

“We Will Have a Crash”: Why AI Brings Out the Fear in People

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SUMMARY

The market has shown strong performance recently, with the S&P reaching all-time highs, but there are signs of divergence among sectors, particularly with AI stocks facing potential bottlenecks. The discussion also touches on the implications of AI in various industries, the fragility of supply chains, and the potential for a market correction as sentiment shifts.

- The S&P has been on a strong upward trend, closing at all-time highs, but only three out of eleven sectors are performing well.*
- AI stocks are driving market momentum, but there are concerns about supply chain bottlenecks affecting production.*
- The tech sector is showing signs of fatigue, with traditional stocks outperforming AI-focused ones.*
- Market sentiment is high, which historically correlates with potential corrections; caution is advised.*
- The discussion emphasizes the importance of using technical analysis to navigate market volatility and identify potential downturns.*
- AI is transforming industries, particularly pharmaceuticals, with significant investments in drug discovery and healthcare technology.*
- Inflation and geopolitical factors, such as oil prices and potential shortages, could impact market stability.*
- The speaker advocates for a focus on AI and crypto investments, suggesting they will dominate future market trends.*

done. Uh, second strong month in a row for the market. Uh, I'm going to cover a bunch of stuff this week, so I'm not going to waste the time, but I made this a shorter agenda. Uh, we will have a crash. Bubble ending signals. How to start using AI weekly AI recap. SAS is back. Let's go. All right. First of all, S&P continues its ascent. Uh basically I put this up as a monthly chart just to highlight how strong the market is, how it definitely has this look of exponential and is picking up the pace uh closing at all-time highs.

It's not just the US. Um despite the fact that oil prices are going higher and the US is an oil exporter uh and obviously benefiting to some degree, MSCI World X the US made it up near all-time highs this month as well. For the week, the S&P up another percent and a half. Q's up close to three. IWM up two. S&P's up I think nine weeks in a row now. Uh for the month, we've started to see the signs that this is not a uh good market for everyone. So the S&P is up 5% for the month, but you can see that out of the 11 sectors, only three of them were up. And for consumer discretionary, X uh Tesla and X Amazon probably down as well. So this is basically been AI.

uh Korea, same thing. I've shown this before. Uh I'm highlighting these because when breath starts to break down, that usually means I've talked about this uh over the course of the last two weeks uh as I started to see signs that Korea was already showing impact from bottlenecks and I started writing about bottlenecks. Well, this is the Morgan Stanley tech momentum index and I highlighted last week that Moval is picking up. Well, the tech index, uh, MO is definitely showing signs of of being tired. Um, and to show why this is important, the blue line is that same chart we just looked at, the Morgan Stanley Tech Momentum Index. The red line there is the industrial market.

This is the AI trade in basically full force. So, momentum is not working at any place in the market except for those two sectors. Uh this is uh my thematic basket uh but it is uh now the tech short side of that momentum basket relative to the AI trade. So if you were long my thematic basket which has done phenomenally well and short the short side of the tech TMT thing well we're about to break through the 50-day moving average. This is a warning sign to me that again the AI trade is starting to run into problems and it seems to be very correlated at this point to oil prices coming down or the straight of war moves. That's what is starting to happen in the market. And so rather than view tech momentum as some bearish signal or the AI trade as some bearish signal, I do think we are in a different regime as I've talked about. Uh I think this is kind of confirming it. If this continues to go this direction and we keep seeing the beta side of tech momentum, so think of it as you know dying software names that are down 70 80% uh for the year uh blue owl things like that across the market. But in the tech side if all of a sudden those are outperforming the stuff with great earnings which is what's happening. So crappy beta is outperforming the AI trade where there are great fundamentals.

That means that we're probably in a different regime and I think that's where we're setting up for at this point. Here is that chart now overlaid with my thematic portfolio. So again, we're getting some divergences. Before it was going one direction. It's now a two-sided trade. I wrote this paper this week, bandwidth wars and the fragility of the AI supply chain. I highlighted this chart here which is a company in Japan, Fuji Kora, uh which is not part of my thematic portfolio, but that's the way it looked like basically until it broke down sharply.

And within there, as I talked about on the subscriber uh video I did, there were a lot of issues with Fuji Kora that should be alarming because it's all bottleneck related stuff. This is the overlay chart of what happened since that peak where they were correlated. Fuji Corora fell sharply on their earnings. The initial day was down to about here and then it just continued to go down all because they're going to have trouble meeting production numbers.

Here are the AI uh names. There's I think 10 of them with inside my thematic portfolio mainly through the chemicals and industrial side, a little bit of semiconductor and basically uh they've started to diverge again. The thematic portfolios continue to go higher. It's been very concentrated in a few names. An example is Dell, which was up huge on uh Friday, but we're starting to see signs that the bottlenecks are playing out. Another company that reported great numbers that's a big part of my thematic portfolio and has been for a while and one that I've recommended to clients really since June of last year as one of these the midcap ideas uh where it has more than tripled. That is Modin. Modin Manufacturing came out again great numbers, great guidance, everything's there. But they did talk about the fact that they are seeing supply constraints, bottleneck issues. Uh Jukan puts out

great stuff during the week.

I've referenced him many, many times. Uh or her, not even sure who it is, uh many, many times over the course of the last year. The semiconductor test equipment industry is grappling with a severe component shortage. so severe that some are lamenting we can't build semiconductor test test equipment because there are no semiconductors worst ever supply crunch. Um this is going to start to spread. Now the reason this is something to monitor is because semis hardware and power have accounted for 97% of long short fund long returns year to date with the remaining 75% of long portfolio up less than 1% year-to date. That was from Morgan Stanley. And the other thing to worry about is Korea.

