Yardeni Research

September 4, 2025

Morning Briefing

On Retailers, Crypto SPACs & Green Sailing

Check out the accompanying chart collection.

Executive Summary: If consumers are as depressed as sinking sentiment surveys suggest, you'd never know it by the stellar July-quarter results that retailers from all walks of the industry have been reporting. Jackie summarizes key points from the earnings reports of several. … A new kind of special purpose acquisition company has been born; its special purpose: to acquire not companies but cryptocurrencies. … And in our Disruptive Technologies segment: They may sail the ocean blue, but big shippers are going green. They're starting to propel ships via alternative fuels, cutting their CO2 emissions dramatically.

Consumer Discretionary: Gloomy Consumers Keep Spending Away. Uncertainty about tariffs and the threat of higher inflation have darkened consumers' moods. The University of Michigan's index of consumer sentiment fell to 58.2 in August, down from 61.7 the prior month and 71.7 at the start of the year (*Fig. 1*). Fortunately, retailers' cash registers are telling a different story.

A wide swath of retailers have reported surprisingly strong fiscal (July) Q2 results. Good news came from retailers as diverse as tony clothier Ralph Lauren; Ulta Beauty, which sells cosmetics and haircare; Dick's Sporting Goods; bargain retailers Dollar General and Five Below; electronics retailer Best Buy; and home goods purveyor Williams-Sonoma. Signet Jewelers turned in a sparkling report as well. And even long-beleaguered department stores Macy's and Kohl's reported stronger-than-expected results—a clear sign that consumers were healthier than commonly feared this summer.

The aggregate Q2 earnings of the S&P 500 Consumer Discretionary sector's reporting companies to date (all but one) has risen 7.6% y/y, better than the 2.9% decline that was expected at the time of the report, Joe says.

The companies in the S&P 500 Consumer Discretionary Retail Composite, which includes Amazon and other retailers, collectively reported an 18.9% y/y earnings increase, better than the 4.0% expected. And excluding Amazon, which contributes about half of the index's earnings, its earnings rose 4.3% in Q2, outperforming the 2.5% expected (*Fig. 2*).

So, let's look at what some of these diverse retailers had to say on their recent Q2 earnings calls and how investors and analysts have responded:

(1) *Macy's boosts forecast.* It doesn't take much good news to make a beaten-down stock pop. Macy's Q2 sales declined 2.5% including store closures, to $4.8 billion, and adjusted net income dropped to $113 million, down from $149 million in the year-ago quarter.

But the results exceeded the company's earlier guidance, same-store sales were positive, and the company was able to boost its Q3 sales guidance and its EPS guidance to $1.70-$2.05, up from $1.60-$2.00, a company *press release* stated.

Macy's shares popped roughly 16% on Wednesday on the earnings news. While the shares are still in negative territory ytd, -7.0%, they've reversed their deep declines of April, when they were down 40.8% ytd. Macy's was removed in 2020 from the S&P 500, which no longer has a department store industry.

(2) *A beautiful report from Ulta.* Ulta Beauty reported Q2 earnings that beat analysts' estimates, and management boosted its revenue and earnings guidance for the rest of the year. Ulta's Q2 was "lifted by growth across all major categories and market share growth," an August 28 *WSJ* *article* reported.

The cosmetics retailer's Q2 revenue jumped 9.3% y/y to $2.8 billion, and its EPS rose 9.1% y/y to $5.87, above the $5.10 analysts had expected. Management now forecasts 2025 EPS of $23.85-$24.30, up from its prior guidance of $22.65-$23.20.

Ulta, Bath & Body Works, and Tractor Supply are members of the S&P 500 Other Specialty Retail industry. Its stock price index is up 18.6% ytd to 0.9% below its August 28 record high, powered by the shares of Ulta and Tractor Supply (*Fig. 3*).

