

N10° Signal Weekly

June 1, 2026

THE LEAD

Trade the Gap.

NVIDIA asked the InP laser supply chain to scale 20x by 2030. Vendors committed to 12x. Even at 12x, supply exits 2030 still 50% short of demand. The same dynamic runs through every layer of this week's research: rack power heading toward 600kW, enterprise AI requiring billions in human consultants to deploy, and a security architecture for autonomous agents that markets haven't priced.

“NVIDIA asked for 20x. The supply chain is building for 12x. The gap between those two numbers is the entire trade.”

— Alan Ren, Former VMware Global Head of Engineering and Ecosystems, AI Labs

PHOTONICS

InP Lasers: Structurally Short Through 2030

Rosenblatt Securities released an InP supply/demand model. The InP Datacom market grows from \$1.9B (2025) to \$22.75B (2030) — a 12x expansion — and is explicitly classified as non-cyclical. Even a 12x supply build leaves the market 50% undersupplied at decade's end.^[1]

InP Datacom Revenue by Supplier, 2025–2030

LITE — dominant; new Greensboro fab adds \$2.5B in 2028, \$5B in 2029	\$600M → \$9.0B	15x
AVGO — second largest by InP revenue	\$550M → \$4.5B	8x
COHR — Rosenblatt's near-term pick; 6-inch wafer, 800G/1.6T	\$125M → \$4.3B	34x
AAOI — highest torque; entering CPO CW laser market	\$60M → \$2.1B	35x

Flags: CRDO viewed as a niche player, not strongly relevant to CPO optical supply chain; 1.6T AEC demand seen weaker than consensus. CIEN gross margin expectations too high given price increases from LITE and COHR as suppliers.

POWER INFRASTRUCTURE

Electricity Is the Gating Factor

Rack power is increasing 5x in three years. Grid infrastructure cannot scale at semiconductor speed. The AI buildout is a decade-long industrial transformation — nuclear is returning to center because renewable intermittency cannot reliably support 600kW clusters running continuously at scale.^[2]

AI Rack Power per Generation — kW Required (and What That Means)

Generation	kW / rack
Current — GB200	120 kW
2026 — Vera Rubin	200 kW
2026 — Vera Rubin CPX	380 kW
2027 — Vera Rubin Ultra	600 kW

A single Vera Rubin Ultra rack in 2027 will draw roughly as much electricity as 500 average American homes. A large cluster of 1,000 such racks rivals the power consumption of a mid-sized city.

ENTERPRISE SOFTWARE

SaaS Bifurcation: The Low End Is Finished

- 90% of public SaaS stocks are down 30–80% from 52-week highs. Software forward P/E fell 35x → 20x — lowest since 2014, smallest premium to S&P 500 since 2010.^[10]
- OpenAI raised \$4B at a guaranteed 17.5% annual return to embed engineers inside enterprises to make AI work in production — while projected to lose \$14B in 2026. Anthropic immediately matched with a \$1.5B consulting venture (Blackstone / Goldman / H&F). Combined: \$5.5B in one month on human-powered AI deployment.^[10]
- OpenAI's enterprise LLM API share fell 50% → 25% (late 2023 to mid-2025). Anthropic now leads at 32%. Survivors: PLTR, NOW, ORCL, MSFT — platforms with proprietary data and workflow ownership. Casualties: single-function tools without defensible data assets.^[10]

AI SECURITY

Control Planes: NET, PLTR, ORCL

- NET (edge): controls AI agent traffic, bot identity, API access, and Pay per Crawl monetization. Q1 revenue +34% to \$639.8M; 11% operating margin — the earnings conversion question remains open.^[3]
- PLTR (ontology/decisioning): the AI governance layer above the security stack — what is authorized, what happened, how to respond. Q1 revenue +85% YoY; U.S. commercial +133%. FY2026 guidance raised to 71% revenue growth.^[4]

