INVESTMENT INSIGHTS

The Meek Shall Inherit The Earth…

“Meekness does not mean weakness!”

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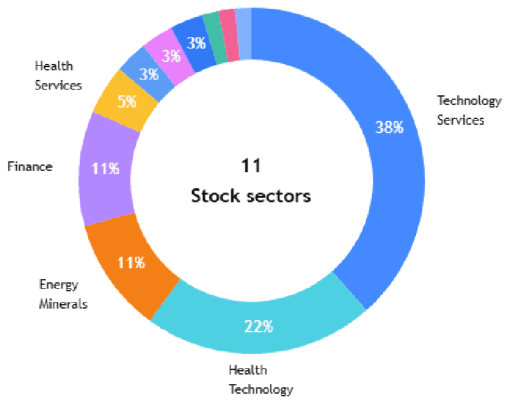
From the New Testament, “Blessed are the meek, for they shall inherit the earth”. In the context of markets, the much loved *AI infrastructure* names (semiconductors, chips memory, data centres), *the leaders, aren’t leading* despite what’s been a spectacular earnings season for them. In the meantime, *software services have quietly assumed leadership* — IGV has outperformed SOXX by over 60% points since late Jun lows — *meekness does not mean weakness!*

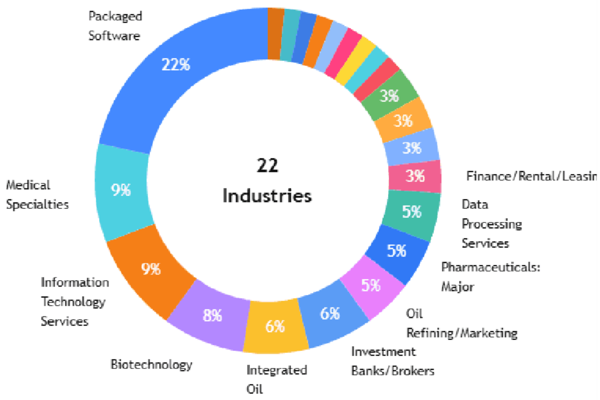
The reality is that the market lacks mojo. But are there some that do have momentum? A quick screening for S&P constituents in an uptrend (above 20day and 50day moving averages) with momentum backing (RSI > 60) reveals a mere 78 stocks (c16%). This is in sync with just about half of S&P stocks above their medium-term moving average — hardly the stuff of all time highs. Of the 78 stocks (email investmentideas@lighthouse-canton.com for full list):

- Most stocks have a “services” element to them — precisely the part of the business that faces most disruptions from AI adoption.
- 25 stocks are in technology services — and includes software services that are likely to be most impacted by AI adoption — Salesforce, Accenture, Workday, Intuit are standout members of this list.
- 15 stocks are in health tech/health services.

SOFTWARE OUTPERFORMING VS. SEMICONDUCTORS — BUT ONLY AFTER A DEEP DRAWDOWN…

S&P STOCKS IN AN UPTREND WITH POSITIVE MOMENTUM





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The near 30% rally in software services (IGV) from Jun lows reflects bearishness that is yet to play out in numbers. Equally, the 20%+ decline in AI Hardware (SOXX used as a proxy), despite stellar numbers reflects bullishness that is perhaps already priced in — *"What's in The Price" — is the hardest question in markets — markets move in anticipation, not on history.*

The medium-term prognosis on software services remains challenged — not existential, but their charging model and margins. Equally, the fundamental case for AI Infrastructure remains robust and if anything, stronger. YET, and for now, trade with the trend — and that remains favorably aligned with the meek!

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