

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.

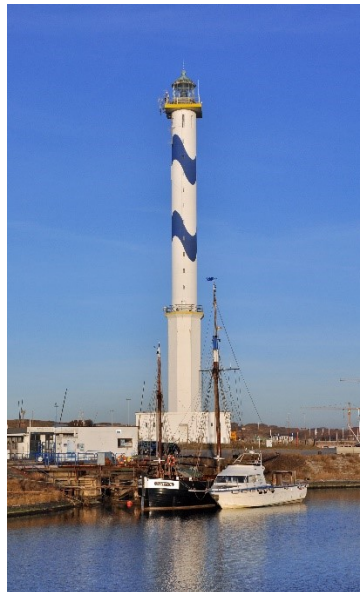


**MACNICOL & ASSOCIATES**  
ASSET MANAGEMENT

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.*



### ***Lange Nelle Lighthouse, Ostend, Flanders, Belgium***

This lighthouse is located on the north coast of Belgium on the North Sea. The lighthouse station was established in 1771, and the present lighthouse which stands at 190 feet in height was opened in 1949. The light is visible up to 27 nautical miles.



### ***Cape Hatteras Light Station, Dare County, North Carolina***

This lighthouse is located in North Carolina off the coast. The lighthouse is located within the Outer Banks and was originally constructed in 1870. It stands at 210 feet tall and was automated in 1950.

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

## **Great beat**

A widely held holding of ours reported earnings on Monday morning. We have held this company for over a year now and are still waiting for our thesis to play out. We continue to believe that the company will unlock shareholder value moving forward, and its valuation is highly attractive. The company we are discussing is Verizon Communications, one of the three largest telecommunications companies (by revenue) in the U.S. Verizon, along with AT&T and T-Mobile, dominates the U.S. telecommunications industry.

Verizon shares presented the most value to us as an investor when we entered the position over a year ago. We continue to believe that thought. Shares were essentially flat over the last year but jumped over 5% on Monday after a great earnings announcement. We knew buying Verizon would be a long-term play and unlocking value could take a few years. We also believe that the downside risk in holding Verizon is limited at its current price. Frankly, we continue to like the risk-reward relationship of Verizon.

On to the earnings. Verizon announced its earnings before the market opened on Monday. The company exceeded expectations and raised its full-year guidance. This beat for Verizon came at a time when many telecommunications companies are facing major headwinds. Earnings-per-share came in at \$1.22, a 6.1% year-over-year increase and 3% higher than Street estimates. Total revenue jumped by more than 5% versus last year and beat street estimates. Verizon's wireless service revenue increased by 2% year over year and hit an industry-leading \$20.9 billion for the quarter. Net income jumped by almost 9% year over year, driven by improving margins. During its earnings announcement, Verizon increased its full year guidance for adjusted EBITDA, adjusted EPS, and free cash flow due to improving operational execution and other factors. Verizon increased its 2025 free cash flow guidance quite substantially. This is important as free cash flow support Verizon's substantial dividend.

During the second quarter, Verizon added 300,000 net customers driven mostly by broadband.

Verizon's CEO said on the company's earnings call on Monday that the recent quarter's strong earnings were driven by Verizon's high-quality, industry-leading customer base, Verizon's growth paths, and the inherent strength of Verizon. The company raised its guidance as it continues to focus on enhancing user and shareholder value. Verizon expects its acquisition of Frontier to be accretive and expects the deal to close in the second half of 2025.

*Disclaimer: MacNicol & Associates Asset Management holds shares of Verizon Communications (VZ: NYSE) across various client accounts.*

## **A new IPO**

The IPO market continues to heat up as another technology firm made its IPO filing earlier this week. Figma, a design software start-up, plans to raise \$1 billion at a valuation of \$13.6 billion (at the high end

of the IPO range). On a fully diluted basis, Figma will trade at a valuation in a range of \$14.5 billion to \$16.5 billion. The offering includes Figma selling 12 million Class A shares and some shares being sold by current shareholders, including the CEO, and Venture Capital firms that have backed Figma.

The valuation of Figma in this deal is less than the \$20 billion stock and cash offer from Adobe in 2022, which Adobe abandoned a year later due to regulator scrutiny.

