

Level Set - Four Ideas for Offense

In last week's Level Set, we discussed ways for investors to get defensive ([see here](#)). We received pushback from some of our clients who asked why we thought it made sense to offer defensive ideas given recent strong price momentum and relatively stable economic data. Earlier this past week, we held a cross-asset idea dinner where the mood was markedly brighter than two months ago, undoubtedly born from the resilience of the equity market. The only bear case that's now remotely plausible to many is a material slowdown in the US consumer or a back-up in yields born out of fears of unmet supply. Oh, how times have changed. While we think the risk-reward is at best balanced, due to high earnings expectations that need to be downwardly revised, a lagged impact from tariffs on all but the mega-cap stocks (see SJM this past week as the latest example), and valuation that is not discounting a miss, we do think a barbell strategy is prudent. While we see Friday's Israel-Iran escalation as worrisome, the US equity market has rarely had a sustained reaction to geopolitical risks.

Moreover, we are still waiting for a slew of AI-proof cases to see if the billions invested are successful at reducing costs and better predicting customer and employee behavior and driving sales and margins higher. We expect to see rich evidence of AI-driven synergies later this year and into 2026. Moreover, it does appear that the top 50 US equities are fairly immune to rising prices. As we mentioned last week, the post-COVID inflation era did not cause a decline in these companies' gross margins, and the top 50 companies represent nearly 50% of the gross profit dollars of the S&P500. Hence, the S&P500 valuation is likely to remain relatively elevated. With all that in mind, even if we do have an inevitable growth scare sometime between July and October earnings seasons, we wanted to offer some offensive ideas, so that when we inevitably hit all-time highs and beyond, we have less FOMO.

Below we show FOUR approaches to offense:

1. What's Worked Since April 8th
2. What Worked the Last 15 Times and What Has worked so far this cycle in those industries
3. Gross Margin Expanders
4. Things Are Going Well But Not Too Well

OFFENSE IDEA #1: Continued Momentum: What Has Worked Since April 8th

We analyzed the returns of the major cohorts since the market bottom on April 8th to see what has worked so far, under the thesis that this cycle might be different from previous ones, and we may see continued price momentum. Construction & Engineering, Electrical Equipment, Semiconductors, and Airlines have been the best performing cohorts since President Trump said "Buy stocks."

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Best Performing Cohorts April 8th Through June 11th, 2025

Cohort	Return Since April 8th
Electrical Equipment	50.1%
Semiconductors & Semiconductor Equipment	48.7%
Construction & Engineering	48.3%
Technology Hardware, Storage & Peripherals	43.0%
Electronic Equipment, Instruments & Components	40.4%
Passenger Airlines	38.9%
Aerospace & Defense	35.9%
Information Technology	35.7%
Automobile Components	35.2%
Broadline Retail	33.5%
Trivariate's Hyper Growth Junk Basket	33.3%
Biotechnology	33.3%
Trivariate's Raw Inflation Basket	33.0%
Consumer Finance	32.8%
Energy Equipment & Services	32.7%
Marine Transportation	32.3%
Capital Goods	31.4%
Automobiles & Components	31.2%

Source: Trivariate Research, LP

The best performing stocks since April 8th among the mega-/large- and mid-cap universes are shown below, and include OKLO, ELF, NBIS, FIVE, HIMS, and HOOD, among others.

