



# Smart Cents

W E E K L Y

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Hey there!

Welcome to the exciting 17th 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 🎁

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## Big Picture: Risk-Off Sentiment Grips Markets Amid Crypto Slump and Fed Watch

Last week, U.S. equities kicked off December with a shaky start, as rising Treasury yields and tariff worries dragged the Dow down 0.9% on Monday, the S&P 500 off 0.5%, and the Nasdaq slipping 0.4%. Tech and crypto-linked names bore the brunt, with Bitcoin plunging nearly 7% to around \$86,000, its worst day since March, amid \$608 million in liquidations and a shift to "extreme fear" on sentiment gauges. By Friday, however, inflation data fanned rate-cut hopes, lifting the Nasdaq 0.3% for the week (up 0.9%), the S&P 500 0.2% (up 0.3%), and the Dow 0.2% (up 0.5%). Gold futures dipped 0.4% to \$4,225/oz as yields climbed, but Q3 earnings wrapped strong, with S&P 500 revenue growth hitting 8.4%, the highest since 2022, and forward P/E steady at 22.4.

So what should we learn? Crypto's volatility underscores its ties to broader risk appetite, but resilient earnings and an 87% odds of a December Fed cut signal potential stabilization. With PCE inflation data due Friday showing a 0.3% monthly rise to 2.8% YoY, watch for clues on whether easing continues or pauses amid sticky prices.

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## Mega-Deals: AI Hardware and Fiber Networks Fuel Tech Surge

OpenAI's \$6.5B AI Device Play: OpenAI acquired io Products, the Jony Ive-founded AI hardware startup, in a blockbuster deal blending generative AI with consumer devices. Valued at \$6.5B, this positions OpenAI to pioneer AI-native gadgets, tapping a market projected to hit \$500B by 2030 amid surging demand for edge AI in wearables and robotics.

**T-Mobile's \$4.3B Fiber Expansion:** T-Mobile closed its \$4.3B acquisition of UScellular's wireless assets, bolstering rural coverage and integrating with its Metronet JV to pass 2.6M+ homes with fiber. As FTTH demand grows at 20% CAGR through 2030, this cements T-Mobile's lead in hybrid 5G-fiber networks.

**What it means:** These pacts spotlight AI's hardware pivot and telecom's infrastructure race. With U.S. broadband gaps costing \$100B+ annually (per FCC data) and AI chip spending poised to reach \$100B in 2025, bets on scalable tech could yield outsized returns in a deglobalizing world.

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

Tesla unveiled Grok integration into its vehicles "next week at the latest," leveraging xAI's chatbot for enhanced in-car AI, following shareholder nods for a potential xAI investment (majority approved, with abstentions). This ties into Musk's "convergence" vision across Tesla, SpaceX, and xAI, with SpaceX eyeing \$2B in xAI funding pending approvals. Shares dipped 4% early in the week on macro jitters but rebounded 1.5% on Friday.

The buzz? Grok could supercharge FSD autonomy, aiming for 20M in annual sales under Musk's \$1T package. Critics flag divided focus, but Morgan Stanley highlights synergies in robotics. With Q4 deliveries projected at 500K+ units, Tesla's 15% 2026 earnings growth forecast holds firm despite EV slowdowns.

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## Tech Reality Check: Quantum Hype Meets Volatility

Quantum stocks rode a rollercoaster, with IonQ up 27.8% YTD on Air Force contracts and 99.5% gate fidelity breakthroughs, while Rigetti surged 1,900% yearly on scalable qubit advances. D-Wave's Asia-based annealing pilots delivered 3,670% gains, but

broader AI scrutiny saw Nvidia dip 1% mid-week before rebounding. ETF QTUM climbed 36% YTD, outpacing S&P.

Red flags: High valuations (IonQ P/S at 100x) echo AI froth, with profitability elusive. Yet, Google's Willow chip and \$1.25B Q3 VC inflows signal momentum. Energy plays like Oklo popped 7% on DOE nods, offering stability as quantum R&D burns \$60B+ annually.

