



MEDALLION

WEALTH MANAGEMENT

June 2026 Market Commentary

Bubbles Up

*When this world starts a-reelin'
From that pressure drop feelin'
We're just treading water each day
There's a way to feel better
Be well set to weather
The storms 'til the sun shines again
Bubbles up*



Jimmy Buffett - <https://www.youtube.com/watch?v=e9FLUcpMdm0>

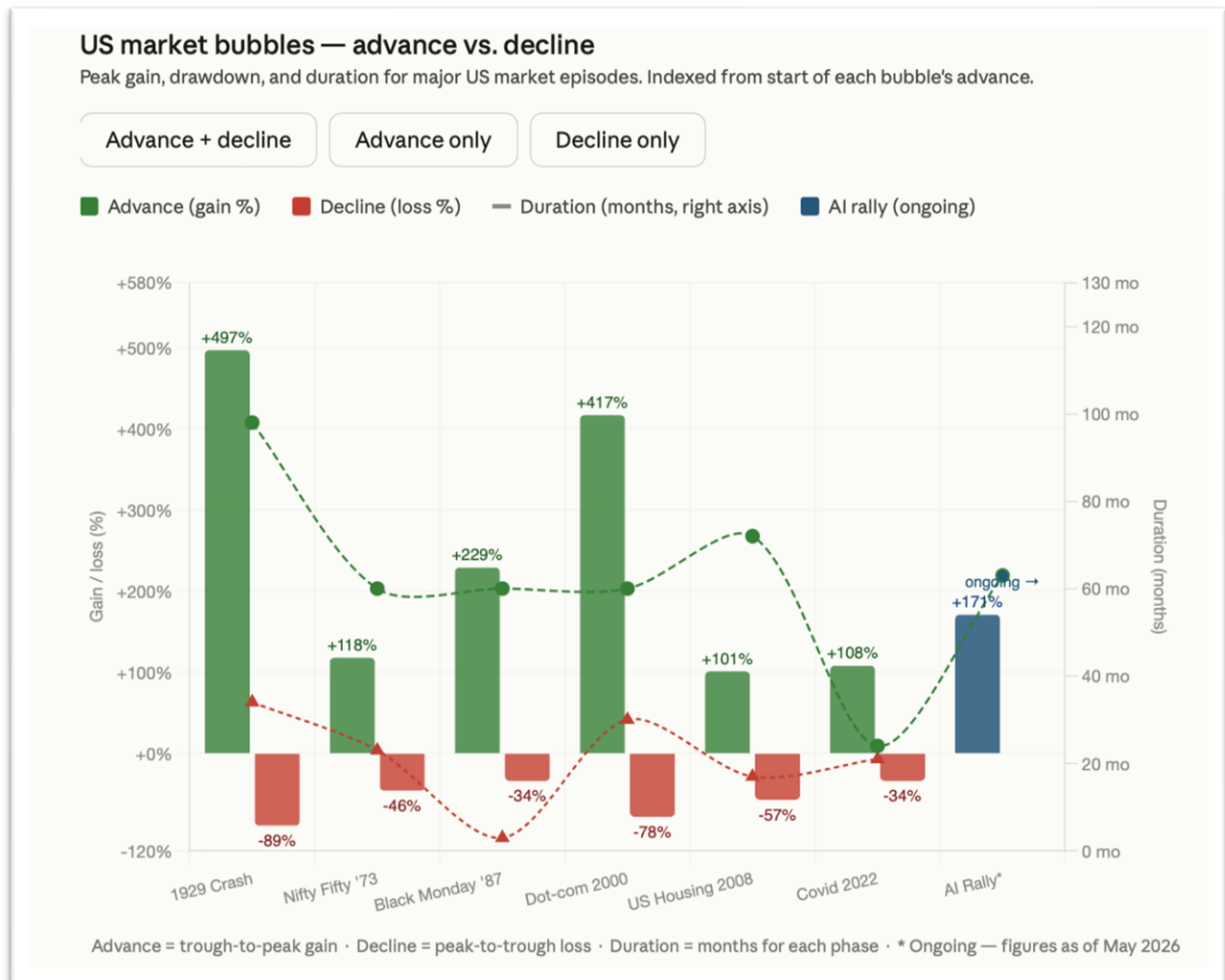
“Bubbles Up” is a Jimmy Buffett song that only the most loyal parrot heads have probably heard of. Released posthumously on his final album, it is a song about resilience and finding your way back when you become overwhelmed by the chaos of life. It’s a common scuba diver’s survival tactic used when they become disoriented, simply follow the bubbles up to the surface and safety.

