

# N10° Signal Weekly

June 23, 2026

THE LEAD

## The Memory Super-Cycle Goes Mainstream

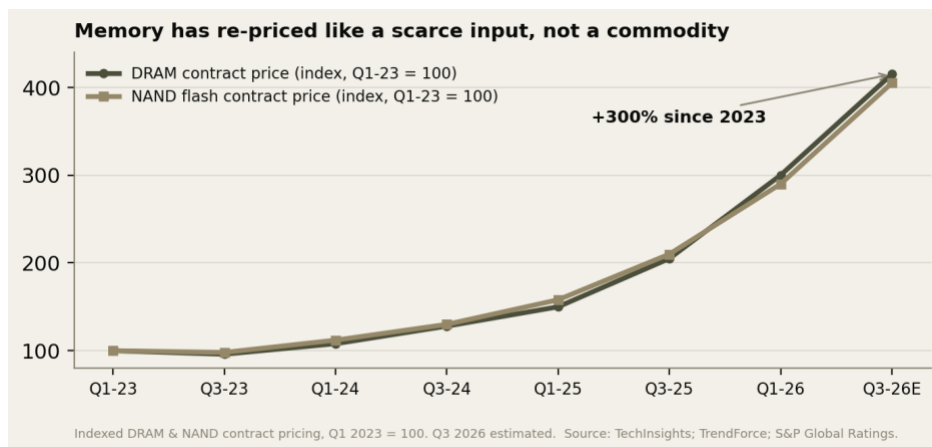
When the most disciplined cost manager in consumer hardware says price increases are unavoidable, the scarcity has stopped being a forecast and become a fact. This week Apple conceded the point we have been positioned for: memory is no longer a commodity input that quietly deflates, it is the scarce raw material of the intelligence build-out, and its price is being set by data-center demand, not by handset cycles.

On June 21, Apple CEO Tim Cook told the Wall Street Journal that product price increases are now “**unavoidable**,” describing the memory shortage as a “**once-in-a-century flood**” and the situation as “**unsustainable**.”<sup>1</sup> The arithmetic behind the capitulation is stark: DRAM and NAND contract prices have risen more than 300% since 2023, and TechInsights estimates Apple would need to add roughly \$270 to the iPhone 18 Pro just to hold its current margin.<sup>2</sup> Goldman trimmed its 2026 smartphone unit forecast on the back of it; S&P Global says memory stays elevated through at least 2028 as hyperscaler capex keeps pulling DRAM and high-bandwidth memory away from phones.<sup>3</sup>

Apple is not a fringe buyer. It is among the largest and most sophisticated memory purchasers on earth, and it is being squeezed anyway. That is the whole thesis in one data point: when the buyer with the most leverage cannot escape the price, the pricing power sits upstream, with the people who make and enable the supply. We own that upstream. The read-through runs straight into **SNDK, LRCX, TSM, and NVDA**.

*“AAPL finally talking about memory price problems, and alluding to necessary handset price increases, is a very positive signal for sustained higher memory prices. It tells you low-multiple memory suppliers are either underpriced, or the market expects dramatic capex to address supply. We think the market is more often right than not.”*

Andrew Urbanski, CIO, N10° Assets



Memory contract pricing, indexed to Q1 2023. The line that re-rated the whole stack.

## PORTFOLIO DEEP-DIVE

# Why We Own the Etch, Not Just the Chip

## LRCX in 3 Roles

If memory is the bottleneck, the most durable way to own it is not the memory maker, whose margins ride a notoriously violent cycle, but the company that sells the tools the memory makers cannot build without, and then collects for decades on the installed base. That is Lam Research. We hold it as the upstream enabler of the same scarcity Apple just validated.

**1. The deep-etch chokepoint.** The move to 3D NAND and high-aspect-ratio DRAM is fundamentally an etch and deposition problem, and the deep, high-precision etch step is exactly where Lam's process complexity advantage compounds. As bit density climbs, the number and difficulty of these steps climbs with it. More layers means more Lam.

**2. Recurring revenue, not one-time tools.** Roughly 40% of Lam's revenue is recurring service, spares, and upgrades tied to the installed base, per our read of the Customer Support Business Group mix.<sup>4</sup> That converts a cyclical equipment vendor into something closer to an annuity on every fab it has ever shipped into, and the installed base only grows.

**3. The reshoring multiplier.** Lam has the largest footprint in Taiwan of the major process-tool vendors. In a world re-pricing supply security, that is not a liability, it is the biggest footprint that has to be replicated in the U.S. and allied countries. Every fab that gets duplicated onshore is a second order for the same toolset.

