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Charts of the Week

Carson Investment Research

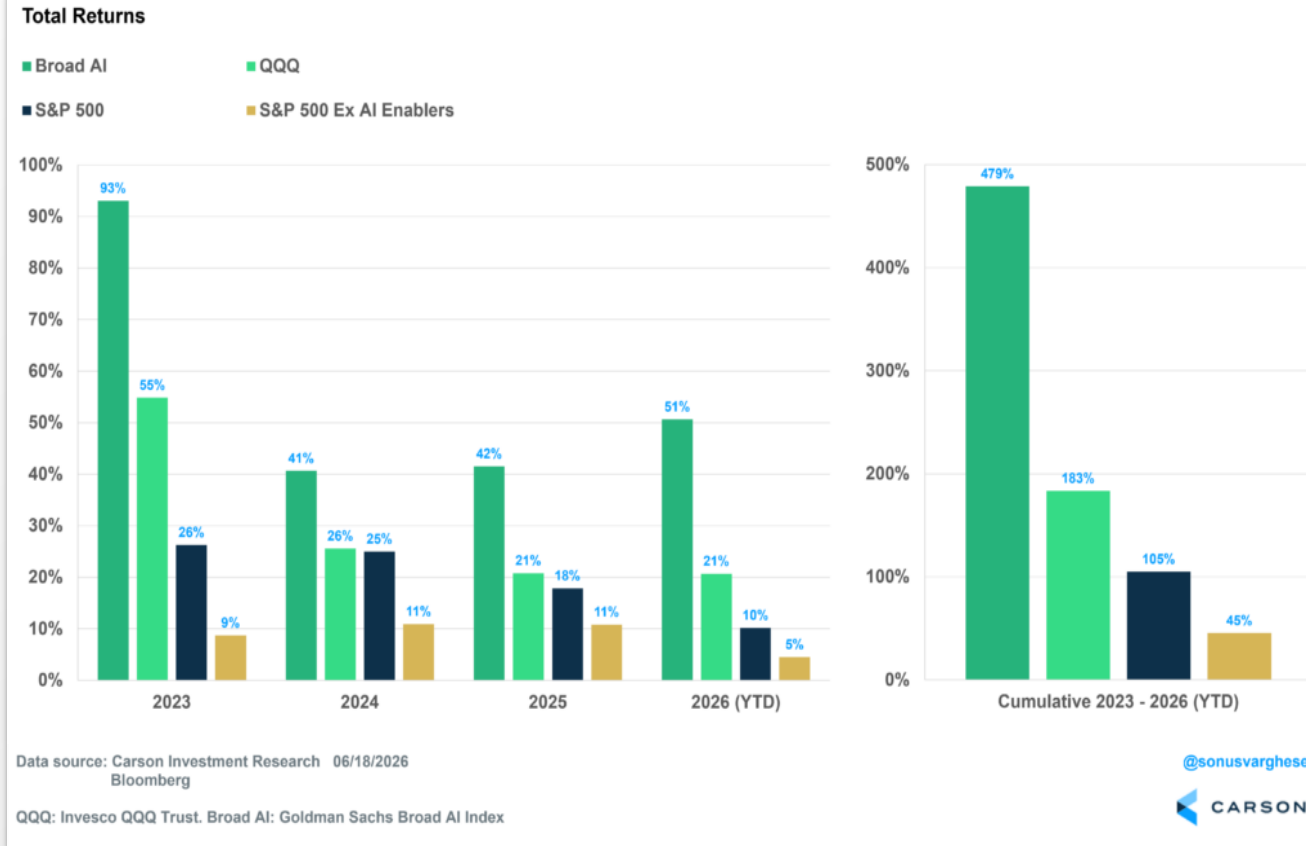
June 22-26, 2026

Chart of the Week

The Rally Has a Single Engine

- Since shortly after ChatGPT launched, a basket of AI stocks is up 479% against 105% for the S&P 500 and just 45% for the index stripped of its AI names.
- Return gaps this wide are what put a potential bubble on the table. We won't pretend to know the inning or the timing, but a spread like this only shows up in company with past manias.

