

Weekly Market Wrap

Week Ending 29th May 2026



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Executive Summary

The week ending 29th May 2026 was defined by one dominant catalyst: escalating optimism over a US-Iran 60-day ceasefire extension and the prospective reopening of the Strait of Hormuz. WTI crude fell 9.6% WoW to \$87.4/bbl, US 10Y yields declined 12 bps to 4.44%, and US equity markets extended their winning streak to nine consecutive weekly gains, with the S&P 500 and NASDAQ closing at fresh record highs. Japan's Nikkei surged 4.7% to multi-decade highs as energy-importer terms of trade improved and AI-linked semiconductor names led the advance.

The macro backdrop, however, remains structurally constrained: April PCE inflation printed at 3.8% YoY; its highest since May 2023, with core PCE at 3.3%, keeping the newly installed Federal Reserve Chair Kevin Warsh (sworn in 22 May) firmly on hold with a hike bias.

Key Themes

- **Strait of Hormuz Optionality:** Ceasefire progress drove oil's largest single-week decline of this conflict cycle (-9.6%). Physical flow restoration requires mine clearance by Iran and US port blockade removal, which is a multi-week process. The narrative is well ahead of operational reality.
- **Sticky Inflation Beyond Energy:** Core PCE at 3.3% and core services at 3.5% signal structural price pressure independent of crude. New Fed Chair Warsh inherits a hold-with-hike posture; BofA Global Research has pushed its rate cut call to the back half of 2027.
- **Oil/Gas Divergence - A Structural Call-Out:** A ceasefire restores tanker passage through Hormuz; it cannot restore Qatar's Ras Laffan LNG facility, which sustained physical damage from Iran's March 18 attack. QatarEnergy estimates a 5-year repair timeline. Oil fell on diplomatic news; natural gas rose on infrastructure reality.
- **India Underperforms Despite the Tailwind:** SENSEX fell 0.8% WoW despite oil's collapse and INR strength. FII selling on May 29 alone totalled INR 21,106 Cr (~USD 2.2 billion) on the back of weak monsoon forecasts and late-session profit booking.
- **Crypto-Equity Decoupling:** Bitcoin fell 3.1% and the Bloomberg Crypto Index fell 2.2% as the S&P 500 hit record highs. Capital is concentrating in AI-linked productive assets, not speculative digital holdings. Bitcoin failed to break \$83,000 and has formed lower highs since October 2025.

Week Ending	S&P 500	NASDAQ	Dow Jones	Sensex	Nikkei	S&P BDC	Gold	Silver	Oil	Nat Gas	Crypto Index
9-Jan	1.6%	2.2%	2.3%	(2.5%)	3.2%	0.0%	4.1%	9.7%	3.1%	(12.4%)	0.9%
23-Jan	(0.4%)	0.3%	(0.5%)	(2.4%)	(0.2%)	(0.9%)	8.5%	14.5%	2.7%	70.0%	(8.7%)
6-Feb	(0.1%)	(1.9%)	2.5%	3.5%	1.7%	(4.6%)	1.4%	(8.6%)	(2.5%)	(21.4%)	(19.4%)
20-Feb	1.1%	1.1%	0.3%	0.2%	(0.2%)	(2.8%)	1.3%	9.3%	5.6%	(6.0%)	(1.6%)
6-Mar	(2.0%)	(1.3%)	(3.0%)	(2.9%)	(5.5%)	1.3%	(2.0%)	(9.9%)	35.6%	11.4%	2.6%
20-Mar	(1.9%)	(2.0%)	(2.1%)	(0.0%)	2.6%	1.0%	(10.5%)	(15.7%)	(0.4%)	(1.1%)	0.3%
3-Apr	3.4%	3.9%	3.0%	(0.4%)	(1.7%)	2.3%	4.1%	4.7%	11.9%	(9.5%)	1.1%
17-Apr	4.5%	6.2%	3.2%	1.2%	2.7%	6.9%	1.7%	6.6%	(13.2%)	1.0%	6.9%
1-May	0.9%	1.5%	0.5%	0.3%	(0.3%)	4.9%	(2.0%)	(0.5%)	8.0%	10.2%	(0.8%)
15-May	0.1%	(0.4%)	(0.2%)	(2.7%)	(2.1%)	(2.1%)	(3.7%)	(5.4%)	10.5%	7.4%	(2.2%)
29-May	1.4%	2.9%	0.9%	(0.8%)	4.7%	2.1%	0.7%	(0.3%)	(9.6%)	13.2%	(2.2%)
YTD Return	10.5%	20.3%	5.5%	(12.8%)	31.8%	(12.3%)	4.8%	3.4%	52.4%	(9.1%)	(29.2%)

