10th November 2026

# Why the AI bubble is not bursting, yet[1]

Warren Buffett often talked about the importance of reading and how he is in a reading competition. With AI now being able to read books in seconds this reading competition takes on a whole new shape. Equally, publishing research with the pursuit of understanding how things work no longer functions the way it used to, because in many cases it becomes irrelevant due to AI giving you all the information you need with the blink of an eye. The Trade Desk's Jeff Green recently published an article (here) on how the Open Internet (i.e. everything outside of the walled gardens of Big Tech/Magnificent 7) is more important than ever, because AI summarises the open internet without being subject to being directed by advertising money[2]. And this, I believe, is AI's true competitive edge, since the results are not influenced by (ad) money, but instead by quality. However, this could change with the IPO of Anthropic and OpenAI, as the companies will need to demonstrate how to generate profits. Last week's Midterm results – especially the wide margin Texas was won and the fear of 45% of planned US data centers getting blocked or delayed by Democrats[3], caused a heavy selloff in AI related names, which one could question as to whether the AI bubble has popped? I think it presents a buying opportunity, and here is why…

## AI as we know it today

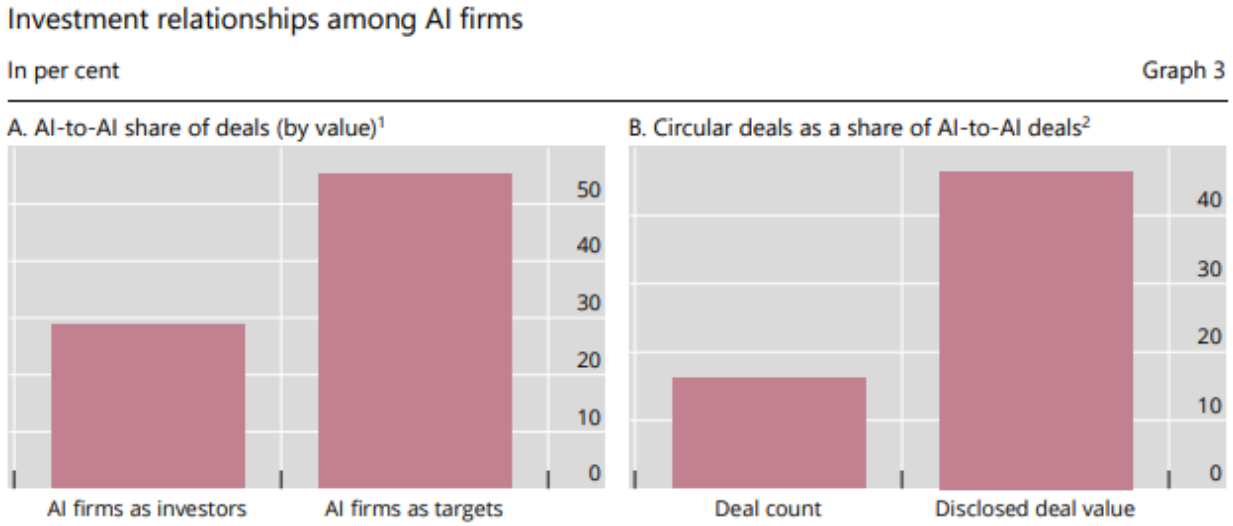
Everybody can agree that AI has certain attributes of a bubble. There is the circularity of AI investments, where between 2021 and 2025 nearly 29% of AI firms' investment deal by value involved an AI target company, and over 55% of incoming investments in AI firms came from other AI firms[4]. Just today it was announced that Alphabet, Nvidia, AMD, Broadcom, Micron Technology and TSMC have agreed to invest $26bn in the Anthropic IPO[5]. With over 90% of AI search engine market share split across ChatGPT, Google