It's AI vs everything else, and AI is winning by a wide margin



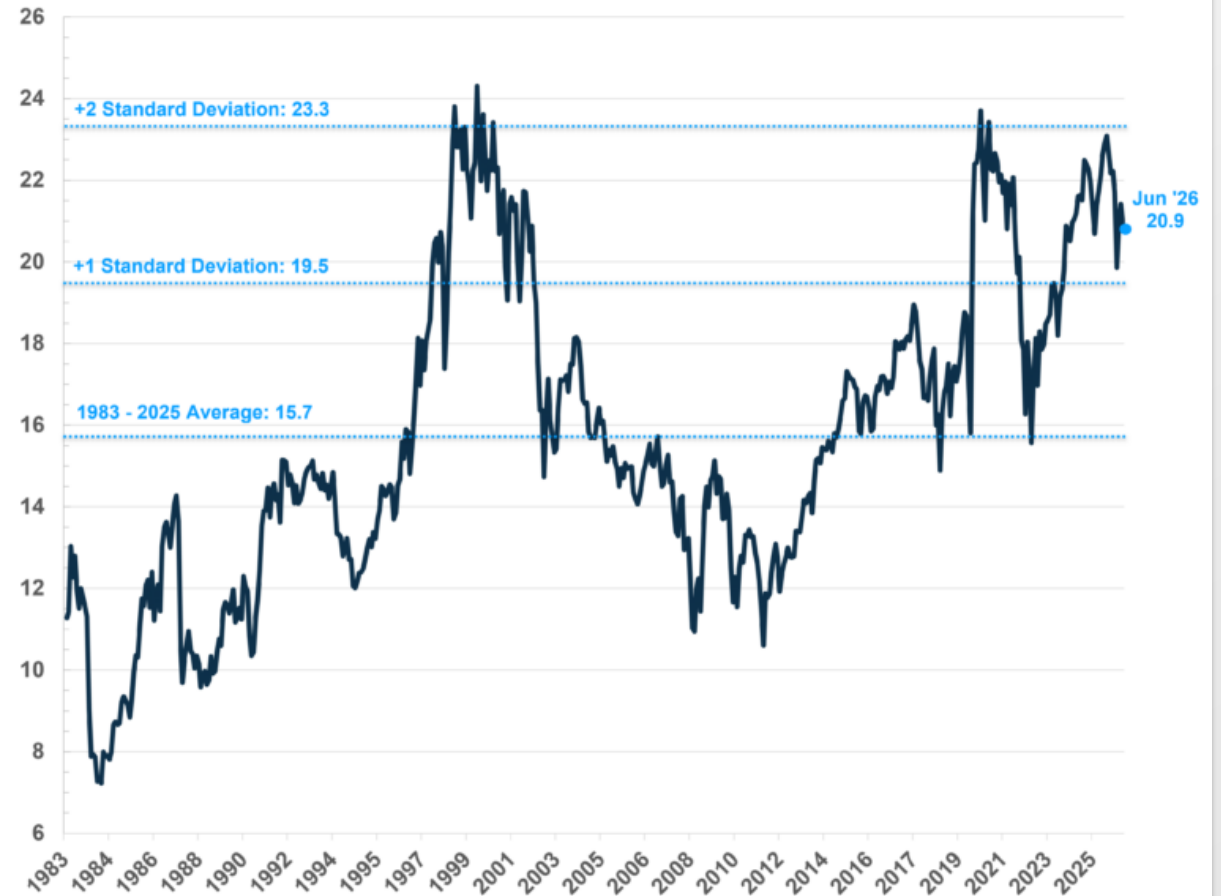
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Rich, But Not 2000-Rich

- On forward earnings the S&P sits at 20.9, above the 1983-2025 average of 15.7 and past the +1 standard deviation line, but still short of the +2 mark at 23.3.
- Forward P/E ran into the mid-24s in 1999-2000 and again near 23-24 in 2021. Today's 20.9 is elevated without being at either of those extremes.

