

# Capital Ideas

June 10, 2026

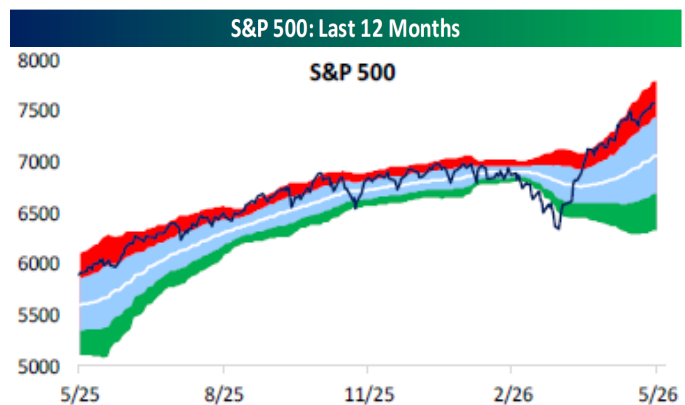
Capital Ideas Advisors  
12720 Hillcrest Rd., Suite 910  
Dallas, TX 75230

Dear Reader,

## Buy In May And Plan To Stay - The Bull Remains Healthy And Charging

While the old Wall Street idiom says, 'Sell in May and go away,' we believe a more appropriate motto for 2026 is 'Buy in May and plan to stay.' Despite a volatile start to June, we remain bullish on the outlook for the remainder of 2026 and into 2027.

The S&P 500 posted a 5.3% gain last month and is now up more than 8% YTD following a choppy first week of June. The index set 11 new closing highs in May alone while rising for 12 consecutive trading days, the longest stretch since 1995. Investors focused on the impressive earnings growth fueled by AI-related capital spending while largely shrugging off concerns regarding elevated energy costs and inflationary pressures.

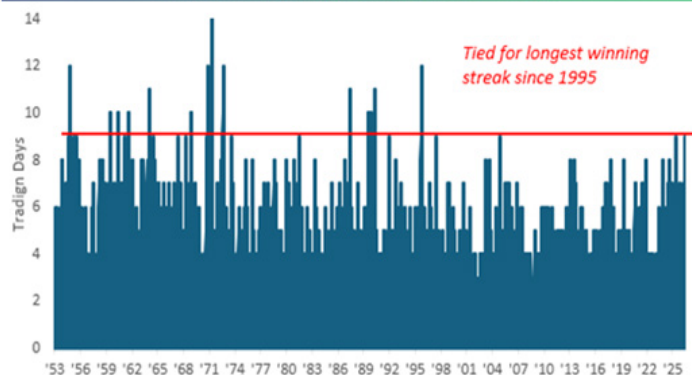


Source: Bespoke Investment Group

While the new month is off to a rocky start—with the sell-off that closed out the first week of June—we view this as a temporary blip rather than the onset of a meaningful, deep correction. High-flyers bore the brunt of the selling as the Nasdaq dropped more than 4% last Friday. Given that technology and communication services now make up roughly half of the S&P 500, weakness across these sectors can quickly weigh on the broader market.

The primary culprit driving Friday's decline was a stronger-than-expected jobs report, which raised expectations for a more hawkish Fed. Growth stocks sold off as interest rates rose across the yield curve. Nevertheless, our core thesis remains firmly intact.

## S&P 500 Winning Streaks: 1953 - 2026



Source: Bespoke Investment Group



Despite ongoing concerns around higher rates and sticky inflation, the underlying economy continues to benefit from robust capital investment and a resilient consumer. Together, these forces are fueling the current corporate profits boom and providing strong fundamental support for this bull market.

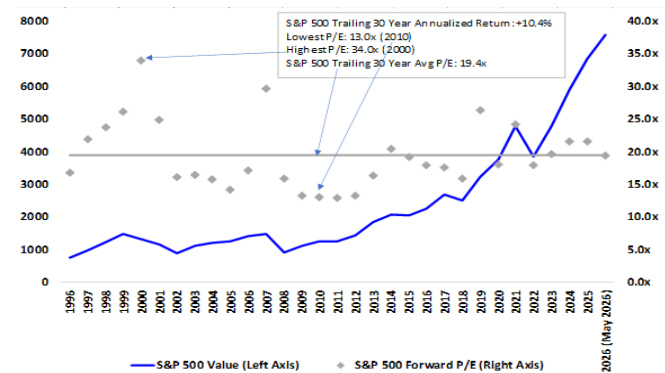
### Profit Expansion Continues To Accelerate

While periods of volatility are to be expected after the market's strong recent ascent, we remain confident that the secular bull market is firmly supported by robust underlying profit expansion and still has significant runway ahead.

