

MACRO OPS
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THE LONG PULL



RS Inflection: May 2026

By Brandon Beylo

Month DD, YYYY



This week, I dissect the May 2026 RS *Inflection Report* to identify today's market inflection leaders, as well as spot potential future RS Composite leaders.

At the end of each month, I present the top five Industry Thematics based on the **RS Inflection Screener results**. Then, I share the best charts / actionable setups across the top three themes for collective research.

The goal is simple. I want to say:

Here are the strongest thematics over the past 1-3 months; maybe they'll become the next Relative Strength leaders, and here are the best setups within those thematics.

I improved these Trifecta Lens Pulse Reports last December and shared my logic on the changes [here](#). I've since added another layer: LLMs (Claude/Perplexity). The result is a more informed RS Inflection Report based on the actual screeners I run each month to identify RS Inflection trade ideas.

Here's a quick portfolio update before we dive in (as of 06/03 close):

- **June 2026 (to-date):** +2.26%
- **Q2 2026 (to-date):** +6.72%
- **YTD 2026 (to-date):** +48.11%

We're still in an 8.54% drawdown from our YTD highs of 61% in mid-May. But all we can control is the next trade and taking A+ Trifecta Lens setups.

Alright, let's get after it.

Top Ten RS Inflection Leaders Entering June

Here are the top ten industries and their trailing two-month rankings:

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Industry	May Rk	Mar %	Apr %	May %	Status
Software	1	1.3%	2.1%	11.1%	NEW to Top 10 ▲ +14
Semiconductors and Semiconductor Equipment	2	3.9%	6.2%	9.7%	Holdover —
Electrical Equipment	3	3.1%	5.4%	5.8%	Holdover ▲ +2
Electronic Equipment Instruments and Components	4	2%	3%	5.8%	Holdover ▲ +6
Biotechnology	5	0%	0%	4.9%	NEW to Top 10
Capital Markets	6	5%	6%	3.9%	Holdover ▼ -3
Metals and Mining	7	4.4%	7.7%	3.9%	Holdover ▼ -6
Aerospace and Defense	8	4.1%	1%	3.1%	NEW to Top 10 ▲ +25
Hotels Restaurants and Leisure	9	4.1%	3.9%	2.8%	Holdover ▼ -2
Construction and Engineering	10	3%	3.1%	2.6%	Holdover ▼ -1

A few things stand out:

1. **Software is the clear leader** heading into summer, jumping fourteen spots and representing 11% of the RS Inflection screener results.
2. **Semiconductors hold steady** as the second-highest RS Inflection leader (leaders lead).
3. **Electrical and Electronic Equipment gained two and six spots**, respectively, feeding the AI/data center narrative.
4. **Biotech is the biggest change signal MoM**, going from nonexistent in April to Top Five in May (an insane relative-strength signal).
5. **Aerospace and Defense jumped 25 spots** MoM to get back inside the Top 10.

This is why we've been shifting our book over the past month into more healthcare/biotech, software, and defense names.

Industry Breadth has also turned more concentrated over the prior month (see below).

Industry Breadth / Concentration

Share of the screener held by the Top 5 and Top 10 industries across the trailing three months (March 2026 → April 2026 → May 2026). Rising concentration = fewer industries dominating; falling = broadening participation. Change column reflects April 2026 → May 2026.

Concentration	Mar	Apr	May	Δ (Apr→May)
Top 5 industries	33.5%	31%	37.4%	▲ +6.4pp
Top 10 industries	53.3%	48.5%	53.7%	▲ +5.2pp

Rising/Fading Industries

Software and biotech led in MoM percentage change, as reflected in their respective ranks on the Industry Top Ten list (see below)

Rising Industries

Industry	April 2026 %	May 2026 %	Change	Magnitude
Software	2.1%	11.1%	▲ +9.07pp	Strong
Biotechnology	0%	4.9%	▲ +4.92pp	Strong
Semiconductors and Semiconductor Equipment	6.2%	9.7%	▲ +3.52pp	Strong
Electronic Equipment Instruments and Components	3%	5.8%	▲ +2.86pp	Strong
IT Services	0.4%	2.6%	▲ +2.2pp	Strong
Aerospace and Defense	1%	3.1%	▲ +2.08pp	Strong
Diversified Telecommunication Services	0%	1.4%	▲ +1.42pp	Moderate
Life Sciences Tools and Services	0.8%	2.1%	▲ +1.3pp	Moderate
Technology Hardware Storage and Peripherals	1%	2.2%	▲ +1.17pp	Moderate
Hotel and Resort REITs	0%	0.8%	▲ +0.78pp	Moderate
Communications Equipment	1.7%	2.3%	▲ +0.66pp	Moderate
Machinery	1.3%	1.9%	▲ +0.65pp	Moderate

