

Monthly Market update May 2026

# Don't Write Off the U.S. Market

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## The end of U.S exceptionalism? Not so fast.

"U.S. exceptionalism" was never a slogan, it was reality. For more than a decade, U.S. equities outperformed nearly every major market.

So when U.S. equities lagged last year, and with the political climate south of the border uncertain at best, some pundits were quick to declare the end of U.S. exceptionalism. The narrative flipped from "Is the U.S. still leading?" to "Do we even need the U.S.?"

That shift is understandable as the news cycle has been relentless. It's exactly this kind of reaction that could lead investors to miss out on returns, and often at the worst possible times.

## AI's "I, Pencil" Moment

In 1958, economist Leonard Read wrote *I, Pencil*, a short essay tracing the origins of a single pencil. It followed the wood from Oregon, the graphite from Sri Lanka, the rubber from Malaysia, and thousands of contributors, who were ultimately, unaware of each other. His point: complex economic activity is hidden inside even the most ordinary objects.

Now think about AI in that context, but at a much larger scale. We constantly see the chatbot, but rarely what is behind it.

Behind every AI response, behind every data center being built today, there is a supply chain that touches nearly every corner of the U.S. equity market. Nvidia's chips and servers come to mind first, but there is also copper (data centers are far more copper-intensive than

conventional buildings), electricity (U.S. data center power consumption has nearly doubled since 2018) as well as steel, concrete, land. And the list goes on.

Then comes the moment that captures it best: Aramark, a company known for stadium concessions and university cafeterias, recently announced a multi-year contract with a major global hyperscaler to provide housing, dining, and transportation across their multiple AI data center campuses. That is how far the economic reach of this AI investment cycle extends.

So no, we don't believe giving up on the U.S. market is prudent. Not when the U.S. sits at the center of the largest corporate investment cycle in a generation: AI.

## The gold rush lesson

The AI bubble debate is everywhere, and rightfully so. Trillions of dollars are being invested, and we don't know whether AI will generate the returns today's valuations imply.

While that concern is real, there is an element the debate consistently misses. In the Gold Rush of 1849, most miners did not strike it rich, but the people who sold picks, shovels, and meals to those miners often did. Levi Strauss did not need gold to be found to sell tens of thousands of pairs of jeans. He needed miners to show up, and they did.

The same logic holds today. Even if the AI winners of 2026 are not the AI winners of 2036, electricity is still being consumed, copper is still being laid and workers are still being fed. This represents real, present-tense earnings growth being delivered by U.S. companies. The S&P 500 is growing earnings over 25% in its most recent quarter, with positive results coming from a variety of sectors, not just technology.



Source: Factset

### A lesson here at home

What looks like structural decline can reverse faster than investors expect.

For Canadian investors, the reminder is close to home. Not long ago, long-term performance charts made Canada look like a structural underperformer relative to the U.S. due to having too much energy and commodities, and not enough technology.

Then, in roughly eighteen months, the picture completely changed. Precious metals surged, energy rallied and that same five-year chart, the one that told the story of chronic underperformance, suddenly showed parity with the U.S.

The lesson is not that Canada is the market to invest in; the lesson is that investors who gave up during the lean years missed the entire catch-up. The cycle turned when almost no one expected it to as is often the case.

### The bottom line

Frustration is entirely understandable, especially for investors who have watched U.S. political volatility test their convictions. Even still, we believe writing off the U.S. market, home to some of the world's most efficient and high return companies, is unlikely to be the right move at a moment when the AI investment cycle is accelerating.

The cost of being underinvested when the next leg of this cycle accelerates is likely to be far greater than the discomfort of holding through a pause, as we can see from what happened in Canada.

In markets, often what feels uncomfortable in the moment often turns out to be exactly where the opportunity was.

Sources: JP Morgan, Morgan Stanley, *Wall Street Journal*

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