

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 any observations.



**MACNICOL & ASSOCIATES**  
ASSET MANAGEMENT

Contact us today if you would like to meet about your investment future. [info@macnicol.com](mailto:info@macnicol.com)

## 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.*



### **Ortona Lighthouse, Ortona, Abruzzo, Italy**

This lighthouse is located off the north-east coast of Italy. It was originally built in 1937 and stands at 79 feet tall. At the top of the lighthouse sits a two-storey home for the lighthouse keeper.



### **Bishop Rock Lighthouse, Isles of Scilly, United Kingdom**

This lighthouse was built in 1858 by renowned civil engineer James Walker. The lighthouse stands at 161 feet tall and was automated in 1992.

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

## **CoreWeave makes a splash**

CoreWeave was one of the strongest IPOs over the last year and a half. The New Jersey-based AI cloud computing startup IPO'd in March at \$40 per share. As of Thursday's close, shares were trading at \$160. This strong performance, paired with the strong performance of Circle Internet Group since its IPO just a month ago, has led to optimism across equity markets. Companies have been hesitant to launch their public offerings over the last few years due to economic uncertainty. The strength of the 2025 IPO market has given companies, investors, and executives some real optimism when considering a public offering.

We believe this trend is real, and investors will continue to buy up IPOs, especially in high-growth industries.

Back to CoreWeave. The company made its biggest announcement since going public on Monday morning. It announced an acquisition. CoreWeave will buy Core Scientific, a data-center infrastructure provider. Core Scientific is also one of the top Bitcoin mining companies.

CoreWeave currently leases space from Core Scientific, so both companies are familiar with each other. The acquisition is an all-stock transaction and values Core Scientific's equity at \$9 billion. The deal gives CoreWeave more direct control over the physical assets powering AI. CoreWeave stated that this acquisition will give them more control of their supply chain, eliminate leasing expenses, and reduce costs associated with financing projects.

The acquisition price values Core Scientific's shares at a 66% premium over their closing price on June 25th. June 26th was the first day that reports surfaced regarding acquisition talks between the two companies.

The deal is expected to close at the end of 2025 pending regulatory approvals.

CoreWeave expects Core Scientific shareholders' ownership of CoreWeave to be less than 10% of the overall company.

Core Scientific filed for Chapter 11 in 2022 following a plunge in the cryptocurrency market. In early 2024, the company received court approval for restructuring. In mid-2024, CoreWeave received an unsolicited, non-binding takeover offer from CoreWeave, which it rejected, saying it was significantly undervalued.

Goldman Sachs is CoreWeave's adviser, while Moelis and PJT Partners are the financial advisers to Core Scientific.

The biggest gainer from this announcement was Core Scientific bonds, which were trading significantly at a discount before this announcement.

CoreWeave's CEO said the company continues to look at other M&A deals moving forward to expand its capabilities.

We do not own shares of CoreWeave and would not recommend buying shares at the current price due to their elevated valuation and the shares' meteoric rise over the last few months.

### **U.S. Steel buyout goes through**

For what feels like years, we have been talking about a potential U.S. Steel acquisition. After a few years, a deal was finally finalized. Two weeks ago, Nippon Steel officially acquired the Pennsylvania-based steel producer upon approval from the Trump administration and major changes to the original deal.

U.S. Steel shares ceased to trade on the NYSE on June 18th after Japan-based Nippon Steel completed its acquisition of the company. The official delisting came on June 30th. The company had the ticker "X" for over a century.

Former President Joe Biden blocked Nippon's original acquisition of U.S. Steel. President Trump pushed for a more attractive arrangement between the two companies that would benefit Americans. He has called the new deal a partnership. Trump made both companies sign a national security arrangement with the U.S. government as a condition for him approving the deal. Under the terms of the deal, U.S. Steel will continue to operate under its name.

According to President Trump and U.S. Steel, the President will have a golden share, which gives him veto power over the following decisions:

- Changing U.S. Steel's name or moving its Pittsburgh headquarters
- Moving the company outside the U.S.
- Moving production or jobs out of the U.S.
- Material acquisition of competing businesses in the U.S.
- Reduction in capital expenditures

Nippon agreed to keep U.S. Steel incorporated in the U.S. and will invest \$11 billion in the U.S. company by 2028, including \$1 billion on a greenfield project that will be completed after 2028.

Nippon Steel paid \$55 per share for U.S. Steel. Shares stopped trading on June 18th at \$47.58. The deal's total value was \$14.9 billion.

Shareholders, including some of our investors, were paid out over the last few weeks.

We had long believed U.S. Steel was undervalued. We were not spooked by the volatility in the share price over the last few years due to acquisition news, including a deal that was not approved by President Biden. Even if a deal was not finalized this year, we continued to believe that U.S. Steel had a lot of upside and traded at a discount.

