

June 2026 Monthly Macro Letter

A Rare Market Path Meets a Durable Investment Cycle

An unusual cluster of overnight gaps tested market liquidity while the economic case for AI infrastructure kept advancing.

June 30, 2026

EXECUTIVE SUMMARY

- June produced four QQQ overnight gaps greater than 2% - a statistically rare monthly cluster in the index history reviewed since 1999.
- The macro case for artificial-intelligence infrastructure remained intact: compute is becoming a production input, capacity is constrained and financing remains available at exceptional scale.
- Lower near-term free cash flow is the central debate. It may reflect asset creation, but revenue conversion and returns on capital must follow.
- Iran, the Strait of Hormuz and the Israel-Hezbollah ceasefire remained potential channels from geopolitics into oil, inflation expectations, yields and equity volatility.

Lobato
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JUNE 2026 MONTHLY MACRO LETTER

June was statistically rare.

The important feature of June was not simply direction. It was the concentration of large moves arriving between one close and the next open.

Four QQQ overnight gaps exceeded 2% during June: three to the upside and one to the downside. The June statistical review compares that cluster with every available QQQ trading session since the index began in March 1999 - more than 6,800 sessions spanning the dot-com collapse, the global financial crisis, the pandemic shock and the 2022 bear market.

4OVERNIGHT GAPS ABOVE 2%
DURING JUNE**6,800+**QQQ SESSIONS IN THE
HISTORICAL SAMPLE**~1 in 70**MONTHS AT THIS FREQUENCY IN
NORMAL-MARKET ANALYSIS

Against the 281 non-crisis months in that review, four 2%-plus gaps in one month was estimated at roughly four standard deviations from normal conditions. The historical review translates that frequency to about one month in seventy, or approximately once every six years. Including the major crisis periods reduced the statistical distance, but June still remained close to a two-standard-deviation event.

The distinction matters. A rare path can create abrupt repricing, thin liquidity and forced risk reduction even when the medium-term economic outlook has not changed by an equal amount. That does not make volatility harmless; it prevents the path itself from being mistaken for proof of a new fundamental regime.

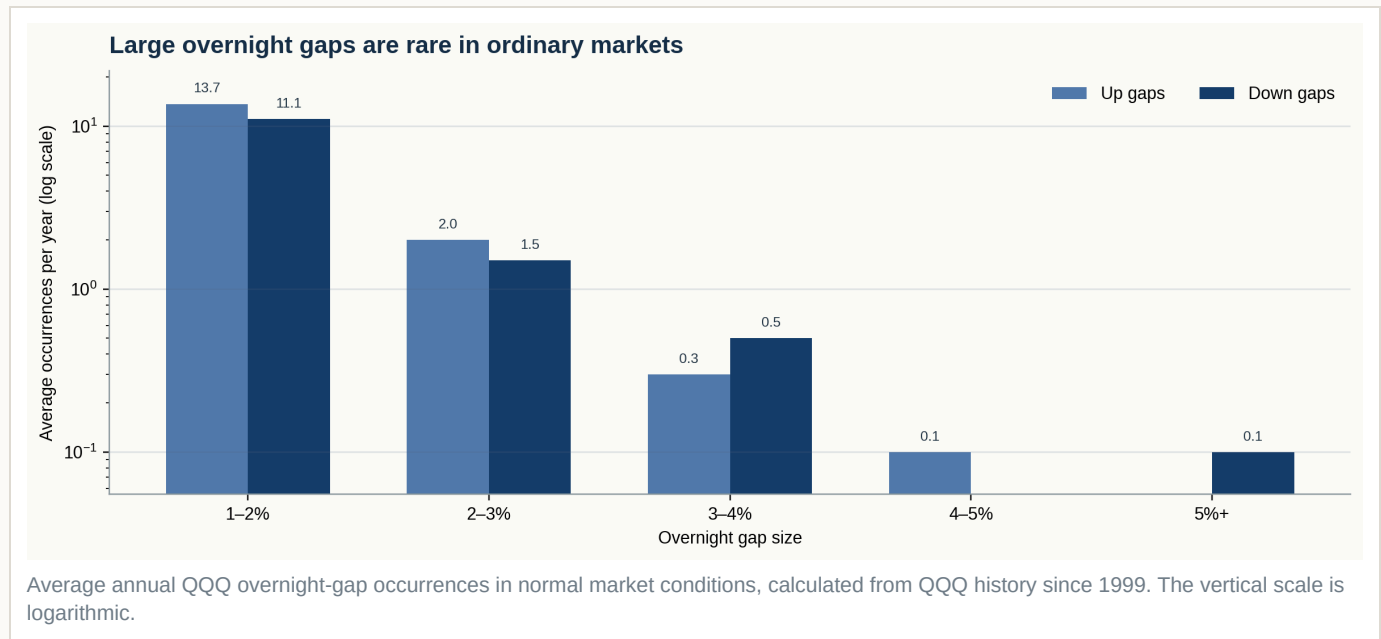
June's signal was about market plumbing and timing as much as macro direction: several infrequent overnight moves arrived together, compressing more than a year's ordinary incidence into a single month.

