THE TWO LEOS AND THE NEW WORLD

The month of May confirmed a trend that has been accelerating for more than a year: the main driver of the world's stock exchanges continues to be artificial intelligence (AI). The S&P 500 gained 5.15% for the month, while the Nasdaq 100 gained 10.5%. Even more significant were the movements recorded in some stocks directly related to the development of the infrastructure necessary for the spread of AI. Dell Technologies recorded a 101% increase in May alone (with a +34% on Friday) and 234% since the beginning of the year. Cisco Systems gained 31% in the month and 56% since January. Micron Technology posted an impressive +88% in the month and over 240% since the beginning of the year. This is not a random phenomenon.

The best results do not only concern large developers of language models or software producers, but above all companies engaged in building the infrastructure necessary to support the expansion of artificial intelligence: servers, networks, data centers, cooling systems, memory and computing capacity. It is a sign that the market is entering a new phase.

In the last two years, the focus has been on hyperscalers and large technology platforms. Today, investors are starting to look at the entire industrial structure that needs to be built to enable the spread of AI in the real economy. To understand what is happening, the comparison with the dot-com bubble is useful but insufficient.

In the early 2000s, investors believed that the internet would transform the world. They were right. The mistake was to anticipate the times too much and to completely ignore the profitability of the companies involved. It was enough for a company to be associated with the word "internet" to obtain extraordinary valuations. The revolution really came, but not in the time expected by the markets. For the change to infect the masses, it was necessary to wait for the arrival of a small piece of hardware: the smartphone. It was Apple's intuition that put a computer in the

hands of billions of people and definitively transformed the digital economy.

After the bubble burst, the world also entered a long phase characterized by deflationary pressures. Digitization made it possible to increase productivity without requiring huge physical investments. Marginal costs tended toward zero, and software could be replicated indefinitely. Bill Gates often observed that productivity improvements were evident in daily life, but difficult to measure in official statistics.

Today the context is different. Companies that are leading the AI revolution generate real and often extraordinary profits. The latest quarterly reports have confirmed this unequivocally. However, just as the market celebrates these achievements, a new phase of technological development is emerging: we are no longer in the economics of zero-marginal cost software, but in the economics of intelligent agents that require a new global industrial infrastructure. If the internet made information available to people, AI aims to create systems that act directly on economic reality.

It is this shift from software to agents that explains the need for increasingly massive investments in infrastructure, energy and computing capacity. For this reason, the most useful comparison is not only with dot-coms, but also with the second industrial revolution of the late nineteenth century (1870-1914).

Electrification, railway expansion, the internal combustion engine, the mass production introduced by Henry Ford and the construction of the great modern infrastructures overlapped during that period. Huge investments were needed in steel, coal, oil, railways, bridges and roads.

The entrepreneurs and capitalists of the time reasoned on horizons of decades and accepted very long amortization times. The era of globalization following the fall of the Berlin Wall, on the other hand, has accustomed us to relatively light investments, characterized by quick returns and business models in which cash flow was often sufficient to finance growth without resorting excessively to debt. Artificial intelligence is bringing the world back to a different logic. We are entering an era that combines the speed of the digital revolution with the capital intensity typical of major industrial transformations. To interpret the present

correctly, it is therefore necessary to use two keys of interpretation at the same time: that of the internet revolution and that of the second industrial revolution. The implications are not only economic.

At the end of the nineteenth century and the beginning of the twentieth century, industrial transformation changed the world's geopolitical balance. England, the protagonist of the first industrial revolution and home of the pound sterling as a global currency, gradually began to give way to the United States. Today, the US remains the leading technological power, and the dollar retains its role as the international reference currency. However, in the new context, a systemic competitor has emerged: China.

Through long-term industrial planning, Beijing has built complete production chains, advanced infrastructure, and growing technological capacity. In the field of artificial intelligence, the gap with the United States is also progressively narrowing. China continues to buy Western technology when needed, but at the same time invests massively to develop autonomous capabilities.

As happened over a century ago, technological transformation is also producing a social and cultural reflection. AI promises huge productivity gains but raises questions about the future of work, the concentration of economic power, and the relationship between man and machine. At the end of the nineteenth century, the industrial revolution generated new social tensions. On the one hand, socialist and revolutionary movements were born; on the other hand, in 1891, Pope Leo XIII's encyclical *Rerum Novarum* proposed an alternative path based on the dignity of work and on a social conception of capitalism: the market is lawful, exploitation is not.