Figma is the latest technology firm to file for an IPO this year, joining the likes of CoreWeave and Circle Internet. Figma will trade on the New York Stock Exchange under the ticker “FIG”.

Figma has almost 13 million monthly subscribers that use its software for online sales and branding. Most of Figma’s customers are designers and reside outside of the U.S. (85% of monthly users); however, 47% of revenue comes from American companies and individuals. Figma was founded in 2012 and is based out of San Francisco. The company has over 1,500 employees. Figma’s customers include Duolingo, Netflix, ServiceNow, and Stripe. Figma has also dove into cryptocurrencies in recent years. Figma bought a small stake in a Bitcoin ETF in 2024, and as of the end of March, it is valued at \$70 million. In May, Figma’s board approved a \$30 million investment in Bitcoin. Currently, that \$30 million is invested in the stablecoin USDC but will eventually be used to purchase Bitcoin at an opportune time.

Figma reported a revenue of \$228 million and a net income of \$44.9 million during the first quarter. Both numbers increased significantly compared to the same period in 2024. Figma had \$1.54 billion in cash, cash equivalents, and marketable securities at the end of March.

Figma’s CEO sent a statement to investors on why now is the time to go public. He mentioned corporate awareness, liquidity, stronger currency, and access to capital markets as reasons for this decision. The company’s CEO currently holds 51.1% of the voting power in Figma before the IPO. In the same statement, the CEO of Figma reportedly stated that investors “should expect us to take big swings including acquisitions”.

We will wait and see how Figma performs once it goes public. However, we will not be jumping to buy this right away. Figma will face intense competition in a highly dynamic industry.

### **New trade terms**

On Tuesday, the White House announced some changes to a trade deal announced last week between Indonesia and the U.S. According to the Trump Administration, Indonesia has agreed to sell critical metals to the U.S. and purchase Boeing planes, farm products and energy from the U.S. Trump’s post on social media did not mention which critical metal Indonesia would supply the U.S., however, Indonesia is one of the largest producers of nickel in the world. Nickel is a major component in electric vehicle batteries. Indonesia also has a few rare Earth metals which have defense and clean energy applications.

The 19% tariff rate that Indonesia will face is lower than the 32% rate for Indonesia's products that Trump originally announced on April 2. According to the trade deal framework, Indonesia will eliminate 99% of trade barriers against the U.S.

In a separate statement, Trump announced a trade deal with the Philippines after being visited in Washington by the Philippines' President. Trump posted that the Philippines would face tariffs of 19%, only 1% less than the unilaterally imposed tariff rate Trump announced a few weeks ago. The Philippines President called the U.S. its strongest, closest, and most reliable ally while visiting Washington this week.

According to Secretary Bessent, a slew of trade deals are coming. Bessent stated that most trade deals will include substantial investments in the U.S. across various industries. In Bessent's news appearance this week, he stated that August 1st is a "pretty hard deadline". In the same appearance, Bessent said that negotiations with China will continue, and the deadline may be extended (who would have thought). The deadline Bessent is talking about comes on August 12th, when the 90-day suspension of most tariffs between the U.S. and China was announced. Bessent will reportedly meet with his Chinese counterparts in Stockholm next week.

Late on Tuesday night, yet another trade deal was reported on. According to the Trump administration, the U.S. and Japan inked a trade deal. The trade deal with Japan will see Japan invest \$550 billion into the U.S., and Japan will receive 90% of the profits. Japan will pay the U.S. 15% reciprocal tariffs and Japan will open its market to U.S. automobiles, rice, and other agricultural products. This deal is the first official deal announced by the U.S. with a developed ally. The U.S. exported \$79.7 billion in goods to Japan last year (the 6th most) and imported \$148 billion in goods (the 5th most). This deal is real momentum and something China is more than likely not happy about.

Some major Japanese ADRs jumped in the premarket after this deal was announced.

After the Japan deal was announced, Goldman released a research note in which they claim 15% is the new baseline tariff that we should expect. We expect tariffs to be delayed once again and some deals to continue to trickle in. We will warn our readers that there could be some elevated volatility in the coming weeks as trade talks intensify and Trump's threats continue.

## **Silver breakout**

The price of silver jumped to its highest price in almost 14 years on Wednesday morning as the “silver squeeze” continues to play out.



