Behind The Meter Solutions: The Gas Powering AI

As the building of AI and cloud data centers expands rapidly, the demand for energy to power these data centers grows. The problem, however, is that the existing power grid can?t keep up with the rapidly increasing demand. Furthermore, improving and expanding the power grid takes longer than building data centers. Consequently, data centers are being forced to bridge the gap between the current limitations of the electrical grid and their burgeoning energy requirements. An innovative answer called Behind the Meter solutions is one crucial way they are bridging that gap. We will have a lot more to say on this topic in a two-part blog post coming on Wednesday, but we wanted to provide a brief overview of Behind the Meter solutions in this Commentary.

As background, natural gas is inexpensive and abundant. While nuclear and renewables may play a more significant role in electricity generation in the future, natural gas is the best source to bridge the gap today. Behind the Meter is the process by which data centers connect directly to natural gas pipelines and, with the assistance of on-site power plants, convert the natural gas into electricity, thereby bypassing the traditional power grid. Behind the Meter solutions improve the reliability of electricity, can lower costs, and require much less time to build. Our upcoming blog on Behind the Meter solutions will delve further into the costs and benefits, as well as the potential industries and companies that may benefit from it.

The picture below shows a power plant turbine, a key component that converts natural gas into electricity.

What To Watch Today

Earnings

Monday Jun 23	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
FactSet Research Systems FD		4.30	4.37		581.07M	552.7M	$16.31B	Q3	AM
Commercial Metals CMC:US		0.84	1.02		2.06B	2.08B	$4.8B	Q3	AM
Kb Home KBH:US		1.52	2.15		1.51B	1.71B	$3.85B	Q2	PM

Economy

Monday June 23 2025			Actual	Previous	Consensus	Forecast
02:00 AM	US	Fed Waller Speech				
08:45 AM	US	S&P Global Composite PMI Flash JUN		53		52.5
08:45 AM	US	S&P Global Manufacturing PMI Flash JUN		52	51.2	52
08:45 AM	US	S&P Global Services PMI Flash JUN		53.7	52.9	53
09:00 AM	US	Existing Home Sales MAY		4M	3.95M	3.9M
09:00 AM	US	Existing Home Sales MoM MAY		-0.5%	-1.3%	-2.5%
09:00 AM	US	Fed Bowman Speech				

Market Trading Update

Last week, we discussed that the bull rally continues despite all of the negative narratives lately, from tariffs to the deficit to the potential onset of WWIII.

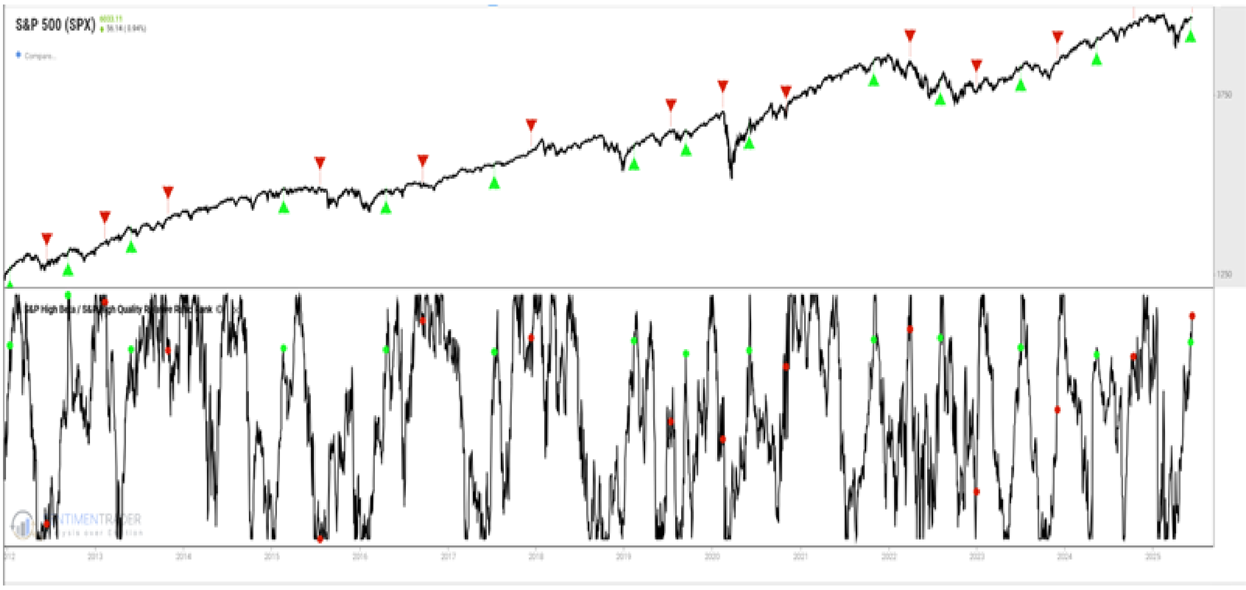
> *?The market?s bullish trend continued this week, and it is rapidly approaching all-time highs. However, an Israeli strike on Iran early Friday morning sent stocks tumbling at the open, but as of midday, as I am writing this report, most of the initial decline has fully recovered. We noted that a correction or consolidation process is needed to work off some short-term overbought conditions. But, as seen on Friday, any pullback is quickly bought by investors chasing the market in the near term.?*

