

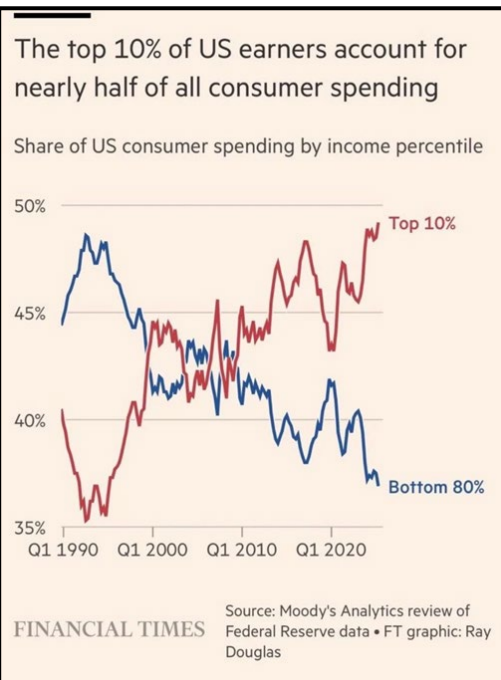
Market Review – June 2026

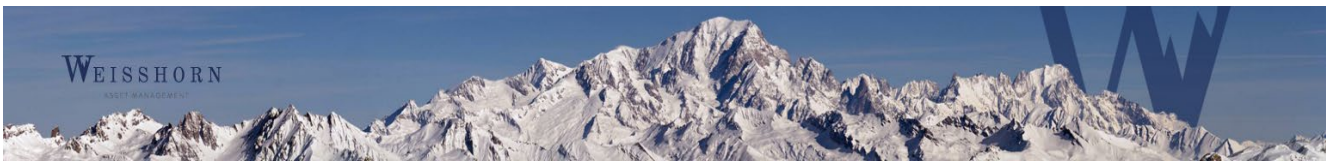


**Opposite Forces**

May resolved into two trades pulling in opposite directions. In commodities, investors priced peace: a tentative US–Iran framework to reopen the Strait of Hormuz drove Brent down roughly 17% on the month to about 91 USD, its worst month since the pandemic, even as almost no oil moved through the strait. In equities, they priced growth: the S&P 500 and Nasdaq closed the month at fresh records, 7,580 and 26,972 on 29 May, pushed higher by an artificial-intelligence capital-expenditure cycle that now dictates the tone of the whole economy. Beneath those records, the economy is visibly two-speed, the AI build and technology power the tape, while the Dow lagged and real average wages fell 0.3% over the year. The US economic growth remains “K” shaped. According to the FT, the top 10% of US earners account for almost half of all consumer spending. The same goes for the corporate sector; the US economy is growing solely because of the tech boom. The FT estimates that over the past four quarters, 93 percent of US GDP growth was attributable to tech investments. Even at the peak of the TMT bubble, it barely reached 60 percent.

**US Top Earners & Share Of Spending**





## Geopolitics, Beijing and the Gulf

Two diplomatic threads framed the month, and both were priced as a resolution while the substance lagged. In Beijing, President Trump's three-day state visit (14–15 May) produced what US media called 'more vibes than details': China committed to at least 17bn USD a year of US agricultural purchases through 2028 and an initial, still unconfirmed by Boeing, order of 200 aircraft, alongside vague progress on rare-earth access and two new bilateral 'boards' for trade and investment. Tariffs reportedly did not come up; there was no firm deal to reopen the Strait of Hormuz. Only Xi promised a return state visit to Washington in the autumn. Trump is praising President Xi; it is clear that Xi set the tone of this summit. The market-relevant line for the markets: Trump said that President Xi told him that China would supply no military equipment to Iran. Is it true? What is certain is that the Chinese President warned of 'clashes and even conflicts' over Taiwan if the issue is mishandled.

In the Gulf, time is working in Iran's favor. The US and Iran still need to work out several sticking points before an agreement on the war can be reached, Vice President J.D. Vance has said on May 29. It was too early to say "when or if" the two sides would finalize an agreement. This has been going on for so long that it doesn't mean any concrete progress has been made in the talks. This is a problem because the complete reopening of Hormuz is vital to the world economy. Financial markets don't care up to now, but reality will set in if a deal is delayed for weeks to come.

