Are we there yet? From "possibly" to probably!

From our last Worth Sharing: “So, “Are we there yet?” In terms of the AI Bubble bursting, possibly.” Given last week’s carnage we now consider October 6, 2026, to have been the peak of the AI Bubble, probably! One of our favorite quotes is also true for financial markets: **"In economics, things take longer to happen than you think they will, and then they happen faster than you thought they could."** - Roger Dornbusch

From the front page of this weekend’s WSJ:

Anthropic Bust Caps AI Wipeout

Steep Nasdaq selloff wipes away $4 trillion in market value this week

BY HANNAH ERIN LANG AND SAM GOLDFARB

A brutal selloff in AI stocks intensified Friday and washed away the Nasdaq composite’s entire gains for the year, with the tech-heavy index losing more than $4 trillion in market value this week alone.

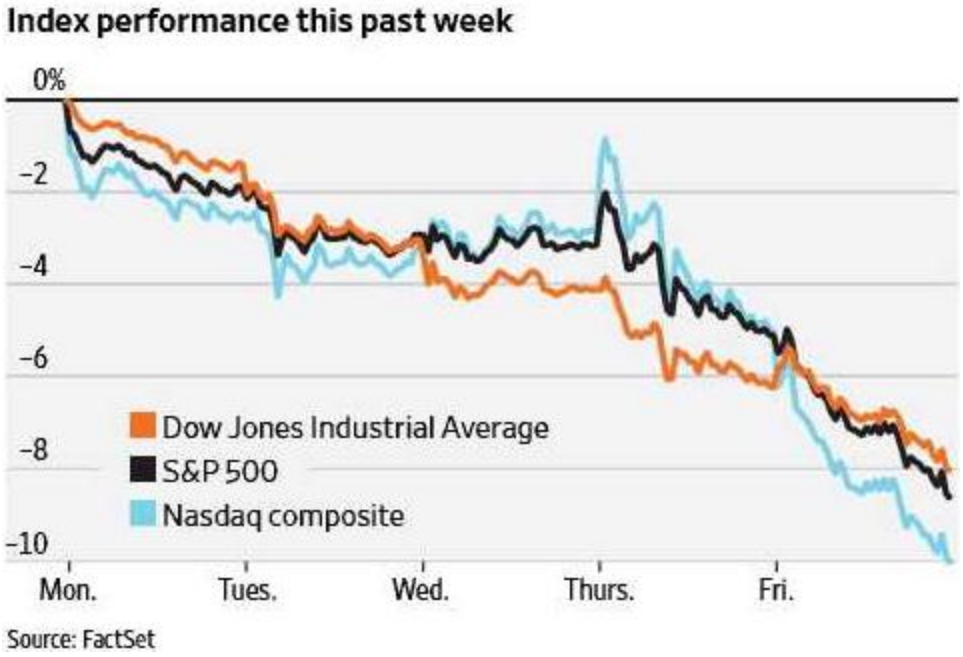
Friday’s feverish selling hit almost all of the major AI players, dragging every member of the Magnificent Seven lower and driving double-digit losses in neoclouds and chip makers. The Nasdaq fell 5.3%. Anthropic tumbled 8.5%. Nvidia shares, already in a tailspin, dropped 14%.

For the week, the S&P 500 dropped 8.6%, closing in correction territory. The Nasdaq plunged 10%, capping its worst week since March 2020, when Covid first swept through the global economy. The Dow industrials lost 8%. And the Cboe Volatility Index, the markets’ “fear gauge,” jumped to its highest level this year.

A public backlash is threatening the construction of data centers. Nvidia’s star CEO is out of a job. Anthropic’s IPO fizzled. In a different moment, investors might have powered through each of those setbacks, focusing instead on AI’s awesome growth potential. But the cracks in Wall Street’s all-consuming tech bet have been deepening for months— and this week, they grew too big to ignore. …

Wall Street was already rattled heading into the week, after a brutal stretch of selling. The next leg of the AI trade hung on developments for two of the biggest players.

Nvidia’s earnings report on Tuesday beat estimates, but investors seemed less concerned with numbers than getting more clarity on the fallout from the scandal that felled CEO Jensen Huang. They didn’t get it, and Nvidia’s selloff continued, dragging down a parade of stocks tied to its fortunes.



Then attention turned to Anthropic. For about two minutes on Thursday, it looked like the stock-market's all-consuming bet on artificial intelligence was back in business.

When shares of the AI startup hit the tape in its $1.3 trillion initial public offering, shares immediately jumped 34% above the listing price. Green candles flickered across traders' computers screens. Individual investors watched, some with their cursor already hovering on the "buy" button.

Then, almost as quickly, the early gains reversed. Anthropic still closed higher in its first day, but limped into the close well below its session high. The selling accelerated Friday, leaving Anthropic shares just barely above their initial listing price.

Some traders described it as a bumpy but necessary shift, as the market transitions from one "no-brainer" phase of the AI investing boom to another. Others worried that investors are turning their backs on—or at least reevaluating— the companies and industries that have underpinned market gains for the better part of four years. …

Even before the midterms sent stocks on a roller-coaster ride, Wall Street's AI jitters had grown. Investors fretted about growing debt burdens at neocloud companies that rent out computing capacity and the shrinking cash reserves at tech giants like Alphabet.

