

Earnings Growth Today But At What Cost?

A recent article by the Wall Street Journal entitled [Turbocharged Earnings Are Pushing Stocks Higher. There's a Catch](#) raises an important issue for investors of the megacap AI-tech companies. Wall Street analysts expect S&P 500 earnings growth to top 20% for a second consecutive quarter; however, the earnings growth is not widespread. The predominant bulk of the earnings growth is being driven by semiconductor makers and AI infrastructure companies. Todd Castagno, a Morgan Stanley analyst, questions how long some tech companies can continue to grow earnings at such historical rates. To wit, he deems the current period of growth as *“a golden window where everybody looks good.”* The reason for his pessimism is how hyperscalers account for expenses.

When Nvidia sells a chip, it books revenue immediately. But the hyperscalers buying those chips (Meta, Microsoft, Alphabet, Amazon, and Oracle) treat the expenses as capital assets, allowing them to spread the cost over years as depreciation. On an aggregated basis, the revenue hits as earnings today, but the expenses are limited. For context, the five major hyperscalers spent \$412 billion in capital expenditures in 2025, with estimates for 2026 reaching \$760 billion. Depreciation expenses for 2026 are estimated at only \$211 billion. The \$549 billion gap will ultimately be accounted for.

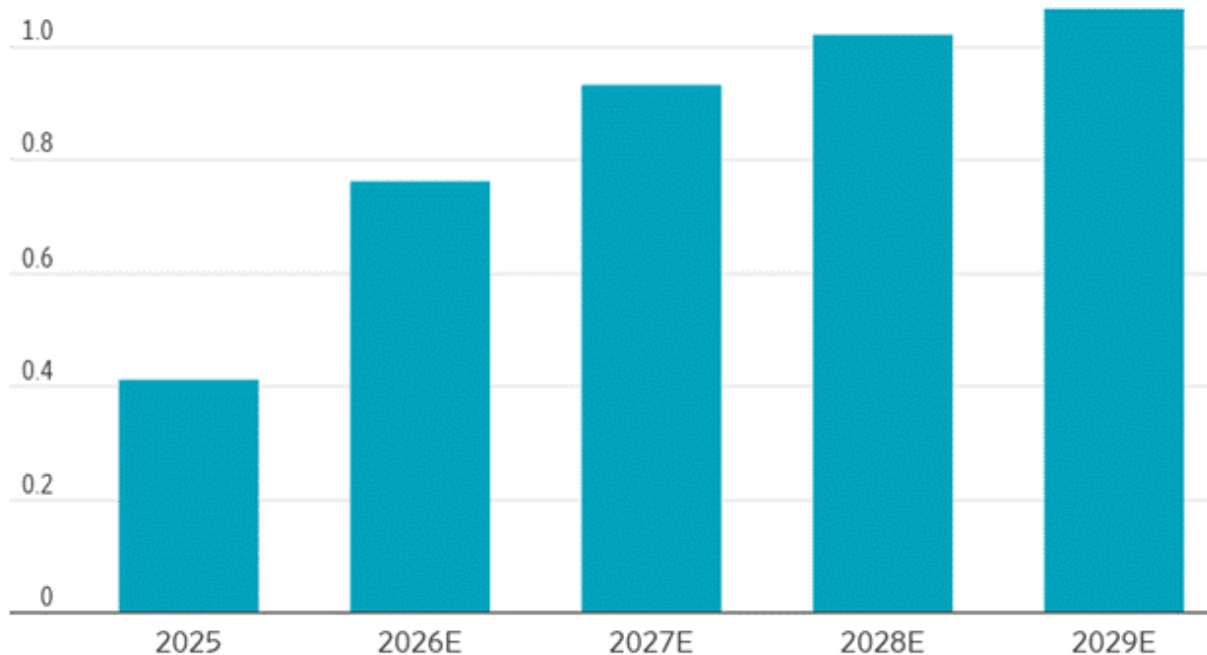
The bottom line is that there are significant, growing expenses that will hit hyperscalers' income statements in the future. Can revenue expand quickly enough to offset the coming bulge in expenses? Answering the question is tricky, making it difficult to predict margins for 2028 and beyond. Per the article:

And, as Zion Research Group founder David Zion says, “analyst depreciation estimates for each of these companies are all over the place.” He says that the “consensus D&A (depreciation and amortization) estimates could be systematically understated.”