### A new Fed chairman, and some issues

The month "delivered" a new Federal Reserve chair and an awkward inheritance. Kevin Warsh was confirmed on 13 May by a 54–45 Senate vote, the closest vote in the modern era, taking the helm as Jerome Powell's term expired. The irony is acute: before the war, Warsh argued that AI would lower inflation and let the Fed cut, and treated tariffs as a one-off, 'all before the Iran war'. He arrives instead at a moment when rate cuts are not an option. US April inflation re-accelerated to multi-year highs: CPI reached 3.8%, the most since May 2023, with the core CPI at 2.8%, and the Fed's preferred inflation indicator, the April PCE, is also at 3.8% with the core index at 3.3%. The good news is that the monthly "momentum" cooled, headline April CPI rose 0.6% month on month after 0.9% in March, and monthly core PCE was a soft 0.2%, so this could be seen as an energy-driven shock, not a fresh spiral; the genuine fear is de-anchoring expectations, but investors are not panicking yet. Markets now see the Fed on hold through 2026, with the next move tilted toward a hike, maybe in January 2027. It will be interesting to see how M. Warsh will manage rate policy, given that he wants a "smaller" Fed.

Europe sits a step ahead: euro-area inflation stands at 3.0% for April (energy +10.8%), and a 25bp ECB hike is almost a certainty for 11 June's ECB meeting, with two more expected by year-end. The US 10-year Treasury captured the whole arc, touching about 4.7% on 20 May, a 16-month high, before easing to 4.45% amid hopes of a resolution in the Hormuz Strait crisis. During May, 10-year rates in Europe, the UK, and Japan rose to levels not seen in decades. They have receded since then, but the uptrend is well in place. The huge amount of public debt is a long-term concern for investors. They are asking for higher reinvestment risk premiums.

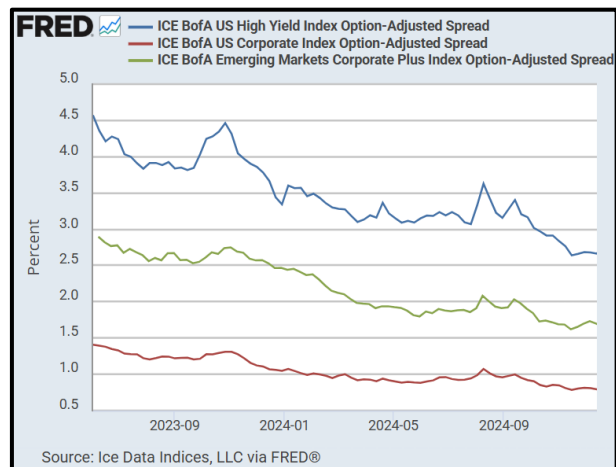
### Tight corporate spreads

In the capital markets, there is no sign of stress, except for specific names; there is no spread widening, except maybe for a few CCC and B names. To the contrary, investment-grade spreads are close to their all-time lows; the same is true in Europe and for emerging markets.

But it is worth stating again that, as in the late 90's, strong cash flows are not sufficient to cover the need for new investments. Until this cycle, the hyperscalers were cash machines that financed their own expansion out of operating profits. The AI infrastructure build is ending that arrangement. Capital expenditure for 2026 now runs near 700bn USD, up about 77% year-on-year after Q1 2026 results, at a capex intensity of 45–57% of revenue,

a ratio that belongs to a regulated utility rather than a software business. When spending outruns internal cash flow at that pace, the gap is closed in the bond market, and big-tech issuance has already reached more than 100bn USD in 2026 and could reach 350-400bn USD, according to UBS. The key aspect is the change in funding sources. An equity-funded project is self-correcting: if revenue fails to materialize, valuation multiples decrease, and shareholders bear the loss. Conversely, a debt-funded project doesn't have this kind of safety net, because the interest payments remain unchanged, even though the collateral, here the chips, for example, becomes obsolete more quickly than the bonds are paid off. Therefore, the moment AI revenue lags the amortization, there is a solvency problem. Currently, only Oracle's debt has been seriously under pressure: its five-year CDS has more than tripled since September. Other hyperscaler spreads have also widened recently, but not in the same proportions.