The industry enjoyed a spike in net estimate revisions for both revenues and earnings in September (*Fig. 4*). And the industry's earnings, which are forecast to dip 1.8% this year, are forecast to grow by a strong 10.8% next year (*Fig. 5*).

The industry's bright prospects haven't been lost on investors: It sports a forward P/E of 24.3, which is at the upper end of its historical range (*Fig. 6*).

(3) *Looking past LuLu.* The S&P 500 Apparel, Accessories & Luxury Goods stock price index has had a miserable year, falling 13.9% ytd (*Fig. 7*). It has been dragged down by Lululemon Athletica shares' nearly 50% decline ytd. The company has faced increasing competition as new rivals offering leggings and other sporting goods have flooded into the market.

That steep decline has hidden the success of the industry's other two members. Ralph Lauren's shares have jumped 34.7% through Tuesday's close, and the shares of Tapestry—which owns the Coach, Kate Spade, and Stuart Weitzman brands—have gained 57.3%. High-income consumers are showing no signs of curbing their purchases.

The S&P 500 Apparel, Accessories & Luxury Goods industry's net estimate revisions for both revenues and earnings were positive in September (*Fig. 8*). Wall Street analysts forecast only a tepid 3.4% increase in LuLu's fiscal 2026 EPS, but even that estimate has crept up, from $14.86 three months ago to $15.15 currently.

The industry's revenues are forecast to grow 5.9% this year, while earnings increase slightly faster, by 8.4% (*Fig. 9* and *Fig. 10*). Its forward P/E of 16.3 is only a bit higher than the midpoint of where it has traded over the past two decades (*Fig. 11*).

Strategy: SPACs Return to the Markets. It has been a banner year for the issuance of new special purpose acquisition companies (SPACs). These publicly traded shell corporations—sometimes called "blank check companies"—exist to acquire private companies and take them public in a process that requires less regulatory red tape than an IPO. This year through the end of August, 84 SPACs have gone public, raising more than $5 billion. The last time the market was as active—and more so—was in 2021, when 600 deals raised $163 billion. That banner year was followed by three years of little issuance and SPAC liquidations, a time referred to as the "SPAC Winter."

This year's SPAC revival comes with a new twist. SPACs are buying companies that exist solely to own cryptocurrencies instead of to operate businesses, as historically has been the case. The companies that SPACs historically have bought in the crypto world have operated crypto exchanges, maintained crypto wallets, and mined crypto. This year, "treasury SPACs" have begun acquiring actual cryptocurrencies themselves, including bitcoin, ether, and cronos.

SPACs' push into crypto has been helped by the more crypto-friendly leadership at the Securities and Exchange Commission (SEC) under the Trump administration. As discussed in an August 13 *report* by law firm Kohrman Jackson & Krantz, the SEC "launched *Project Crypto* in July 2025—a significant doctrinal shift designed to promote blockchain integration, tokenization, and clearer asset classifications. Moreover, the SEC recently clarified that Bitcoin and Ether may be treated as cash equivalents, potentially exempting treasury SPACs from the Investment Company Act of 1940, opening regulatory room for crypto treasury strategies."

News of SPACs buying cryptocurrencies presumably has helped push up the price of bitcoin (up 19.8% ytd) and ether (33.7%) to record highs (*Fig. 12*). Here's a look at three SPACs that have recently announced plans to buy cryptocurrencies:

(1) *SPACs buying bitcoin.* In April, Cantor Equity Partners, a SPAC that raised $200 million in January, announced plans to combine with Twenty One Capital, a newly formed company that received $1.5 billion in bitcoin from Tether, $900 million from SoftBank, and $600 million from Bitfinex. The combined company also plans to raise $350 million in a convertible bond and $200 million in an equity private placement to fund additional bitcoin purchases.

The company was expected to use the funds to purchase more than 42,000 bitcoin, which would make it the third-largest bitcoin treasury in the world. And if the deal is approved, the new publicly traded company will publish a new metric, bitcoin per share, instead of earnings per share, to track its performance.