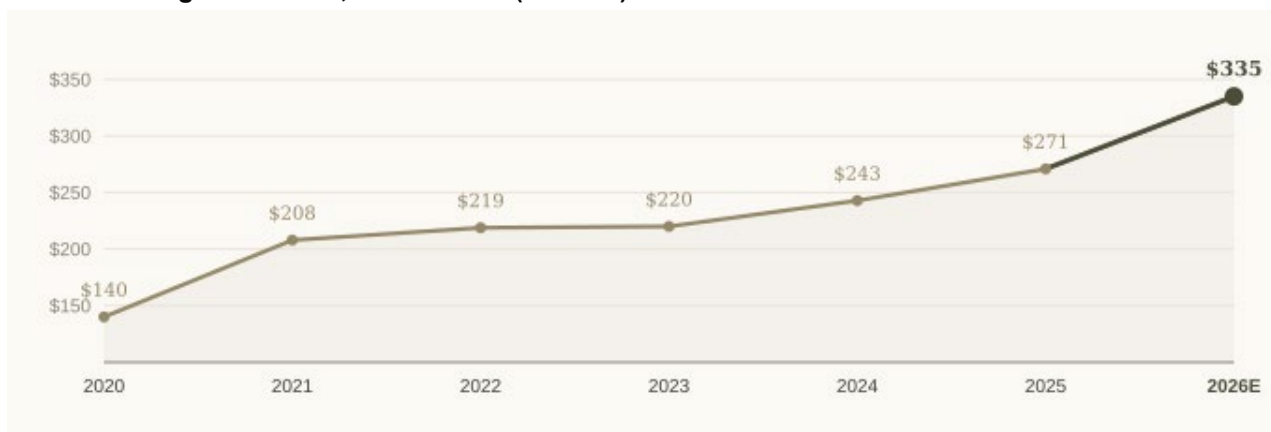
- ORCL (data gravity): secures and governs AI where enterprise data actually lives. OCI revenue +84% YoY; cloud RPO \$553B (+325% YoY). CRWD at 28x forward sales carries elevated blast-radius liability risk post the 2024 outage; PANW (15–16x, 37% adj. FCF margin guided) is more defensible.^{[5][6]}

MARKET INTELLIGENCE

8 Week Streak, Earnings Quality, and the SpaceX Lock-Up

- Eight consecutive S&P 500 weekly gains — only six times in history. Never lower a year later; average +16.9%, median +20.1%. Ed Yardeni: the index is up 9% YTD but P/E actually contracted 4.6% — the entire gain is from earnings rising 14.4%. Full-year 2026 EPS consensus: +23%, a growth rate never seen outside post-recessionary rebounds.^{[7][8]}
- Mark-to-market distortion: 58% of Alphabet’s Q1 net profit and 52% of Amazon’s came from private holding gains (OpenAI, Anthropic, SpaceX, etc.). Private AI exposure as % of market cap: MSFT 7.3%, GOOGL 4.3%, AMZN 4.1%. Weight operating earnings appropriately.
- SpaceX IPO lock-up is three concurrent structures, not one 180-day cliff. Musk: 366 days, no early release. All others: tiered releases begin at Q2...69 earnings (~August). By November 2026, 55–65% of eligible shares are tradeable. The 30% price gate is structurally designed to compress aftermarket gains. Understand the supply calendar before committing aftermarket capital.^[9]
- U.S. comparative advantage: IMF projects U.S. growth outperforming all advanced economies through 2030+. Only major economy that is simultaneously an AI leader, net energy exporter, and positive on prime-age population growth through 2035.^[14]

S&P 500 Earnings Per Share, 2020–2026E (FactSet)



2026E represents +23% EPS growth — a rate never seen outside post-recessionary rebounds. The YTD S&P rally has been driven entirely by earnings, not multiple expansion.

T H R E E C U R R E N T S

Commodities · Fixed Income · Labor

- **Commodities:** Iran war commodity shock continues — WTI crude +60%, jet fuel +58%, sulfur +97% since conflict began. Energy scarcity compounds the grid buildout thesis; dispatchable baseload power has genuine scarcity economics.^[11]
- **Fixed Income:** 30-year TIPS now yielding 2.824% real — near 3% inflation-adjusted returns competitive with traditional portfolios, without equity risk. The most honest purchasing-power signal in years given the CPI trajectory.
- **Labor:** Figure AI's F.03 humanoid sorted 249,560 packages over 200 continuous hours with zero failures. Retro Biosciences (Sam Altman's personal bet): OpenAI's custom AI model made cellular reprogramming 50x more efficient; human Alzheimer's trials are underway. Physical AI is no longer a demo.^[12]

FINAL NOTE · JUNE 1, 2026

OpenAI and Anthropic are spending \$5.5B to launch human-led consulting arms that embed engineers inside enterprise clients. The signal: getting AI to work at the high end of the market still requires significant human expertise on the ground.

