

A Five-Year Market Outlook

Technology, Value Investing, and the Next Economic Cycle

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Introduction

From time to time, I like to step back from the day-to-day and consider the larger forces shaping our economy and markets. While no one possesses a crystal ball, understanding long-term structural trends can help investors make more thoughtful decisions and maintain focus on what matters most.

This letter outlines several themes I believe will meaningfully shape markets over the next five years. To help organize research and identify supporting sources, I used an artificial intelligence tool to assist in structuring information and locating citations. The perspectives and conclusions presented here are entirely my own — technology simply helped accelerate the process.

As with any forward-looking discussion, these views represent informed opinion rather than prediction. Markets will surprise us. Our job is to remain disciplined and adaptable when they do.

My Investment Lens: A Value-Focused Approach

My investment philosophy is grounded in value investing — not trend-chasing or speculation. I focus on companies that demonstrate durable business fundamentals built to last through full economic cycles.

In practice, that means looking for:

- Strong and consistent free cash flow
- Sustainable profit margins
- Measurable, durable sales growth
- Healthy balance sheets with adequate liquidity
- Financial metrics — such as the quick ratio — that signal operational resilience

The goal is to identify businesses capable of compounding value over time, not just capturing short-term momentum. While market movements in any given quarter are unpredictable, companies that consistently generate profits and cash flow tend to reward patient investors over the long run.

Skating to Where the Puck Is Going

A phrase often attributed to hockey legend Wayne Gretzky captures an enduring investment truth:

"Skate to where the puck is going, not where it has been."

Markets are in a constant state of evolution. Technologies emerge, industries transform, and consumer behavior shifts in ways that were difficult to predict just a decade earlier. The challenge for investors is not merely identifying what is popular today, but anticipating where the next meaningful phase of growth may develop.

Over the next five years, I believe one force above all others will reshape global markets: artificial intelligence — and more specifically, the emergence of autonomous, agentic AI systems.

The Rise of Agentic AI

We are entering a new phase of AI adoption often described as **agentic AI** — systems capable of performing complex tasks, managing multi-step workflows, and executing professional functions with increasing autonomy. This is a meaningful step beyond the chatbots and content-generation tools that introduced most people to AI.

The enterprise data tells a compelling story about how quickly this is unfolding. According to McKinsey's 2025 State of AI Global Survey, 88% of enterprises now report regular AI use in their organizations — indicating that AI has moved from experimental to operational for the vast majority of large companies.

The broader AI agents market reached \$5.4 billion in 2024 and is projected to expand to nearly \$200 billion by 2034 — a compound annual growth rate of approximately 44%.^[1] Gartner projects that by 2028, 33% of enterprise software applications will include agentic AI capabilities — up from less than 1% in 2024.^[2]

Across industries, organizations are creating dedicated roles responsible for AI integration, strategy development, and enterprise-wide deployment of automation tools. The conversation has shifted: it is no longer whether to deploy AI, but how quickly and effectively it can be embedded into core operations.

One practical insight shared by a technology executive recently stood out to me. After reaching a satisfying output from an AI system, ask one final question before moving on:

"What prompt would have produced this result from the beginning?"

That simple discipline can dramatically improve future productivity — and it illustrates the broader principle that getting the most from AI is a learned skill, not just a switch to flip.

A Faster Technology Adoption Curve

Technological adoption historically follows what economists describe as an S-curve: slow initial uptake, followed by rapid acceleration, and eventual saturation as a technology becomes ubiquitous.

The COVID-19 pandemic provided a recent, vivid illustration. Video conferencing platforms like Zoom had existed for years before 2020, building their user bases steadily. Then lockdowns arrived — and adoption that might have taken a decade happened in months. By mid-2020, Zoom was hosting over 300 million daily meeting participants, up from approximately 10 million at the end of 2019. Once widely adopted, growth naturally plateaued.

The lesson for investors: the most significant growth often occurs during the rapid acceleration phase — the steep middle of the S-curve — not at the beginning or the end. Identifying where we are in that curve for any given technology is one of the most valuable analytical exercises an investor can perform.

For AI, Deloitte estimates we are at the early stages of that acceleration phase. Their research suggests that 25% of companies using generative AI will launch agentic AI pilots in 2025, a figure expected to grow to 50% by 2027.

AI Infrastructure and Energy Demand

In recent years, investors have focused heavily on the industries supporting artificial intelligence infrastructure — data centers, semiconductor manufacturing, energy generation, and grid expansion. These areas have benefited substantially from the rapid growth in computing demand.

The numbers underscore the scale. Deloitte projects that power demand from U.S. AI data centers could grow more than thirtyfold by 2035, reaching 123 gigawatts — up from 4 gigawatts in 2024.

However, technology rarely stands still. New chip architectures and efficiency innovations are already emerging that may substantially reduce energy consumption and cooling requirements for future AI systems. Engineers at Stanford, Carnegie Mellon, MIT, and the University of Pennsylvania recently demonstrated a prototype 3D chip that outperformed comparable 2D chips by approximately four times in early hardware tests — with simulations suggesting up to twelve times improvement on real AI workloads.

Separately, researchers are developing materials and fabrication techniques that could reduce the energy per computation by orders of magnitude.

This does not eliminate opportunity in infrastructure sectors. But it reinforces an important discipline: continuously reassessing where the next phase of growth will occur rather than assuming today's winners will dominate indefinitely.

Workforce Transformation

Artificial intelligence is likely to significantly reshape the nature of work. McKinsey's 2025 research concludes that currently demonstrated technologies could theoretically automate activities accounting for approximately **57% of U.S. work hours** — though the firm is careful to emphasize this is the potential, not a prediction of imminent job losses.