*“LRCX is the deep-etch upstream enabler with near 40% recurring revenue on the back of installed sales, and the biggest footprint in Taiwan, therefore the biggest footprint to replicate in the U.S. and allied countries. Coupled with the relentless rise in the stock, we think capex is inevitable.”*

Andrew Urbanski, CIO, N10° Assets

**SNDK** sits one layer down as the direct beneficiary: a longer tail of adequate NAND supply plus price increases to harvest, with data-center demand now the marginal buyer of flash. After last issue's discipline note on trimming a parabolic winner, the memory-price capitulation is the fundamental reason the position still earns its place: this is no longer just a memory-cycle bounce, it is a structural re-rating of the input.<sup>5</sup>

## OPTICAL, REVISITED

## COHR vs LITE, One Layer Up

Last issue we laid out the optical bottleneck owned three layers deep across LITE, MRVL, and AVGO. A reader question this week deserves a direct answer: if Coherent (COHR) has been outpacing Lumentum (LITE) recently, should the position rotate? Our view is no. The relative move is a re-rating of breadth, not a verdict that COHR is the better business.

Recall the structural backdrop: on March 2, NVIDIA invested \$2 billion in each of Lumentum and Coherent, pairing the equity with multi-billion-dollar purchase commitments and U.S. capacity rights.<sup>6</sup> The wording differed in a way that matters: the Coherent agreement covers advanced laser and optical-networking products, while the Lumentum agreement is framed around advanced laser components. That is why COHR is being re-rated as the broad, vertically integrated capacity platform, and LITE as the higher-margin component bottleneck.

## What each one wins

- › **COHR** is the incremental-revenue-dollar and supply-assurance story: materials to systems, InP wafers doubling internally by year-end and again by 2027, breadth across 1.6T/3.2T transceivers, optical circuit switching, and CPO/NPO.
- › **LITE** is the margin-torque story. Fiscal Q3 revenue grew 90% year over year to \$808 million; on a non-GAAP basis gross margin reached 47.9% and operating margin 32.2%, with Q4 guided to \$960 million to \$1.01 billion and 35–36% operating margin.<sup>7</sup> (Last issue cited the GAAP figures of 44.2% and 21.6%; both are correct, GAAP versus non-GAAP.)

**Net: we already own both sides of this debate.** LITE is our scarce, higher-margin laser and component layer; MRVL is our vertical-integration and systems-breadth layer, which is the exact exposure COHR represents. So Coherent's recent run is a read-across that validates owning the bottleneck in layers, not a reason to rotate into it. Owning the bottleneck means holding the right layers, here LITE and MRVL, not chasing the single name the tape happens to favor this month.

### MACRO

## Deflation, by Design

The single biggest macro change since our last issue is not a data point, it is a chokepoint reopening. With the Strait of Hormuz conditionally back open and barrels returning, the energy-driven inflation impulse that dominated the spring is unwinding, and the disinflation we flagged early is now visible in the tape.

On June 18 the OPEC Secretary General dismissed the IEA's 2027 supply-glut forecast even as the "critical" Strait reopened under a U.S.-Iran memorandum; Brent settled back near \$80 from spring highs above \$120.<sup>8</sup> Lloyd's List confirmed vessels transiting on both routes for the first time in weeks.<sup>9</sup> Layer on the return of Venezuelan, Russian, and Iranian barrels to non-illicit global trade, and the geopolitical risk premium in crude is draining out just as GDP growth moderates.

*"We saw through the noise and realized early that deflation was the orderly and likely outcome as three of the world's largest oil producers open for non-illicit global business: Venezuela, Russia, and Iran, while GDP growth moderates simultaneously."*

Andrew Urbanski, CIO, N10° Assets

The counterintuitive part, and the reason this is bullish for the book rather than bearish: disinflation lowers the cost of capital for the very build-out we own. A \$5T-plus infrastructure cycle is financed; cheaper money makes the financing easier, not harder. Some macro voices now openly **fade the hawkish narrative**, arguing that at current debt levels the Fed's ability to stay genuinely restrictive is more limited than the market assumes.<sup>10</sup>

## The fixed-income read (cash + RMBS portfolios)

For taxable, high-bracket capital currently in cash and RMBS, the staged evolution is straightforward: treat cash as tactical rather than strategic as reinvestment risk rises; keep RMBS for its collateral quality, senior structure, and housing-equity cushion; and begin building high-quality tax-free municipals on rate backups, where top-bracket tax-equivalent yields now clear 6%. The next bond accident is far likelier in low-quality credit and weak CRE than in agency RMBS or essential-service munis.