And again, I've I've highlighted this. Um, if you're looking for signs that rather than call it a bubble, let's just say it's gotten too easy to make money. I'm going to spend a lot of time in this video on this this this stuff with bubbles to try and get you guys to remember that hopefully the reason you watch this is not only to get information to get facts and data driven, but not to label things with some ridiculous oneword meant to either sell subscriptions or meant to scare you. Either way, I'm going to hopefully give you enough insights into how you can just deal with this whole thing. So, in Korea, why is everyone talking about stocks in Korea? And why is it worrisome? And I agree. These types of things that I'm going to show you. At lunch tables, office coffee breaks, and weekend family gatherings, conversations increasingly revolve around which shares surged overnight. Social media feeds are flooded with screenshots of investors portfolio showing eye popping gains, blah blah blah. Even teenagers are joining the frenzy.

Everyone, literally everyone is talking about stocks these days. after work with friends. The number of stock trading accounts surpassed blah blah blah millions. And of course, margin is at the highest level record ever. Those types of sayings are absolutely consistent with peaks in markets. Let's forget the bubble talk for a second. Let's just leave it as is the riskreward on the side. Now, I have mentioned and been very open about the fact that I was very happy to take off my micron at let's say an average of I don't know 600ish, 650ish, I don't know, somewhere down there. even though it went up another 50% since then and I rotated that money into silver and Bitcoin which have gone down.

Um, I'm grateful for having had the opportunity of being in from 100 to 650, but here's the reality. I I do believe from here the riskreward has changed significantly. And so whether it goes to, you know, if it if it goes up another 50% from here, my bet was and my belief was there were better places to put my money, I'll get into that later on as to why silver, why um why Bitcoin, but the reality is all three major memory companies achieved a \$1 trillion market cap. Now, if you think about that and think about how short memory is right now versus Nvidia. So, Nvidia is much bigger uh as a market cap compared to the three players that are in there.

But if you ask me which one of these, you got to bet that the memory situation is not going to be cyclical this time and that we're not going to be able to make more of it. I'm a little bit more wary about that situation. And so even if it is that we have more and more memory and this just continues to go and there's no algorithmic changes, there's no Chinese competition, there's nothing, I do believe that um the riskreward has shifted and that getting another double, triple, quadruple, I mean it's up a,000% over the course of the last 15 months. I

don't think you're going to get that. So I'll take my uh early exit of getting out of something at a bad price relative to where it is now and just say that it's not there. Now here's Dell. You don't see charts like this too often.

And so of course the fact that it is basically, you know, since [snorts] the beginning of the year gone from 120 to 420, somewhat like Intel, similar company. You're getting two people that I I follow and I like to follow both saying it's a bubble because of the chart. That's it. Just because of the chart. I again, this is all based on history. I don't know what it is. I'm going to go through it. But here's the reality. If you think it's a bubble, that's great.

But here's the facts. Dell raised its full-year fiscal 2027 earnings guidance to \$18 per share from 12. I I mean, the stock was up uh I think 20, let's say 30% on Friday. They took their numbers up 50% for next year. Their revenue is going to now be 165 to 195 billion from 138 to 142. They beat expectations in this quarter by 8 billion. And they're up 88% year-over-year. A chart should look like that. So again, if you're going to tell me that the reason that this is a bubble is because of this chart and you're not at the same time gonna say I don't I I understand that it's justified based on this. I think these numbers are wrong. Whatever. But to just put it's a bubble from two intelligent people that write about this. I just don't think that's I I I don't know what that is. I honestly don't know what it is. Uh and I know I know both of them. Uh I respect both of them. I do not know what that is. I don't know the reason, but I'm gonna get psychologically into that from I'll use LLMs for that. The reason I feel good about this and the reason that hopefully you guys have been watching since the beginning of the year is this whole thing was about the physical world upgrade. This is what is happening. So Dell's numbers match up again with the narrative that made sense based on this.

So you didn't have to agree with this paper I wrote. You didn't have to agree with the thematic portfolio, but it's not like it's coming out of nowhere. The earnings are happening because we don't have enough of this built for the transition from intelligence into AI agents and the need and the compute needs that are going through the roof. It's a \$90 trillion buildout. \$90 trillion, which is almost 85% of the global economy today. That's what's going to happen according to Jensen Huang over the next decade to 15 years. These are massive numbers and it's in energy chips and infrastructure right now. And that's where the whole thing is. We have the model side going up where you're seeing the revenues now from anthropic going parabolic as well.

So parabolic here, parabolic here, and as I get through here, we don't have anything right now. This is going to be a combination of applications for robotics, for humanoids, for everything like that. But we do have it showing up in software, but I'll show that later on. I break this down into five themes. So there's five themes. They were highly correlated. One thing to look at now is that the commodity side, the things that are most impacted by oil prices in terms of coming down, chemicals and the power side has broken away, but also optical has come down. The optical trade is Fujicora. Fuji is one of the optical names. So you have this scenario, the whole rack and the semi package thing which have not turned down but the other ones have. When I start seeing breaks in correlation, it's there. Now remember these names have significantly outperformed the S&P 500 year to date.

Not the names, the sectors. Um again I wrote this piece your capex is my opportunity which got published in

institutional investor about the benchmark arbitrage and how the benchmarks are not set up for today's market. This is about being reducing your weight in the hyperscalers to make sure you have enough weight in the things that they're spending money on because these are now capex heavy companies. I still believe in that. Even though these companies are good, they're going to benefit. They've got receivables coming down the lines. I still believe when you take out tons of debt and you're spending tons of money and free cash flow and you're depending on something in the future, you're very vulnerable to the buildout slowing down.

Not that this is going to be a uh a situation of a credit event, but this is a situation where if it takes longer for the buildout because of the data centers, because of the copper, because of the silver, because of the semic test equipment, because of NAPA, because of all the things that go into the supply chain that I've written about the last two weeks, you will have production risk. And I think the market is not building in the production risk for the second half of the year, which I think is going to be greater than what people think. Go look at Modin. Go look at Fujicora. Nothing in their numbers was bad. This blew me away. And I just want to make sure because this gets reposted and going through it. But Andrew Ross Sorcin writes a book on crash and goes on TV on 60 minutes and says we will have a crash. I just can't tell you when and I can't tell you how deep, but I can assure you unfortunately I wish I wasn't saying this. We will have a crash.

