A Divided Fed, A Divided Tech Trade

- **Macro:** Warsh wants 2% and not a whisper more. We turn cautious.
- **Tech:** The market pays for capex only where the return is already visible.
- **Pick:** AMZN80 (TP: THB 2.50) — cloud revenue that is already contracted.

A Hold with Three Hawkish Cracks

The Fed held rates at 3.50–3.75% on 29-Jul. 3 of 12 voting members wanted a 25bp hike. That split is the message, not the hold. Warsh then removed any doubt about the target. There is no soft inflation target and no implicit one, he said, only 2%. He went further: the Fed will deliver 2% inflation "and not a whisper more." He is also pulling back forward guidance, so the market prices off data instead of Fed rhetoric. Futures now put a Sep hike at 82%, up from below 53% a week ago.

One Hard Hit

We think this Fed hits hard once rather than grinds slowly. Warsh wants five years of above-target inflation cured fast, and said the recent tightening in financial conditions gave him comfort. Read that plainly. He is not troubled by a weaker market. The precedent is 2022. Rates went from near zero to 4.5% in a year, and the Nasdaq-100 fell over 30%. We do not expect a fall that deep. The starting point is different: rates are already high, and the distance left is a hike or two, not 425bp. But the signal has been sent, and no one should expect the Fed to rescue this market. So we step back from high beta until the macro clears or the market corrects. Our long-term conviction in the AI wave is unchanged. We are pausing the short-term bullish view, not the thesis.

Microsoft Sells Control, Not Just Compute

MSFT's print reset the week's tone. Azure grew 43% in the quarter, guided to 45% next, with Amy Hood saying demand still exceeds supply. Satya Nadella gave the line worth keeping: "You've got to keep your harness separate from the model" — Microsoft owns the data, memory, and context layer, so the model underneath stays swappable, including its own MAI models running 40% more efficiently on Maia silicon. Then the capex: the 2026 guide fell to ~$175b from ~$190b, but no spending plan changed — Microsoft extended data center useful life from 15 to 25 years and moved future leases from finance to operating, off the capex line. It de-risked from any single lab or chip vendor, then made the bill look smaller. The market paid for both.

Amazon Spent More and Was Rewarded

Amazon raised 2026 capex by $20b to $220b due to the higher cost of memory. The stock rose 15% in a day. Andy Jassy said Amazon has a clear line of sight to strong returns. AWS grew 37% y-y (vs 31% cons), its fifth straight quarter of acceleration, and its operating margin rose 650bp. Backlog reached $496b, and 2027 capacity is already largely reserved. Compare Alphabet. It also beat and also spends heavily, but posted its first negative free cash flow and fell 7%. Our read: the market has not turned against capex. It has turned against capex whose return is still a promise.

DR Pick: AMZN80, TP THB 2.50 (AMZN at $300, USD/THB at 33.3)

DR Pick of the Week: AMZN80, BUY TP THB 2.50. Amazon is how we stay invested in AI while turning cautious on the tape. The case rests on AWS's re-acceleration, a backlog that's more than doubled in a year, and the in-house chips business (Trainium, Graviton) is now converting capex into a genuine margin lever rather than a promise. It's also the cleanest read-through from this week's spine — capex increases get rewarded when they're bounded and explained, and AMZN's was both.

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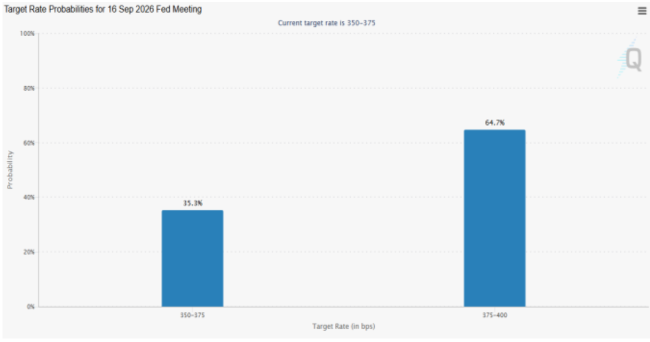
Exhibit 1: Earning Calendar (3 Aug 2026)