After years of commentary that followed U.S. Steel, this is our final piece of coverage for our newsletter readers and our investors.

The deal was a nice win for shareholders of U.S. Steel.

### **Forget high growth, look at these defensive names**

Blink and you would have missed it. One sector has several names that have greatly outperformed the market over the last year, and we are not talking about technology, communication services, or even gold miners. We are talking about a very defensive industry that has numerous names up 20% over the last year, while the S&P 500 is up 11%. Investors have gotten much more upside while minimally taking on risk in our eyes.

We have been buying a few names in this sector for over a year now and will continue to do so. The sector we are talking about is utilities. The utilities sector is boring; it is not high growth, nor sexy, and many investors often ignore it. From a high level, the utilities sector encompasses businesses that provide essential services like electricity, natural gas, water, and waste management. These companies operate infrastructure such as power lines, pipelines, and treatment plants to deliver these services to homes and businesses.

The run that some of these utility providers have gone on has been quite strong. Two of the top ten performing stocks in the S&P 500 in 2024 were utility providers, Constellation Energy and Vistra. Unfortunately, we did not own (or currently own) these companies due to their price multiples and other fundamental factors; however, we have owned a few other companies in this sector that we continue to believe will outperform and have minimal risks. The two major utility providers that we own across several client accounts (and continue to buy), that we are talking about are PPL Corporation and Hydro One. Both companies are utility providers, one is U.S.-based, and the other is Canadian-based.

PPL Corp. operates across Pennsylvania, Kentucky, and Rhode Island. The company serves close to 4 million customers. Hydro One is a Toronto-based electricity provider that serves customers across Ontario. The Province of Ontario currently owns 47% of Hydro One.

As of July 8th, Hydro One shares are up 23% over the last year, and PPL Corp. shares are up 22%. Both stocks have pulled back slightly in recent weeks from 52-week highs. We think the small pullback is a great buying opportunity for investors. This pullback has not been caused by any major news piece. Both companies trade in the same range relative to earnings, a low 20's trailing P/E and high teens forward P/E. Beyond the high-level valuation, we like the safety that utilities provide to a portfolio. Today's market is littered with uncertainty and has been highly volatile; we think that trend continues. Having some safer stability is a bet we're willing to make over the next 6-12 months.

We like these companies for a variety of reasons. Both companies present investors with a strong risk/reward relationship through consistent and growing earnings paired with disciplined management.

Both companies also provide investors with a strong and growing dividend. For our retired investors, this income is a bonus to the growth we see below the surface.

Our high-level thesis for PPL Corp., beyond the points mentioned, includes predictable cash flows, strong infrastructure growth, and strong capital expenditure commitments to meet the growing demands of the grid being driven by data centers. PPL Corp. is targeting 6-8% growth annually for its earnings and dividends until at least 2028. In its most recent earnings report, it beat consensus quarterly numbers as EPS increased 11% year-over-year. The company continues to look to capitalize on growing data center demand being driven by the AI boom. In its recent earnings release, PPL Corp. announced it is significantly ramping up cap-ex spending from 2025 to 2028 (\$20 billion) to harden the grid and support rising demand from data centers. In terms of risk factors to watch, we continue to watch equity dilution, regulatory approvals, and quarterly earnings. PPL Corp. slightly missed earnings targets in the last quarter of 2024.

Our Canadian-based clients will be much more familiar with Hydro One, which is the second company we mentioned. Our high-level thesis for Hydro One, beyond the points mentioned two paragraphs above, includes its market position, forecasted growth, and a focus on grid modernization. Hydro One operates in an industry that it dominates, serving 1.4 million customers across Ontario. It also owns 98% of high-voltage transmission in Ontario. The industry is essentially a regulated monopoly, which Hydro One benefits tremendously from. In terms of forecasted growth, the company has forecasted earnings growth of 5-7% until at least 2027, driven by growing demand, rate base expansion, and strategic investments. Hydro One also continues to focus on modernization as the Province of Ontario pushes renewables, EVs, and rolls out broadband commitments. In terms of risk factors, we will be watching for Hydro One; we continue to watch Hydro One's leverage, regulatory constraints, and quarterly earnings. Hydro One has a moderate amount of leverage, boasting net debt of \$17.7 billion. Despite its debt profile, the company boasts a strong credit rating as S&P recently upgraded its long-term credit rating to an A. We remain bullish on Hydro One due to its strong dividend, disciplined management, and forecasted earnings growth, which will be driven by numerous factors, including the Province of Ontario's transition to electrification.

We remain bullish on both companies moving forward.