Valuations based on forward earnings don't look as stretched as CAPE

S&P 500 Forward (Next 12-Month) P/E Ratio



Data source: Carson Investment Research, S&P 06/22/2026

Based on monthly data

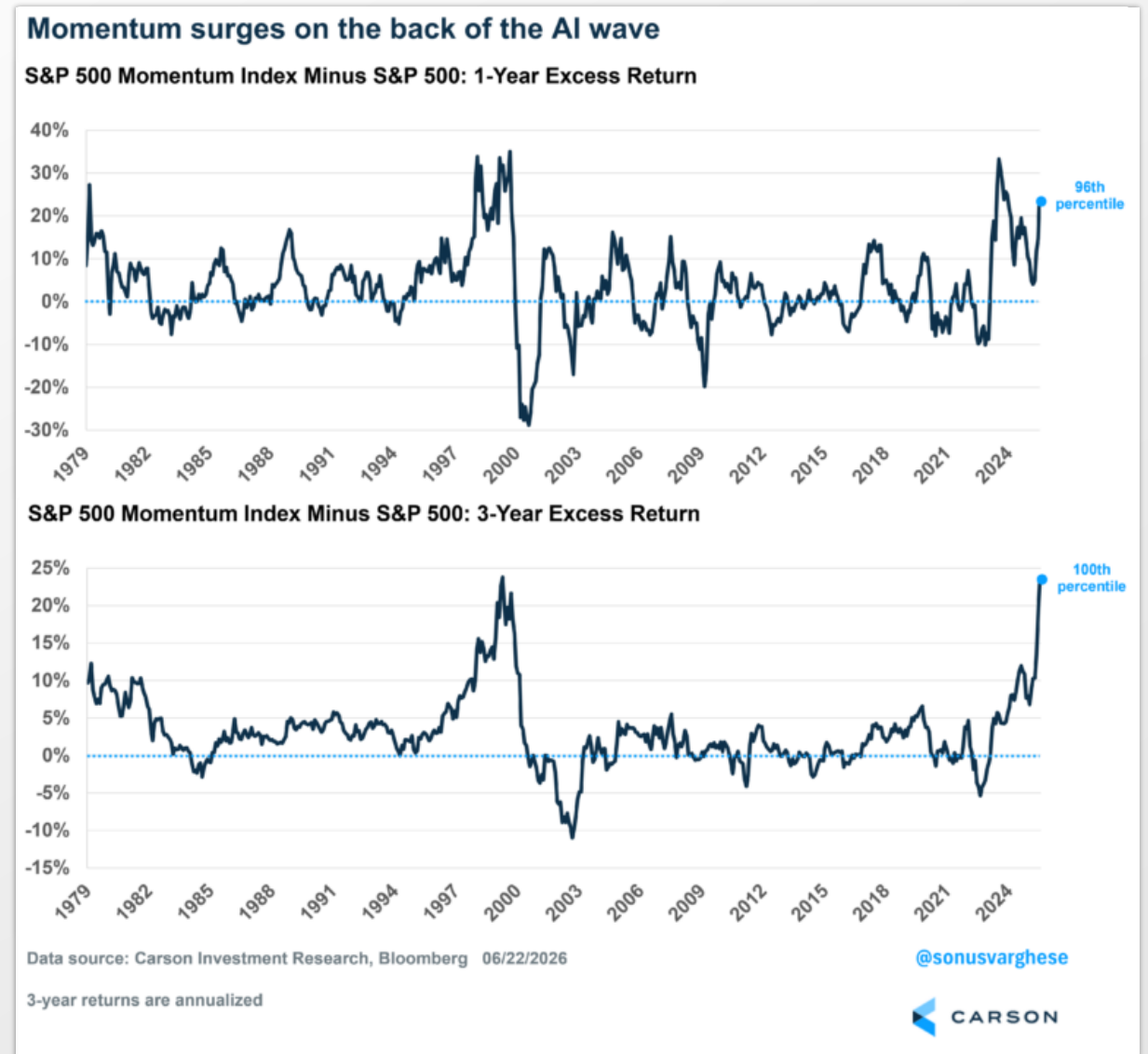
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Momentum at the Edge of the Map

- The momentum factor's edge over the S&P sits in the 98th percentile over one year and the 100th over three. The only comparable stretch in 40 years is March 2000.
- When momentum runs this far ahead it's almost always crowded into a handful of names, and tech is roughly 55% of the basket.
- Momentum can pin at the 99th-to-100th percentile for a while, and managers underweight these names get pulled in to avoid tracking error, which feeds the move further.