Then the midterms crystallized the AI backlash, and scandal hit at Nvidia. From there, the list of worries only grew: a series of tech outages stoked fears of AI-powered cyberattacks. …

As stocks have sold off in recent days, investors have increasingly wondered if they could get help from the Federal Reserve.

The Fed has been anything but helpful to markets. It lifted interest rates in September for the first time in three years, and expectations for further increases have pushed up U.S. Treasury yields. That has hurt stocks by lifting corporate borrowing costs and tempting investors to buy bonds instead of riskier assets.

Some see parallels to 2018, when the Fed was raising rates, Democrats did well in November midterms, and stocks fell sharply at the end of the year. In that case, the Fed raised rates once more in December but then quickly pivoted to a dovish posture, prompting an immediate rebound in stocks.

A key difference is that inflation has been stuck for years above the Fed's 2% target, making the central bank less sensitive to market concerns.

Giving investors some hope, Fed Chairman Kevin Warsh has talked often about the importance of financial conditions to the economy. That could make him less inclined to support rate increases if stock prices are falling. Other officials, though, have sounded more hawkish. …

Has the AI Bubble Already Burst?

There are remarkable similarities in stock price declines during the dot-com bubble and today

By James Mackintosh
Nov. 22, 2026

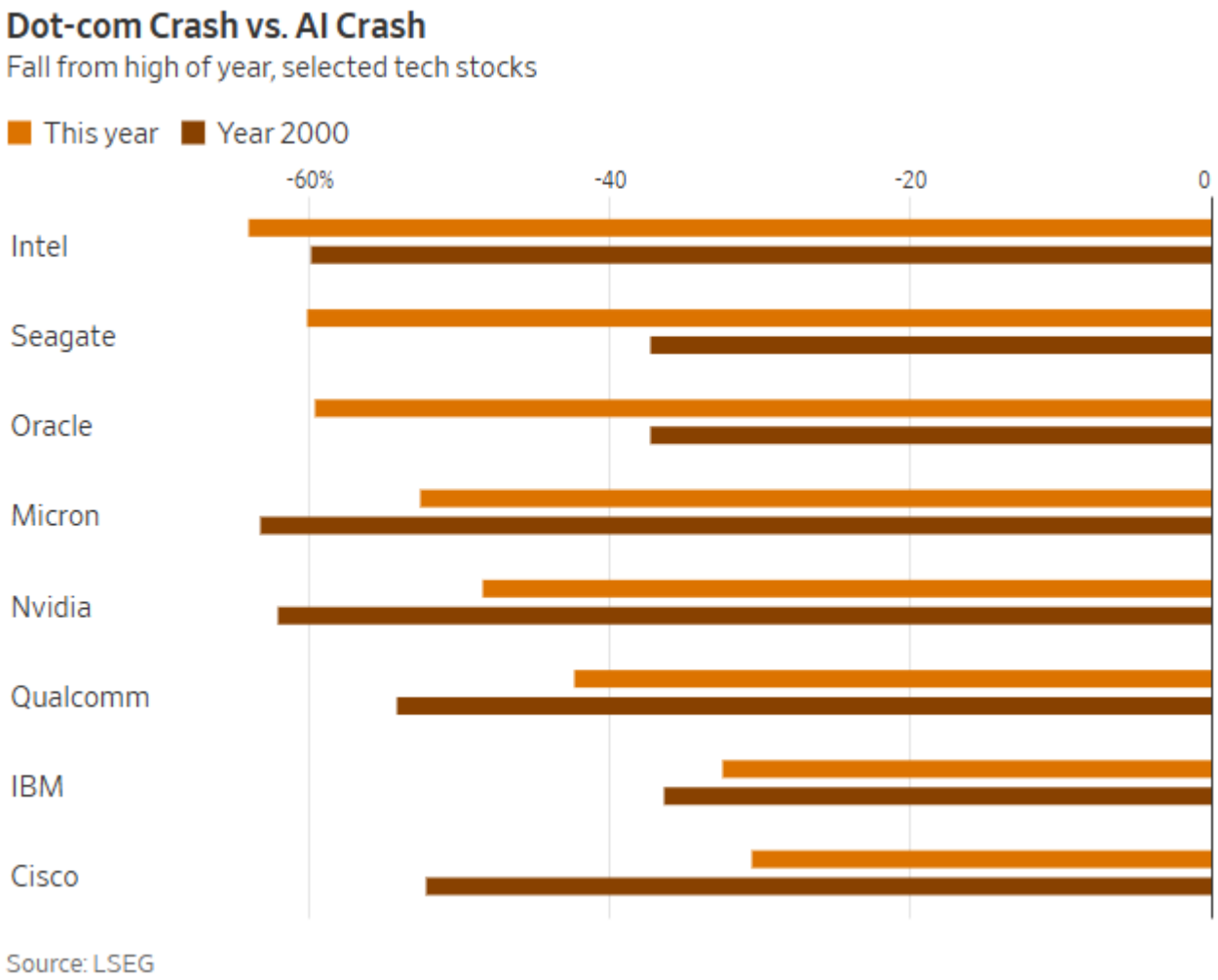
History may not repeat itself exactly, but the AI selloff ravaging the stock market in recent weeks is remarkably like the bursting of the dot-com bubble. As investors continue to worry about whether there's a bubble in AI, a valid question to ask is whether there was, and has it already popped?

