

This commentary was written by our team and NOT outsourced to a third party. We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have questions regarding our observations.



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BEACONS OF THE WEEK

The two main purposes of a Lighthouse are to serve as a navigational aid and to warn ships (Investors) of dangerous areas. It is like a traffic sign on the sea.



Campen Lighthouse, Campen, Germany

This 65-meter-tall lighthouse is in the northwest region of Germany. The lighthouse remains active today and was originally built in 1889. The machine building attached to the lighthouse is Germany's oldest workable diesel engine.



Chipiona Lighthouse, Chipiona, Spain

This lighthouse is an active 19th century lighthouse located in southwest Spain. The lighthouse serves as the landfall light for Seville. The lighthouse is 62 meters tall and is one of the twenty tallest traditional lighthouses in the world.

Feel free to send us your photos of Lighthouses to be featured in our weekly market observations.



Another IPO

As markets have continued to heat up and investor sentiment improves, deal-making has also intensified. Both the IPO and M&A markets have begun to show signs of life after a prolonged period of stagnation. This year, we have seen numerous IPOs from new-age companies. For the most part, these IPOs have been highly successful and caught the eyes of retail and institutional investors.

We bring this up in this week's edition of this publication because one company that is quite well known filed its paperwork late last Friday to go public. Gemini Space Station, which was founded by the Winklevoss twins, is the latest crypto firm that hopes to benefit from a hot IPO market. Gemini disclosed its latest financials in its filings, and the numbers were quite subpar. Gemini's revenue was \$142.2 million last year, a 45% increase YoY; however, the firm reported a net loss of nearly \$160 million over the same period. Over the first 6 months of 2025, Gemini's revenue growth has slowed, and its losses have exploded. Net losses total \$282.5 million through the first six months of 2025. Gemini reported solid user growth and asset growth.

Gemini's filings did not indicate how many shares and at what valuation Gemini will raise. Gemini was last valued at \$7.1 billion during a 2021 raise when the company raised \$400 million.

Crypto IPOs have delivered this year, and it looks like Gemini wants to capitalize on that. Stablecoin issuer Circle Internet Group has nearly quintupled since its June IPO. Crypto exchange Bullish gained nearly 90% on its first day of trading last week.

Grayscale and BitGo have also filed confidentially with the SEC for IPOs, and several other private crypto firms worth \$1 billion plus could also test the IPO market shortly. Those firms include Kraken, Fireblocks, and Chainalysis.

For those of you who do not know, the Winklevoss twins went to Harvard with Mark Zuckerberg and famously sued Zuckerberg regarding the creation of Facebook. The two college-aged men received \$65 million as a settlement. The two men turned that small fortune into billions, famously buying a substantial stake in Bitcoin's early days.

We will not be buyers of Gemini even though there could be some upside. Gemini shares will be extremely volatile and, in our opinion, will not be suitable for our investors. The company has also reported large losses that continue to grow. Gemini also exposes a concentration risk, as 45% of the company's revenue comes from its top 100 clients. Crypto exchanges have also seen their margins thin in recent years as competition has driven down trading fees.

This IPO further accelerates the adoption of crypto into traditional finance. There has been a rush to capitalize on a strong IPO market and increased investor demand in crypto throughout 2025. Gemini is the latest firm that will look to raise and capitalize on this trend. The trend could easily correct itself, and many retail buyers could be caught holding the bag.



Beaten-down chipmaker secures BIG investment

Intel announced a \$2 billion investment from SoftBank this week, giving the stock a large boost after a rough 18 months. SoftBank will buy Intel shares at a slight discount to their Monday, August 18th, closing price. The move is being seen as a vote of confidence in management and could be a catalyst for Intel shares. Intel has been left behind in the chip race and has been playing 'catch-up' over the last few years.

Beyond the capital that SoftBank is supplying comes a connection for Intel that could become even more important than money. SoftBank is the majority shareholder in Arm Holdings, a chip design firm. ARM, in theory, could become a major customer for Intel.

ARM does most of its business licensing its designs for handsets, but it is aiming to make its own chips as soon as this year.

Intel desperately needs major external customers choosing to manufacture semiconductors using its current or future process.

SoftBank's CEO released a statement after this investment was announced, stating, "This strategic investment reflects our belief that advanced semiconductor manufacturing and supply will further expand in the United States, with Intel playing a critical role."

This announcement from SoftBank and Intel comes just days after it was reported that the Trump administration was looking to make a direct investment in Intel. The Wall Street Journal reported Intel could convert some of the billions of dollars it is set to receive from the 2022 Chips and Science Act and convert that to equity. According to the Commerce Secretary, the U.S. government's shares in Intel would be "non-voting".