[1] all assumptions and observations are based on internal modelling and data analysis
[2] https://www.linkedin.com/feed/update/urn:li:activity:7520879231699128320/, https://www.thecurrent.com/opinion/op-ed-jeff-green-open-internet-more-important-than-ever-ai
[3] https://x.com/Deltaone/status/2117950673190875415
[4] https://www.bis.org/publications/bulletin-137-circular-relationships-among-ai-firms.pdf
[5] https://finance.yahoo.com/technology/ai/articles/google-nvidia-amd-others-invest-120521300.html



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Gemini and Claude[6], in aggregate these engines are not profitable despite an improving trend[7]. The hyperscalers have planned to spend well over $700bn in 2026[8] (only amongst Alphabet, Amazon, Microsoft and Meta, with Alphabet planning to increase capex by another 50% to $300bn next year[9]) – all while FCF in all cases except Microsoft has turned negative[10] and with the chips in these data centers needing to be replaced every other year. This raises the question, will AI's user costs rise and make these investments profitable at the cost of the companies and individuals using them, or will Big Tech need to reign in their spending. I believe sooner or later advertising will play a more meaningful role, which could slowly deteriorate the quality of the simple models. The new models that came out lately are so advanced, I think the *average Joe,* who usually uses ChatGPT as a search engine, won't spend more $ on these models and is already satisfied with what he/she gets.




Source: https://www.bis.org/publications/bulletin-137-circular-relationships-among-ai-firms.pdf

[6] https://aisearch.similarweb.com/blog/chatgpt-vs-gemini-vs-claude-vs-perplexity/
[7] https://lapaasvoice.com/openai-post-3-7-billion-loss-in-q1-2026/, https://www.alpha-sense.com/api/html-embed/file-037a4037e03a4c06f42a72c2c7dfa251727bff93-html/, https://www.kucoin.com/blog/alphabet-q3-2026-earnings-miss-can-google-s-ai-investments-deliver-returns
[8] https://www.longtermwiki.com/wiki/E513
[9] https://aiweekly.co/alerts/alphabet-posts-1276b-q3-with-google-cloud-up-103-to-307b-as-2027-capex-set-to
[10] https://ir.aboutamazon.com/news-release/news-release-details/2026/Amazon-com-Announces-Third-Quarter-Results/default.aspx, https://www.microsoft.com/en-us/investor/earnings/fy-2027-q1/press-release-webcast, https://s206.q4cdn.com/479360582/files/doc_financials/2026/q3/2026q3-alphabet-earnings-release.pdf, https://s21.q4cdn.com/399680738/files/content_files/Meta-09-30-2026-Exhibit-99-1_FINAL.pdf

## The NASDAQ's recent selloff in historical context

Below are a set of charts that compare the NASDAQ 100 today vs. historic periods with declines of more than -15% from peak to trough. These periods were selected based on single day declines of -6% or more, as last week's Thursday NASDAQ 100 decline amounted to over -6%. The charts can be misleading as the two lines have separate y-axis, hence despite aligning, the percentage change is different. The only period that matches the current -15% loss is the one between 1996 and 1999 – before major additional gains were recognized in 1999 and 2000. However, it seems unlikely to see another 200% surge in the NASDAQ over the next two years given that valuations already sit at over 29x trailing P/E[11] and the penetration of AI users is already quite high at around 2bn people worldwide[12]. Overall, the historic comparisons show one thing: There is potentially much more downside for the NASDAQ 100 whenever it dropped more than -6% in a single day.