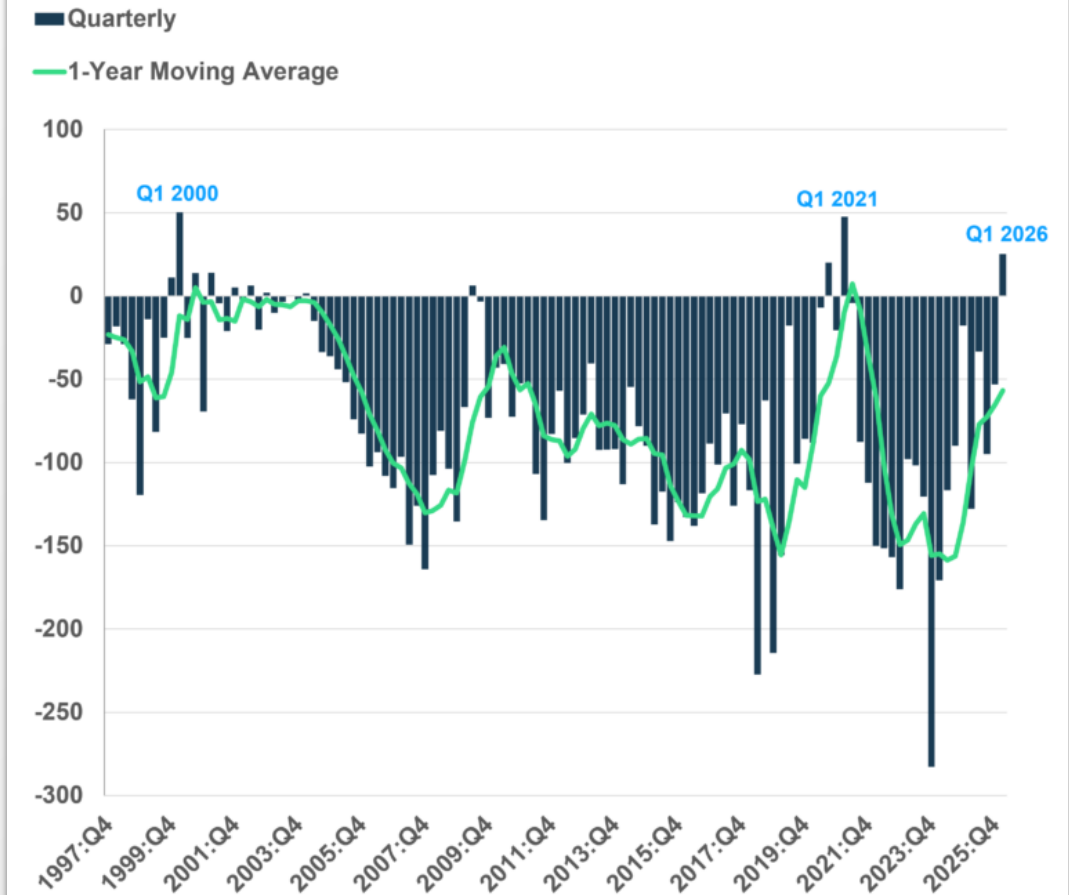
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Companies Start Selling Into the Demand

- Net equity issuance turned positive in Q1 2026 for the first time since early 2021, reversing a decades-long trend of companies shrinking share counts through buybacks.
- Rising supply tends to appear when valuations are rich and appetite is hot. The last comparable flip was Q1 2000, which is why we are monitoring this closely.
- The IPO pipeline backs it up, with SpaceX, Anthropic, and OpenAI all potential mega-listings.

