

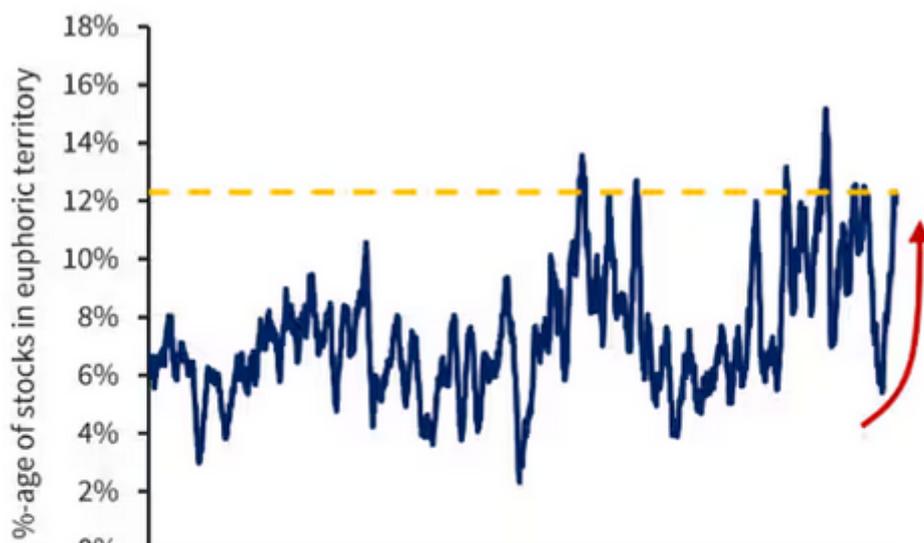
Retail Traders Are Driving Euphoria

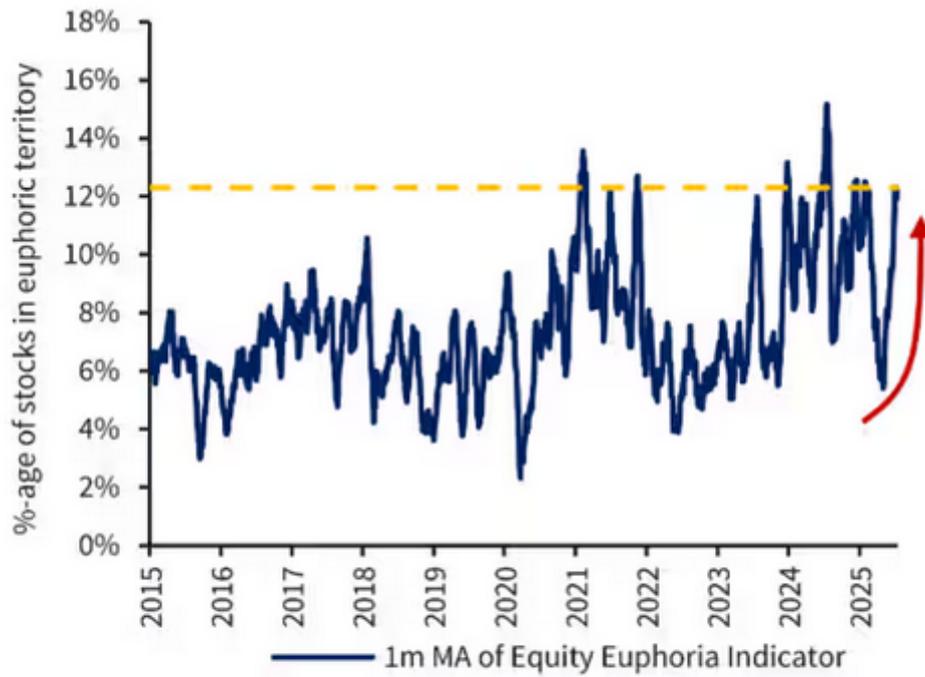
Recent surges in speculative stocks are among several indicators that retail traders are introducing a bit of euphoria to the stock market. In an interesting article, [MarketWatch](#) notes that Wall Street is paying close attention to speculative trading behavior among retail traders. The following is from the article:

Barclays strategists led by Venu Krishna have their own metric, something called the equity euphoria index, which measures the percentage of stocks in "euphoric territory" and is now surging toward the highest levels of the year. It's a proprietary measure culled from the options market, and could be more reflective of market conditions given the way retail investors now use zero-day-to-expiration and other aggressive derivative products. Strategists at the bank said the dynamic of individual stocks both increasing in price and in volatility is a "hallmark of upside chasing."

