

Japan Financing Seals The Deal And Toyota Jumps

Japan and the US appear to have finalized a trade agreement that reduces the threatened 25% tariffs on Japan to 15%. Beyond the tariff rate, the deal has several important facets, including opening Japanese markets to US goods. However, most intriguing is that Japan will be financing the US with a \$550 billion investment fund. Per Scott Bessent:

They came to us with the idea of a Japan-US partnership, where they are going to provide equity, credit guarantees, and funding for major projects in the US.

According to Bessent, the financing Japan will be providing the US will be *all new capital*. In other words, whether the financing funds private or public investments, the money will be in addition to their current investments. This should alleviate concerns that Japan would sell its U.S. Treasury bonds to fulfill the financing agreement. This infusion of capital will help reduce the cost of financing for both the government and private ventures. However, what we think may be overlooked is that this financing deal with Japan could serve as a blueprint for future tariff agreements. Essentially, will China, the EU, Mexico, and Canada offer to help fund our debts in exchange for lower tariff rates?

As we share below, shares of Toyota surged by nearly 15% due to the tariff reduction. The new 15% rate has improved Toyota's price competitiveness against its European competitors, which are still facing tariffs of 25% or higher.





What To Watch Today

Earnings

Thursday Jul 24	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time		
Blackstone BXUS		1.08	0.96		2.77B	2.8B	\$166.29B	Q2	AM	★	🔔
Union Pacific UNPUS		2.84	2.74		6.08B	6B	\$143.25B	Q2	AM	★	🔔
Honeywell International HON		2.63	2.49		10.02B	9.58B	\$139.73B	Q2	AM	★	🔔
Intel INTCUS		0.02	0.02		12.06B	12.83B	\$86.41B	Q2	PM	★	🔔
Arthur J. Gallagher AJGUS		2.40	2.26		3.22B	2.73B	\$82.78B	Q2	PM	★	🔔
Carrier Global CARRUS		0.90	0.87		6.03B	6.7B	\$67.88B	Q2	AM	★	🔔
Royal Caribbean Cruises RCI		4.02	3.21		4.53B	4.1B	\$65.15B	Q2	AM	★	🔔
Newmont Corporation NEMAI		1.58	1.10		7.41B	6.72B	\$64.74B	Q2	AM	★	🔔
Newmont Mining NEMUS		0.97	0.72		4.7B	4.4B	\$61.13B	Q2	PM	★	🔔
Digital Realty DLRUS		0.36	0.34		1.45B	1.4B	\$55.47B	Q2	PM	★	🔔
Keurig Dr Pepper KDPUS		0.49	0.45		4.13B	3.93B	\$47.8B	Q2	AM	★	🔔
Ameriprise Financial AMPUS		8.86	8.53		4.39B	4.22B	\$46.98B	Q2	AM	★	🔔
NASDAQ NDAQUS		0.78	0.69		1.25B	1.16B	\$45.04B	Q2	AM	★	🔔
Edwards Lifesciences EWUS		0.62	0.70		1.49B	1.63B	\$44.35B	Q2	PM	★	🔔
L3Harris Technologies LHXU:		2.49	3.24		5.32B	5.3B	\$41.59B	Q2	AM	★	🔔
Valero Energy VLOUS		1.86	2.71		28.8B	34.49B	\$39.12B	Q2	AM	★	🔔
Westinghouse Air Brake Techr		2.17	1.96		2.77B	2.64B	\$33.99B	Q2	AM	★	🔔
Martin Marietta Materials MLMI		5.40	4.76		1.91B	1.76B	\$33.54B	Q2	AM	★	🔔
LPL Financial LPLAUS		4.44	3.88		3.64B	2.93B	\$29.06B	Q2	PM	★	🔔
Verisign VRSNUS		2.18	2.01		407.26M	387.1M	\$28.56B	Q2	PM	★	🔔