Equity supply is rising once again

Equity Issuance (Billions, \$)



Data source: Carson Investment Research, Federal Reserve 06/17/2026

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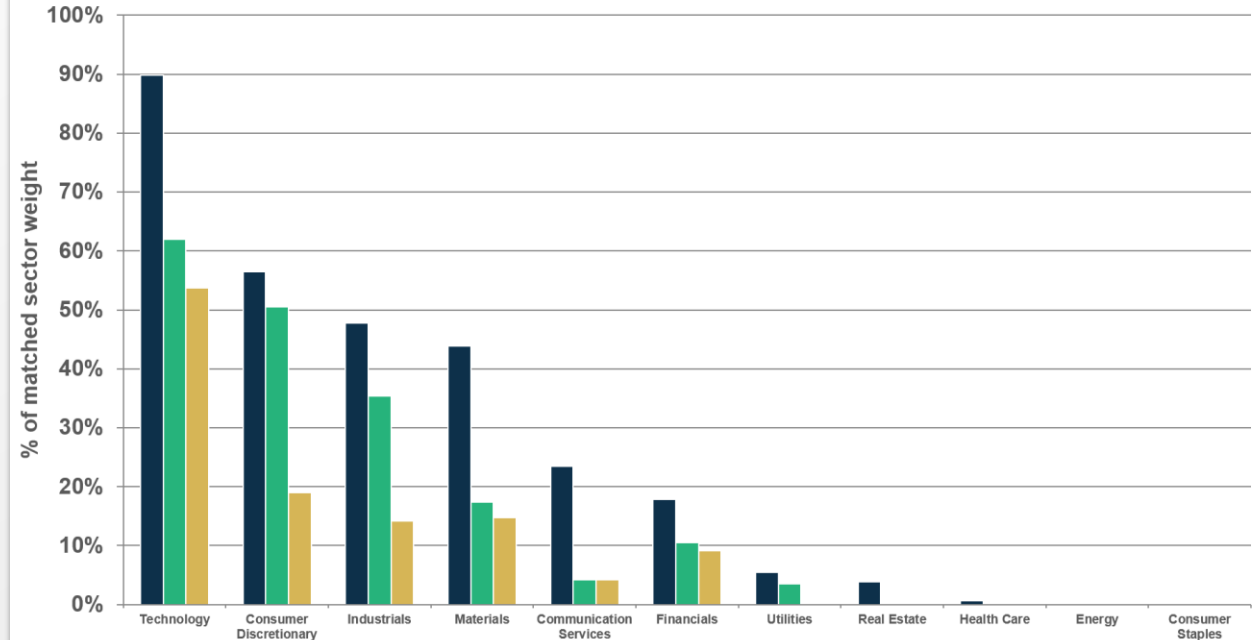
Leaving Tech Doesn't Mean Leaving AI

- Since tech surged at the end of March, a large share of names in other sectors have moved with it. Over 40% of industrials carries a meaningful correlation to XLK, and materials isn't far behind.
- Rotating from tech into cyclicals may just be buying AI under a different label, which is what makes this trade so hard to hedge.
- The genuinely uncorrelated corners are narrow, mainly healthcare and consumer staples sitting near zero.

AI Is More Than Just "Technology" Stocks

Total Constituent Weight Correlated with Technology (XLK)

■ Correlation > 0.3 ■ Correlation > 0.4 ■ Correlation > 0.5



Correlation is calculated using daily data from March 31st, 2026 - June 23rd, 2026

Source: Carson Investment Research, FactSet, YCharts 6/24/26



Markets

The Last Bubble Ended in Stages

- The 2000 top didn't arrive as a single crash. Money first rotated out of tech and momentum into staples, utilities, and low-vol for several months, and the broad collapse only followed in 2001 through 2003.
- A sustained rotation away from AI is what could mark the trade as over. Until then, narrow leadership is consistent with the run simply continuing.

The dot-com bubble ended with rotation, before collapse

Sector	January 1998 - March 2000	April 2000 - December 2000	January 2001 - March 2003	January 1998 - March 2003
S&P 500	59.2%	-11.1%	-33.5%	-6.0%
Technology	261.6%	-48.0%	-53.8%	-13.0%
Comm. Services	79.1%	-38.0%	-50.5%	-45.0%
Cons. Disc.	70.1%	-16.9%	-22.8%	9.1%
Industrials	33.2%	7.1%	-34.1%	-5.9%
Health Care	28.7%	36.8%	-27.7%	27.4%
Energy	22.3%	13.0%	-19.8%	10.8%
Financials	18.8%	22.8%	-26.3%	7.5%
Utilities	12.1%	46.3%	-52.8%	-22.7%
Materials	3.1%	-3.9%	-9.2%	-10.1%
Cons. Staples	-18.5%	40.8%	-16.2%	-3.8%
Momentum	158.2%	-28.6%	-39.8%	11.0%
Low Volatility	-5.9%	32.4%	-5.8%	17.5%
Average of Health Care, Financials, Energy	23.3%	24.2%	-24.6%	15.2%

