

Morning Review

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Dear friends, good morning!

I'm Walter Cross, the founder of Winchester Community and the lead instructor of this practical course.

I'm truly delighted to reunite with you in the classroom at such a pivotal moment.

I understand that for many investors, today is not just another day, it's a day that tests both judgment and execution.

Because tomorrow, the market will face one of the most important macro events of this cycle: the U.S. Federal Reserve's FOMC interest rate decision.

Although the market widely expects the Fed to hold rates steady this time, what truly deserves attention is:

This is the first FOMC meeting since March to include updated "dot plot" projections and economic forecasts, which will cover the outlook for inflation trends, labor market stability, and the interest rate path.

These updates will directly influence capital flows, market structure, and sentiment, creating systemic effects on overall market rhythm.

During this window filled with uncertainty and expectation-driven volatility, many may wonder: is this an opportunity, or a risk?

In today's class, we will face this wave of market volatility together. I'll be combining the latest data, policy expectations, and signals from our Darvis Smart Analysis System to deliver clear strategic guidance and logical breakdowns, helping you navigate with stability and find your own rhythm amid the turbulence.

Welcome to today's session, let's begin.

June 17 – Winchester Community Featured Stock Pick: \$LITE

Lumentum is a leading company in the photonics industry, focused on delivering high-performance optical modules, lasers, and photonic solutions for cloud data centers, AI infrastructure, and industrial markets.

Latest Financial Highlights:

Q3 FY2025 (reported May 6):

Revenue: \$425.2M, near the upper end of guidance, up 6% YoY.

Non-GAAP EPS: \$0.57, beating expectations of \$0.51.

Cash Reserves: \$916M, strong and stable.

Latest Developments:

Rising Demand for AI Optical Modules:

Lumentum showcased its InP optical chips and 450G/400G optical transceivers at OFC 2025, partnering with NVIDIA to meet the expanding needs of AI data centers.

Technology Leadership in Optical Communications: NVIDIA selected Lumentum as a key Silicon Photonics ecosystem partner, supporting the next generation of high-performance, high-bandwidth optical interconnects.

Policy and Structural Tailwinds:

1. Expansion of AI & Cloud Infrastructure

Surging demand from major cloud and AI players is driving growth. Lumentum's high-speed optical modules (e.g., 800G/1.6T EMLs) carry premium pricing and technical barriers.

Its newly launched R300 optical router is positioned as a core device for AI data centers, with sampling orders already placed by large cloud firms. Mass production is expected in the second half of 2025.

2. Supportive Supply Chain & Manufacturing Policies

In response to global restructuring in chip and photonics industries, the U.S. and allies have introduced strong incentives (like the CHIPS Act) to rebuild local supply chains.

Lumentum is expanding capacity in the U.S. and Thailand to lower tariff costs and boost resilience and supply chain stability.

3. Strategic Alignment with Policy Trends

The company's latest guidance projects EML production capacity to grow ~40% by Q4 2025, aligning with national-level supply chain strategies. CEO Michael Hurlston

recently stated at a major conference: “We haven’t seen any slowdown in orders,” underscoring the sustained growth driven by structural demand.

Overall Conclusion:

Backed by the combined force of AI demand, domestic manufacturing incentives, and a global strategic capacity plan, Lumentum (LITE) is entering a phase of dual momentum, policy + market. These tailwinds are driving strength in production, orders, and cost structure.

Community Suggested Strategy: Initial position size: 5%

Why choose this particular moment to focus on and build a position in \$LITE?

I believe many of you may have the same question: why enter \$LITE now?

The answer is actually quite clear.

Beyond the detailed policy support, fundamental strength, and product advantages I mentioned earlier, there’s an even broader macro framework at play, especially as we approach a key moment: the upcoming Federal Reserve interest rate decision.

As long-time followers of our community know, in 2025, the U.S. government officially elevated artificial intelligence to the level of a national core strategy. Whether through fiscal stimulus, regulatory easing, or domestic manufacturing incentives, all efforts are aimed at one central goal:

Rebuilding America’s global leadership in AI technology and computing infrastructure.

This is the Trump administration’s primary tool for redefining what it means to be a tech superpower.

With these policy tailwinds, AI commercialization has clearly accelerated. Leading companies are now showing real earnings power, and the market has entered a genuine phase of expansion.

And Lumentum, as a leading player in the photonics technology chain, not only possesses strong product-level technical moats and pricing power, but also holds a critical position in the AI hardware infrastructure thanks to its role in the silicon photonics ecosystem and core components for AI data centers, both of which lie in the most value-rich segments of the chain.

This also explains the core logic behind market expectations that Lumentum's EML (external modulated laser) production capacity will increase by 40% by Q4 2025:

When a market is on the verge of breakout, the share expansion of top-tier companies often accelerates rapidly.

From a technical perspective, \$LITE is currently retesting its previous highs, showing a solid breakout structure. Coupled with a recent rebound in market risk appetite, once the technical setup confirms, the stock's price momentum could release quickly.