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## Macro Matters: PCE Delivers, But Fed Divide Looms

Delayed September PCE showed a 0.3% monthly rise to 2.8% YoY (core at 2.8%), matching estimates and keeping December cut odds at 87%. Consumer spending flat on inflation-adjusted basis, income up 0.4%, per Commerce data. Michigan sentiment ticked up to 53.3, but expectations rose to 4.5%, uncomfortably above the Fed's 2-3% anchor.

Fed watch: Powell's "not foregone" caution lingers, with polls showing policymakers split on the pace of easing. Tariffs eyed at 20-29.9% through year-end (46% odds), while yen carry unwind added FX noise.

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## Earnings Scorecard: Q3 Delivers Beats Amid AI Tailwinds

Q3 wrapped with 83% EPS beats for S&P 500 (99% reported), revenue up 8.4%, best since 2022:

- 81% revenue beats, led by Health Care (Cardinal Health +15%), Financials (Morgan Stanley +10%)
- Salesforce: Q3 EPS \$3.25 beat (\$2.85 est.), revenue \$10.26B slight miss; AI agentic tools drove 20% growth
- UiPath: Q3 EPS \$0.16 beat (\$0.14), automation up 20% on AI integrations
- Forward P/E: 22.4, premiums intact

## Sector standouts:

- Tech: Microsoft/Apple surprises fueled 15% growth; quantum ETF QTUM +36% YTD
  - Consumer: BJ's Wholesale beat on value focus; Victoria's Secret raised FY guidance by 13%
  - Media: Warner Bros. Discovery eyes \$83B Netflix merger talks, streaming subs +9%
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## Quick Hits: Market Ripples and Sector Shifts

- Bitcoin ETFs outflows hit \$194M Thursday, but sentiment eyes rebound to \$110K EOY.
  - Hims & Hers launches AI-driven personalized wellness via blood analytics
  - Meta refreshes Marketplace with AR try-ons, boosting e-comm 15%
  - Burry's fund warns on AI "creative accounting" in Oracle/Meta earnings
  - Solar capacity targets 40GW for 2026 amid AI data center boom
  - NuScale rebounds 20% on SMR deals; Plug Power surges on hydrogen subsidies
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## Power Plays

- Quantum surge: IonQ/Rigetti up 700%+ YTD on fidelity breakthroughs, QTUM ETF's 36% rise bets on \$7B market by 2030!
  - Gold's safe-haven pivot: November ETF inflows \$5.2B, AUM at record \$530B as yields spike!
  - Disney's streaming resilience: Q4 EPS \$1.11 beat, full-year profit x9 to \$1.33B on password-sharing crackdown!
  - xAI's ecosystem lock-in: \$200B valuation post-merge, Grok-Tesla tie-up eyes \$170B raise!
  - Traffic tech lag: INRIX data shows U.S. drivers wasting 70 hours/year in congestion, worst in Boston, Atlanta!
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What crashes with crypto but climbs on cuts?

Answer: Bonds during a risk-off tumble. As BTC shed 7%, 10-year yields jumped 4bps to 4.14%, but PCE stability could trigger a Fed pivot, flipping safe assets from villains to heroes in the volatility storm.

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## Companies to Watch: Upcoming Earnings

- Nu Holdings (NU) - Dec 10 expected | Brazil's digital bank; eye user growth to 100M+ amid LatAm fintech boom
- Oracle (ORCL) - Dec 10 | Cloud/AI backlog update critical; Q4 rev eyed at \$14.5B
- Broadcom (AVGO) - Dec 11 | AI chip demand surges; guidance for FY26 at 20%+ growth

Market Context: Q3's 83% beat rate and 8.4% rev growth sustain optimism, with Q4 at 7.4% and 2026 at 12.7% despite Fed uncertainty.

Stay sharp, think long-term, and remember: in trillion-dollar markets, blending data with discipline beats chasing trends every time! 

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