Hyperscalers' Soaring Capex

Consensus analyst estimates for capital expenditures at Alphabet, Amazon, Meta, Microsoft and Oracle, combined

\$1.2 trillion



Note: Figures are calendarized. 2025 figures are as reported, 2026-2029 figures are estimates.

Source: Visible Alpha

What To Watch Today

Earnings

Thursday Jun 25									
Darden Restaurants DRI:US	3.59	2.98	3.69B	3.3B	\$24.02B	Q4	AM	★	
SYNEX SNX:US	3.42	2.99	15.81B	14.95B	\$14.21B	Q2	AM	★	
McCormick MKC:US	0.72	0.69	1.93B	1.66B	\$12.70B	Q2	AM	★	
Acuity Brands AYI:US	5.29	5.12	1.22B	1.2B	\$8.22B	Q3	AM	★	
Commercial Metals CMC:US	1.94	0.74	2.44B	2.02B	\$6.78B	Q3	AM	★	
BlackBerry BB:CN	0.04	0.03	178.61M	167.14M	\$2.24B	Q1	PM	★	
Enerpac Tool Group ATU:US	0.53	0.51	166.35M	158.66M	\$1.89B	Q3	PM	★	
Winnebago Industries WGO:US	1.04	0.81	796.54M	775.1M	\$956.20M	Q3	AM	★	

Economy

Thursday June 25 2026			Actual	Previous	Consensus	Forecast		
07:30 AM	US	Core PCE Price Index MoM MAY	0.2%	0.3%	0.3%	0.2%		
07:30 AM	US	Durable Goods Orders MoM MAY	7.9%	-4.3%	-4.3%	-4.0%		
07:30 AM	US	GDP Growth Rate QoQ Final Q1	0.5%	1.6%	1.6%	1.6%		
07:30 AM	US	Personal Income MoM MAY	0%	0.4%	0.4%	0.3%		
07:30 AM	US	Personal Spending MoM MAY	0.5%	0.6%	0.6%	0.7%		
07:30 AM	US	Chicago Fed National Activity Index MAY	0.14			0.12		
07:30 AM	US	Durable Goods Orders Ex Transp MoM MAY	1.1%	0.7%	0.7%	0.6%		
07:30 AM	US	GDP Price Index QoQ Final Q1	3.6%	3.5%	3.5%	3.5%		
07:30 AM	US	Initial Jobless Claims JUN/20	226K	225K	225K	225.0K		
07:30 AM	US	PCE Price Index MoM MAY	0.4%	0.5%	0.5%	0.4%		
07:30 AM	US	PCE Price Index YoY MAY	3.8%	4%	4%	4.0%		
02:40 PM	US	Fed Williams Speech						
05:30 PM	US	Fed Goolsbee Speech						

