Trading Catalysts

To the Valley from the mountains; sights set on NVDA

25 August 2025

Economics, Equity and Derivatives
United States

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Fund Eqty: NVDA up 30% YTD, we expect a beat and raise

The main earnings event this week is Nvidia on Wednesday evening. The implied earnings move is nearly 6% for the largest company in the world by market cap. Vivek Arya expects a beat and raise, our July Q revenue estimate is about 2% ahead of consensus and our Oct Q revenues are 1.5% ahead. Still, with YTD strength, some volatility is to be expected and there's uncertainty around H20/China.

US Econ: Expect PCE to rise 0.28% m/m and 2.9% y/y

Fed Chair Powell struck a more dovish tone than expected at Jackson Hole. The burden of proof is now clearly on the data to prevent a Sep cut. The focus should be on Friday's personal spending and inflation data. On inflation, we expect core PCE to rise by 0.28% m/m and 2.9% y/y. Since so much information that comprises core PCE is known, only a big miss would drive a significant market response. If services spending is soft, expect cuts to be priced in with more conviction especially after a strong retail sales report.

Eqty Strat.: Dovish Fed supports R2000 & SPX broadening

Small caps have much greater refinancing risk, and Russell 2000 performance has been highly tethered to Fed expectations the last two years. Jill Hall believes the Russell 2000 is likely to outperform near-term, also supported by a likely shift to "Recovery" in the US Regime Indicator. Persistence of the rally beyond Sept. will likely depend on fundamentals (small caps just emerged from their earnings recession, but a big profits pickup is expected in 2H). Within the S&P 500, Savita Subramanian notes that Fed easing has been accompanied by mega caps lagging more than leading. Upside risks to inflation should support a broadening of the S&P 500 beyond defensives/secular growth.

Derivatives: More stress than meets the eye in VIX

The VIX complex is embedding significant risk premia today. The term structure of VIX futures is steep, VIX options screen expensive vs SPX options, and the VIX futures basis to SPX forward vol has become very stretched as demand for long vol exposure, particularly through VIX exchange-traded products, has surged. As a result, S&P hedges (e.g., put spreads leveraging steep skew) likely offer better value than VIX hedges.

Prime Financing: Rally in shorted names likely continues

Jay Powell's Friday speech led to particular strength in stocks with elevated short positioning. A basket of stocks with heavily levered balance sheets and high short interest saw its biggest one day move since the April tariff pause. Heavily shorted small caps, materials, software, discretionary and clean energy stocks were also strong performers. Prime Finance, which is not part of BofA Global Research, believes the rally in some of these heavily shorted names could continue, especially as we have passed hard earnings catalysts. The team will reassess following this week's PCE on Thursday and PPI and CPI, which come on Sep 10 and 11, respectively.

Table 1: Key near-term catalysts
SPX implied move, key potential catalysts

Date	Implied move	Potential catalysts
8/25 Mon	0.41%	
8/26 Tue	0.43%	
8/27 Wed	0.41%	
8/28 Thu	0.84%	NVDA*
8/29 Fri	0.54%	PCE, UMich

Source: BofA Global Research, Bloomberg. *scheduled on the previous day after the market close. For a list of open trade recommendations and trade recommendations closed in the last 12 months, please see the latest Global Equity Volatility Insights report. As of 8/22.
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Timestamp: 25 August 2025 08:21AM EDT

Fund Eqty: NVDA up 30% YTD, we expect a beat and raise

Vivek Arya
Research Analyst
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Expect strong beat/raise, with or without China H20

