The BEA Is Reformulating Its Key Inflation Gauge

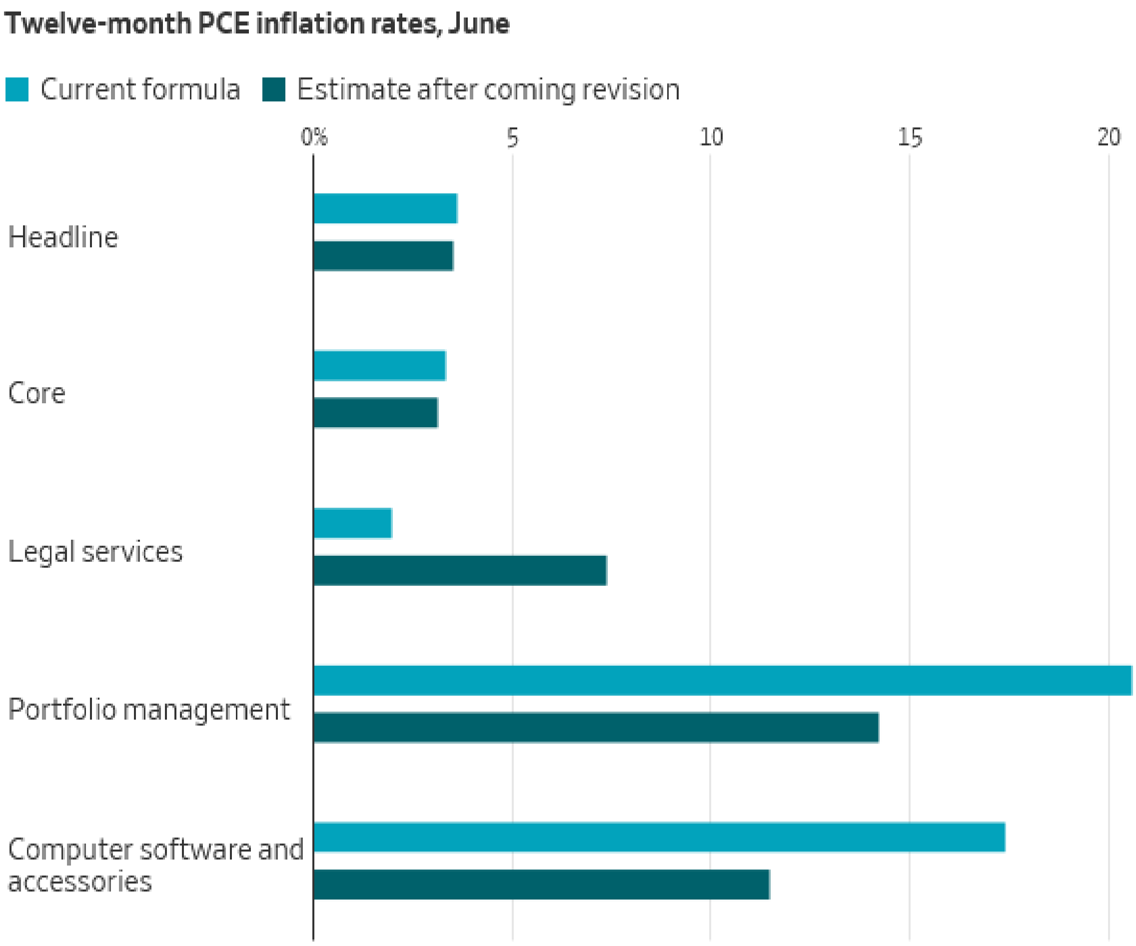
According to [A Statistical Revamp Is About To Lower Inflation by The Wall Street Journal], the Bureau of Economic Analysis (BEA) is reformulating its Core PCE calculation. The markets seem to focus on CPI as its inflation gauge, while the Fed often touts PCE as its key inflation indicator.