Historical review: QQQ daily sessions from the index's March 1999 inception through June 2026, including major crisis periods.

OVERNIGHT GAPS

The distribution explains the shock.

Large overnight moves are uncommon in ordinary markets. Several arriving in the same month can create nonlinear stress.



The usual distribution is dominated by smaller moves. In the historical review, 1%-to-2% gaps occurred about 13.7 times per year on the upside and 11.1 times on the downside. The 2%-to-3% band fell to roughly 2.0 and 1.5 occurrences per year, respectively. Three-to-four-percent moves were rarer still.

That declining frequency is what made June unusual. The month did not merely contain one shock; it clustered four gaps above 2%, including a move near 3%, inside a short span. When markets must incorporate new information before the opening bell, investors cannot adjust gradually. Price discovery is compressed into the open, spreads can widen and leverage may be reduced at unfavorable levels.

This is a market-level observation, not a forecast that every shock reverses. A gap can be the first evidence of genuine deterioration. The practical task is to separate a change in price formation from a change in the earnings, financing or demand outlook.

Path and destination are different variables. June made the path unusually violent; the macro data must determine whether the destination has changed.

A NEW PRODUCTION INPUT

Compute is becoming productive infrastructure.

The economic case for the AI buildout begins with a simple proposition: compute is moving from a discretionary technology budget to a general input into production.

Land, labor and capital are the classical factors of production. In an AI-enabled economy, compute increasingly joins them: firms use it to automate tasks, accelerate research, serve customers and substitute scalable capital for constrained labor. That does not guarantee that every AI project earns an adequate return. It does mean that access to compute can influence productivity across many industries rather than only inside the technology sector.

The infrastructure has a long lead time. The June infrastructure review estimated roughly 45,000 megawatts of operating U.S. data-center capacity against more than 347,000 megawatts planned, with power availability described as the binding constraint. Data centers require land, electricity, grid connections, cooling systems, networking, chips and memory. None can be expanded instantly.

Demand can scale quickly.

Software adoption can accelerate faster than physical capacity can be permitted, powered and built.

Supply responds slowly.

Grid access, generation, transformers, advanced chips and memory all carry lead times.

Scarcity changes pricing.

When capacity is constrained, the economic value shifts toward the providers of scarce inputs.

Under-building has a cost.

Firms that lack compute may lose product speed, customer demand or operating efficiency.

The analogy is electricity: once a technology becomes a broad production input, deciding not to build can become strategically riskier than building early. The macro question is therefore not whether capital spending is large. It is whether the resulting capacity becomes productive, utilized infrastructure.

THE BUILDOUT

Capacity, not demand, is the binding constraint.

Management commentary and capital-market activity both pointed toward continued investment rather than an abrupt stop.

June's industry review highlighted repeated statements from industry leaders that access to compute remained constrained. OpenAI's president said the company could not obtain compute fast enough, while Broadcom's chief executive described demand through 2028 as "simply insatiable." Such statements are not guarantees, but they locate the near-term bottleneck on the supply side.

The scale of financing reinforced the point. Alphabet raised nearly \$32 billion across three currencies in less than a day, including a 100-year corporate bond. Oracle's \$25 billion bond attracted a reported \$129 billion of orders, and SpaceX's \$25 billion bond attracted roughly \$90 billion. The same review cited a Morgan Stanley projection of about \$400 billion in hyperscaler borrowing during 2026.

\$32BALPHABET MULTI-CURRENCY
FINANCING CITED**\$129B**ORDERS CITED FOR ORACLE'S
\$25B BOND**\$400B**PROJECTED 2026 HYPERSCALER
BORROWING

Credit demand at that scale does not prove that investment returns will be attractive. It does show that well-capitalized issuers can fund a physical buildout beyond the limits of current operating cash flow, and that bond investors were willing to provide substantial duration and volume.

The macro transmission extends beyond technology. More data-center construction supports demand for power generation, grid equipment, cooling, construction, networking, advanced semiconductors and high-bandwidth memory. It can also tighten local electricity and equipment markets, making energy policy and permitting part of the AI cycle.