Maintain Buy ahead of Aug-27 FQ2 (Jul) earnings call. The stock has had a strong run YTD so some near-term volatility is to be expected. Specifically, we see: 1) FQ2 sales beat: $47bn vs. $45.8bn consensus (this is as of 8/1, consensus is now $46.1bn) and $45bn guide on continued ramp of Blackwell, robust cloud spend (more below); 2) FQ3 raise: mid-teens QoQ growth to $54bn vs. $52.5bn cons (now $53.19bn) as Blackwell Ultra volume ramp adds on top, with potential to reach $57-60bn if H20 shipment officially resumes; 3) GM approaching 73-74% by FQ3 as rack-scale architecture gains scale, with incremental 200-300bps boost if H20 potentially utilizes previously written-off inventory ($5.5bn in FQ1); and 4) FY26/CY25 sales outlook rising toward $210-215bn (with China), and pf-EPS up to $4.70-4.80 (vs. $4.38 cons). Overall, we expect a healthy beat/raise driven by a continuation of strong Blackwell/Ultra ramp, rising and diversifying AI capex, expanding pipeline and margins, as well as potential H20 resumption in F2H ($5-10bn increment). However, we note H20 sales may be subject to potential security/backdoor probes by Chinese regulators. The H20 could also become increasingly uncompetitive over time as local competition emerges, and NVDA (and AMD) would require a continuous update of license to ship "n-1" or "n-2" products in order to maintain the current performance lead.

H20 could add $6-10bn in 2H, 200-300bps GM boost

We view the China market as ~10% of global AI accelerator TAM over time. Per media reports, NVDA has recently placed 300k additional H20 GPU orders to TSMC, on top of existing 600k-700k inventory. Assuming NVDA receives the US BIS license soon, this could represent $6-10bn in incremental China sales in F2H (Aug-Jan) at ~$10k ASP. Note, however, that any restart to the supply chain would take 9 months, and thus up to $3-4bn of the benefit might roll over to F1H (Feb-Jul) of next year. NVDA had previously written down $5.5bn worth of H20-related inventories in FQ1, and reusing some of these inventories could also boost GM by up to 200-300bps each in FQ3/FQ4.

US Econ: Back to the data

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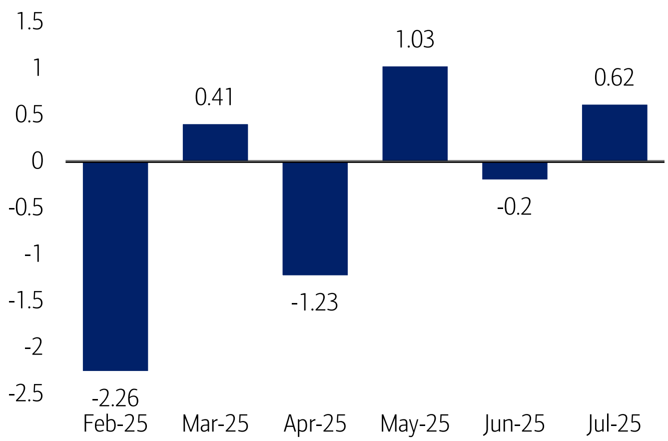
It’s a full week of data but many of the releases are not market moving

Fed Chair Powell struck a more dovish tone than expected at Jackson Hole. The burden of proof is now clearly on the data to prevent a Sep cut. The bar is high for a September hold. A 4.2% u-rate in Aug, with 70k+ job growth and minimal negative revisions, could keep a hold in play. A 4.1% u-rate would lower the threshold for payrolls, but 4.3% would raise it significantly. We stick with our Fed call for a hold for now. But the risks have obviously shifted meaningfully toward a cut. We see a risk that the Fed could make a policy error by cutting just as activity rebounds, with inflation headed to 3%.

It's a busy data week (Exhibit 5). That said, many of the data are tier 2, in our view. These include the second release of GDP, new home sales, durable goods orders, etc. Therefore, we think the market will be more focused on the personal income and outlays report for July. We expect core PCE inflation to remain elevated and for the y/y rate to move further away from the Fed's target, making it a higher bar to cut in September. That said, since so much information is known ahead of time for this measure, the market reaction is likely to be muted unless there's a big miss (Exhibit 1).

One data point that could move markets is services spending in July, which we'll also get in the personal income and outlays report. We have limited data in hand for this sector, but what we do have points to strong spending. Indeed, TSA throughput was strong in July, and healthcare hiring was robust (Exhibit 2). So, we would be surprised if services spending comes in weak. If it does, it could reignite concerns over the outlook.