NASDAQ's recent peak to trough decline amounted to only -15%

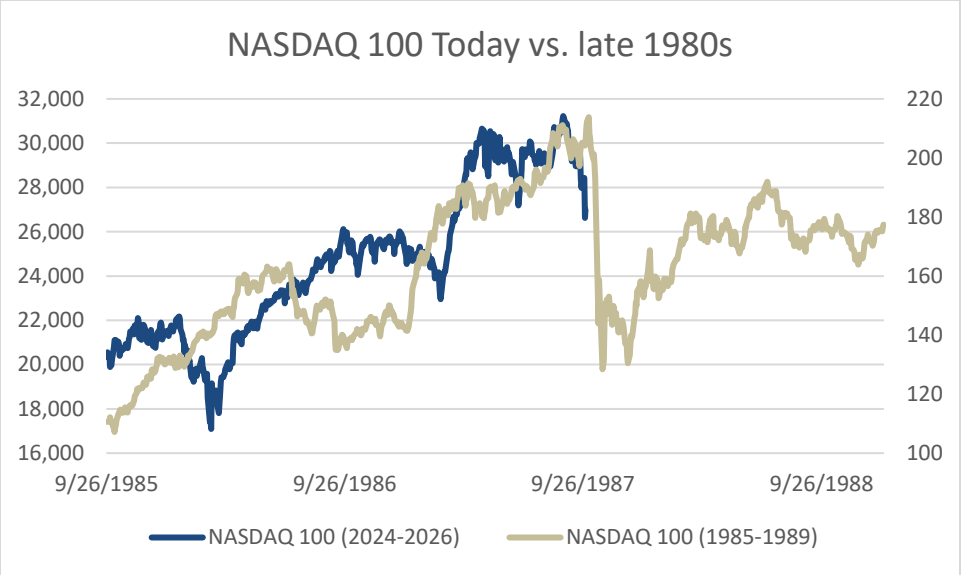
| NASDAQ | Return | NASDAQ 100 Return Today |
|---|---|---|
| NASDAQ 100 (1985-1989) | -40% | -15% |
| NASDAQ 100 (1996-1999) | -15% | -15% |
| NASDAQ 100 (1999-2002) | -83% | -15% |
| NASDAQ 100 (2007-2008) | -54% | -15% |
| NASDAQ 100 (2010-2011) | -29% | -15% |
| NASDAQ 100 (2020) | -31% | -15% |

Source: https://www.investing.com/indices/nq-100-historical-data

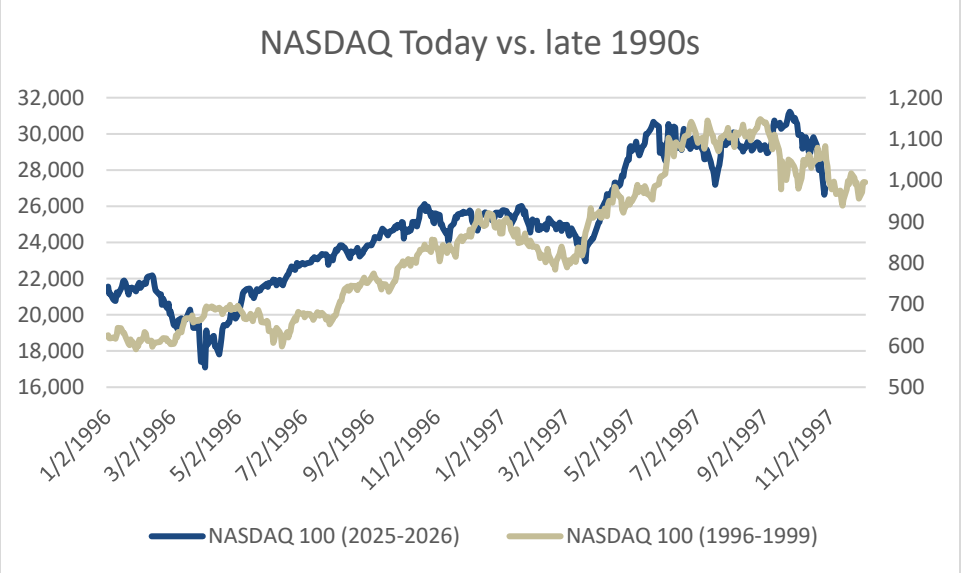
[11] https://worldperatio.com/index/nasdaq-100/
[12] https://www.usecarly.com/blog/how-many-people-use-ai/