The market continued to trade in a back-and-forth pattern this week as it consolidated recent gains. Negative news headlines from the ongoing ***Iran-Israel conflict*** continue to push and pull traders daily. Notably, the market held support at the 20-DMA, keeping the bullish trend intact. However, the market did break below the *?rising wedge?* pattern, increasing the potential for a further consolidation to work off the current overbought conditions.

While many bearish headlines remain, the market is back into&#2013266080;*?risk-on?*&#2013266080;territory. As noted, while retail investors have been chasing the recent rally with more risky option trading and leveraged ETFs, professionals have not. At the same time, other measures of risk-on behavior have also appeared, as noted by Sentimentrader.com this past week.

> *?Human nature never changes, especially regarding making and losing money. When the market falls, investors become more fearful and lose their risk appetite. This creates an opportunity for individuals who know what to look for.*

The S&P High Beta / S&P High Quality Relative Ratio Rank indicator shows where the ratio is relative to its range over the past four months. When the relative ratio is high, investors are showing risk-on behavior. When the ratio drops to a low level, they exhibit risk-off behavior. The chart below highlights those dates when the indicator dropped below five and then crossed above 75. ***The most recent signal occurred on 2025-06-09****.?*



As shown, when that risk-on signal is triggered, it generally leads to higher asset prices over the next few months.

Entry Date	1 Month Later [%]	2 Months Later [%]	3 Months Later [%]	4 Months Later [%]	5 Months Later [%]	6 Months Later [%]	1 Year Later [%]
2012-01-11	3.88	8.01	7.36	4.71	2.45	3.27	13.79
2012-09-07	1.25	-4.2	-1.35	2.38	5.5	8.11	17.47
2013-05-30	-2.91	1.91	-1.18	2.26	6.51	8.97	16.27
2015-02-20	-0.28	-0.11	0.97	0.59	0.18	-3.53	-7.81
2016-04-20	-2.97	-0.91	3.36	4.02	1.75	1.77	12.05
2017-07-13	-0.27	1.99	4.39	5.59	8.67	13.06	14.44
2019-02-12	2.32	5.93	3.27	5.35	9.82	6.62	23.13
2019-09-16	-0.08	3.2	5.7	9.72	12.75	-15.64	13.45
2020-06-03	0.23	5.5	12.93	8.26	4.71	17.28	34.26
2021-10-28	1.28	4.28	-3.58	-6.31	0.13	-10.11	-15.13
2022-08-02	-3.33	-12.36	-5.36	-0.27	-6.15	0.68	10.04
2023-07-03	1.3	1.17	-3.75	-5.88	2.52	6.45	24.27
2024-05-13	3.82	7.85	4.08	7.17	11.37	14.94	13.32
2025-06-09							
Mean	0.3	1.7	2.1	2.9	4.6	4.0	13.0
Median	0.2	2.0	3.3	4.0	4.7	6.4	13.8
% Positive	54%	69%	62%	77%	92%	77%	85%
Avg Max Loss	-0.9	-2.4	-3.8	-3.8	-3.8	-4.4	-4.9
Avg Max Gain	2.1	3.1	4.3	4.8	6.0	8.7	16.7
Z-Score	-0.2	0.2	0.9	0.8	0.0	0.9	0.2

As Sentiment Trader concluded:

> ***?That said, it is always important to remember that no favorable indicator ? or combination of indicators -guarantees higher stock prices.*** *Nevertheless, from a ?weight of the evidence? perspective, the information above suggests* ***giving the bullish case the benefit of the doubt*** *unless and until price action provides us with a reason not to.?*

The bullish case remains intact, suggesting that investor portfolios should be weighted toward equity exposure. However, that does not mean there will not be short-term pullbacks or consolidations in the market. Those pullbacks or consolidated positions should be used to increase exposure in portfolios. As we concluded last week:

> *?Patience is a virtue in this type of environment, but it is a tough commodity to come by. Those who have it tend to succeed, those who don?t, don?t.?*