Consider some of the big technology names from the dot-com era that are still around. Here are the drops from their high to the end of the year in 2000 and in 2026:

- Intel -60% in 2000 vs. -64% in 2026
- Oracle -37% vs. -60%
- Cisco -52% vs. -30%
- Micron -63% vs. -53%
- Qualcomm -54% vs. -42%
- Seagate Technology -37% vs. -60% (It merged and was spun out again.)
- Nvidia -62% vs. -48%

Some are almost identical, some worse, some better. But just from these it would be hard to say one was obviously a burst bubble and the other not.

Back in 2000 the falls were widespread enough to drag down the S&P 500 by almost 15% from its high to the



end of the year, despite a huge rotation from tech into cheap and defensive stocks (utilities and consumer staples both rose more than 40%!).

This year the selloff has been concentrated in AI-related stocks, and again there's been a big rotation—including healthcare up 24% from late April—but still the S&P is down 12% from its intraday high.

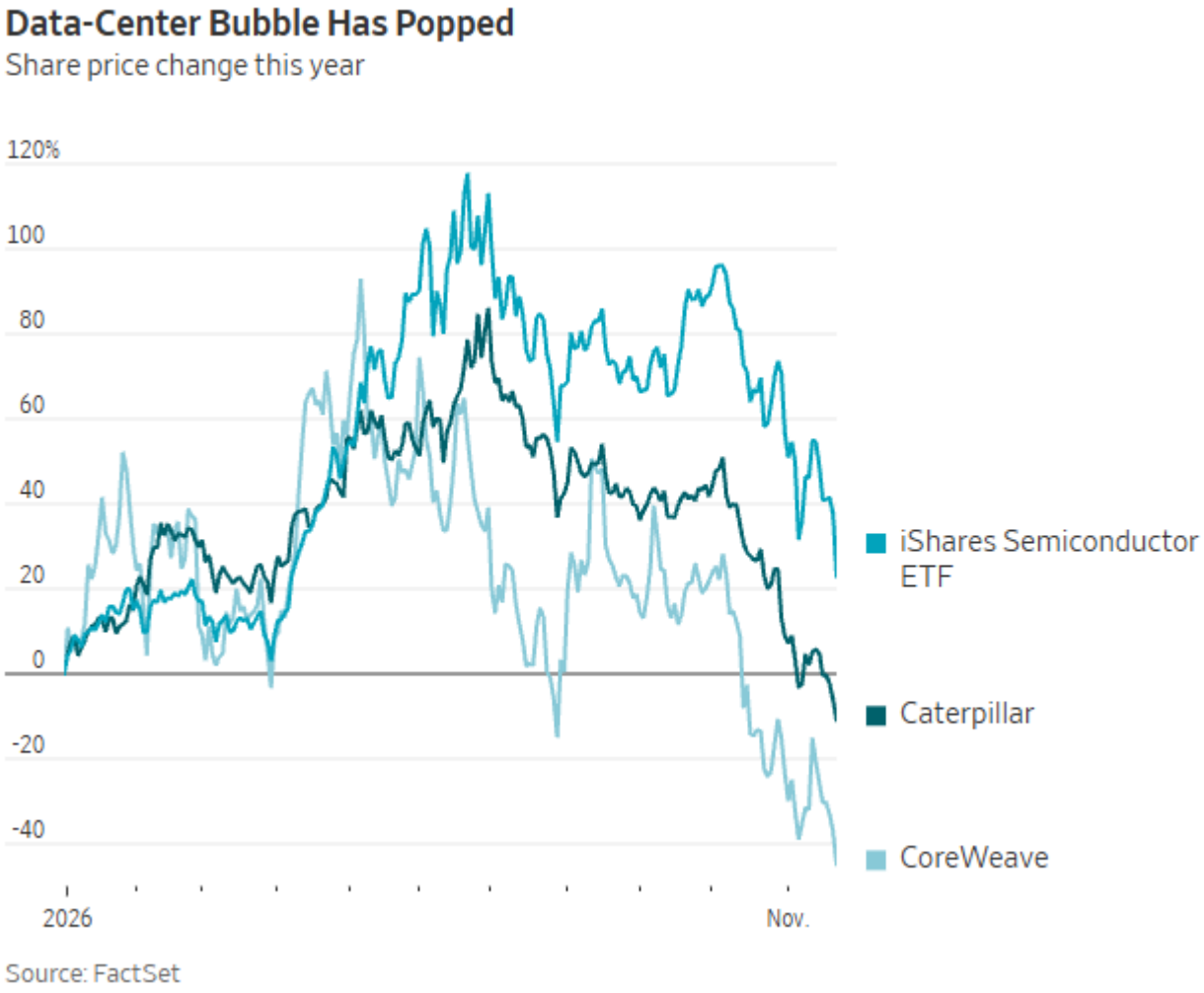
A big difference, so far, is that the dot-com bust led to a recession, which contributed to weakness in sectors otherwise unaffected and spurred another deep selloff in 2001. The unknown now is whether the selloff continues, as it did then.

The market's failure to rally after the successful IPO of Anthropic on Thursday isn't a good sign, but at least for now the economy appears robust.

The argument that the AI bubble has already burst is plausible, but only if this was a mini-bubble, or collection of them around data centers and the chips used in them.