We have been talking about silver for over 6 months now, making the case that it will outperform gold after gold's 18-month surge. The price of gold has increased by 36% so far in 2025. Even with this surge, silver is historically undervalued relative to gold. We think investor demand in silver will continue to explode as investors, both retail and institutional, flock to hard assets.

Silver miners, for the most part, continue to trade very inexpensively and are a great way to play this cycle.

*Disclaimer: MacNicol & Associates Asset Management holds shares of ETFs, Trusts, and Mutual Funds that hold physical silver as well as mining companies in the silver industry.*

## **Natural gas giant**

One of the largest natural gas producers in the U.S. reported its earnings on Tuesday and beat expectations on numerous fronts. This earnings report comes a day after the company closed an acquisition and natural gas prices pulled back.

The company we are talking about is EQT Corporation, one of the largest natural gas producers in the U.S. EQT is a Pittsburgh-based energy company that engages in exploration and pipeline transport of hydrocarbons. The company primarily operates in the Appalachian Basin.

On Monday, natural gas prices moved lower due to higher supply and weaker than expected demand from the cooling weather. This price movement sent natural gas stocks like EQT lower. EQT shares sunk

by 9% to its lowest price since early May. Despite this drop, EQT shares are up 9% this year and 48% over the last year. EQT shares also declined on Monday due to an acquisition announcement. The company announced the closing of an acquisition on Monday as well, which dragged its shares lower. The acquisition price is a bit pricey in our eyes, so we will have to see how this plays out.

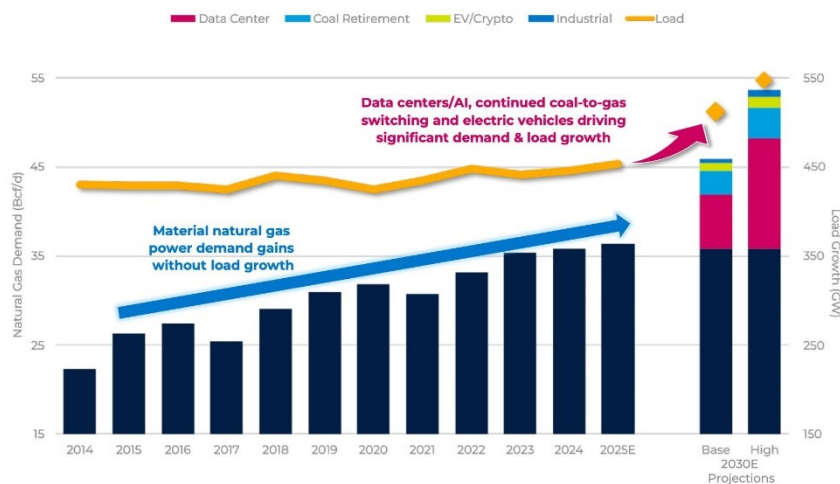
We have long liked EQT Corp as a play on natural gas and the coming energy boom driven by AI data centers. We still like the company, but this acquisition will make us monitor the holding very closely, especially on a technical level. The drop in the price of natural gas in the short term is not worrying us as much as we are long-term focused investors. In the short term, natural gas prices will drag EQT's fundamentals, but in the long term, this acquisition could be more of an issue.

Natural gas demand is expected to grow as data centers continue to be built. Here is a great slide that explains this trend from EQT's corporate deck:

## Data Center Demand Becoming the Cornerstone to Natural Gas Bull Case

Structural, baseload power demand growth occurring at the doorstep of EQT's assets

### MATERIAL U.S. GAS-POWER DEMAND AND LOAD GROWTH<sup>(1)</sup>



### PROLIFERATION OF DATA CENTER AND ARTIFICIAL INTELLIGENCE PROJECTED TO DRIVE HUGE INFLECTION IN LOAD GROWTH

- U.S. gas-fired power demand grew by ~14 Bcf/d from 2014 - 2024 with minimal underlying load growth as natural gas took market share from coal
- Data center and artificial intelligence booms, along with additional coal retirements, expected to drive a further ~10 Bcf/d of incremental natural gas demand by 2030
- More aggressive data center build-out scenario drives plausible upside to ~18 Bcf/d of incremental natural gas demand by 2030



<sup>1</sup> Sources: EIA and EQT research. Bcf/d calculated using 7 MMBtu/MWh heat rate.

