

# US Stock Express

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## Long Hardware, Short Software

ETF tracking US software sector falls 19% this year as chip stocks rally

iShares Expanded Tech-Software Sector ETF Philadelphia Semiconductor Index



Source: Bloomberg

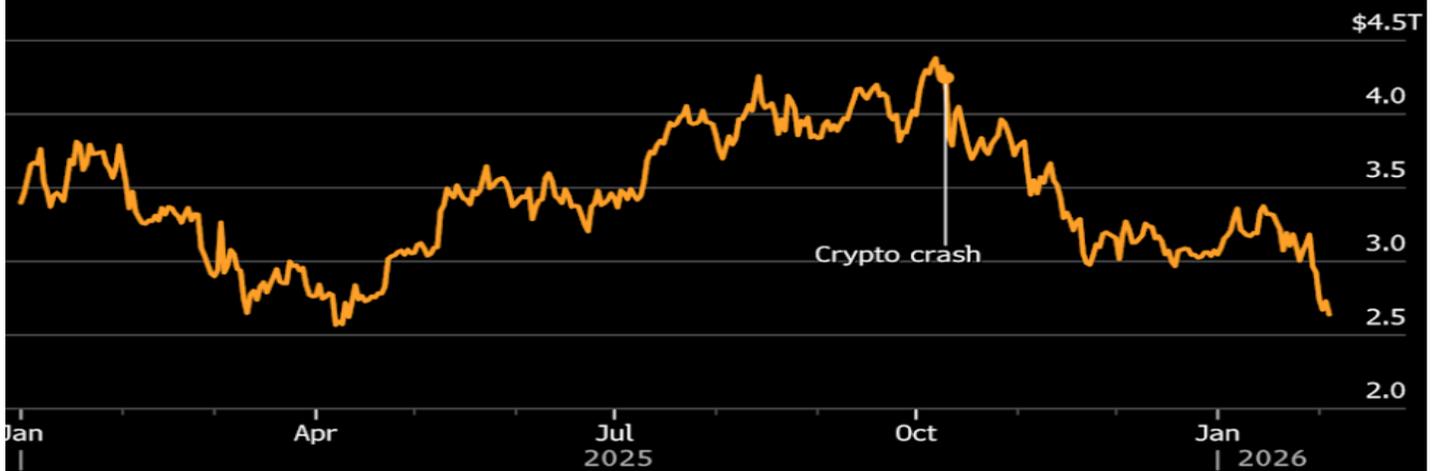
Note: Data is normalized with percentage appreciation as of February 4, 2025.

Bloomberg

The hottest saying of market is *Long Hardware, Short Software* in these days.