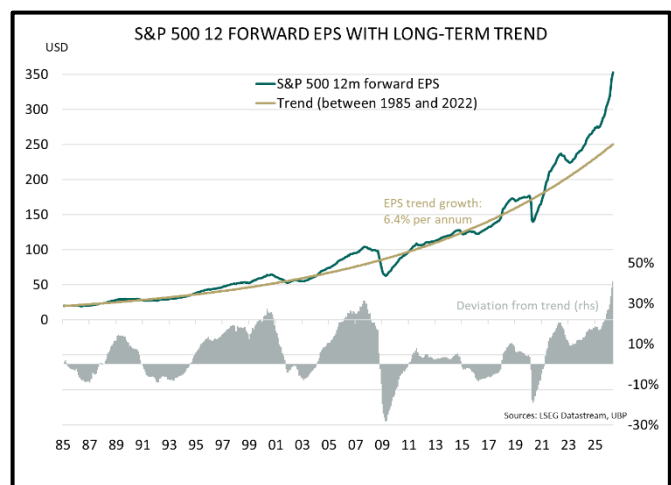
US Corporate Spreads



### Equities, a narrow melt-up

First-quarter 2026 S&P 500 EPS grew 28%, double the 14% expected before the season began. Yet about 45% of S&P market capitalization now sits in AI-exposed mega-caps, and forward earnings have detached from the cycle. Since the 2023 onset of the AI frenzy, 12-month forward EPS have decoupled from the ISM manufacturing index and now sit further above their long-term trend than at any point on record. Positioning has become one-sided. Deutsche Bank places equity exposure above neutral (systematic at the 66th percentile, discretionary at the 69th), the BofA survey is at its most bullish since February, and only 4% of managers expect a hard landing.

SP500 12M Forward EPS LT Trend



Source: UBP



The equity rally is genuine, but dangerously narrow. AI frenzy is raging. Micron crystallized the mania, jumping 19% in a single session to cross 1 trillion USD on 26 May after UBS tripled its price target to 1,625 USD and recast a cyclical memory maker as a secular AI-infrastructure name. This is not serious. The bifurcation showed up the same day: Micron's trillion-dollar print coincided with an 118-point fall in the Dow Jones index. Software-as-a-Service companies are doing better following the sharp price corrections at the beginning of the year. On May 28, Snowflake leaped 36.5%, its best day ever, on AI-driven guidance; this time, AI is suddenly an opportunity for SaaS businesses rather than a threat.

### Korea KOSPI Index



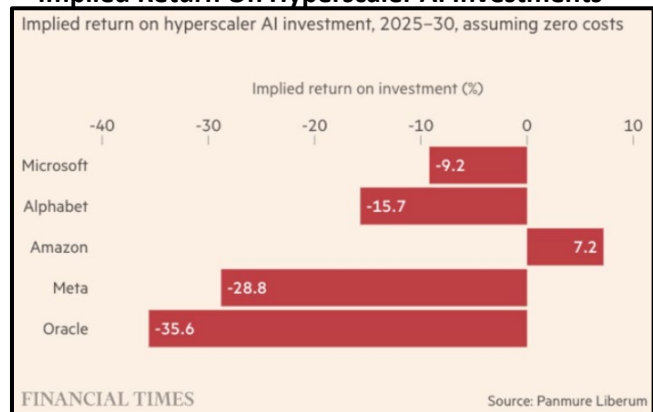
Source: FT

In South Korea, where Samsung Electronics and SK Hynix account for more than 50% of the KOSPI index, it is up 101% year-to-date and 214% over the last 12 months in local currency. It barely went up over 18 years, then tripled in one year. Is it worth reminding that the semiconductor business is highly cyclical?