Data source: Carson Investment Research, Factset, Bloomberg 06/23/2026

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Sectors proxied by S&P 500 sector indices. Momentum proxied by the S&P 500 Momentum Total Return Index and Low Volatility proxied by the S&P 500 Low Volatility Total Return Index



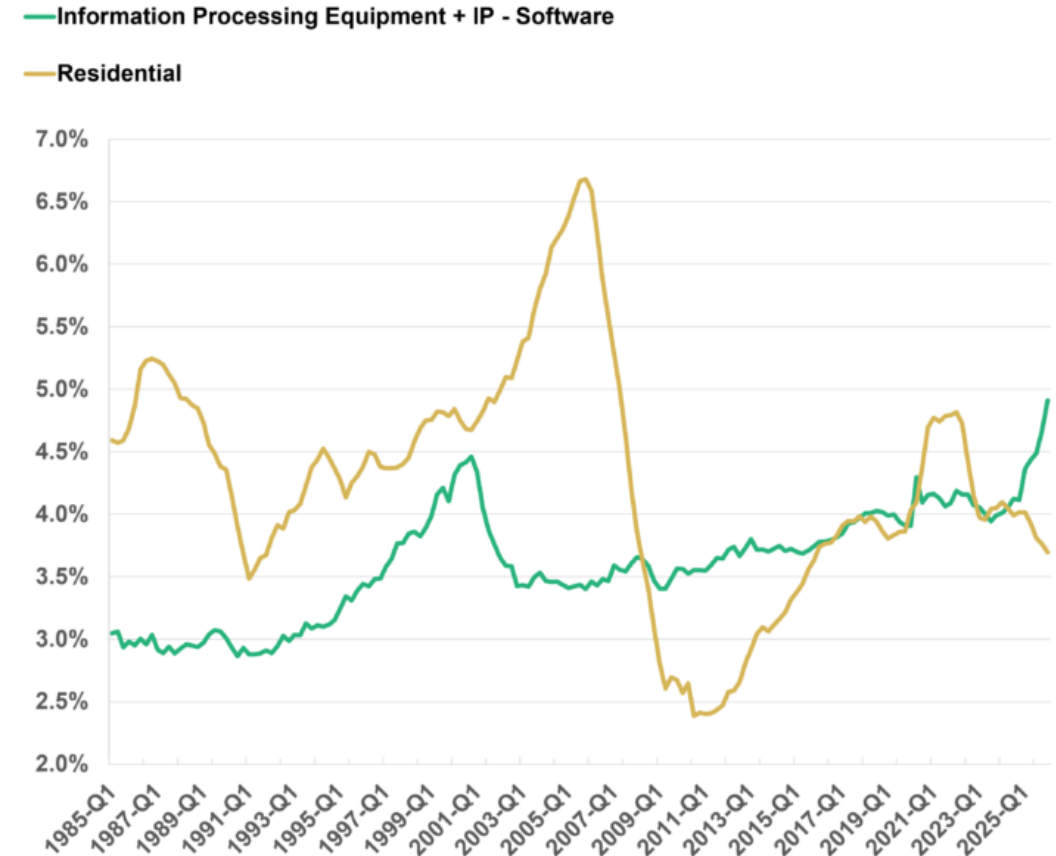
Macro

Watch the CapEx...

- Investment in information-processing equipment and software is now 4.9% of GDP, past the 2000 dot-com peak of 4.5% and above what residential investment contributes today.
- One company's capex is the next company's revenue and margin. That makes the spending trend, not necessarily the share price, the thing to monitor.
- For the stakes, residential investment began rolling over in 2006, well ahead of the broader bust. A stall or reversal in AI capex would be the equivalent early tell here.

