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# THE FRIDAY FIVE

*The free weekly read on market conditions, sector rotation, and stock ideas.*

## What's going on, everybody?

I hope you all had a great week. We've got Friday Five, Issue #4, so let's get into what happened in the market this week and what you all can take away from it. We've been keeping an eye on whether the AI trade could keep carrying the whole market, and this week we got our answer: it wobbled. Taiwan Semiconductor reported record results and raised its spending plans, and the stock fell anyway. Alphabet slipped on a report that its next big model is running late. The Nasdaq ended the week lower, and technology was the weakest corner of the market. Meanwhile the ceasefire with Iran fell apart again, oil jumped, and money rotated straight into energy and the steadier, dividend paying parts of the market.

So the story this week was rotation, not a crash. The VIX barely moved, inflation data actually came in cooler than expected, and jobless claims stayed low. What changed is where the money went. And underneath all of it, earnings season kicked off and did the sorting for us: some companies beat and got rewarded, others warned and got punished, sometimes in the same sector on the same day. That is what this issue is about. Alright, let's get into it.

## This Week in One Minute

Measured from the July 9 close through Thursday, July 16, the S&P 500 was roughly flat, down about 0.1%, the Nasdaq fell about 1.2%, and the Dow edged up about 0.1%. The week's driver was a sharp reversal in technology: Taiwan Semiconductor beat and raised its capital spending, but the stock sold off, dragging the chip complex down and making technology the weakest sector. At the same time the Iran ceasefire collapsed again, oil spiked double digits intraweek, and energy led the market. The macro news was quietly good: June inflation came in cooler than expected, wholesale prices fell, and weekly jobless claims stayed low. The bigger event is ahead: the Federal Reserve meets July 28 and 29, with a new, hawkish chair weighing cooler inflation against an oil driven price risk. Earnings season did the real work this week, separating winners from losers.

## Market Risk Score

### Market Risk Score: 51 / 100. Neutral, with leadership in transition.

**Bullish factors:** the macro data broke the market's way. June inflation cooled more than expected, wholesale prices fell, and weekly jobless claims came in low, a combination that historically supports stocks. Volatility stayed calm, with the VIX in the mid teens all week despite the oil headlines. And the rotation into energy, financials, and defensives shows money moving around inside the market rather than leaving it.

**Bearish factors:** the market's leaders for all of 2026, the AI and semiconductor names, cracked, and when leadership breaks it often takes time to rebuild. Breadth is narrowing. The Federal Reserve meets in less than two weeks under a chair who has said plainly that he has no tolerance for lingering inflation, just as the Strait of Hormuz crisis threatens to push oil, and inflation, back up. The ten year Treasury yield sits at 4.58%.

Put together, this is a neutral tape in the middle of a leadership change. The old winners are being sold and the next leaders are still being tested. In a market like this, we lean toward specific, verifiable catalysts and away from broad bets, and we treat the July Fed meeting as the event most likely to set the next direction.

## Sector Rotation Update

#### Strongest sectors this week

1. **Energy.** Oil jumped double digits intraweek as the Iran ceasefire collapsed and traders priced in supply risk through the Strait of Hormuz. Energy was the week's best sector by a wide margin.

2. **Consumer Staples.** A classic defensive bid. As money left technology, it looked for steadier ground, and staples with reliable dividends caught it.

3. **Financials.** Big bank and asset manager earnings landed and mostly beat, and the sector rose as investors rewarded record results and strong capital returns.

### Weakest sectors this week

1. **Technology.** The 2026 leader became this week's laggard. Taiwan Semiconductor fell despite record results, Alphabet slipped on a product delay, and the whole AI hardware complex sold off.

2. **Industrials.** A mixed group. A few names posted strong earnings, but the sector lagged as economically sensitive stocks cooled.

3. **Health Care.** Roughly flat and choppy, with a late pop from a large managed care beat masking an otherwise soft week.

This week's five line up with the rotation in an instructive way. BlackRock sits in leading financials. Vodafone's move had nothing to do with its sector at all, it was a company specific event. Two of our picks, Aehr and IBM, sit squarely in the week's weakest sector, technology, and that is deliberate: they are the clearest lesson of the week, because the same force pulling money through technology lifted one and sank the other. And Pentair sits in a mixed industrials group where, again, the company's own news, not the sector, drove the move.

## The Five

### 1. Vodafone Group (VOD) · Communication Services / Telecom

**Why it made the list:** Up about 19% this week, the biggest move in this issue, and it had nothing to do with the market's tug of war over AI, oil, or the Fed. It was a company specific event: a new anchor shareholder buying a large stake. In a week when almost everything else moved on macro headlines, Vodafone moved on its own story.

**Catalyst:** On Friday, July 10, the Emirati group e& (formerly Etisalat) agreed to sell its entire stake of about 16.2% to a vehicle backed by French billionaire Xavier Niel, for roughly $5.95 billion, at a premium to the market price. Niel, a telecom investor with a long track record, becomes Vodafone's largest shareholder.