Thanks to better earnings expectations, the Magnificent 7 trade at 26.7x forward earnings, below their 30.5x average since 2021. The current optimism excess is concentrated in the AI picks-and-shovels names, not the index leaders. The tape carries the signature of a late-stage candle: price accelerating as its tether to fundamentals thins.

The five largest US hyperscalers will spend between 660 and 700 billion USD on AI infrastructure in 2026, nearly double what they spent in 2025. To justify that spending, Panmure Liberum, an independent investment bank, estimates they need to generate between 2 trillion and 5 trillion USD in additional annual revenue. It sounds like a lot. Under the most generous assumptions, assuming zero costs, only Amazon clears a positive return. Microsoft's implied return is -9.2%. Alphabet's is -15.7%. Meta's is -28.8%. Oracle's is -35.6%. The revenue to justify the spending does not yet exist.

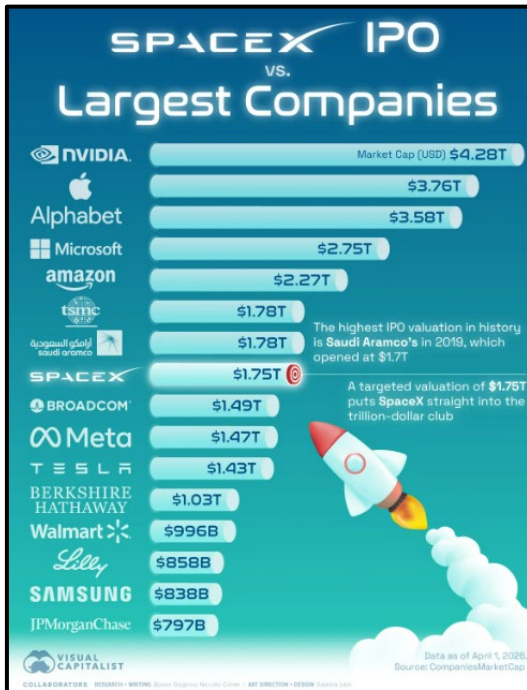
### Implied Return On Hyperscaler AI Investments



Source: FT

### An IPO for history books

SpaceX filed its S-1 on 20 May and targets a 12 June listing at a floor of about 1.75 trillion USD, reset down, yes down, from above 2 trillion USD, raising up to 75bn USD, which would be the largest IPO in history (Bloomberg / Reuters, 29 May 2026).



On 18.7 billion USD of 2025 revenue, that is roughly 96x sales, with a dual-class structure that hands Elon Musk uncontested voting control. There are other features in the filing to protect the management from “rogue” shareholders. Musk estimates a total addressable market of 28.5 trillion USD, which, on the company’s own telling, is almost 90% AI rather than space (SpaceX S-1 filing, May 2026).

Staggering expectations, but this is what you need if you want investors willing to pay 100 times your company's sales. Starlink currently generates more than 100% of SpaceX's EBITDA (about 7.2 billion USD on 11 billion USD of revenue) from one of only two low-earth-orbit mega-constellations; the other belongs to Eutelsat (ETL.FP), which trades near 4.4x sales, roughly 4-5% of SpaceX's implied valuation as the sole listed direct competitor (SpaceX S-1; company data, May 2026).

OpenAI should follow in September with an IPO size of about 852–1 trillion USD, and Anthropic shortly behind in October, with a value of around 960 billion USD. Together, the three could raise nearly 200 billion USD (only a fraction of the total will be listed), more than the total from all US listings since 2022. We are not endorsing the name, but it marks where unloved infrastructure exposure sits against the US AI folly. Whether 12 June 2026 is remembered the way 10 January 2000 is, the AOL–Time Warner announcement that, in hindsight, rang the bell on the dot-com top, will not be clear for years; but peak supply of equity tends to arrive precisely when demand is least discriminating.