However, notice the other tech and biotech-adjacent categories gaining share this month: **IT services, Technology Hardware Storage & Peripherals, and Life Science Tools & Services.**

The top three industries that lost share MoM were Metals and Mining, Banks, and Capital Markets.

Fading Industries

Industry	April 2026 %	May 2026 %	Change	Magnitude
Metals and Mining	7.7%	3.9%	▼ -3.84pp	Strong
Banks	5.7%	1.9%	▼ -3.72pp	Strong
Capital Markets	6%	3.9%	▼ -2.17pp	Strong
Pharmaceuticals	4.2%	2.2%	▼ -2.05pp	Strong
Entertainment	2.4%	0.9%	▼ -1.54pp	Strong

Our Focus: Software, Biotech/Healthcare, and Aerospace Defense

My biggest takeaway from the report is that we should focus on three industry thematics:

1. Beaten-down software that won't die from AI.

We own PAYX and VRNS.

2. Biotech and healthcare as the “new” AI trade.

We own GEHC, TFX, ILMN, and XBI.

3. Aerospace and Defense as RS Composite leaders emerge from short-term relative weakness.

We're currently shopping for defense names breaking out of short-term pullbacks, like Invisio AB (IVSO) and Theon International (THEON).

Let's dive deeper into the top three Industry Thematics this month.

Software: Does anyone remember Digital Turbine (APPS)?

Here are the top 10 strongest stocks in the software thematic (see below).

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P/N	Ticker / Name	3M RS	1Y RS	Mkt Cap	Comp RS	Status
N	BRAI — Braiin Limited	98.0	N/A	\$2.6B	98.3	New entrant
N	HUT — Hut 8 Corp.	96.0	98.0	\$14.1B	95.6	New entrant
N	KEEL — Keel Infrastructure Corp.	97.0	97.0	\$3.4B	93.0	New entrant
P	NBIS — Nebius Group N.V.	97.0	97.0	\$59.2B	92.4	Persistent
P	BB — BlackBerry Limited	98.0	81.0	\$5.3B	90.6	Persistent
N	APPS — Digital Turbine Inc.	94.0	74.0	\$1.1B	90.2	New entrant
N	RIOT — Riot Platforms Inc.	87.0	90.0	\$10.3B	87.8	New entrant
N	BITTI — Bittium Oyj	85.0	97.0	\$1.6B	87.4	New entrant
N	DDOG — Datadog Inc.	95.0	79.0	\$88.0B	87.2	New entrant
P	WULF — TeraWulf Inc.	84.0	98.0	\$12.7B	86.2	Persistent

Most of these names involve crypto, data centers, or both. We own BB, and it's worked for us. But we're constantly looking for the next inflection trade within a leading thematic.

That brings us to Digital Turbine (APPS). Check out the weekly chart below.



TradingView

APPS was a Value Investor’s Hotel around 2020-2021 (funny how price sometimes drives the narrative).

I know nothing about the stock besides Scott Miller’s initial pitch a few years ago. However, a cursory look at their latest earnings recap showed impressive top-and-bottom line growth, and they mentioned AI (emphasis mine):

*“Fiscal 2026 saw **15% revenue growth and nearly 70% adjusted EBITDA growth**, with strong segment performance and operational leverage. Fiscal 2027 guidance calls for continued double-digit growth, **driven by AI**, platform expansion, and robust momentum in the brand business.”*

The long-term chart is left for dead, but it has outperformed nearly every stock over the past 1W - 3M.

	Current	Percentile Rank	
		vs. Global Information Technology	vs. Global
■ Price Change %			
Price Change % (1W)	29.79%		
Price Change % (1M)	135.60%		
Price Change % (3M)	106.92%		

Semiconductors: X-FAB Silicon Foundries (XFAB)

Semis remain one of the strongest thematics in markets. Honestly, we probably still don’t have enough exposure. Maybe we can change that this month. One way to do that would be to add XFAB.