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Economy

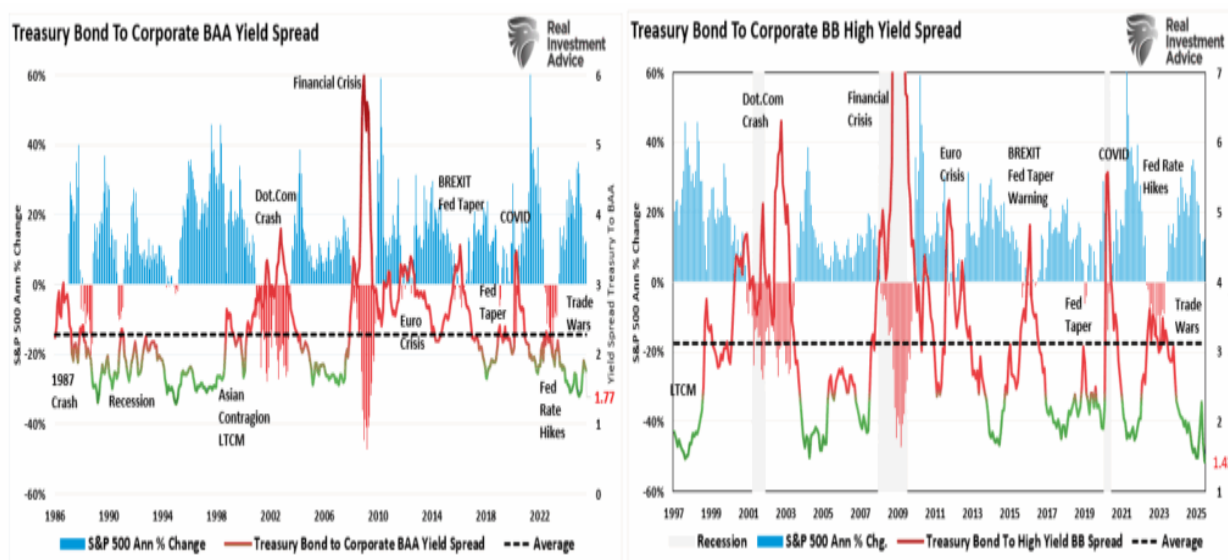
Thursday July 24 2025			Actual	Previous	Consensus	Forecast	
07:30 AM	 US	Chicago Fed National Activity Index JUN		-0.28		-0.1	📊 🔔
07:30 AM	 US	Initial Jobless Claims JUL/19		221K	230K	225.0K	📊 🔔
07:30 AM	 US	Continuing Jobless Claims JUL/12		1956K		1952.0K	📊 🔔
07:30 AM	 US	Jobless Claims 4-week Average JUL/19		229.5K		231.0K	📊 🔔
08:45 AM	 US	S&P Global Composite PMI Flash JUL		52.9		52.9	📊 🔔
08:45 AM	 US	S&P Global Manufacturing PMI Flash JUL		52.9	52.4	52.7	📊 🔔
08:45 AM	 US	S&P Global Services PMI Flash JUL		52.9	52.9	52.9	📊 🔔
09:00 AM	 US	New Home Sales JUN		0.623M	0.65M	0.69M	📊 🔔
09:00 AM	 US	New Home Sales MoM JUN		-13.7%		10%	📊 🔔
09:30 AM	 US	EIA Natural Gas Stocks Change JUL/18		46Bcf			📊 🔔
10:00 AM	 US	Kansas Fed Composite Index JUL		-2		1	📊 🔔
10:00 AM	 US	Kansas Fed Manufacturing Index JUL		5		6	📊 🔔

