Chips Take Charge | 05.08.2026

Over the last month, the market has quickly shifted its focus from the uncertainty surrounding the Iran War to the seemingly insatiable demand for semiconductors and Artificial Intelligence (AI) infrastructure. Since the April 8 ceasefire agreement, the S&P 500 has gained nearly 12%. Even that, however, pales in comparison to the almost 50% rise in the SOXX semiconductor exchange-traded fund over the same period. Recent earnings reports from the largest AI-focused technology companies, chipmakers, and infrastructure providers have reinforced the view that this surge in investment is unlikely to slow anytime soon.

That does not mean geopolitical risks have disappeared. The Strait of Hormuz remains closed, fuel prices remain elevated, and energy inventories have become more limited in some regions. Consumers are feeling less confident as families adjust to higher fuel costs and ongoing uncertainty. So far, however, the strength of business investment has largely outweighed those concerns in the eyes of the market. Interest rate cuts in late 2025, along with the consumer tax relief provisions within the One Big Beautiful Bill Act, appear to be providing households enough support to navigate near-term financial pressure. At the same time, tax incentives for companies are encouraging more spending on research, technology, and the systems that support AI, helping keep business investment moving forward.

Market leadership has also evolved beneath the surface. While market performance has once again become increasingly concentrated, the leadership profile looks different. Rather than the "Magnificent Seven," the seven large technology stocks that drove most of the market gains in recent years, leadership has increasingly shifted toward chipmakers and companies that support AI technology.

The S&P 500 is up more than 8% year-to-date, with the Magnificent Seven accounting for roughly 34% of that advance, well below their previous contribution levels. By comparison, semiconductor companies and the firms that make chipmaking equipment have accounted for more than 64% of the S&P 500's gains so far this year. In many ways, investors are now paying more attention to the companies building the technology, systems, and structures behind AI, rather than those selling AI-based products and services.

We continue to see AI technology, the shift toward more digital systems, and growing computing needs as lasting opportunities, even after a sharp rally in semiconductor stocks over a relatively short period. Across our strategies, we have selectively increased our investment in these areas when they align with our goals and our focus on paying reasonable prices.

At the same time, not every part of the market is benefiting equally from the current investment boom. While semiconductor stocks have driven a significant share of market gains this year, other areas of the market continue struggling with high energy costs, slower consumer spending, and ongoing geopolitical uncertainty. In this type of environment, maintaining diversification and focusing on financially strong companies with reliable cash flows remains especially important.

Looking ahead, one of the key questions for markets will be whether the current surge in investment can continue to offset slower consumer spending and lingering geopolitical risks. For now, investors remain focused on the strength of AI infrastructure spending and business investment, while viewing the recent consumer anxiety as manageable rather than a sign of recession.

Thanks,
Preston May, CBE® | Macro & Policy Strategist

(812) 421-3211 | dcm@dcmol.com | dcmol.com