Asset Class Performance

Equity Market

Week ending >>>					
	22-May-26	29-May-26	YTD Returns	Growth for the month	Growth for the week
Equity Indices					
S&P 500 (USD)	7,473.5	7,580.1	10.5%	5.8%	1.4%
NASDAQ (USD)	29,481.6	30,333.2	20.3%	11.1%	2.9%
Dow Jones (USD)	50,579.7	51,032.5	5.5%	3.7%	0.9%
SENSEX (INR)	75,415.4	74,775.7	(12.8%)	(2.5%)	(0.8%)
Stoxx 600 (EUR)	625.1	626.0	5.0%	2.5%	0.1%
Nikkei (JPY)	63,339.1	66,329.5	31.8%	11.1%	4.7%
Hang Seng (HKD)	25,606.0	25,182.4	(4.4%)	(3.1%)	(1.7%)

- **US Equities:**

- The S&P 500 advanced 1.4% WoW to 7,580.1; its ninth consecutive weekly gain on a holiday-shortened week (Memorial Day Monday). The NASDAQ 100 led at +2.9% to 30,333.2 (YTD: +20.3%) on concentrated mega-cap technology strength. The Dow Jones lagged at +0.9% to 51,032.5 (YTD: +5.5%). The S&P 500 has now gained approximately 8% since the conflict began on 27th February.
- The primary catalyst was geopolitical: the US-Iran agreement toward a 60-day ceasefire extension and preliminary Hormuz reopening framework drove WTI crude down 9.6%. The transmission chain ran from Hormuz optimism to a crude price collapse, leading to lower near-term PCE expectations, a 12 bps decline in the 10-year Treasury yield, and multiple expansion in rate-sensitive growth stocks. Technology led the market, with the IT sector rising 4.6% WoW (+23.8% YTD), making it the S&P 500's best-performing sector. AI infrastructure investment contributed approximately 1 percentage point to US GDP growth over the past year, comparable to the peak of the 1990s IT investment cycle (per Edward Jones/BEA data).
- Sector divergences were sharp. Energy fell (5.4%) WoW on the oil collapse. Consumer Staples (3.2%), Utilities (2.0%), and Financials (0.7%) also declined. The rally was narrow and growth/tech-concentrated; a bull market running on AI momentum and earnings, not economic acceleration.

- **SENSEX:**

- The SENSEX fell (0.8%) WoW to 74,775.7 (YTD: (12.8%)); the weakest performer among tracked equity indices this week, a sharp underperformer relative to global peers. The week was volatile: the index rallied sharply Monday-Tuesday on ceasefire optimism (gaining over 1,073 points on 25 May alone), then reversed sharply Friday.
- The divergence is analytically notable. Global risk appetite was strong, WTI crude collapsed 9.6% (positive for India, which imports approximately 85% of oil requirements), and the INR strengthened 0.7% WoW. Yet the Sensex fell. Domestic structural pressures overwhelmed the macro tailwind.
- FII selling was the proximate cause. FIIs sold a net INR 21,106 Cr (~USD 2.2 billion) in cash markets on Friday 29 May alone, with an additional INR 5,999 Cr in index futures short positions. DIIs absorbed a net INR 16,764 Cr but the FII magnitude was decisive.
- Friday's selloff was compounded by weak Indian monsoon forecasts, a new catalyst with material implications for agricultural output, rural demand, food inflation, and RBI policy trajectory. Key sectoral losses: Nifty Railways PSU (4.27%), Healthcare (1.78%), FMCG (1.72%), Oil and Gas (1.51%).

- **Stoxx 600:**

- The Stoxx 600 advanced a modest 0.1% WoW to 626.0 (YTD: +5.0%), masking significant cross-border divergence. Continental peers outperformed: Germany DAX +0.87%, France CAC 40 +0.83%, Italy FTSE MIB +1.06%. The UK FTSE 100 fell (0.54%), dragging down the pan-European aggregate. London was also closed Monday for the late May bank holiday.
- The ECB's April meeting minutes, delivered a clear hawkish signal: some members were explicitly open to rate hikes, and the energy shock was described as 'large and highly persistent.' Multiple board members separately

signalled a June rate hike as likely. This is a material policy inflection; from a neutral-to-easing bias that had supported valuations, to explicit tightening guidance. A June ECB hike would compress multiples on rate-sensitive European equities and pressure peripheral sovereign spreads.