*Disclaimer: MacNicol & Associates Asset Management holds shares of Hydro One (TSX:H) and PPL Corp (NYSE: PPL) across various client accounts.*

## **Dr. Copper**

On Tuesday, copper futures hit an all-time high, breaking significant resistance on technical charts. Copper prices surged midday due to an announcement regarding tariffs from President Trump (yes, tariffs are back to being front-page news).



Trump announced a 50% tariff on copper imports as part of a set of sectoral tariffs. He also indicated that pharmaceuticals, semiconductors, and other metals will see tariffs. This increased copper futures on the New York Exchange by 17%, the largest single-day increase ever (data going back to 1988).

The U.S. imports approximately 36% of its copper needs. This could severely impact the price of numerous products in which copper is an input.

There have been fears for months that copper would be hit with a high tariff. This week we got that news. Copper stocks at COMEX have soared to 2025-to-7-year highs, while Chinese stockpiles have dwindled to multi-year lows. This flood of copper from the U.S. was in anticipation of tariffs. Currently, there is a 138% U.S. copper price premium over the global benchmark. This huge discrepancy in the price of copper in the U.S. versus the world could have a significant economic impact on Americans. Many believe that this tariff could have a severely negative impact on employment across certain industries.

The U.S. imports most of its globally sourced copper from Chile.

We will warn our readers that the actual tariff will more than likely be lower than 50% for copper imports. This belief stems from Trump's actions over the last 6 months, where he aims high and seems to settle closer to a midpoint.

### **First to \$4 trillion**

On Wednesday, Nvidia became the first company to surpass a market cap of \$4 trillion.

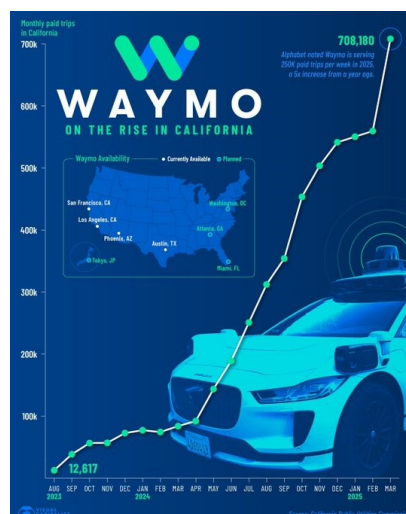


A few years ago, most analysts would have picked Microsoft, Apple, Amazon, or Alphabet to first surpass this threshold. However, as AI continues to ramp up, Nvidia has been the clear winner that investors have continued to pile into.

Nvidia has jumped more than 50% over the last few months as markets have heavily bounced back after the original tariff announcements. We will warn our readers that now might not be the time to buy Nvidia shares. The company trades well above 50 times earnings, a pass from our standpoint. Nonetheless, Nvidia continues to cement its status as the AI leader and a kingpin in global financial markets.

### Tomorrow technology, today

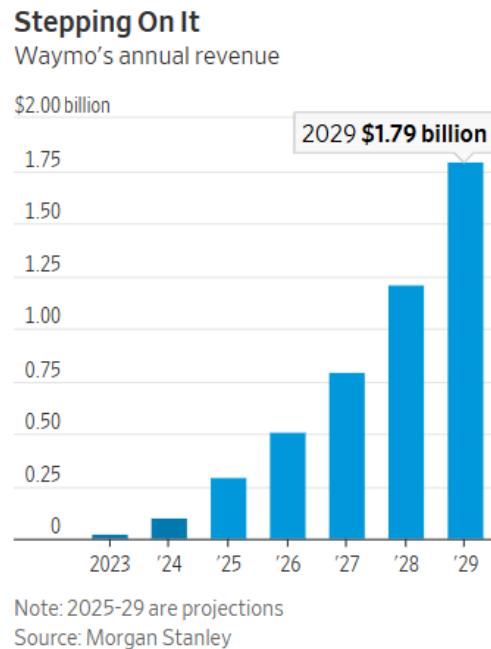
Robotaxi usage is on the rise in select markets across the U.S. In California, usage has soared. In August 2023, there were approximately 12,617 Waymo trips; today, there are close to 1 million.





The technology continues to improve, and consumers are buying the new service. We think the market will continue to grow, and Waymo looks like it will be the biggest winner in the early days of this trend. Waymo is owned by Alphabet, which could see a nice boost to its earnings from this new revenue stream. In the long run, this could severely impact the likes of Uber and Lyft unless they adapt.

Morgan Stanley is forecasting Waymo's revenue to hit \$1.79 billion by 2029, an 18x surge from last year's revenue.



We will continue to watch this industry and will be following Alphabet's earnings closely.

**MacNicol & Associates Asset Management**  
**July 11<sup>th</sup>, 2025**