Here are a few other trends worth considering regarding retail traders' current role in the market:

- Record retail trader inflows into stocks. Individuals have bought a record \$155 billion of stocks and ETFs in the first half of the year. Last year, the total for the first half of the year was \$120 billion.
- Retail investors are flocking to speculative stocks. For example, consider Cathie Wood's ARKK ETF, a favorite among speculative retail investors. Its investments in high-flying crypto companies and robotics, among other high-tech industries, have beaten the S&P 500 by 63% since the market lows on April 8.
- New SPAC listings have already surpassed the total from 2023 and 2024 combined.
- Heavily shorted stocks like Kohl's, Krispy Kreme, and others are doubling or tripling in days as retail investors are again flocking to the meme stock craze.
- According to @Kobeissileter, the 0DTE options volume accounted for 67% of the total SPX options volume on May 6, 2025, marking an all-time high, with a tripling in volume share over the last three years, driven by retail traders.
- The graph below illustrates the recent surge in the Barclays Euphoria Indicator, as noted in the MarketWatch article.





Source: OptionMetrics, Barclays Derivatives Research

What To Watch Today

Earnings

Friday Jul 25	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time		
HCA HCA.US		6.26	5.53		18.48B	17.49B	\$92.38B	Q2	AM	★	🔔
Charter Communications CH		9.72	8.49		13.76B	13.69B	\$58.19B	Q2	AM	★	🔔
Phillips 66 PSX.US		1.71	2.31		33.77B	35.42B	\$45.72B	Q2	AM	★	🔔
Centene CNC.US		2.07	2.42		44.12B	39.84B	\$30.5B	Q2	AM	★	🔔
First Citizens Bancshares FCNK		39.29	50.87		2.21B	2.3B	\$26.96B	Q2	AM	★	🔔
W. P. Carey WPC.US		0.67	0.65		399.29M	389.7M	\$13.46B	Q2	PM	★	🔔
Booz Allen Hamilton BAH.US		1.65	1.38		3.17B	2.94B	\$13.18B	Q1	AM	★	🔔
AutoNation AN.US		4.46	3.99		6.73B	6.48B	\$7.01B	Q2	AM	★	🔔
Saia SAIA.US		2.46	3.83		830.45M	823.24M	\$6.89B	Q2	AM	★	🔔
OneMain Holdings OMF.US		1.23	1.02		1.21B	1.1B	\$5.86B	Q2	AM	★	🔔
Balchem BCPC.US		1.11	1.09		250.31M	234.08M	\$5.26B	Q2	AM	★	🔔
Lear LEA.US		3.06	3.60		5.73B	6B	\$5.17B	Q2	AM	★	🔔

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Economy

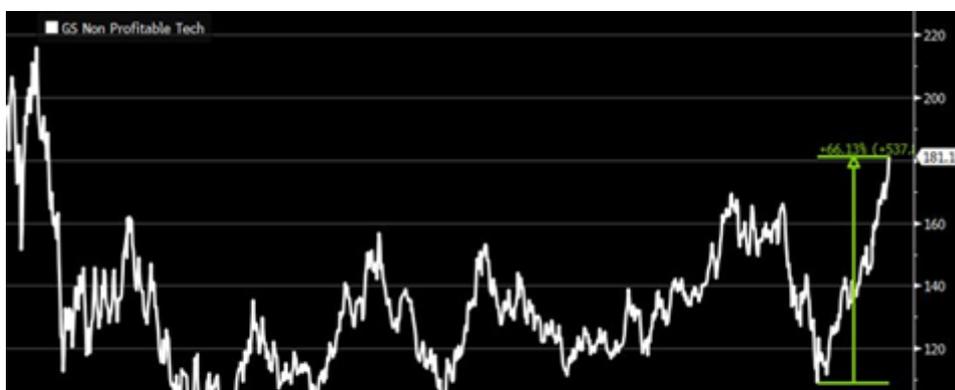
Friday July 25 2025		Actual	Previous	Consensus	Forecast
07:30 AM	US Durable Goods Orders MoM JUN	16.4%	-11%	-9%	
07:30 AM	US Durable Goods Orders Ex Transp MoM JUN	0.5%	-0.2%	-0.1%	
07:30 AM	US Durable Goods Orders ex Defense MoM JUN	15.5%		-6%	
07:30 AM	US Non Defense Goods Orders Ex Air JUN	1.7%		0.1%	