**Bull case:** Two things changed at once. A large seller that had been hanging over the stock is gone, removing an overhang, and in its place arrives a strategic investor known for pushing telecom companies toward consolidation and value creation. If Niel agitates for the kind of asset sales and market combinations that have lifted other European telecoms, there is a path to unlocking value that was not there a week ago.

**Bear case:** An ownership change is not an earnings turnaround. Underneath the deal, Vodafone's core business is the same one it was two weeks ago: sluggish growth in key European markets and a history of cutting its dividend. The deal also needs UK national security approval and other clearances, so it is not yet closed. And the easy part of the move, the jump to the new shareholder's entry price, has already happened.

***Premium Members':*** *Members, this is the special situation we walked through in this week's Edge Report. The approval timeline is your calendar, and you know the level that tells you the thesis is still intact.*

### 2. BlackRock (BLK) · Financials / Asset Management

**Why it made the list:** Up about 7% on genuinely record results, in the sector money rotated into this week. While the market's crowded technology leaders were being sold, the world's largest asset manager quietly printed the best numbers in its history. That is exactly the kind of quality that tends to hold up when leadership is changing.

**Catalyst:** On Wednesday, July 15, BlackRock reported second quarter results that beat on both earnings and revenue. The headline was assets under management reaching a record $15.34 trillion, helped by $192 billion of net new client money in a single quarter, far more than a year ago. Operating margin hit its highest level in nearly five years.

**Bull case:** BlackRock earns fees on the assets it manages, so record assets and record inflows feed directly into revenue and margins. This is a compounding business: as long as clients keep entrusting it with money and markets hold up, the fee base grows quarter after quarter. Record inflows also suggest the company is taking market share, not just riding prices higher.

**Bear case:** The same fee model that works on the way up works in reverse. Because revenue is tied to asset levels, a market drawdown or a rotation out of stocks would shrink assets and fees at the same time. There is also steady pressure on the fees charged for index and ETF products, a slow structural headwind, and the stock is not cheap after this run.

***Premium Members':*** *Members, you have the framework from the Edge Report for adding a quality compounder during a leadership change. The invalidation here is the market, not the company, so size it that way.*

### 3. Aehr Test Systems (AEHR) · Technology / Semiconductor Equipment

**Why it made the list:** Up about 10% in the week technology was the worst sector, which is the point. Aehr makes the equipment that tests semiconductors, and it just guided to enormous growth ahead, driven by demand for testing the chips that go into AI systems. It is the picks and shovels version of the AI trade, and this week it rose while the big chip names fell.

**Catalyst:** After the close on July 14, Aehr reported its fiscal fourth quarter with revenue up sharply from a year ago and record bookings, then guided next fiscal year to roughly $130 to $150 million in revenue, which would be well more than double the prior year. It also announced a follow on production order in silicon photonics, a key technology for connecting AI chips.

**Bull case:** Guidance like this, backed by record bookings and real orders, points to a genuine demand inflection rather than a hope. If Aehr is right that testing demand for AI and silicon photonics chips is ramping, a small company suddenly has years of visibility, and that visibility is what the market repriced this week.

**Bear case:** A forecast to more than double revenue leans heavily on a handful of large customers, and if even one order slips, the number gets hard to hit. This is a small, volatile stock: it actually jumped more than 20% intraday on the news before giving a good chunk of it back the next day, which tells you how fast sentiment can swing. And it depends on the same AI spending that, one name down this list, just took a company apart.

***Premium Members':*** *Members, this is the high beta name in this week's Edge Report. You know the entry discipline for a stock that moves this fast, and the order that would confirm the ramp is real.*

### 4. IBM (IBM) · Technology / IT Services

**Why it made the list:** Down about 26% in a single day this week, its worst one day drop in company history, worse than the 1987 crash. When a hundred year old blue chip has the worst day it has ever had, the reasons are worth understanding, and they connect directly to the pick right above this one.

**Catalyst:** On Monday, July 14, IBM warned ahead of its full report that second quarter results came in short. Its chief executive said, plainly, that the company "faltered," as some deals slipped and, tellingly, a late June shift in client budgets moved spending toward AI hardware and away from IBM's software and infrastructure. The stock lost roughly a quarter of its value in a day.

**Bull case:** A batch of missed deals can be a timing problem, not a broken business. If those deals close later in the year and the budget shift proves temporary, IBM's software and consulting engine could reaccelerate, and the stock is now far cheaper than it was a week ago. The full report on July 22 is the company's next chance to make that case.

**Bear case:** This is the risk to take seriously. The same wave of AI hardware spending that lifted Aehr is what IBM says pulled budgets away from its software. If that shift is structural rather than a one quarter blip, it caps IBM's most important growth engine, and no valuation discount fixes that. Note too that this drop is off a preliminary warning: the full results land July 22 and can bring a second move in either direction.

***Premium Members':*** *Members, this is a falling knife with a dated event attached. You have our rule for warnings like this, and why July 22, not today's price, is the line that matters.*

### 5. Pentair (PNR) · Industrials / Water and Pool Equipment

**Why it made the list:** Down about 12% this week on a one two punch: a cut to its full year outlook and a surprise executive departure in the same stretch. It is this issue's clearest example of how fast a steady, boring industrial can lose the market's trust.