I I I literally I mean we will someone guaranteed it. Someone who obviously does not invest in markets or trade them. How can you guarantee anything? It's not even allowed. Here's the thing that bothers me the most. I've mentioned and I wrote in my Substack this week. I don't read books anymore. I spend my time with chat GPT listening to things and learning them much faster. But this is my problem with the book. Sorcin spent eight years researching the book he wrote. He's out there trying to sell books and it took him eight years to write something that he's saying we're going to have a crash.

How can you research something from the 1929 for eight years and then start going on TV saying we will have a crash because of all the time I spent. Is he a forecaster knowing that in eight years this was going to happen? This is completely insane guys in terms of people saying this. So rather than me just use words like they are saying bubble crash, here's what I'll say. Let's assume they're all right. Let's assume this is a bubble. Instead of being scared, let's just go through the bubbles. Here we go. So if you want a technique, when I was a senior in college, a Newberger Burman professor who was teaching the class uh and I went up and debated in front of the class about ways to not worry about a crash that the market would always tell you there's a crash. My belief is in studying Elliot wave theory and thinking about human psychology, there's a reason why we care about sentiment. If sentiment is really high, the probability of a crash is higher. Why?

Because everyone's leaning one direction. But that assumes that everyone comes running out like a fire started. So whenever you hear bubble, you think crash, which means in one day you're wiped out. That is not what happens, guys. That is not what has ever happened. What happens is you tend to build a top. Moving averages are there. I'm a big believer in technical analysis. I don't want to sit there and try to pick the top of a bubble. So let's assume they're right. Let's assume it's a bubble, but it goes up 12,000% from here and they're bearish the entire way up or not participating. That is the psychological part of this. So, in the.com bubble, you've heard stories about how it crashed. Eventually, it gave up an enormous amount. I mean, this is going from 120 in the

cues down to 25.

That's a big fall. But here it is. The peak was made here. And I'm just showing you technical indicators where if you want to use this or the 200 day moving average, use something. You don't give up all of the gains. If it's a bubble, which I'm not showing the whole thing. This thing was up 80 plus% two years in a row. You're giving up a very small portion to say, you know what, here's what I'm going to do. I'm not going to bail out of anything or worry about a bubble until the 20-day moving average crosses the 50-day moving average.

Use some technical indicators to say that you know what enough people are bailing out and maybe you I always assume that I know less than the market does so I let the market tell me. Stan Duck Miller talks about the best forecaster of the economy is the market. All of my models were built on assets. You don't need to sit there and panic about it. You were only down here about 10% from the all-time highs six months after. Do not freak out. Here is the housing bubble. I got a recession signal in here, September of 07. And the reason was, sorry, September of 07 in here. And the reason was because year-over-year, we were now down. And I've talked about how important the rate of change is.

Again, you broke the the 20-day move, the 50-day after all-time highs here. And then if you never went back in once we went below the 200 day moving average, you avoided the entire thing again, just like in the NASDAQ one. Here's the 1987 crash. You all hear about how big this fall was. We were I mean, if you would have got out here, you're fine. Again, use technical analysis as a way to say the market knows more than I do. I'm going to just reduce my bets. Everything that we do in investing is a riskreward side. And if you're getting signs that things are breaking down, then shift. Um, here are credit spreads also a very good indicator to say there's a problem particularly when there's leverage in the system. Now there's I don't see any leverage in the system except coming from the AI trade. So torsion slack did something this over the past two weeks to show how much of IG uh issuance is now AI. I want those companies to be issuing a to be doing this. They're the ones with the most money. I don't have to worry about them not being able to pay back their debt. Um maybe in 10 years I won't after they spent more money, but right now they're just flush with cash and more importantly their equity is worth far more than the debt that they have. And debt to equity still matters. So credit spreads, BAS's, you get a warning sign. This is before the March peak, okay?

Trending higher in '07, way before the crash. Didn't work in '87. So, if you want one side, okay, we'll have to stick with the equity side, but I'm just saying on the leverage side, there's no sign of it. Um, by the way, the 1987 crash, we made new all-time highs within 18 months. Here's the greatest crash of all time, 1929, the Great Depression. I read so many books on this. I was called a perma bear when I joined the hedge fund industry. Um, mainly because I traded emerging markets. It wasn't until I went to Silicon Valley in 2013 and started my abundance tour of understanding singularity and understanding where the world was going to go that I stopped caring about debt, that I stopped caring about GDP, that I started to realize that all of those numbers were just metrics that no longer worked. When people tell me the Buffett indicator, I always look and go, "Yes, the market cap is bigger than the GDP, but you're assuming GDP measures everything that's happening," which it doesn't. It was a measurement created during the industrial revolution. It does not handle intangibles. It does not handle what is going on in AI. It is a stupid thing to pay attention to as the only metric. Profit margins are expanding.

Earnings are going up. If you want to call it a bubble, that's great. But I'm going to go back to the price side to stop you out. Here we go. The great crash. This is where the 20-day crossed the 50-day. You had plenty of time in this. Or get out when it goes through the 200 day. The 200 day is turning down. never get back in again until it starts turning up. Do whatever you want, but you have protections in there, guys.

We've had three 20 plus% corrections. Two of them 30% or higher over the course of the last three years. Again, that doesn't mean this is a bubble, but I'm just saying normally bubbles gather steam. Confidence is high. We obviously know confidence is not high. Regardless, we've had three crashes. I'm sure we will have another 20% correction. Maybe it'll happen between now and the end of the year. Why psychologically use? So many people like to say something is in a bubble. So this is for you guys reading X and then getting confused because they're scaring you because you have money in there. It gives them psychological control over something that feels out of control. It protects the ego. When an asset, technology, or trend rises without them, this is a classic one. This is the Bitcoin one that I get all the time. It resolves cognitive dissonance.

