



**THEIA INVESTMENTS**  
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# Daily Commentary

Miracle or Mirage?

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9th October 2026



# Miracle or Mirage?

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Yesterday, we left off with a question, "bubble or no bubble?" and with an image of a bubble that manufactures its own pin, given that **in the FOMC minutes Artificial Intelligence appeared as a source of inflation.**

Today, we look at the other half of the story.

The one that should render the pin harmless.

**Every bubble, in fact, needs a miracle.**

In the early Nineties it was the "Asian miracle", a story so widely shared that, in 1993, the World Bank dedicated a book to it with that title.

Today, **the miracle is called Artificial Intelligence**, with the promise of machines that make every hour of work much more productive, of an economy that grows without overheating, and of inflation that

cools down on its own.

The Fed can stop worrying, but the Fed does have worries.

In August, the Chicago Fed president called the last two productivity readings "very weak", adding that a persistent decline would change the narrative on Artificial Intelligence.

In September, the Fed raised rates, in spite of the thesis on a disinflationary Artificial Intelligence.

Yesterday, Governor **Christopher Waller** added that further hikes might be needed.

**Not even the Fed is willing to set rates on a promise.**

To understand, one must look at total factor productivity (TFP), that is, how much



output an economy gets from the same quantity of labor and capital.

It is the closest thing we have to a measure of technological progress.

**The curve is flat.**

TFP, as calculated by the San Francisco Fed, is slightly below zero and shows no acceleration since the Artificial Intelligence investment cycle began.

Meanwhile, output per hour worked is running at around **2.5%**.

A contradiction?

No.

If you give every worker a second monitor or a \$40,000 GPU, they will produce more in an hour, but the firm has not become more intelligent, it just has more capital.

Economists call this capital deepening, which has nothing to do with a technological shock.

A major American bank adds a detail worth thinking about.

**For fifty years total factor productivity has moved together with consumer confidence, and today both are falling.**

Sometimes Main Street knows what Wall Street doesn't.

That's not all.

Business investment, in real terms, is at a record of around **15.5%** of GDP.

However, stripping out depreciation, net investment is stuck at around **3.5%**, the same as in 2015 and 2019.

The economy keeps spending more to stay in place, at the cost of machinery spending growing by around **14%** in nominal terms, but barely double digits in real terms.

**Part of the boom is inflation**, because



everyone is buying the same chips, the same memory, the same transformers at the same time.

This is why the Fed fears Artificial Intelligence as a source of inflation and not of disinflation.

The circle with yesterday's minutes closes.

### **The 1997 precedent in Asia.**

In 1994, **Paul Krugman** published "The Myth of Asia's Miracle".

The growth of the Asian tigers, he argued, came from the accumulation of capital and labor, not from becoming more efficient.

A modest TFP undermined the bullish narrative at its root.

A well-known contrarian strategist built his first great contrarian call on that thesis, and today, thirty years later, has dusted

off the parallel. At the time he was mocked.

In August 1996 a new World Bank report celebrated the "Thai macroeconomic miracle", but less than a year later the baht collapsed.

The flaw was that too many believed the story and lent abundant, cheap capital to those economies, which was misallocated.

Hence the weak TFP.

### **How much capital is on the table today?**

A leading investment bank divides the construction of Artificial Intelligence infrastructure into three phases: around **633** billion USD in 2023-25, **1,730** billion USD in 2026-27, and **4,140** billion USD in 2028-30. On an annual basis, spending goes from around 211 to **1,380** billion USD, roughly six



and a half times.

To achieve a **15%** return on the second phase alone, the six major American cloud operators would need to bring in **1,420 billion USD of cumulative revenue in 2028-30**.

Yesterday, the Financial Times wrote that OpenAI is running at annualized revenues of around **50** billion USD, 20 less than what was communicated to investors, against commitments of around **1,500** billion USD. The bar has just been raised.

Going back to the 1997 precedent, Asia did not collapse because of a productivity statistic, but when foreign capital, abundant and cheap, stopped arriving. Back then it was short-term dollar loans, today it is corporate bonds, private credit, and off-balance-sheet vehicles.

Same plot, different currency.

Today, right when the Artificial Intelligence sector needs the same long-maturity buyers to absorb hundreds of billions in new debt, the so-called **bond vigilantes**, the investors who punish fragile borrowers by selling their securities, are moving from one market to another, first the Treasury, then France, tomorrow perhaps Japan or the United Kingdom.

Yesterday's session was a small dress rehearsal.

The OpenAI news hit exactly where positioning was most crowded: **Nasdaq -1.25%**, **S&P 500 -0.47%** at 7,765 points, **semiconductors -3.4%**, with **Micron -4.79%**, **Broadcom -4.35%**, **AMD -3.90%** and **Nvidia -2.94%**.

The rest held up, with the Dow Jones



+0.10% and the Russell 2000 unchanged, while the ten-year fell **5** basis points to **5.23%** after a solid thirty-year auction.

It was not a flight from risk, **but a targeted sell-off on the miracle.**

The long-term funds, which were selling to lighten up on tech on Wednesday, had one more reason to do so, with the money that stayed in equities, but changed direction.

Some bought Treasuries while selling tech. That is no coincidence: **if data centers stop absorbing debt, public debt again faces less competition.**

However, those defending the miracle have a serious argument.

Electricity and computing took more than a decade to show up in aggregate data, and the early years of every great

technology resemble these.

Maybe.

But "the benefit will come" is exactly what was said about Thailand in August 1996.

**The Thai miracle did not end when productivity disappointed.  
It ended when creditors noticed.**

This morning futures are attempting a timid recovery, and with the S&P 500 index a step away from its highs, the miracle has never looked so miraculous.

Usually, that's exactly how it goes.

We leave you with an open question.

**Are we waiting for productivity to arrive, or for creditors to notice?**



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