

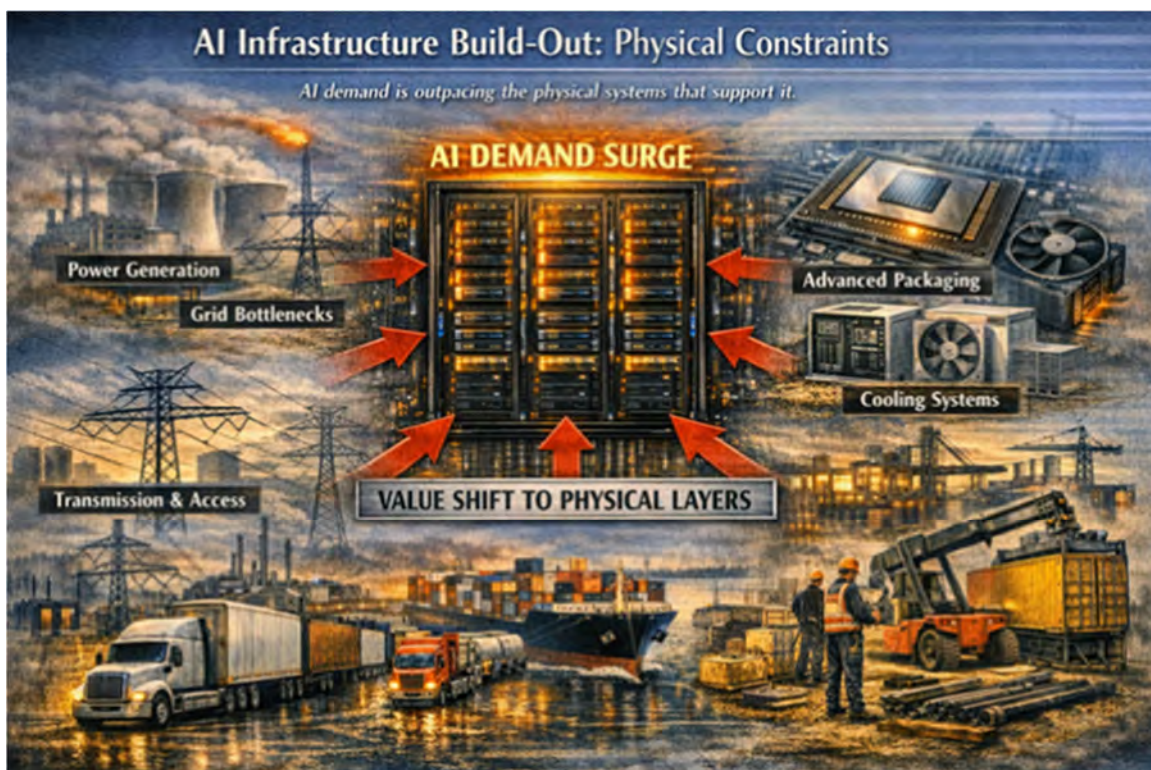


Our Momentum Indicators Scream of Scarcity

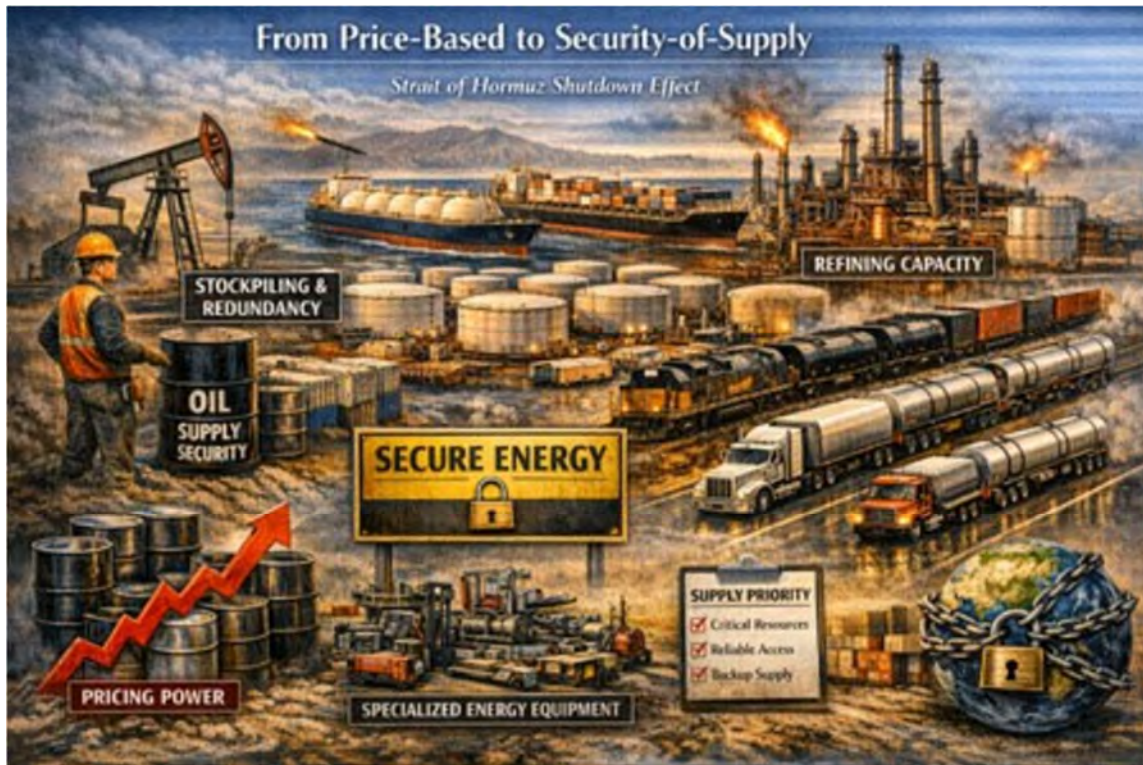
Two Dominant Macro Forces Shaping Equity Markets

Mai 2026

- AI demand is scaling faster than the physical systems that support it. While compute can scale in months, the binding constraints are electricity generation, grid access, transmission, cooling, advanced packaging, logistics, and execution capacity. This has shifted value creation toward the physical layers of the AI stack.



- The effective shutdown of the Strait of Hormuz has transformed energy markets from a price-based system to a security-of-supply system. The market response has been stockpiling, redundancy, and