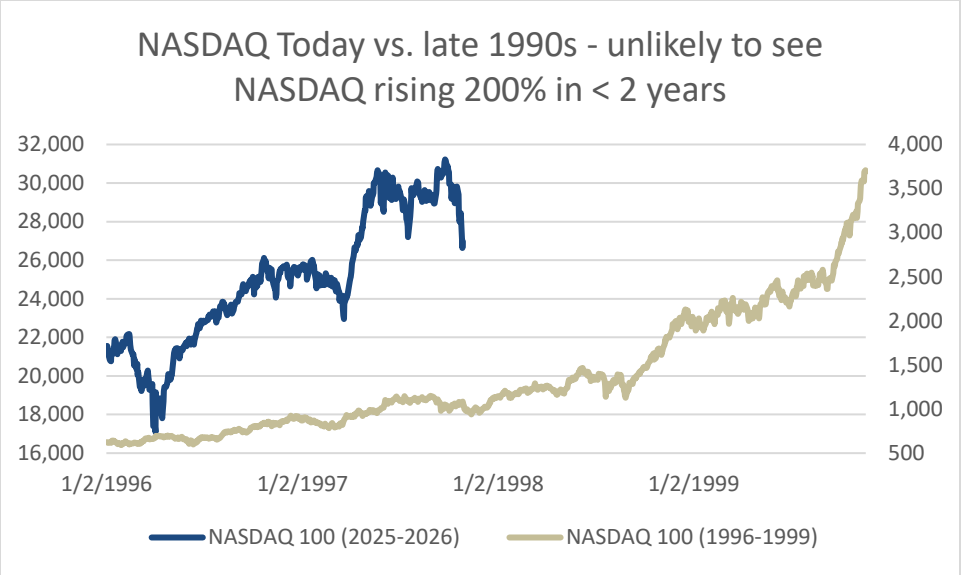
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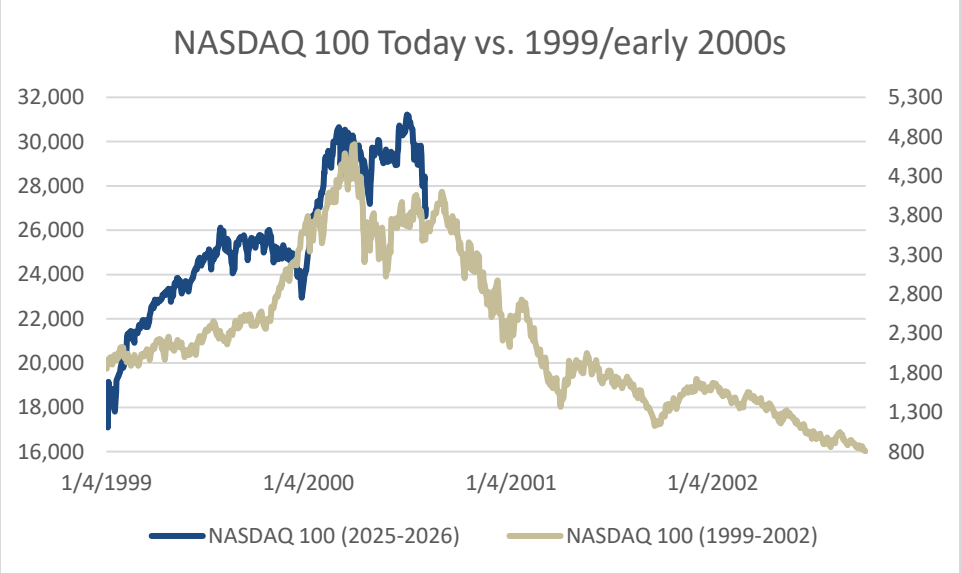

