribe to the daily commentary]() **to receive these updates every morning before the opening bell.**

> *If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.*