They basically believe they'd have to change something to explain what's going on. So the easier thing to say than I have to go to Silicon Valley and learn or I have to use AI at my age and my success, I've already been told I'm a genius. I'm just going to pretend and I'm going to say a bubble. It's an easy way for me to deal with it. It offers moral superiority. I feel like being the adult in the room, everyone else is greedy and irrational.

I'm sober, rational, and historically aware. I This is classic. Absolutely. It compresses complexity into one word. It gives people a script from history. Humans love analogies. I've I mean, how many 1988 analogies have we seen in the last two years that haven't happened? Uh the.com bubble ones every single week. It reduces envy. It gives speaker optionality. This is my favorite one. Bubble calling is asymmetrical. If prices crash, they look brilliant. If prices keep rising, they can say bubbles always go further than what people expect. It's a very lowrisk prediction socially. What did Andrew Rosorin say?

He doesn't know when. He's just certain it'll happen while you guys are buying his book. Okay, this is why I started this. This is why you guys are watching this. This is why you have access to it. This is why I want you to send this to everyone. um this episode in particular, but also I'll go into this which I released if you guys didn't see it. It came out on Friday. Um it's the first video I've done in a while that wasn't part of these weekly ones. How do I start AI?

I've been asked the question too many times. The reason I started the YouTube, the reason I started this was to help people. And I decided it was a better decision for me health-wise, happiness-wise, and honestly from a money perspective to help people navigate through this. And I don't just mean individuals trying to trade through to make money. I also mean raas and financial adviserss who are going to have to explain to their investors why private equity is not working, private credit's not working, VCs not working. Everything in the stock market's not working but AI bonds aren't working. This is going to keep spreading guys. Real estate not working. Everything that people have put money in, AI is going to disrupt over the next 5 years. So what I wanted to do with both was educate people continually write things about the connection between macro AI and crypto. Crypto is involved in this too which I'll get into. It was meant to have you be able to absorb

something from someone who has spent their life here who because of a trip to Silicon Valley in 2013 adjusted his viewpoint on what the world would look like. In 2020 he adjusted his view on what crypto would look like. This was not some overnight thing. But I'm bringing you hopefully me speaking and me writing to help you, but it's also to give you guys the tools. So yes, this was created from a business perspective for me rather than work for people and go through this. I want you guys to know that everything that you see from here, it's just me. I have one other person who many of you have met just through the phone, Mark uh Mark Whailing, who is the person who works with me on this to talk to you guys. But otherwise in terms of building everything, creating everything, publishing everything, recording everything, it's just me. This is my ability to use artificial intelligence. I could not do any of this without artificial intelligence. And everything behind this payw wall was meant to help you, particularly raas and fas with their clients by giving them things to help them understand it better, giving them access to me, but also the products. So again I should we've had the thematic portfolio last week behind the payw wall the concentrated uh name which has 25 names the concentrated version with 10 names yes you can replicate with a very high correlation in my opinion it's one of the things about AI is the dollars are so big and the amount of companies providing memory that's why they're all correlated.

The next thing and the last thing, Morgan Stanley created an index for me that allows FAS, RAS, anyone with is the capabilities, hedge funds, mutual funds to trade the index as one piece, either through swaps, through call options, whatever you want. ETFs get launched. Maybe I'll launch one at some point in the future, but I'm I'm not looking towards that. They've done structured notes on it. There's a variety of ways to replace all parts of the bucket that you're in. Particularly if you're a hedge fund or anything. This is very liquid. These names for the most part are some of the most liquid names that you'll find on the AI side. Now, here's the thematic side. Relative to the hyperscalers. Again, this is the trend that I think people want to be focused on is the AI names relative to the spenders. If there's a problem in the buildout, the spenders are going to get hurt as well. So, it's a good hedge.

It's a good outperformance trade. I don't see the spenders outperforming the receivers in any way, shape, or form except for consolidations and rotations. Here is the weekly numbers. Again, another good week for the thematic portfolio despite some breath breakdowns. Here's the other thing that I'm giving people. The writeups behind all the thematic portfolios, meaning understand why chemicals, in my opinion, are replacing oil in terms of intensity versus GDP over the next 5 years. They are critical to the AI infrastructure.

All of the writings I do, all of the things that I put out, which are a lot during the course of the week, are on the payw wall. So that way, you not only get the videos, you're getting the writings, and you're getting each of the technical signs. So if you want to trade it, you're getting exhaustion signals, you're getting technicals, you're getting fundamentals again to hopefully be able to enable you to navigate through this on any of the corrections and make some money while people are calling it a bubble. Now, I'm constantly creating models to try and anticipate uh corrections or consolidations. I think we're going into a new regime. I think the thematic portfolio is going to be much more challenging to make it through. So, I created a turbulence model solely on the AI stocks. I'm working on it right now to finish it up, but I'm just highlighting. And what you'll see right now is this yellow line here is the 5day moving average. The blue line here is the 10day moving average. It made its low in in late April. It has continued to move higher.

I had seven turbulent signals in the month of May. We hadn't had any month that big. It's telling me again and I will release that at some point. This is the turbulence model that I have on the market that was very very helpful back in this point before the last correction. It is still saying completely healthy. Nothing going on at all. And then this one. So, this is where I don't think you can call AI a bubble if you're using it all day. The reason I'm so uh in belief of this is because of all my AI agents, because of all the work that I can get done to bring you guys the videos, all of the models I'm building, which I used to have a team of people to help me on all of this. I did a lot of this when I was at a hedge fund, but I had a team of people helping me. Now, I'm able to build this stuff quicker. So, I did this video and it's basically going to help you, your children. Send it to anyone who's old enough or just going. Everyone feels like they're not starting from a position. So, this video was meant to be simplistic. It takes you on my journey.