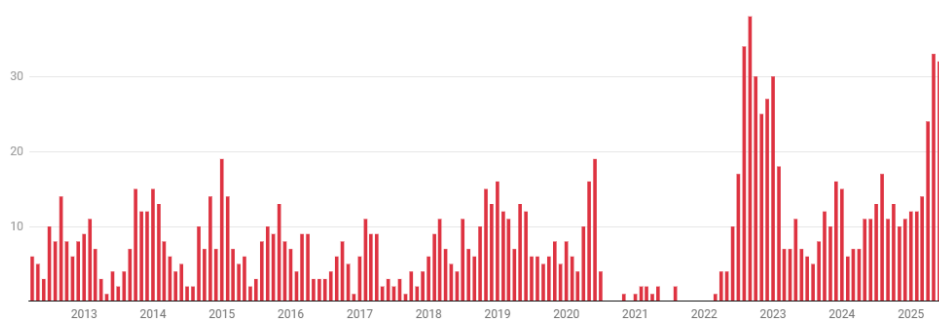
The Trump administration wants the U.S. to remain the dominant player in chip production globally. This report (regarding the government investing in Intel) shows how far Trump is willing to go to get that done, an equity investment in a legacy player that has fallen behind in a high-growth industry. This would certainly not be your typical private-public partnership.

Home prices dropping

U.S. home prices dropped in 39 metropolitan areas in July. The data set tracks the largest 50 metros in the U.S. The data set goes back to 2012 and has surged in 2025. July's number is the highest ever, surpassing the previous record, which occurred in 2022.

Home Prices Fell in a Record 39 Major U.S. Metros in July

Number of the 50 Most Populous U.S. Metros Recording a Month-Over-Month Decline in Home Prices



Source: Redfin Home Price Index • [Get the data](#) • Created with [Datawrapper](#)



Why is this happening? Several reasons. Interest rates, economic conditions, affordability, and uncertainty. Consumers simply cannot afford to purchase homes, resulting in sellers slashing prices.

On a national level, home prices dropped by 0.1% in July on a seasonally adjusted level, the third straight monthly decrease. According to the Redfin Home Price Index, home price growth slowed to 2.9%, the lowest rate recorded since 2012 (when Redfin created the index). According to the U.S. Census Bureau, the median home price in Q2 2025 was \$410,800 — down from \$423,100 at the beginning of the year.

West Palm Beach, Florida, saw the steepest monthly decline at 2.6%, followed by San Diego (-2.2%) and Austin, Texas (-1.9%).

Despite the recent declines in home prices, consumers remain hesitant to buy in these market conditions. We do not expect prices to tank in the short term despite this market weakness. Inventory remains soft, which will continue to elevate prices.

Our only exposure to U.S. housing and the overall housing sector comes through our Alternative Asset Trust, which invests in our real estate fund. Our real estate fund has diverse exposure to different residential, commercial, industrial and land banking properties across North America.

Tariff extension

On Tuesday morning, President Trump and the Department of Commerce announced new tariff measures that extend current aluminum and steel tariffs. The 50% duties that once applied to aluminum and steel will now apply to more than 400 products.

All the products that will be impacted by these tariffs are related to steel or aluminum and were previously exempt from the 50% duties. Some of these products include specialty chemicals, car parts, fire extinguishers, and plastics.



Experts say these new levies will have a significant impact. A Michigan State University Professor posted on LinkedIn after these tariffs were announced and stated that \$320 billion of imports (2024 numbers) would be impacted by these 50% tariffs.

These tariffs will ramp up inflationary pressures on producers just as PPI numbers began to spike last month.

The White House did not comment when asked if these new measures would impact countries whose tariff rate comes in below 50% and those that have recently inked a trade deal with the U.S.

In another tariff-related story, the ratings agency S&P Global released data that claims the new tariff measures set by the Trump administration could do something to tame the deficit. S&P Global has stated that Trump's new Big Beautiful Bill will add to the debt and deficit levels. However, they also claim the tariff revenue earned from these new levies could offset those losses and not impact national debt levels in a great way.

S&P Global said in a report published late Monday, "and, in turn, broad revenue buoyancy, including robust tariff income, will offset any fiscal slippage from tax cuts and spending increases." This statement came in a report on the U.S.'s credit rating, which S&P Global did not change. The ratings agency stated that they do not anticipate any rating change to the U.S. in the short term.

The U.S. budget deficit grew to \$291 billion last month, according to the Treasury Department, despite tariff revenue surging to \$28 billion.

Total U.S. debt reached a record \$37 trillion last week, according to the Treasury Department.

Foreign holdings of U.S. Treasuries hit a record high of \$9.13 trillion in June, according to Treasury International Capital data the department published last week. Japan is the single largest holder of U.S. federal debt at \$1.15 trillion.

Data center deal

JPMorgan and Mitsubishi UFJ Financial Group are reportedly nearing a deal to finance a data center for Vantage Data Centers. The two financial firms will reportedly underwrite a \$22 billion loan, which will be used to build a 1,200-acre data center in Texas. Vantage Data Centers is one of the world's biggest data center operators. This project, once complete, will be one of the world's largest data centers.

Vantage Data Centers announced the new facility this week alongside Republican lawmakers. The data center will reportedly cost \$25 billion. SilverLake and Digital Capital will reportedly commit \$3 billion in combined equity financing to help build the data center campus. The data center campus will eventually be home to 10 different data centers, with the first being completed by the middle of next year.