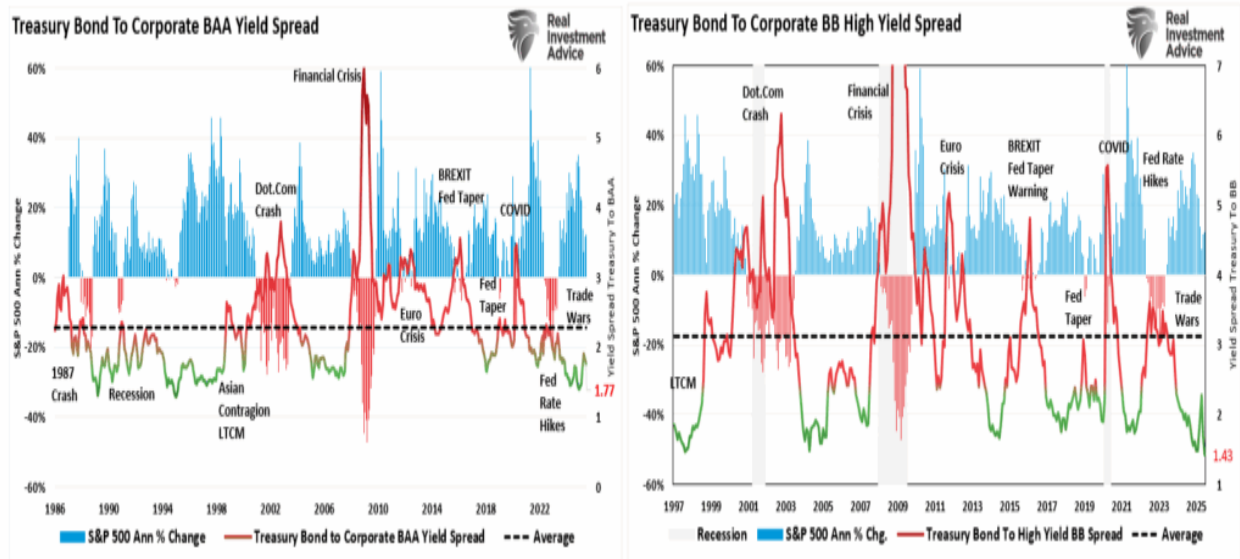
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Market Trading Update

[In yesterday's note](#), we discussed the long stretch of the Nasdaq trading above the 20-DMA. While this does not mean a [crash](#) is imminent, it does suggest the current rally is getting exceptionally extended. This is particularly the case as we see the rapid return of [Meme](#) stock trading amid a sharp rise in complacency. One of the key indicators of complacency is in the high-yield bond market and the related [spread](#) to [risk-free](#) assets [\(aka Treasury bonds\)](#).

Currently, the spread between investment-grade bonds (BAA) and Treasury bonds remains at very low levels. However, the spread between [high yield](#) (BB) or [junk bonds](#), a proxy for risk taking, is now at the lowest level since before the Dot.com bubble. In other words, investors are not worried about the risk of a credit default or bankruptcy in the least. Of course, as shown, such high levels of complacency typically occur during strongly trending bull markets. Unsurprisingly, such high levels of complacency also tend to precede market reversals.

