fundstrat

Evidence-based research.
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First to Market

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ONE KEY RISK FOR ANTHROPIC THAT DOESN'T INVOLVE ROGUE AI



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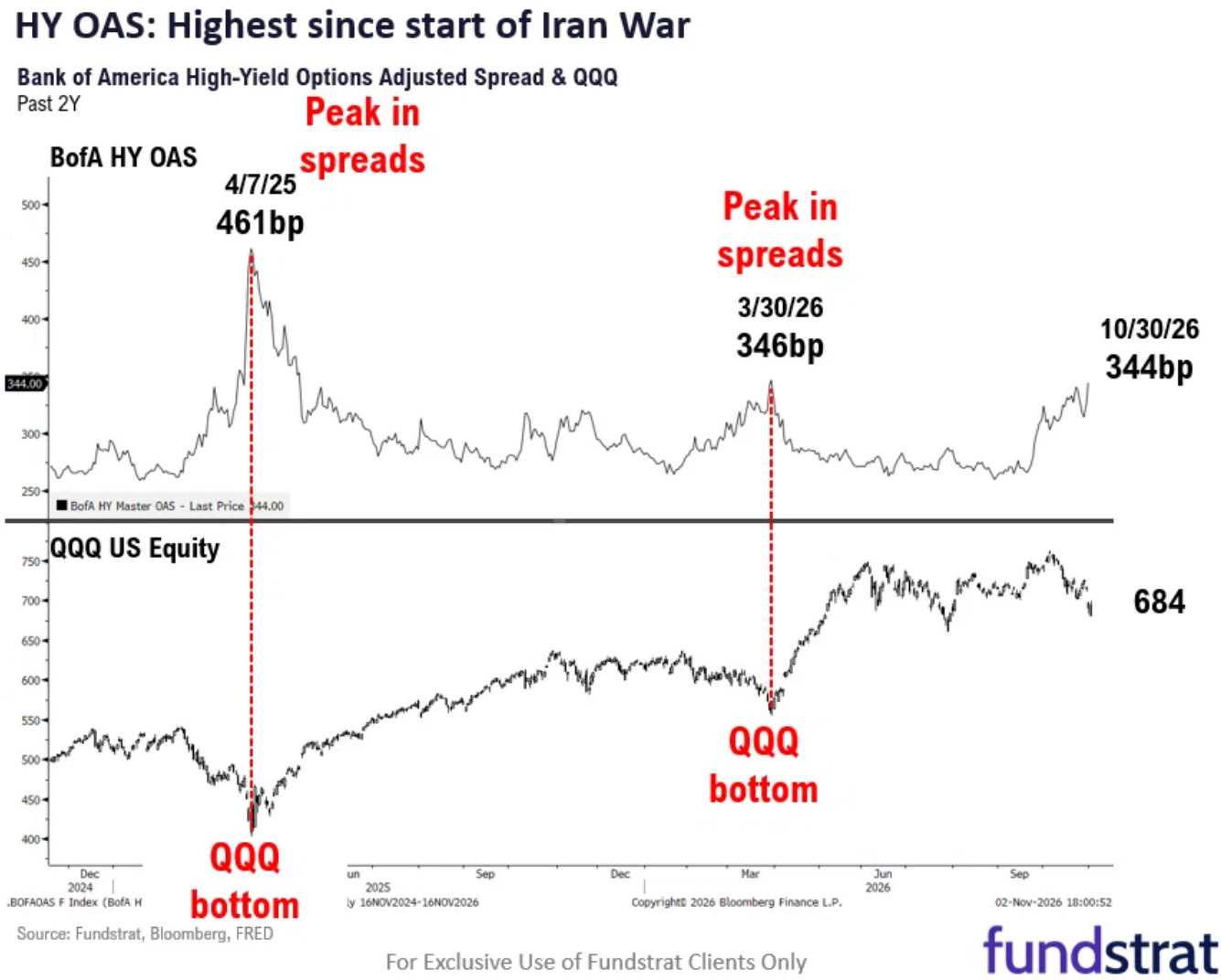
Chart of the Day



Good morning!

Anthropic's S-1 outlining the end of humanity as a risk to prospective shareholders has rightly received a lot of attention, but there's another more realistic risk that investors should focus on.

And that risk is energy constraints.

Anthropic requires compute—a lot of it—to develop, train, improve, and deploy its models. Its compute and infrastructure expenses rose to $8.495 billion in the six months ended June 30, 2026, up from $2.334 billion noted during the six months ended June 30, 2025.