Economists expect the BEA?s changes will lower the Core PCE by roughly two-tenths of a percentage point when the changes take effect with the August data reported in September. The changes target three PCE sub-categories:

- Software: the BEA currently borrows a BLS index that includes items like flash drives, whose prices are currently surging due to AI demand. In their logic, this distorts the reading with hardware costs that are unrelated to actual software inflation. The fix blends in videogame and web-hosting data. Per UBS economist Alan Detmeister, the change will lower PCE by about a tenth of a point.
- Investment management: the BEA is changing how it treats investment advisory fees. Currently, most investment managers charge a percentage of a client?s assets. Thus, when the stock market rises, advisory fees follow. Former Fed governor Stephen Miran has argued that rising fees on a bigger asset base reflect more service volume, not a higher price for the service. Per Alan Detmeister, this change could also reduce PCE by another one to two-tenths.
- Legal services: the BEA will now use data from the BLS PPI report instead of the BLS CPI report. This change will increase PCE inflation but not by enough to offset the other two.

The timing of the BEA action will draw scrutiny given that some pundits think the Fed should hike rates. Moreover, we suspect the media will ask if politics played a role in the reformulation. According to the Wall Street Journal, the changes won?t impact Warsh?s perception of inflation.

> *A few tenths of a percentage point won?t alter the big picture. Inflation has run well above the Fed?s 2% target for more than five years. The new Fed chairman, Kevin Warsh, has said he isn?t interested in splitting hairs, adding that he prefers to focus on how the inflation rate looks ?to the left of the decimal point.?*



Sources: Commerce Department (current rates); Employ America (estimated revision)

What To Watch Today

Earnings

Wednesday Aug 5							
Eli Lilly LLY:US	- / 8.82	6.31	- / 20.5B	15.56B	$888.59B	Q2	AM
Realty Income O:US	- / 0.41	0.22	- / 1.41B	1.41B	$301.65B	Q2	PM
AppLovin APP:US	- / 3.75	2.39	- / 1.94B	1.26B	$227.72B	Q2	PM
Walt Disney DIS:US	- / 1.86	1.61	- / 25.43B	23.65B	$195.56B	Q3	AM
Uber UBER:US	- / 0.80	0.63	- / 14.22B	12.7B	$164.80B	Q2	AM
Western Digital WDC:US	- / 3.28	1.66	- / 3.68B	2.61B	$141.73B	Q4	PM
CVS Health CVS:US	- / 1.83	1.81	- / 100.17B	98.9B	$109.31B	Q2	AM
Sandisk SNDK:US	- / 1.61	0.29	- / -	1.90B	$103.56B		PM
McKesson MCK:US	- / 9.65	8.26	- / 103.99B	97.83B	$99.18B	Q1	PM
Phillips 66 PSX:US	- / 6.73	2.38	- / 43.91B	33.77B	$74.22B	Q2	AM
Motorola Solutions Msi MSI:US	- / 3.84	3.57	- / 3B	2.77B	$71.96B	Q2	PM
DoorDash DASH:US	- / 0.46	0.65	- / 4.33B	3.3B	$65.62B	Q2	PM
MetLife MET:US	- / 2.36	2.02	- / 19.79B	17.92B	$57.95B	Q2	PM
Allstate ALL:US	- / 5.14	5.94	- / 15.46B	16.6B	$56.23B	Q2	PM
eBay EBAY:US	- / 1.51	1.37	- / 3.02B	2.7B	$49.69B	Q2	PM
Occidental Petroleum OXY:US	- / 1.84	0.39	- / 7.22B	6.46B	$48.92B	Q2	PM
Globalfoundries GFS:US	- / 0.43	0.42	- / 1.76B	1.69B	$40.91B	Q2	AM
Iron Mountain IRM:US	- / 0.53	0.48	- / 1.97B	1.71B	$36.81B	Q2	AM
Expedia EXPE:US	- / 5.16	4.24	- / 4.16B	3.79B	$32.44B	Q2	PM
Axon Enterprise AAXN:US	- / 1.83	2.12	- / 876.46M	669M	$29.42B	Q2	PM
Atmos Energy ATO:US	- / 1.37	1.16	- / 911.26M	838.77M	$28.71B	Q3	PM
Curtiss-Wright CW:US	- / 3.59	3.23	- / 925.56M	876.58M	$28.19B	Q2	PM
United Therapeutics UTHR:US	- / 7.17	6.41	- / 810.43M	798.6M	$28.08B	Q2	AM
Kraft Heinz KHC:US	- / 0.53	0.69	- / 6.1B	6.35B	$28.03B	Q2	AM
Albemarle ALB:US	- / 3.08	0.11	- / 1.59B	1.33B	$22.64B	Q2	PM