prioritization of reliable access over marginal cost. This has reinforced pricing power and backlog visibility for firms controlling critical hydrocarbons, refining capacity, transport infrastructure, and specialized energy equipment.



Why Momentum Persists

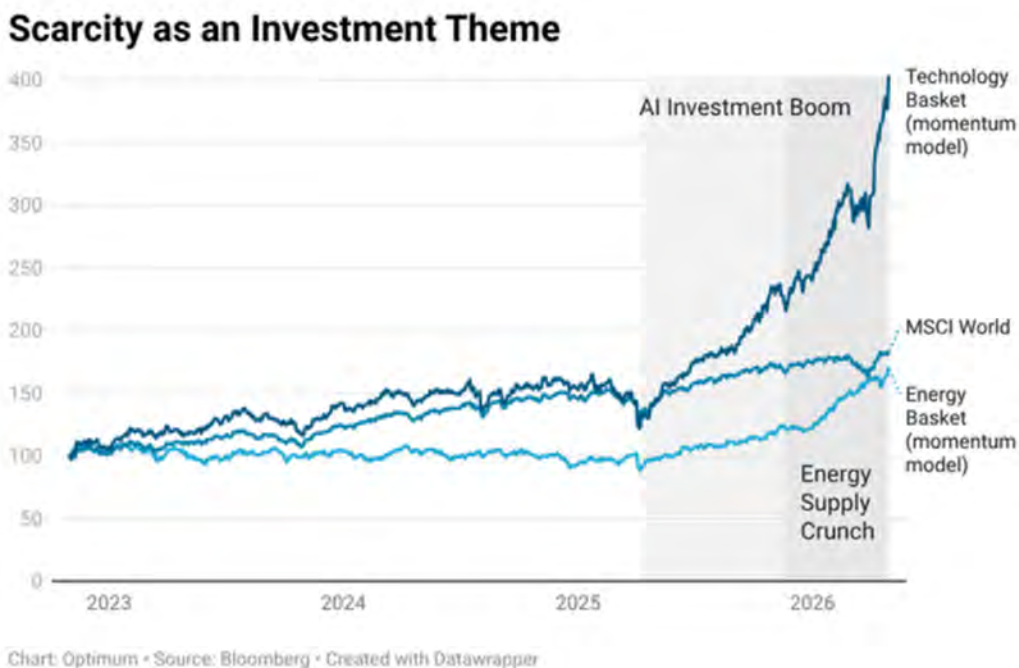
As of the end of April 2026, the companies represented in our momentum model share more than strong recent price performance. Beneath the surface, they are beneficiaries of scarcity. The market is re-pricing exposure to critical infrastructure, irreplaceable physical assets, high-barrier industrial know-how, constrained energy and materials, and dominant platforms with real-world bottlenecks.

