

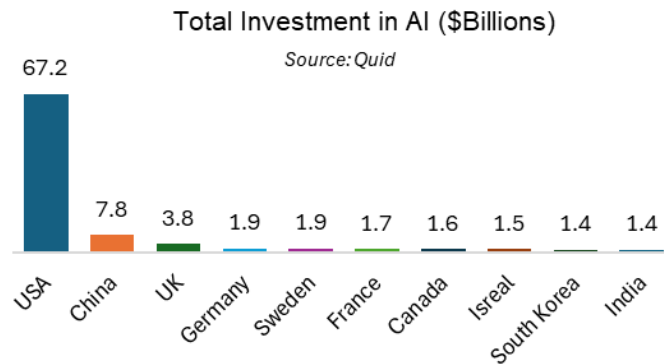


Market Musings

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The U.S. is far ahead of the rest of the world in spending on developing applications for AI. The chart represents this fact and suggests the U.S. will continue to dominate and benefit from the technology. One implication is that corporate profits will exceed expectations and technology stocks should continue in an uptrend.



“Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.”

- Ayn Rand

Market Commentary

Financial markets across the globe experienced April show-ers on the back of elevated inflation rates and continued uncertainty surrounding the wars between Russia & Ukraine and Israel & Hamas. The S&P 500 was down 4% while mid- and small-cap stocks fared worse with the S&P 400 down 6% and the S&P 600 down more than 5%, respectively. Most Asian equities finished in the red as the Japanese yen hit a three-decade low against the U.S. dollar as the Bank of Japan held interest rates steady around zero. European stocks fell for the first time since last October but are still up double-digits so far this year. Government and corporate bonds in world markets also declined during April while high-yield bonds managed to eke out a slight gain.

The Many Faces of Artificial Intelligence

As each week passes, media reports regarding artificial intelligence (AI) are intensifying. The subject has shifted from the originators of AI to those entities that will benefit from implementing this technology. Today is much like when the steam engine brought about positive changes for factories, railroads, and ship operators that quickly used AI to power their businesses and machinery. As with any innovative technology and the unknowns surrounding the impact of that technology, there seem to be as many concerns as to the downside. The naysayers dream up many comparisons, but a popular one is with the movie Terminator where machines can think for themselves and create an environment where humanity is threatened with extinction. Such fears have triggered responses from governments scientists and even proponents of AI to limit the expansion of the technology. Undoubtedly, any limitations would be short-lived as controlling such advancements would be hard to contain in a global community intent on gaining an advantage.

A good example of the tug-of-war between the advocates and the pessimists of AI was the implementation of agricultural machinery in the early 20th century. The beginning of the Industrial Revolution provided a huge increase in productivity but also decimated the farm community, eliminating thousands of farm jobs. Productivity led to a huge increase in the supply of food and a decline in prices. The decade of the Twenties became known as the “Roaring Twenties” as the economy and financial markets surged. On the other hand, politicians looked at farm unemployment and deflation as a negative influence on workers in general.

The AI revolution could be facing the same challenges. What is unique about AI is that the value of the technology will go far beyond those companies that have created it as more entities implement the applications across all types of industries. Where regulation does not truncate breakthroughs, companies utilizing technology should be the beneficiaries. Increasing profitability will transcend the perceived negative impact and both workers and consumers will benefit. For example, Microsoft is investing \$1.7 billion in Indonesia’s AI and cloud infrastructure, as well as pledging support for 840,000 workers with AI skilling. As with anything new, there will be bumps along the road, but we are likely to experience a world of rapid change in the coming years due to the spread of AI.

With natural gas prices down 35% and oil prices up 15% in 2024, the ratio of oil prices to natural gas prices has crossed above 50 for just the second time since 1990.

source: Bloomberg