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Market Trading Update

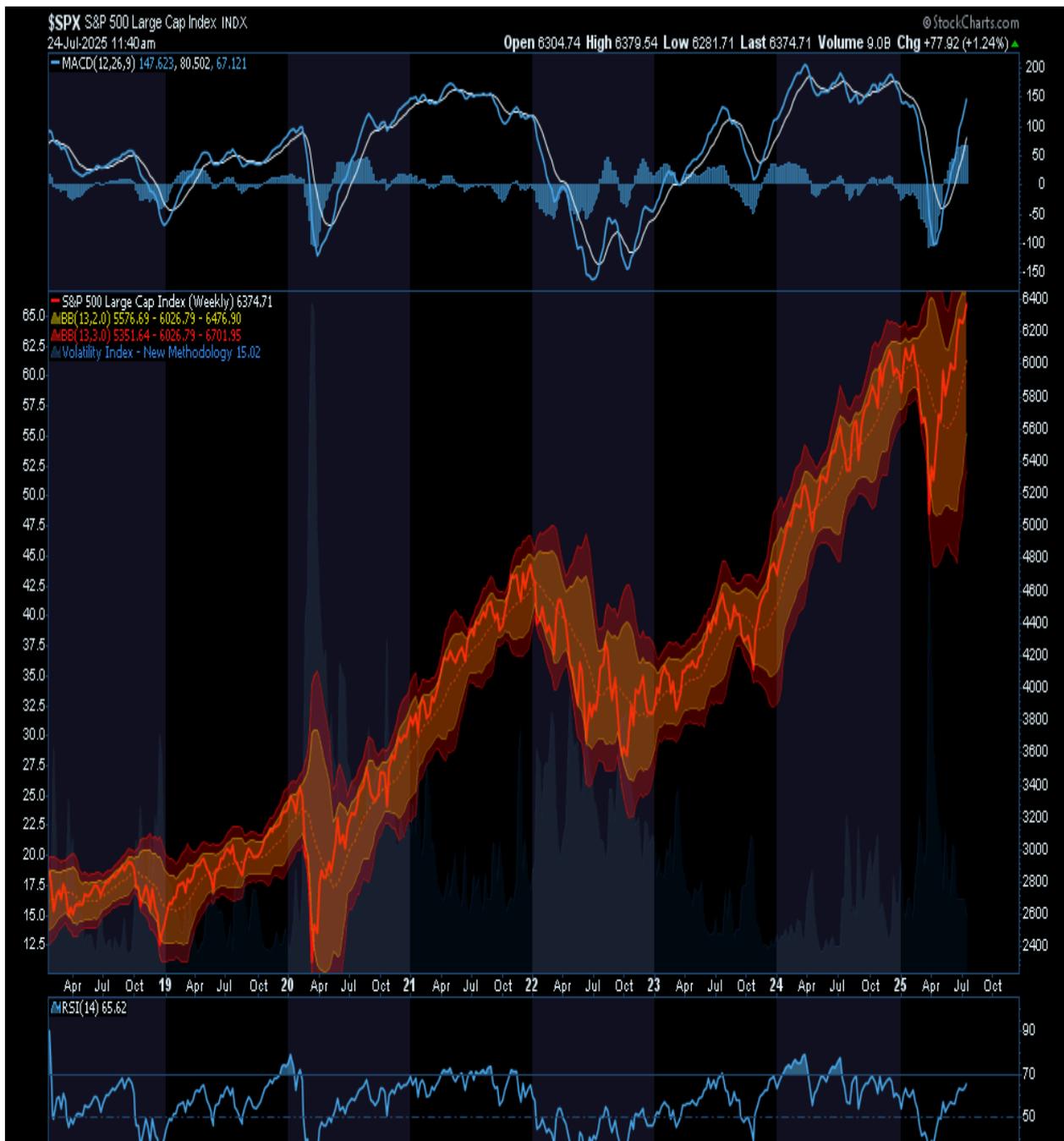
Yesterday, we discussed the rising level of complacency behind the current bull market, most notably in the VIX and high-yield credit spreads. We have also recently addressed the resurgence in speculative *?meme stock?* trading, the return of SPACs, and record levels of ODTE options trading. While these signs tend to be contrarian signals for astute investors, they also support the bull market while it is in progress.