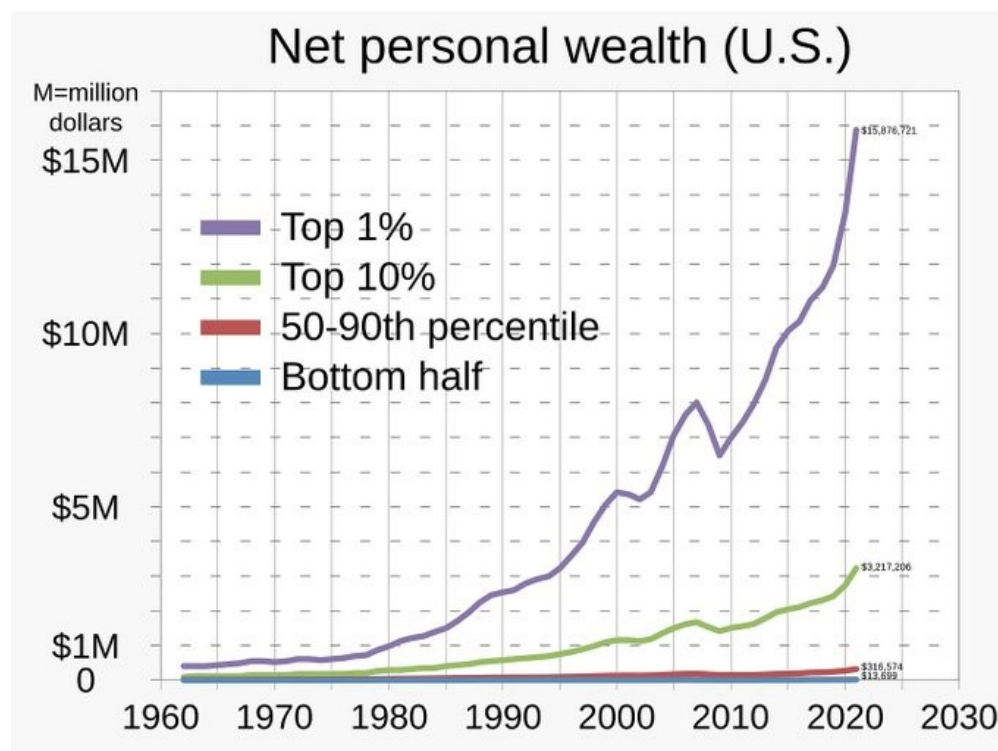
This large raise for this data center shows just how serious Wall Street is when it comes to financing data centers that will be used for various artificial intelligence applications.

This is not the first large raise for data centers this year that came together very quickly; last month, Elon Musk's xAI raised \$10 billion to finance data centers in Tennessee. Meta Platforms is looking to close on a \$29 billion raise, which will be used for its AI initiatives with several private credit firms.

We expect this trend to accelerate moving forward. Data centers look like the next large real estate trend where capital will be chasing returns.

Growth of the upper class

We ran by an image that we wanted to share with our readers this week. The chart tracks net personal wealth by various groups across the U.S. since the 1960s. The wealth of the top 1% has exponentially grown, especially since the late 1990s/ early 2000s, and even more so over the last 15 years.



At the same time, the wealth of other groups has seen much lower growth. This wealth gap has led to many cultural issues across the country and has seemingly turned up the temperature on numerous fronts.

The personal wealth of the top 1% has surged while U.S. government debt has exploded. The liquidity that government debt has provided financial markets has unquestionably benefited the richest in society.



We are not sure of the solution in solving this issue, but we believe it will be something that will be addressed over the next decade, especially if the gap continues to expand.

Earnings miss yet shares move higher

Home Depot reported its fiscal second-quarter earnings on Tuesday, and investors were pleased despite the company missing earnings and revenue estimates. Investors were pleased when Home Depot reaffirmed its full-year outlook in its earnings call on Tuesday despite a quarterly miss. This is the second straight quarter that Home Depot missed street estimates for earnings.

Home Depot reiterated that it expects full-year total sales to grow by 2.8% and comparable sales, which take out the impact of one-time factors like store openings and calendar differences, to rise about 1%.

Revenue and earnings for the second quarter came in lower compared to the year-ago period.

This quarterly report was Home Depot's first time missing both revenue and earnings estimates since May 2014.

Home Depot, maintaining its fiscal year outlook, reflects that it forecasts a pickup in home improvement activity through the end of the year. The company's CFO said in an interview that the company continues to feel the effects of consumers' "deferral mentality," which began in May 2023. Management describes the "deferral mentality" as consumers deferring purchases or renovations due to economic uncertainty. The CFO highlighted several factors that are encouraging signs for the retailer, including big-ticket transactions and sales data in several of the company's core business units.

Currently, the company's 2025 fiscal year outlook does not include the impact of a rate cut from the Federal Reserve. If rates are cut and the housing market heats up, Home Depot could report some strong numbers through the second half of its fiscal year.

Generally, Home Depot customers are in better financial condition than the average U.S. consumer. This could help the company weather higher costs from disruptions in supply chains and tariffs.

We will be watching Home Depot very closely in the coming quarters. We think the company serves as a barometer for economic activity.

MacNicol & Associates Asset Management
August 22nd, 2025