- UK underperformance reflected the FTSE 100's heavy energy-sector weighting (adversely affected by oil's decline) and elevated UK shop price inflation (+1.2% YoY in May, above 1.1% consensus), attributed partly to Middle East shipping and raw material costs. German unemployment edged to 6.3% (from 6.4%); Italy Q1 GDP was revised to +0.3% growth.

- **Nikkei:**

- The Nikkei surged 4.7% WoW to 66,329.5, the strongest-performing tracked index this week and a record closing high. YTD: +31.8%, the global outperformer by a substantial margin.
- Japan imports approximately 97% of its oil requirements. The prospect of Hormuz reopening represents a direct and substantial terms-of-trade improvement, lower import costs, improved current account, margin relief for energy-intensive manufacturers. Technology and AI-linked semiconductor manufacturers surged on AI buildout enthusiasm; Japan's index composition makes it a high-beta expression of the global industrial capex cycle.
- Counterintuitively: Tokyo core CPI decelerated to 1.3% YoY in May; sixth consecutive month below the BoJ's 2% target. Government energy subsidies and private school fee waivers are suppressing the headline. Soft domestic inflation weakens the BoJ's case for a June hike, introducing genuine two-way risk at the next policy meeting. From an equity perspective, a BoJ on hold is supportive; lower discount rates and continued JPY weakness benefit exporters.
- JGB yields fell 5.60 bps WoW to 2.69%, consistent with softer CPI and global bond market relief. YTD JGB yields are still up 62.60 bps, the largest structural repricing of any tracked credit instrument this cycle, representing Japan's historic transition from near-zero rates. At 2.69%, the 10Y JGB sits near its highest levels in approximately three decades. The JPY was essentially flat at 159.27 (+0.1% WoW). The BoJ-Fed rate differential (~275-300 bps) continues anchoring structural carry-trade yen selling. The Ministry of Finance confirmed yen-buying operations during Golden Week. JPY at ~159/USD remains in intervention-vigilance territory.

- **Hang Seng:**

- The Hang Seng fell (1.7%) WoW to 25,182.4 (YTD: (4.4%)), significantly underperforming global peers despite strong Chinese industrial data. The primary driver was the CSRC's enforcement action against cross-border online brokerages, Tiger Brokers (UP Fintech), Futu Holdings, and Longbridge Securities triggering sharp declines in offshore-listed Chinese brokerage shares.
- The juxtaposition is analytically instructive: China's industrial profits jumped 24.7% YoY in April (accelerating from 15.8% in March), yet the Hang Seng fell 1.7%. The transmission between strong Chinese industrial data and Hong Kong equity prices continues to be interrupted by regulatory risk - a consistent pattern in 2026. China's recovery remains structurally narrow: strong upstream and tech exports, weak consumer-facing industries and property-related activity. Hong Kong markets were also closed on 25 May for a public holiday.

Credit Market

Week ending >>>					
	22-May-26	29-May-26	YTD Change (bps)	Change for the Month (bps)	Change for the Week (bps)
Credit					
US Bond Yield (%)	4.56	4.44	24.48	13.48	(12.23)
JGB yield (%)	2.75	2.69	62.60	26.30	(5.60)
Week ending >>>>					
	22-May-26	29-May-26	YTD Returns	Growth for the month	Growth for the week
Credit					
S&P BDC Index	47.460	48.448	(12.3%)	(1.3%)	2.1%

- **US Bond Yield:**

- US 10Y yield fell 12.23 bps WoW to 4.44% from 4.56%. The WoW move was tactically driven by oil's collapse reducing near-term headline inflation expectations and solid demand at the Treasury's 7-year note auction. The structural rate outlook is unchanged.
- The macro reality is unchanged: core PCE at 3.3%, Fed Chair Warsh maintaining explicit hold-with-hike posture, markets pricing a potential hike within 12 months. The 2-10 spread has re-normalised to approximately 44 bps (from 68 bps at year-end 2025), reflecting mild bull-steepening as the long end eases on geopolitical relief.
- US 30Y yields briefly exceeded 5% in the prior week (a two-decade high per BlackRock Investment Institute), reflecting the rising term premium from an investor base increasingly composed of short-term leveraged players; a structural shift in Treasury market composition. High yield bonds generated positive returns for the week; T. Rowe Price noted some gains faded as investors questioned the durability of geopolitical headlines.