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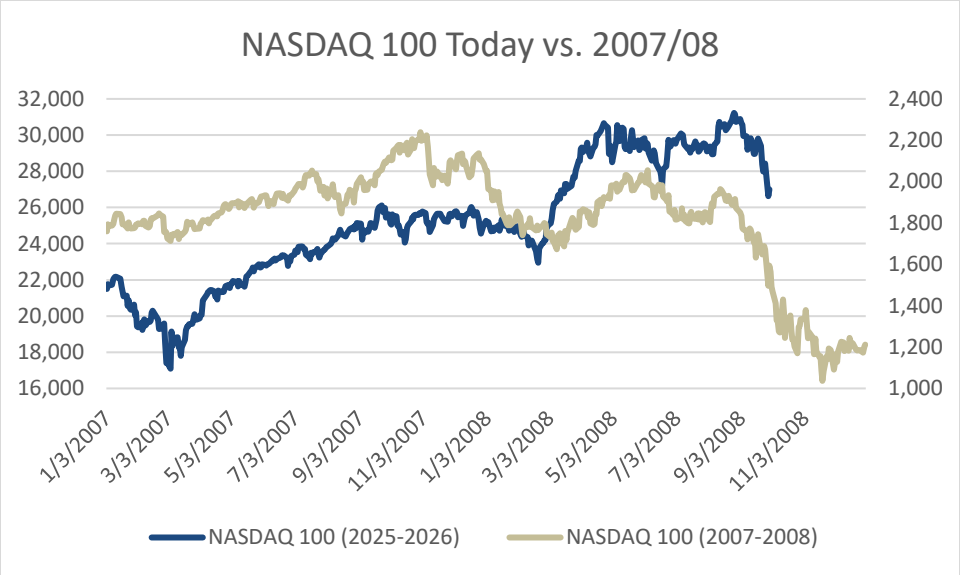

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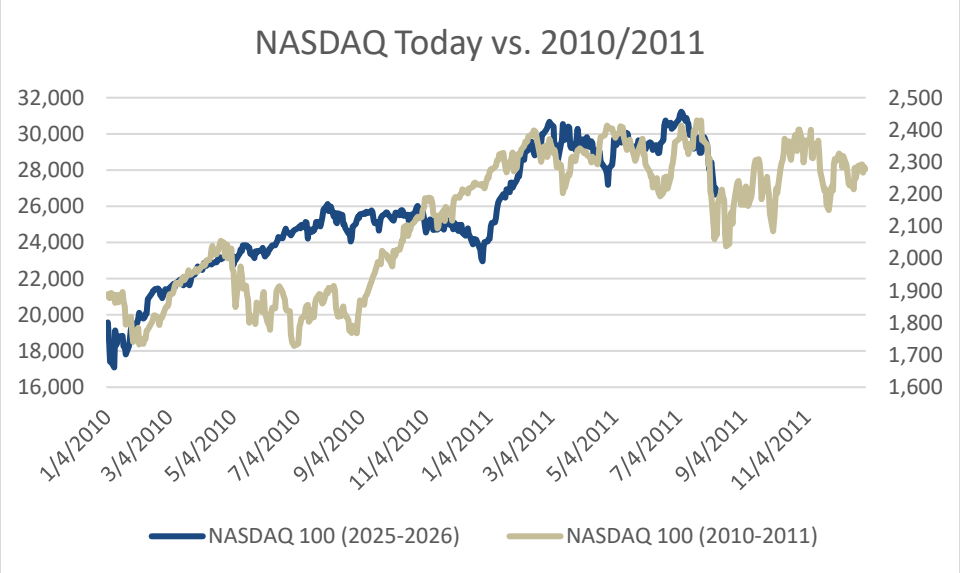