(2) *SPACs will buy ether.* It's not just bitcoin that new SPAC-related companies are buying. Dynamix, a SPAC, announced in July that it's merging with The Ether Reserve to create a new company, dubbed "The Ether Machine." It will purchase and manage more than $1.5 billion in ether, a July 21 *WSJ* *article* reported. Well known crypto players Kraken and Blockchain.com will contribute more than $800 million in equity funding to the new entity, and Ether Machine's chairman and co-founder Andrew Keys will contribute another $645 million.

(3) *SPACs will buy cronos.* Trump Media and Technology Group, which owns President Trump's Truth Social platform, plans to form a new company with Yorkville Acquisition Corp.—a SPAC—and Crypto.com called "Trump Media Group CRO Strategy." The new company aims to own at least $6.4 billion of cronos cryptocurrency, and, at the outset, it will have $1 billion in CRO tokens, $420 million in cash and warrants, and a $5 billion credit line from an affiliate of Yorkville. The deal's press release did not state how much funding Trump Media and Technology Group was contributing to the deal.

Disruptive Technologies: Clean Sailing. The shipping industry has started to deploy ships that use alternatives to traditional shipping fuel. The International Maritime Organization has set ambitious targets to reduce greenhouse gas emissions 20% by 2030, 70% by 2040, and net-zero by 2050. Some in the shipping industry, which contributes 3% of the CO2 produced by humans, are using ammonia, liquified natural gas (LNG), and methanol to propel ships. They are typically building or retrofitting ships with engines that can burn both the alternative fuel and the traditional bunker fuel.

New orders for alternative-fueled vessels reached 19.8 million gross tonnes in the first half of this year, a 78% increase y/y. But the number of ships ordered fell to 151 from 179, indicating that owners were opting to use alternative fuel in their larger ships, a July 1 gCaptain *article* reported.

Here's a look at some of the alternative fuel advancements that large shippers have been making:

(1) *Sailing on ammonia.* Japan Engine Corp. announced last week that its functional, full-scale commercial ship engine—which can operate on either ammonia or on traditional heavy fuel—had passed various industry certifications. The engine will be shipped in October and installed on an ammonia-fueled medium gas carrier that's under construction and expected to set sail next year.

The engine is currently being used on ferry boats. But this would be the first marine engine deployment. Testing showed that using the ammonia-fueled engine resulted in a 90% reduction in greenhouse gas emissions and a 50% reduction in nitrogen oxide emissions.

(2) *Sailing on methanol.* Maersk has ships that can operate on traditional fuel and green methanol, a fuel made using biomass or captured carbon and hydrogen from renewable power. It recently added the Beijing Maersk container ship to its fleet. Able to operate on both methanol and traditional fuel, the ship can transport up to 17,480 TEUs. It is one of 19 methanol-fueled ships that the company plans to have in service by year-end, with another 26 planned by the end of 2030, according to the company's *website*. Ultimately, the company expects dual-fuel ships to represent a quarter of the Maersk fleet.

(3) *Cruising on hydrogen.* Royal Caribbean's Icon of the Seas has six dual-fuel engines that use LNG in addition to traditional bunker fuel. The ship is able to capture and use any excess heat generated by the engines and to use any cold to increase the efficiency of its air conditioning, the company *reports*. The ship also improves its fuel efficiency by using

artificial intelligence to optimize its route and by using a weekly robotic hull cleaning and air lubrication system to reduce friction as it sails.

Royal Caribbean has one other LNG-propelled ship, Star of the Seas, with a third, the Legend of the Seas, in production and expected to sail next summer, a September 1 article in *The Economic Times* reported. Legend of the Seas will be among the largest cruise ships ever built, with more than 2,800 cabins and measuring 1,196 feet long. The company's goal is to achieve net-zero emissions across its fleet by 2035.