- **JGB Yield:**

- 10Y JGB fell 5.60 bps WoW to 2.69% (YTD: +62.60 bps, MoM: +26.30 bps). The YTD +62.60 bps is the largest structural repricing of any tracked credit instrument this cycle. The WoW easing was driven by softer Tokyo CPI (1.3% YoY; below BoJ's 2% target for the sixth consecutive month) reducing near-term rate hike urgency, alongside global bond market relief from ceasefire progress.
- At approximately 2.69%, the 10Y JGB sits near its highest levels in approximately three decades. Japanese bank and life insurer portfolios, accumulated at near-zero yields, now carry substantial unrealised duration losses; a slow-moving financial stability consideration that bears monitoring as BoJ normalisation continues.

- **S&P BDC Index:**

- S&P BDC Index rose +2.1% WoW to 48.448 (YTD: (12.3%), MoM: (1.3%)). The WoW gain is a technical bounce from deeply oversold territory; the index remains down 12.3% YTD, the worst-performing tracked instrument by a wide margin. The weekly positive does not indicate a reversal.
- BDCs face a structural paradox: higher base rates (FFR at 3.50-3.75%) improve gross yield on floating-rate loan portfolios, but the same environment compresses creditworthiness across highly leveraged mid-market borrowers and elevates default risk. PIK (payment-in-kind) structures are increasing as a share of BDC portfolio income across major managers, obscuring true cashflow quality. NAV discounts persist. The YTD (12.3%) vs. S&P 500 YTD +10.5% represents a 22.8 percentage point return gap, reflecting sustained institutional concern about private credit quality in the higher-rate-for-longer regime.

Currencies

Week ending >>>					
Currency	22-May-26	29-May-26	YTD Returns	Growth for the month	Growth for the week
EUR/USD	1.1603	1.1659	(0.5%)	(0.5%)	0.5%
GBP/USD	1.3433	1.3456	-	(0.6%)	0.2%
USD/INR	95.7050	95.0038	5.3%	0.8%	(0.7%)
CHF/USD	1.2741	1.2804	1.4%	0.5%	0.5%
USD/JPY	159.1800	159.2700	1.5%	(0.1%)	0.1%

- **Currencies:**

- Major currencies broadly benefited from USD weakness as falling oil prices and improving US-Iran ceasefire prospects supported global risk sentiment. EUR/USD rose 0.5% WoW to 1.1659, with additional support from increasingly hawkish ECB rhetoric ahead of a likely June rate hike. CHF/USD also gained 0.5% to 1.2804, reflecting broad dollar softness rather than a flight-to-safety bid. GBP/USD advanced a modest 0.2% to 1.3456, with gains tempered by persistent UK inflation pressures. Meanwhile, INR strengthened 0.7% WoW, taking USD/INR down to 95.00, as the 9.6% decline in WTI crude improved India's oil-import outlook; however, the currency remains 5.3% weaker YTD due to sustained FPI outflows. In contrast, USD/JPY rose 0.1% to 159.27, as the wide 275–300 bps BoJ-Fed rate differential continued to support carry trades, leaving the yen close to levels that could trigger further intervention rhetoric from Japanese authorities.

Commodities

	Week ending >>>				
	22-May-26	29-May-26	YTD Returns	Growth for the month	Growth for the week
Commodities					
Gold (USD per troy ounce)	4,509.4	4,540.3	4.8%	(3.6%)	0.7%
Silver (USD per troy ounce)	75.5	75.3	3.4%	(0.6%)	(0.3%)
Oil (USD per barrel)	96.6	87.4	52.4%	(7.5%)	(9.6%)
Natural Gas (Henry Hub)	2.9	3.3	(9.1%)	30.4%	13.2%
Copper (US cents per pound)	634.2	638.9	12.3%	6.0%	0.7%
Aluminium (USD per metric tonne)	3,692.4	3,718.6	24.0%	1.6%	0.7%
Wheat (US cents per bushel)	646.3	610.5	20.5%	0.4%	(5.5%)
Sugar (US cents per pound)	14.7	14.1	(3.7%)	0.9%	(4.4%)

- **Oil:**

- WTI crude fell sharply from \$96.6 to \$87.4, a (9.6%) WoW decline. The weekly decline was entirely geopolitical: US-Iran ceasefire extension narrative, with Axios reporting Iran would agree to clear the mines it deployed in the Strait, the US would lift its port blockade, and Iran would be allowed to sell oil freely. Three oil carriers cleared Hormuz during the week (OilPrice.com, May 26), providing early physical evidence of easing traffic.
- Durability caution is warranted. The ceasefire deal requires: diplomatic finalisation, mine clearance by Iran, insurance market restoration for Hormuz-routed cargoes, and tanker operator confidence. Multiple broker sources (T. Rowe Price, Edward Jones) explicitly flagged prior false dawns in this conflict cycle. Iran separately denied agreeing to hand over its enriched uranium stockpile, a disputed element in the reported terms. The 60-day MoU sets a framework; physical flow restoration is measured in weeks to months.