Best Performing Stocks Since April 8th

Ticker	Company	Industry	Market Cap. (U.S. \$Bn.)	Return Since April 8th
OKLO	Oklo Inc.	Electric Utilities	9.47	236%
ELF	e.l.f. Beauty, Inc.	Personal Care Products	7.01	144%
FIVE	Five Below, Inc.	Specialty Retail	6.88	124%
NBIS	Nebius Group N.V.	Software	12.04	122%
HIMS	Hims & Hers Health, Inc.	Health Care Providers & Services	12.88	121%
HOOD	Robinhood Markets, Inc.	Capital Markets	66.08	119%
CRDO	Credo Technology Group Holding Ltd	Semiconductors & Semiconductor Equipment	12.16	103%
ATI	ATI Inc.	Aerospace & Defense	11.83	100%
W	Wayfair Inc.	Specialty Retail	6.15	99%
MCHP	Microchip Technology Incorporated	Semiconductors & Semiconductor Equipment	37.54	98%
LIF	Life360, Inc.	Software	7.39	98%
CVNA	Carvana Co.	Specialty Retail	45.95	93%
ACHR	Archer Aviation Inc.	Aerospace & Defense	6.68	90%
TEM	Tempus AI, Inc.	Life Sciences Tools & Services	12.25	90%
STX	Seagate Technology Holdings plc	Technology Hardware, Storage & Peripherals	26.84	90%
RBLX	Roblox Corporation	Entertainment	65.23	88%
IONQ	IonQ, Inc.	Technology Hardware, Storage & Peripherals	10.39	87%
NET	Cloudflare, Inc.	IT Services	62.29	84%
JOBY	Joby Aviation, Inc.	Passenger Airlines	8.10	81%
AS	Amer Sports, Inc.	Textiles, Apparel & Luxury Goods	20.93	80%

Source: Trivariate Research, LP

OFFENSE IDEA #2: What's Worked the Last 15 Times

We looked back at the last 15 times the S&P500 went up 10% or more in a six-month period and determined the cohorts that performed best during those regimes. Transportation Infrastructure, Building Products, Internet, Semiconductors, and Hardware were among the industries that did the best. Building products and Homebuilders have performed poorly recently, and perhaps are areas for a potential rebound if the perception of economic recovery continues to improve. For now, Technology and Industrials have performed well, but Housing-sensitive stocks have lagged.

Best Performing Industries - Six Month Periods Last 15 Times the Market Was up >10% Avg.			
Cohort	Performance	Median	Std. Deviation
Transportation Infrastructure	32%	27%	34%
Building Products	22%	26%	11%
Internet & Direct Marketing Retail	24%	25%	28%
Semiconductors & Semiconductor Equipme	26%	25%	14%
Technology Hardware, Storage & Periphera	23%	25%	16%
Consumer Finance	23%	24%	14%
Leisure Products	17%	24%	18%
Construction Materials	23%	23%	14%
Ground Transportation	18%	23%	13%
Software	21%	23%	15%

Source: Trivariate Research, LP

Within these industries that typically work, we looked for stocks in the top 30% of upward revisions, and in the top 30% of price momentum. Below we show INTU, UBER, AMAT, APP, and CRWD are among those that performed best.

Stocks In Industries that Typically Work in Up Markets Top 30% of Upward Earnings Revisions and Price Momentum				
Ticker	Company	Industry	Market Cap (US \$ Bil.)	Returns Since April 8th
INTU	Intuit Inc.	Software	213.32	41%
UBER	Uber Technologies, Inc.	Ground Transportation	181.05	33%
AMAT	Applied Materials, Inc.	Semiconductors & Semiconductor Equipment	138.66	34%
APP	AppLovin Corporation	Software	129.75	63%
CRWD	CrowdStrike Holdings, Inc.	Software	118.89	47%
ADI	Analog Devices, Inc.	Semiconductors & Semiconductor Equipment	115.40	41%
SNPS	Synopsys, Inc.	Software	77.69	31%
JCI	Johnson Controls International plc	Building Products	67.90	45%
ZS	Zscaler, Inc.	Software	46.69	69%
DDOG	Datadog, Inc.	Software	40.97	36%
MCHP	Microchip Technology Incorporated	Semiconductors & Semiconductor Equipment	37.54	98%
HPE	Hewlett Packard Enterprise Company	Technology Hardware, Storage & Peripherals	23.91	46%
GWRE	Guidewire Software, Inc.	Software	21.11	45%
PSTG	Pure Storage, Inc.	Technology Hardware, Storage & Peripherals	17.96	42%
RBRK	Rubrik, Inc.	Software	17.19	68%
DT	Dynatrace, Inc.	Software	16.14	31%

Source: Trivariate Research, LP

OFFENSE IDEA #3: Gross Margin Growth

With rampant concerns about rising potential prices from tariffs and a slowing US consumer, profit margins will likely be a crucial differentiating factor in stock performance in the second half of this year. With that in mind, we analyzed the consensus sell-side gross margin forecasts, and show below the stocks with the highest gross margin growth expectations. RTX, UBER, and MU are at the top of the list, and all have performed well. Only SBUX, REGN, and CNC are down in absolute terms.