S&P 500 corporate earnings are forecasted to grow by roughly 24% in 2026, roughly three times the historical average. With first quarter earnings season now in the rearview mirror, companies continue to surpass already lofty expectations—more than 80% of public companies beat estimates. What's even more impressive is the upbeat forward guidance provided across key sectors, such as technology, leading Wall Street analysts to further raise earnings forecasts and stock price targets. In short, as future expectations continue to be revised upward against an already robust growth baseline, it's hard to envision a time period across recent history with stronger fundamentals for U.S. companies.

Furthermore, as counterintuitive as it may seem given the recent rally, valuation multiples have fallen compared to the beginning of the year given that earnings growth has far outpaced stock price appreciation. At the end of 2025, the S&P 500's forward Price/Earnings ratio was 22x; the valuation ratio (using next

S&P 500 Index (Left Axis) & Forward Price/Earnings (Right Axis) - Trailing 30 Years



Source: S&P Global, includes consensus analyst estimates for 2026 forward price/earnings

year's estimates) has now fallen to 20x, which is only slightly above the S&P 500's long term average despite significantly higher earnings growth forecasts.

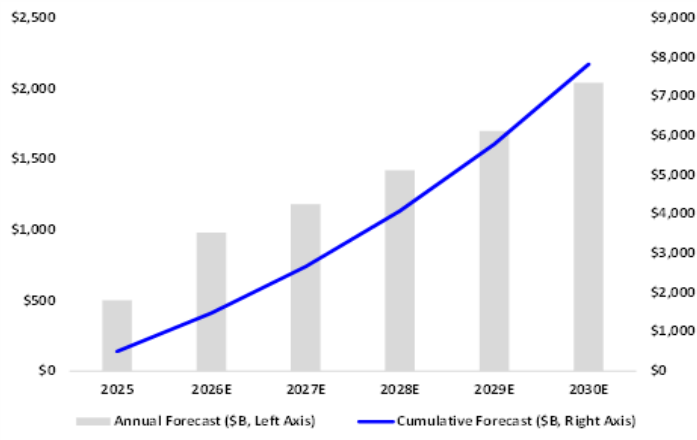
In our view, the fact that valuation levels have remained reasonable while corporate profits are surging should provide investors comfort regarding new allocations and the strong fundamental support fueling this bull market.

### AI-Related Capital Spending Remains The Key Driver Powering This Bull Market

The most impactful secular theme powering earnings growth and, thus, underpinning this bull market remains AI-driven capital investment. AI-related capital investment is expected to reach roughly \$1 trillion this year, double the level from 2025, ramping to \$1.2 trillion and \$1.4 trillion annually in 2027 and 2028, respectively.

AI-related capital spending is now equivalent to roughly 3% of U.S. GDP — and climbing rapidly. This concentrated buildout is delivering a disproportionately powerful boost to corporate profits, as the spending flows directly into high-margin revenue for the companies powering the AI ecosystem.

AI & Data Center Infrastructure Capital Spending Projections - 2025 Through 2030



Source: xAI's AI Buildout Funding and Plans - Grok as of 05/31/2026, Company Reports from MSFT, META, AMZN, GOOG, & ORCL

This dynamic helps explain why corporate earnings continue to surge and equity markets have powered higher, even amid elevated geopolitical tensions and inflation concerns. While soaring gas prices may depress consumer sentiment and discretionary spending, investors are rightly focused on the future earnings potential of the businesses they own.

### Despite Higher Gas Prices, The Economy Is Holding Up Well

The War in Iran has driven significantly higher gas prices for consumers and businesses. As a result, this has reduced discretionary spending available for other consumer goods purchases and dented margins for businesses which rely on energy inputs.

