



# Smart Cents

W E E K L Y

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Hey there!

Welcome to the exciting 18th edition of **Smart Cents Weekly**! For all our new readers, a huge thank you for joining us. We're thrilled to have you! And to our loyal readers, we are grateful that you're returning for another round of insights.

Let's start by unwrapping what happened in the past week (December 8-12, 2025) 

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## **Big Picture: Fed Cuts Rates Amid Divisions, Markets Hit Records Then Retreat on AI Concerns**

Last week, markets experienced volatility centered on the Federal Reserve's final 2025 meeting. Early in the week, stocks dipped as investors awaited the decision, with major indexes closing lower on Monday amid risk-off sentiment. The Fed delivered a widely expected 25-basis-point cut on Wednesday, lowering the benchmark rate to 3.5%-3.75%, but the vote was divided (9-3), highlighting splits over inflation risks and labor market weakness. Stocks surged post-announcement, pushing the Dow and S&P 500 to record highs mid-week. However, late-week AI bubble fears, triggered by disappointing results from companies like Oracle and Broadcom, battered tech stocks, leading to sharp declines on Thursday and Friday. The Nasdaq fell ~1.9% for the week, while the S&P 500 lost ~0.5% and the Dow gained ~1.2%.

Bitcoin fluctuated, reclaiming \$92K early before dipping below \$90K amid broader risk aversion. Gold and bonds saw mixed moves as yields reacted to the Fed's cautious outlook (signaling potential pause in 2026 cuts).

**So what should we learn?** The Fed's third consecutive cut supports softening borrowing costs, but internal divisions and sticky inflation suggest fewer easing moves ahead. Resilient growth projections offset labor concerns, but AI/tech valuation scrutiny reminds us of sector risks in a high-rate environment.

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## **Mega-Deals: Limited Blockbusters, Focus on Tech Earnings and Funding**

No massive mergers dominated headlines this week, but tech earnings spotlighted AI infrastructure demand. Broadcom reported strong Q4 results, with AI revenue surging and FY guidance highlighting custom chips/networking growth. Oracle faced pressure on cloud backlog updates, fueling broader AI scrutiny.

Elsewhere, quantum/AI funding momentum continued indirectly via ecosystem plays, but no new mega-acquisitions closed.

**What it means:** Earnings from AI leaders like Broadcom underscore sustained hardware demand, but misses (e.g., margins/outlooks) highlight valuation risks. In a maturing cycle, scalable infrastructure bets remain key amid deglobalization and data center booms.

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## Tesla's Autonomy Push Amid Musk's Empire Ties

Elon Musk reaffirmed Tesla's robotaxi ambitions, stating at an xAI event that unsupervised Full Self-Driving (FSD) is "pretty much solved," with fully autonomous operations in Austin targeted by year-end (initially small model, larger version in early 2026). This builds on shareholder approvals for potential xAI synergies and Musk's vision of convergence across Tesla, xAI, and SpaceX.

Shares reacted to broader market swings, with tech/AI rotation pressuring EV names late-week.

**The buzz?** Robotaxi milestones could validate Musk's \$1T+ valuation narrative, leveraging xAI for advanced reasoning. Critics note execution risks and divided focus, but synergies in autonomy/robotics hold firm amid Q4 delivery pushes.

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## Tech Reality Check: AI Hype Faces Volatility, Quantum Advances Steady

Tech stocks rollercoastered: Broadcom's AI beat fueled early gains, but Oracle's results and Broadcom's margin warnings sparked late-week selloffs, dragging Nasdaq lower. AI "bubble" fears resurfaced amid high valuations.

Quantum momentum built quietly, with breakthroughs in room-temperature entanglement and hybrid AI-quantum systems highlighted in research, plus funding for platforms like trapped-ion scaling.

**Red flags:** Frothy AI valuations echo past hype cycles, with profitability questions lingering. Yet, ongoing R&D (e.g., energy-efficient quantum) and VC inflows signal long-term momentum.

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## Macro Matters: Fed Delivers Cut, But Signals Caution

The Fed's December decision cut rates 25bps (third straight), but dissents and updated dot plot (one 2026 cut projected) underscored divisions. Powell emphasized data dependence, with no January commitment amid elevated inflation and rebounding growth forecasts.

Delayed data (from prior shutdown) complicated views, but labor indicators remained key watchpoints.

**Fed watch:** Hawkish tilt suggests pause potential; tariffs/FX noise add uncertainty.

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## Earnings Scorecard: Key Tech Reports Highlight AI Demand Amid Scrutiny

Q4 season ramped up with notable beats/misses:

- Broadcom: Strong AI revenue/guidance, but margins pressured shares.
- Oracle: Cloud/AI backlog updates critical, results weighed on tech sentiment.
- Other standouts: AutoZone, Costco, Lululemon in focus.

Sector trends: AI tailwinds persist in semis/networking, but execution risks evident.

Forward valuations hold premiums amid growth optimism.

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## Quick Hits: Market Ripples and Sector Shifts

- Fed cut boosts rate-sensitive assets short-term, but dot plot tempers 2026 easing bets.
  - Bitcoin is volatile around \$90K-\$92K on risk flows.
  - Quantum funding surges (e.g., \$100M+ rounds for ion/photonics platforms).
  - AI-quantum hybrids gain traction for drug discovery/optimization.
  - Tech rotation favors value/cyclicals late-week.
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## Power Plays

- Fed's divided cut: Supports near-term stability, but signals higher-for-longer risks!
  - Broadcom's AI surge: Custom chips demand points to \$8B+ quarterly run-rate!
  - Tesla robotaxi milestone: Unsupervised FSD by EOY eyes autonomy inflection!
  - Quantum breakthroughs: Room-temp advances + funding bet on scalable era by 2030!
  - Market records-to-retreat: AI scrutiny reminds of sector rotation opportunities!
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## Finance Riddle:

What rises on Fed cuts but dives on AI doubts?

**Answer:** Tech-heavy indexes like the Nasdaq. Rate relief lifts risk appetite, but valuation fears (e.g., margins/backlogs) trigger sharp rotations in overhyped sectors.

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## Companies to Watch: Recent/Upcoming Earnings

- Broadcom (AVGO) - Reported: AI demand strong, guidance key.
- Oracle (ORCL) - Reported: Cloud focus amid competition.

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