Exhibit 1: The change in 2yr Treasury yields 15min after the personal income & outlays report is released has been modest this year.
Change in 2yr UST yield from 8:30am to 8:45am on days when the personal income and outlays report is published



Source: Bloomberg, BofA Global Research

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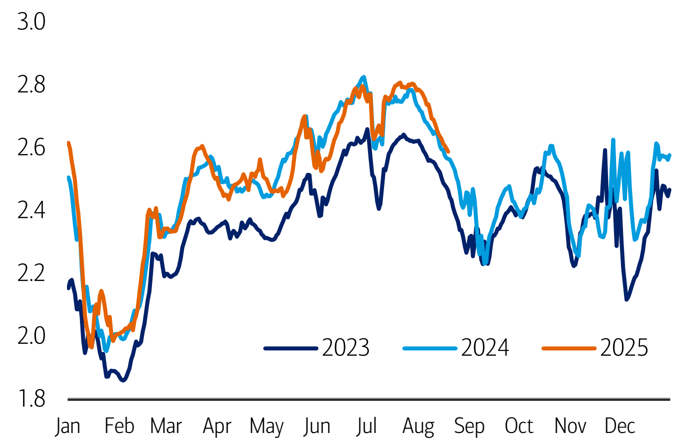
Exhibit 2: The graph shows TSA throughput for 2023-2024. Throughput exceeded 2023 for most of 2024. 2025 has been more mixed, but recently throughput has been stronger than 2024.
TSA Throughput (7-day moving avg, mn)



Source: TSA, BofA Global Research

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The bar is high for a September hold

Markets priced in almost another 4bp of cuts in September on the back of Powell's comments on Friday, which indicate that the onus is firmly on the data to prevent a cut. A 4.2% u-rate in August, with 70k+ job growth and minimally negative/positive revisions, could keep a hold in play. A 4.1% u-rate would lower the threshold for payrolls, but 4.3% would raise it significantly. If it's a close call, August CPI and PPI should also matter. We stick with our call for a hold for now. But the risks have obviously shifted meaningfully toward a cut.

Equity Strategy: Dovish Powell suggests near-term outperformance of small caps

Savita Subramanian
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Jill Carey Hall, CFA
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Powell lowers the bar for a cut – RTY likely leads for now

We highlighted last week that Fed chair Powell's Jackson Hole speech could serve as the biggest near-term catalyst for the Russell 2000: a dovish speech could spur a rally, while a hawkish one could spur near-term downside given market pricing for two cuts by year-end (see All eyes on Jackson Hole). And with Powell lowering the bar for a Sept. cut (see econ note), highlighting the shifting balance of risks around employment vs. inflation, markets are back to pricing ~90% probability of a cut. In the absence of major tariff news or other macro surprises, we think the Russell 2000 likely outperforms large caps in the coming weeks/through Sept, further supported by a likely shift to Recovery in our US Regime Indicator if it rises again in Aug. (see quant note). All eyes are now on the Sept. jobs report: our economists are not yet changing their forecast for no cut in Sept., and they see risk that the Fed could make a policy error by cutting just as inflation rebounds.

But what happens after a N/T rally depends on earnings

If next week's jobs report lends support to a Sept. cut, persistence of a rally in small caps beyond Sept. will likely depend on fundamentals. Small cap earnings beat in 2Q, finally pulling them out of the profits recession, and both guidance and corp. sentiment improved (though the latter was still historically weak vs. large caps). But 2H estimates are lofty, and unlike in large caps, 3Q/4Q numbers are still being despite the beat. Also on watch: top-line trends (weak vs. large caps) and tariffs (earnings more at risk in small given thinner margins). Oct. has also historically been the worst month for small vs large.

