



Market Strategy Weekly

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Amid the recent market volatility, Ryan Grabinski breaks down longer-term themes to keep top of mind, touching on AI, its need for more power/electricity, and the broader deglobalization trend.

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POWER NEEDS | AI THEME EVOLVING | DEGLOBALIZATION CONTINUES

ROSS MAYFIELD: Given how fast markets are moving right now, what is a structural theme in the economy you're watching?

RYAN GRABINSKI: When stocks sell off to this extent, it's an opportunity to revisit themes that we think will be secular drivers of returns over longer periods. The need for more power generation comes to my mind first. A lot of it stems from AI and the need for data centers. But one of President Trump's goals is to bring manufacturing back to the US, and that also comes with power generation needs. Electric vehicle charging, reindustrializing the US, data centers, new power plants—it's all part of a power infrastructure buildout that we think will be in place for the next 3 to 5 years. The need is so great that there's talk of bringing coal-fired power plants back, but we're not building *new* coal plants. We're moving in the direction of cleaner energy and that is more associated with liquified natural gas and other sources of power.

Total Net Electricity Consumption



Source: U.S. Energy Information Administration

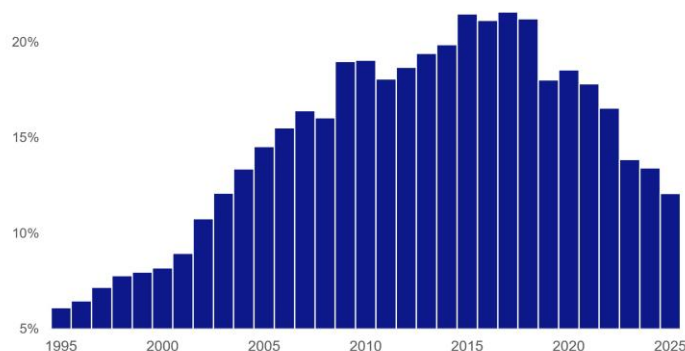
ROSS: Speaking of power needs, AI is clearly at the forefront. How are you thinking about the AI theme today?

RYAN: We're starting to see AI shift from phase 1.0, which is all about hardware and infrastructure (think semiconductors), to phase 2.0, which is about the companies that will benefit from the implementation of AI tools (e.g., using AI to better target ads to consumers on streaming platforms). There will be companies across sectors that use AI to streamline their revenues and cut costs. This isn't going away in the next 3 to 5 years, either. We're at the beginning stages of companies implementing AI and trying to find cost savings and efficiency gains. And at the end of the day, it's only going to require more investment going forward, especially on the software side of the Technology sector.

ROSS: With tariffs front and center, the Strategas focus on deglobalization has been prescient. How is that theme evolving?

RYAN: The deglobalization theme has shifted over the years. At first, we had a micro theme of energy security within deglobalization. Now we're moving into this theme of tariff beneficiaries within deglobalization. The more that we hear this rhetoric coming out of Washington, the more we want to gravitate toward companies that are less reliant on imports, and particularly those that are less reliant on imports tied to China. Ultimately, there's going to be a rearranging of supply chains not too dissimilar from what we saw during the pandemic when supply chains were disrupted. I would expect near-shoring to continue to be relevant within the deglobalization theme as well.

Imports From China as a % of Total U.S. Imports



Source: U.S. Census Bureau

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