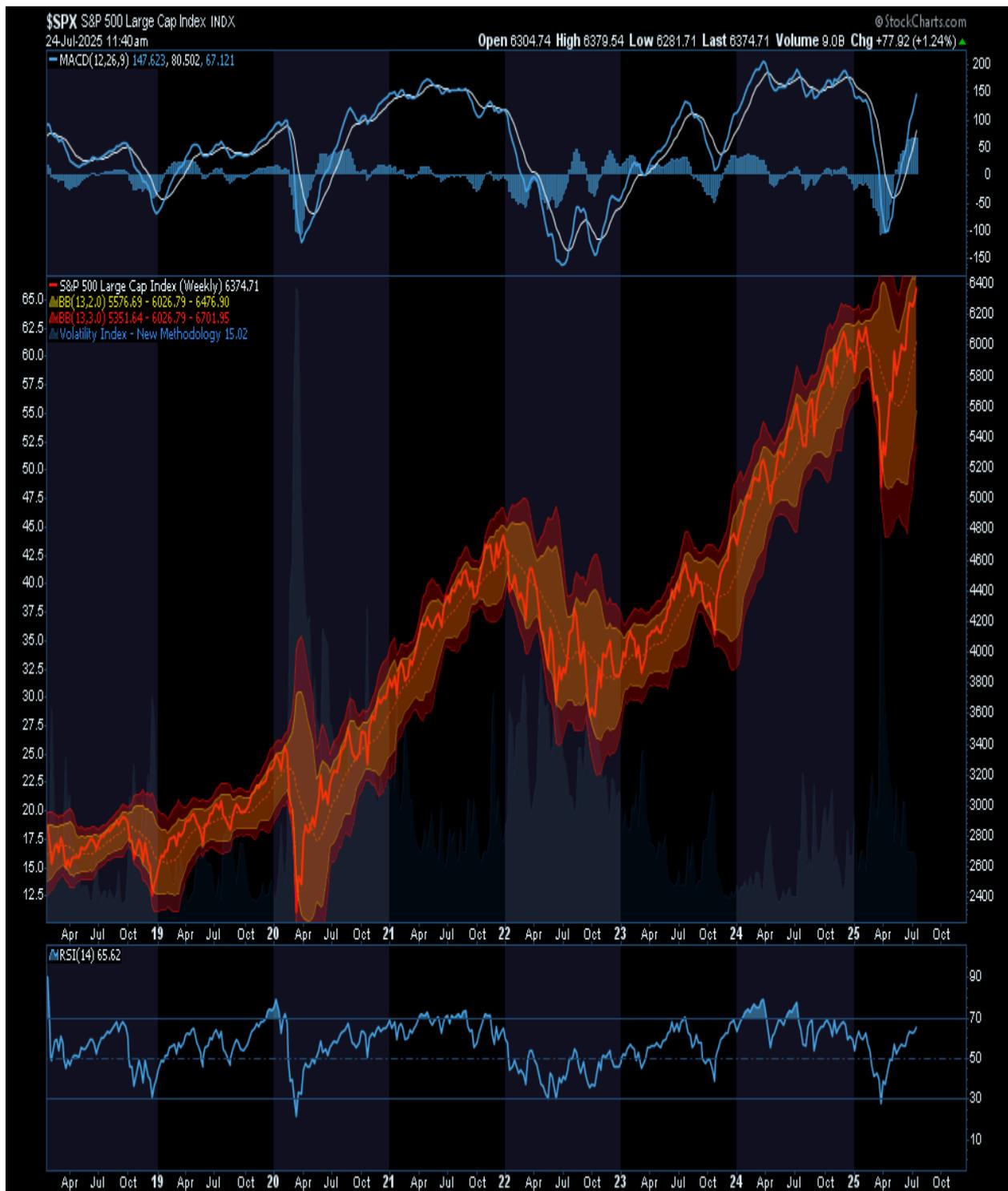
Here is another good warning sign for investors: The index of UN-profitable technology stocks has hit its highest level since 2021. When investors chase anything that is going up, whether it is profitable or not, this should cause them to at least question the market risk they are exposed to. Unfortunately, that simple act tends to be overlooked amid the exuberance.





The rise in speculative fervor that we have seen in the last month is not unprecedented. We saw the same in 2021 following the Fed's cut to zero interest rates, \$120 billion in monthly QE, and household stimulus checks. This cycle is so interesting because none of those previous supports exist. However, as shown, the advance from the April lows has been astonishingly swift and is pushing weekly measures of momentum and relative strength into more extreme overbought levels. Deviations from longer-term moving averages are beginning to push warning levels as well.