Scarcity creates asymmetry. Earnings surprises skew upward, downside risk is mitigated by irreplaceability, and valuation adjustments unfold as markets reassess long-term constraints. The gradual recognition that historically cyclical companies are benefiting from structural realities is galvanizing their stock performance.

Equity momentum is clustering around companies positioned at structural bottlenecks, where new supply is slow, capital-intensive, regulated, or technically complex.

How Scarcity is Shaping Market Behavior

Binding bottlenecks have driven relative equity performance recently. The AI Investment Boom, which started last year, has propelled equities tied to AI compute and data-center spending. Our Technology Basket (53% of the Top 100 stocks in our Momentum Model) is exploding off the chart. Our Technology Basket is concentrated in areas exposed to hard physical constraints such as power availability, grid access, cooling, and execution capacity. In parallel, the Energy Supply Crunch, which accelerated with the closure of the Strait of Hormuz, marked a second bottleneck. As energy markets shifted from marginal pricing to security-of-supply dynamics, a sharp re-rating in energy equities has occurred in production, refining, and transport capacity. Our Energy Basket (27% of the Top 100 stocks in our Momentum Model) is ramping up as seen on the picture below.



Now, let's look more granularly where bottlenecks lie. First with the AI Investment Boom.

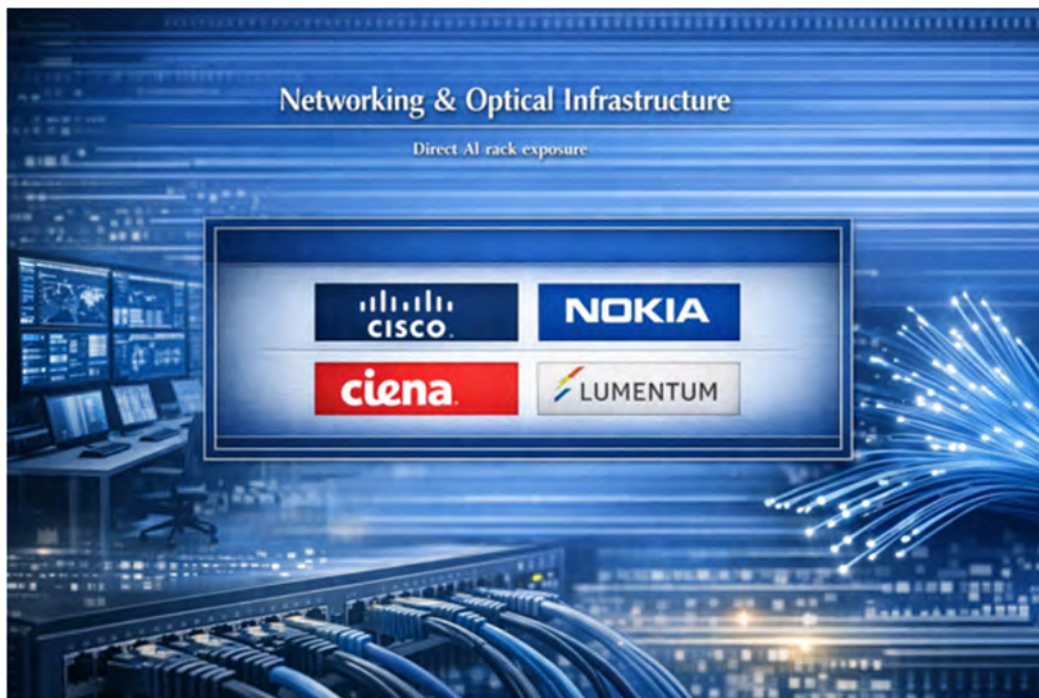
AI has shifted the dominant bottleneck in data centers away from compute toward power, density, and reliability, where supply is structurally constrained and substitution is limited. As AI racks reach extreme power levels, demand for precision analog, power management, and passive components has surged, creating tight capacity in mature-node manufacturing driving pricing power for firms like Analog Devices, ON, STMicroelectronics, and Murata through essential roles in voltage regulation, protection, and electrical stability. At the same time, AMD and Intel benefit from adjacent compute scarcity as hyperscalers seek diversified, system-level solutions around GPUs, embedding CPUs and controllers more deeply into AI architectures. Collectively, these companies are doing well because AI demand is accelerating, supply is slow to scale, and their components sit at physical choke points that cannot be optimized away.