- **Natural Gas:**

- Natural Gas surged +13.2% WoW to \$3.3/MMBtu (MoM: +30.4%). Oil fell 9.6% on Hormuz ceasefire optimism; natural gas rose 13.2% in the same week. This is not contradictory, it reveals a critical market-structure distinction. On 18 March, Iran attacked Qatar's Ras Laffan LNG export facility, damaging two liquefaction trains representing approximately 17% of Qatar's export capacity. QatarEnergy estimates repairs could take up to five years. A diplomatic ceasefire restores shipping passage; it cannot restore physical liquefaction infrastructure.
- LNG supply chains are structurally less flexible than crude. Qatar supplied roughly 20% of global LNG in 2025. European gas storage stood at 33.1% as of 1 May, which is 17% below the prior year and 27% below the five-year average (EIA/Gas Infrastructure Europe data). US LNG operators (Cheniere among them) are racing to fill the void, creating domestic Henry Hub demand pressure. The implication: even if the Hormuz situation de-escalates durably and crude oil normalises toward \$75-80/bbl, European and Asian gas prices will likely remain structurally elevated for years. The ECB's inflation problem is not fully solved by an oil price normalisation.

- **Gold (USD per troy ounce):**

- Gold rose +0.7% WoW to \$4,540.3 (YTD: +4.8%, MoM: (3.6%)). Gold has fallen approximately 15% since the conflict began on 27 February; a deeply counterintuitive outcome for the traditional geopolitical safe haven. YTD the metal remains +4.8%, but this reflects pre-conflict gains that have since partially reversed.
- The mechanism is real yields. As the energy shock fed into inflation expectations, nominal Treasury yields rose faster than breakevens, pushing real TIPS yields higher and elevating the opportunity cost of holding non-yielding gold. Simultaneously, the conflict-driven USD safe-haven premium added a second headwind. This is the 'safe-haven breakdown': gold, long bonds, and equities have all sold off simultaneously during stress events in this cycle, validating BlackRock's diversification mirage thesis. The WoW +0.7% gain is structurally consistent with the week's oil decline moderating real yield pressure.

- **Silver:** (0.3%) WoW to \$75.3 (YTD: +3.4%). Silver's marginal weekly underperformance relative to gold reflects its dual precious/industrial nature. Below-consensus manufacturing PMI data and muted industrial demand signal add a headwind that gold, being purely monetary, does not face.

- **Copper:** +0.7% WoW to 638.9 US cents/lb (YTD: +12.3%, MoM: +6.0%). Resilience against uneven China demand recovery reflects the structural demand floor from AI buildout data centers, power grid infrastructure, EV charging, and

semiconductor manufacturing all require substantial copper. MoM +6.0% acceleration suggests supply-side tightness or forward-demand positioning.

- **Aluminium:** +0.7% WoW to \$3,718.6/tonne (YTD: +24.0%). Aluminium's YTD gain is the clearest embedded energy cost signal in the metals complex; smelting is highly electricity-intensive, and the energy shock has been directly capitalised into production costs. The oil decline and potential LNG normalisation could, over time, compress aluminium production cost curves. Monitor as a bellwether for whether the Hormuz de-escalation produces sustained energy cost relief.