Certainly, behavior usually associated with extreme froth was obvious in memory-chip stocks, with Korea a standout that sucked in leveraged retail buyers right at the top. Stock price ramps and crashes there look like the blowout final phase of most bubbles, but compressed into just a few months from the low in March after the U.S.-Israeli attacks on Iran to a high in June.

The good news is that a lot of this mini-bubble has deflated. Chip maker Micron almost quadrupled in three months, before falling by more than half. Semiconductor companies more broadly doubled, then fell 43%.



Suppliers of energy and equipment to build AI data centers showed the same pattern, in the case of Bloom Energy with just as extreme moves.

The same goes for the weak "neocloud" data-center operators, the subprime borrowers of this cycle, notably Nvidia-backed CoreWeave. CoreWeave shares more than quadrupled after its IPO last year, but have since sunk all the way back.

Further falls to get back to the level at the start of the year would be painful, but nothing like the 2001 selloff, when router-maker Cisco, already down by half, halved again in the first three months—and didn't recover its March 2000 high until December last year.

The bad news is that this might not be merely a mini-bubble. The broader AI trade is worryingly circular. Falling shares might lead companies to pull back their aggressive investment plans, hitting suppliers that have also been bid up, hurting their lenders and feeding back into still-lower demand. If this happens, expectations of extraordinary growth in data-center spending will be cut, hitting the economy as well as the companies that investors had hoped would profit from it.

Lower share prices could also spill over into other sectors. Retail investors have been big buyers of stocks in general and AI stocks in particular, and economists think their profits from rising stocks contributed to strong consumer spending. If that wealth effect goes into reverse, it will weaken the economy and hurt companies that have nothing to do with AI. …

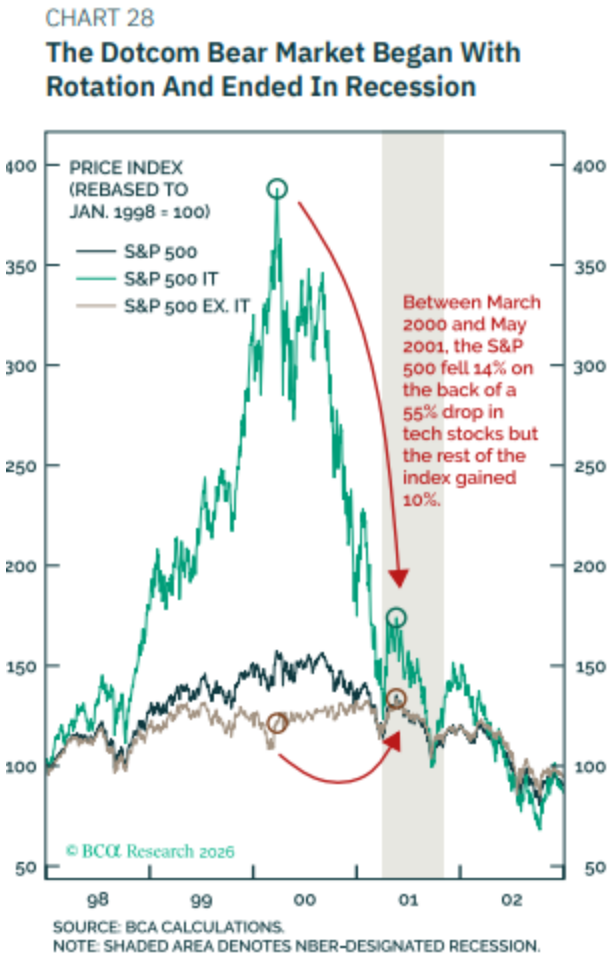
Whether the air is coming out of a bigger AI bubble is impossible to know—but scarily plausible.

BCA Research published Chief Economist's 2027 Key Views: From Boom To Bust | P. Berezin on Thursday. While we will be sharing more from it in November's Newsletter this look back is germane:

The equity bear market of the early 2000s unfolded in two distinct phases. The first phase was characterized by a deep selloff in tech stocks. The S&P 500 IT index fell by 55% between March 2000 and May 2001, pushing the overall S&P 500 index down by 15%. The rest of the index remained reasonably resilient, however. Outside of the IT sector, the S&P 500 gained 10% over this period (**Chart 28**).

As the economy began to succumb to recession, the stock market entered the second phase – the recessionary phase – when almost everything began to fall in tandem. In the end, the S&P 500 registered a peak-to-trough decline of 49%. The Nasdaq Composite ended up falling 78% from its peak.

Stocks may not fall as much as they did back then, but the basic contours of the "rotation then recession" game plan still apply. We have probably already entered the rotation phase.



As was the case in 2000/01, violent countertrend rallies in tech stocks are possible. Between May 23 and July 17, 2000, the Nasdaq Composite gained 35% from its intraday trough to its intraday peak. Between January 2 and January 24, 2001, the index gained 25%. And between April 4 and May 22, 2001, it gained 42%. …

From Bret Jensen (we subscriber to his The Biotech Forum) on Friday morning:

The market is on its way to its worst week since the tariff tantrum back in April 2025. As of market close Thursday, the Dow (DJI) is off better than six percent for the week, and the NASDAQ (COMP:IND) is down just over five percent. And this decline feels very different than anything equities have gone through in recent years. And that is because the AI Narrative that has driven the lion's share of the gains in equities since ChatGPT made its debut in November 2022 and ended the previous bear market feels like it is clearly popping.