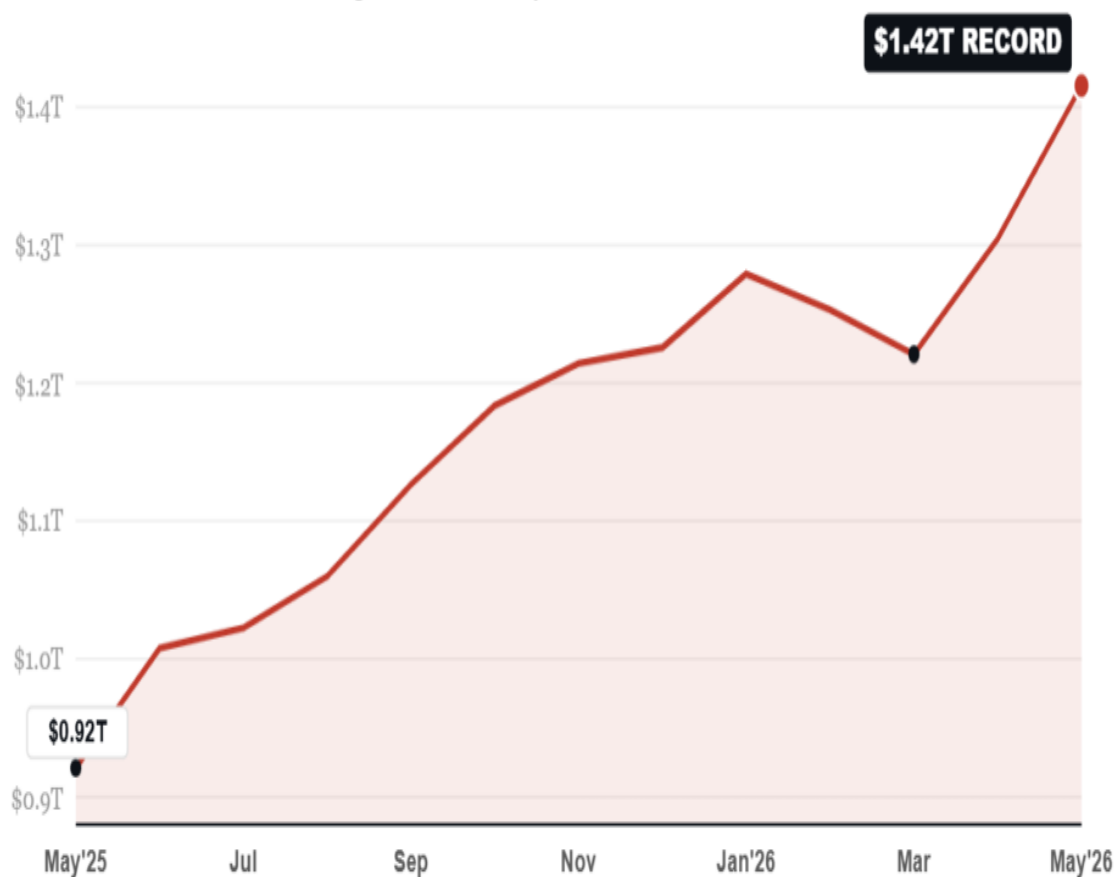
Market Trading Update

Yesterday, we discussed the semiconductor sector and the current bullish bias. Speaking of bullishness, margin debt is another sign of bullishness that continues to support the market.

Margin debt just went vertical. FINRA released the May data, and customer margin balances jumped to a record **\$1.42 trillion**, an 8.5% surge in a single month and the second straight monthly increase. That's \$111 billion of fresh borrowed money chasing stocks in thirty days. Year over year, margin debt is up 53.7%, the steepest annual expansion outside the 2021 blowoff and the 2000 peak.

MARGIN DEBT SURGES TO A RECORD \$1.42 TRILLION

Customer debit balances in securities margin accounts, monthly



Source: FINRA Margin Statistics (released June 2026), cross-checked vs. Advisor Perspectives. Data as of May 2026. RIA Advisors.

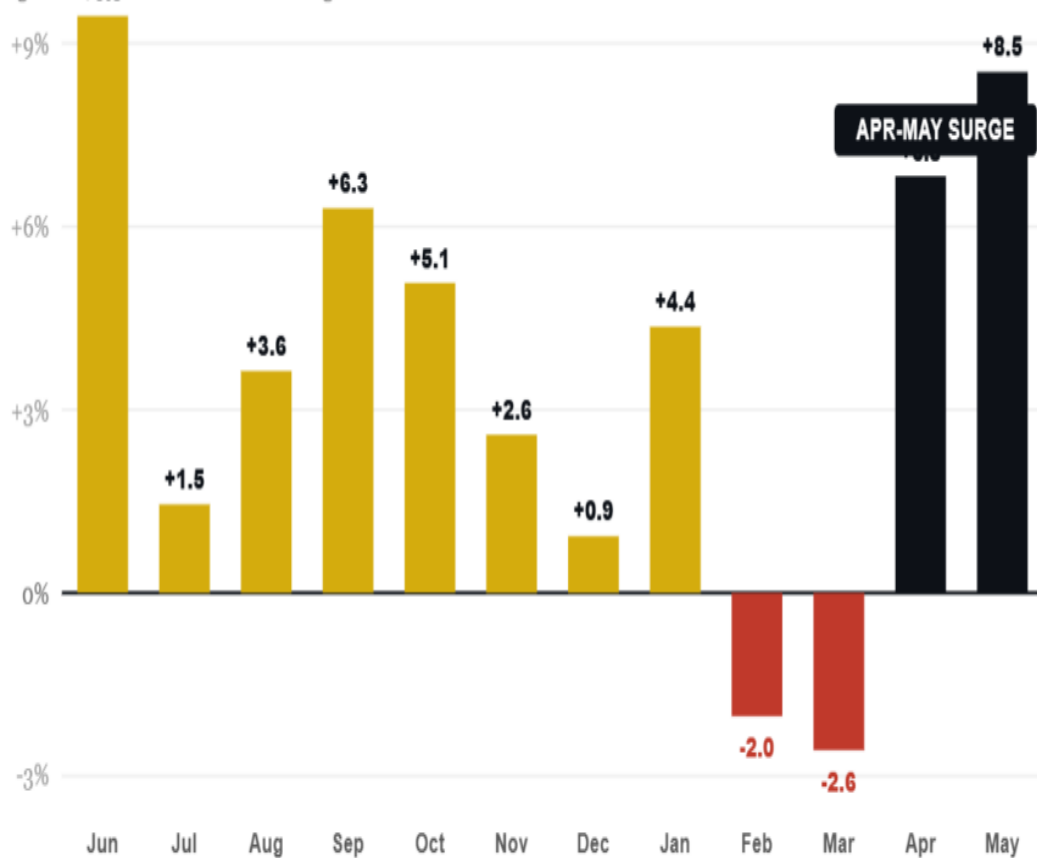
Margin balances dipped through the Q1 wobble, then re-accelerated hard. May's \$1.42 trillion is a fresh all-time high.