The nuanced finding is more instructive: AI is more likely to transform how skills are used than to make most skills obsolete. McKinsey's analysis found that roughly 72% of skills in demand today appear in both automatable and non-automatable work. The future they describe is not "humans versus machines" — it is a partnership among people, AI agents, and robots, each doing what they do best.

Perhaps most telling: demand for AI fluency — the ability to work with and guide AI systems — has grown sevenfold since 2023, now appearing in job postings covering roughly 7 million U.S. workers. This skill shows up not just in technology roles, but in management, finance, marketing, and education. The economy is adjusting rapidly, and those who develop AI fluency early are likely to hold a meaningful competitive advantage.

History consistently validates the broader optimism. The calculator did not eliminate mathematicians — it freed them to solve more complex problems. AI is likely to follow a similar pattern: automating the routine, while amplifying human judgment, creativity, and relationship-building.

The Rise of Independent Professionals and Skilled Trades

One trend I expect to accelerate over the coming years is a renewed emphasis on independent professionals, skilled tradespeople, and boutique service businesses. Technology is lowering barriers to entry across many fields in ways that were simply not possible a generation ago.

Individuals can now launch and operate competitive businesses with access to tools, platforms, and systems that were previously the exclusive domain of large organizations. AI amplifies this further — a solo advisor, consultant, physician, or contractor operating with AI-augmented workflows can deliver services that once required entire teams.

Examples of this shift are already visible:

- Concierge and direct-pay medical practices
- Specialized professional services and niche consulting firms
- Independent financial advisors serving specific client communities
- Skilled trades and artisan businesses commanding premium pricing

In many respects, this mirrors earlier periods in American economic history — when independent trades and small enterprises formed the backbone of local communities. Technology is not replacing that model; in many ways, it is making it more viable than ever.

Shifting Consumer Preferences

As digital interactions become increasingly common — and as AI handles more routine tasks — many people are placing greater value on human connection, personal service, and authentic experiences. This is a natural counterbalance.

Businesses that prioritize genuine relationships, personal engagement, and community may find that demand for their services grows alongside the tide of automation, not in spite of it. This dynamic is already visible in hospitality, specialty retail, personalized healthcare, and experiential services of all kinds.

For investors, the implication is to look beyond the obvious technology plays. The companies that enable and benefit from this shift toward human-centric services — and those that deliver experiences technology cannot replicate — deserve a place in any thoughtful analysis of the next decade.

Housing and Multigenerational Living

Demographic and economic forces are reshaping American housing patterns in ways that deserve attention.

According to the National Association of Realtors' 2025 Home Buyers and Sellers Generational Trends Report, **17% of recent homebuyers — a record share — purchased multigenerational homes.** Among Gen X buyers, that figure rises to 21%.

The Pew Research Center reports that approximately 59.7 million Americans now live in multigenerational households — representing 18% of the U.S. population and roughly four times the number who did so in the 1970s.

The drivers are multifaceted: rising housing costs, aging parents requiring care, adult children facing affordability challenges, and a growing cultural openness to shared living arrangements. A striking 36% of multigenerational homebuyers in 2024 cited cost savings as their primary motivation.

If these trends continue — and the underlying economic and demographic pressures suggest they will — the implications touch housing development, consumer spending patterns, regional economic growth, and a range of businesses serving multigenerational families.

Health, Wellness, and Simplicity

Another meaningful cultural shift involves growing awareness around health and lifestyle choices. More Americans are actively prioritizing healthier food, consistent physical activity, and intentional approaches to how they live and spend their time.

This shift has already created measurable opportunity in food production, healthcare services, wellness technology, and lifestyle brands — and these trends tend to compound over decades rather than quarters. Markets often lag cultural shifts; investors who recognize them early are well-positioned.

There is also a broader simplicity movement underway — a desire among many households to consume more intentionally, reduce complexity, and focus on what genuinely matters to them. This has implications for financial planning as much as for consumer markets.

Portfolio Philosophy: "Steak and Potatoes with Some Spice"

Given these evolving themes, my portfolio philosophy can be summarized simply.

I build portfolios around a strong core of durable companies and well-diversified investments — what I often call the "steak and potatoes." These are the holdings designed to deliver steady, compounding value through full market cycles. Around that core, selective allocations to specific sectors or themes can provide additional exposure to the trends described in this letter — the "spice."

The goal is never to chase short-term movements, but to construct portfolios designed to pursue:

- Diversification across asset classes, sectors, and geographies
- Resilience through economic cycles
- Thoughtful exposure to where long-term growth is developing

One important note: a genuinely diversified portfolio will, by definition, behave differently than any single market index. Some positions will lag when the index surges; others will hold firm when the index falls. That divergence is not a flaw — it is the point. Our job is not to replicate an index; it is to build something that serves your specific goals and situation.

Final Thoughts

Technological change is accelerating, and the next five years may bring meaningful transformation across industries, labor markets, housing, and consumer behavior. That pace of change can feel unsettling — but it also creates genuine opportunity for investors willing to think carefully and act with discipline.

History consistently demonstrates that innovation drives productivity, new industries, and long-term economic growth. The Industrial Revolution, the rise of the internet, the smartphone era — each brought uncertainty and displacement, and each ultimately produced substantial wealth for investors who stayed the course.

Our job is not to predict every outcome. It is to remain thoughtful, maintain conviction in durable businesses, and adapt our perspective as the landscape evolves.

If you would like to review your current portfolio in light of these themes — or simply talk through any of these ideas — I would welcome the conversation.

Warmly,

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Important Disclosures

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Tim Lyons is an investment advisor representative affiliated with LPL Financial, a registered investment advisor and broker-dealer (member FINRA/SIPC). The views expressed herein are those of Tim Lyons and not necessarily those of LPL Financial.

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