AI has turned memory bandwidth, capacity, and persistence into hard physical bottlenecks rather than cyclical commodities. Training and running large models requires massive amounts of high-performance DRAM, especially HBM, where supply growth is constrained with long lead times, allowing producers like Micron and Kioxia to regain pricing power and improve profitability after years of underinvestment. At the same time, AI is driving an explosion in data generation and retention, pushing hyperscalers to deploy far more flash and hard-disk capacity than before, which supports companies like Western Digital, Sandisk, and Seagate as storage demand becomes structural rather than replacement-driven. Because memory and storage cannot be substituted or optimized away in AI systems, these firms sit at a scarcity choke point where demand is accelerating faster than supply.



The networking and optical infrastructure companies are benefiting from scarcity because AI has made bandwidth, latency, and physical interconnect density hard constraints rather than incremental upgrades. As AI clusters scale, the amount of data moving between GPUs grows exponentially, creating acute shortages in high-speed switches, routers, optical transceivers, and coherent optics that connect racks, rows, and data centers. Companies like Cisco and Nokia benefit from the need for more sophisticated, resilient network architectures inside AI data centers, while Ciena and Lumentum sit directly at the optical bottleneck where fiber capacity becomes a limiting factor. These components are capital-intensive, technologically complex, and slow to scale, meaning hyperscalers cannot bypass them or substitute them easily. As a result, pricing power has improved, and utilization is high because they control the data-movement choke points without which AI compute simply cannot function.



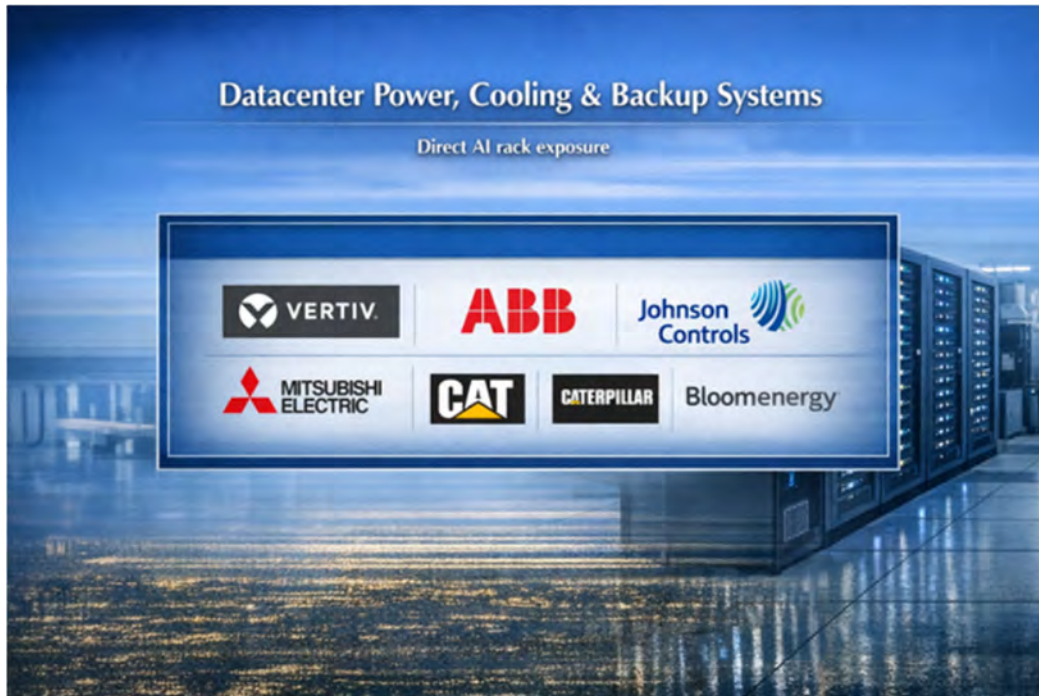
The utilities and grid owners are benefiting from scarcity because AI has turned electricity into the binding constraint on growth, making power availability, not compute, the decisive limiting factor for data centers. As AI facilities require massive, continuous loads that can rival small cities, access to generation capacity, transmission networks, and permitting has become scarce, slow, and highly regulated, positioning companies like NextEra Energy, Iberdrola, Engie, SSE, American Electric Power, Entergy, and Elia Group as indispensable gatekeepers. Because grids cannot be scaled quickly and capital deployment takes years, demand from AI arrives faster than supply can respond, increasing utilization, improving rate bases, and reinforcing long-term visibility of returns. In this environment, utilities outperform not through technological disruption, but because they sit at the ultimate physical choke point: without power and grid access, AI investment simply cannot proceed.