Cryptocurrency

Week ending >>>					
	22-May-26	29-May-26	YTD Returns	Growth for the month	Growth for the week
Crypto					
Bloomberg Crypto Index	1,943.8	1,901.8	(29.2%)	(8.5%)	(2.2%)
Bitcoin (USD)	75,905.4	73,582.0	(19.2%)	(5.4%)	(3.1%)
Ripple	1.3	1.3	(37.0%)	(8.3%)	(1.5%)
Solana	85.0	82.1	(38.6%)	(5.5%)	(3.3%)

- **Cryptocurrency:**
 - Cryptocurrencies underperformed despite strong risk sentiment in broader markets. The Bloomberg Crypto Index fell 2.2% WoW to 1,901.8, while Bitcoin declined 3.1% to \$73,582, extending its inability to sustain a breakout above \$83,000 earlier in May. The sell-off occurred even as the S&P 500 reached record highs and the NASDAQ gained 2.9%, highlighting a divergence between crypto and traditional risk assets. Weak spot Bitcoin ETF flows and a Fear & Greed Index reading of 23 ("Fear") suggest continued institutional caution. The broader trend indicates capital is gravitating toward AI-linked equities and infrastructure assets with visible earnings potential, while higher real yields remain a headwind for crypto. Altcoins continued to lag, with Ripple and Solana down 37.0% and 38.6% YTD, respectively, versus Bitcoin's 19.2% decline, reinforcing the ongoing risk reduction across the asset class.

Updates in AI sector over the week

- **Anthropic Nears \$1 Trillion Valuation:** Anthropic's latest funding round reportedly values the company at close to \$1 trillion, underscoring continued investor conviction in frontier AI. Its partnership with SpaceX's AI infrastructure further highlights the increasing integration of AI compute providers and model developers.
- **AI Investment Driving Economic Growth:** AI infrastructure spending is now translating into measurable economic activity, contributing approximately 1 percentage point to US GDP growth over the past year. US business fixed investment rose 6.4% annualized in Q1 2026, supported by strong corporate balance sheets and sustained AI-related capital expenditure.
- **Semiconductors Remain Key AI Beneficiaries:** AI-driven semiconductor demand continued to support global markets. Japan's Nikkei gained 4.7%, led by chip manufacturers, while SK Hynix surpassed a \$1 trillion market capitalization on strong demand for High Bandwidth Memory (HBM) chips. The semiconductor sector remains the clearest public-market beneficiary of the global AI capex cycle.

Geopolitical News & Outlook for the upcoming week

- **US-Iran Ceasefire & Strait of Hormuz:** The week's key event was a reported 60-day US-Iran MoU to extend the ceasefire and begin nuclear talks. Proposed terms include keeping Hormuz open, Iranian mine clearance, lifting US port restrictions, and allowing Iranian oil exports. While markets responded positively, mine removal and LNG infrastructure repairs remain lengthy processes, and investors remain cautious given previous failed agreements. Any formalization—or breakdown—of the deal remains the primary macro catalyst.
- **ECB June Rate Hike Risk:** ECB officials and April meeting minutes signaled a high likelihood of a June rate hike, citing persistent energy-driven inflation. A hike could strengthen the euro, pressure rate-sensitive equities, and widen peripheral bond spreads, making the June ECB meeting the key European market event.
- **Shangri-La Dialogue (29–31 May):** Defense leaders from 44 countries met in Singapore to discuss rising defense spending, Indo-Pacific security, AI in warfare, and competing US-China security frameworks. The conference's messaging on regional stability and US-China relations will influence investor sentiment across Asia-Pacific markets.
- **Russia-Ukraine Peace Signals:** Recent comments from Putin and competing ceasefire declarations suggest growing momentum toward a negotiated settlement. While no formal agreement exists, expectations of eventual de-escalation have supported European market sentiment and could ease energy and inflation pressures if progress continues.

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- China Regulatory Overhang:** Regulatory action by China's CSRC against major offshore brokerage platforms has reinforced concerns over policy uncertainty. Combined with ongoing property-sector weakness and uneven consumption trends, regulatory risk continues to weigh on Chinese and Hong Kong equities.

Insights from the Street



Source: U.S. Bureau of Economic Analysis

AI investment is currently contributing approximately 1.0% to US GDP growth on a 4-quarter annualized basis; a level that matches the peak of the 1990s IT investment cycle, which collapsed into deeply negative territory within two years as monetisation failed to materialise. The critical distinction is that the 1990s boom was pre-revenue capex funded on declining margins and rising leverage; the current cycle is underpinned by NVIDIA reporting \$81.6 billion in quarterly revenue this week at 74.9% gross margins, hyperscaler capex guidance of approximately \$725 billion for 2026, and non-financial corporate margins near post-Covid highs at approximately 18%. The more instructive concern is the pace of the current ramp: the acceleration from approximately 0.25% in early 2024 to 1.0% today is the steepest in the 35-year dataset, and history consistently shows that vertical moves of this magnitude revert toward the long-run mean of approximately 0.4-0.5% as the initial infrastructure build-out matures and incremental returns on new investment compress.

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