(4) *Terminals targeted, too.* APM Terminals has committed to reducing its total emissions by 70% by 2030 and to being net-zero by 2040. It aims to do so by using battery-electric container handling equipment as well as renewable energy, like solar and wind energy.

Calendars

US: Thurs: ADP Employment Change 68k; Initial Claims 230k; Nonfarm Productivity & Unit Labor Costs 2.7% & 1.2%; ISM NM-PMI 51.0; S&P Global C-PMI & NM-PMI 55.4 & 55.4; Trade Balance -$75.3b; Fed Balance Sheet; Williams; Goolsbee. **Fri:** Nonfarm Payroll Employment 74k; Average Hourly Earnings 0.3%; Average Weekly Hours 34.3; Unemployment Rate 4.3%. (Source: FX Street)

Global: Thurs: Eurozone Retail Sales -0.2%m/m, 2.4%y/y; Cipollone. **Fri:** Eurozone GDP 0.1%; Eurozone Employment Change 0.1%q/q, 0.7%y/y; Germany Factory Orders 0.4%; Italy Retail Sales 0.4%; UK Core Retail Sales 0.4%m/m, 1.1%y/y. (Source: FX Street)

Strategy Indicators

S&P 500/400/600 Forward Earnings (*link*): During the August 29 week, forward earnings rose for all three indexes and simultaneously for LargeCap and SmallCap for a 14th straight week. LargeCap's forward earnings rose for a 15th straight week, its longest winning streak since it did so for 38 weeks through the September 13, 2024 week. MidCap's has dropped in just two of the 15 weeks since it bottomed during the May 16 week. SmallCap's has risen for 14 straight weeks since it bottomed during the May 23 week, and is now on the longest winning streak since it did so nearly four years ago for 15 weeks through the December 17, 2021 week. LargeCap's forward earnings rose 0.2% w/w to its 13th straight weekly record high. MidCap's gained 0.2% w/w to less than 0.1% below its record high during the April 4 week. SmallCap's rose 0.1% w/w to a 49-week high and is 10.2% below its June 2022 record. LargeCap's forward earnings has soared 29.1% from its 54-week low during the week of February 1, 2023; MidCap's is just 9.1% above its 55-week low during the week of March 10, 2023; but SmallCap's has lagged considerably and is up just 5.2% from a very recent 42-month low during the May 23 week. These three indexes' forward earnings downtrends from mid-2022 to early 2023 and again during Trump's Tarriff Turmoil were relatively modest compared to their deep double-digit percentage declines during the Great Virus Crisis and the Great Financial Crisis. Here are the latest consensus earnings growth rates for 2024, 2025, and 2026: LargeCap (9.7%, 10.2%, 13.4%), MidCap (0.4, 1.8, 17.5), and SmallCap (-10.2, 4.1, 17.5).

S&P 500/400/600 Valuation (*link*): Valuations were little changed for these three indexes during the August 29 week. LargeCap's forward P/E was steady w/w at 22.2, and is just 0.2pt below its four-year high of 22.4 during the July 25 week. It's now 5.2pts above the seven-month low of 17.0 during the October 27, 2023 week. That compares to a 30-month low of 15.1 at the end of September 2022 and an 11-year low of 11.1 during March 2020. MidCap's forward P/E ticked down 0.1pt w/w to 16.2. It's now 0.9pts below its 40-month high of 17.1 during the November 29 week and 4.0pts above the 12-month low of 12.2 in October 2023. That compares to a record high of 22.9 in June 2020, when forward earnings was depressed, and to an 11-year low of 10.7 in March 2020. SmallCap's forward P/E ticked down 0.1pt w/w to 15.6 from a six-month high of 15.7 during the August 22 week. It's 2.7pts above its 17-month low of 12.9 during the April 4 week and 5.0pts above its 14-year low of 10.6 in September 2022, but remains 2.0pts below its 41-month high of 17.1 during the November 29 week. That compares to a record high of 26.7 in early June 2020, when forward earnings was depressed, and to a record low of 10.2 in November 2009 during the Great Financial Crisis. The forward P/Es for the SMidCaps have been mostly below LargeCap's since August 2018. MidCap's P/E is at a 27% discount to LargeCap's P/E, up from a 26-year low 29% discount just weeks earlier, which matched its similar 29% discount during the July 5, 2024 week. That compares to a 19% discount during the March 2, 2023 week, which matched its best reading since October 14, 2021. SmallCap's P/E is at a 30% discount to LargeCap's P/E, up from a 13-month-low 33% discount several weeks earlier. That compares to a 23% discount during the November 29 week, which was its best reading since the March 2, 2023 week. It's now just 4ppts above its 24-year-low 34% discount during the July 5, 2024 week. SmallCap's P/E is at a 4% discount to MidCap's, up from a 13-month low 6% discount several weeks earlier and a 20-year-low 10% discount in late 2021. Prior to that, from 2003 to 2018, SmallCap's P/E had been mostly above MidCap's, and both were above LargeCap's.