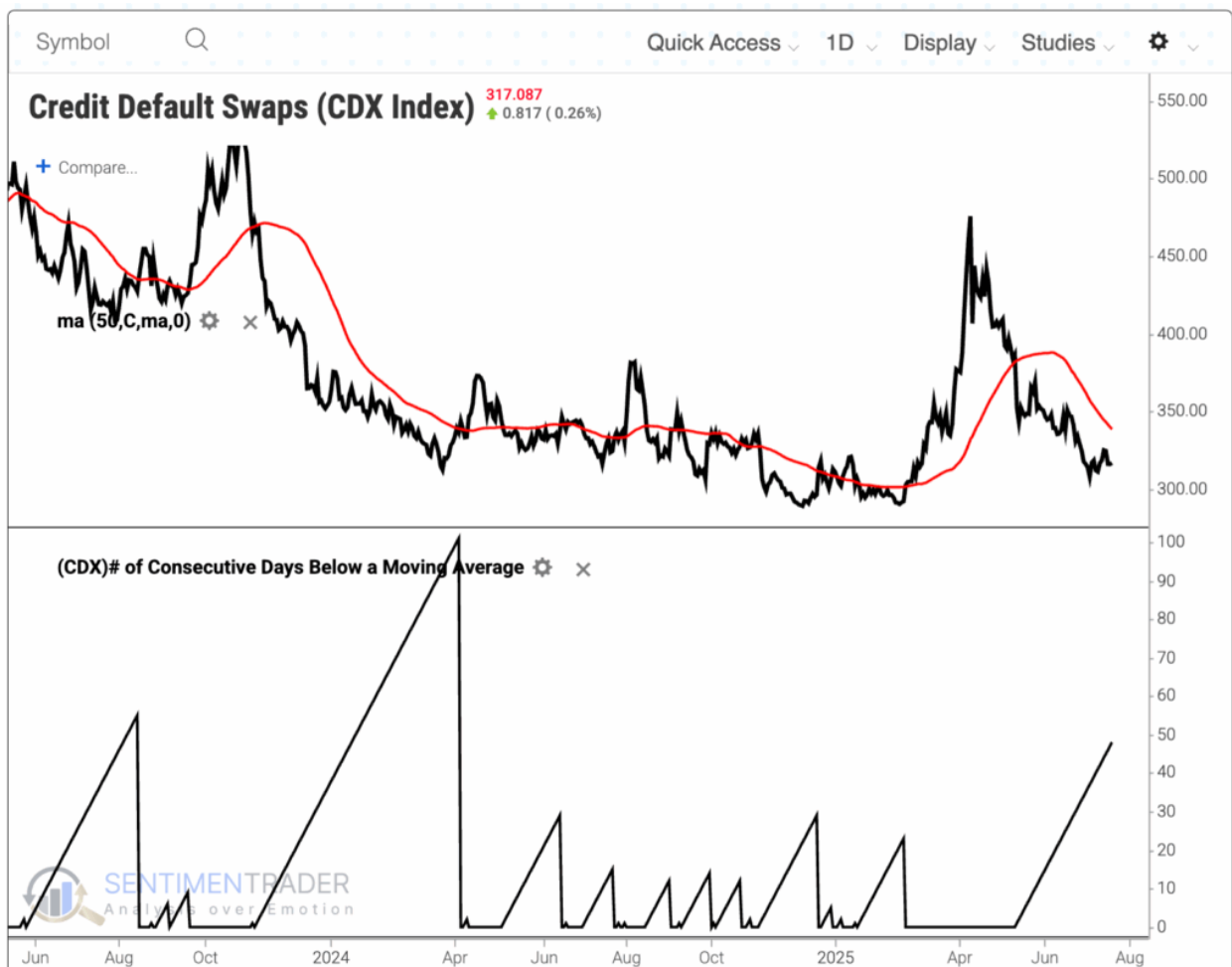




[Sentiment Trader](#) also noted the same using data on credit default swaps (CDX). To wit:

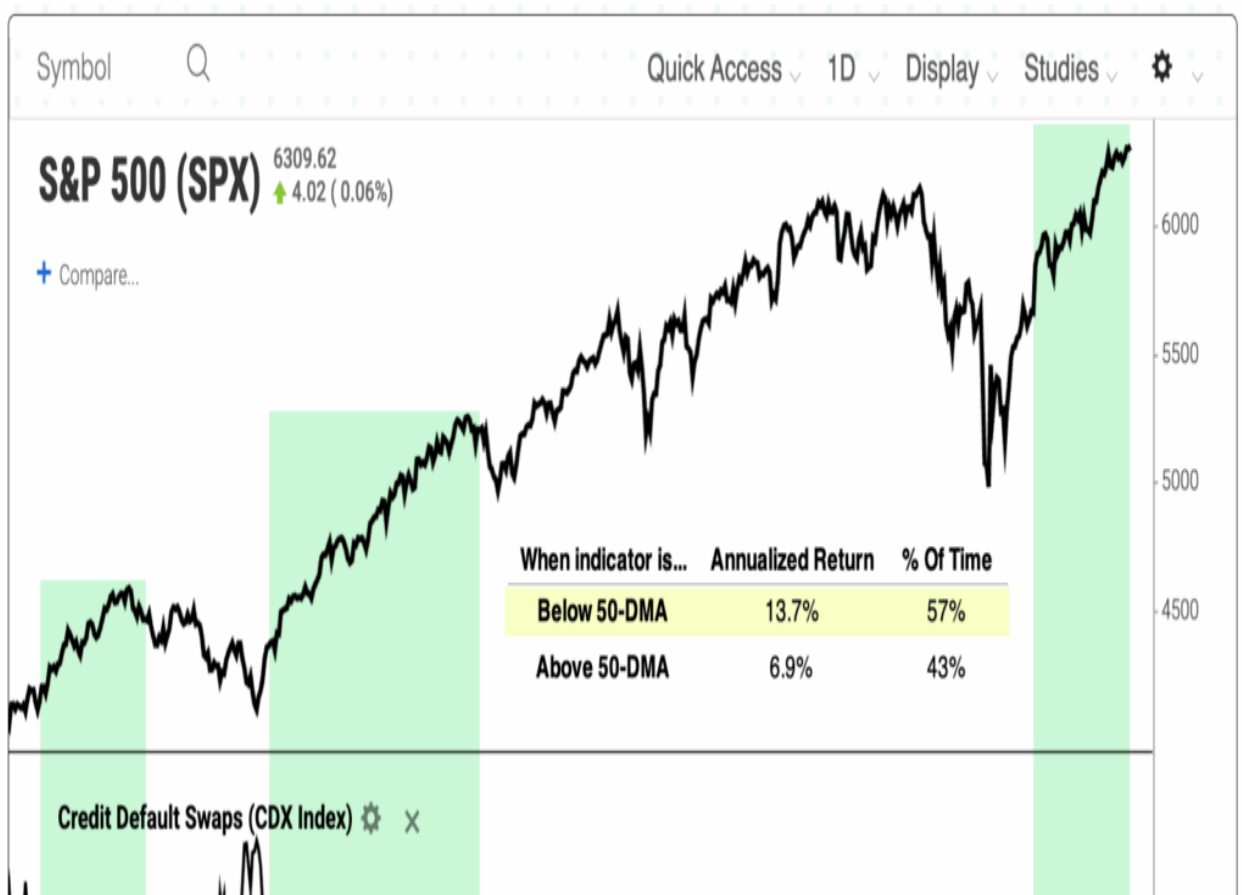
?One of the cornerstones of a healthy stock market environment is a lack of bond market anxiety. Whether the bond market is ?smarter? is up for debate; it?s not something we?ve ever been able to prove with consistency.

A good proxy for bond market anxiety is bond traders? pricing of credit default swaps. As long as traders are not paying up for protection against bond defaults, especially if they?re not rapidly re-pricing that risk, things are usually okay in the stock market. And by one good measure, bond traders haven?t been concerned. A primary indicator showing the prices traders pay for default protection has been holding below its 50-day moving average for nearly 50 sessions, one of the longest streaks of the past few years. The index acts like the VIX, so if traders are concerned, the CDX Index will rise.?





Unsurprisingly, as with the data above, if you overlay the CDX data with the S&P 500, the index, like the VIX, long streaks of ?calm? in the bond market coincide with bull markets. What is notable is that reversals in the index, which will coincide with a spike in the VIX, lead to market corrections.





While volatility, credit spreads, and default swaps are all at very complacent levels, it should NOT be taken as an imminent correction threat. Complacent markets can remain complacent for quite some time. As Sentiment Trader notes:

?After stocks have had a significant run, looking for reasons to become more defensive is natural. It?s how we spend much of our time. So far, there has been little to confirm

that a more defensive stance is prudent, given the type of stocks doing well and the momentum in major indices.?