Make no mistake, this is the *gasoline* we've written about repeatedly. Rising leverage fuels bull markets on the way up, because borrowed dollars buy more shares, prices climb, borrowing capacity expands, and the cycle feeds itself. It's a feedback loop, and right now it's running hot. As we covered in [2013266080: *Margin Debt Sets Records*](#), extreme leverage relative to market cap or GDP has preceded every major bear market over the past 70 years.

Here's where it gets interesting. The Q1 pullback actually drained margin balances for two months, from January into March. Then the spring rally landed, and leverage came roaring back, up 6.8% in April and 8.5% in May. That two-month sprint off the March low, nearly 16%, is the part that should grab your attention. Callum Thomas at Topdown Charts ranks the current rate of expansion as the fourth fastest on record, a reading that has historically shown up a few months ahead of major tops.

THE SPRING RE-ACCELERATION IN LEVERAGE

Margin debt month-over-month % change



Source: FINRA Margin Statistics; month-over-month change computed by RIA Advisors. Jun 2025 - May 2026.

Leverage contracted in February and March, then re-accelerated to +6.8% and +8.5%. The back-to-back spring spike is the warning, not the level alone.

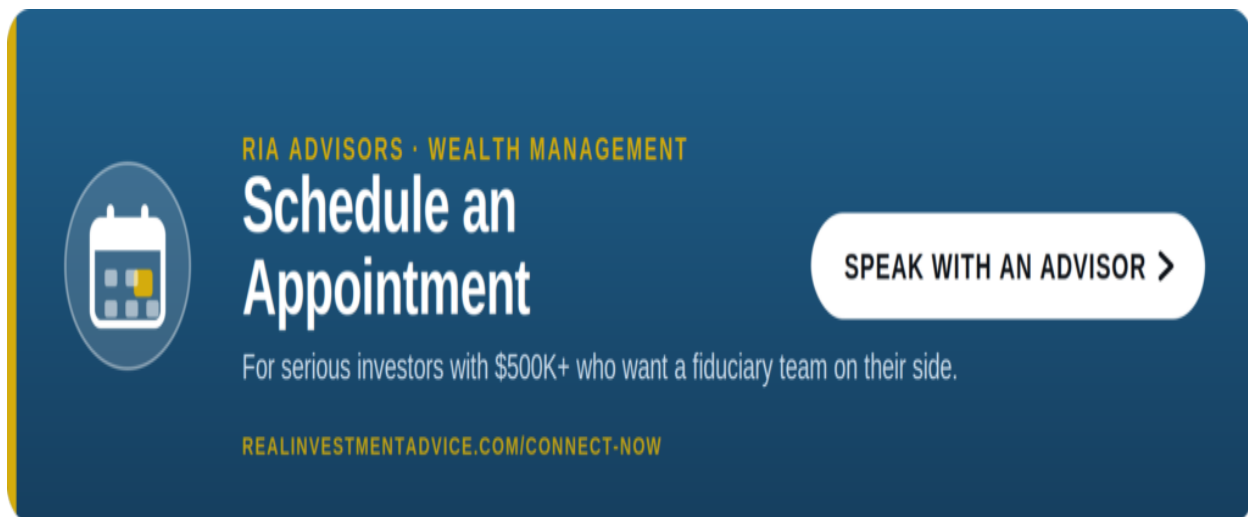
The cash side tells the same story. Net of free credit balances, investors owe a record \$992 billion more than they hold in cash, the deepest negative reading on record. Margin debt against GDP now sits at 4.45%, nearly 47% above its long-term average. Investors aren't just leveraged. They're leveraged with almost no dry powder behind it, a fragility we flagged in [Margin Balances Suggest Risks Are Building](#).