Check out the monthly chart below.

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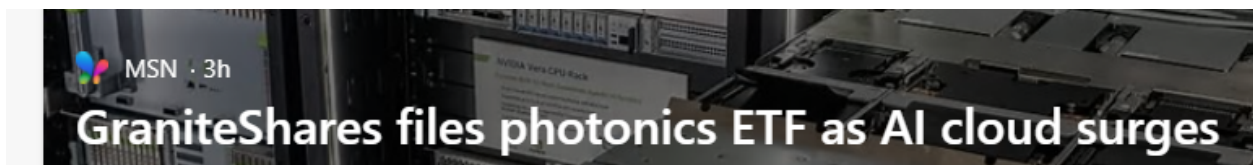


I know this sounds crazy, but the stock is *only* up 160% over the past three months. Which, in the semiconductor world, is about market average?

According to Koyfin, the company develops, produces, and sells analog/mixed-signal ICs, micro-electro-mechanical systems, and silicon photonics products for automotive, medical, industrial, communication, and consumer sectors in Europe, the United States, Asia, and internationally.

You only need to know one word from that description: **photonics**. Photonics could easily be the next “Bottleneck” trade.

Our friend Dean Christians sent me this screenshot showing the photonics craze.



Mike G noticed his watchlists were flooded with photonics plays (see below).



Mike Gyulai Yesterday at 12:40

Lots of momo in this space right now.
Many photonics names currently in my In Play universe

Screenshot 2026-06-02 at 9.41.44 AM.png ▼

POSITIONS		
AAOI	200.06	7.75%
COHR	421.99	16.28%
GLW	199.16	12.71%
INTC	107.97	-1.24%
LITE	1,020.99	12.82%
MU	1,036.61	0.11%
SATS	124.00	-2.68%
SNDK	1,734.39	-1.54%

And Dan (not sure if it was Dan E or Dan D) posted [this “Chokepoint” essay from AIBottlenecks.app](#).

It’s almost impossible to find a base breakout in the semiconductor space, which makes XFAB so exciting.

Finally, there’s a potential catalyst with the EU Chips Act 2.0. From TradingView (emphasis added):

Key policy directions include:

1. *Co-packaged optics (CPO/interconnect) for AI data centers, benefiting Sivers (SIVE).*
2. **Silicon photonics applications for high-bandwidth data center interconnects, benefiting X-FAB (XFAB).**
3. *Strengthening production technology capabilities for photonic integrated circuits, including co-packaging, heterogeneous integration, and material platforms.*

4. The strategic position of SOI wafers in the EU, with Soitec and Siltronic as participants.

Electrical Equipment: Renewable Energy Dominates

The main theme within Electrical Equipment is Renewable Energy/Energy at All Costs.

The top of the list is dominated by clean-energy hardware: Hylion (HYLN), ITM Power (ITM), Ballard Power (BLDP), 2G Energy (2GB), and Electrovaya (ELVA). Vicor (VICR) and Shoals (SHLS) represent power management and solar BoS, respectively.

P/N	Ticker / Name	3M RS	1Y RS	Mkt Cap	Comp RS	Status
N	HYLN — Hylion Holdings Corp.	100.0	98.0	\$1.2B	98.8	New entrant
P	ITM — ITM Power Plc	100.0	98.0	\$1.8B	98.4	Persistent
P	BLDP — Ballard Power Systems Inc.	100.0	98.0	\$1.9B	98.0	Persistent
P	VICR — Vicor Corporation	96.0	99.0	\$15.3B	97.6	Persistent
N	FPS — Forgent Power Solutions Inc.	96.0	N/A	\$16.2B	96.7	New entrant
N	SHLS — Shoals Technologies Group Inc.	99.0	96.0	\$2.1B	96.0	New entrant
P	2GB — 2G Energy AG	97.0	91.0	\$1.4B	95.8	Persistent
N	NXT — Nextpower Inc.	94.0	95.0	\$23.5B	95.2	New entrant
N	ELVA — Electrovaya Inc.	95.0	97.0	\$577M	95.0	New entrant
N	MRN — Mersen S.A.	95.0	91.0	\$1.2B	94.6	New entrant