What Investors Should Watch:

- **Market Breadth:** Despite index highs, leadership is narrow. Mega-caps and speculative names carry weight while broader participation lags, raising divergence concerns.
- **Volatility Compression:** The VIX remains near historic lows, suggesting investor complacency, even as downside tail risks grow.
- **Positioning and Leverage:** Retail traders increasingly use leveraged ETFs and short-term options, pushing volatility into the future.

Key Risks:

- A volatility shock from economic data (GDP, JOLTs, PCE or Fed Meeting) could unwind crowded positioning rapidly.
- Earnings next week from AAPL, MSFT, META AMZN, or other AI-related names or momentum stocks could break the ?confidence bid? holding up markets.
- Excess leverage via options may accelerate downside if sentiment flips.

Portfolio Positioning Strategy:

- **Trim Exposure:** Take profits in overextended positions, particularly in high-beta and speculative names.
- **Add Hedges:** Consider protective puts or inverse ETFs for downside protection in short-term accounts.
- **Increase Liquidity:** Raising cash allows for tactical flexibility when better opportunities emerge.
- **Focus on Quality:** Shift toward fundamentally strong companies with earnings visibility and reasonable valuations.

While it?s tempting to chase gains, history has shown that parabolic moves driven by speculation often end abruptly. Now is the time to rebalance, not retreat, by managing risk and preparing for a more volatile second half.

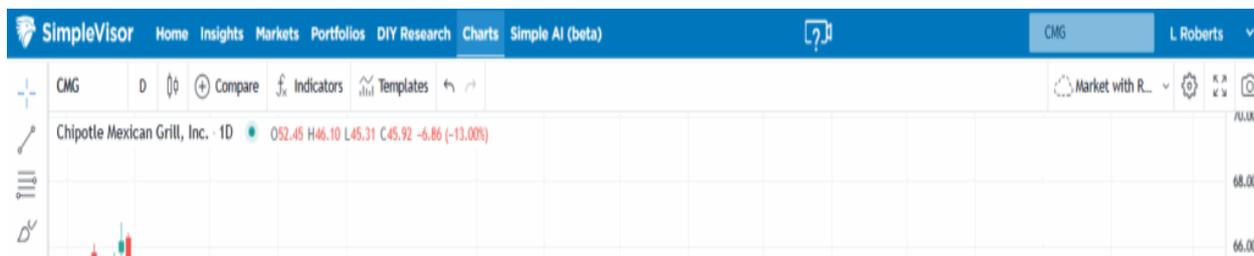


Chipotle Points To A Weak Consumer

While Chipotle (CMG) met its revenue expectations, same-store sales declined by 4%. In other words, revenue is rising as it added 61 new restaurants, but sales per store are declining. Earnings were a penny below expectations at 32 cents a share. The stock is trading down over 10% on the report. Moreover, as shown below, it is down about 25% year to date.

From a macroeconomic perspective, Chipotle?s earnings are more concerning. As we have seen in retail sales data and earnings from many retail-facing companies, Chipotle is also falling victim to an increasingly more spending-conscious consumer. Per its CEO, Scott Boatwright:

The decline in comparable restaurant sales was primarily driven by macroeconomic pressures and consumer spending concerns impacting guest traffic, though we saw positive momentum in transactions by June as our marketing initiatives and new menu offerings gained traction.





NOW And GEV Knock Earnings Out Of The Park

While retail companies struggle with weak consumption trends, companies related to the AI data center buildout are surging on positive earnings. Notably, ServiceNow (NOW) and GE Vernova (GEV) are among them.

NOW handily beat earnings and revenues estimates with continued strong growth. The company also raised its earnings guidance. The future optimism is based in part on AI-driven demand for its Now Platform (Now Assist). Now Assist is a suite of generative AI solutions designed to enhance productivity across corporate business functions. For example, it features AI-powered chatbots, virtual agents, and autonomous AI agents that can proactively handle tasks such as IT incident resolution or customer support, thereby improving efficiency and reducing manual effort.

GEV, involved with the power grid expansion, also easily beat estimates for sales and earnings. It also raised its guidance on earnings and margins. The following quote is from its CEO, Scott Strazik:

GE Vernova had a productive second quarter, positioning us well to continue to accelerate our growth and margin expansion from here. We grew our backlog by more than \$5 billion and increased our Gas equipment backlog and slot reservation agreements from 50 to 55 gigawatts. With strength in Power and Electrification, we are raising our revenue, adjusted EBITDA margin, and free cash flow expectations for the year.

The graph below shows their significant gains since the April 8 market lows.