The buildout is not only a software story. It is an industrial cycle financed through some of the deepest corporate balance sheets and capital markets in the world.

INVESTMENT VERSUS CONSUMPTION

Falling free cash flow is a test, not a verdict.

Heavy capital spending reduces cash available today. The decisive question is whether it creates durable earning assets tomorrow.

The strongest bearish argument is visible in the cash-flow statements. As hyperscalers increase capital expenditure, free cash flow can decline even when revenue and operating profit remain strong. That pressure can compress valuation multiples and raise doubts about whether the sector is spending ahead of demand.

The constructive interpretation is that these companies are building long-lived infrastructure before it produces its full revenue stream. Amazon Web Services provides a useful historical analogy: years of investment preceded a cloud franchise producing roughly \$45 billion of annual operating income. The analogy is informative, not determinative. Today's spending still has to produce utilization, pricing power and incremental profit.

The evidence that would validate the investment

Rising cloud and AI revenue, sustained capacity utilization, contracted demand, stable pricing for scarce inputs and improving returns on invested capital would show that lower free cash flow reflected asset creation rather than value destruction.

The evidence that would challenge it

Broad capital-plan reductions, growing unused capacity, weaker contract pricing, deteriorating credit quality or revenue growth that fails to catch capital spending would indicate that the buildout had outrun economic demand.

Free cash flow tells us the bill is being paid now. Revenue conversion and returns on capital will tell us whether an enduring franchise was purchased.

PRICE VERSUS EVIDENCE

The selloff reset the valuation debate.

June's decline lowered forward multiples while AI infrastructure remained a major contributor to earnings growth.

The June valuation review estimated that the Nasdaq 100's forward price-to-earnings multiple compressed from roughly 28 times to about 24 times after the June decline. It also cited Goldman Sachs analysis identifying AI-infrastructure companies as the source of nearly 60% of quarterly S&P 500 earnings growth, with Micron and Nvidia together contributing more than 40%.

Those figures sharpen the central distinction of the month. Prices weakened abruptly, but the earnings contribution from the buildout remained substantial. A lower multiple can signal deteriorating expectations, a higher required return, or both. It is not, by itself, proof that the investment cycle has ended.

28x → 24x

ESTIMATED QQQ FORWARD-MULTIPLE COMPRESSION

~60%

SHARE OF QUARTERLY S&P 500 EARNINGS GROWTH ATTRIBUTED TO AI INFRASTRUCTURE

>40%

COMBINED CONTRIBUTION ATTRIBUTED TO MICRON AND NVIDIA

Post-selloff valuations were uneven. The valuation review cited Alphabet near 17-to-18 times forward earnings and Micron near 10 times. These examples do not establish that either security is cheap; they show that the market was no longer pricing the entire AI complex as a uniform, high-multiple trade.

The macro implication is broader than any individual company. If earnings continue to compound while multiples remain restrained, the buildout can absorb a higher discount rate. If earnings expectations roll over, lower multiples may prove to have been an early warning rather than an opportunity.

The relevant test is convergence: do delivered earnings catch the infrastructure spending, or do prices eventually pull estimates lower?

GEOPOLITICS AND TRIPWIRES

Geopolitical risk remains a volatility catalyst.

Fragile arrangements can transmit rapidly through energy, inflation expectations, sovereign yields and equity risk premiums.

The June 17 Iran memorandum was an interim arrangement rather than a settled peace. The Strait of Hormuz remained a critical transmission channel because disruption there could lift oil and shipping costs. The Israel-Hezbollah ceasefire was similarly vulnerable to renewed tension.

The market consequences would reach beyond the immediate region. A sustained oil shock could raise headline inflation, delay monetary easing, lift longer-term yields and pressure long-duration equities. Conversely, stable shipping and subdued crude prices would limit that channel even if political rhetoric remained elevated.

What would change the macro view

AI demand

Broad cuts to hyperscaler capital plans, weaker utilization or slower cloud and AI revenue conversion.

Scarce inputs

A sustained reversal in memory pricing, easing capacity constraints or a material rise in unsold inventory.

Credit

Weak demand for large technology financings, wider spreads or funding stress spreading beyond isolated issuers.

Energy

Persistent oil and freight increases tied to Hormuz disruption rather than short-lived headline volatility.

Rates

Higher inflation expectations and long yields without corresponding improvement in nominal growth or earnings.

Earnings

Downward revisions across AI infrastructure would align fundamentals with the price weakness and challenge the dislocation thesis.

The constructive case does not require calm markets. It requires that compute demand, capital access and earnings remain stronger than the volatility suggests. June's unusual path deserves respect; it does not substitute for the underlying evidence.

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