Amplia's monthly investor letter

The Economy on Track

In the mid-1840s, Britain discovered the future. Railways were transforming transportation, connecting cities and creating entirely new economic opportunities. Investors were right about the technology. By 1847, railway investment had risen to almost 8% of British GDP and accounted for nearly half of total gross investment. More than 250,000 people were employed building railways. What had begun as a technological revolution and an investment theme had become a significant driver of the entire British economy.

This created an interesting circularity. Expectations of exceptional future growth attracted capital. That capital financed construction, employment and demand, strengthening the economy and thereby appearing to confirm the original growth expectations.

Railway shares, however, had already peaked two years earlier.

The parallel with today's artificial intelligence boom is obvious. AI is no longer merely a stock-market theme. Data centres, semiconductors, electricity generation and the surrounding infrastructure have become increasingly important components of investment and economic growth. At the same time, rising equity wealth improves financial conditions and supports consumption.

None of this means that AI is a bubble. The British railway investors were fundamentally right: railways changed the world. The more interesting question is how much of the growth that today appears to validate the AI investment thesis is, in fact, being created by the AI investment boom itself?

Performance

Equity markets performed well in August, led by the Nasdaq, with most markets gaining 2–4%.

31.08.2026 Equities	Currency	Return mtd (eur)	Return ytd (eur)	Return 12m (eur)
World	USD	1,8 %	14,3 %	21,1 %
Emerging Markets	USD	2,6 %	25,4 %	40,1 %
US	USD	1,9 %	14,1 %	20,7 %
EU	EUR	0,5 %	12,2 %	21,3 %
UK	GBP	0,0 %	13,6 %	22,8 %
Japan	JPY	0,8 %	31,5 %	45,7 %
South-Korea	KRW	7,3 %	90,0 %	157,8 %
China	USD	0,6 %	6,6 %	12,1 %
Finland	EUR	3,6 %	12,9 %	30,9 %
Sweden	SEK	0,5 %	11,6 %	25,2 %

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

Source: Amplia, Bloomberg

Fixed-income markets also performed reasonably well, with the exception of European government bonds, which delivered slightly negative returns (-0.3%).

Macro

The US economy finds itself in a peculiar position. Inflation has surprised on the downside, reducing pressure on the Fed to raise rates further. If the trend continues, it may even open the door to rate cuts further down the road. For a country with debt at around 120% of GDP and a persistently enormous budget deficit, this is more than an academic detail.

At the same time, the interplay between the Treasury and the Fed is becoming increasingly interesting. Through its issuance policy and buybacks, the Treasury is influencing where along the curve the market must absorb the government's financing needs, while the Fed purchases short-dated Treasuries to maintain liquidity in the system. Neither measure is QE in the classical sense, but viewed together from a distance, they are beginning to show a certain family resemblance. We therefore monitor the scale of Fed purchases relative to the Treasury's own “twist”.

This works as long as markets regard these measures as technical. If investors begin to interpret them as active management of the yield curve designed to contain the government's financing costs, the issue migrates from monetary policy to confidence. And confidence is considerably harder to control than the policy rate.

The second American engine is AI. Investment continues at a scale that is macroeconomically significant, while the broader investment trend has also strengthened. The question, therefore, is whether we are witnessing the moment when the AI boom hits the economic fan.

The concentration simultaneously creates a vulnerability. Once a single investment narrative becomes large enough to influence the stock market, investment and confidence in the future, it does not have to collapse to cause problems – a correction in expectations is enough.

If the AI engine begins to splutter while the Treasury/Fed continues providing what markets perceive as QE-like support, the dollar becomes the canary in the coal mine. A weaker dollar helps the trade balance, but not the budget deficit. The US has taxation rights, its own currency and a central bank unlikely to stand idly by if government financing begins to creak. An American Minsky event therefore need not first appear in government bonds – the adjustment can instead be forced through the currency. The state need not go bust, but the dollar can be bananised.

Europe is also showing green shoots. The problem is that energy prices are once again acting as a tax on the economy. The situation surrounding Iran is broadly unchanged, but time is itself an economic yoke: every week Brent remains around $90 inexorably pushes European growth potential another notch lower.

This also puts the ECB in an uncomfortable position. If the energy shock begins to trickle down through the aqueducts of inflation, the ECB may be forced to raise rates despite a mediocre real economy. The combination of higher energy prices and higher interest rates is considerably more toxic for Europe than for the US.

Fujairah therefore remains our clearest geopolitical macro trigger. An Iranian attack there would hit Europe hardest economically through the energy channel, while simultaneously pushing the dollar one step closer to the American confidence question. Several risks that are currently treated as separate would suddenly begin to correlate.

The yen continues along its long-term weakening trend. Intervention and US swap lines can buy time, but they do not alter the fundamental imbalance. If the BoJ continues using its large Treasury holdings to defend the yen, Japan is attempting to stabilise its currency by selling precisely the American government bonds that the US needs the rest of the world to continue wanting to own.