## Crypto Assets Lose \$1.7 Trillion in Value Since October Peak

Total crypto market value



Source: CoinGecko

Bloomberg

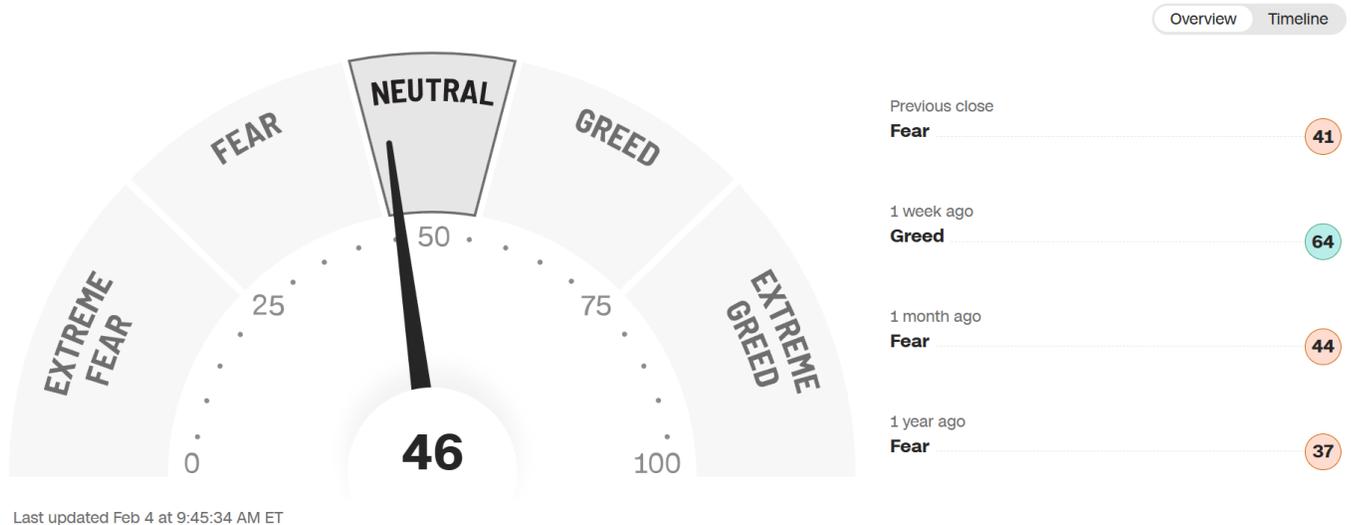
Cathy Wood, Goddess of Stocks purchased a lot of crypto ETFs this week.

*Risk disclosure: Price can go up and down at any moment, use free money to trade and bear the risk according to your own capital;  
 Never trade with money that has a deadline for withdrawal.  
 All suggestions are for reference only, even AI cannot be 100% reliable, final decision still lies upon investors.  
 Copy trading cannot replicate another trader's background or psychological state.*

# Fear & Greed Index

What emotion is driving the market now?

[Learn more about the index](#)



## North East West South is NEWS

Elon Musk's SpaceX has acquired artificial intelligence company xAI in an acquisition aimed at deploying space-based data centers. SpaceX aims to launch one million satellites for these data centers using its Starship rockets. The combined company will be valued at \$1.25 trillion.

Regarding the EU's anti-subsidy investigation into Chinese wind turbine manufacturer Goldwind Technology, the Chinese Foreign Ministry stated that Brussels has once again imposed "discriminatory and restrictive measures" on Chinese companies. These "protectionist signals" are damaging the EU's image and undermining Chinese companies' confidence in investing in Europe.

The Bitcoin-led sell-off has accelerated, with the cryptocurrency market losing nearly \$500 billion in market capitalization in less than a week. Since January 29, the total market capitalization of cryptocurrencies has shrunk by \$467.6 billion. Bitcoin fell to its lowest level since President Donald Trump's victory in the early November 2024 election on Tuesday, briefly touching 72,877 in the US.

The sell-off in sectors such as software, which are considered potentially risky due to the development of artificial intelligence, showed no signs of abating on Wednesday. JPMorgan Chase stated that investor pessimism was high. JPMorgan analyst Toby Ogg noted, "We are now in an environment where this industry is not only presumed guilty before being proven innocent, but has even reached the point of prejudgment."

Google unveiled an artificial intelligence (AI) tool, which scientists say will help unravel the mysteries of the human genome and may one day lead to new methods for treating diseases. This deep learning model, named AlphaGenome, has been hailed as a "breakthrough" by external researchers, enabling scientists to study and even simulate the genetic roots of intractable genetic diseases.



## Market Observation

Day	1443
Russia/Ukraine Conflict	

# Long Hardware, Short Software

The hottest saying of the market these days surely is “Long Hardware, Short Software”. According to Financial Astrology, year 2026 is a year of individual stocks rising rather than the market rises as a whole.

What is meant by hardware and software? To an outsider, it is nothing but IT stocks, anyway something concerning Silicon Valley and not Wall Street on industrial stocks and other sectors. At least it proved one saying, the current AI trend is not a bubble. If it is a bubble, then the whole market will go over a slump and would not just a sector inside it will drop and another sector will rise. Be Water!