Economy

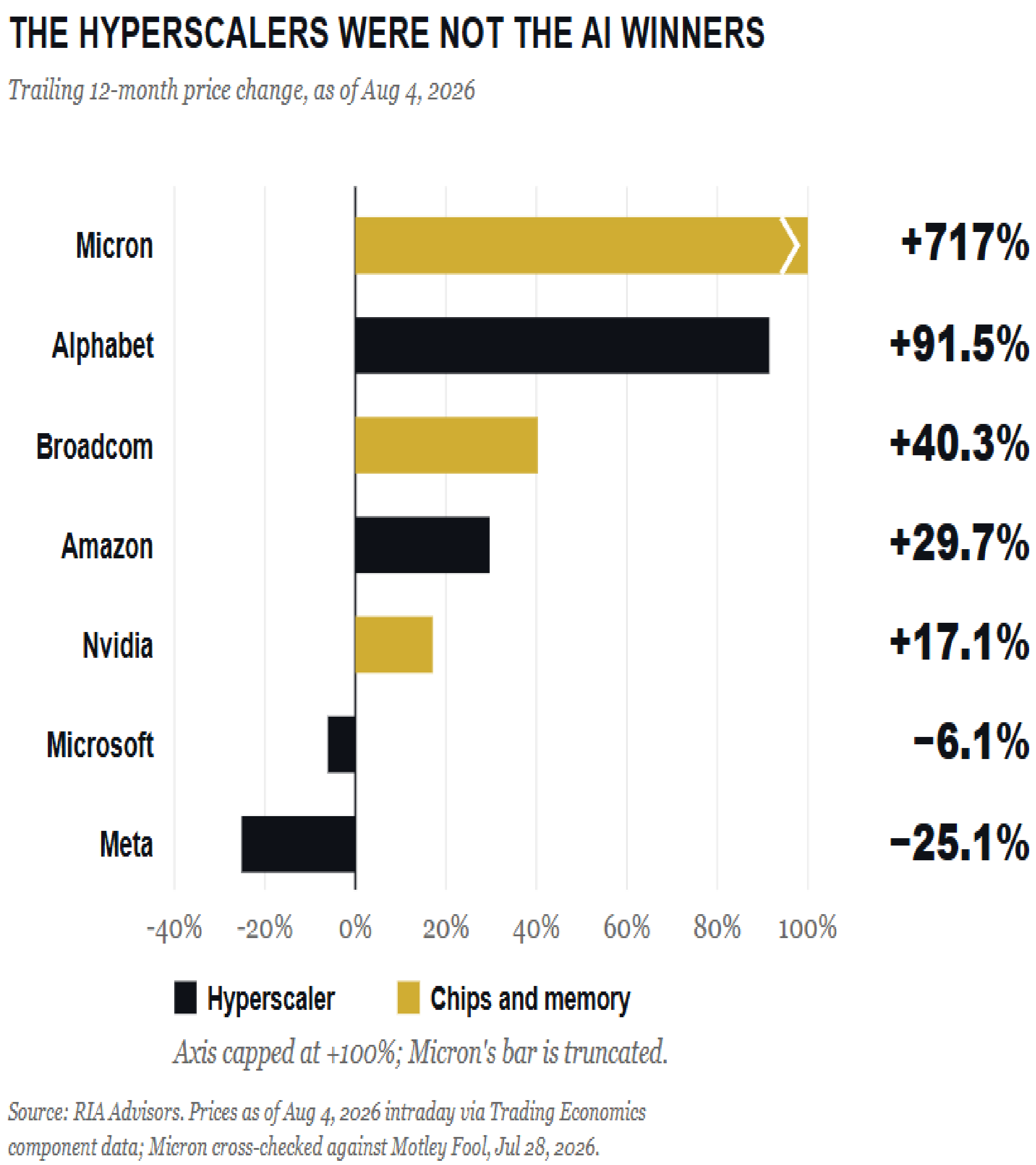
Wednesday August 05 2026			Actual	Previous	Consensus	Forecast
06:00 AM	US	MBA 30-Year Mortgage Rate JUL/31		6.76%		
07:15 AM	US	ADP Employment Change JUL		98K	70K	90.0K
09:00 AM	US	ISM Services PMI JUL		54.0	54.5	54.5
09:30 AM	US	EIA Crude Oil Stocks Change JUL/31		-7.167M		
09:30 AM	US	EIA Gasoline Stocks Change JUL/31		0.007M		
03:05 PM	US	Fed Cook Speech				

Market Trading Update

Yesterday, we laid out the overview for SpaceX?s earnings report. Today, I want to touch on something noted by JPM?s Mark Schilsky, who argues the market is becoming increasingly convinced that hyperscaler AI capex is generating returns well in excess of its cost.&#2013266080;This is a stark difference from the ***?AI Capex Is The Hyperscalers Waterloo?*** narrative.