The deflating of the AI Bubble became apparent early in the fourth quarter as commentary from marketing research firm Gartner and Elon Musk helped trigger a selloff in neocloud providers like CoreWeave (CRWV) and Nebius N.V. (NBIS). Of note, the credit markets were pricing much of the debt issued by neocloud providers at junk levels months before the big declines in their stocks began this quarter. Something I highlighted many times over this summer.



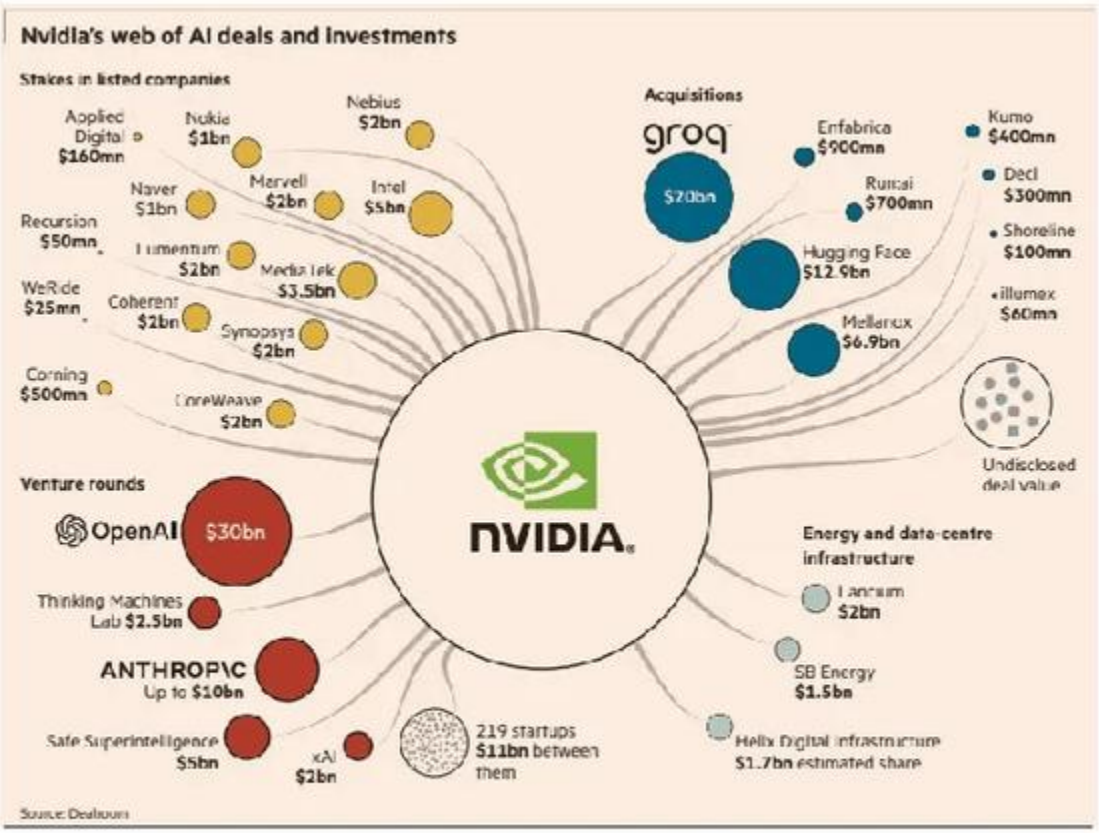
INTC - 6-month chart (Seeking Alpha)

Just prior to the neocloud provider selloff in October, Intel (INTC) started its own pullback that has brought the stock down over 55% from its highs in late September. Fellow chipmaker Micron Technology (MU) is off 37% over that time and now trades at just under four times forward earnings. …

But the biggest signs that the AI Bubble has officially began popping revealed themselves this week. On Tuesday, Nvidia Corporation (NVDA) posted Q3 numbers that crushed both top- and bottom-line expectations, with revenues rising over 100% on a year-over-year basis. The interim CEO boosted guidance significantly and even predicted 75% growth in FY2028! Even this wasn't enough to trigger even a dead cat bounce in the shares. The stock dropped three percent following the earnings call during trading on Wednesday and posted a similar decline on Thursday.

It certainly didn't assuage investors' anxieties that Nvidia omitted the filing of its third quarter 10-Q along with its earnings release for the first time in the company's history. Those numbers won't be out for a few weeks and will continue to cause investors angst until they are released. Both the company's former CEO and co-founder and current management will be hauled up to D.C. to be placed in front of congressional hearings over the next