Positioning for cuts? RTY>SPX, Quality & Value w/in SMID

The Russell 2000 has typically outperformed in the first 12m of a cutting cycle but has only outperformed for full cutting cycles, on avg, if they coincided with recessions. Today, cutting could potentially spur greater near-term outperformance than historically given small caps' increased sensitivity to the Fed amid refinancing risk (plus greater sensitivity to the 10yr given a record tilt toward long-duration non-earners). Within small caps, the best-performing styles during cutting cycles have been Value>Growth and Quality>Risk. Momentum has also fared well, and larger small caps have outperformed microcaps. We recommend sticking with Quality in SMID and prefer Value>Growth, where Value is also the best-performing style in Recoveries.

Beyond the Fed: focus on single stock ideas over the index

The 120% y/y increase in attendance at our SMID virtual conference (see recap note) underscores our view that, despite risks to the Russell 2000 (record low quality tilt, increased rate sensitivity, uncertainty around profits recovery), there are numerous attractive opportunities in SMID, where stocks are overall cheaper and offer greater alpha opportunity vs. large. We think picking your spots in SMID is especially important today, and for the medium-term would continue to focus on names with less leverage/refi risk (in case the Fed doesn't cut as soon/as much as expected), stocks with strong margins (given tariff risks) and stocks with (+) revisions (still scarce). Our SMID 2H25 stock ideas, SMID theme screens and SMID daily compilation can provide ideas.

Derivatives: More stress than meets the eye in VIX

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VIX spot hits YTD low, but more stress than meets the eye in the VIX complex

US equities continued to grind higher to new all-time highs, bolstered by an in-line CPI reading and undeterred by notably higher PPI and inflation expectations. The VIX also closed at a then YTD low of 14.49 on 13-Aug, weighed on by S&P realized vol that has stabilized in the 9-10% range this summer. However, tradable instruments in the VIX complex are anything but complacent today. Indeed, we note that:

- VIX futures trade well above VIX spot, with the term premium between spot and the VIX 1m future (as one example) currently in its top decile since 2010;
- VIX option costs also screen expensive relative to SPX options, in the 90th percentile over the past 15 years; and
- More esoteric measures of VIX futures "fair value" such as their spread (or basis) to S&P forward volatility have richened to the top end of their (structurally higher) post-Covid range.

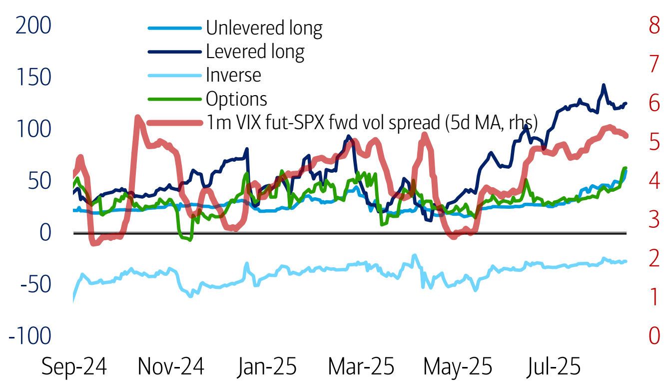
What's driving the richness in the VIX complex today?

Similar to our observations earlier this month, around the drivers of elevated S&P put skew (see our Much ado about record skew report), the risk premia embedded across VIX futures and options likely also reflect a mix of supply/demand imbalances coupled with other macro & micro factors, such as high macro/policy uncertainty, historic S&P index concentration, and elevated US equity multiples.

For the VIX basis in particular, the flow drivers are evident from positioning data, which shows a large uptick in demand in recent months for long vol exposure through VIX exchange-traded products or ETPs (especially levered longs). The vega outstanding in levered long VIX ETPs has increased by over $110mn since mid-April, closely tracking the widening 1m VIX futures basis (Exhibit 3). Moreover, the combined $200mn vega increase over the past 4 months in end-user VIX ETP + option positioning is a 99th percentile increase since 2014 (Exhibit 4). In short, we see the surge in demand for long vol exposure through VIX ETPs as a key driver of the recent richening of the VIX futures basis.