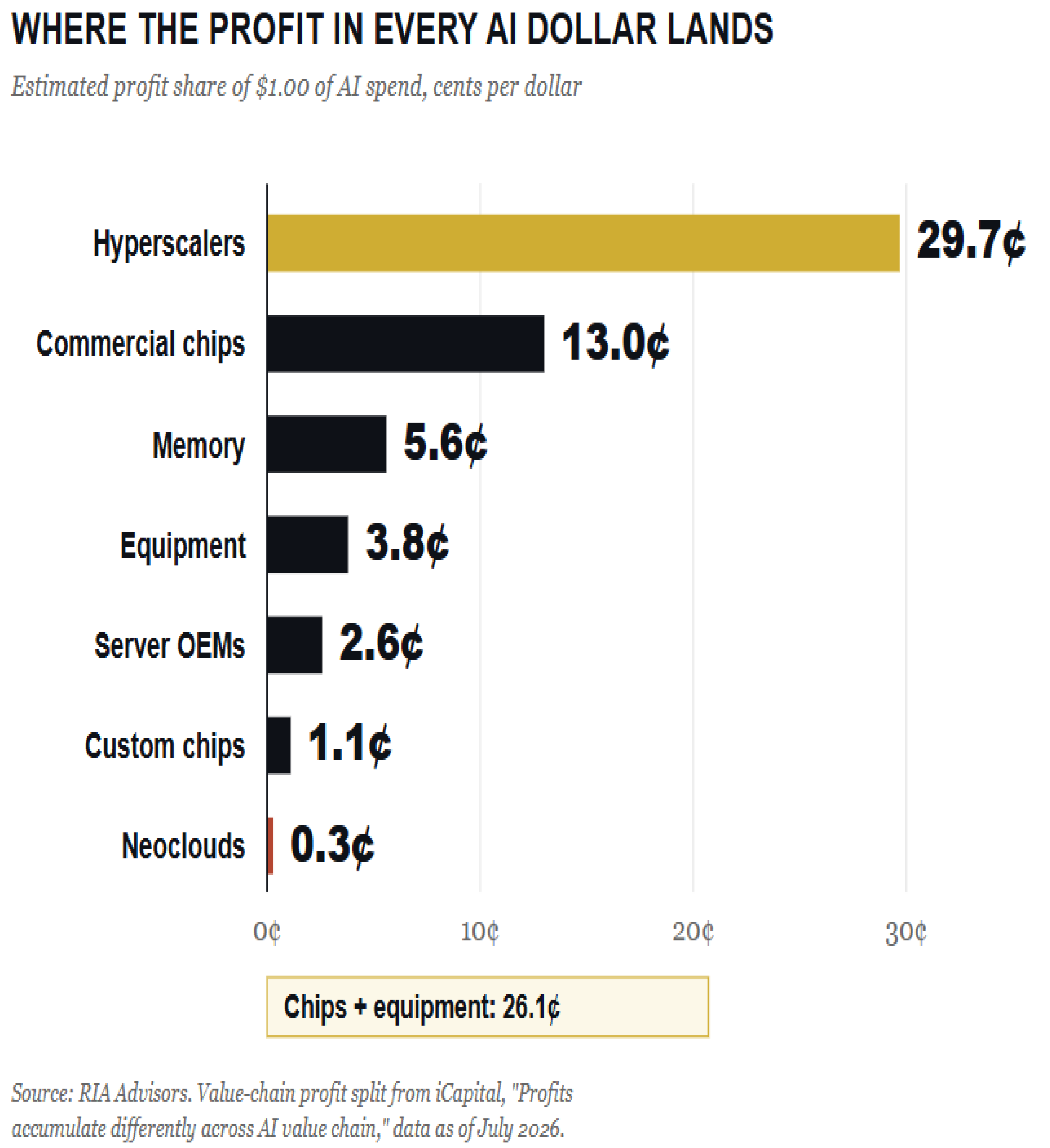
The S&P 500 closed Monday at 7,600.50, up 1.48% and above 7,600 for the first time. The Dow set a record at 53,178.41. By Tuesday morning, the index printed a fresh all-time intraday high, its first since June 2. Now look at what carried it. Microsoft added 4.90%, Amazon 4.64%, and pushed through a $3 trillion market cap, Meta 6%, and Alphabet 4.9%. Nvidia managed 2.9%. The hyperscalers led. The chips followed.