Today the debate is re-proposed in different forms and intensities but with the same painful continuity. It is no coincidence that on May 15, 2026, in 135. on the anniversary of *Rerum Novarum*, another pope, who chose to be called Leo XIV, signed his first encyclical, *Magnifica Humanitas*, dedicated to the care of the human person in the age of artificial intelligence. The choice of the date is not symbolic: it is programmatic and concerns two popes who bear the same name, 135 years apart from each other. Leo XIV does

not simply repeat his predecessor. He relaunches it.

The *Magnifica Humanitas* recognizes that technology is not the enemy of the person since "it is rooted in our history from the beginning, as a profoundly human fact, linked to man's autonomy and freedom", [1]but it poses the question that Leo XIII would have recognized immediately: who holds technological power, and towards what ends does it direct it? "The magnificent humanity created by God," writes Pope Prevost, "is today faced with a decisive choice: to raise a new tower of Babel or to build the city where God and humanity dwell together." The parallel is exact and deliberate. In 1891 Babel was the factory that consumed bodies. In 2026, Babel is the algorithm that reduces the person to a datum, to an optimization parameter, to a cost to be cut. The answer of both "Leos" is structurally identical: the technological revolution is admissible, even welcome, but only if the human person remains the end and does not become the means.

It is easy to understand why the first American Pope in the history of the Church does not please the president of the United States: it is precisely on these moral tensions that the great geopolitical controversies are grafted. The Trump administration is trying to preserve American leadership through a combination of technological superiority, military strength, and trade pressure. In this vision there is no room for the reflections of Pope Prevost.

However, recent events show that the new world order can no longer be shaped solely through coercive means. China has shown that it possesses not only economic strength but also growing diplomatic and strategic capacity. The financial markets have understood this and seem to be betting on the fact that Washington will end up favouring pragmatism over permanent confrontation. The impressive strength of the Nasdaq reflects not only the trust in artificial intelligence but also the expectation that, after the recent tensions, a logic of dialogue and stabilization will

[1] Leo XIV, *Magnifica Humanitas, signed on 15 May 2026, published on 25 May 2026, Libreria Editrice Vaticana, no. 4. The choice of date – 135. anniversary of Rerum Novarum - is explained in no. 3 of the document.*

prevail which, perhaps, the meeting with Xi Jinping on May 15 timidly sealed.

However, the bond market appears more cautious. Over the past few weeks, yields on ten-year *Treasuries* have been close to 4.7%, while 30-year yields have exceeded 5%, signalling concerns related to inflation, public debt and US fiscal sustainability. Only later did we see a partial return of tensions thanks to the skilful direction of Trump, who manages to keep the markets in suspense with the carrot and stick technique, implicitly recognizing that the only real judge of his actions is the bond market. This, in contrast to the stock market that looks to future growth, continues to monitor risks. The president knows that he cannot sustain ten-year rates above 5%, it is probably the threshold that will violently trigger the bond vigilantes.

In this context, Europe does not seem to have a say. The Eurostoxx50 gained about 3% for the month and 4.5% year-to-date. Switzerland, a traditional safe haven in times of greatest uncertainty, recorded an increase of close to 3% in the month (only +2% since the beginning of the year). Of course, Europe does not represent the center of the global technological revolution today, but it could become a fundamental element for the rebalancing of the international system: Chinese strategic ability is not enough. Without a stronger and more autonomous Europe, even the United States will find it difficult to move in a global order that will have to find a new stability.

On the commodity front, oil continues to be a decisive variable. A normalization of Middle Eastern tensions and a return, even partial, of Iran to international markets could exert downward pressure on energy prices[2]. In this scenario, inflationary pressures would diminish and there would be more room for a more accommodative monetary policy.

Gold has also shown some weakness in recent weeks, penalized by the strengthening of the dollar and a climate of greater optimism in the markets. The Ukrainian dossier remains open. The intensification of military operations could paradoxically appear compatible with the approach of negotiations, since historically

[2] *The UAE's exit from OPEC+ will also have an impact that should not be underestimated.*

many negotiations open precisely after a phase of *escalation* on the ground.

We are therefore facing a historic passage. The stock exchanges are celebrating the birth of a new technological era that in the short term could find a reference point in the listing of SpaceX on June 15th. But behind the record profits and the rises in the indices there is a much deeper transformation: a new industrial revolution that is redefining the economic, geopolitical and social balances of the twenty-first century. The summer could represent a pause for reflection for the markets, perhaps starting from the end of July. The long-term direction now seems to be mapped out. The stock markets are trying to interpret it with Trump commanding the narrative of power of artificial intelligence and the expectations of a new world in the making that Pope Pope Leo XIV welcomes, but only in the framework of a fundamental deepening as powerful as that of Pope Leo XIII was 135 years earlier.