IT equipment and software investment as a proportion of GDP is now larger than during the dot-com era peak

Investment as a Proportion of GDP



Data source: Carson Investment Research, BEA 04/30/2026

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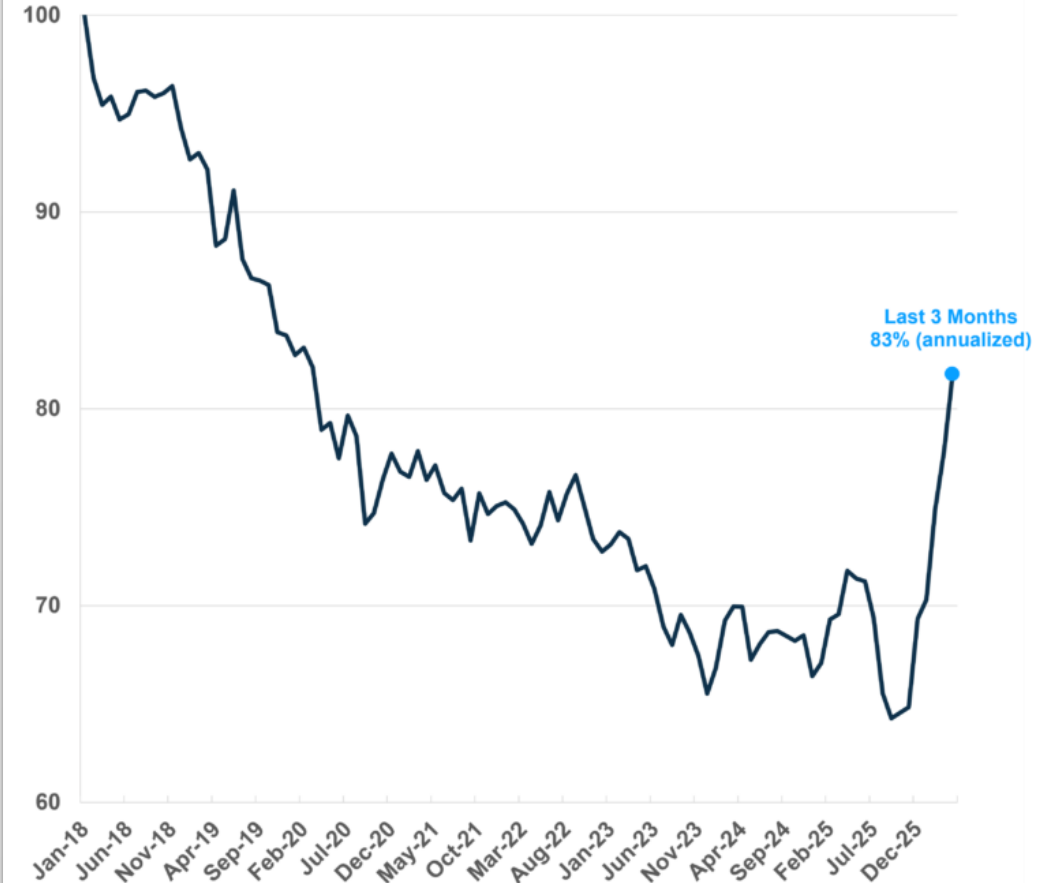
Macro

The Inflation Nobody's Complaining About

- Prices for computers and software in the PCE data are running 83% annualized over the past three months, a near-vertical turn after years of steady declines.
- It reads as inflation, but the cleaner interpretation is at the margin: one buyer's price spike is the chipmakers' profit, and prices only move like this when demand is outrunning supply.