That composition matters more than the index level, because this isn?t a new AI melt-up. It?s a catch-up trade. Over the past twelve months, three of the four hyperscalers trailed the chip complex badly, and two of them fell outright.



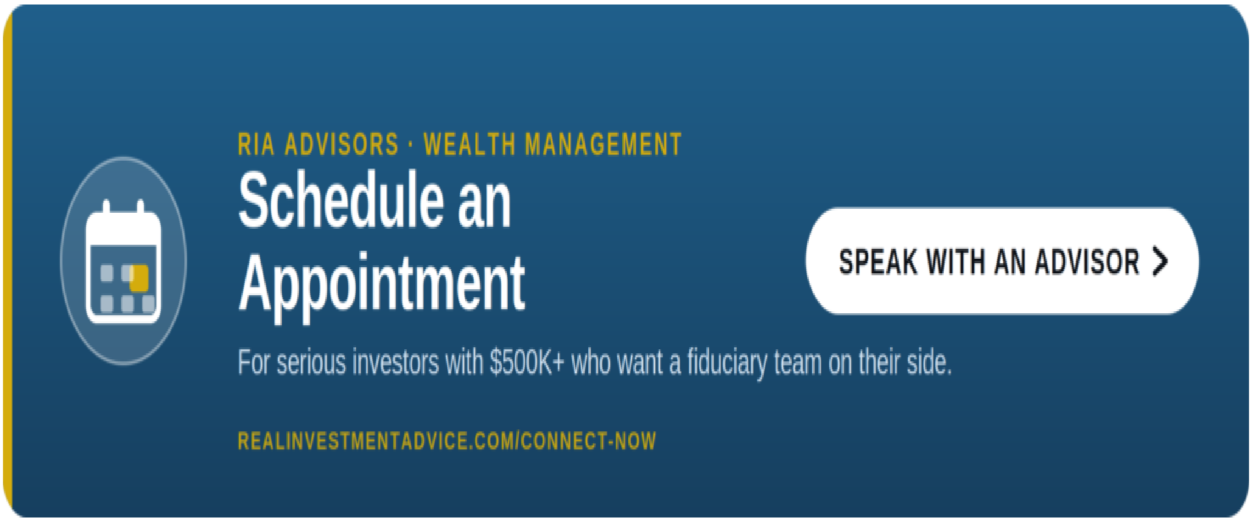
Meta is down 25.1% over the year, and Microsoft is down 6.1%, while Micron is up roughly 700%. For a year, the market paid a premium for the picks and shovels and charged the hyperscalers a discount for the privilege of buying them. Second-quarter results broke that. Not the capex guides, which went UP again at all four. The margins did it. AWS?s operating margin expanded 520 basis points, excluding a one-off item, to roughly 39%. Google Cloud went from 20.7% to 35.6%.

Here is the part most coverage skips. Notice in the chart below where the profit in each AI dollar actually settles.



Hyperscalers keep 29.7 cents of every dollar spent on AI, more than the entire chip and equipment complex, which together keep 26.1 cents. Neoclouds keep three-tenths of a cent, which explains most of what CoreWeave?s chart has been saying. ***Bob Farrell?s Rule #9*** fits the moment. **When every desk agreed the spending was value-destructive, something else happened.**

I?m treating this as a rotation to respect, not a green light. We continue to favor hyperscaler exposure over semiconductor exposure here, funded by trimming the most stretched memory and chip positions rather than by spending the cash buffer. Keep that buffer. August through October is historically the weakest three-month stretch of the year. Breadth is still thin, and one Hormuz headline reprices oil inside an hour. Add to the group collecting the profit, trim the group collecting the multiple, and manage risk at the line rather than after it breaks.