Margin debt is not a timing tool. It's the kindling. The match is whatever finally turns the tape.

The bottom line is what we always remind subscribers. Margin debt won't tell you when to sell. As Howard Marks put it, *'fear of missing out has taken over from the fear of losing money,'* and that condition can run far longer than it should. The previous three topping signals on this indicator each took several months to resolve. So this isn't a sell-everything alarm.

But it is a setup. The trouble with leverage is that the unwind isn't at the investor's discretion. When the tape turns, broker-dealers force the selling, margin calls cluster, and forced liquidation begets more forced liquidation. We walked through that exact mechanism in [Speculative Narrative Unwinds](#). For now, we're watching breadth and the rate of change closely.

Stay invested, but tighten your risk discipline. The kindling is stacked.

A dark blue banner with a yellow vertical bar on the left. On the left is a white calendar icon with a yellow square. To its right, the text "RIA ADVISORS · WEALTH MANAGEMENT" is in yellow. Below that, "Schedule an Appointment" is in large white font. To the right is a white rounded rectangle with "SPEAK WITH AN ADVISOR >" in blue. At the bottom, "REALINVESTMENTADVICE.COM/CONNECT-NOW" is in yellow.

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SK Hynix Adds To The Equity Supply Surge

On Tuesday night, Korean memory chip maker SK Hynix announced plans for a \$29.4 billion US listing. This would be the biggest American Depositary Receipt offering in history, surpassing Alibaba's \$25 billion 2014 debut. The offering is expected to begin trading on July 10.

We have written several commentaries and articles on the coming surge in equity issuance. In [The IPO Boom](#), we liken the new issuance to adding marbles to a jar. To wit:

Think of the stock market as a jar full of marbles. For the new SpaceX and other marbles to fit in the jar, either the jar must be enlarged, or some of the other marbles must shrink.

*Given the current monetary environment, the jar, or available capital, is unlikely to grow significantly. The Fed is no longer providing the flood of liquidity that enabled the easy digestion of the SPAC boom in 2020 and 2021. Rates are higher, savings rates are lower, and the equity market is already trading at elevated valuations. Simply put, there isn't much extra liquidity. **Thus, the other option is for the collective market cap of everything else to decline.***

In reality, there will be some shrinkage of marbles and an enlargement of the jar. The extent of both will help determine how the IPO boom is received and its impact on other stocks.

