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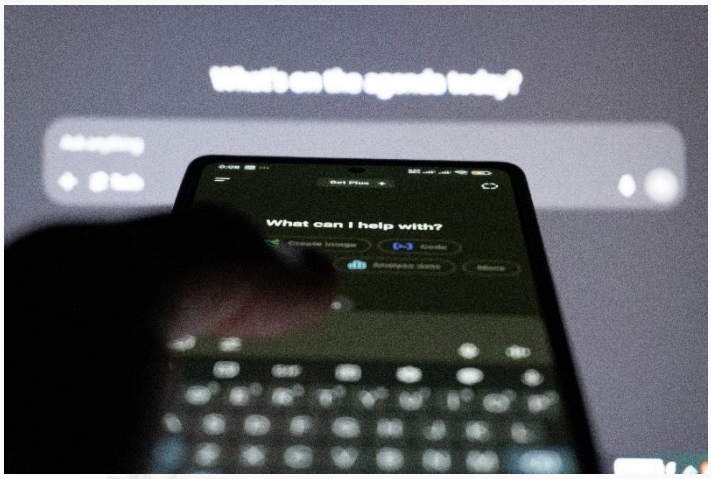
ECONOMIC RESEARCH – NOVEMBER 2025

INVESTMENT INSIGHT ARTIFICIAL INTELLIGENCE



- ✓ **The risks of the AI bubble bursting**
- ✓ **AI strategy for 2026: the end of correlation**
- ✓ **The return of rational microeconomic analysis**

2026 WILL SEE THE END OF THE BETA FACTOR AND THE RETURN OF MICROANALYSIS

Bubble risk: Valuation-to-profit disconnection

The primary threat is not that Artificial Intelligence itself is a temporary fad, but rather that current stock market valuations are aggressively pricing in 10 years of projected profits that have yet to materialize. The market has entered a critical "Show Me the Money" phase, demanding tangible evidence of revenue generation, particularly from Layer 3 (Software and Applications). This creates a dangerous disconnection between current stock prices and immediate financial performance.

Software monetization and valuation fragility

The realization of promises in 2026 presents the major sticking point, particularly within the Software-as-a-Service (SaaS) segment. Adoption of high-priced "co-pilots" (e.g., $30/month per user) is proving slower than forecasted, as Chief Financial Officers (CFOs) struggle to quantify the productivity gains to justify the recurring expenditure. This adoption challenge directly threatens the revenue projections that underpin massive valuations. Furthermore, the "Perfect Valuations" of infrastructure leaders like NVIDIA and Super Micro allow for virtually no margin for error, meaning the slightest deviation from astronomical growth expectations could trigger a massive corrective sell-off.

Performance of the leading AI ETFs

Sources : Bloomberg, BBGI Group

Infrastructure risk: The GPU sales peak

The infrastructure layer (Layer 1) faces the imminent risk of a "GPU Sales Peak." The hyperscalers (cloud giants) have collectively spent hundreds of billions during the initial build-out phase, raising questions about the sustainability of this aggressive capital expenditure pace. Competition is also escalating: while NVIDIA maintains a dominant market position, rival AMD is gaining measurable market share with its competitive chips (e.g., M1300). Crucially, the major cloud providers (Google, Microsoft) are developing highly capable custom chips (TPU, Maia) to mitigate their dependency and directly threaten NVIDIA's exceptional 90% gross margins in the long term.

Open-source commoditization threat

The strategic decision by Meta (Llama) and Mistral AI to release powerful models as open source represents a potential "black swan" risk for Layer 2 profitability. This commoditization effect places intense price pressure on proprietary models, forcing customers to question why they should pay high API fees for GPT-5 when an internally hosted Llama 4 model offers 80% of the performance at a fraction of the operational cost. The widespread availability of powerful, free models erodes the pricing power and potential margins of market leaders, fundamentally changing the economics of basic AI services.

External and physical bottlenecks

Two powerful external factors compound the risk. Firstly, high interest rates act as poison for growth stocks by severely discounting the present value of future, distant profits. Secondly, the physical limits of power are now a critical constraint. Energy demand from new data centers is so colossal that it has become the new bottleneck of 2025, delaying or halting projects not due to a lack of available GPUs, but due to insufficient power grid connection capacity. This physical limitation presents a tangible obstacle to the continued exponential growth of the AI infrastructure layer.

The great sorting: End of correlation and alpha

Awareness of these accumulating risks will irrevocably break the broad market correlation. The euphoric, high-Beta era of 2023-2024, where good news for NVIDIA lifted the entire sector, is over. 2026 will be the era of Alpha and the "Great Sorting," marked by sharp stock price divergence. Investors will shift from buying "AI as a concept" to precision stock picking based on demonstrable return on investment (ROI). This complex environment necessitates a return to rational fundamental analysis, where the commercial viability and economic model of a company will trump technological press releases.