

MARKET COMMENTARY – May 1, 2026

Legends of undersea treasure are 99% hoaxes or swindles, in which the only wealth uncovered is that which passes from the investor to the promotor. The get-rich-quick aberration that resides in most of us is never more successfully exploited than by treasure promotors with faded maps of sunken galleons.
~ Jacques Yves-Cousteau

During our slow recovery from the most recent surgery, we've had the opportunity to read more than ever. Histories, thrillers, investment treatises. You name it, we've read it. Among the topics covered was the long tale of how one of the richest Spanish galleons, the *San José*, was sunk in a tremendous naval battle with England over 300 years ago and then discovered in the past ten years at the bottom of the Caribbean Sea. It was a winding yarn befitting of all treasure hunts, and it involved a range of characters from Cold War dictators to modern pirates.

The famous red-capped Cousteau himself was not directly involved other than his invention of scuba gear and then his relentless publicity of all things related. During his lifetime, his enthusiasm pressed many in those generations toward the sea, adventure, and perhaps vast, fast riches.

These stories made us wonder if there were not similarities between those promotors of sunken treasure of yore and the apostles of AI today. Of course, let us state up front there is more to AI than a faded map of the New World. It has hundreds of use cases already. It will change how we work and interact with one another for better or worse. Yet it remains to be seen if it will be profitable for the hyperscalers to build out the infrastructure to support its massive computing needs.

This week, the Wall Street Journal reported that OpenAI, the parent company of ChatGPT fame, has fallen short of revenue goals and user numbers of late. Since it remains a private company, we cannot verify this for ourselves. Yet, the report goes on to say that the company's CFO and board members are questioning the ability to invest billions in computing when the growth might not support it. If true, these hiccups might mean a slowdown in the build out for many other hyperscalers sooner than the market is currently anticipating. It would mean companies selling chips, generators, cooling systems, construction equipment and services all will have lower future revenues than have been expected since the dawn of the AI races in 2022.

We often feel like the proverbial dance chaperone who is tasked with monitoring the punch bowl for any potential spiking. Carrying on the metaphor, we are glad to help clients and investors have some good clean fun at the investment dance. But when the party begins to morph into dangerous territory, we feel compelled to issue warnings.

And that is really what we are driving at. AI is certainly real and rather earth-shattering in its coming capabilities. Yet, business constraints still exist. Investors will forgive many quarters of unprofitability if they continue to see revenue growth, solid gross margins, and a path toward future profitability. However, speed bumps, when struck by companies selling at truly lofty valuations, can sometimes feel more like sinkholes to investors if they're over-concentrated in a single investment theme.

The 1Q '26 earnings season is a great case in point. On the one extreme, Alphabet reported revenues and earnings that beat expectations but also held firm on their projected capex budget for the coming year. Shares were wildly rewarded in the short run. On the other extreme, Meta modestly beat expectations but then projected even more capex spending than investors had anticipated. Meta shares were punished in the short run.

Our point is that we believe the leash will get shorter in just the next few quarters. Billions upon billions have already been spent on the AI build-out. Investors will want to see a return on those dollars sooner than later. Either way it all goes, we suppose today's gold rush proves true the sentiments of Robert Marx, an infamous 20th century treasure hunter, "Treasure is trouble, and the more treasure, the more the trouble."

By the way, we haven't forgotten that there happens to be several important wars raging with vast economic effects. As of this writing, they remain at status quo and so other than warning of potential energy spillovers and economic harm, we don't have particularly insightful remarks. Stay tuned.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely
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