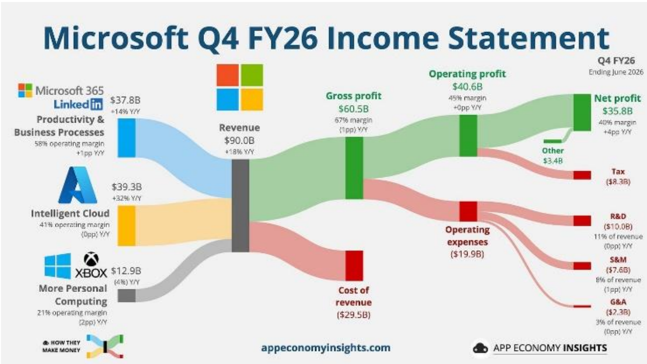
Sources: Earning Whispers

Exhibit 2: Rate Probability for 16-Sep-26 FED Meeting



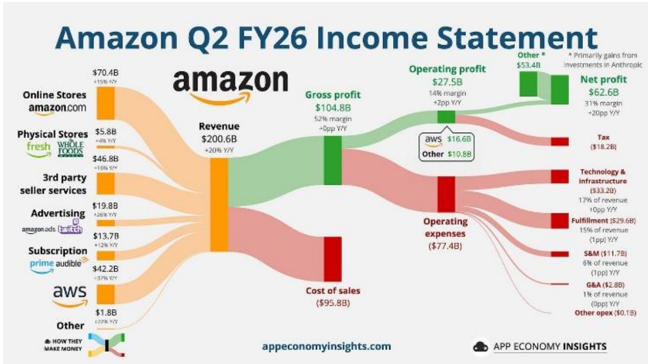
Sources: CME's FedWatch

Exhibit 3: MSFT's 4Q26 Income Statement



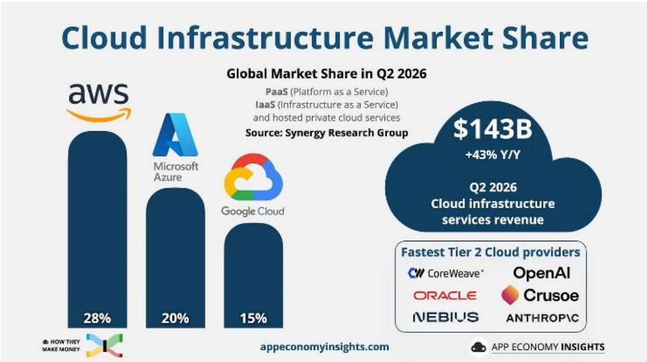
Sources: App Economy Insights

Exhibit 4: AMZN's 2Q26 Income Statement



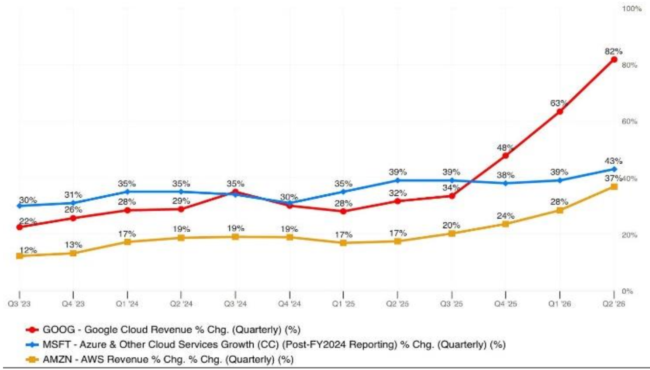
Sources: App Economy Insights

Exhibit 5: Cloud Infrastructure Market Share



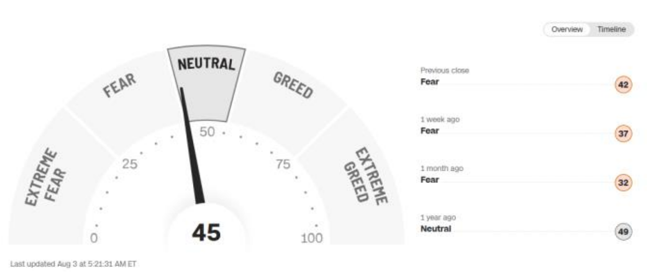
Sources: App Economy Insights

Exhibit 6: Google Cloud vs Azure vs AWS



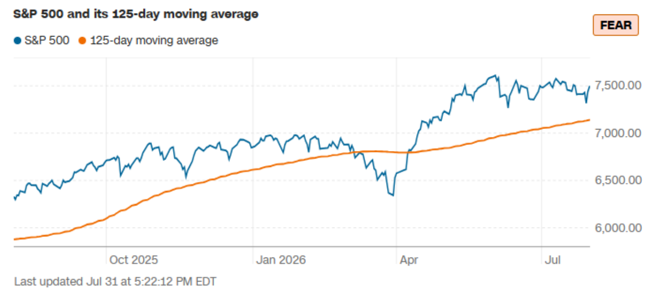
Sources: Fiscal.ai

Exhibit 7: Fear & Greed Index (3 Aug 26)



Sources: CNN

Exhibit 8: Market Momentum, S&P500 vs 125 days MA



Sources: CNN

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY: Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.
* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

Overweight:	The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral:	The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight:	The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.