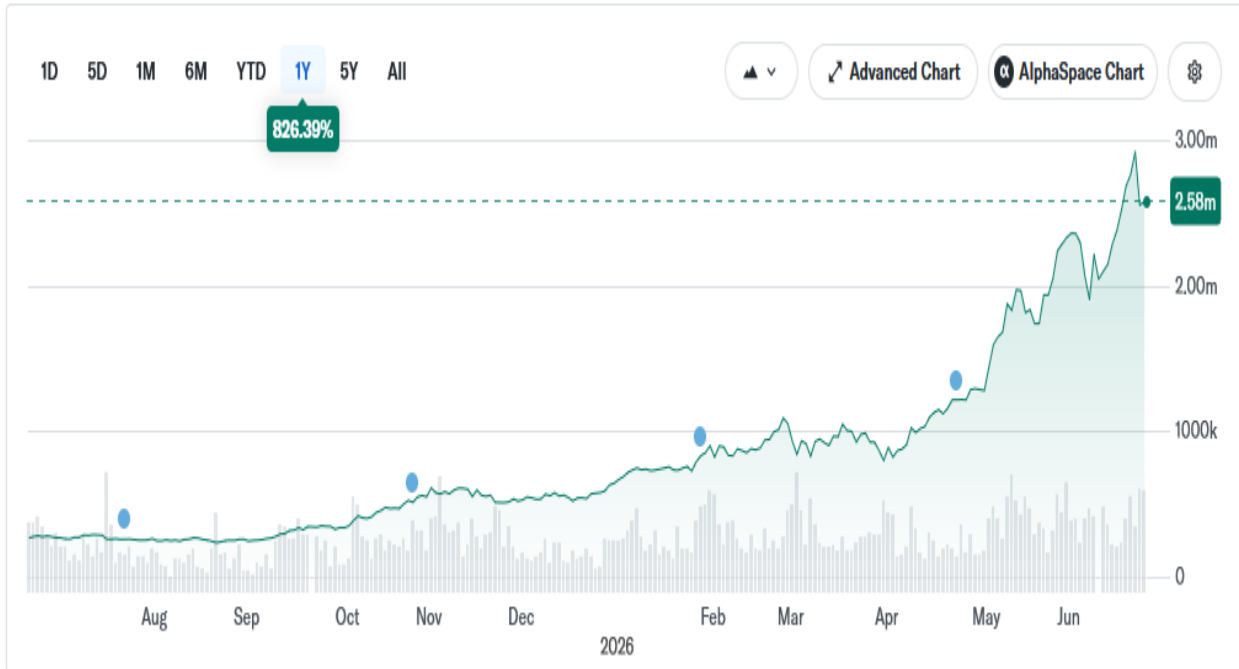
The newest marble, so to speak, arrives weeks after the SpaceX IPO and against a pipeline of IPOs, Anthropic, and OpenAI, as well as secondary offerings from many of the large hyperscalers.

SK Hynix's strategic logic is straightforward. SK Hynix trades at a meaningful discount to Micron, despite being the dominant supplier of high-bandwidth memory chips that power Nvidia's AI GPU stacks. A US listing gives the company access to a deeper, more liquid investor base. Taiwan Semiconductors did a similar offering, and its US ADR trades at a persistent premium to its Taiwan-listed shares.

As shown below, SK Hynix shares have already surged 300% in 2026 and more than 800% over the last full year, driven by strong HBM demand. The US listing gives American investors a direct path into that trade but adds more supply to a growing wave of supply.

2,580,000.00 +25,000.00 (+0.98%)

At close: 3:32:35 PM GMT+9



Jesse Livermore: Old Lessons For Today's Markets

The prolific trading stories about Jesse Livermore and the fortunes he made and lost are well documented in two books. The first, *Reminiscences of a Stock Operator* (1923), authored by Edwin Lefevre, is the better-known of the two. The second book, *How to Trade in Stocks* (1940), was written by Livermore himself. It conveys the many lessons of what four decades of speculation had taught him. Specifically, he presents 21 market rules. While his career was marked by the incredible volatility of his wealth, and some consider him a failure as he died broke, his market knowledge is invaluable. Accordingly, we share his 21 market rules. While the language he uses is outdated, the rules remain prescient.

[READ MORE?](#)

RULE 4: MARKETS ARE NEVER WRONG – OPINIONS OFTEN ARE.

This is perhaps one of Livermore's most important rules, but hardest to enact. When an investment moves against you, our instinct is to make a case for why the market is wrong. The case you make may prove to be correct in the long run. But "the long run" can be a prolonged and expensive waiting period. As he alludes to in Rule 3, markets are the collective judgment of all participants. That does not make markets rational, but it does make them the most accurate real-time measure of where the money is positioned.

We recently wrote a short piece [The Market Knows What You Don't](#) that puts Livermore's thoughts into the current context. As we wrote:

Humility is an underrated investment discipline. The moment we believe our views outweigh the market's, we have stopped managing risk and started taking it. The market does not care what we think. Investors need experience and hard lessons to appreciate the market's voice, especially when it differs from their own opinions.



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Financial executives also lowered their expectations for real GDP growth over the next four quarters to 1.8%, from 2.1% in the prior survey.

#CFOSurvey



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