It is 20 minutes. It is not a how-to. It is showing you how you can get the foundation for feeling confident in one weekend. Yes, one weekend. Now, I will do a video this week most likely to show you how to use the tools using co-work where basically those files that I'm putting on the payw wall. You can just put them in one folder every single day. Download them and put them on a folder in your computer and then you can go do this. You're an expert technical analyst specifically good at finding trend changes. Go analyze these files and high highlight to me the 10 stocks out of the hundred most likely to be showing signs of a price trend change. give me a thorough analysis of the index as a whole and the internals of the index are showing any alarm signs. Basically, guys, it does all this work for you. So, watch the video. It'll help. This is the reason why I want you to feel confident though that there isn't a bubble. So, there's all the stuff I'm providing. But again, this is just a recap.

\$90 trillion. Okay? I'm saying you don't want to be long these. I'm saying you want to be long all of these companies that are in my thematic portfolio of which none of these companies are in there. Tesla maybe at one point but they're not on that list. Um from atoms to bits the most simplistic way for me to to show you what is going on. We need all of these things to get to this. So along the way we're building everything out. Think of the data centers. Think of everything going on and all the things we need to provide electricity. So this includes the transformers, the gas turbines, everything that you've heard is shortages to make the electricity to go through the data centers through all of the semiconductors and everything and come out with some kind of token which enables intelligence to run. That's all this is. This is what Jensen keeps going. This is not going to stop. Okay?

China and the US are in a race on this for health purposes, for war, for everything. This is not going to stop. So, it's not a bubble. It might get delayed. The.com bubble ended up being useful, but we see 0.0 data to suggest that's even a possibility. Again, if you missed this last week, here's where we are now. I'm going to keep saying it. We're in the first or second inning of this. Now, he's just showing where it'll be next year at this point. There's no doubt in my mind it will be next year at that point. Here's where we are right now.

The numbers that are coming are so much bigger than the numbers this year. The reason I keep saying bottlenecks are going to happen, I don't know how we get enough gas turbines and stuff made. I just know that the spending is going to happen because it's coming from those companies. Now, if you want a bare market, and this is something that basically from my side, I've said this before, I was wrong on this. I thought we'd already have gone parabolic. I didn't expect this to be down here and Micron to have gone up 10 times. I expected this

to have gone up 10 times.

Now, we're in a bare market. There's no way around it. Like, this is that thing I showed you. Okay, this was the sell signal. Here it is breaking here. We're below the 200 day moving average. The 200 day moving average is pointed down. And every time we have a rally in Bitcoin, we get up to that 200 day moving average, we turn right back around. That is the absolute definition of a bare market. This was a bare market last year too. Um inference. So again, we fell, broke below, could have been out. This has got micron sanisk and everything else. And more importantly, we were unchanged for four years. Well, almost four years at the lows here. We were unchanged for four years. So, I was still buying Micron last year. So, I could be wrong on Bitcoin. I've been buying it down in these levels. I've kind of paused now. I'm waiting to get above the 200 day moving average. And what I would suggest to you guys, there's no reason to buy before the 200 day moving average. At this point, Bitcoin has been spending enough time down here that there's no reason to. Why not just wait until it gets above the 200 day moving average? It's not that far from here. um when you broke the 200 day moving average there and you had the 20-day break the 50-day. Let's go back and look real quick at Bitcoin and see where the 20-day and 50-day 20-day and 50-day did break. It looks like we're about to cross there again.

But I just bring that up because if you got in there and you waited for the 200 day, you've made a lot of money as it's gone up as a sixbagger in less than a year. So again, you didn't have to be early. I believe if and when Bitcoin goes, we're going to see a similar type thing in crypto to these. That's my belief. I could be wrong. I'm wrong plenty of times on this. You guys have to accept the fact that you're betting on things. And you could be wrong. So again, I think Bitcoin at some point next year when I'm doing my video will be up here, up here, up here. I could be wrong, but that's the way I'm dealing with it. And if I'm wrong, I've got other investments that I'm making. But the reason I believe in that is because of all of these parabolic charts that are happening in stable coins and tokenization and we are just starting that party and I believe that's going to be something big. Now if you guys want to listen to podcast this week, I'm not going to go through all the details on this. This is a good one to listen to.

My boy Raul Powell, Julian Battel, uh I think these guys do a good job of at least connecting the macro world back to crypto. They talk about AI. R is the only person that I know that I can speak with on this. We're going to be doing uh another recording I think next week or the week after. Um they cover great things in here. They cover the exponential age. They talk about why the business cycle doesn't exist. I think I was the first person to say there's no such thing as recessions. I know um Raul and I talked about it on my my podcast a long time ago and I basically said it to him and he's been um crediting me with getting his brain to at least think about the fact that because of the fact that we are in a different world where we don't need credit and that GDP no longer is a measurement of the modern-day world that we don't have recessions the way we did in the past. I still believe that's the case. You guys can read through all of this. But the next 20 years is a build out of AI that can see, move, and build, requiring hardware, energy, grids, financial rails, agents, robots, and new infrastructure. Pal says the economy is shifting from capital and labor dependency to compute and energy dependency.

I would then listen to this one, and I would go in this order. They're talking about it from the macro side, very top down. This is talking about the company level, the way that companies have to adapt to this and the ones

that won't be able to adapt. It's a phenomenal way again of listening to a podcast on a very top- down basis, then getting to the company level and getting again the same thing. You can go read through this and figure it out, but uh that is the wrong place for that. This is where that uh description goes. So, this was on Lenny's podcast for people looking for a reason to buy SAS. Uh, I would re I would listen to this. He literally said on here um he would buy SAS. The reason I wanted Dan Shipper on this, I thought it was a very good podcast. I'm going to go back to why he was surprisingly bullish on SAS stocks. Said agents do not eliminate SAS. The reason this is important to listen to, on the one side, we had the macroeconomy with Raul and Julian. Then we had Salem and Peter Diamandis talking about the companies and what they have to do to adapt. This is an coming from an AI native company leader. Very important to hear what he's saying because it resonated with me as someone who is also a power user uses it all day and it's the reason why I care so much about it. So damn things tools like codeex or code corowick become the new operating surface. Instead of opening 10 SAS apps and doing the work manually, the user works inside an AI environment that can see the browser.

