Amplia's monthly investor letter

The Hotel

In Stanley Kubrick's The Shining (1980), Jack Torrance, played by Jack Nicholson, gradually descends into paranoia. The viewer is drawn into the same uncertainty that afflicts both Jack and his son Danny. Despite the film's supernatural elements – not least the telepathic connection between Danny and the cook Dick Hallorann – one crucial question remains unresolved: was the hotel truly haunted, or were the events merely projections of the characters' inner demons? As the story unfolds, the supernatural begins to feel almost self-evident. Only afterwards does the viewer start questioning whether they really saw what they thought they saw. Two narratives coexist simultaneously: one rational, the other mystical. One explains the world as it is. The other seduces us with the possibility that something larger and darker lurks beneath the surface.

The market environment in May has followed a similar pattern. Equity markets trade close to all-time highs, credit markets function normally, and corporate earnings expectations remain constructive. At the same time, parts of the energy market tell a very different story. Participants active in physical oil and energy products describe a market where supply and demand are gradually drifting out of balance. Which narrative ultimately proves correct remains unknown. Perhaps the warning signals from the energy market will eventually appear to have been yet another phantom fear. Or perhaps they were the first footsteps of something already moving through the hedge maze.

Performance

Equity markets delivered strong returns during May. Technology stocks led the advance, with the Nasdaq gaining approximately 11.3%, while South Korea's technology-heavy KOSPI Index rose 33.6%. Nordic equities posted more modest gains despite emerging markets – with which they have historically exhibited a degree of correlation – advancing by 10.4%.

29.05.2026 Equities	Currency	Return mtd (eur)	Return ytd (eur)	Return 12m (eur)
World	USD	5,2 %	11,3 %	24,4 %
Emerging Markets	USD	10,4 %	26,6 %	48,9 %
US	USD	5,9 %	11,9 %	26,1 %
EU	EUR	3,0 %	7,5 %	17,1 %
UK	GBP	0,3 %	7,2 %	19,9 %
Japan	JPY	10,7 %	31,4 %	54,5 %
South-Korea	KRW	33,6 %	115,1 %	232,3 %
China	USD	3,6 %	10,4 %	34,7 %
Finland	EUR	2,2 %	13,4 %	35,8 %
Sweden	SEK	3,1 %	9,2 %	26,0 %

Bonds	Currency	Return mtd (eur)	Return ytd (eur)	Return 12m (eur)
Euro Government	EUR	1,1 %	0,9 %	0,8 %
US government	USD	0,7 %	0,7 %	1,4 %
Europe IG	EUR	1,1 %	0,7 %	2,6 %
US IG	USD	1,5 %	1,3 %	3,9 %
EU HY	EUR	1,0 %	1,3 %	4,3 %
US HY	EUR	0,4 %	0,9 %	5,3 %
Emergin Markets HC	EUR	0,6 %	0,6 %	7,2 %
Emergin Markets LC	EUR	0,2 %	0,1 %	0,9 %

Source: Amplia, Bloomberg

Fixed-income markets also performed well. US investment-grade corporate bonds returned 1.5%, supported in part by a stronger US dollar, while European government bonds gained 1.1%.

Macro

The broader macroeconomic picture has become increasingly obscured by developments in Iran. Purchasing Managers' Indices improved during the month, while labour market data – particularly in the United States – remained resilient. Most macroeconomic indicators, however, are primarily descriptive. They tell us what the economy looks like today, and today is merely the cumulative result of yesterday.

Beneath the surface, questions continue to accumulate. Energy prices, most visibly represented by crude oil, remain approximately 25% above pre-war levels. Various economic models point toward broadly similar implications for inflation and growth.

Federal Reserve frameworks suggest inflation could be roughly one percentage point higher, driven primarily by energy costs, while the effect on GDP growth remains relatively modest. ECB analysis points toward a similar inflation impulse combined with a reduction in Eurozone growth of approximately 0.5–0.75 percentage points. OECD models indicate roughly 0.8 percentage points higher inflation and a growth drag of around 0.5 percentage points.

A five-year oil forward curve that remains approximately 25% above pre-conflict levels does not in itself imply a repeat of the 1970s. It is, however, large enough to raise global inflation by roughly three-quarters of a percentage point and reduce global growth by approximately half a percentage point if the shock proves persistent. This is not an apocalypse. It is, however, significant enough to shorten the runway for a soft landing materially.

The dense fog surrounding the economic outlook has also affected the research output of major investment banks. Increasingly, analysis focuses on the potential outcomes of the Iran conflict rather than on traditional macroeconomic variables. In the current environment, geopolitical developments matter far more than modest surprises in unemployment, inflation, or industrial production data.

