MILLER TABAK + CO., LLC

August 16, 2026

1) An important theme on which I have written extensively this year is the contention of the bears that the market will ultimately succumb to the historic 18% correction witnessed in 18 of the 20 Post World War II mid-term Election years. Even Ronald Reagan, following his triumphant re-election landslide in 1984, lost 5 seats in the '86 midterms. The biggest loss was seen by Bill Clinton—54 seats in the '94 midterms. Thus far, as chronicled by this writer, rather than an 18% overall correction, we have instead witnessed week by week intense corrections group by group and even name by name rather than the overall market and I believe this will continue to be so. If one were long RDDT or RBLX two weeks ago, or long APP (from its mid-week high) or TTD one week ago, or TPR this past week, one certainly suffered the pain of an 18% correction while the overall market merrily marched to new highs. The reason I am placing this as #1 paragraph this week is that despite all the chatter of the coming 18% correction, the VIX closed the week at the low for the year—14.25—even below the year-end '25 close and approaching the 13.38 level of Christmas Eve '25. The VIX is a mathematical computation not subject to the whims of market pundits. Naturally, the bears will argue that the VIX is showing utter complacency but the same argument could have been made months ago as the market continued to climb. Given how quickly minds are changed by the "theme of the week" I contend that this group by group, name by name will continue rather than happening to the overall market. If I am wrong, one would expect it to be reflected in the VIX, certainly with some anticipation of that downside move.

2) Last Sunday, I began by congratulating the Miller Tabak Economist, Paul Shea to have been virtually the only Economist on the Street, that got the poor July jobs data correct. The validity of his viewpoint continued this week with the worse than anticipated jobless claim number. Dovetailing with his overall view, Shea published a piece this week entitled "A September Rate Hike Would Be Madness" (your inbox late Wednesday evening USA/early Thursday morning UK-EU) in which he advocates it is past time for Warsh to stop worrying about a return of sustained inflation and instead "start worrying that high yields are creating a fall in demand." Core-CPI inflation was 2.6% annualized in July, bringing its three month average to 1.6% and its y/y reading to 2.5%. This figure is "set to fall as high readings from July and August 2025 soon cycle out of the 12 month window." Headline readings will pick back up in August but "that

will not be cause for concern." Thus a September rate hike is "indefensible." Warsh's stubbornly hawkish position will postpone a rate cut until the 2Q'27 and delay Shea's view of a 3.5% ten-year yield until mid-2028.

3) Continuing with the theme of the impact of the fixed income market on equities, I had expressed concern that my most important indicator—HYG—was becoming bearish for equities. Indeed, those concerns about what the HYG was suggesting about debt markets was reflected in the poor equity market action in late July. HYG has since bounced smartly off the close of the week of July 27th and the lows of the first week in August did not eradicate the closing low of that July week. Last week's low tick was also above the previous week's low. The equity market therefore responded as one might expect. While HYG closed the week above the 50 day moving average, it remains downward sloping and the index is also below the downward sloping 200 day. A break of the close in this Index for the week of July 27th would be decidedly bearish for equities in general.

4) Clearly, the most frightening comment for the week came from a pundit stating, in writing, that the US tech trade is now "bullet proof." Think about that for a moment. Relative to tech, the $500BB deal NVDA unveiled this week under which tech groups will be able to lease semiconductors with financing from 6 household financial names was greeted with excitement. Both BX and APO, part of the private equity group about which this writer has commend positively during this year and was clearly wrong for a lengthy period of time, rocketed this week about 20%. The CEO of NVDA aggressively asserted that this pact will create a "new asset class backed by chips which is ripe for investment from the $22Tr private capital industry. The CEOs of Black Rock and Blackstone also chimed in about how keen they are to deploy capital to tap into the insatiable appetite for new data centers to train and power the latest AI models. Skepticism about this model arises surrounding the issue of what if these financiers misjudge the durability demand for and the value of NVDA chips. Fundamentally, chips' long-term value remain in question as the technology evolves quickly and demand fluctuates. Moreover, anticipated revenue streams lag far behind spending plans.

5) However, NVDA argues that its older H100 chips are maintaining their value longer than initially forecast due to breakneck demand for computing power. On an X post, NVDA stated its rental pricing for its recent chips had increased and even its 6 year old A100 chips were still in use, longer than initially estimated for their lives. NVDA has also extended the life of chips by regularly updating its software platform. Cuda. Another provocative part of this $500BB deal is that NVDA is "guaranteeing" that the chips hold at least 25% of their value through the lease term, putting the company on the hook for any initial losses. This guarantee underscores that chip financing deals can be packaged into securities and sold to debt buyers. An interesting question becomes if GPUs will then be capitalized into different layers of risk, mimicking CLOs. Another

issue on which the bulls and bears will grapple is whether this will relieve the pressure on NVDA to finance its own customers (what used to be called department store vendor financing) and reduce any perceived pressure to its balance sheet.

6) It now appears that the US and European banks do not want to miss out on the "fun". According to one of the AI sources I use, in the 1st quarter of this year, all 10 of the largest US banks talked about concerns relative to "risks in the private credit sector" and mentioned that phrase 79 times. In the second quarter conference calls, only 3 of the 10 mentioned private credit concerns and the phrase was used only 10 times.

7) Turning to the currency markets, the recent performance can clearly be viewed as a positive for equities. As this writer stated last Sunday, Bessent and his counterpart Katayama did a masterful job in stabilizing the Yen and the currency markets overall. In August, currency markets are generally quiet on both participation and liquidity but not necessarily on realized volatility. The Yen has now orderly strengthened from a low of 163.98 to a high of 158.41 with minor weakness this week to a close of 159.31. Concomitantly, the NIKKEI has risen a shade under 14% since the July lows and has risen 37% y/t/d. In addition to the action in the NIKKEI and to the chagrin of the US equity bears, the reversal in the Yen did not lead to an unwinding of the carry trade and its impact on US equities. Hard data on the carry trade, however, remains opaque.

8) Small cap investors remain ecstatic about the statistically meaningful outperformance of the Russell 2000 over the S+P 500 y/t/d. There are a myriad of comments as to why this has occurred, the two most important being a catch-up in valuation metrics relative to large-caps and a broadening of market participation away from the AI-linked megacaps. It will be interesting to observe if any of the euphoria created this week over the NVDA deal produces a reversal of that broadening.

9) Digital gold: As mentioned last week, the failure of the Clarity Act to emerge from the Senate Banking Committee stopped any rally in crypto. Bitcoin is down 28% y/t/d and Ethereum 37%. However, the emergence of stories this week that either the SEC or the CFTC would produce their own set of regulations similar to those proposed in the Clarity Act produced strong mid-week performance by CRCL, HOOD and GLXY along with other names. However, when nothing materialized at week's end, most of these stocks meaningfully retreated but remain well-above summer lows. One can affirmatively argue that SEC/CFTC regulations are less meaningful than the passage of an actual law, as Chairmen of those regulatory bodies can easily be replaced with administration changes.

Jeff

Have a productive week

Jeffrey Tabak

Miller Tabak + Co.,LLC

(212) 348-5101 office

(917) 208-3317 mobile

Although the information contained in this report (not including disclosures contained herein) has been obtained from sources we believe to be reliable, the accuracy and completeness of such information and the opinions expressed herein cannot be guaranteed. This report is for informational purposes only and under no circumstances is it to be construed as an offer to sell, or a solicitation to buy, any security. Any recommendation contained in this report may not be appropriate for all investors. Trading options is not suitable for all investors and may involve risk of loss.