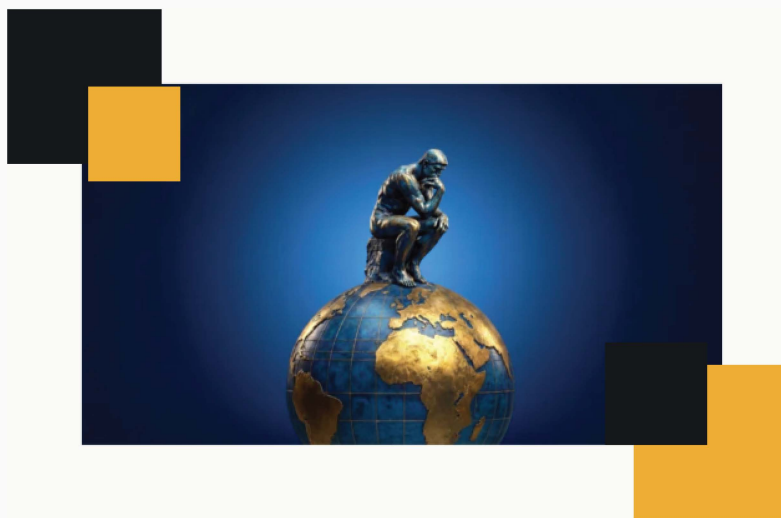


What in the World?!

Weekly takes on macro stories and market trends shaping the investment world

28 May 2026

Newsletter



The Market's Turkey Problem

Is this market more fragile than it appears?

A turkey is fed for a thousand days by a butcher; every day confirms to its staff of analysts that butchers love turkeys with increased statistical confidence.

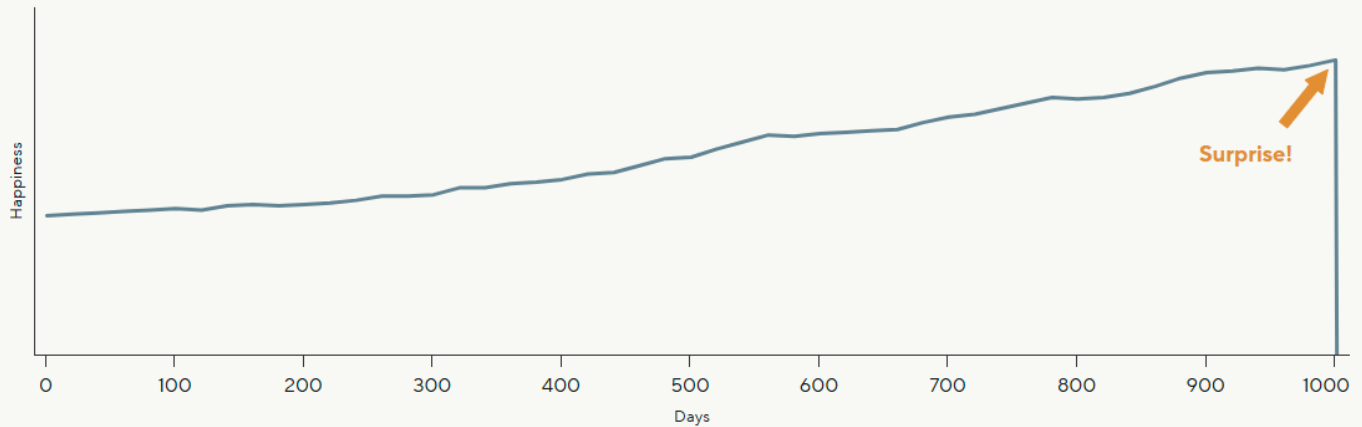
-Nassim Nicholas Taleb

Risk, schmisk. Who needs to think about risk when there are returns to be had? While risk management should always be top of mind, whether you're trying to accumulate wealth or grow it, if you've only been paying attention since, say April Fool's Day 2026, the "fool" was the one worried about risks. Maybe it's because it's baseball season, or maybe it's because Allbirds is no longer a failed shoe company but rather a "winning" AI one. Or maybe it's because, as friend of the firm Paul Kedrosky, Ph.D., recently pointed out, too much ChatGPT is like driving drunk! Regardless of the reason, today's lesson is about confidence, and even though it's not November, we'll be looking at risk through the eyes of a turkey. It tends to be the case that during periods of maximum market confidence this often brings periods of maximum vulnerability. In the current cycle, investors have been rewarded for ignoring just about every piece of negative news, from energy shocks, tariffs, wars, or just about any other disruption you can think of, they've all been met with new all-time highs in equity markets.

Because of this, the behavior of "buying the dip" has continually been reinforced. However, in our view, investors may be showing the same false confidence as Nassim Nicholas Taleb's proverbial turkey before Thanksgiving: each uneventful day reinforces the belief that all is well... until suddenly it isn't. The longer nothing breaks, the more complacency continues to build. Today's market strength may therefore be concealing, rather than easing, a growing buildup of risk.

Surprise

Time vs. happiness of a turkey from birth until Thanksgiving



Source: GQG Partners LLC (chart). Taleb, Nassim Nicholas. "The Black Swan: The Impact of the Highly Improbable." Penguin Books. 2008 (data).

To us, one of the clearest examples of that hidden risk is the shift in AI spending from internally funded investment to debt-funded expansion. Even the largest and most profitable technology companies are spending at a scale that free cash flow alone can no longer support, as evidenced by a general decline in free cash flow yields across many tech behemoths.

As these companies increasingly embrace Homer Simpson's "Hey big spender, buy this blender" mindset, except in tech land it's GPUs rather than blenders, they're now becoming more and more of a dominant force in the investment-grade bond market, something we have never really seen before. And maybe one day, given the torrid pace of spending, they may even become a major presence in the high yield bond market too!

This ultimately matters because the more debt one adds into the system, the more one increases the fragility of that system: it raises the system's dependence on flawless execution, timely commercialization, and stable financing conditions. These are difficult assumptions under any market cycle, because the universe, unlike the metaverse, is unpredictable. With data center delays, energy constraints, and supply chain problems already slowing projects, the gap between expectations and realized returns may widen, leaving markets vulnerable to a sharp repricing when the market's turkey day finally comes.

Until next time.

What We're Reading

Dear reader, if you have made it to the end, thank you. We encourage you not only to read our [Insights](#), but plenty of others as well. This week we are highlighting a book that's currently top of mind, and while it ties into this week's subject matter, this need not always be the case (how boring would that be?).

The obvious choice here is "The Black Swan" by Nassim Nicholas Taleb. We can squabble over whether this is his best book, but it's hard to argue that it's his most familiar book and thus most cited. The funny thing about the book though, is that it's often completely misunderstood. Black Swans are inherently unpredictable. That's precisely why we need tools and systems that lessen fragility and attempt to safeguard against them.

But as always, don't take our word for it, go to your favorite bookseller and find a copy of your own.

DEFINITIONS

Free Cash Flow (FCF) is the cash a company generates from its operations after paying for capital expenditures (maintenance and growth investments). It's the money left over that could be returned to shareholders, used to pay down debt, or reinvested. Many investors view FCF as a better indicator of financial health than reported earnings.

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