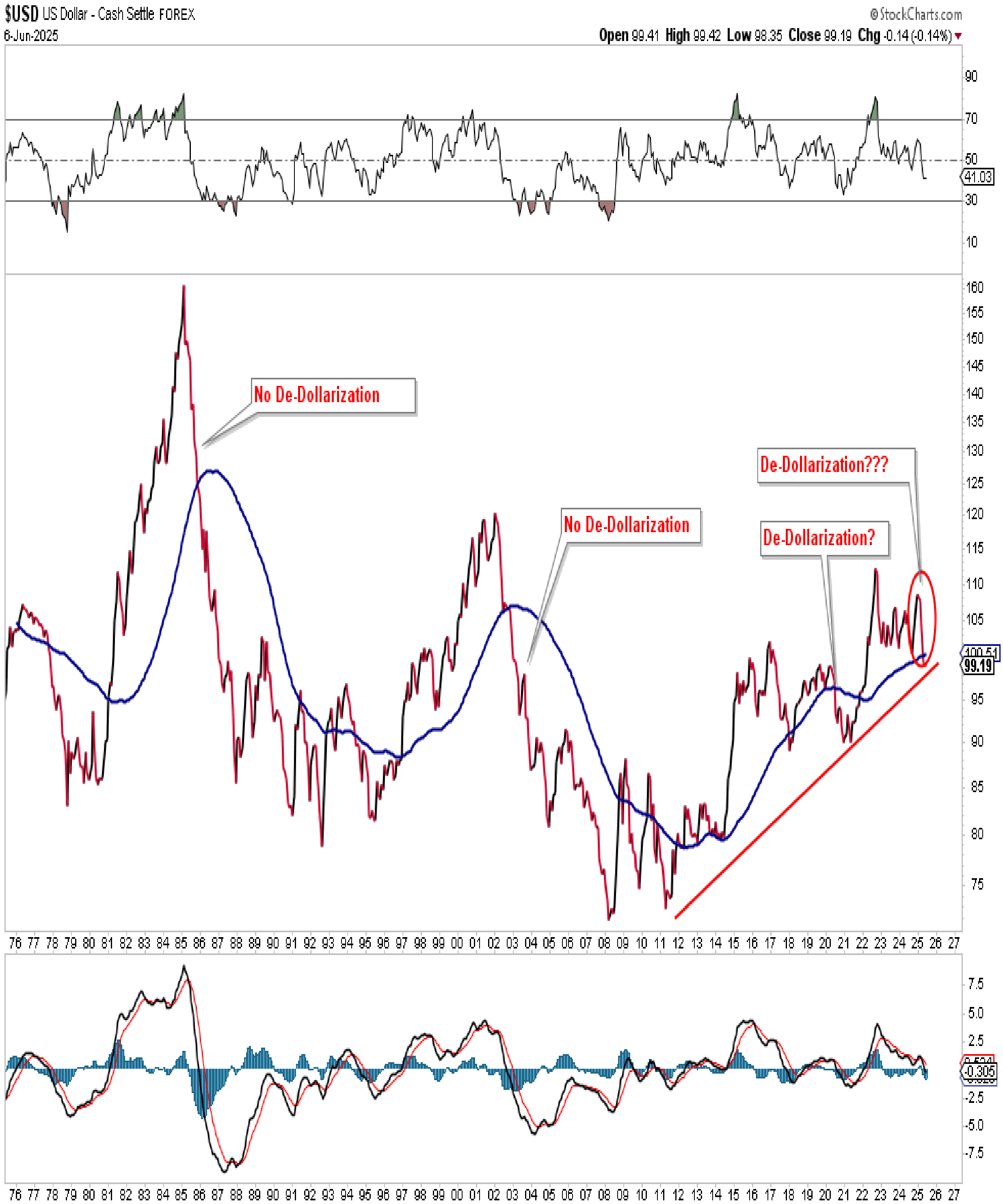
The Week Ahead

The only economic data of consequence will be the release of Friday?s PCE prices data. Current expectations are for a +0.1% increase in PCE and Core PCE prices. The Fed exits its media blackout with a large number of Fed members slated to speak this week. Of note will be Chairman Powell?s quarterly testimony to Congress on Tuesday and Wednesday. We suspect he will parrot much of what he discussed during last week?s FOMC press conference. The Republicans may ask some tough questions in support of Trump?s call for lower interest rates.

The second quarter ends next week. However, there may be some quarter-end rebalancing starting this week. Thus, we may see volatility increase later in the week.