So, what would happen to the general public? That is the 3 major indexes keep on going up or even breaking record highs, but some investors keep on losing greatly. At least in some sector of stocks are like this. Anyway, the path of market is not in a straight line, so going up and down is a common occurrence. Some other day, all stocks will rise together before the end of this year. Don't worry, it just a matter of time. Be Water!

Mind that Cathy Wood is buying some ETF on cryptos. She bought it after the fall of crypto for 4 months. She is buying at low and would not chase high, of course it may need some time for them to go up, but at least the room for falling is less, for rising is more and more. DJIA is the strongest among the 3 major indexes, NASDAQ just touched the 100-SMA and goes up again. S&P is in the middle of the 3 major indexes and clinging upward. Anyway, it's a time of individual stocks development and needed to have more study rather than just copy trade. Be Water!

**Software stocks have softened due to slowing enterprise spending and margin pressures, while semiconductor stocks remain strong thanks to surging AI and high-performance computing demand. Cathie Wood's ARK Invest has recently increased exposure to crypto-linked equities (Coinbase, Circle, Bullish, Robinhood), signaling a rotation into hard assets and infrastructure plays. This divergence suggests investors are favoring hardware and crypto infrastructure over software platforms in the near term.**



GPT-5 is here - OpenAI

## Why Software Stocks Are Dropping

- **Valuation compression:** Many software firms (Salesforce, Oracle, DigitalOcean) are trading at high multiples, and investors are rotating out of growth-heavy SaaS into sectors with clearer near-term cash flows. [Investing.com + 1](#)
- **Enterprise IT spending slowdown:** Corporations are tightening budgets amid high interest rates, delaying cloud and SaaS upgrades.
- **Competition from AI-native startups:** Traditional software firms face margin pressure as AI commoditizes certain functions.

## Why Semiconductor Stocks Are Still Hot

- **AI infrastructure demand:** Spending on AI servers is projected to rise 45% in 2026, driving chip sales. [Nasdaq + 1](#)
- **Global semiconductor sales forecast:** Expected to surge 26.3% YoY to nearly **\$975 billion in 2026.** [Nasdaq](#)
- **Government support:** Subsidies and reshoring policies (CHIPS Act, EU Chips Act) are boosting capital inflows.
- **Broader adoption:** Chips are indispensable in autos, healthcare, and energy, making them less cyclical than software. [PwC](#)

## "Long Hardware, Short Software" Thesis

- **Hardware = bottleneck:** AI progress depends on compute capacity (GPUs, memory, fabs), not incremental SaaS features.
- **Software commoditization:** Cloud and SaaS margins are shrinking as competition rises, while hardware retains scarcity value.
- **Investor rotation:** Funds are overweighting semiconductors and underweighting software to capture AI-driven capex cycles.

## Cathie Wood's Crypto Purchases



GPT-5 is here - OpenAI

Recent ARK Invest moves (Jan 2026):

- **Coinbase (COIN)** – ~\$9.4M added across ARK Innovation & ARK Fintech ETFs.
- **Circle (CRCL)** – ~\$9.2M position, issuer of USDC stablecoin.
- **Bullish (BLSH)** – ~\$3.2M purchase.
- **Robinhood (HOOD)** – ~\$32.7M added in crypto-linked exposure. Blockonomi + 2

These are not ETFs themselves but **crypto-linked equities held within ARK ETFs** (ARK Innovation ETF, ARK Fintech Innovation ETF).

## Connection Between Crypto Buys and Software Weakness

- **Rotation effect:** ARK's tilt toward crypto and hardware reflects skepticism about software's near-term growth.
- **Macro hedge:** Crypto and semiconductors are seen as "hard assets" or infrastructure plays, while software is viewed as discretionary.
- **Liquidity preference:** Investors are chasing sectors with higher volatility but clearer catalysts (AI chips, Bitcoin ETFs).