## READ-THROUGH

# The Physicalization of Compute

## 4 Signals, One Direction

The clearest cross-current this week is compute leaving the data center and spreading into the physical world, devices, robots, vehicles, even homes. Each instance is a fresh demand vector for the same stack we own: compute, power, interconnect, and the sensors that feed models the physical and audio data they still lack.

- › **Agents replace apps.** Qualcomm's CEO says the company is working on 40-plus AI device designs, from camera earbuds to pins and glasses, and that smart glasses could rival the smartphone in scale; the agent becomes the "new app."<sup>11</sup>
- › **Robots get an owner.** Hyundai is buying SoftBank's remaining 9.65% of Boston Dynamics for \$325 million, taking full control as Atlas enters factory deployment, with a Nasdaq listing in view.<sup>12</sup>
- › **Compute needs power and a place.** The real constraint on pushing compute into the physical world is not silicon, it is electricity, cooling, and interconnect. Every new node, in a factory, a vehicle, or a backyard, lands as fresh demand on exactly the layer we own in VRT, GEV, PWR, VST, and APH.
- › **Compute reaches the home.** Startup Span (XFRA) showed an AC-sized exterior unit packing 16 NVIDIA Blackwell-class GPUs and liquid-cooled Dell servers, monetizing unused household electrical capacity, another edge endpoint for NVDA silicon.<sup>14</sup>

This is also why we hold **AXON** and why we do not own AAPL. Officers and agents already walk around with body cameras feeding centralized compute; physical and audio data are the next fuel for models that have largely exhausted written text. The firms that win are the ones that get devices and sensors into the world. Apple, by contrast, faces fierce competition, a rich multiple, and a crumbling walled garden just as it is forced into the memory-cost cycle it long avoided.

*"We do not own AAPL because we think competition will become fierce, the valuation multiple is rich, and the walled garden of revenue-shared traditional apps driving profit is crumbling."*

Andrew Urbanski, CIO, N10° Assets

## EVIDENCE

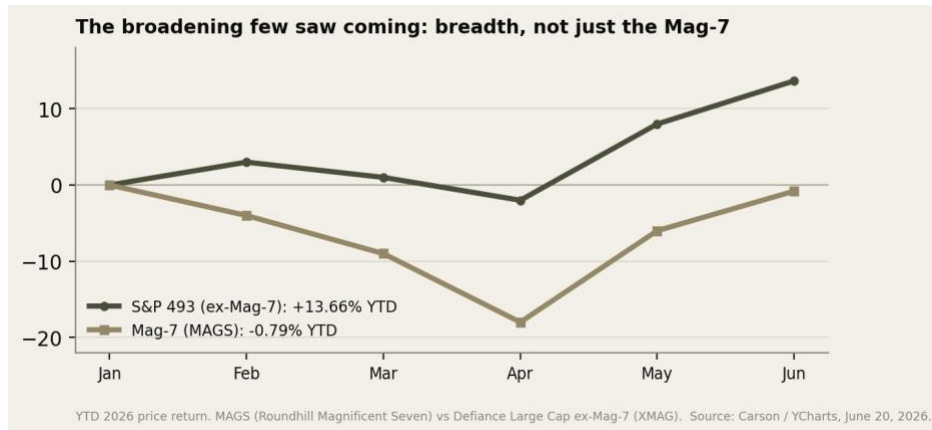
## Is This 1999? The Bull's Rebuttal

Every cycle this size invites the bubble comparison, so it is worth marking the evidence on both sides. The weight of it, for now, argues capex is being underwritten by earnings, not eyeballs, while the caution signals are real enough to respect.

Why the doomers are looking in the wrong place

- › Strategist James Thorne argues 1999 funded companies with no path to earnings, whereas today's surge is driven by profitable incumbents committing real cash to compute, power, and data centers, with AI revenue already measurable in billions.<sup>15</sup>
- › Tech's forward P/E sits near 23x, essentially at its 10-year average, not the 30x of the 2025 peak.<sup>16</sup>
- › Jensen Huang's framing of the demand side: "tokens are now profitable units," with GitHub commit volume up roughly threefold and "useful AI" arriving, shifting the bottleneck to who can build the factories that generate intelligence cheaply.<sup>17</sup>
- › Pricing power is showing up in the rentals: Baseten reports a cloud provider doubling B200 GPU pricing from \$2.63 to \$5.10 per hour on renewal, with 12- to 15-month lead times on new clusters.<sup>18</sup>

**And the breadth that few expected:** the Mag-7 are down on the year while the S&P 493 are up more than 13%, the inverse of the concentration trade everyone feared. A healthier tape, not a narrower one.