Japan and the US are therefore, in different ways, sitting rather far out on the same branch. It holds as long as the market believes it will hold. A geopolitical disruption in Iran that simultaneously affects energy flows, the petrodollar system and demand for US government debt could become the Minsky event that connects risks the market still treats as separate.

Valuation

The S&P 500 forward P/E has fallen from its most stretched levels to around 19.5. This remains above the historical average of just over 17, but is hardly a valuation that, on its own, calls for trumpets of doom. If earnings continue to grow as expected, it is perfectly possible to construct a world in which today's valuation is rational.

The more interesting problem is what lies behind both the earnings and the multiple.

AI capex affects investment growth, corporate sales, productivity expectations and – through rising asset prices – wealth and confidence in the future. The same factor driving part of the E in the P/E ratio is therefore simultaneously helping to sustain the P.

This need not be a bubble. But once a common factor becomes sufficiently dominant, the nature of diversification changes. Assets that on paper represent different companies, sectors and economies can begin responding to the same underlying news. If the AI factor changes sign, risk can therefore diffuse rapidly across assets that looked diversified ex ante.

Proponents of efficient markets will naturally object that all of this should already be reflected in prices – and that is a fair objection. But even if the expected value is correct, the uncertainty distribution need not be benign. A dominant common factor can imply a fatter left tail.

From the macro discussion, we simultaneously get the opposite tail: uncertainty around long US rates is skewed to the upside. This is an uncomfortable combination for AI-related assets, much of whose valuation depends on cash flows far into the future.

We therefore potentially have two tail risks pointing at the same price: a fatter left tail in expected cash flows and a fatter right tail in the discount rate. This does not mean that today's market level is wrong, but rather that the current equilibrium constellation is labile. A labile market can function perfectly well as long as the forces holding it in equilibrium remain intact.

Our own factor analysis illustrates the problem. We isolated a pure “AI factor” from the rest of S&P 500 risk and asked how much of the portfolio's variation could be attributed to this underlying risk.

In the Growth portfolio, slightly more than 31% of the variance can be explained by the AI factor – despite explicit AI investments accounting for only a fraction of the portfolio. AI risk enters through several doors: the product segment, the macroeconomic investment cycle and the wealth effect. You do not, in other words, have to own Nvidia to be long the Nvidia economy.

At the same time, the same factor explains around 68% of the variance in the MSCI World. The Growth portfolio's exposure is therefore relatively modest. The paradox is that we are well diversified relative to the market.

The question is how well diversified the market itself is.

Sentiment

The sentiment picture remains undramatic despite the S&P 500 having retreated roughly 2% from its all-time high. The technical indicators confirm the picture – a technical analyst would say that the market is neither overbought nor oversold.

Nor is volatility signalling stress. A VIX around 15.8 corresponds roughly to an expected normal daily move of around one percent. The market is therefore not currently paying much of an insurance premium for the uncertainty discussed above.

Things become more interesting if sentiment suddenly migrates. A sufficiently rapid move can destabilise volatility positions and force new, larger moves: volatility creates selling, which creates more volatility.

This is why we retain VIX 24 as a trigger. Not because 24 is dramatic in itself, but because a rapid migration from 16 to 24 would indicate that the market has changed regime – and that endogenous market mechanics have begun working against us.

Allocation

AI investment has become an engine for both the stock market and the US economy, and for now there is relatively little to suggest that the locomotive is about to stop.

That is also the starting point for our allocation. The AI capex wave continues, Iran grinds on without decisive escalation, and corporate earnings growth and margins remain healthy. Valuations are high but not absurd, sentiment is neutral to positive and volatility is normal. This remains an environment in which risk assets can perform well.

The problem is not the expected value, but the distribution around it. AI has become a common factor for investment, growth, earnings and wealth, while the uncertainty distribution of long US rates is unpleasantly fat-tailed to the upside. In between sits a market pricing rather little volatility.

The combination is not entirely optimal. But risk is not the same thing as outcome. A labile equilibrium does not have to collapse – and while it persists, standing on the sidelines waiting to be proven right is expensive.

We therefore make no changes to the allocation.

Instead, we focus on the sounds that would make us reconsider it. Fujairah is the rapid geopolitical trigger. On the rates side, we are watching the US 30-year Treasury around 6%, where the question could migrate from the discount rate to confidence in the financing mechanism itself.

The third trigger is VIX 24. A rapid increase in volatility can raise the market risk premium, depress the valuation of long-duration AI cash flows and simultaneously force mechanical risk reduction. The trigger can then become its own catalyst.

Above VIX 24, we therefore conduct a forced reassessment of the allocation strategy. This does not automatically mean selling. If the market has already fallen sufficiently, the objective may instead be a conditionally convex return profile, where further downside increasingly improves our opportunity to add risk.

Our triggers are therefore not forecasts that something will go wrong. They tell us when the old probability distribution is no longer fit for purpose.

A suspicious sound from the locomotive's wheels may indicate an approaching derailment. But until we hear it, we can expect everything to continue running on track.

1 September 2026

Kind regards,

Mikael Simonsen