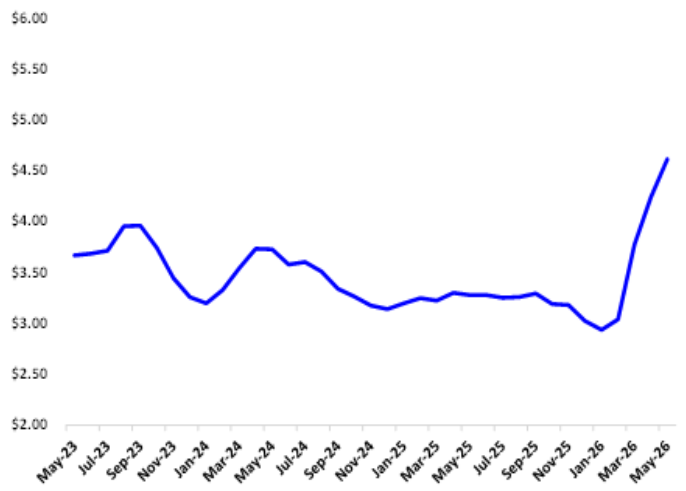
Despite this headwind, however, the U.S. economy has remained

resilient overall. The Atlanta Fed's GDP growth estimate for Q2, for example, sits at +3.0%, suggesting that the economy remains well within expansionary territory. We believe this is due to both elevated capital investment as well as a healthy jobs market.

While the consumer may be hit by higher energy costs, the labor market appears to have recently strengthened, implying that while Americans may be aggravated by their bills at the pump, they have been able to continue spending at a healthy clip.

In our view, as long as consumer spending remains positive and the jobs market doesn't deteriorate meaningfully, that should be sufficient to ensure the economy continues to exhibit healthy growth given the multi-year tailwind from business investment.

U.S. Retail Gasoline Prices - Trailing Three Years



Source: U.S. Energy Information Administration

Hyperscalers refer to massive cloud service providers that operate at an enormous, globally distributed scale to deliver the computing power, storage, networking, and specialized hardware required for modern artificial intelligence workloads. The term "hyperscaler" comes from hyperscale computing — architectures designed to scale dynamically and seamlessly to handle exponential growth in demand (millions or billions of users, or massive AI training/inference jobs). These companies run thousands of hyperscale data centers packed with servers, often containing tens of thousands of units each, optimized for high-performance, low-latency operations. In AI specifically, hyperscalers are the foundational infrastructure providers that make large-scale AI possible. These companies include Microsoft, Amazon, Google, Meta, and Oracle.

## Looking Forward - Outlook As The Calendar Turns To Summer & Beyond

As we enter summer and with the quarterly earnings season behind us, it wouldn't be surprising to see a temporary modest pullback given the vertical march higher over the past couple of months.

Nevertheless, for the reasons outlined earlier, we are very bullish regarding the medium-to-longer-term outlook and expect robust earnings growth and the capital spending boom to power this market to fresh highs. This remains an earnings-driven bull market versus a market soaring purely on speculative excesses and "irrational exuberance." While many of the talking heads are clamoring over each other to declare a stock bubble, we'd simply remind them that in a frothy bubble, valuation multiples generally skyrocket to nosebleed levels, not grind lower as fundamentals positively overwhelm price ascension. It's precisely the strengths of the underlying fundamentals and lack of unbridled euphoria that keeps us optimistic regarding the future prospects and durability of this bull market.

As always, we value your trust in us and urge you to call with any questions concerning your financial matters.

Sincerely,



CJ Brott



Karen Burns



Andrew Kerai



### In Memory Of

**Jeremy Jon-Lewis Grant**

**March 26, 1975 - May 24, 2026**

We close this month's letter with heavy hearts. Our colleague and friend Jeremy Grant passed away recently, and his loss is felt deeply by all of us at Capital Ideas. For twenty years, Jeremy brought a cheerful voice and a helping hand to everything he did. Many of you came to know him well. He was family to us, and we know many of you will miss him as well.

Jeremy was born March 26, 1975, in Seattle, Washington. He married the love of his life, Jessica, in 2002. Together they have two daughters, Riley (19) and Julia (16). He was a loving husband, devoted father, and a jewel within his community. He had a way of making you laugh no matter the circumstances. May we all cherish the memory of our beloved friend, Jeremy Grant.