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EQT shares moved lower on Wednesday after their earnings release in a move that confused us. The report was very good for the most part, and we believe this was a bit of an overreaction.

On an earnings front, EQT reported a double beat in terms of EPS and Revenue. The quarterly earnings report highlighted EQT's strong operations. The company reported production at the high end of guidance, which was driven by improved productivity and successful compression projects following a few acquisitions. Operating costs came in at the low end of guidance, which boosted margins during the quarter. Costs came in below estimates due to lower lease operating expenses and SG&A expenses. EQT also raised its production guidance for 2025 on this call by close to 5% reflecting operational momentum. EQT's capital expenditures for the quarter came in lower than expected, and its net debt has decreased by \$1.4 billion through the first 6 months of 2025 as the company continues to pay down



its debt. The company's CEO emphasized EQT's continued focus on cost discipline, growth projects, and its strategic positioning on its earnings call.

We continue to believe in EQT and believe it is the best pure play in the U.S. natural gas industry. The company is the lowest cost producer and is set up well to benefit from the data center boom. Even if prices pull back in the short term, do not get spooked and believe that natural gas is dead. We think we are a long way from that.

*Disclaimer: MacNicol & Associates Asset Management holds shares of EQT Corporation (NYSE: EQT) across various client accounts.*

### **A new aged partnership**

A company that we have been talking about for quite some time, Vertiv Holdings, joined up with a nuclear company in a strategic partnership. Vertiv Holdings, a provider of critical infrastructure including cooling systems for data centres, communication networks, and industrial environments, teamed up with Oklo, a nuclear start-up, on Tuesday. Oklo specializes in small modular reactors that produce less energy than traditional large reactors. The partnership will develop cooling and power systems for AI data centers. Under the terms of the partnership, the companies will develop systems that leverage heat from an on-site power plant to drive data center cooling systems.

Although Vertiv is not a traditional AI play, it has benefited from the AI boom tremendously as it provides a critical service to data centers. Vertiv Holdings' largest customers include Alibaba, AT&T, China Mobile, Siemens, Tencent, and Verizon. The company's revenue is geographically diversified with 56% of revenue coming from the U.S., and 22% from the Asia-Pacific.

The result of this partnership could be huge for data centers. Nuclear energy is more efficient than other forms of energy and is more reliable than clean energy sources. Reliability is a huge focus for AI companies when rolling out data centers, as companies cannot afford to be offline when clean energy sources like wind and solar are offline.

Vertiv's CEO highlighted the importance of this partnership in a statement pointing to efficiency, reducing stress on the grid, and allowing for the continued expansion of AI.

We will warn our readers that this project will take some time, as Oklo has a target of delivering power to customers by the end of 2027, which analysts have mixed opinions regarding. Nonetheless, a very interesting partnership for a multi-year holding of ours. We continue to believe in the bull case of Vertiv but believe you must manage your downside risk due to several risk factors in Vertiv, including its high valuation. We believe we have limited our risk in this position over the last few years as we have adjusted our sizing numerous times and hold the security in well-diversified and suitable portfolios.

*Disclaimer: MacNicol & Associates Asset Management holds shares of Vertiv Holdings (NYSE: VRT) across various client accounts.*

## **Solar gloom**

Enphase Energy, a solar energy company, reported its earnings late on Tuesday. The earnings report was the first among large U.S. solar players. The company beat revenue and earnings estimates, but the overall report worried investors. Investors were left with concerns regarding the overall profitability of the solar sector. Enphase's guidance is what really scared investors as it forecasted revenue below expectations for the net quarter.

On Wednesday, Enphase shares sank 15%. Shares are down almost 40% this year amid the Trump administration's effort to cut (certain) spending, which includes slashing tax credits for renewable energy projects and EVs. Tariffs have also impacted U.S. solar companies as the new levies chew into solar companies' margins.

We do not like solar stocks and are glad we avoided the space altogether. Many of these companies are still not profitable, and the Trump effect will not help this. We will continue to remain on the sidelines when it comes to solar until some certainty on the sector can be seen. We hope the technology continues to improve as we believe in the idea; however, from an investment standpoint, we think it is more risk than reward at this juncture.

**MacNicol & Associates Asset Management**  
**July 25<sup>th</sup>, 2025**