

ArcStone Financial Pulse: Opportunities Surge in AI, Tech, and Clean Energy Amid Economic Shifts and Geopolitical Risks

written by Michael Astone | October 21, 2024

The U.S. economic environment continues to show resilience despite slower growth. Recent Federal Reserve rate cuts, including a notable 50 basis point reduction, are creating a favorable landscape for risk-on trades, particularly in the tech and AI sectors. AI adoption is expanding rapidly, with 5.9% of U.S. companies reporting AI utilization in Q3, up from 3.7% in the same quarter last year, according to U.S. Census Bureau data. This broad adoption is pushing capital into companies that hold strong positions within the AI value chain, such as Nvidia (NASDAQ: NVDA), Microsoft (NASDAQ: MSFT), and Meta Platforms (NASDAQ: META).

The technology sector has been a key beneficiary of both the Fed's dovish stance and growing AI demand. Nvidia reached an all-time high, reflecting its leading role in AI hardware, particularly for training large language models (LLMs). Microsoft and Meta Platforms also experienced substantial gains driven by their AI initiatives. Netflix (NASDAQ: NFLX) added 11% following a significant earnings beat, reinforcing investor confidence in the broader tech sector.

Additionally, the growing demand for AI infrastructure is placing data centers under pressure. Analysts at Oppenheimer forecast that demand will outpace supply by 2025, potentially

leading to capacity constraints. Derivative plays on infrastructure companies, such as Cogent Communications (NASDAQ: CCOI), DigitalOcean (NYSE: DOCN), Equinix Inc. (NASDAQ: EQIX), and Cloudflare Inc. (NYSE: NET), are attractive as companies continue to pour capital into building the necessary AI hardware infrastructure.

Real estate investment trusts (REITs) have also shown signs of recovery, as rate cuts encourage renewed interest in yield-generating assets. Both U.S. and Canadian REITs are seeing upward momentum from their lows, driven by a shift in capital from fixed-income securities back into equities. This is further supported by Amazon's (NASDAQ: AMZN) push to bring employees back into offices, emphasizing a return-to-office trend aimed at fostering corporate culture.

In the financial sector, 21 companies from the S&P 500's financial segment reported earnings this week, with 19 of them beating expectations. The strong financial performance reflects improved cost structures and favorable market conditions, bolstered by the Fed's rate cuts. These positive earnings reports have kept financial stocks buoyant, continuing their upward trend.

Gold stocks are starting to gain traction, particularly compared to the broader market. More importantly, the gold equities-to-S&P 500 ratio is breaking out from a key support level that has been in place since 2011. When there's a shift from one end of the spectrum of views and positioning to the opposite side, significant opportunities often arise.

Gold futures hit new all-time highs this week, largely driven by escalating geopolitical tensions in the Middle East and uncertainty surrounding the upcoming U.S. presidential elections. Investors are flocking to gold as a safe-haven asset

amid concerns about economic stability, trade policy shifts, and global volatility. Additionally, rising jobless claims in the U.S. (232,000) and the Federal Reserve's warning that natural disasters and strikes could reduce October's non-farm payrolls by up to 100,000 have only added to gold's allure. One of the gold companies ArcStone is following is [Collective Mining Ltd.](#) (NYSE: CNL | TSX: CNL), a rapidly expanding firm exploring a large-scale copper-gold porphyry system that uplisted to the NYSE this summer. Collective [announced](#) this week that drilling at Plutus intersected 328.05 meters at 0.31 g/t gold equivalent from surface, indicating the presence of a porphyry system.

Silver prices surged over 6% on Friday, breaching the key resistance level of \$33.6 per ounce. This significant rally has triggered concerns across global financial markets, particularly impacting five major U.S. banks heavily exposed to short positions in the precious metal. These institutions could potentially face multi-billion-dollar losses as they are caught in a squeeze, amplifying the volatility in both the commodities and financial markets. For investors and market watchers, silver's sharp price move underscores the heightened demand for safe-haven assets amidst global economic uncertainties.

Data from the Commodity Futures Trading Commission (CFTC) reveals that the open interest in silver futures has hit 141,580 contracts, each representing 5,000 ounces of silver. This equates to 707.9 million ounces—approximately a year's worth of global production. With silver prices rising by \$1.84 per ounce, the estimated mark-to-market losses on these short positions are around \$1.3 billion, presenting significant risks to financial institutions. Similar trends are emerging in gold markets, where short positions have reportedly resulted in paper losses exceeding \$1.5 billion.

The U.S. budget deficit, now standing at \$1.7 trillion, further

compounds these concerns, as investors are increasingly wary of inflation management and the long-term economic trajectory. Gold's rise reflects a growing preference for defensive assets in a volatile environment.

The nuclear energy sector made waves this week, with [Oklo Inc.](#) (NYSE: OKLO) and [NuScale Power Corporation](#) (NYSE: SMR) leading the New York Stock Exchange in gains, climbing 41.8% and 40%, respectively. These jumps came after Amazon announced plans to leverage nuclear energy to power its AI operations, marking a significant move by Big Tech into nuclear power. Google (NASDAQ: GOOGL) followed suit, striking a deal to support the development of small modular nuclear reactors (SMRs). [Nano Nuclear Energy Inc.](#) (NASDAQ: NNE) surpassed \$20.00 again and had a strong trading week. ArcStone hosted Jay Yu, founder and Executive Chairman of Nano, at our growth summit in September.

This trend also drove up shares of independent power producers with nuclear exposure, such as [Vistra Corp.](#) (NYSE: VST) (+5.7%) and [Constellation Energy Corporation](#) (NASDAQ: CEG) (+5.1%), along with uranium-related stocks, including [Centrus Energy Corp.](#) (NYSE American: LEU) (+26.2%) and [Energy Fuels Inc.](#) (NYSE American: UUUU | TSX: EFR) (+15.4%). These moves signal rising confidence in nuclear energy's role in providing clean and reliable power for the rapidly growing data demands of AI operations.

Bitcoin also experienced a rally this week, climbing past \$68,000, driven by increased institutional interest and anticipation of more favorable regulatory conditions in the U.S.

In the commodities market, oil prices have also been volatile, driven by concerns over Middle East tensions and potential supply disruptions. West Texas Intermediate (WTI) crude oil prices have fluctuated, holding around \$69 per barrel as of

Thursday, marking a steady recovery after a recent dip. Lithium prices, critical for the electric vehicle (EV) sector, have shown signs of stabilization, with increased demand from automakers as the race for EV dominance heats up.

The current economic landscape offers considerable opportunities for investors, particularly in the AI, tech, and clean energy sectors. As Fed rate cuts continue to support equity markets, particularly growth-oriented stocks, and geopolitical risks push investors towards safe-haven assets like gold, we expect further upside across various sectors. The expansion of AI infrastructure, rising demand for nuclear power, and shifting market dynamics in commodities like oil and lithium underscore a pivotal moment in the global market.

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