Stocks With High Consensus Forecasted Gross Margin Growth Over the next 12 Months

As of June 11th, 2025

Ticker	Company	Industry	Market Cap. (US\$ Bil.)	Forecasted Gross Margins	Trailing Gross Margins	Return Since April 8th
RTX	RTX Corporation	Aerospace & Defense	189.45	24%	19%	18%
UBER	Uber Technologies, Inc.	Ground Transportation	181.05	40%	34%	33%
MU	Micron Technology, Inc.	Semis & Semi. Equipment	129.67	43%	35%	77%
VRTX	Vertex Pharmaceuticals Incorporated	Biotechnology	116.19	87%	53%	(4%)
SBUX	Starbucks Corporation	Hotels, Restaurants & Leisure	108.40	69%	25%	21%
LMT	Lockheed Martin Corporation	Aerospace & Defense	106.98	13%	10%	4%
WMB	The Williams Companies, Inc.	Oil, Gas & Consumable Fuels	72.55	76%	60%	9%
RBLX	Roblox Corporation	Entertainment	65.23	78%	28%	88%
KMI	Kinder Morgan, Inc.	Oil, Gas & Consumable Fuels	61.15	63%	50%	10%
MRVL	Marvell Technology, Inc.	Semis & Semi. Equipment	58.84	60%	49%	37%
REGN	Regeneron Pharmaceuticals, Inc.	Biotechnology	54.80	87%	49%	(7%)
F	Ford Motor Company	Automobiles	42.39	15%	8%	24%
VLO	Valero Energy Corporation	Oil, Gas & Consumable Fuels	41.99	10%	5%	29%
CNC	Centene Corporation	Health Care Providers & Serv.	27.50	18%	14%	(11%)
NUE	Nucor Corporation	Metals & Mining	27.03	15%	11%	13%
DVN	Devon Energy Corporation	Oil, Gas & Consumable Fuels	22.13	66%	52%	29%
SSNC	SS&C Technologies Holdings, Inc.	Professional Services	20.04	59%	49%	13%
LYB	LyondellBasell Industries N.V.	Chemicals	19.64	13%	10%	18%
DKNG	DraftKings Inc.	Hotels, Restaurants & Leisure	18.80	46%	38%	19%
EXPD	Expeditors International of Washington, Inc.	Air Freight & Logistics	15.67	33%	13%	12%

Source: Trivariate Research, LP

OFFENSE IDEA #4: Things Are Going Well, But Not Too Well

These are stocks that are in the top half of price momentum, meaning they have performed at least as well as the median stock in the last year. They are expensive - in the middle through 2nd most expensive deciles on enterprise value-to-forecasted sales - but in a zone back-tested to have outperformed. We want to avoid stocks in the most expensive decile. Thirdly, their forecasted revenue growth is in the middle to second-fastest growing deciles, but not in the fastest, as again, on average, avoiding the fastest forecasted growers is prudent. Stocks greater than \$50 Billion US Market Cap. in this category include MSFT, GOOGL, META, NFLX, ORCL, and PM, among others.

Top Half Momentum, 5th Through 9th Decile EV-to-Forecasted Sales, 2nd Through 5th Decile of Forecasted Revenue Growth

>\$0 US \$ Bil. Market Cap.

