

## Stronger Than It Looks | 05.29.2026

An official deal to end the conflict between the U.S., Israel, and Iran still hangs in the balance, but for the stock market, this has ceased to be a concern for some time. We are now a little over seven weeks removed from the April 8 ceasefire, and the S&P 500 has gained roughly 15% over that period. Even mounting evidence that higher fuel prices are beginning to weigh on consumers has done little to slow the market's enthusiasm for what remains one of the most powerful investment cycles in decades. From semiconductors and data centers to power infrastructure and electrical equipment, investors continue to reward companies that support the growth of artificial intelligence (AI).

What makes this environment particularly unusual is the scale of investment taking place beneath the surface of the economy. While concerns about consumer spending and the impact of the war dominate many headlines, businesses remain focused on a very different challenge: securing enough computing power, electricity, and infrastructure to support the next generation of AI development. Orders for business equipment recently reached a record high, while spending on commercial construction has climbed to an annual pace of more than \$1.2 trillion. From chip-making plants and data centers to power generation and the electric grid, businesses continue to invest as though demand for computing power and electricity will remain a defining theme for years to come.

The obvious counterargument is the consumer. Credit card delinquency rates have climbed to their highest level since 2011, the personal savings rate has fallen just below 4%, and consumer confidence in the economy has weakened to near record lows. Those concerns are real, particularly among lower-income households. Yet they tell only part of the story. The total wealth of U.S. households has grown dramatically over the last several years, supported by higher home values and rising stock prices. Today, the top 20% of income earners account for roughly 40% of all consumer spending, meaning the households that drive a disproportionate share of economic activity have generally remained in strong financial condition. Combined with the ongoing strength in business investment, this helps explain why a closely watched Federal Reserve growth estimate, Atlanta Fed's GDPNow, is currently projecting economic growth near 4% in the second quarter, a pace that appears far stronger than consumer surveys alone would suggest.

Gains in the market are still being driven by a relatively small group of industries, with semiconductors, AI infrastructure, and other investment-related industries continuing to account for a significant share of returns. That concentration has prompted understandable questions about how widespread the market's strength really is, though it has been better than many assume, with roughly 60% of S&P 500 companies still trading above their long-term average prices.

While we continue to see opportunities across a variety of industries, the strongest trends remain tied to the ongoing buildout of the AI ecosystem and the infrastructure required to support it. As a result, we remain constructive on those long-term themes while also spreading investments across other areas of the market that could benefit if growth expands beyond today's leaders. For now, the investment wave continues to be the primary force shaping both economic activity and market leadership.

Thanks,  
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