*Mag-7 vs the S&P 493, YTD 2026. The market broadened out, it did not narrow.*

## The caution worth respecting

Against all of that, Apollo's read of the options market shows Nasdaq-100 implied volatility relative to the S&P 500 spiking to its highest in many years: the market is positioning for a tech shakeout even as fundamentals hold.<sup>19</sup> We treat that as a reason to respect position sizing and trim parabolic winners, not to reverse the thesis.

### ALSO ON THE RADAR

## Watchlist, Not Holdings

- › **Copper, the hidden cost of electrification.** A widely-followed macro analyst (Otavio "Tavi" Costa of Crescat Capital) estimates the world may need to mine as much copper over the next 25 years as in all of human history so far, and that figure doesn't even include the extra demand from EVs, power grids, and AI data centers. Copper is the metal that wiring, motors, and grids are built from, so this is a long-term tailwind for our power-and-electrification theme. We don't yet own a dedicated copper position.<sup>20</sup>
- › **An AI company building a medical scanner.** Midjourney (the AI image generator) has shown a prototype full-body ultrasound scanner built on Butterfly Network's (BFLY) chip technology. Worth tracking, but an early prototype with no FDA clearance or independent validation. Not held.<sup>21</sup>
- › **Where data centers are actually getting built.** Virginia leads the U.S. with 685 data centers, but Texas (466) is catching up fast. Every new build is fresh demand for the power, cooling, and connectors our holdings supply.<sup>22</sup>
- › **Tax-free bonds as the next step for taxable accounts.** For high-bracket clients holding mostly cash and mortgage bonds (RMBS), high-quality municipal bonds are the logical next addition if rates tick back up. Focus on safe, essential-service issuers, not reaching for yield.

## THREE CURRENTS

# What's Actually Moving

- 1. Scarcity moved into memory.** Apple's price capitulation confirms DRAM and NAND are now data-center-priced inputs. The owners of supply and the tools behind it (SNDK, LRCX, TSM) capture it; the buyers (AAPL) pay it.
- 2. The inflation impulse is draining.** Hormuz reopening and returning barrels turn the spring's energy spike into disinflation, lowering the cost of capital for the build-out rather than threatening it.
- 3. Compute is going physical.** Devices, robots, vehicles, and homes are each new demand vectors for compute, power, interconnect, and sensors, the exact stack the portfolio is built around.

## POSITIONING · JUNE 23, 2026

The week's through-line: the scarce input has shifted from chips broadly to memory specifically, the macro tailwind has shifted from feared inflation to realized disinflation, and compute is leaving the data center for the physical world. The book is built for exactly this: memory and its enablers (SNDK, LRCX, TSM, NVDA), optics owned at the higher-margin layer (LITE, with COHR as complement), power and interconnect (VRT, GEV, PWR, VST, APH) downstream of committed capex, embodied-AI optionality (AXON), and the hyperscalers (MSFT, GOOGL, AMZN, META) as the built-in hedge.

## PORTFOLIO IMPLICATIONS

## Current Exposures

- › **LRCX** Upstream deep-etch enabler; ~40% recurring service revenue on installed base; biggest Taiwan footprint to replicate onshore. Capex read: inevitable.
- › **SNDK** Direct NAND beneficiary of the memory re-rating; longer supply tail plus price increases; trim discipline still applies after the run.
- › **TSM / NVDA** The toll road and the compute standard; memory tightness and physical-AI endpoints both route back through them.
- › **LITE** Held as the higher-margin laser/component bottleneck; +90% revenue, margin inflection; COHR is a complement, not a replacement.
- › **VRT / GEV / PWR / VST / APH** Power, cooling, and interconnect downstream of a \$5T-plus capex cycle and a build-out now cheaper to finance.
- › **AXON** Embodied-AI and physical-data thesis; sensors feeding centralized compute.
- › **MSFT / GOOGL / AMZN / META** Owned as the built-in hedge if the capex cycle turns; supplier de-rating would coincide with hyperscaler free cash flow improvement.

## Where caution is warranted

- › Tech-volatility spike (Apollo VXN/VIX) signals a possible shakeout; respect sizing, do not reverse the thesis.
- › Memory-cost inflation is a double edge: bullish for suppliers, a margin and demand risk for hardware (a reason we avoid AAPL).

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