This is why it's important for you guys to take the how do I start, spend a weekend, get the foundation. You'll no longer be the one talking or worried about bubbles. You'll be the one hoping there's corrections so that you can add money into places that you like. Julian uh Battel summarized this. We're leaving a world that's been dependent on capital and labor and we're moving into a world that's entirely dependent on comput and energy. It's a very different world.

Capital and labor. That's why the business cycles don't exist anymore. AI is eating the financial market. Okay, this was a odd lots thing. Very good. Again, showing that AI is the entire market. So, if you believe that AI is a bubble and you don't want to get involved in it, you basically will make no money in my opinion. I I just, you know, last year it was hilarious. people avoided the AI and what did they talk about?

Every macro person that wasn't an AI, they suggested you buy gold. I think one of the reasons we're getting more bubble talk is because nothing in the portfolio now is working the same way. If you're a macro person, if you're shorting bonds, you're getting paid a price. If you're buying gold, you're getting like there's nothing for people to have a bearish thing on. Even the bearish trades aren't working anymore. So, what do you do? You got to call it a bubble. uh within side here Mark Rowan underscored the shift in an interview meaning the shift in AI you have an entire VC ecosystem that has never been capital intensive this is the point about how the VC world can't be a big part of this because the companies right now that are growing the anthropic small they need an enormous amount of capital which is why they're having to go to the debt markets and they're having to go public they talk about all of the debt that's being issued for data centers But it's also for space. We're going to be going to Mars. We're going to be doing space stations. We're going to be doing data centers in space. This is going to take a lot of debt. Factor investing tells investors to not be overexposed to just one factor. The new 6040 is AI verse non AI. I actually agree with Torson Slack on this. The problem is for people, they don't know how to invest in it. It's not going to get any easier. Token use forecasted by Goldman Sachs. Again, whatever inning you think we're in, it's the first or second inning. This trend is not going to end. It's going to have fits and starts along the way. It will have some inflation along the way. Adam Parker.

Uh, great chart trailing capex dollar growth by style just showing that all of a sudden the growth side the cash is

near 25-year lows while trailing 12-month capital spending dollar growth has reached 60% the highest reading since right before the dotcom bubble. Great report from Goldman Sachs on optical networking since optical is part of it I want to highlight. You guys can go read it for yourself if you don't have access to the payw wall. This way you can get something on it. Also because ver rubin this is why Corning and all these things are going so fast.

You need to understand why we need optical. Uh G2 Patel from Cisco another great thing to listen to. Cisco had a blowout report stock was up I think 15% that day. It's talking about enterprise WAN traffic without AI was uh agentic AI was projected to grow about two and a half times over the next decade but now it's jumped to nine times. That statement alone there is why everything has gone parabolic. It was everything was expected to be two and a half over a decade. Now it's nine times. So you had to repric everything by four times.

AI impact on area wide networks. This is the report he was referencing. G2 works at Cisco. I highly recommend either reading it or typing this out. Cisco's core message is that AI changes the shape of internet traffic, not just the volume. This is all important for AI agents. It's also important for crypto, which is going to be a major part of this as well. Deep Seek, you got to keep track of this from a pricing perspective. I still believe when you're looking at the hyperscalers, they're not only spending money, but the competition is the Chinese models are getting cheaper and cheaper on a relative basis.

Deepseek makes it 75% discount permanent. Again, I use a Chinese model on one of my machines. It guys, I'm just telling you the pricing power. Companies may not want to use it, but companies are starting to question whether soaring AI spending is delivering returns. This is on the return side. They're spending tons of money on clawed licenses, and they're not yet seeing the impact. I think companies are going to have a hard time seeing their benefits come as fast as they're spending. We need to watch margins, but I've shown you margins in the S&P 500 are are actually um not as they're not as great as you seem when you strip out the receiving hardware companies. And that's where the issue is. We need productivity to sped through some of the companies. We will see it.

And this is not a bearish argument, but I just believe that you're going to have fits and starts on the adoption side. the progress doesn't start. So I've talked about how I'm using GPT5 5.5 for everything. Um Claude Opus 4.8 is now out. So the leaprogging continues. Anthropic also raised 65 billion this week at a 965 billion. Brad Gersonner's involved at this level. Seoia is involved. These are not silly people investing in this. This is not a retail push. This is anthropic basically able to say, "Hey, here's where this is going. You want to pick the top of this?"

Guess what the stock market looks like? Dell looks like looks like this. Exact same timing. It's all related to the spending and the revenue. Spending and revenue are coming that we're seeing it. Okay. Now, to shift gears a little bit, I want to give you guys the quote unquote SAS place to invest in. This was a really important thing in my opinion. Um, first of all, this is the the segue I wanted to use. Gavin Baker was on the All-In podcast and aside from everything he talked about with Enthropic, I thought the most interesting thing that he discussed was one of the most powerful positive AI stories is not enterprise software productivity, but AI helping ordinary

people attack disease discovery directly. If you didn't hear the story, and I'm not going to read it, it's about a hedge fund manager whose daughter was born with a very rare genetic mutation. Now, he did basically the research in LLMs and he found an existing safe drug already on the market that looked like it could help her condition. Basically, a family member figured this out. Now, I have two stories. I talked about them with Pomp on our uh on our on our show this week. I'm not going to go through them again, but I've had two people come up to me at events to talk to me about situations that they've been able to do something similar. In both cases, these were related to mold poisoning inside their children that had come because they didn't realize they had mold in their house, but they did the work online. One of them, a very, very competent programmer on the quant side.