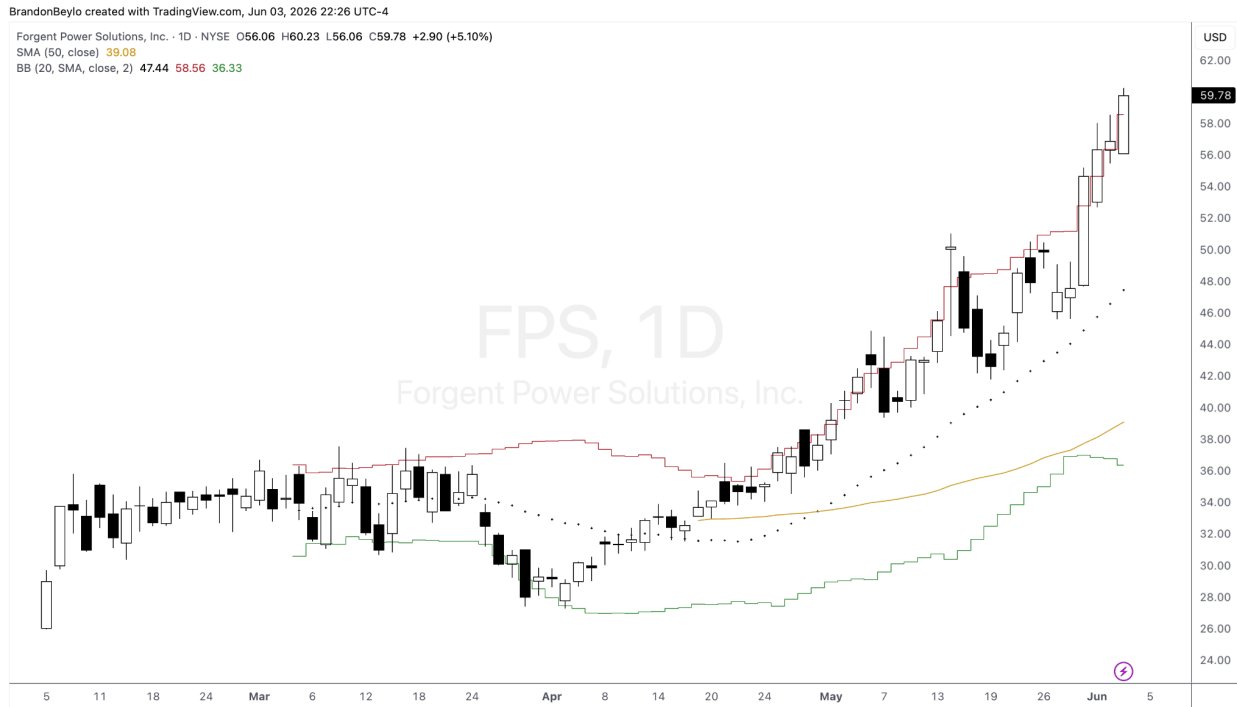
Forgent Power Solutions (FPS) is the most interesting name on this list.

According to Koyfin, the company designs and manufactures electrical distribution equipment used in data centers, the power grid, and energy-intensive industrial facilities.

The company's products include automatic transfer switches (ATS), gear eHouses, generator connection cabinets, low voltage switchgear, low voltage transformers, medium voltage switchgear, medium voltage VPI transformers, padmount transformers, panelboards, paralleling switchgear, PDU transformers, power distribution units, power skids, remote power panels, substation transformers, switchboards, tap boxes, and UPS eHouses.

It also provides maintenance, testing, repair, modernization, start-up commissioning, and aftermarket retrofit services.

Check out the daily chart below.



TradingView

I love this chart:

- IPO breakout in late April
- Pullbacks are quickly bought
- Price respects the midline

FPS has increased revenue from ~\$250M in 2024 to \$1.2B today with 34% gross margins and 14% EBITDA margins. Yes, it's expensive. But remember, that stuff doesn't matter in these markets. Don't cloud your judgment with things like cash flow multiples and "shareholder yields." These merely get in the way of Greater Profits :).

That's all I got for this week! I hope you enjoy.

Stay frosty.