The market exits 2030 still 50% short of key AI infrastructure requirements. AI is being priced as a software story. The physics says it's an infrastructure story. Eight consecutive weeks of gains driven entirely by earnings — not multiple expansion — is the healthiest possible market signal. The portfolio is built for the infrastructure story, and the data this week confirms it is the right one.

P O R T F O L I O I M P L I C A T I O N S

Current Exposures

- **LITE** InP laser dominance confirmed — \$600M to \$9B by 2030; new fab accelerates 2028–2029
- **AVGO** Second-largest InP revenue beneficiary; custom silicon + photonics = dual power-wall tailwind
- **PLTR** AI governance layer; Q1 +85% YoY; U.S. commercial +133%; FY guide raised to 71%
- **ORCL** Regulated AI data substrate; OCI +84%; RPO \$553B; underappreciated recurring profile
- **VRT / GEV / PWR** 600kW rack math is on the Morgan Stanley roadmap for 2027 — power scarcity is structural
- **NET** Edge control plane for agentic AI traffic; margin conversion is the key watch item
- **TSLA** Corpus Christi lithium refinery operational; Nevada mineral rights; most vertically integrated 45X critical-minerals chain in public markets^[13]

Where Caution Is Warranted

- **CRDO:** not strongly relevant to CPO optical supply chain per Rosenblatt; 1.6T AEC weaker than consensus.
- **CRWD:** 28x forward sales; blast-radius liability underpriced; structure designed for flawless execution.
- Low-end SaaS broadly: disruption is real and accelerating; single-function tools without data moats are being replaced by workflows, not products.
- SpaceX IPO aftermarket: supply calendar runs through December 2026; structure compresses sustained gains.

“The bottleneck is no longer simply semiconductors or memory. The bottleneck increasingly becomes electricity itself.”

— N10° Chief Investment Officer

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SOURCES

- [1] Rosenblatt Securities. InP Laser Supply and Demand Model: 2025–2030. May 2026.
- [2] Morgan Stanley Research. AI Server Power Roadmap to 800 VDC; Hyperscaler Capex Bottom-Up. May 2026.
- [3] Cloudflare Q1 2026 Earnings: revenue \$639.8M (+34% YoY), 11% non-GAAP operating margin.
- [4] Palantir Technologies Q1 2026 Earnings: revenue +85% YoY, U.S. commercial +133%. FY2026 guide raised.
- [5] Oracle Q3 FY2026 Earnings: cloud revenue \$8.9B (+44%), OCI \$4.9B (+84%), RPO \$553B (+325% YoY).
- [6] CrowdStrike Q4 FY2026: ARR \$5.25B (+24%). Palo Alto FY2026 guide: 22–23% revenue growth, 37% adj. FCF margin.
- [7] Charlie Bilello / Creative Planning. S&P 500 EPS 2026E +23%; 8 consecutive weekly gains. May 22, 2026.
- [8] Ed Yardeni. S&P 500 up 9% YTD; P/E contracted 4.6%; entire gain from earnings rising 14.4%. May 2026.
- [9] SpaceX S-1 Underwriting section. Lock-Up Architecture — Three Concurrent Lock-Ups. May 2026.
- [10] Chamath Palihapitiya. Enterprise software bifurcation; OpenAI/Anthropic consulting ventures. May 2026.
- [11] Charlie Bilello / Creative Planning. Commodity price increases since start of Iran war (as of 5/18/26).
- [12] Figure AI / Brett Adcock. F.03 Humanoid: 200 hrs continuous, 249,560 packages, zero failures. May 2026.
- [13] Tesla 2025 10-K. Corpus Christi lithium refinery operational January 2026; Nevada lithium rights.
- [14] IMF World Economic Outlook. U.S. outperformance through 2030+; energy and demographic advantage.