AI-related bottlenecks also pushing inflation higher

PCE Price Index (Index, Jan 2018 = 100)
Computer Software & Accessories



Data source: Carson Investment Research, FRED 05/28/2026

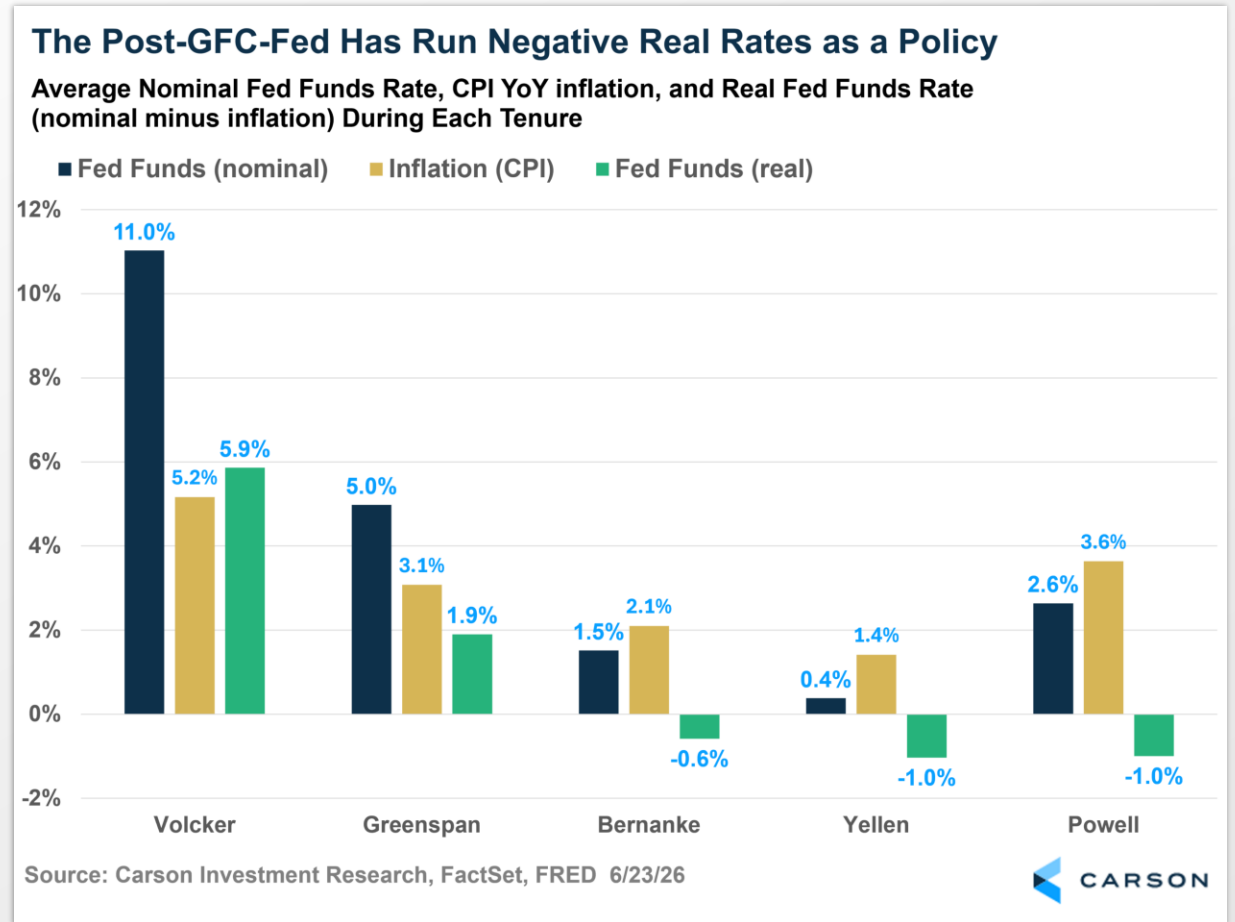
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Loose Money Was the Policy

- Real fed funds rates averaged roughly 6% under Volcker and 2% under Greenspan. Under Bernanke, Yellen, and Powell they averaged below zero. For most of 15 years, money was priced below inflation by design.
- That backdrop is a big reason assets, and now AI, have compounded the way they have. Cheap real money pushes capital out the risk curve and keeps it there.



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The Real Price of “Safe”

- From Powell's first day, a dollar in cash is worth 92 cents in real terms today while a dollar in the S&P 500 grew to \$1.92. Eight cents lost outright, and a near-double forgone.
- The number on a savings statement tells you nothing on its own. What matters is the spread between it and inflation.
- Those equity gains were themselves partly a product of cheap money. With valuations and momentum near late-1990s extremes, betting the next 15 years look like the last 15 isn't a guarantee.

Sitting in Cash Under Powell Cost You 8 Cents in Real Terms, and a Fortune in Opportunity

Growth of \$1 Invested in Cash vs the S&P 500 from Powell's First Day as Chair, Nominal and Inflation-Adjusted



Source: Carson Investment Research, FactSet, FRED 6/23/26