Through June 11th, 2025

Ticker	Company	Industry	Market Cap. (US\$ Bil.)	EV-to-Forecasted Sales	Forecasted Revenue Growth	Return Since April 8th
MSFT	Microsoft Corporation	Software	3,512.77	11.2x	17%	34%
GOOGL	Alphabet Inc.	Interactive Media & Services	2,159.96	5.4x	8%	23%
META	Meta Platforms, Inc.	Interactive Media & Services	1,745.30	9.2x	10%	36%
NFLX	Netflix, Inc.	Entertainment	519.15	11.9x	10%	40%
ORCL	Oracle Corporation	Software	494.61	8.9x	16%	42%
PM	Philip Morris International Inc.	Tobacco	285.42	8.1x	7%	23%
IBM	International Business Machines Corporation	IT Services	256.01	4.6x	5%	26%
CSCO	Cisco Systems, Inc.	Communications Equipment	254.19	4.5x	7%	21%
INTU	Intuit Inc.	Software	213.32	10.2x	16%	41%
AMD	Advanced Micro Devices, Inc.	Semiconductors & Semiconductor Equipment	196.42	6.1x	14%	55%
TXN	Texas Instruments Incorporated	Semiconductors & Semiconductor Equipment	181.41	10.9x	8%	36%
UBER	Uber Technologies, Inc.	Ground Transportation	181.05	3.7x	12%	33%
BKNG	Booking Holdings Inc.	Hotels, Restaurants & Leisure	177.87	6.9x	7%	31%
ADBE	Adobe Inc.	Software	175.95	7.4x	7%	21%
SCHW	The Charles Schwab Corporation	Capital Markets	160.62	6.6x	10%	27%
BLK	BlackRock, Inc.	Capital Markets	153.89	7.3x	7%	22%
PANW	Palo Alto Networks, Inc.	Software	129.62	12.1x	16%	27%
ETN	Emerson Electric Co.	Electrical Equipment	127.45	5.0x	8%	30%
LRCX	Lam Research Corporation	Semiconductors & Semiconductor Equipment	116.34	6.2x	9%	51%
ADI	Analog Devices, Inc.	Semiconductors & Semiconductor Equipment	115.40	11.0x	11%	41%
KLAC	KLA Corporation	Semiconductors & Semiconductor Equipment	115.31	9.4x	8%	46%
SBUX	Starbucks Corporation	Hotels, Restaurants & Leisure	108.40	3.4x	5%	21%
TT	Trane Technologies plc	Building Products	94.33	4.6x	6%	34%
DASH	DoorDash, Inc.	Hotels, Restaurants & Leisure	92.29	6.8x	14%	31%
ANB	Arista, Inc.	Hotels, Restaurants & Leisure	85.21	6.3x	7%	31%
SNPS	Synopsys, Inc.	Software	77.69	10.5x	13%	31%
RCL	Royal Caribbean Cruises Ltd.	Hotels, Restaurants & Leisure	72.77	5.1x	8%	49%
EMR	Emerson Electric Co.	Electrical Equipment	71.15	4.5x	6%	35%
PNC	The PNC Financial Services Group, Inc.	Banks	70.31	5.6x	9%	20%
HWM	Howmet Aerospace Inc.	Aerospace & Defense	68.92	8.9x	7%	49%
USB	U.S. Bancorp	Banks	68.86	3.6x	12%	21%
WDAY	Workday, Inc.	Software	67.07	6.6x	9%	19%
COIN	Coinbase Global, Inc.	Capital Markets	63.85	8.2x	11%	65%
ADSK	Autodesk, Inc.	Software	63.49	9.2x	10%	24%
AEI	Agrico Eagle Mines Limited	Metals & Mining	59.76	5.8x	16%	19%
VST	Visa Corp.	Independent Power & Renewable Electricity Producers	56.60	3.8x	11%	63%

Source: Trivariate Research, LP

Stocks less than \$50 Billion US Market Cap. in this category include SRE, FAST, FANG, TTWO, IDXX, and VRT, among others (see below).

Top Half Momentum, 5th Through 9th Decile EV-to-Forecasted Sales, 2nd Through 5th Decile of Forecasted Revenue Growth
 <\$0 US \$ BIL. Market Cap.
 Through June 11th, 2023