Adding to that, the upcoming Federal Reserve interest rate decision, though widely expected to hold rates steady, will also include the first updated "dot plot" and economic projections since March.

We believe that if the new dot plot suggests a future path toward rate cuts, market sentiment could receive a fresh boost in the short term, particularly benefiting tech and growth stocks.

Thus, from fundamentals and policy timing to structural trends and technical setups, we see this moment as a highly valuable entry point for \$LITE.



Back to the market itself, U.S. stocks opened slightly lower today.

What's weighing on the market isn't just the ongoing escalation between Israel and Iran in the Middle East, more importantly, it's the newly released May retail sales data from the U.S., which showed the biggest monthly drop so far this year, putting short-term pressure on market sentiment.

But how should we interpret all of this?

I've always emphasised, emotion can amplify short-term volatility, but it's your understanding that determines whether you can see through to the fundamentals.

As for the Middle East situation, I believe that while the conflict is still developing, it hasn't reached an uncontrollable stage.

Looking back at history, we ran a systematic backtest of 25 major geopolitical shocks the U.S. stock market has faced since the Pearl Harbor attack in 1941, the average drawdown was only 4.6%, and in most cases, the market rebounded in the short term.

This shows that the U.S. stock market's tolerance and resilience toward geopolitical events are often much stronger than most people instinctively expect.

As for the recent pullback in retail sales, it actually aligns with what our system models had already predicted:

Before President Trump pushed forward with the tariff policy, consumers rushed to buy cars and durable goods, which boosted the earlier data baseline.

The latest numbers show that after this wave of "pre-spending," a decline in consumption is a natural adjustment, not a sign of systemic recession.

More importantly, the tariffs haven't directly pushed inflation higher just yet.

However, the pressure on consumer confidence is starting to show, especially among lower-income households, who are being squeezed by both high interest rates and rising living costs.

This will be a key structural risk factor we'll continue to watch closely.

All in all, the recent short-term market correction doesn't signal a trend reversal, instead, it opens a more favourable window for identifying value and positioning for

the next market phase.

In this kind of macro-driven environment, what we need to do is:

spot structurally strong names, manage our position sizes carefully, and stay ahead of how the policy game is evolving.

Stay sharp and stick to the logic, only then can we find real opportunities in the middle of uncertainty.



Back on the macro level, we're closely watching the evolution of another key theme: the restructuring of global trade.

The latest development shows that President Trump, during a bilateral meeting with newly elected UK Prime Minister Starmer, officially announced that the U.S. and UK have signed a formal agreement based on the trade framework reached in May.

Both sides described the agreement as a “mutually beneficial and sustainable growth-oriented trade deal.”

President Trump highlighted that the agreement will create a large number of jobs, generate significant income for both countries, and has strong long-term growth potential.

Prime Minister Starmer called it “a symbol of strength and cooperation,” noting that the agreement will first be implemented in the areas of auto tariffs and aerospace, marking the first phase of this collaboration.

What does this mean for the market?

First, this marks another major component of the U.S.'s "nation-level rebalancing strategy" beyond just AI dominance. By strengthening bilateral agreements with key allies, the U.S. is reshaping global positioning in high-end manufacturing, aerospace, energy, and more.

Second, as these trade talks start to materialize alongside more defined tariff policies, the market is shifting from fear to pricing, uncertainty is beginning to ease, while corporate earnings expectations and global supply chain stability are starting to recover.

Third, once these kinds of deals are in place, they'll have a direct impact on capital flows, sector revaluations, and the order structures of export-oriented companies, for investors focused on medium-term trends, this is a high-value signal.

Bottom line: with policy implementation and a shift in global coordination both in motion, we're entering a new window of macro consensus.

Short-term noise may still be around, but what really deserves our focus now is this:

Which sectors and which companies are best positioned to benefit first as structural clarity returns?

That's the real direction we need to start researching and positioning for now.

Important Reminder: Tomorrow marks the most critical market moment of the week, The Federal Reserve is set to announce its interest rate decision, which will serve as a key anchor for the market's direction going forward.

Also, since this Thursday (June 19) is a market holiday in the U.S., initial jobless claims for the week of June 14 will be released early, tomorrow, meaning two major data points are dropping on the same day, which could have a deep impact on the market.

One thing to pay extra attention to,

This FOMC meeting will also include the release of an updated "dot plot" and economic projections for the first time since March, covering interest rate paths, employment trends, and inflation expectations, all of which will offer clear guidance for upcoming Fed policy decisions and have a

major influence on asset allocation strategies.

Tomorrow's data drop is a critical moment when market sentiment will be repriced all at once,

To prepare, we'll be using the Darvis Smart Analysis System for real-time data monitoring and strategic interpretation, and we'll post updates in the community as soon as the numbers hit.

Be sure to stay tuned to our community tomorrow, we'll help you adjust your positions, stay on rhythm, and seize the opportunities ahead.

Winchester Community