Two Bitcoin Woes: One Real, One Overblown

A firmware flaw in Coinkite?s Coldcard hardware wallet (self-custody) has resulted in over $100 million in bitcoin being stolen from 5,200 addresses during the last few days. Coinkite has supposedly fixed the problem, but users who generated seeds under the vulnerable firmware remain exposed and must migrate to new wallets. This is an engineering failure worth taking seriously if you own a Coldcard, but it is a one-off vendor bug, and importantly, not a threat to bitcoin or to hardware wallets generally. That said, as we share in our Tweet of the Day, self-custody of bitcoin is proving more risky than holding it with traditional centralized custodians.

Strategy?s latest move is the more structurally important story for bitcoin holders to consider. The company just sold 1,638 bitcoin, raising $104.7 million, its third sale in recent months. The action reduces its holdings to 842,138 coins, leaving it still the largest corporate bitcoin holder. Michael Saylor moved quickly to separate himself and his prior statements about never selling bitcoin from Strategy?s decision:

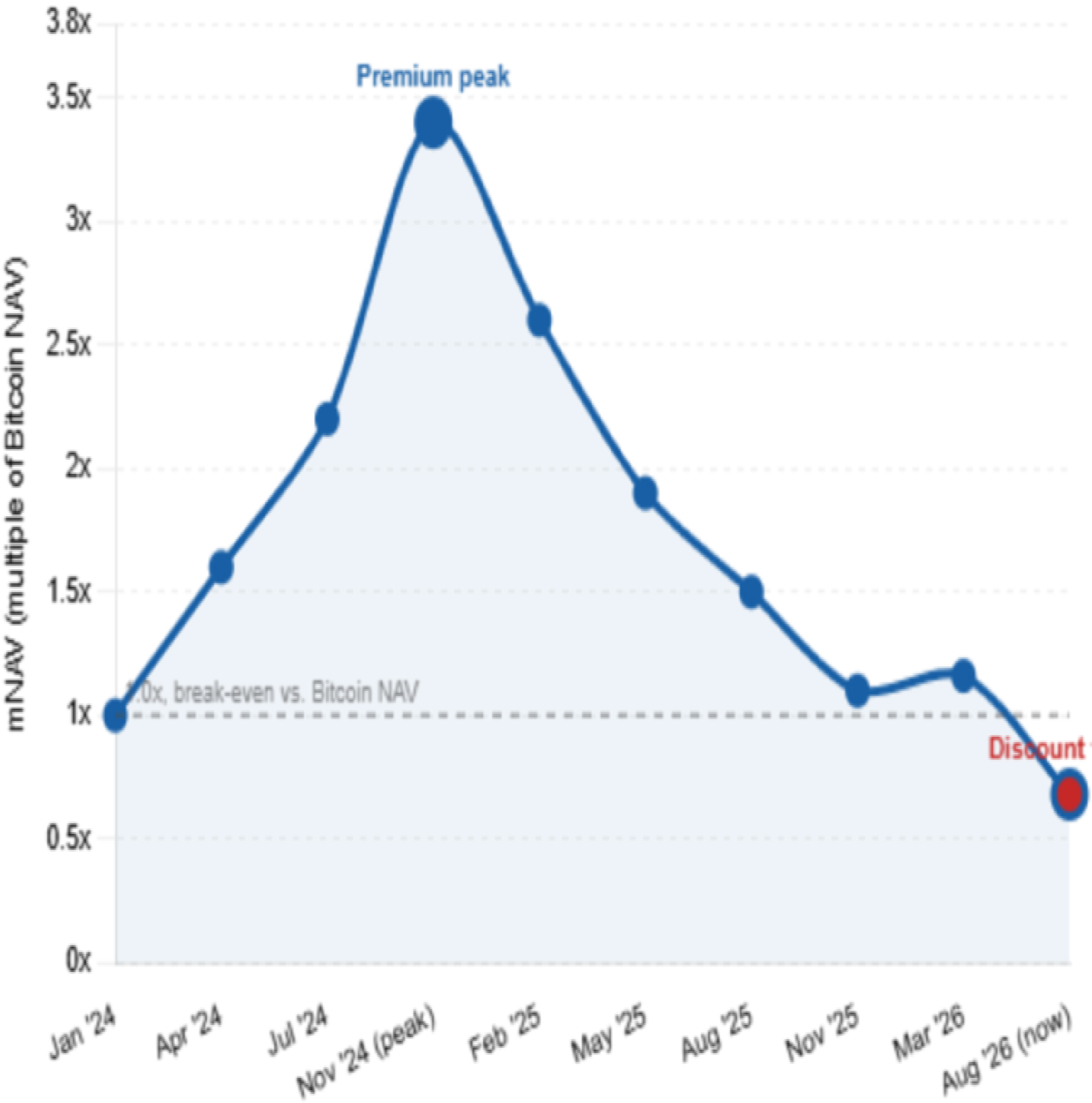
> *When I say ?never sell your Bitcoin,? I speak as one saver to another. I have never sold mine. Not one satoshi. Strategy is a public company, not my wallet.*

