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AI Stocks: Bubble or Super-Cycle?

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In early November, Artificial Intelligence (AI)-related equities collectively lost roughly $1 trillion in market capitalization, with the tech-heavy Nasdaq declining around 4%.[1] This sharp swing revived comparisons to the late-1990s Tech Bubble, and today's AI narrative indeed carries several familiar characteristics. A central concern is the scale of capital expenditures (CAPEX) anticipated across AI infrastructure, ranging from semiconductor fabrication plants to custom graphics processing unit (GPU) development to data centers, power generation, digital towers and beyond.[2] While some tech companies have largely relied on cash flows to fund AI-related CAPEX, the scale of needed investment is expected to require significant funding from credit markets as well.[3] The media often aggregates estimated multi-year spending commitments by the likes of Microsoft, Nvidia, Meta, Alphabet, Oracle, TSMC, Apple, and Tesla to suggest totals into the hundreds of billions of dollars.[4] Understandably, investors are concerned that the scale of investment may not deliver commensurate profit growth but instead could weigh on share prices over the long run.[5]

[1] Source: Financial Times, T. Bradshaw et al., "TechStocks Head for Worst Week Since April after $1 Trillion AI- Sell-Off," November 7, 2025.

[2] Source: Financial Times, E. Herbert et al., "US Tech Stocks Slide AS Traders Fret Over 'Froth' AI Valuations," November 18, 2025.

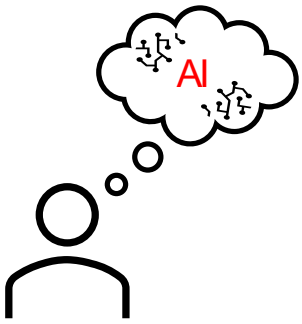
[3] Source: Reuters, D. Barbascian, "Jitters Over AI Spending Set To Grow as AI Tech Giants Flood the Bond Market," November 11, 2025. Estimated bond issuance related to AI capital investment this year includes: Meta $30 billion dollars, Alphabet $25 billion dollars, and Amazon $15 billion dollars.

[4] Source: Financial Times, E. Herbert et al., "US Tech Stocks Slide AS Traders Fret Over 'Froth' AI Valuations," November 18, 2025.

[5] Source: Reuters, D. Barbascian, "Jitters Over AI Spending Set To Grow as AI Tech Giants Flood the Bond Market," November 11, 2025.

Estimates for required investment in power generation, transmission, and digital communications are even larger, with some analysts projecting trillions of dollars in spending over the next decade.[6] Large sovereign investors, from Japan to the Gulf States to Saudi Arabia, have already pledged significant capital to support the US AI infrastructure boom.[7] These developments prompt a fundamental question: Are we witnessing an AI bubble, a multi-year super-cycle, or perhaps elements of both?[8]

Since the AI sell-off in early November 2025, market sentiment has oscillated between enthusiasm and skepticism. Despite strong earnings performance of AI-related stocks over the past year, bubble concerns have grown in proportion to the rise in share prices. But higher share prices seem to have also encouraged even more speculative froth in the space.[9]



Both bulls and bears appear to have pinned their expectations on the performance of AI chip designer Nvidia. Nvidia has become a bellwether for the AI stock market boom. In late November, Nvidia's third-quarter earnings and net revenue beat consensus.[10] The company's revenue was $57 billion in the third-quarter and are expected to reach $65 billion in the fourth-quarter this year. Net income also beat expectations. But shortly after the earnings beat was announced, Nvidia shares fell by as much as 3%.[11] Perhaps the share price gain of approximately 34% this year may warrant some defensive profit-taking.[12] Nonetheless, Nvidia continues to push the frontier of AI-chip design. Nvidia's next-generation GPU Blackwell chip is hitting the market now, and the next chip, GPU Vera Rubin, is on track to be on the market in 2026. After Nvidia shares fell, related semiconductor company shares fell in Asia.[13]

Perhaps too much focus has been on earnings and share valuations. The AI infrastructure boom is much more than just publicly traded companies.[14] The US government is clearly focused on continued strategic support for AI and the infrastructure it requires. Next-generation weapons, like aerial and underwater drones, will require AI computer power and satellites.[15] The CHIPS Act included considerable support for domestic production of next-generation semiconductors, including GPUs, needed for AI computing.[16] Data centers must be reconfigured and optimized to run AI workloads. Although the CHIPS Act provided only $54 billion in tax incentives and credits, it has resulted in over $1 trillion in announced capex for semiconductor manufacturing capacity in the US.[17]

[6] Source: Deloitte, M Stansbury, "Can US Infrastructure Keep Up With the AI Economy," July 24, 2025.

[7] Source: The Economist, "America's Bet on Industrial Policy Stands To Payoff for Semiconductors," January 9, 2025.

[8] A super-cycle typically refers to a period of economic expansion that lasts longer than a typical business cycle of three to five years. While a super-cycle is a general term, when present the rate of growth exceeds the normal underlying rate of growth and may last ten to twenty years. Examples include industrialization in nineteenth century England, the expansion of railroads across England, Europe, and North America, as well as the industrial and investment boom in China from 1980 through today.

[9] Source: Financial Times, E. Herbert et al., "US Tech Stocks Slide AS Traders Fret Over 'Froth' AI Valuations," November 18, 2025.

[10] Source: Financial Times, M. Acton et al., "Nvidia Shrugs off 'AI Bubble' Anxiety with Bumper Chip Demand," November 19, 2025.

[11] Source: Financial Times, R. Armstrong, "The Bear Case for 2026," November 20, 2025.

[12] Source: Financial Times, M. Acton et al., "Nvidia Shrugs off 'AI Bubble' Anxiety with Bumper Chip Demand," November 19, 2025.

[13] Source: Barrons, A. Clark et al., "Nvidia Stock Gives Back Gains After Earnings. Wall Street Still Has Questions About AI," November 20, 2025.

[14] Source: The Economist, "A Letter to Investors from the Whitehouse Opportunities Fund," October 29, 2025.

[15] Source: CSIS, K. Bondar, "Unleashing U.S. Military Drone Dominance: What the United States Can Learn from the War in Ukraine," July 18, 2025.

[16] Source: The Economist, "America's Bet on Industrial Policy Stands To Payoff for Semiconductors," January 9, 2025. Estimated commitments have risen from $400 billion to over $600 billion since the start of 2025.

[17] Source: McKinsey & Company, "Semiconductors Have A Big Opportunity – But Barriers to Scale Remain," April 21, 2025.

For more on AI infrastructure investment, big tech and big government, or our public markets research team's views on AI concentration, please visit the Thought Leadership section of our website or click the links here to learn more.

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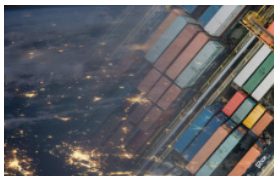

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