Exhibit 3: The large uptick in demand in recent months for long vol exposure through VIX ETPs (especially levered longs) has been a key driver of the widening spread between VIX futures & SPX forward vol

End-user VIX option & ETP delta ($mn) vs 1m VIX future – SPX fwd vol spread



Source: BofA Global Research, CBOE. Data from 1-Sep-24 to 15-Aug-25. Option exposure computed using the beta-adjusted Black76 Greeks for the "customer book of options". ETP exposure is based on the number of VIX futures needed by each product to meet its target investment objective. Indicative spread between constant maturity VIX future and constant maturity SPX forward vol.

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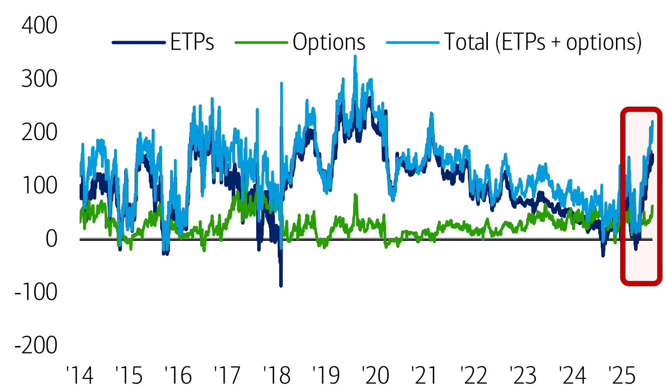
Exhibit 4: End-user long VIX exposure, especially from levered long ETPs, has risen sharply in recent months to multi-year highs and is now rivalling positioning length seen in the pre-Covid era

End-user VIX option + ETP delta ($mn vega)



Source: BofA Global Research, CBOE. Data from 1-Jan-14 to 15-Aug-25. Option exposure computed using the beta-adjusted Black76 Greeks for the "customer book of options". ETP exposure is based on the number of VIX futures needed by each product to meet its target investment objective.

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Trading implications

While the VIX basis and its potential compression can be traded directly through short delta exposure to VIX futures and replication of the long SPX forward vol leg with listed options, a broader implication of the richness embedded today in VIX futures & options is that SPX hedges likely offer better value than VIX hedges.

Moreover, if VIX ETP investors monetize their longs in the next risk-off event, similar to what occurred in Mar-25, the outflows could help dampen vol reactivity. This could further support a grind lower dynamic in the next equity market drawdown, in addition to the factors we noted last week – namely, policy puts from the US administration and/or the Fed; historic buy-the-dip strength, especially in megacap tech; and long US equity positioning as per the 10-Aug Fund Manager Survey (see report) that is still not at extremes.

For SPX-based hedges, we continue to like leveraging elevated put skew to cheapen the cost of protection, e.g. tactically via SPX put spreads/ladders, or systematically via grind lower solutions. The risk that such hedges go unused can be mitigated by a short delta position in VIX futures, which stands to gain if markets remain buoyant and VIX futures roll down the steep term structure, and/or the VIX futures basis begins to normalize from current extremes.

Trade (short equity/short vol): Long SPX Dec 6300/5800 put spreads for ~$75 indicatively or 1.16% of spot (6.6x max payout ratio; ref. 6449.23), either outright for a year-end hedge, or paired with long VIX Nov 18/15 put spreads for $1.13 indicatively (2.6x max payout ratio, UXX5 ref. 20.70). Risk involves upfront premiums paid. *For a complete list of our open trades and trades closed over the past year see Low VIX not complacent.*

Prime Financing: Rally in heavily shorted names to continue

Jay Powell's Friday speech led to particular strength in stocks with elevated short positioning. A basket of stocks with heavily levered balance sheets and high short interest saw its biggest one day move since the April tariff pause. Heavily shorted small caps, materials, software, discretionary and clean energy stocks were also strong performers. Prime Finance, which is not part of BofA Global Research, believes the rally in some of these heavily shorted names could continue, especially as we have passed hard earnings catalysts. The team will reassess following this week's PCE on Thursday and PPI and CPI, which come on Sep 10 and 11, respectively.