The Dollar?s Death Is Greatly Exaggerated

The narrative surrounding the *?dollar?s death?* as the world?s reserve currency has been on the rise recently. However, this happens whenever the dollar declines relative to other currencies. We previously wrote about the false claims of the *?dollar?s death?* in 2023 *(see&#2013266080;here ,&#2013266080;here, and&#2013266080;here).* The recent decline in the dollar relative to other currencies is well within historical norms. Notably, previous declines were much larger without the *?fear-mongering?* from the *?experts of doom.?*



The *?dollar?s death?* frequently appears in financial discussions. Of course, that is often when geopolitical tensions, economic disruption, or market fluctuations are on the rise. Yes, there are valid concerns about the U.S. dollar?s long-term dominance. However, the notion that the dollar?s death is imminent, leading to a catastrophic economic collapse, is vastly overstated. The dollar remains the cornerstone of global finance due to structural, economic, and geopolitical factors unlikely to shift abruptly. Below, I outline five reasons why the dollar?s death narrative is exaggerated.

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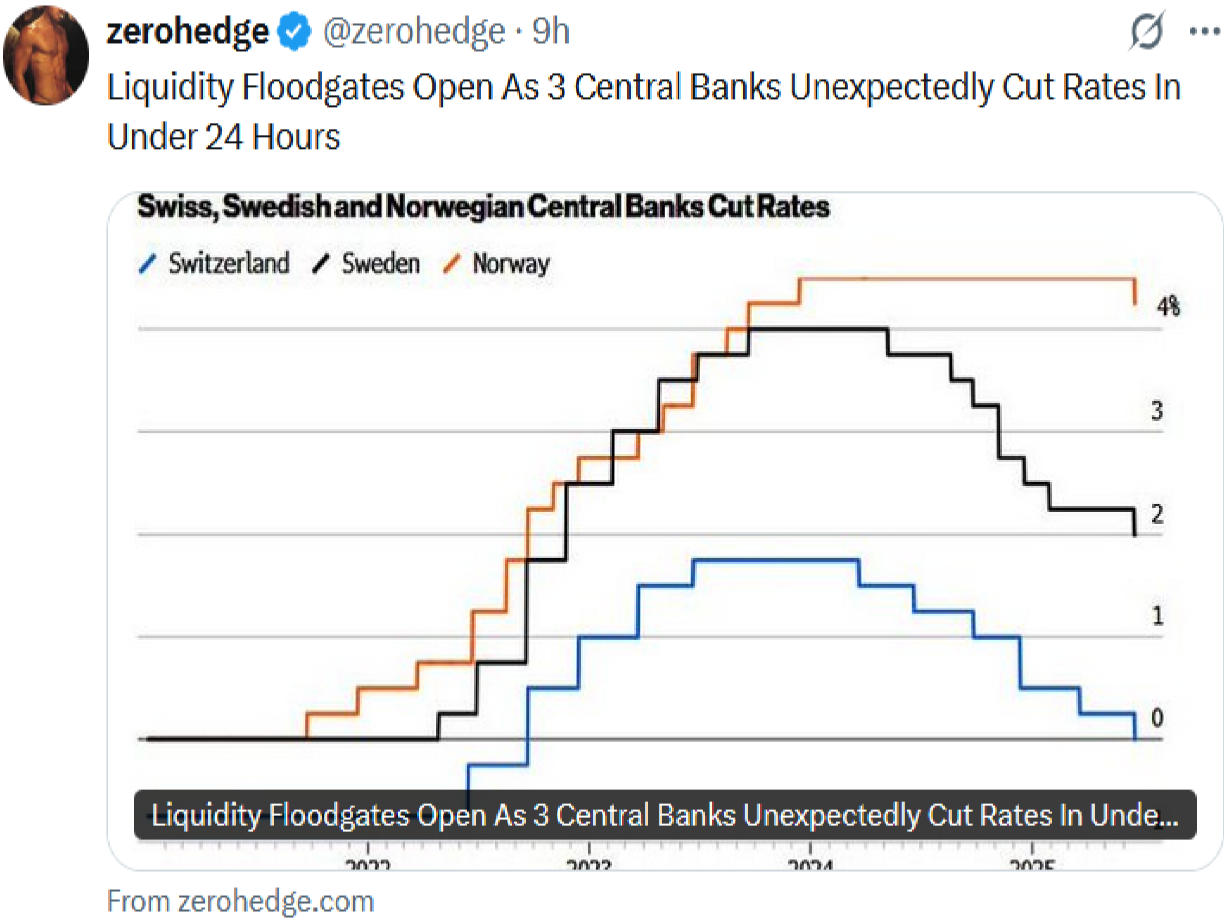

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