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Daily Commentary

Bubble or No Bubble?

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Bubble or No Bubble?

No bubble, it's bursting.

Those who get it don't question whether Artificial Intelligence is a bubble anymore, they ask how long until it bursts.

The protagonists of this discussion start from the same premise to arrive at opposite conclusions.

At the Greenwich Economic Forum, **Mike Novogratz** called it "the biggest bubble of our lifetime", only to then recommend buying it.

"I know how bubbles end. They end spectacularly and this one isn't spectacular enough yet".

On the other side of the world, in Singapore, **Ray Dalio** spoke of a "classic bubble" now close to the breaking point.

In between, **Nassim Taleb** invited everyone to look elsewhere.

The real fault line runs through the bond

market.

Who is right?

Let's try to put the two theses on the scale.

Novogratz's thesis has more substance than the joke lets on.

Bubbles die of euphoria and today there is no euphoria.

For weeks we have been recording a net exposure of hedge funds at the lowest in over a year and a sentiment that is anything but festive.

In 2000 people bought on debt anything that ended in ".com", **today operators are light, hedged, and wary.**

It doesn't look like the portrait of a peak.

Then there are the **multiples.**

The forward price/earnings ratio of the median AI infrastructure stock has fallen from 32 times in April to **22** times today,



and there are those who point out that Nvidia trades around **15** times expected earnings: "how can it be a bubble"?

Moreover, Artificial Intelligence infrastructure is expected to produce **half of the S&P500 index's earnings growth** in the third quarter, with Nvidia and Micron alone accounting for a third.

Finally, **politics**.

Both American parties experience the race with China as an existential matter and no one wants to pull the brake.

Why might we be closer than it seems?

First, **concentration**.

The ten big AI-related names are worth **42%** of the S&P500 index, more than the 41% touched by the technology and telecommunications sector in 1999.

Higher only the English railways of the

nineteenth century and Japan in 1985.

Second, the **quality of earnings**.

The low price/earnings ratio is only half an argument, because earnings now have to finance enormous capital expenditures and little is left for shareholders: **free cash in relation to the price of the ten largest stocks is the lowest since the dot-com bubble**.

Thus, those who financed themselves with equity are switching to debt.

And this is where Taleb comes in: debt to finance infrastructure competes with the American Treasury for the same long-maturity buyers.

A year ago AI-related corporate bonds traded **20** basis points below the rest of the sector, today they trade **50** basis points above, a record.

Third, **history**.



Goldman Sachs retraced the great investment booms of the last two centuries (railways 1845, utilities 1929, Japan 1989, dot-com 2000, shale 2014) and always found the same script.

The trigger is a central bank tightening, stocks peak, capital expenditure keeps rising for another 6 to 24 months, then it turns and drags stocks down.

When the bubble becomes "spectacular", the peak is already behind.

There is one detail that Novogratz overlooks: **the trigger is already here.**

The market is pricing another rate hike by the end of the year and about two more in 2027, the ten-year yield is at its highest in over twenty years, and Goldman Sachs' monetary policy optimism indicator is a step away from its historic low.

Moreover, there is a social signal: the share of Americans strongly opposed to a data center near their home has risen from **24%** in August 2025 to **61%** in August 2026.

Consensus is eroding, one electric bill at a time.

Looking at the market on the surface, nothing dramatic: S&P500 index **-0.22%** at 7,801.77, just below the highs.

Underneath, the familiar script: Russell 2000 **-1.31%** (17 sessions out of 20 below the Nasdaq 100), equal-weighted index at a new historic low against the weighted one.

There are five new elements.

The first, the most important, comes from the **Fed minutes.**

The "majority" of members take at least



one more hike by year-end for granted, but the reason is striking: **Artificial Intelligence appears explicitly as a source of inflation.**

Infrastructure construction pushes up goods prices, raises energy, transport and materials costs, inflates the wages of skilled workers.

The same day, the New York Fed's one-year expected inflation rose to **3.9%** from 3.6%, a three-year high.

The circle closes: the bubble produces the inflation, which forces the central bank to tighten, which is exactly the trigger described by history.

The bubble is manufacturing its own pin.

The second comes from **credit**, and it no longer concerns only Oracle.

Meta's **Beignet** bond, the largest single

corporate issuance in the world and a thermometer of the entire data center financing, has fallen to a new historic low. SpaceX bonds did the same, after news that the company is preparing another **40** billion USD through an off-balance-sheet vehicle.

Meanwhile, outside the AI perimeter, Paramount's credit default swaps have risen to their highest since the 2008 crisis.

When credit creaks on multiple fronts while equities remain at highs, it is usually credit that turns out to be right first.

The third concerns **who is selling.**

On Goldman Sachs' desk the day was one-sided, and it was above all long-term funds that were selling, net sellers by 25% on macro products and tech stocks.

"Patient" money is selling.



Meanwhile, the most bearish stocks fall to two-month lows and the "quality" basket rises.

The market is starting to reward solid balance sheets, while Bitcoin, a pure barometer of speculative liquidity, lost **2.7%** yesterday.

The fourth comes from **abroad**.

In Korea, **Samsung** and **SK Hynix**, which for two months alone propped up the index with share buybacks, have exhausted their **55** trillion won quota well before the expected mid-November point.

The only buyer has left the room and the index closed at its lows.

In Europe, the perverse link between sovereign debt and banks has returned, with the France-Germany spread rising to **140** basis points, while the ECB made clear

that this is not enough to restart purchases, and bank stocks collapsed.

The fifth is **physical oil**.

Brent futures closed lower, but Dated Brent, the oil actually delivered, touched **130** dollars a barrel, almost 30 above the futures price.

Diesel under tension again, tanker freight rates at **40** dollars a barrel.

Exactly the real-economy fuel inflation that worries the Fed.

However, yesterday there was one piece of good news: **the American ten-year auction**, the best in over a year, brought the yield down from 5.36% intraday to **5.27%**.

Demand exists.

The problem is the level: **5.30%**, the highest auction yield since November 2000.



Bubble or no bubble?

The impression is **bubble yes, spectacular burst no, at least not yet.**

Novogratz is right on one point, the euphoria is missing.

However, history tells us that bubbles don't die when they're most inflated.

They die when inflating them becomes too expensive.

Yesterday, the price of air rose on three fronts: rates, credit, and physical oil.

Nassim Taleb, who knows a thing or two about extreme risks, advises **always having a hedge, even when there's no reason to hedge, preferring solid balance sheets, which the market has started to reward, and watching credit more than the index.**

The next appointment is Tuesday, when JP Morgan, Citigroup, and Wells Fargo will open earnings season and tell us **how**

much this cost of money really weighs.



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