

May provided a continuation of the nice rebound we witnessed in April.

We even witnessed a 'melt-up' in the stock price of some select companies tied to the Artificial Intelligence buildout, such as Micron, a memory chip manufacturer, and Marvell, a designer of semiconductors used for data storage and transmission.

While it would be easy to dismiss the sharp recent increase in the price of a few AI related stocks as irrational greed and speculation, we cannot dismiss the actual strong growth in the earnings of the underlying companies. Many experts are telling investors that we are only in the 'early innings' of the AI buildout. On the flip side though, some experts are warning investors that the 'melt-up' might eventually turn into a 'melt-down' akin to the 2000-02 Dot-Com Bubble Wreck. Admittedly, the issuance of shares by companies such as SpaceX, Open AI, and Anthropic could cause a temporary oversupply of technology shares which in turn can negatively impact stock prices.

An unrelated cause of concern is the possibility that the inflation caused by the US/Iran conflict can result in an upward bias in central bank rates. I am personally concerned whenever I see the US 10 year Treasury yield get close to 5%. It is currently at 4.52%.

In the medium term, I do believe corporate profits will continue to be strong. As such, I would view corrections as (1) buying opportunities for new cash, and (2) re-balancing opportunities for existing portfolios (meaning a partial shift from fixed income to equities).

For a copy of our most recent Monthly Global Insight , please send us a request at wade.brown@rbc.com or Patrick.freel@rbc.com

This is provided for informational purposes only. Particular investments and/or trading strategies should be evaluated relative to each individual's investment objectives. You should not act or rely on the information contained here without seeking the advice of an appropriate professional advisor.