That is a correct assessment, so we have not issued a critical *sell signal* to reduce equity drastically. Instead, it remains a process of rebalancing risk, maintaining exposure to the market, and participating until a correction process becomes more evident. For those signals, we continue to monitor the volatility index and the credit markets. The bond market, and bond traders, are usually the first to head to the credit default market to buy protection. There have been several periods in the past two decades when the CDX Index rose (*or persisted higher*) before the VIX.

For now, however, the credit market continues to suggest little market strain, providing a tailwind for stocks.

However, that will eventually change, so trade accordingly.



GoPro And Krispy Kreme Join The Kohl's Speculative Party

Yesterday's [Commentary](#) discussed the doubling of Kohl's stock (KSS) at the open. To wit:

And, meme stocks like KSS are becoming extremely volatile despite a lack of news to warrant such price action. It's worth noting that short interest in KSS was nearly 50%. Thus, if meme traders could get the stock to move higher, they could force significant buying from short participants. That appears to be the catalyst for Tuesday's surge.

We woke up Wednesday morning to the following courtesy of CNBC:

Retail traders have targeted GoPro and Krispy Kreme on Wednesday, pushing shares up 63% and 33%, respectively, in premarket trading.

The first graph below, courtesy of Finviz, shows that GoPro (GPRO) has risen from \$0.80 on July 17th to \$2.70 on the 23rd. While the last week has been spectacular, what we don't show is that the shares traded at \$100 in 2014, and as high as \$12 in 2021. Krispy Kreme (DNUT) has a similar short and long-term pattern. The second graph shows that DNUT has doubled over the past few days. However, it doesn't show that the current price is 75% below its 2021 high. Kohl's, along with GoPro and Krispy Kreme, have poor fundamentals and are rising purely as a result of the speculative meme game.

If you are wondering how this might play out, we can examine Opendoor Technologies (OPEN). This out-of-favor meme stock rose from \$0.50 to \$5.00 in about two weeks. Its price has been cut

in half over the last two days, although it is still well above \$0.50.





AI Is Powering Markets

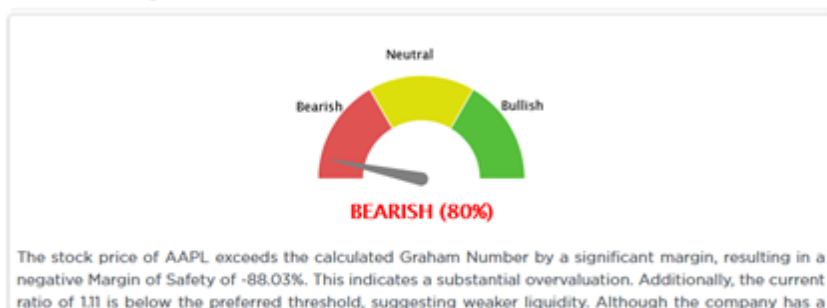
AI is rapidly increasing the speed and accuracy needed for financial market research and trade execution. It's quickly leaving humans and even non-AI-backed algorithms in the dust. Using massive amounts of data on prices, earnings, macroeconomic data, and sentiment, among other factors, AI can decipher trends and provide unique insight into how these factors might impact prices much faster than humans or more traditional models;

Importantly, AI is entirely data-driven. Therefore, it removes our emotions and bias, providing cold, hard, calculated decisions.

Here are a few examples of how investors are currently using AI:

- **Aladdin** by Blackrock uses AI to crunch massive datasets, including stock prices, earnings, macroeconomic data, and more to build and rebalance portfolios. It manages risk and returns across thousands of assets in real-time, helping institutional investors, such as pension funds and hedge funds, stay ahead of most investors.
- **TradeRiser** monitors social media posts, news feeds, and earnings calls using natural language processing to assess investor sentiment. Investors can leverage it to identify stocks with a bullish or bearish buzz before most investors notice.
- **CopyTrader** by e-Toro lets retail or institutional investors mirror the trades of top investors in real time.
- Similarly, our [SimpleVisor Simple AI](#) tool allows users to evaluate stocks based on the investment principles of some of the world's most esteemed investors. We share AI Ben Graham's take on Apple below.
- **Neural networks** are designed to mimic the human brain, but much more efficiently. Neural networks spot complex, non-linear patterns that humans often miss.