## Future Market Outlook

- **Short-term:** Continued divergence—chips and crypto remain strong, software consolidates.
- **Medium-term (2026–2027):** If AI adoption stabilizes, software firms integrating AI effectively could rebound.
- **Risk factors:**
  - Rising interest rates could hurt both software and crypto valuations.
  - Geopolitical tensions (Taiwan, US-China tech war) could disrupt chip supply chains.
  - Regulatory scrutiny on crypto may create volatility.

## Strategic Takeaway

- **Near-term positioning:** Favor semiconductors and crypto infrastructure ("long hardware, long crypto"), stay cautious on software.
- **Long-term balance:** Software will regain relevance once AI applications mature, but hardware remains the bottleneck today.

Would you like me to build a **scenario matrix (bull/base/bear)** for 2026–2027 showing how software, hardware, and crypto could perform under different macro conditions? That would give you a clearer investment roadmap.



**Grok - xAI** The  
World's Most Powerful AI

## Recent Trends in Software vs. Chip Stocks

The divergence between software and semiconductor (chip) stocks in the US market stems from evolving investor sentiment around artificial intelligence (AI). Software stocks have been under heavy selling pressure, with the iShares Expanded Tech-Software Sector ETF (IGV) down more than 15% in January 2026 alone—the worst monthly performance for the sector since 2008. Major names like ServiceNow (NOW) dropped 7-12% despite strong earnings, Intuit (INTU) fell over 9-11%, Salesforce (CRM) slid nearly 7%, and Gartner (IT) plunged nearly 21% after weak guidance. This selloff accelerated after AI startup Anthropic released a new productivity tool for legal workflows, heightening fears that AI could automate tasks traditionally handled by software, eroding profit margins and disrupting business models. Analysts have dubbed this a "SaaS apocalypse," with software valuations compressing to three-year lows (around 23 times forward earnings) as hedge funds reduce exposure to the sector to a record-low 4.5% of total US net holdings.

In contrast, chip stocks remain "hot" due to surging demand for AI infrastructure. The AI boom requires massive computing power, boosting semiconductors. Top performers include Micron (MU, up over 17% year-to-date), Western Digital (WDC, up 397% over the past year), Nvidia (NVDA), Advanced Micro Devices (AMD), and Taiwan Semiconductor (TSMC). Hedge funds have piled into chips, with net exposure hitting a record 8% and cumulative buying equivalent to 35% of the industry's market value. This rotation reflects confidence in hardware as the foundational enabler of AI, while software faces existential risks from "vibe coding" and AI agents that could compress competitive advantages.

The phrase "long hardware and short software" refers to a trading strategy where investors are bullish on hardware (chips) and bearish on software. "Long" means buying and holding assets expecting price appreciation (e.g., owning chip stocks like NVDA for gains). "Short" means betting on a decline, often by borrowing and selling shares to repurchase cheaper later (e.g., shorting software like NOW amid AI fears). This sentiment arises from uncertainty: AI's rapid capabilities could narrow software "moats" (competitive edges) in the coming years, while hardware demand is seen as more certain and explosive.

## Impact on the Overall Stock Market

The software slump has dragged broader indices lower, contributing to a \$787 billion loss in US equities on February 3, 2026. The Nasdaq Composite fell 1.4-1.6%, the S&P 500 dropped 0.8-1.3%, and even the Dow Jones Industrial Average (which hit a record high intraday) closed down 0.3-0.3%. Tech-heavy sectors led the decline, with the S&P 500 Information Technology sector down over 2%. This rotation—out of software and into economically sensitive areas like small caps (Russell 2000 up 0.3%)—signals a shift from AI "euphoria" to differentiation, where winners (chips) separate from potential losers (software). However, it's not full capitulation; inflows into AI efficiency plays (e.g., certain cloud stocks) provide some cushion. Globally, the rout rippled to Europe and Asia, with software names like Experian and SAP down 3-14%.



## Cathie Wood's Recent Crypto ETF Purchases

Cathie Wood's ARK Invest has been aggressively buying the dip in crypto-related stocks and ETFs amid a broader market slump, adding over \$19-24.8 million on February 2-3, 2026, and more on prior days.