### Energy is also a race

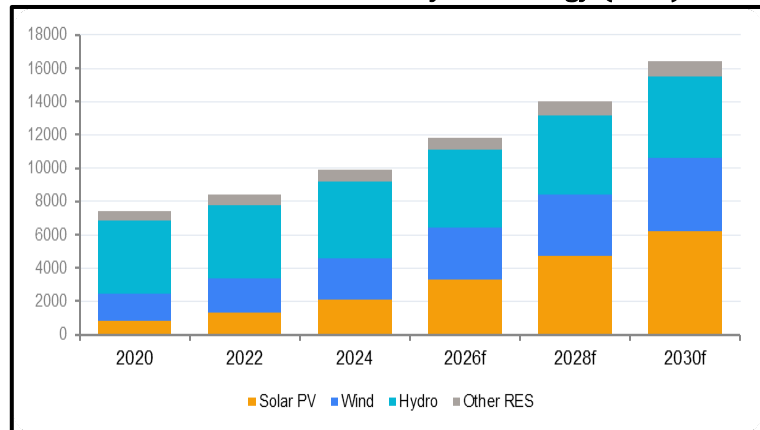
Oil looks like the purest expression of the peace trade. The proposed 60-day memorandum would reopen Hormuz, lift the US blockade and have Iran clear all mines within 30 days (Source: Axios); on that prospect, Brent fell about 17% in May to roughly 91 USD, its sharpest monthly drop since 2020. But the physical market has not healed; UBS notes Iranian crude loadings at below 0.3 mb/d in May, down from 1.5 mb/d in April, with ‘little evidence’ of restored flows. The market is trading the communiqué, not the barrel, and with Trump yet to sign, any slip will violently reprice energy. Gold slipped to about 4,500 USD, some 15% below its beginning-of-the-year peak and near a two-month low, though it remains roughly 35% higher year-on-year. The debasement trade is unlikely to be over, but for the structural bull market to remain in place, consolidation should continue in the months to come.

Electricity is a theme for the coming years. Global power demand is set to grow about 3.6% a year to 2030, adding some 1,100 TWh annually, the fastest sustained pace in decades, with data-center demand doubling from roughly 485 TWh to 945 TWh, close to Japan’s entire consumption (IEA Electricity 2026).



The mix is inverting, because low-carbon sources (renewables plus nuclear) will rise from 42% to 50% of global generation by 2030 while coal falls to 27%, its lowest share in a century. Wind and solar combined match coal by 2030 (IEA Electricity 2026). Renewables are the swing supplier, expected to absorb more than 90% of incremental demand through 2030; in Europe, they are set to reach 63% of generation by 2030 (84% if one adds nuclear), and the small-modular-reactor pipeline has grown from 25 to 45 GW. The need for new infrastructure has never been greater than it is since the beginning of the century.

**Global Renewable Generation by Technology (TWh)**



Source: IEA, Renewables 2025 (Nov. 2025) & Electricity 2026 (Feb. 2026)

### June could be a spectacular month

Investors are all-in on artificial intelligence. There is a bubble; there is no doubt, because the assumptions behind certain stock prices make no sense. But what most investors are missing is that it is not because valuations are so inflated. There is a bubble in earnings. With industry bottlenecks and insatiable demand, volumes and margins are going through the roof. The need for chips is at the top of the cycle; it will eventually come down, like it always does. That is why it is better to look for the next theme: the grid, power generation, and alternative energy providers. They are expected to meet the bulk of the incremental energy demand arising from increased computing power.

There are three issues to be closely followed in June. First, whether Trump finally signs a Hormuz memorandum, a signature would probably send oil prices lower for a while. Still, it is not expected to last long, because supply issues won't be solved for months, and it would probably be a buying opportunity.

Second, on 11 June, the ECB will most likely hike its main rate. What will be the market response in a quiet currency market? One could say this is already priced in; nevertheless, the statement accompanying the hike will be closely watched and could move the common currency.

Third, the SpaceX IPO on 12 June will be a true historic moment, one that Elon Musk will be proud of. This will make history. It will move the markets, as it needs to attract significant capital. Where will it come from? How will it move the rest of the equity market? Will this IPO mark the end of the AI bubble or its continuation? For SpaceX, the sky is the limit, if one remembers that the ultimate goal is to colonize Mars. At 100x 2025 sales, one could say we are already in a high orbit. A prudent investor will carefully avoid the IPO and instead prepare for their vacation.



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