The engineering, construction, and execution companies are benefiting from scarcity because AI investment has exposed a critical gap between capital availability and the real-world ability to turn that capital into operating infrastructure. Building data centers, power plants, grid connections, and industrial systems now requires highly specialized labor, project management expertise, and execution capacity that cannot be scaled quickly, making firms like Quanta Services, EMCOR, Comfort Systems, ACS, and Hochtief essential enablers rather than interchangeable contractors. As AI drives an unprecedented wave of electrification and infrastructure spending, these companies sit at the execution choke point where projects either move forward or stall, giving them pricing power, strong order backlogs, and improved margins.



The data-center power, cooling, and backup system providers are benefiting from scarcity because AI has pushed thermal management, electrical conditioning, and resiliency into hard physical constraints at the rack level. As AI servers draw unprecedented power and generate extreme heat densities, systems for cooling, power distribution, transformers, UPS, and backup generation cannot be simplified or substituted, making companies like Vertiv, ABB, Johnson Controls, Mitsubishi Electric, Caterpillar, and Bloom Energy critical enablers of AI deployment rather than ancillary suppliers. These technologies are capital-intensive, highly engineered, and slow to scale, while demand from hyperscalers and enterprise data centers is accelerating faster than supply can respond.



The cabling and physical transmission companies are benefiting from scarcity because AI has dramatically increased the need to move electricity and data over short and long distances, turning physical cables themselves into a binding constraint. As AI data centers scale, the volume of high-voltage power cables, subsea links, fiber, and intra-facility wiring required grows far faster than manufacturing capacity can expand, while production is limited by specialized materials, heavy industrial equipment, and long lead times. Companies like Prysmian and Fujikura operate in this capital-intensive, technically demanding segment where few players can deliver at scale, giving them strong pricing power and visibility as grids, data centers, and AI campuses are built out simultaneously.



The manufacturing, assembly, and critical equipment providers are benefiting from scarcity because AI infrastructure has created a structural gap between demand for advanced systems and the industrial capacity required to build them at scale. As AI data centers, power systems, and electronics become more complex and customized, companies like Flex, Jabil, Celestica, and VAT Group sit at a choke point where precision manufacturing, system integration, and specialized equipment are required to translate investment dollars into functioning hardware. These capabilities rely on deep process expertise, qualified supplier ecosystems, and long-cycle capital equipment that cannot be expanded quickly, while demand from AI, industrial electrification, and advanced semiconductors is accelerating simultaneously.



Next, we look more granularly at where bottlenecks are linked to the closing of the Strait of Hormuz.