This continues her long-term thesis on digital assets and blockchain, despite Bitcoin (BTC) dipping below \$73,000-94,000 and weak liquidity. Purchases were made across ARK's funds like ARK Innovation ETF (ARKK), ARK Next Generation Internet ETF (ARKW), and ARK Fintech Innovation ETF (ARKF). Here's a breakdown of key additions:

Stock/Asset	Amount Purchased	Details
Bitmine Immersion Technologies (BMNR)	~\$3.2-3.25 million	Crypto mining play; added amid sector weakness.
Circle Internet Group (CRCL)	~\$2.0-2.4 million	Stablecoin issuer (USDC); exposure via ARKK/ARKW.
Bullish (BLSH)	~\$2.4-3.5 million	Crypto exchange parent (includes CoinDesk); bought in ARKK/ARKF.
Coinbase (COIN)	~\$0.63-3.46 million	Leading crypto exchange; added despite Q4 2025 drag.
Robinhood (HOOD)	Part of \$24.8 million total (360,000+ shares on Feb 2)	Crypto trading platform; heavy buying on dips.
Block Inc. (SQ)	Included in broader buys	Crypto-friendly payments firm.

These are not direct ETF creations but stock purchases within ARK's ETFs to increase crypto exposure. Wood's strategy ignores short-term noise, forecasting Bitcoin at \$1.5 million by 2030. Non-crypto adds like CoreWeave (CRWV, ~\$3.1 million) and Datadog (DDOG) reflect bets on AI infrastructure, but the focus is on crypto's resilience.

## Relation to the Software Drop

There's minimal direct relation. The software selloff is driven by AI disruption fears, while Wood's crypto buys target a separate dip caused by deleveraging, government shutdown concerns, and Bitcoin's price slide. Indirectly, both involve disruptive tech: AI threatens software, while blockchain (via crypto) could enable decentralized AI or tokenized assets. Wood's ARK Big Ideas 2026 emphasizes AI productivity, Bitcoin, and DeFi, but her crypto pivot is opportunistic dip-buying rather than a hedge against software woes. Crypto equities like **COIN and HOOD** have also suffered (leading losses in ARK ETFs in Q4 2025), but Wood sees long-term upside in digital assets amid AI's rise.



### Future Market Outlook Under This Scenario

2026 is shaping up as a "solid but unremarkable" year for stocks, with S&P 500 growth around 2.25% supported by AI investment and fiscal stimulus, per Vanguard and J.P. Morgan outlooks. However, volatility is likely amid geopolitical tensions (e.g., US-Iran drone incidents), trade fragmentation (tariffs on semis/auto sectors), and AI's dual edge: boosting chips but pressuring software. Key developments:

- **Chips/Hardware:** Bullish long-term; demand for AI (e.g., Nvidia's Blackwell chip sold out for 12 months) outstrips supply. But risks include consolidation, capacity constraints, and potential bubbles if AI spending slows. A global memory shortage (DRAM/NAND growth at 16-17%) could contract smartphone/PC markets by 2.9-8.9%, per IDC.
- **Software:** Oversold (RSI at lows), potentially a buying opportunity for resilient names (e.g., Morningstar calls beaten-down stocks like Adobe undervalued). But structural shifts from AI could prolong the bear market, with private equity cutting exposure by 50%.
- **Overall Market:** Rotation favors large caps (top 100 S&P stocks generate 75% earnings) and AI enablers (power, semis, connectivity). Broader indices may stabilize if AMD's Q4 earnings (disappointing forecast) don't signal wider AI fatigue. Crypto could rebound if Bitcoin stabilizes, aiding Wood's bets. Expect bouts of disruption—e.g., AI agents challenging software moats—but innovation in multiomics, blockchain, and efficiency tools could drive upside. Analysts warn of higher inflation floors from onshoring semis and resilience-focused policies.



WDC rose since Liberation Day of April 2025