Data in the week ahead

Exhibit 5: It's a full week of data but many of the releases are not market moving
Data deck 8/25-8/29

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
8/25/25	10:00	New Home Sales	Jul	—	626k	627k
8/26/25	8:30	Durable Goods Orders	Jul P	—	-3.4%	-9.4%
8/26/25	9:00	Case-Shiller HPI (yoy)	Jun	—	—	2.3%
8/26/25	10:00	Consumer Confidence	Aug	-	96.8	97.2
8/20/25	7:00	MBA Mortgage Applications	Aug 15	—	—	-1.4%
8/28/25	8:30	GDP (qoq saar)	2Q S	—	3.1%	3.0%
8/28/25	8:30	Personal consumption (qoq saar)	2Q S	—	—	1.4%
8/28/25	10:00	Pending Home Sales	Jul	—	0.3%	-0.8%
8/29/25	8:30	Wholesale Inventories	Jul P	—	—	0.1%
8/29/25	8:30	PCE Core Prices (mom)	Jul	0.3%	0.3%	0.3%
8/29/25	8:30	PCE Headline Prices (mom)	Jul	0.2%	0.2%	0.3%
8/29/25	8:30	PCE Core Prices (yoy)	Jul	2.9%	2.9%	2.8%
8/29/25	8:30	PCE Headline Prices (yoy)	Jul	2.6%	2.6%	2.6%
8/29/25	8:30	Personal saving rate	Jul	—	—	4.5%
8/29/25	8:30	Personal Spending	Jul	—	0.5%	0.3%
8/29/25	8:30	Personal Income	Jul	—	0.4%	0.3%
8/29/25	8:30	Advance Goods Trade Balance	Jul	—	-$89.4bn	-$84.9b
8/29/25	9:45	Chicago Purchasing Managers	Aug	—	—	47.1
8/29/25	10:00	U. of Michigan Sentiment	Aug F	—	—	58.6

Source: BofA Global Research

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Companies reporting this week

Below we list confirmed/tentative dates for S&P 500 companies reporting this week.

Exhibit 6: Companies scheduled to report this week
Earnings schedule. Forward EPS Estimates.

Date	Time	Name	Ticker	Sector	Mkt Cap ($MN)	Description	BBG Consensus Estimate	BofA Analyst Estimates
8/27/2025	Bef-mkt	J M Smucker Co/The	SJM	Consumer Staples	$12,080.86	Q1 2026 Earnings Release	1.93	1.95
8/27/2025	Bef-mkt	Williams-Sonoma Inc	WSM	Consumer Discretionary	$25,057.16	Q2 2026 Earnings Release	1.80	1.74
8/27/2025	Aft-mkt	Cooper Cos Inc/The	COO	Health Care	$15,067.18	Q3 2025 Earnings Release	1.07	1.07
8/27/2025	Aft-mkt	Agilent Technologies Inc	A	Health Care	$34,610.45	Q3 2025 Earnings Release	1.37	1.36
8/27/2025	Aft-mkt	Crowdstrike Holdings Inc	CRWD	Information Technology	$104,547.15	Q2 2026 Earnings Release	0.83	0.83
8/27/2025	Aft-mkt	HP Inc	HPQ	Information Technology	$25,975.59	Q3 2025 Earnings Release	0.74	0.73
8/27/2025	Aft-mkt	NVIDIA Corp	NVDA	Information Technology	$4,340,760.00	Q2 2026 Earnings Release	1.01	0.98
8/27/2025	Aft-mkt	NetApp Inc	NTAP	Information Technology	$22,072.91	Q1 2026 Earnings Release	1.53	1.54
8/28/2025	Bef-mkt	Hormel Foods Corp	HRL	Consumer Staples	$16,078.92	Q3 2025 Earnings Release	0.40	0.41
8/28/2025	Bef-mkt	Dollar General Corp	DG	Consumer Staples	$24,628.10	Q2 2026 Earnings Release	1.57	1.44
8/28/2025	Bef-mkt	Best Buy Co Inc	BBY	Consumer Discretionary	$15,924.97	Q2 2026 Earnings Release	1.20	1.23
8/28/2025	08:00	Brown-Forman Corp	BF/B	Consumer Staples	$14,765.15	Q1 2026 Earnings Release	0.38	N/A
8/28/2025	Aft-mkt	Autodesk Inc	ADSK	Information Technology	$62,128.48	Q2 2026 Earnings Release	2.45	2.45
8/28/2025	Aft-mkt	Ulta Beauty Inc	ULTA	Consumer Discretionary	$23,926.79	Q2 2026 Earnings Release	5.06	5.03
8/28/2025	Aft-mkt	Dell Technologies Inc	DELL	Information Technology	$88,786.72	Q2 2026 Earnings Release	2.30	2.35

