Nasdaq Hits a Record as Chipmakers Lead; Dow Slips as Financials Lag

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MARKET SNAPSHOT

NASDAQ COMP	DOW	S&P 500
+0.5%	-185	FLAT
2-YEAR YIELD	**WTI CRUDE**	**BITCOIN**
4.71%	$90	$86,000

The Nasdaq Composite notched a fresh all-time high on Tuesday, rising 0.5% as semiconductor names and mega-cap technology led the tape. The Dow Jones Industrial Average slipped about 185 points, with bank stocks weighing on the average. The S&P 500 finished little changed, stalling just short of its own record.

Treasurys bull-steepened. Two-year yields fell five basis points to 4.71%. The long bond held at 5.29%. West Texas Intermediate stayed under pressure at $90 a barrel. Gold firmed to $4,360 an ounce. Bitcoin extended its bid above $86,000. The VIX eased toward 14.

Leadership stayed narrow. Technology carried the Nasdaq. Financials left the Dow in the red.

Inflation and the PCE Revision

A new methodology for core PCE is due in early October. The change is expected to lower the printed core PCE rate by 20 to 40 basis points.

Goldman Sachs puts excess inflation at 1.75 percentage points and expects about 100 basis points of that gap to fade over the next six months. If that path holds, the inflation tape Goolsbee described last week gets easier, not harder.

Employment, Sentiment, and the Calendar

The University of Michigan sentiment report is due Friday. A soft jobs print remains a live input for the next policy shift.

Investor sentiment has swung back to a bull-over-bear reading above 50%. That crowding last showed up during the tariff wars and the Iran war. It is a warning on positioning, not a reason to fade the two tests.

What the Reserve Stance Means

The Federal Reserve can raise the funds rate and still stay friendly. What matters is whether it is still flooding the banking system with reserves, or starting to drain them.

Ample reserves means policy is still easy. Cash stays in markets. That is Stage I or Stage II.

Scarce reserves means policy has turned restrictive. Liquidity is being pulled. That is Stage III — the part that breaks stocks.

On September 16 the Fed hiked 25 basis points to 3.75%–4.00%. In the same statement it said it is “continuing its policy of maintaining ample reserves in the banking system.” That sentence is the reserve stance. It is why the hike was treated as Stage II, not Stage III.

So “we read the reserve stance” means: do not trade the headline hike. Read whether the Fed is still keeping liquidity ample. Until that language flips from ample to scarce, the two tests still pass and the house view stays invested.

THE FED HIKED. IT DID NOT DRAIN RESERVES.

THAT IS STILL STAGE II.