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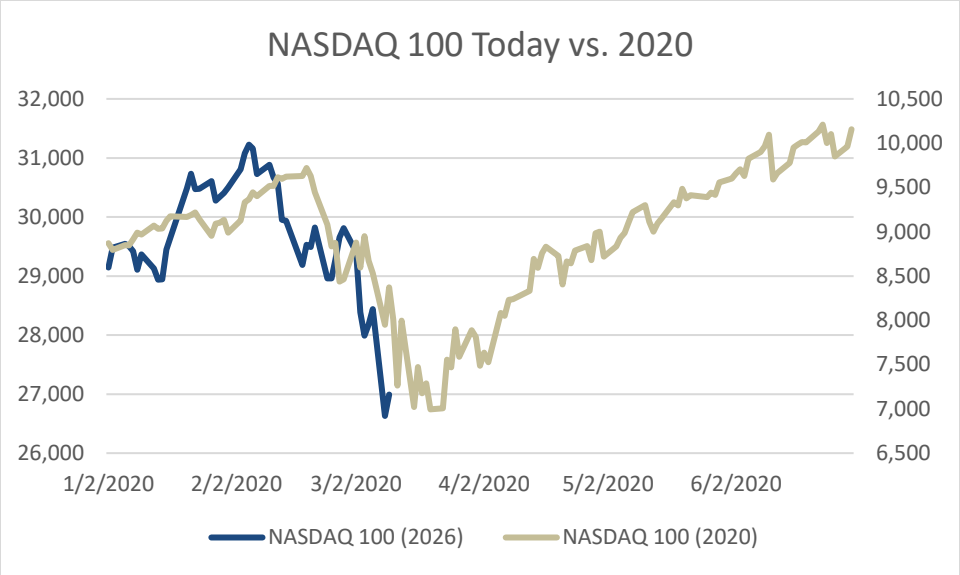

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### The case of Micron Technology

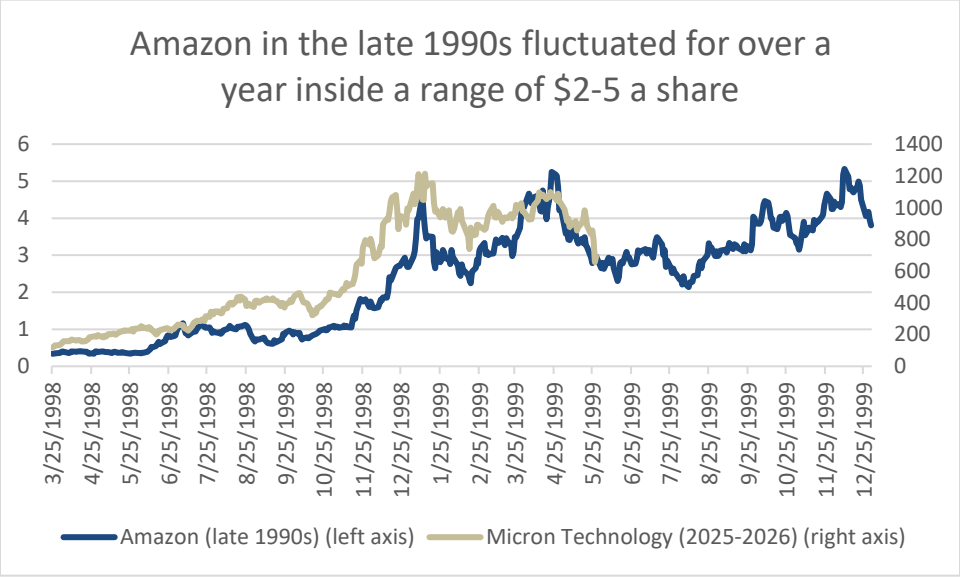
Usually, I would make the case as to why Micro Technology is a good or bad investment based on earnings, balance sheet and industry outlook. The earnings are obviously strong: Micron has a net cash position of nearly $70bn as of 31st August with earnings continuing to grow and shareholder returns set to accelerate with next quarter's earnings result. The industry outlook remains solid: All three major memory chip suppliers have said that their DRAM and HBM chips are essentially sold out until as far out as 2029[13]. Big Tech has already raised enough capital to continue its data center build out in 2027[14]. And the Democrats are only getting into power from January next year, which should at least delay the fear of Democrats blocking or delaying data centers for the next few weeks. But as fast as earnings rose, as fast they could fall… Therefore, it is almost impossible to value Micron Technology's earnings for the next few years ahead, and we might get more insights by looking at technicals:

Micron Technology has dropped by -40% between 2nd October and 5th November (25 trading sessions)[15]. This compares to a -39% decline between 26th June and 29th July (23 trading sessions). In both cases, the

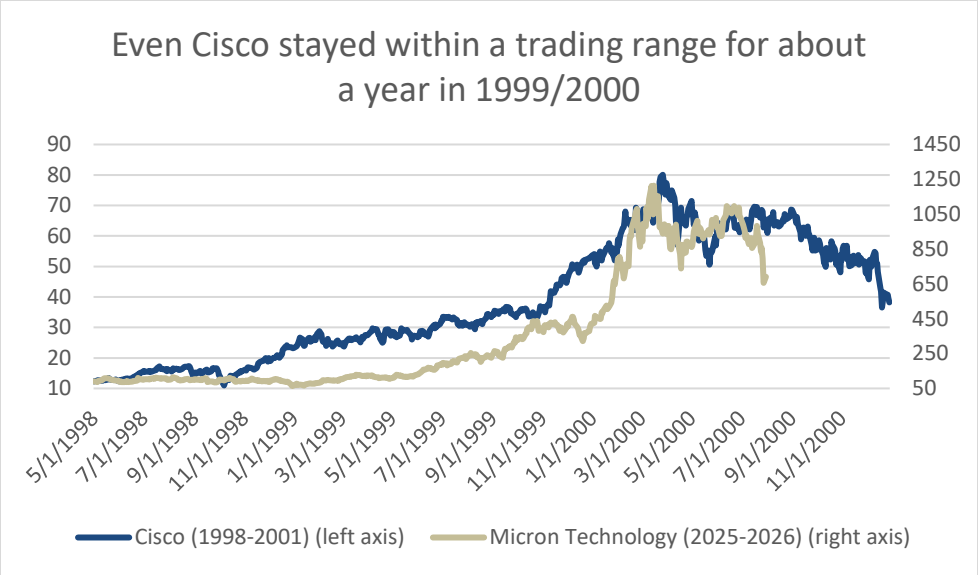
[13] https://eu.36kr.com/en/p/4056336356267140
[14] https://www.reuters.com/business/media-telecom/tech-companies-tap-debt-markets-fund-ai-cloud-expansion-2026-11-02/
[15] https://www.investing.com/equities/micron-tech-historical-data

selloff started a few days after the release of the quarterly results. From that perspective, this means buying Micro now and selling shortly after the results has worked twice and might work once again.

When comparing Micron Technology with Amazon's and Cisco's share price performance during the 1999/2000 Dotcom bubble, it shows that Micron has only traded sideways for 6 months compared to 9 months for Cisco and over one year for Amazon before both share prices collapsed. This could indicate that Micron's share price might also still have a few months in this sideway valuation channel before collapsing. The AI bubble has not burst, yet…




Source: www.investing.com




Source: www.investing.com

## The Asian perspective

Japanese semiconductor stocks like Kioxia Holdings had one of the most spectacular share price appreciations globally with returns of over 1,000% in as little as 1.5 years. Then, just this month, Kioxia lost as much as -40% in as little as 10 days. At the same time, traders in China are telling me that demand for DRAM and HBM memory chips as well as high end GPUs remains strong. One day after the affair between Alice and Jensen Huang was made public, these traders switched from asking for NVIDIA's Blackwell RTX 6000 chips to a different brand. It shows how adaptive Chinese entrepreneurs are, but more so how demand continues to outweigh supply when it comes to high-end data center chips.

## The Anthropic IPO

The Anthropic IPO is perhaps the most significant macro driver that could pull the semiconductor stocks out from the bottom. The IPO will most likely be a success as the 2nd largest IPO after SpaceX. This is quite a simple thought: Follow the money. And in this case, there is a lot of money involved.

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