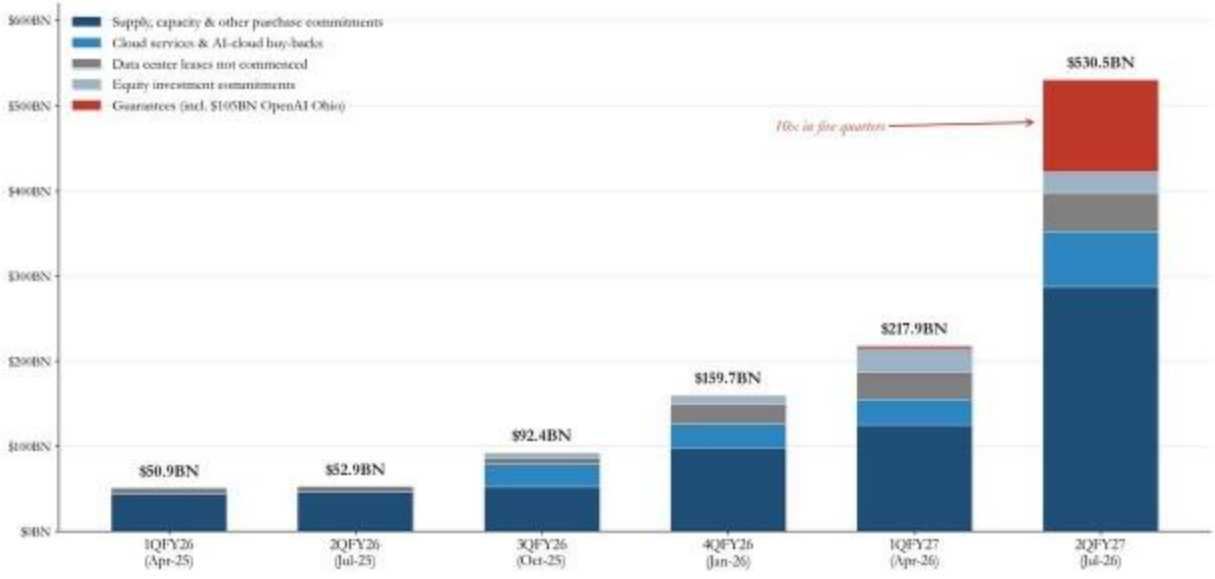
few weeks. That is likely to be quite the spectacle and most likely will not shine a favorable light on the company.



Source: The Financial Times

The Bank Of Nvidia's Iceberg: Off-Balance Sheet Commitments Up 10x In Five Quarters

Nvidia future purchase, cloud, lease and investment commitments plus maximum guarantee exposure, by fiscal quarter-end, $BN.
Excludes the up to $125BN backstop on the $500BN Wall Street platform (MOU's only) and the $99BN equity hook. 3QFY27 results due Nov 17.



And despite Jensen Huang's known foibles, there are growing calls by prominent names like Bill Ackman, Uber's Travis Kalanick, and Elon Musk for the board to reinstate him as leader of the company. And this is not because Mr. Huang cuts a nice profile in his famous black leather jacket. He has been a critical linchpin for the "*circular financing"* that had become endemic across the industry. And importantly, investors still don't know how many of Nvidia's GPU chips either got rerouted to China via cutouts or were placed in data centers in other parts of Asia like Malaysia and were utilized by Chinese firms. I personally would not be surprised if a considerable amount of "*channel stuffing"* will eventually be uncovered.

Then we have Anthropic's (ANT) massive IPO on Wednesday. The stock debuted trading at just over $110 a share but ended the day under $95 a share. At the time ANT started trading, the NASDAQ was up just over two percent in trading early yesterday. However, those gains quickly reversed, and the tech-heavy index ended the day down 2.25%. One of the biggest intraday reversals in recent memory. ANT was down 10% in pre-market trading Friday when this article was submitted as well.

Given prior events and clear deterioration in the overall market taking place in the fourth quarter, the reaction to Nvidia's big earnings beat and earnings raise and Anthropic's IPO are clear signs the AI Bubble is officially popping. And investors need to acknowledge that this decline is beginning when the overall markets are trading at extreme valuation levels viewed via a historical lens.

The spike in interest rates this year pushed the equity risk premium into negative territory for one of the few times in U.S. history. …

From Verdad on Nov. 16th:

If You Build It, Will They Come?

Looking for evidence of AI's impact on corporate profits

By Chris Satterthwaite

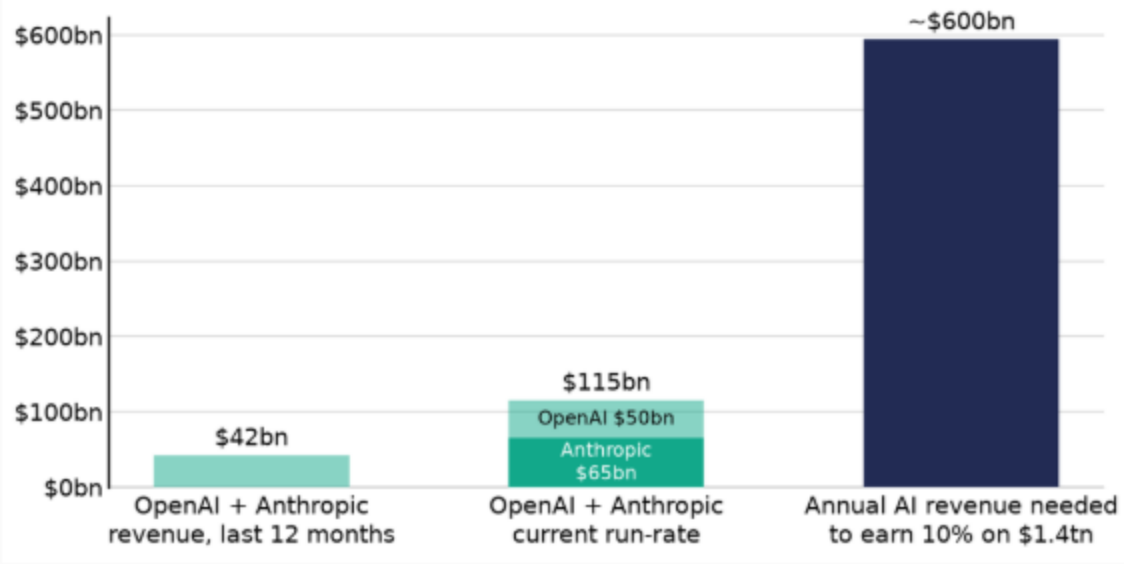
The five hyperscalers (MSFT, GOOGL, AMZN, META, ORCL) have spent a combined $1.4 trillion in capex since the launch of ChatGPT (October 2022) to construct data centers to power artificial intelligence (AI). In finance, there are big numbers and small numbers. This is a big number. Despite recent consternation about the prospects for new data centers around the US, the hyperscalers are investing as if AI will generate enormous revenues in the near future.