The latest bitcoin sale was used to help pay a $400.7 million preferred dividend. While selling to fund its leverage is not an indicator that Saylor or Strategy are having doubts about bitcoin?s worth, it is the third consecutive break from Saylor?s promise, one that helped build a hefty premium for Strategy a few years ago. The premium, as shown below, peaked in 2024 at 3.4x. It has since fallen steadily, now sitting well below 1.0x.

Strategy (MSTR), mNAV, market value relative to Bitcoin holdings, 2024 to 2026

Real Investment Advice

Peak, Nov 2024	Current, Aug 3, 2026	Decline from peak
3.4x	0.68x	-80%



Sources: Tekedia, Simple Mining Insights, Bitcoin Magazine Pro, Investing.com, BitcoinTreasuries.net. mNAV divides Strategy's enterprise value by the market value of its Bitcoin holdings, above 1.0x is a premium, below 1.0x is a discount. Different providers calculate mNAV on a basic, diluted, or enterprise basis and can disagree on the same day, this chart uses the most commonly cited basic mNAV figure at each point. Current reading of 0.68x confirmed as of August 3, 2026.

Tweet of the Day

Luke Mikic- The 9-5 Escape Artist @LukeMikic21 · Aug 2

After spending 9 years in **Bitcoin**, I hate to admit it, but I was wrong.

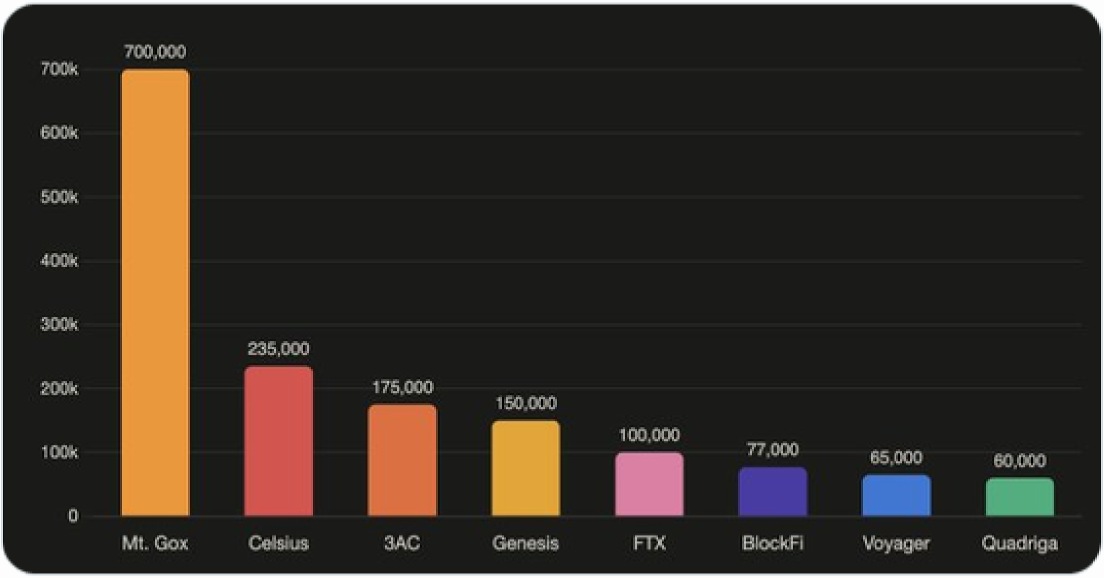
SELF CUSTODY IS DEAD

1,300 **Bitcoin** was **stolen** from Coldcard, so now I'm putting all my **Bitcoin** in BlackRock and Coinbase.

The track record of centralized institutions is great.

FTX stole 100,000

Show more



New UPDATED Trading Rules With Desktop Printout

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