And to hear these stories, first of all, they're very emotional. But second of all, as an investor, they make me recognize what's coming. I already see this. I already tell people to use GPT health. I already write a Substack on HRV. I'm focused on longevity. To be able to help family members and do this. We all know people that have been in this situation. AI turns motivated humans into research teams. It does not eliminate biotech. It expands the number of people who can participate in discovery, especially around rare diseases. The reason I wanted to bring this up is this is what I wrote about and what I believe in. AI drug discovery, how artificial intelligence is transforming pharma's broken economics. This was in November to go through how pharma is going to be one of the software places for human software that it's going to benefit with bolt-on AI and we're starting to see the benefits and it's only going to accelerate. So, I've gone through this a bunch of times, but now I'm going to take you through some more details and give you some homework. Farmer is no longer just using AI. It's rebuilding drug discovery around foundational models. So, this this was released this week. Here's the visual. Again, we have tons of data. The whole theory behind this in my opinion is that IP for all of these companies, there's been so many biotechs that have gone public over the course of the last six years after COVID, even before it was a big space.

The one thing about an IPO, there has to be some fact, some data supporting the reason. It's a great idea. Maybe it gets to the 20 yard line, but it can't get to the goal line. AI allows you to go. It allows you to take existing ideas and possibly go through every potential outcome that could make them better. That is the beauty of combining AI with drugs. Mark Zuckerberg's philanthropic venture unveils AI world model for drug discovery. This is using a world model.

DeepMind is on the same path to this. Remember the Genesis mission which was signed as an executive order in November of last year. frames AI as a national scientific discovery engine using federal data supercomputing foundation models and autonomous agents to accelerate breakthroughs across domains. Biotech is named the national priority. The goal is to design biology on demand. The strategic implication is a revaluation of farmers buried data and IP. Failed data is still a great idea that now is useful. This is far different than enterprise software and people paying for being productive as labor. This is the ability to find a way to solve this problem. We have to solve this problem because the entitlement numbers are going to pass revenues. So unless we find some way for people to be healthy, which obviously one company has already been able to do that in a meaningful way, which is Eli Lilly because of Mavens and because of Ozempic.

And yes, I know ampic is not theirs, but um in the odd lots in that article with Torson Slock in going through how AI is impacting everything. I hadn't realized, this is from Joe Wezenenthal, I hadn't realized that Eli Liy owns over a thousand Blackwell GPUs. Eli Liy's Lily Pod supercomputer goes live in February with a thousand Blackwells. You guys should go look all this up. Definitely listen to this. Uh, this is an interview between Jensen Yuang and Eli Liy basically about their partnership. How have all of the names that they've made partnerships with done? This is where the applications show up in pharma.

Lily Penn's \$22 million deal for biotech engaged. M&A Street continues. They're buying up IP guys. It did a deal with a Bezosback Proffluent to work on gene editing. We'll get back to gene editing. They've got a relationship with Encilico which I've talked about which they've ramped up. Nvidia and Eli Liy stand to build 1 billion AI powered drug discovery lab. Now that is in Silicon Valley. The Lily Pod is on the campus of Eli Liy in Indiana.

US pharmaceutical way. Eli is expanding its footprint in the generative AI space and this is the extension of the deal which they did in March. Now it enlists AI startups for next generation gene editors and again this was in the last month. Why would they be so interested in gene editing? They acquired Verve Therapeutics to advance one-time treatments for people with cardiovascular risk. Now again, this was in June of last year, one year ago, and one year later, early data for heart drug affirm Lily's billion-dollar bet on Verb. So, they came out with a cholesterol shot, believe it's a shot, uh, a one-time treatment for hyper cholesterolemia.

They've gotten what made seems to be a powerful permanent gene editing therapy for LDL cor cholesterol. That means they'll be able to effectively prevent most heart disease with a single infusion. Does goes without saying that heart disease is the number one killer in the world. A is not only inventing new drugs, it's helping match existing drugs to overlooked diseases. The buried archive of unfinished value. This workflow becomes identifiable biological hypothesis. Validate it with an existing drug blah blah blah. Here are the revenues for Eli Liy. Does it look like an AI company accelerating their revenue again? Look at where it was year-over-year this March, last March up 55%.

Reason I know that number here's what's starting to happen. This is revenue growth in the first quarter and it's starting to spread across the companies and these are big numbers. This is pharma. So in a space where we know there's trillions of dollars of spending. It's very quickly becoming 20% of nominal GDP in terms of health spending which means it is about \$6 trillion a year. That is a big market for the drug companies. Strategic dealmaking in bioarmmer should accelerate this pharmaceutical. This is from Pricewater Cooper House. The pri the pharmaceutical sector enters 2026 with confidence and ample capital to deploy following a strong second half defined by precision driven bioarmmer.

Acquirers are concentrating on distinctive science and partnerships that move promising assets faster through development while preserving options. If you didn't know how well Eli Liy stock is doing since the end of 17, they've doubled the performance of any of the mag seven. Their stock made new all-time highs this week. It has basically consolidated while their earnings have grown. Their revenues are accelerating up 55% year-over-year. They have a PEG ratio below one. They're part of my thematic portfolio. the only pharma company at this

point as a part of it. I will probably create a thematic portfolio around health care, but I need to go through and spend a lot more time digging deep. All right, let's go on to the inflation side. Uh got to be some negative to focus on on what could cause a 20 30% correction. In my opinion, it's still the fact that inflation could get under control. Why? The data is going that direction. Michael Sembleis covers it. The data is very straightforward. We have a problem right now with inflation going higher and a new Fed chair. The inflation going higher, here are the absolute year-to- date commodity price changes. So, even if the straight starts flowing at some point, I just want to highlight it could still be a risk for a bunch of reasons. And if Iran decides that they want to impact the midterms, which again, they've got China and uh Russia uh connected to them, who knows, maybe they do. Well, they can stop the flows at any point. So if all of a sudden we're starting to see shortages in the US and the straight stops flowing again or never starts, you're going to have an issue. So here's all the CPI charts. We've already got the issues going through. Michael points it out.