As we have argued previously, game theory continues to suggest that a prolonged conflict remains the most probable equilibrium. This does not mean conditions three months from now will necessarily resemble those of today. It merely implies that the probability of the conflict continuing for one additional day remains high.

Economic theory tells us that energy demand is relatively price inelastic in the short run. Consumers do not stop driving simply because fuel prices rise. However, as strategic energy reserves are gradually depleted and geopolitical tensions persist, elevated energy prices eventually lead to demand destruction. Consumers and businesses begin reducing consumption.

This can manifest itself in many ways. Energy-intensive activities become uneconomic. Farmers may decide not to plant crops. Manufacturers may reduce output. Industries with high energy intensity become increasingly vulnerable to disruption.

Such a reallocation of economic activity does not necessarily imply negative growth in the long run. Most businesses are not highly energy-intensive and may continue to prosper despite higher energy costs. The result is likely to be greater dispersion across sectors and industries. Some sectors may experience boom-like conditions while others fall into recession.

In such an environment, aggregate GDP growth becomes a less informative statistic. The economy may appear stable at the top level while conditions differ dramatically beneath the surface. If geographic allocation has historically been the dominant investment decision, sector allocation may become increasingly important in the years ahead.

Valuation

The valuation picture has become increasingly paradoxical. While energy markets continue to signal persistent scarcity and rising risk premia, equity markets have once again approached record highs. In certain respects, the divergence between these two interpretations of reality is now larger than at any point since the conflict began.

On the surface, valuations do not appear particularly extreme. Corporate earnings have remained robust, and consensus forecasts for the coming years remain positive. The challenge lies not in current earnings, but in the assumptions required to justify current multiples.

Markets are effectively assuming that the energy situation remains manageable, inflation does not reaccelerate, and central banks can gradually return toward a more neutral policy environment.

European valuations remain somewhat lower, but they are also more exposed to developments in energy markets. The United States represents the clear outlier. A substantial portion of market value is concentrated in a handful of large technology companies whose valuations depend upon strong and durable earnings growth extending far into the future.

As long as AI-related investment continues to generate optimism, such assumptions may prove justified. At the same time, the long duration of expected cash flows means that relatively modest changes in interest rates, risk premia, or growth assumptions can have disproportionately large effects on valuation.

Our conclusion remains unchanged. Valuations are not obviously wrong, but neither do they provide a significant margin of safety should the energy market's warning signals prove more than a temporary ghost in the corridor.

Sentiment

If valuations reflect cautious optimism, sentiment increasingly resembles a stubborn belief in normalization. Despite ongoing geopolitical uncertainty, elevated energy prices, and recurring warnings from commodity markets, volatility has steadily declined and risk appetite has recovered.

Particularly in the United States, investors increasingly appear to view the conflict as manageable background noise rather than a systemic threat. Markets react less to negative headlines and more to positive developments related to artificial intelligence, productivity gains, and corporate earnings.

In many respects this is rational. The real economy has thus far demonstrated impressive resilience, and corporate results show little sign of meaningful deterioration.

At the same time, an interesting asymmetry emerges. The longer the period of relative calm persists, the stronger the conviction becomes that risks were exaggerated from the outset. Historically this has often been a sign of strength during normal economic cycles. In geopolitical crises, however, it can create a situation where markets gradually become accustomed to risks that have not actually disappeared.

Sentiment therefore appears strong, but perhaps not quite as robust as current volatility levels imply. Markets increasingly resemble the guests of the Overlook Hotel: the longer nothing happens, the more obvious it feels that nothing will happen. The problem is that this is often precisely how instability is born.

Allocation

The current market environment is characterised by an unusually sharp divide between technological optimism and energy-related uncertainty. In such circumstances, diversification becomes particularly important.

The correlation between equities and bonds has risen to approximately 0.3. This reduces the diversification benefits of balanced portfolios and increases overall portfolio volatility.

It would be futile to make a binary judgement regarding which narrative ultimately prevails. Even if the energy market proves substantially more constrained than investors currently assume, a rapid resolution of the Iran conflict could immediately strengthen risk assets.

We therefore remain unusually close to a neutral equity allocation. To improve diversification and participate in a potential continuation of the AI-driven investment cycle, we are increasing exposure to companies operating within and around the artificial intelligence ecosystem, while avoiding excessive concentration in the Magnificent 7.

1 June 2026

All Work and no Play maKes Jack a Dull boY,

Mikael Simonsen