If that number scares you, just wait until you see how much more it's promised to spend on it. Anthropic disclosed $265.6 billion in future purchase commitments, with terms ranging from 1-20 years and a good chunk of it being noncancelable. It has also entered into lease agreements primarily related to compute and infrastructure capacity that have not yet commenced in the amounts of $50.2 billion and $321.4 billion, respectively. The lease terms will range from 1-20 years, as well.

Massive compute spend means massive power needs, which becomes essential for Anthropic if it wants to maintain its lead in the technological frontier. "The availability, pricing, and lead times for compute are affected by the supply of advanced chips and other IT equipment, the availability of sufficient electrical power and the infrastructure required to generate and deliver it, and the capacity of data center infrastructure," it said. "Each of these inputs faces significant constraints that may limit our ability to secure the compute we need."

In essence, the Anthropic management recognizes there's already an energy crisis, and that it poses a key risk.

Exacerbated by the war in Iran, gasoline prices have surged to near records and diesel prices are at records. Natural gas has been much more stable, which is helping cancel out some of the increases in electricity prices. With a share of over 40%, natural gas is currently the biggest source of electricity for data centers in the United States, according to the International Energy Agency. But because electricity prices are set by a variety of complicated factors, such as aging or damaged equipment or regulatory slowdowns, increases there aren't really going away.

Moreover, because AI adoption is expected to increase, demand for power is only expected to go higher, which is concerning because it seems like the grid can barely keep up with the current AI heavy workload. That's another challenge that Anthropic is cognizant of: "As data center operators increasingly rely on natural gas-fired generation, and because behind-the-meter and on-site arrangements are feasible only in some jurisdictions given the applicable regulatory frameworks, we expect increased competition among users for the same natural gas supply and pipeline capacity in those areas. This competition could drive up the price of natural gas in such areas and may adversely affect our ability to contract for firm fuel supply and

transportation and to secure the pipeline connections and laterals our facilities require."

Arguably, for investors, this means that shares of companies that make generators, cooling systems, and transmission components, along with utilities providers and oil and natural-gas producers could be attractive options.

- The S&P 500's energy sector has added 56.62% this year, the best performance among the index's 11 sectors. Stocks in the sector trade at 13.6 times expected earnings over the next 12 months, well below the S&P 500's multiple of 18.4. Oil major Exxon Mobil $XOM has been a top performer, with shares up 58.72%. As it's becoming clear that the global energy order has broken down, it's possible that an era of higher energy prices is here to stay.
- The utilities sector has added 1.67% and also looks relatively cheap, trading at 16.6 times forward earnings. Electric utility provider NextEra Energy $NEE has been a top performer, with shares up 6.65%. The sector's been hurt this year because of rising bond yields reducing the appeal of its 2.8% dividend yield and much of the AI-driven gains were in 2024, when the sector rose 19.5% (price return). Anthropic's IPO may mark a U-turn for that dull sector.
- The industrials sector has added 7.89% but is the most expensive of the three, at 22.6 times forward earnings. Power equipment maker GE Vernova $GEV has been a top performer, with shares up 31.58%. Grid and power names have done well, but because so much of the sector is now considered to be a proxy for the AI buildout, any missteps there could weigh on the entire segment.

I remain worried about all the cybersecurity and humanity risks posed by AI agents running amok, but my focus remains on how this AI mania will be powered. That's going to be a bigger hurdle to cross.

Share your thoughts

How worried are you about the growing power demands of Anthropic and other AI companies? Click here to send us your response.

✍Here's what a reader commented ✍

Q: What was your take on Apple's earnings report?

A: Apple is growing revenue and profits while margins are declining because of the DRAM shortages. Instead of huge investments into massive data centers which would force their customers to take risks with the cloud, they have focused on deeply integrating useful, privacy-first intelligence into their products. In this day and age Altman's words ring hollow. Security and privacy will win over price alone and Apple's customers will stay loyal as well.

Catch up with Fundstrat

We expect stocks to rally post-midterms, following the historical pattern. Moreover, the Nasdaq 100 entered correction territory yesterday and similar to the June sell-off, we expect a 15%-plus rally to soon ensue.

Technical

U.S. equities saw a much-needed bounce in technology on Election Day, though breadth turned negative as many of last week’s leaders pulled back, the opposite of Monday’s action. A short-term low looks to be in place and should lead to a bounce into next week, though November could prove trickier than many expect.

Crypto

The election is primarily a risk-clearing event, with the most likely outcome already substantially reflected in Polymarket pricing and some tactical upside for crypto if Republicans outperform those expectations. To us, the Quarterly Refunding Announcement is the more important macro catalyst.