S&P 500 Earnings, Revenues, Valuation & Margins (*link*): During the August 28 week, the S&P 500's forward revenues rose 0.1% w/w to its fifth straight record high. Forward earnings rose 0.1% to a new record high too. The forward profit margin rose 0.1ppt to a new record high of 13.8% and is now 3.5ppts above its seven-year low of 10.3% during April 2020. The consensus expectations for forward revenues growth was steady w/w at a 35-month high of 6.0%. It has gained 3.7ppts from its 33-month low of 2.3% during the February 23, 2023 week. That's down from a record high of 9.6% growth at the end of May 2021 and compares to 0.2% forward revenues growth during April 2020, which was the lowest reading since June 2009. The forward earnings growth forecast rose 0.1ppt w/w to a 27-week high of 12.4%, up 1.5ppts from its 15-month low of 10.9% during the May 29 week. From a longer-term perspective, that's a bit stronger than its 20-year average of 11.4% and slowing from a 38-month high of 14.3% during the December 12 week. That's also down from its 23.9% reading at the end of April 2021, which was boosted by the recovery from the pandemic to its highest reading since June 2010 and up substantially from its record low of -5.6% at the end of April 2020. Analysts expect revenues to rise 5.6% in 2025 (up 0.1ppt w/w) and 6.1% in 2026 (unchanged w/w), compared to a 4.9% rise in 2024. They expect an earnings gain of 11.1% in 2025 (up 0.1ppt w/w) and a 13.3% rise in 2025 (up 0.1ppt w/w) compared to 2024's earnings gain of 11.3%. Analysts expect the profit margin to rise 0.6ppt y/y to 13.1% in 2025 (unchanged w/w) and 0.9ppt y/y in 2026 to 14.0% (unchanged w/w), compared to 2024's 12.5%. Looking at valuation data as of August 28, the S&P 500's weekly forward P/E rose 0.3pt to a 55-month high of 22.5 and is up 3.3pts from its 16-month low of 19.2 during the April 17 week. It's now 7.2pts above its 30-month low of 15.3 in October of 2022. It also compares to 23.1 in early September 2020, which was the highest level since July 2000, and to a 77-month low of 14.0 in March 2020. The S&P 500 weekly price-to-sales ratio rose 0.04pt w/w to a record high of 3.10. That's up from a six-month low of 2.22 during the October 26, 2023 week and compares to a 49-month low of 1.65 in March 2020.