If we assume the hyperscalers are underwriting roughly a 20% cash yield on cost (10% return on capital with about a 10-year average life on the assets), the implied annual cash flow required to cover existing investments is ~$300 billion. At an assumed 50% margin (mature hyperscalers run ~60% margin, and the margins on inference are likely slightly below that), that would require ~$600 billion of AI-related revenue.

Current revenue run-rates for Anthropic ($65 billion) and OpenAI ($50 billion) are about $115 billion, a far cry from the $600 billion in annual revenue needed for the hyperscalers to cover their cost of capital. So where is all this extra revenue going to come from?

The big bet is that AI enables massive cost savings at ordinary companies. The most obvious place to look for

Figure 1: AI Revenues vs. Required Breakeven AI Revenues on $1.4T Capex



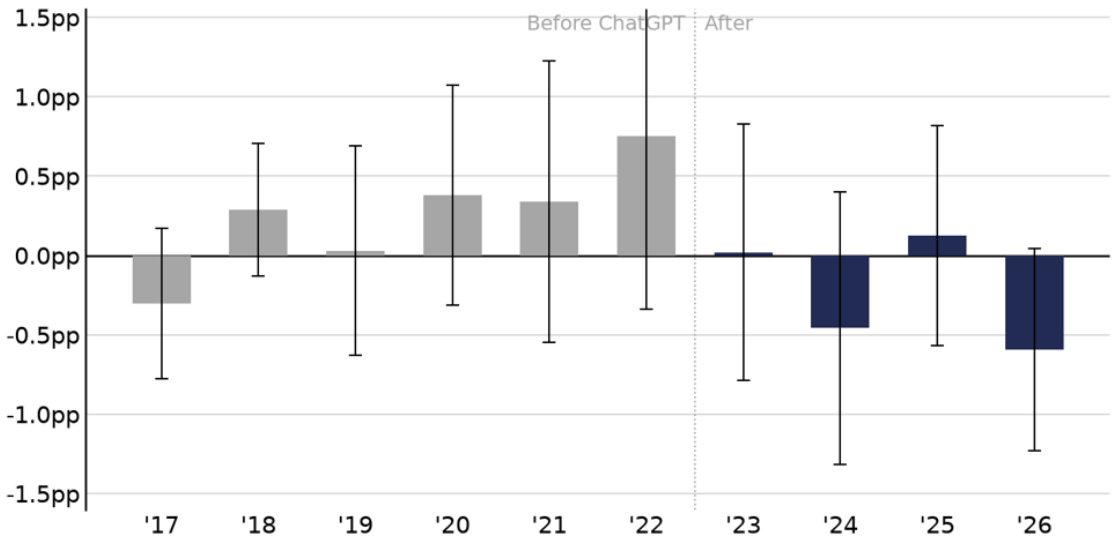
Source: Capital IQ, Verdad analysis

cost savings in knowledge work is the white-collar cost line (also known as selling, general, and administrative expenses, or SG&A), which totals $2.3 trillion across the Russell 1000. To see whether AI is starting to have an impact, we looked at whether companies' overhead ratios (SG&A / Revenues) have declined.

For the median company across all industries, the overhead ratio has declined since the launch of ChatGPT, but this is mostly due to windfall pricing from semis and AI hardware providers, not from cutting overhead. When we exclude the industries that are profiting from supplying the AI gold rush (semiconductors and tech hardware), we see no evidence of impact (16.7% at the launch of ChatGPT vs. 16.7% today).

If AI is going to show up anywhere first, it should be in knowledge work: software, media, and professional services, where the product is essentially white-collar labor. Below, we show the annual change in overhead ratio for these industries, controlling for each company's starting overhead ratio and revenue growth.