Bubbles seem to be on every investor’s mind today. With the market hitting new highs seemingly every week, the trillion-dollar question is, are we in a bubble and if so when will it pop?

First, as Jimmy Buffett sings, bubbles are our friends. Stock market bubbles lead to great periods of wealth accumulation, they expand as they rise from the depths, but they do pop once they hit the surface. In the stock market, every bubble is a bit different, they have different forces or storylines driving them, but they also have some similarities. Their main similarity is FOMO (the fear of missing out) or greed, which is present in every bubble. Some bubbles are based almost entirely on greed while others are anchored more in fundamental improvements.

Here is a look at some historic stock market bubbles, comparing their peak gains, subsequent declines, and duration. The green bars represent the advance phase — how much the market

gained — while the red bars show the decline. The dotted line tracks duration in months, giving a sense of how long each episode played out. A few patterns stand out immediately.

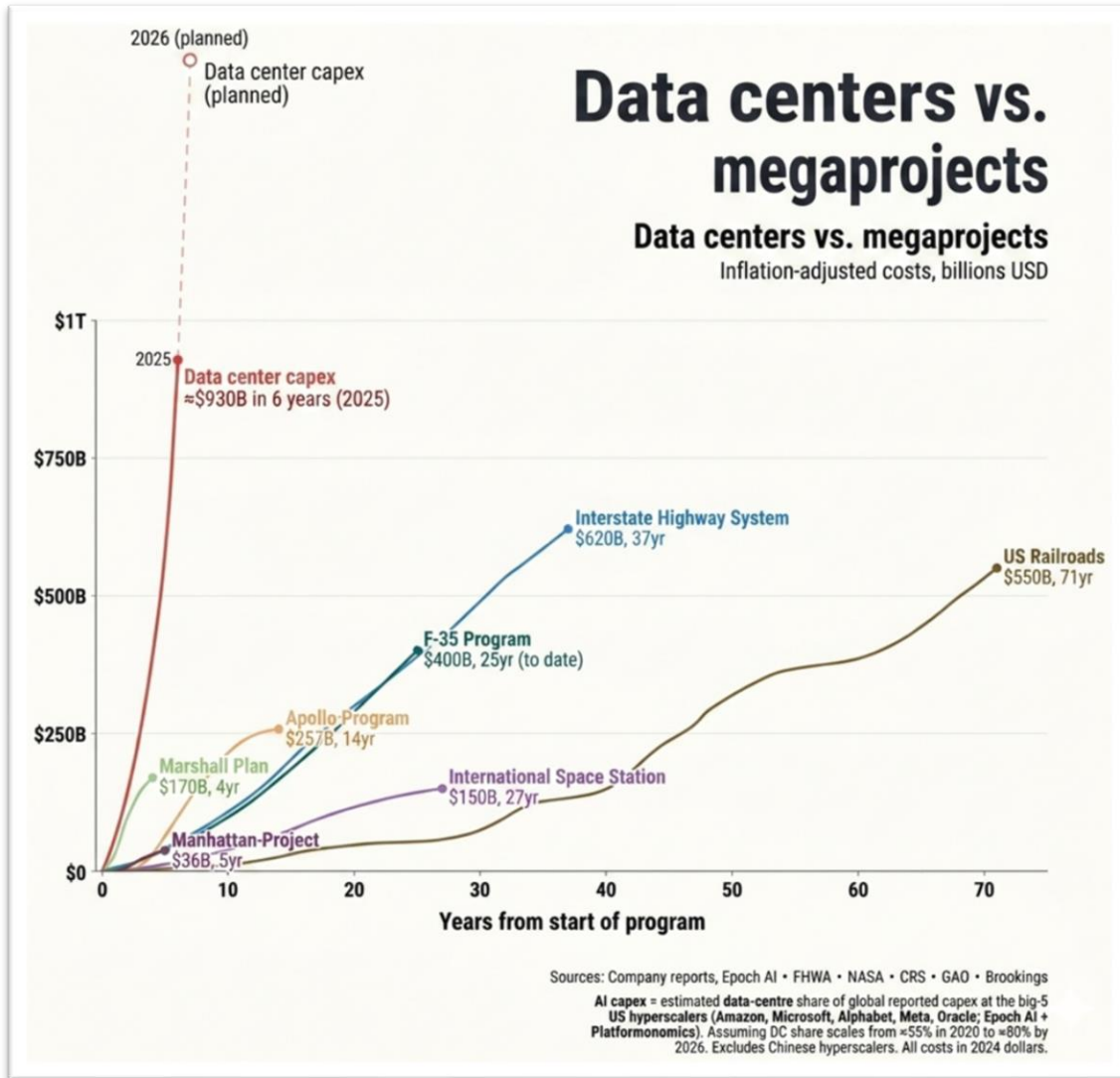


Having worked as an investment manager for five of these seven episodes here are some interesting observations. The 1920's bubble lasted over 8 years but also saw the most significant destruction of wealth. The 1987 bubble lasted a bit over 5 years but the 34% correction was over in just three months with most of the damage happening in a brutal three days. The Dot-com bubble saw a 39% annualized gain over 5 years and a 45% annualized decline over 2.5 years. The housing boom in 2008 saw the smallest annualized increase of only 12% over 6 years but a fairly brutal 57% correction over 17 months. Covid actually had the largest annualized gain of 44% over two years and a fairly mild correction. Our current AI rally is a bit over 5 years and running at an annualized rate of 21%.