Ben Graham Agent Decision (Confidence)



Ben Graham's Analysis Principles

1. Earnings stability over multiple years.
2. Consider dividend record for extra safety.
3. Solid financial strength (low debt, adequate liquidity).
4. Discount to intrinsic value (e.g. Graham Number or net-net).
5. Adequate margin of safety by buying below intrinsic value (e.g., using Graham Number, net-net).
6. Avoid speculative or high-growth assumptions; focus on proven metrics.

Ben Graham Agent Decision (Confidence)



The stock price of AAPL exceeds the calculated Graham Number by a significant margin, resulting in a negative Margin of Safety of -88.03%. This indicates a substantial overvaluation. Additionally, the current ratio of 1.11 is below the preferred threshold, suggesting weaker liquidity. Although the company has a history of paying dividends and has positive EPS in all available periods, the lack of earnings growth and high debt ratio further contribute to the bearish assessment.

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Calls Volume Surges on New Meme Stocks Krispy Kreme and GoPro see soaring trading activity from retail crowd

■ Krispy Kreme - Total Call Volume

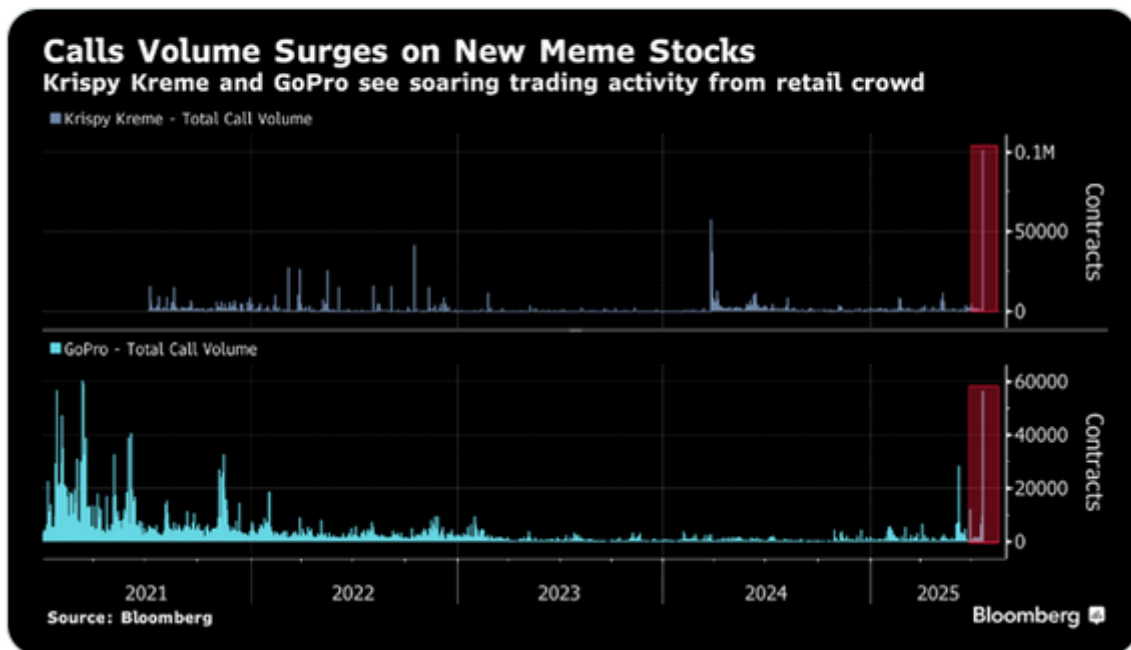


■ GoPro - Total Call Volume



Source: Bloomberg

Bloomberg 



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