Figure 3: Change in Overhead Ratio (SG&A/Revenues) for Knowledge Work



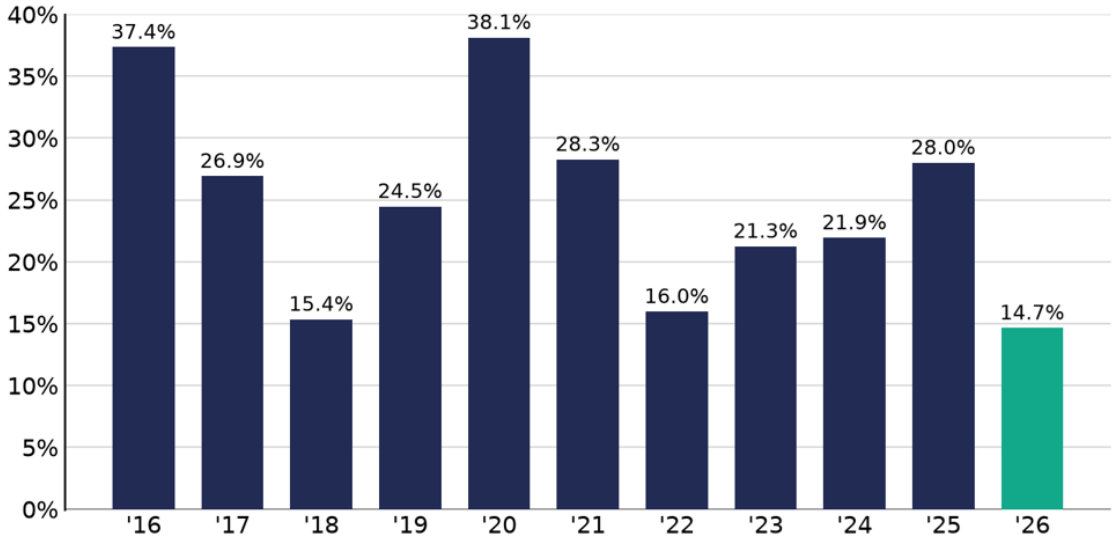
Note: Each bar shows how much more (or less) SG&A as a share of revenue changed over the year at software, media, and professional-services companies than at other large US companies with the same starting overhead ratio and revenue growth. Negative means knowledge-work companies cut their overhead ratio faster. Whiskers show the 95% confidence interval. Top 1,000 US companies by market cap, LTM to June of each year.
Source: Capital IQ, Verdad analysis

If AI were cutting white-collar costs anywhere, it should be here. But the bars after ChatGPT look much like the bars before it: small, inconsistent in direction, and statistically indistinguishable from zero. Knowledge-work companies did trim their overhead ratios a little faster than everyone else in 2024 and 2026, by about half a percentage point, but not in 2023 or 2025. Even in the industries most exposed to AI, the effect doesn't clearly show up in the overhead line yet.

At the individual company level, the evidence is no stronger. In a recent NBER survey, ~9,000 global senior executives report that AI has raised labor productivity by 0.2% and had essentially no net effect on employment in the last three years. They predict the same employment effect over the next three years, with a 0.6% boost in productivity.

Our own analysis shows that, over the past year, only 14.7% of the 1,000 largest US companies reduced SG&A at all, the lowest share since at least 2016 (Figure 4). If AI were starting to replace white-collar labor at scale, we would expect that share to be rising, not sitting at its low. The median company grew SG&A 8%, against revenue growth of 10%.

Figure 4: Percentage of Russell 1000 Companies Cutting SG&A



Source: Capital IQ, Verdad analysis

As a case study, we looked for companies that grew revenues more than 5% while cutting both SG&A spend and head count, a fingerprint we would expect from AI-generated savings. Across all sectors, 19 of the 1,000 largest US companies qualified (excluding eight commodity producers). We then parsed the earnings calls and filings of those companies. None attributed a quantified cost reduction to AI. Twelve gave AI no credit at all;

the cuts came from restructurings, merger synergies, divestitures, and accounting reclassifications. Seven, including Oracle, Cigna, and Allstate, mentioned AI as one efficiency lever among several, without numbers. The best example we found was C.H. Robinson, the freight broker, whose shipments per employee per day are up more than 65% since 2022 under its "Lean AI" program. Yet its personnel expense still rose 5% last year, and management has never put a dollar figure on AI savings.

Even the successes of some of the biggest AI evangelists (Klarna, Klaviyo, Happen) suggest AI is more effective at increasing operating leverage than cutting costs. Klarna says its AI customer-service agent does the work of about 850 employees, and headcount fell 9% last year. Revenues grew 34%, but SG&A spend grew 13%. Klaviyo's revenue grew 29% while SG&A grew 13%. At Happen, SG&A grew 63%. These are growth companies holding headcount fixed while revenue rises and AI takes some additional share of SG&A expenses. This is certainly valuable, but it looks like ordinary operating leverage, not a windfall from eliminated costs.

The most obvious place where AI is having a tremendous impact is on the margins of the hyperscalers who are selling it. Revenues have grown from $1.1 trillion in mid-2022 to $1.8 trillion while headcount has remained fixed at 2.2 million employees. Revenue per employee has risen from $500K to $835K. But for the current scale of capex to be economically viable, the revenues have to grow dramatically. So far, the signs of meaningful impact are not showing up broadly in the reported financials of AI corporate consumers.

Admittedly, corporate adoption is in early innings. General-purpose technology adoptions take time. But the hyperscalers are spending as if a colossal wave of revenue is imminent. It's hard to discount how impressively competent agentic AI has become in many domains. But so far, the earnings windfall from AI has gone to the companies selling it, not to the companies using it. Today, the evidence is slim on how big the windfall will be or how fast it will come.

As we look for signs that AI adoption is taking hold, we will be watching two numbers: the share of companies cutting SG&A dollars, which is currently near a decade low, and the count of companies growing revenue while cutting costs and headcount. As of today, the hyperscalers have built it (or at least financed it), but the jury is out on when and how fast the customers come.