In an environment defined by constrained spare capacity, volatile trade routes, and rising strategic stockpiling, integrated energy companies with a diverse asset base has translated into pricing power, visible cash flows, and superior capital discipline. These integrated energy companies benefit from scarcity because the closure of the Strait of Hormuz has shifted global energy markets from price optimization to security of supply, rewarding producers with long-dated, politically stable, and geographically diversified assets. Firms like TotalEnergies, Eni, Imperial Oil, Suncor, Cenovus, and Aker BP control upstream production in OECD or allied jurisdictions. Scarcity is not about spot prices alone but about assured physical availability, logistics optionality, and refining capacity outside choke points.

**Integrated Scarcity Framework:
Subthemes and Company Mapping**

I. Energy Scarcity & Security of Supply (Strait of Hormuz Shock)

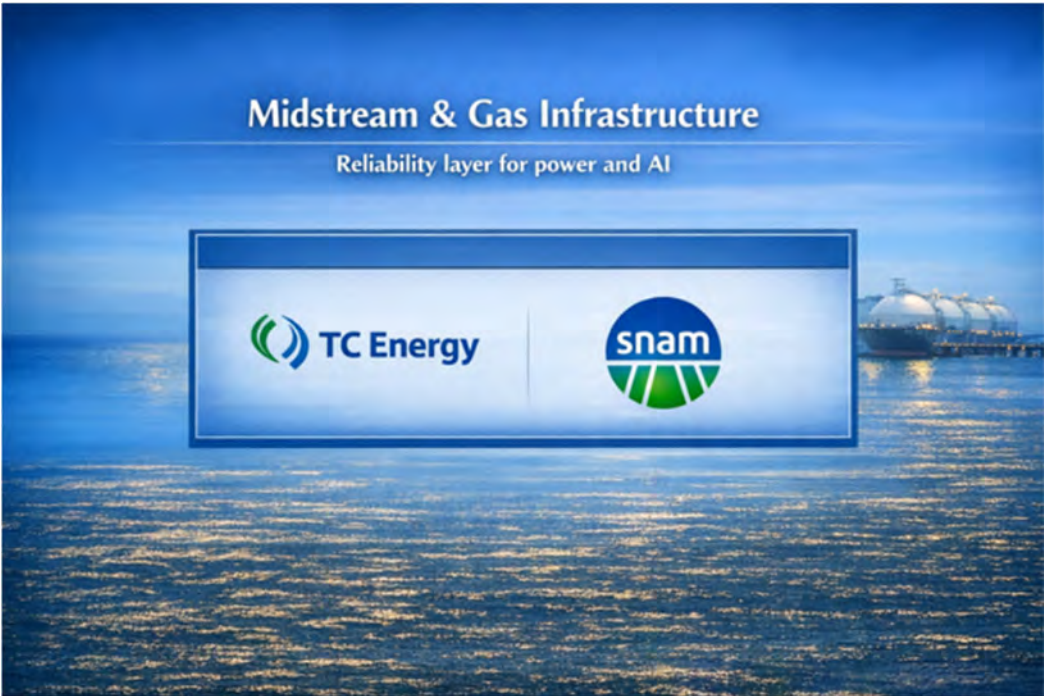
Core Subtheme: Fuel Security > Fuel Price

Integrated Energy Majors
Long-dated supply, LNG, downstream resilience

TotalEnergies **eni** **Imperial Oil**

SUNCOR **cenovus ENERGY** **AkerBP**

Pipeline and gas infrastructure operators capture value from structural load growth and geopolitical risk management rather than commodity price direction. TC Energy and Snam have performed well because midstream gas infrastructure has become a critical reliability layer. As electricity demand from data centers surges and power systems tighten, gas networks, storage, and LNG regasification have shifted from being efficiency assets to system insurance assets, valued for continuity rather than volume growth. These companies control regulated, hard-to-replicate infrastructure at key choke points in North America and Europe, giving them stable cash flows, inflation protection, and rising strategic importance as markets prioritize availability, resilience, and grid backstopping over lowest-cost energy.



The oilfield services and energy technology companies benefit from scarcity because a sudden disruption to Middle Eastern supply has forced the global system to maximize production from existing fields outside the choke point, sharply increasing demand for specialized upstream capacity that cannot be ramped quickly. Companies like SLB, Halliburton, Baker Hughes, and TechnipFMC control critical technical capabilities and complex project execution—that are essential to offset lost barrels and sustain output in mature, offshore, or technically challenging basins. Since this expertise, equipment, and skilled labor base has been structurally downsized over the past decade, supply is tight just as geopolitical stress increases urgency, giving these firms pricing power, higher utilization, and strategic importance.