Ticker	Company	Industry	Mark of Cap. (US \$ BIL.)	EV-to- Forecasted Sales	Forecasted Revenue Growth	Return Since April 8th.
SRE	Sempra	Multi-Utilities	49.55	6.4x	9%	19%
PAST	Fastenal Company	Trading Companies & Distributors	48.93	6.0x	7%	20%
FANG	Diamondback Energy, Inc.	Oil, Gas & Consumable Fuels	43.51	4.2x	13%	26%
TTWO	Take-Two Interactive Software, Inc.	Entertainment	42.93	7.6x	7%	20%
IDXX	IDEXX Laboratories, Inc.	Health Care Equipment & Supplies	42.16	10.4x	5%	45%
VRT	Veriv Holdings Co	Electrical Equipment	42.15	4.6x	13%	78%
DOOG	Osadog, Inc.	Software	40.97	11.9x	14%	36%
GRMN	Garmin Ltd.	Household Durables	40.27	5.5x	6%	20%
ARES	Ares Management Corporation	Capital Markets	36.67	11.6x	10%	37%
RMD	ResMed Inc.	Health Care Equipment & Supplies	36.79	6.6x	10%	23%
ROK	Rockwell Automation, Inc.	Electrical Equipment	36.64	4.8x	6%	49%
HEI	HEICO Corporation	Aerospace & Defense	36.42	8.7x	8%	27%
TTD	The Trade Desk, Inc.	Media	35.57	12.0x	11%	60%
EFX	Equifax Inc.	Professional Services	33.72	6.4x	5%	32%
MLM	Marin Materials, Inc.	Construction Materials	32.91	5.5x	6%	21%
DXCM	DexCom, Inc.	Health Care Equipment & Supplies	32.54	7.0x	11%	37%
ANSS	ANSYS, Inc.	Software	30.47	10.6x	8%	22%
IRM	Iron Mountain Incorporated	Specialized REITs	29.79	7.0x	9%	31%
LVS	Las Vegas Sands Corp.	Hotels, Restaurants & Leisure	29.56	3.4x	6%	37%
KEYS	Keysight Technologies, Inc.	Electronic Equipment, Instruments & Components	27.97	5.1x	6%	27%
TOST	Toast, Inc.	Financial Services	24.98	3.9x	15%	44%
CPAY	Corpay, Inc.	Financial Services	24.58	7.1x	9%	23%
FWONK	Formula One Group	Entertainment	23.95	6.3x	15%	22%
PINS	Pinterest, Inc.	Interactive Media & Services	23.51	5.0x	11%	41%
HBAN	Huntington Bancshares Incorporated	Banks	23.44	3.5x	12%	29%
NTRA	Natera, Inc.	Biotechnology	22.77	11.0x	9%	26%
PODD	Insulet Corporation	Health Care Equipment & Supplies	21.27	8.6x	15%	22%
VK	Viking Holdings Ltd	Hotels, Restaurants & Leisure	20.99	3.8x	14%	33%
AS	Amer Sports, Inc.	Textiles, Apparel & Luxury Goods	20.93	3.6x	11%	60%
HUBB	Hubbell Incorporated	Electrical Equipment	20.76	3.8x	6%	23%
PTC	PTC Inc.	Software	20.51	8.3x	12%	25%
GRAB	Grab Holdings Limited	Ground Transportation	19.51	4.1x	16%	27%
TWLO	Twilio Inc.	IT Services	18.04	3.5x	5%	45%
FSLR	First Solar, Inc.	Semiconductors & Semiconductor Equipment	18.00	3.5x	19%	39%
PSTG	Pure Storage, Inc.	Technology Hardware, Storage & Peripherals	17.96	4.7x	8%	42%
CW	Curtis-Wright Corporation	Aerospace & Defense	17.78	5.5x	6%	61%
MDB	MongoDB, Inc.	IT Services	17.21	6.5x	8%	44%
FFIV	FFIV, Inc.	Communications Equipment	16.82	5.1x	5%	21%
SOFI	SoFi Technologies, Inc.	Consumer Finance	16.65	5.4x	19%	59%
DT	Dynatrace, Inc.	Software	16.14	7.7x	15%	31%

Source: Trivariate Research, LP

CONCLUSION: Last week's prudent defense needed to be balanced by a prudent offense. We offer four approaches today. Please don't hesitate to reach out with any questions.

Important Disclosures

Analyst Certification

The analysts, Adam Parker, Maxwell Arnold, Chang Ge, Colin Cooney and Ryan McGovern, responsible for the preparation of this research report certifies that: all the views expressed in this research report accurately reflect the research analyst's personal views.

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