Bloomberg, BofA Global Research. N/C = No coverage by BofA Global Equity Research N/A = Not Available

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Exhibit 7: Notable Conference Calls
Conference Calls for the Week of 8/26/2025

Research Analyst	Conference Call	Date	Time
Saurabh Pant	Zoom Call with Kimberlite on Pressure Pumping (Hydraulic Fracturing) Outlook	Tuesday, August 26, 2025	11:00am ET

Source: BofA Global Research

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Disclaimer

Selected Bank of America ("BAC") transaction data are used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used are not comprehensive; they are based on aggregated and anonymized selections of BAC data and may reflect a degree of selection bias and limitations on the data available.

Methodology explained

Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

BAC data used in this report include spending from active US households (HHs) only. Spending from corporate cards is excluded.

Our methodology for calculating the growth rates for daily data: we calculate the %y/y growth rate by matching calendar days (Jan 1, 2024 matched to Jan 1, 2023). The % change is calculated based on the 7-day moving average of spending levels.

Client Aggregation Data: To help prevent the possibility that any specific company's identity or client's can be discerned, any data set that includes companies / clients must be comprised of at least five companies / clients in the same industry, and no single company / client may comprise more than 25% (i.e., 25% cap) of the relevant industry.

Options Risk Statement

Potential Risk at Expiry & Options Limited Duration Risk

Unlike owning or shorting a stock, employing any listed options strategy is by definition governed by a finite duration. The most severe risks associated with general options trading are total loss of capital invested and delivery/assignment risk... all of which can occur in a short period.

Investor suitability

The use of standardized options and other related derivatives instruments are considered unsuitable for many investors. Investors considering such strategies are encouraged to become familiar with the "Characteristics and Risks of Standardized Options" (an OCC authored white paper on options risks). U.S. investors should consult with a NASD Registered Options Principal.

For detailed information regarding the risks involved with investing in listed options visit theocc.com

Price objective basis & risk

Advanced Micro Devices, Inc (AMD; C-1-9; $167.76)
Our $200 PO is based on 33x our 2026E non-GAAP EPS, which is towards the higher-end of AMD's historical 13x-39x range, justified by AI growth and CPU share gains offset by slower growth in cyclical embedded/console markets.

Downside risks: 1) Execution on first rack-scale product (MI400 Series), 2) Timing/Magnitude of Middle East AI Projects, 3) Lumpy nature of consumer and enterprise spending that could create delays in acceptance and success of new products, 4) High reliance on one outsourced manufacturing partner, 5) Maturity of current game console cycle.

Upside risks are greater share gain potential in the PC and server processor market against competitors

NVIDIA Corporation (NVDA; C-1-7; $177.99)
Our $220 PO is based on 37x CY26E PE ex cash, in the middle of NVDA's historical 25x-56x forward year PE range, which we believe is justified by NVDA's leading share in fast-growing AI compute/networking markets, offset by lumpiness in global AI projects, cyclical gaming market, and concerns around access to power.

Downside risks are: 1) weakness in consumer driven gaming market, 2) Competition with major public firms, internal cloud projects and other private companies in AI and accelerated computing markets, 3) Larger than expected impact from restrictions on compute shipments to China, or additional restrictions placed on activity in the region, 4) Lumpy and unpredictable sales in new enterprise, data center, and autos markets, 5) Potential for decelerating capital returns, and 5) Enhanced government scrutiny of NVDA's dominant market position in AI chips.