We've gone through the temporary buffers as the long view wrote this in March 7th. Give them full credit. Basically was saying we got plenty of ways to deal with this for now. Where are they going to come? Well, we've gone through the buffers. Need to get a deal done. All right. Well, maybe the US does. Question is, does Iran want it to be done? Super majors. We had Exxon and Chevron both out this week saying oil prices could hit 160 within weeks. And again, what they're talking about is global oil inventories are approaching unheard of lows. So again, we've been drawing down inventories and we're hoping this is going to go. If it doesn't turn, you have to pay attention to this. Mike Worth from Chevron said, "We're weeks away from oil shortages, he sees gas prices potentially rising considerably in the next two months, listening to market strategists."

Basically, even if there's no war, if prices start going higher, and that's why I'll sit there and say on the case of oil, I think we're going to have from this point on, if oil goes higher, then the market's going to go down. I would be putting on oil into weakness here. oil stocks I'd be adding into weakness as a hedge and as some place to put money against the potential of this going on because I find it hard to believe that oil is going to come down all the way. But if it stays around 80 \$85, these oil stocks are still cheap relative and at some point the momentum will be gone and people will start putting money into them. Uh just keep paying attention also to the potential of blackouts and data centers. This is where we got up to. Again, it's it's a dangerous situation we're getting to.

Summer heat drove peak load past 135 gigawatts with reserves at 4%. We could be in some trouble on the East Coast. You get a blackout, I think that's going to be bad for stocks because it's probably going to mean we have to pull back on AI usage. Just remember when you are getting to the bottleneck side and you're getting to the pressure point side, to me the riskreward has shifted. That's why I keep talking about it. It's not a bearish call, but I do believe at some point you got to start building in that we can't keep hoarding all this stuff without there being an issue, especially when the straight is shut down. Um Goldman Sachs projects data center demand to be up huge. Only about 50 to 60% of data center capacity scheduled for the next one to two years is expected to come online.

We have shortages. Um I wanted to highlight this. I listened to this over the weekend. Um you guys don't have to listen to it, but I'll give you kind of there. There's a couple things in here. First of all, um again, they focus way too much on uh in my opinion on the bearish side. And I I like these guys and I listen to this as really the only

macro one because they do talk about productivity in some way. They don't say all the time that AI is a bubble, but they kind of lean that way. Um the thing that's interesting to me is from a contrarian basis, they were everything they said to me was pro- crypto. um all of the problems with the social uh situation across the country and the fact that the social pack that we made with people's not there, all the inflation, the manipulation of the market, all of this stuff. But at the end, they talked about crypto as it's just not working. And it felt more like a capitulation type thing. And they even said maybe this is going to be the low.

And I'm not saying it is because I just showed you it is a bare market, which they highlight as well. There's no way to refute that. But I did think that everything they talked about was more geared towards the negative side and it was just interesting to listen to when you're thinking about crypto. All right, to finish on crypto, I wrote this. Um, again, I believe in it. If you guys didn't read it, it's worth the read in my opinion. I'm not going to direct you to my stuff all the time and say go read it. But if you're thinking about crypto, I think it is time because we're in a bare market to at least pay attention because if we break above, you're going to want to get into it quickly and not miss it like people did on Micron. So, just use it as that. I'll start talking about this more when we get above. Um, I am absolutely going to as because of my belief on where we're going to be, I will start a YouTube video, another channel or videos each week focused on the crypto market at some point this year. Um, I'm now creating and I've created a tokenized 34 tokens, six public stocks with thematic breakdowns here with inside crypto to basically replicate what I'm doing with AI. You can see the um sectors here or the thematic parts of them. You the reason I want to show this you can even see right here which ones are doing well this year. This is all from one. So we did have the agentic side which is still up about 40 some odd percent. You have basically a couple that were were up overall. Tokenized was up but in general that's the focal point for me and to highlight why Bitcoin is something you can't just say Bitcoin on. This is that 40 equal weight basket overlaid with Bitcoin. So if you want to play crypto going higher, I will keep saying it.

Bitcoin is basically the S&P 500 of the future of the capital system. It represents the S&P 500 today. We I've been highlighting that we made new all-time highs in in uh ETFs for uh Bitcoin for the IBIT. Well, that gave up uh last week. We gave up all of the gains we had and now we posted the second worst month ever in terms of inflows versus outflows in the ETF. Maybe that's the sign of panic going on.

Um Ethereum can't get out of its way. Here's the uh ETH shares outstanding. So they just keep going down. Uh we've taken the Clarity Act down back down to 50%. So I highlighted when it got up 75. Well, it's right back down to 50. If you're looking for reasons why Bitcoin and crypto is not participating at this point, that would be it. And finally, uh I will be on the floor of the New York Stock Exchange. Actually, I'll be in New York Stock Exchange all day on Tuesday.

Uh I don't know if if any of you were there or you're going to the cocktail reception. This is all about tokenization. I will be spending more and more time talking about tokenization. for those of you who got to see the webinar that we did two weeks ago on 22V. Uh if not, there's a replay that you can get as well. But I really do believe people need to start thinking about tokenization. I think all RAAS and financial advisors need to think about tokenization and the impact it's going to have. AI is speeding up tokenization.

AI is disrupting every wealth management's portfolio and it will continue. I don't see VC coming back. I don't see PC coming back. I don't see PE coming back. I don't see real estate coming back. As we get five years out, think humanoids. Think how far AI is going to be. If you want to have your clients be able to make money, I think crypto and the AI infrastructure trade and things like pharmaceuticals. All of these different things are not weighted properly with inside the S&P 500. That is where you're going to need to get the alpha because if you have a portfolio which is spread and diversified in a world as Torson Slock said where it's 60% AI 40% nonAI I actually happen to agree with that. The weightings in the market though are about 80% nonAI if not 90 and 10% AI and that's why it created the index. That's it for this week guys.

Um reach out with anything, subscribe, go to the website. I'll see you next week.