**Catalyst:** On July 15, Pentair cut its full year sales and profit guidance, blaming pool industry customers working down excess inventory, a drag it now expects to weigh on the whole year. Days earlier, its chief financial officer left after only about four months on the job, with an interim replacement named. A guidance cut and a sudden finance chief exit in the same week is a combination the market rarely likes.

**Bull case:** If the problem really is just distributors selling down excess inventory, it is a temporary, self correcting issue: once the excess clears, sales normalize and the stock could look oversold at these levels. Pentair's underlying water and pool franchise is a solid, cash generative business that has weathered cycles before.

**Bear case:** The hard part is telling a temporary inventory problem from real demand weakness, and you often cannot until it is too late. If households are simply spending less on pools, this guidance cut is the first of several, not the last. The abrupt departure of the finance chief, right before the full report, does not inspire confidence that all the bad news is out. That report comes July 28.

***Premium Members':*** *Members, this is the guidance cut playbook from the Edge Report. The July 28 report is your checkpoint, and you know what would turn this from falling to bottoming.*

## Stock of the Week

**BlackRock (BLK).** If you remember one name from this week, make it BlackRock. Vodafone had the bigger move, but that was a one time ownership event and much of the gain is already banked. Aehr has the most exciting growth, but it is a small, volatile stock riding the same AI spending that just cracked the market. BlackRock is the pick built for exactly this kind of week. In a leadership change, when the crowded trades are being sold and the next winners are not yet clear, quality and durability matter more than momentum.

BlackRock just posted the highest assets and nearly the best margins in its history, it sits in a sector money is rotating into, and its business compounds quietly whether or not the AI trade recovers next week. We are clear eyed about the risk: its fees rise and fall with the market, so a real drawdown would hurt it too. But among this week's five, it is the one whose strength we would most trust to persist.

## What Could Change My Mind?

A few things would shift our read. The Federal Reserve meeting on July 28 and 29 is the big one. A new, hawkish chair has to weigh this week's cooler inflation against an oil driven price risk from the Strait of Hormuz, and whatever signal comes out will likely set the market's direction into August. If this week's technology selloff was healthy profit taking, the group stabilizes and the broad market is fine. If it was the start of something larger, the whole tape has a problem, because technology has carried this market all year. On the picks themselves, we will name the overlaps we are carrying knowingly. Aehr and IBM are two sides of the same AI spending story: a broad pause in that spending would hurt Aehr even as it might ease IBM's problem, so we do not truly own two independent bets there, we own one theme twice. IBM and Pentair both moved on preliminary warnings, with full reports still to come on July 22 and July 28, so both of those picks can move again, in either direction, when the real numbers land. And Vodafone's story depends on a deal that still needs government approval. On the other side, if cooler inflation continues and the rotation broadens into a healthy, participate everywhere market, this neutral read turns constructive, and we will say so plainly. If oil keeps climbing and the Fed leans hard against it, we get more cautious.

## Scoreboard

We track every past pick against SPY, openly, winners and losers alike. Here is where things stand as of Thursday's close, and we are not going to dress it up: on balance the past picks are trailing the market, dragged down by the memory and AI optics names from our earliest issues.

| Ticker | Issue | Status vs SPY |
|---|---|---|
| **MU** | #1 | Underperforming |
| **SNDK** | #1 | Underperforming |
| **APGE** | #1 | Underperforming |
| **JPM** | #1 | Neutral |
| **MS** | #1 | **Outperforming** |
| **RTX** | #2 | Underperforming |
| **JPM** | #2 | **Outperforming** |
| **LMT** | #2 | Underperforming |
| **NUE** | #2 | **Outperforming** |
| **KMI** | #2 | Neutral |
| **CRNX** | #3 | Neutral |
| **LASR** | #3 | Underperforming |
| **LITE** | #3 | Underperforming |
| **FANG** | #3 | **Outperforming** |
| **KR** | #3 | Underperforming |
| **VOD, BLK, AEHR, IBM, PNR** | #4 | **New this week** |

Quick read on the record: the damage is concentrated in one place, the memory and AI optics names from Issue No. 1 and Issue No. 3. Micron and Sandisk have fallen hard as that once red hot trade unwound, and last issue's optical names, Lumentum and nLIGHT, gave back ground this week as technology sold off. The bright spots are the banks and the value and energy picks: Morgan Stanley, JPMorgan, Nucor, and Diamondback are all beating the market. It has been a rough start overall, three issues is a small sample, and we would rather show you a losing scoreboard honestly than a winning one selectively. Every pick stays on the board.

## Go Premium

The free Friday Five gives you the market read, the rotation map, and the ideas with their catalysts and risks. Premium adds the part we hold back here: exact entry zones, stop levels, position sizing, price targets, options structures, and real time alerts when something changes. If this issue helped you think more clearly about the week, premium is where the ideas become an executable plan.

*The Friday Five is for informational and educational purposes only. It is not investment advice, and it is not a recommendation to buy or sell any security. Past performance does not guarantee future results. Do your own research.*