S&P 500 Sectors Revenues, Earning, & Margins (*link*): During the August 28 week, forward revenues rose for seven of the 11 S&P 500 sectors, and four of the seven also posted gains in their forward earnings. These six sectors reported post-pandemic-era-high or record-high forward revenues this week: Consumer Discretionary, Consumer Staples, Health Care, Information Technology, Real Estate, and Utilities. Close to recent highs in forward revenues are these three sectors: Communication Services, Financials, and Industrials. Energy's forward revenues is improving now from its three-year low in May, but remains depressed at 29.5% below its September 2008 record and 16.8% below its cyclical high in October 2022. Materials' has improved to a 12-month high to 4.2% below its June

2022 record high. These two sectors had record-high forward earnings this week: Information Technology and Utilities. Health Care remains 2.3% below its April 3 record, and these six sectors are 1.1% or less below their recent record highs: Communication Services, Consumer Discretionary, Consumer Staples, Financials, Industrials, and Real Estate. Forward earnings remains depressed for the last two sectors, Energy and Materials, but have improved in recent months to 39.5% and 23.6% below their respective highs during 2022. Looking at the forward profit margin, one sector's rose w/w and one sector's fell. These two sectors were at record highs: Financials and Information Technology. These four sectors remain close: Communication Services, Consumer Discretionary, Industrials, and Utilities. Energy and Materials are improving somewhat from their recent multi-year lows, but these two sectors are at or barely above cyclical or record lows: Consumer Staples and Health Care. Here's how the S&P 500 and its 11 sectors rank based on their current forward profit margin forecasts along with their record highs: Information Technology (27.8%, up 0.1ppt w/w to its fourth straight record high and for the first time since September, prior to low-margin Dell's addition to the index, which lowered the margin 1.3ppts then to 26.3%), Financials (20.8, at a record high), Communication Services (19.4, down 0.1ppt w/w and down from its 19.8 record high during the August 7 week), Real Estate (16.6, down from its 16.7 five-month high and down from its 19.2 record high in 2016), Utilities (14.7, 0.1ppt below its 41-month high during the July 10 week and 0.4ppt below its April 2021 record high), S&P 500 (13.8, up 0.1ppt w/w to a new record high), Materials (10.8, at a seven-month high and up 0.4ppt from 51-month low in late February and down from a 20-month high of 11.6 in July 2023 and a 13.6 record high in June 2022), Consumer Discretionary (9.3, down from a record high 9.4 in early April), Energy (8.8, up 0.3ppt from a 55-month low of 8.5 during the during the May 15 week and down from its 12.8 record high in November 2022), Industrials (11.2, down from its 11.3 record high in early January), Health Care (8.1, at a record low and down from its 11.5 record high in February 2022), and Consumer Staples (6.7, a 21-month low and down from its 7.7 record high in June 2020).

US Economic Indicators

JOLTS (*link*): Job openings fell in July for the second straight month, after climbing in May to the highest level since November 2024. *Job openings* fell 176,000 in July and 531,000 over the two months ended July, to 7.18 million, with total private-sector openings down 478,000 over the two-month span to 6.40 million and government openings down 53,000 to 783,000. Still, job openings remain at a healthy level, but have declined fairly steadily since peaking at 12.1 million during March 2022—as the economy recovered from the Covid-19 lockdown—though have bounced around a volatile flat trend since last spring. *By industry*, job openings in health care & social assistance and private education & health services posted the largest declines in July—with both dropping 181,000 during the month. Also in the red were retail trade (-110,000), arts, entertainment & recreation (-62,000), professional & business services (-56,000), and mining & logging (-13,000). Partially offsetting these declines were gains in construction (64,000), wholesale trade (54,000), manufacturing (41,000), and transportation, warehousing & utilities (36,000), with smaller gains occurring in accommodation & food services (14,000), other services (14,000), information services (13,000), and real estate and rental and leasing services (9,000). *Regionally*, job openings once again rose in the West (+113,000) but fell in the South (-161,000), Northeast (-101,000), and Midwest (-27,000). There was 1.0 *available job for each unemployed* person; this ratio was at a recent high of 2.0 during July 2022. *Separations* include quits, which are generally voluntary separations initiated by employees—serving as a measure of workers' willingness or ability to leave jobs. *Total quits* were unchanged at 3.2 million in July, near March's nine-month high of 3.3 million.

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