News We're Following

Breaking News

- Democrats win control of Congress as voters rebuke Trump NYT

Markets and economy

- Stocks, bonds rally after US vote as dollar falls BBG
- AI data center stocks dip, renewables surge after Democrat sweep in US midterm elections REU
- Eurozone inflation rises to 4% in October FT

Business

- CVS will break off its namesake pharmacies WSJ
- Google extends voluntary buyout offers to employees in several countries REU
- Singapore Air becomes latest carrier affected by data breach BBG
- From Ponzi to Fonzi: the $20bn fraud scandal rocking Turkey FT

Politics/U.S.

- Progressives claim vindication in midterm bloodbath POL
- 'An earthquake': A Democratic rout stuns Texas NYT
- Trump says U.S. plans to cut off military aid to Israel by end of year WSJ

Overseas

- The blue tsunami sparks joy, hope and mockery in Europe POL
- Israel’s president accepts certified election results in a blow to Netanyahu's claim of vote fraud AP
- North Korea, on busiest missile-testing spree in years, rebuffs Trump diplomacy WSJ

Of Interest

- Collins Dictionary chooses 'mogging' as its 2026 word of the year AP

Overnight	
S&P Futures	+72 ▲ point(s) (+0.95% ▲)

overnight range:	-107 ▼ to +88 ▲ point(s)

APAC	
Nikkei	-1.42% ▼
Topix	-0.89% ▼
China SHCOMP	+2.16% ▲
Hang Seng	+1.67% ▲
Korea	+0.62% ▲
Singapore	-0.01% ▼
Australia	-0.59% ▼
India	+0.63% ▲
Taiwan	-0.83% ▼

Europe	
Stoxx 50	+1.55% ▲
Stoxx 600	+1.21% ▲
FTSE 100	+0.93% ▲
DAX	+1.30% ▲
CAC 40	+1.24% ▲
Italy	+2.02% ▲
IBEX	+2.31% ▲
Canada	-0.75% ▼
Mexico	+0.58% ▲
Brazil	-1.42% ▼

FX	

Dollar Index (DXY)	-0.45% ▼ to 101.41
EUR/USD	+0.49% ▲ to 1.1248
GBP/USD	+0.48% ▲ to 1.3480
USD/JPY	+0.15% ▲ to 158.45
USD/CNY	-0.04% ▼ to 6.6739
USD/CNH	-0.05% ▼ to 6.6734
USD/CHF	+0.42% ▲ to 0.8174
USD/CAD	+0.37% ▲ to 1.3959
AUD/USD	+0.62% ▲ to 0.7010

UST Term Structure

2Y-3M Spread narrowed	-1.3bps ▼ to 48.6bps
10Y-2Y Spread narrowed	-2.3bps ▼ to 30.7bps
30Y-10Y Spread widened	0.8bps to 36.6bps

USD HY OaS

All Sectors	-13.1bps ▼ to 364bps
All Sectors ex-Energy	-4.9bps ▼ 336bps
Cons Disc	-5.4bps ▼ to 650bps
Indu	-5.3bps ▼ to 267bps
Tech	-1.4bps ▼ to 209bps
Comm Srvcs	-3.3bps ▼ to 357bps
Materials	-3.1bps ▼ to 277bps
Energy	-2.7bps ▼ to 296bps
Fin Snr	-5.7bps ▼ to 210bps

Fin Sub	-4.7bps ▼ to 313bps
Cons Staples	-5.5bps ▼ to 462bps
Healthcare	-5.7bps ▼ to 363bps
Utes	-0.5bps ▼ to 228bps *

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
11/4	8:30 AM	Sep Trade Balance	-107.9	-105.572
11/4	9:45 AM	Oct F S&P Srvcs PMI	57.9	57.9
11/4	10:00 AM	Oct ISM Srvcs PMI	54.8	54.9
11/5	8:30 AM	3Q P Nonfarm Productivity	2.7	1.4
11/5	8:30 AM	3Q P Unit Labor Costs	0.5	1.2
11/6	8:30 AM	Oct AHE m/m	0.3	0.1
11/6	8:30 AM	Oct Unemployment Rate	4.2	4.2
11/6	8:30 AM	Oct Non-farm Payrolls	65	29
11/6	10:00 AM	Nov P UMich 1yr Inf Exp	4.7	4.7
11/6	10:00 AM	Nov P UMich Sentiment	48	48
11/9	11:00 AM	Oct NYFed 1yr Inf Exp	n/a	3.9
11/10	6:00 AM	Oct Small Biz Optimisum	n/a	97.9
11/10	8:30 AM	Oct CPI m/m	0.3	0.6
11/10	8:30 AM	Oct Core CPI m/m	0.2	0.3

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