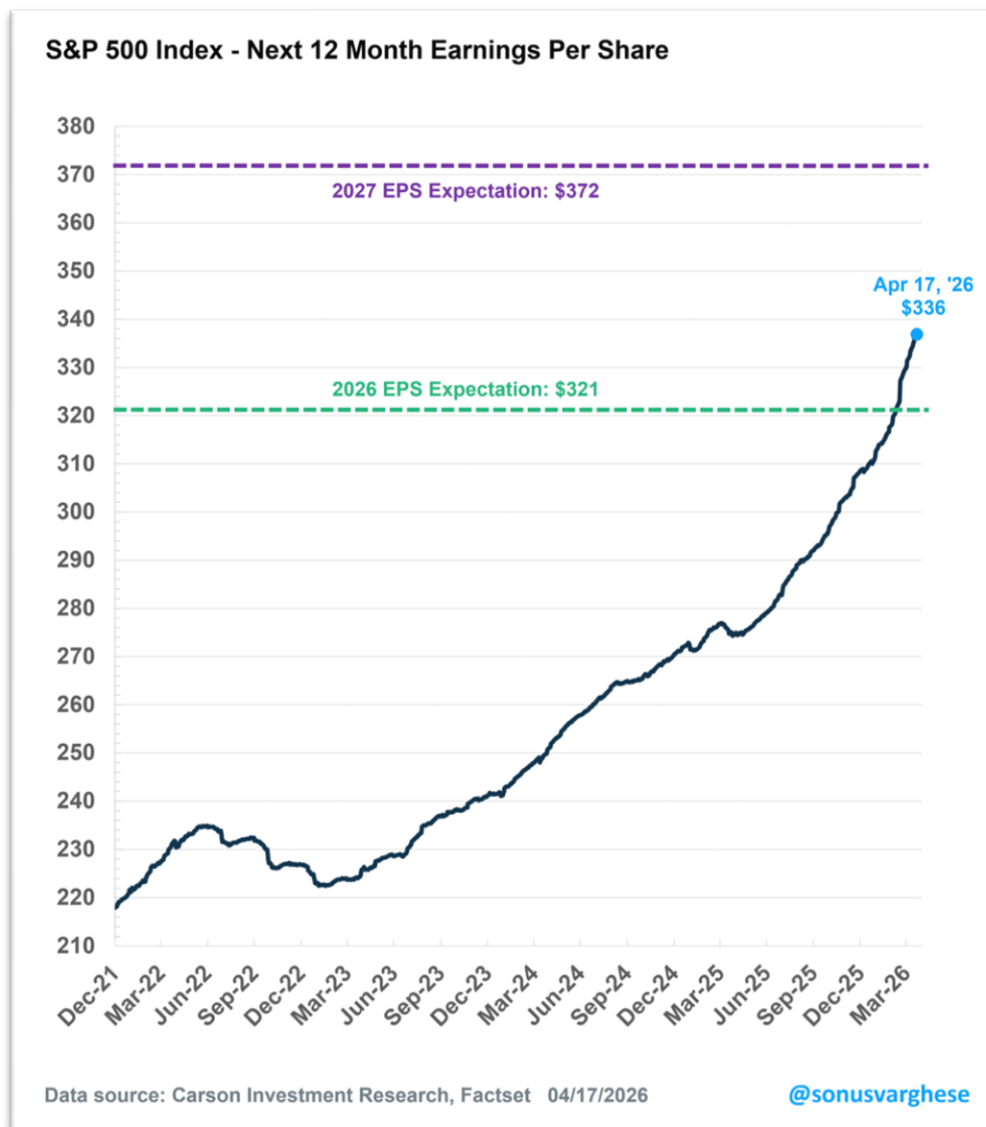
Today's AI rally probably has the most in common with the Dot-com boom, in the sense that it is based on infrastructure spending. In the late 1990's the booming use of the internet led to a very real need to spend on infrastructure. The rapid adoption of the internet led to a race to lay as much fiber-optic cable as possible, believing bandwidth demand would be infinite. Massive capital spending led to a huge surplus in fiber, which eventually led to an 80% drop in the sectors valuations and some high-profile bankruptcies like WorldCom and Global Crossing. The oversupply

of fiber (Dark Fiber) became the backbone of today's internet economy, benefitting companies like Google and Amazon rather than the original investors.

Historically infrastructure-driven stock market bubbles are unique because, while they often ruin the original investors, they typically leave behind foundational assets—like fiber optic cables or railroad tracks—that power the next era of economic growth. Today's massive spending on Data Centers certainly conjures up parallels with these historic events. I'm pretty sure that this infrastructure is real and valuable, but will the financial returns for the current "builders" match the hype?



While today's capital spending boom may mirror the 1990's Telecom bubble there are some very important differences, namely the financial health of the companies involved. Today's big infrastructure builders are some of the most profitable companies in history and are funding most of this capex through existing free cash flow, not speculative debt. Usually when capex spending booms earnings suffer, but this spending boom has actually resulted in a boom in earnings.



And surprisingly, most of this earnings boom is coming from the Technology sector.