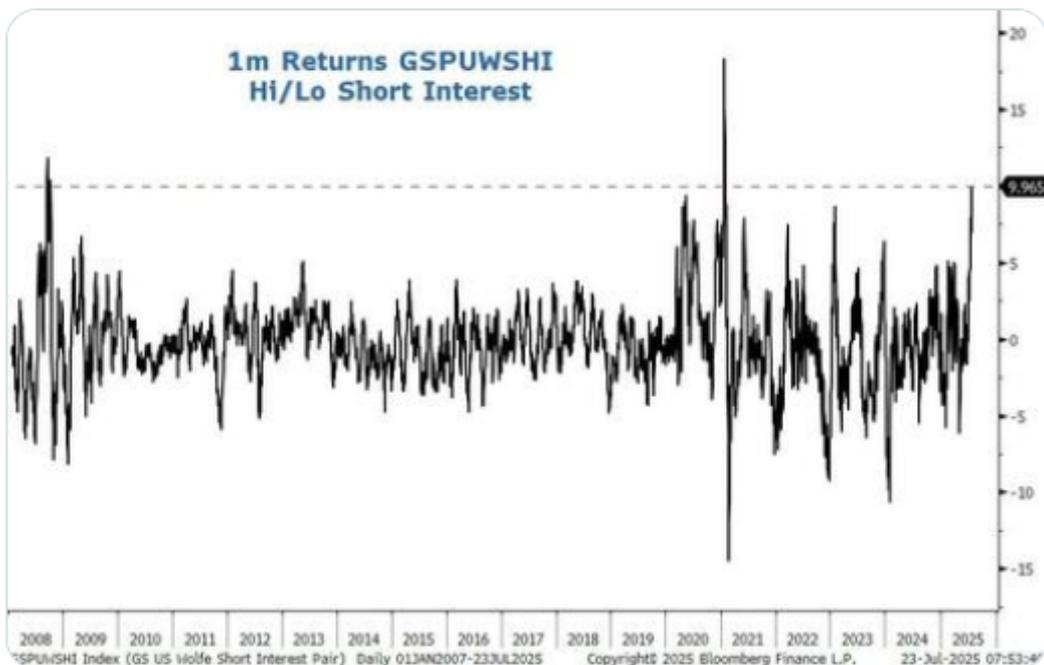
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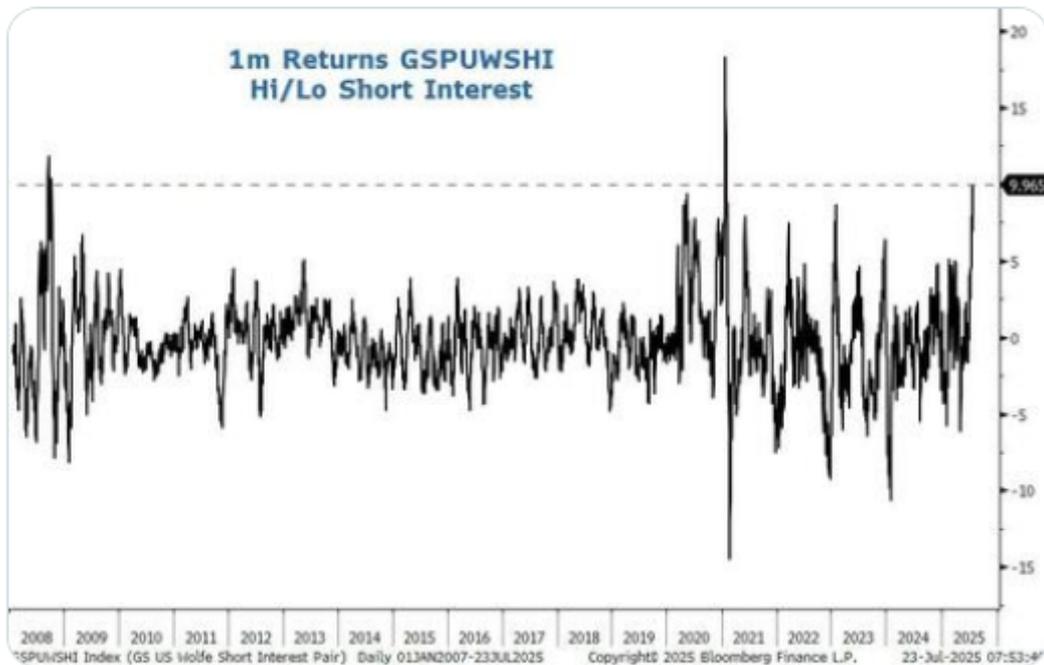




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