Globally tight refining capacity and logistics constraints support structurally high margins. Refining and fuels companies like Valero, Marathon, and Neste benefit from scarcity: the shock from the Iran War shifts markets from crude availability to refined-product availability, where physical bottlenecks are even tighter. With a large share of Middle Eastern crude and refined products disrupted or delayed, spare refining capacity outside the Gulf has become strategically scarce, especially for complex refineries capable of processing diverse feedstocks and producing clean fuels at scale. These companies operate sophisticated assets in stable jurisdictions, close to end-demand, with flexibility to run non-Middle-East crudes and capture widening cracks as governments and buyers scramble to secure gasoline, diesel, and jet fuel rather than raw barrels.



Tenaris benefits from scarcity because a disruption to Middle Eastern supply has forced the global system to accelerate drilling, maintenance, and redevelopment of oil and gas fields outside the choke point, sharply increasing demand for high-specification tubulars and steel products. As producers moved to secure long-dated, geopolitically safer supply in North America, Latin America, and offshore basins, wells tend to be deeper, more complex, and more capital-intensive—precisely where Tenaris’s premium casing, tubing, and connections are required and cannot be easily substituted. The industry’s tubular capacity has been rationalized over the past decade, and restarting or expanding production is slow, energy-intensive, and technologically constrained, giving leading suppliers pricing power when volumes tighten.



These companies are doing well because agricultural and commodity markets have entered a logistics and infrastructure-driven scarcity regime, where access, storage, and physical movement matter more than spot prices. ADM, Bunge, and Marubeni sit at the center of global grain, oilseed, and protein flows, controlling origination, processing, shipping, and distribution networks that are increasingly stressed by geopolitics, climate volatility, and food-energy linkages. As governments and end customers prioritize food security and supply continuity, these firms benefit from throughput optionality, arbitrage margins, and resilient cash flows, positioning them as critical infrastructure rather than cyclical commodity exposures.



Transportation, logistics, and physical-flow companies like CSX, Wabtec, FedEx, and J.B. Hunt benefit from scarcity because disruption in the Strait of Hormuz has shifted pressure onto inland, non-seaborne transport systems to keep energy, commodities, and manufactured goods moving. As seaborne routes become riskier, slower, or more expensive, the value migrates to rail, intermodal hubs, and domestic freight networks that can reroute volumes efficiently across continents, particularly for fuel, refined products, agricultural goods, and critical industrial inputs. Rail backbones and locomotive technology become capacity-constrained assets as throughput rises but infrastructure cannot be expanded quickly, while express and freight logistics operators gain pricing power as shippers prioritize reliability, guaranteed delivery, and network reach over cost.



Conclusion

Our appreciation of the current market environment is that we have moved into a bubble-like phase for AI infrastructure: equity momentum is being driven less by incremental demand and more by binding physical constraints (power, grid, cooling, cabling, components, execution capacity) colliding with exogenous shocks like the Strait of Hormuz disruption, which pushes markets toward “security of supply” thinking and amplifies scarcity premia across real assets and bottlenecks.

The historical rhyme is uncomfortable: in the late 1990s the Nasdaq compounded into March 2000, rising by 572% from January 1995 to the March 10, 2000 peak while “picks-and-shovels” narratives (telecom/fiber buildout) were capitalized on dreams that arrived later and at lower margins than investors paid for.

Today’s version looks different in *multiples* but similar in *market structure*: the S&P 500 has become unusually top-heavy, with the top 10 exceeding 40% of index weight versus ~27% at the dot-com peak, which is the kind of concentration that makes leadership feel most “validated” right before fragility matters.

Our conclusion is therefore balanced but clear: AI is real, the infrastructure spend is real, and the bottlenecks are real, yet the capital structure and valuations wrapped around the theme are becoming increasingly fragile. So we are treating current price action as the onset of a bubble period by staying invested, keeping the size of our positions relatively conservative and staying particularly alert.

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