	Weight	2026 EPS Estimate			2027 EPS Estimate		
		12/31/2025	4/17/2026	Change	12/31/2025	4/17/2026	Change
S&P 500	100%	308.61	321.16	4.1%	355.05	372.54	4.9%
Technology	35%	212.73	236.77	11.3%	255.89	294.42	15.1%
Financials	12%	56.05	56.65	1.1%	62.56	63.12	0.9%
Comm. Services	11%	20.28	20.48	1.0%	23.23	23.57	1.5%
Cons. Disc.	10%	65.13	62.36	-4.3%	76.44	73.37	-4.0%
Industrials	9%	54.81	53.85	-1.8%	63.26	63.43	0.3%
Health Care	9%	97.3	95.17	-2.2%	108.55	109.12	0.5%
Cons. Staples	5%	39.4	38.67	-1.9%	42.55	41.83	-1.7%
Energy	3%	43.36	59.33	36.8%	51.59	58.08	12.6%
Utilities	2%	24.27	24.32	0.2%	26.52	26.58	0.2%
Materials	2%	30.24	32.6	7.8%	34.21	37.45	9.5%
Real Estate	2%	14.92	14.73	-1.3%	15.96	15.7	-1.6%

Data: Factset 04/17/26 @sonusvarghese

This is not meant to imply that these companies are financing everything in a low-risk manner — there are still some interesting financial games being played. A significant number of 'Circular Financing' deals are quietly reshaping the landscape. Consider a hyperscaler that invests in an AI chip startup to secure supply, while simultaneously taking a stake in an enterprise software company that is its largest cloud customer. Each investment reinforces the others, creating the appearance of diversified, arms-length transactions while the underlying exposure is deeply interconnected. The largest players are weaving these webs across dozens of relationships simultaneously, creating a spiderweb of overlapping deals that makes true risk assessment increasingly difficult. These creative arrangements are probably hiding a few potentially bubble-popping pins.

Infrastructure bubbles are historically very good at creating oversupply, which ultimately becomes the foundation for a second wave of economic winners — companies that didn't build the railroad but figured out what to ship on it. If history is a guide, the coming oversupply of cheap, abundant AI compute will create enormous opportunities for those who can put it to work.

In healthcare, the implications could be profound. Drug discovery, which today takes over a decade and billions of dollars, could be compressed dramatically by AI models running on abundant, low-cost infrastructure. Similarly, medical diagnostics and personalized treatment planning stand to be transformed by tools that are currently too expensive for widespread adoption but won't be for long.

Advanced manufacturing and robotics represent another compelling frontier. As AI inference costs collapse, the economics of intelligent automation improve for a far broader range of industries

than today's early adopters. Companies building the software layer that makes robots and machines genuinely adaptive — rather than simply programmable — are well positioned.

Fintech is perhaps the most immediate opportunity. Credit underwriting, fraud detection, financial planning, and regulatory compliance are all data-intensive, rules-heavy processes that AI can dramatically improve. The companies that embed abundant AI capability into financial workflows stand to gain significant competitive advantages as infrastructure costs normalize.

Finally, whoever builds the dominant AI operating system — the layer that sits between raw compute and the applications businesses actually use — could become the defining platform company of the next decade, much as Microsoft's operating system came to define the PC era. That prize remains very much unclaimed.

Back to our trillion-dollar question, are we in a bubble and when will it pop? Yes, I believe that we are in an AI infrastructure bubble, but I have no idea when it will pop. We own several of the big spending hyperscalers, as well as several of the industrial companies building the data centers, and the utilities supplying the power. But we also own some of the second-wave companies that we believe will benefit from the coming oversupply of capacity.

Bubbles, especially infrastructure bubbles, are not to be feared, they are a normal part of a robust capitalistic system. Great wealth will be created, some of it will be destroyed, but more of it will be used to advance society forward. Our job is to ascend slowly towards the surface, survive the popping, and move forward.

As Jimmy Buffett said,

*Bubbles up
They will point you towards home
No matter how deep or how far you roam
They will show you the surface, the plot and the purpose
So, when the journey gets long
Just know that you are loved
There is light up above
And the joy is always enough
Bubbles up*

As always, be careful out there.

Chris Wiles, CFA



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