

Market Views: Is AI mania fuelling a revolution or bubble?

Heather Ng

15 hours ago

As gains concentrate in tech titans, investors weigh momentum against mounting valuation risks.



Nvidia's historic surge to a \$5 trillion market valuation has crystallised its role at the epicentre of the AI boom. Yet investors are increasingly divided as artificial intelligence accounts for an outsized portion of equity market gains, driven by just a handful of dominant players.

While some remain bullish, others caution that the euphoria may be running ahead of fundamentals, raising concerns about froth and fragility in valuations.

With AI-led momentum reshaping portfolios, investors are confronting a critical inflection point. *AsianInvestor* asked experts whether the market is entering bubble territory—and how to position if the tide turns.

David Chao, global market strategist, Asia Pacific

Invesco

Artificial intelligence has dominated global equity returns over recent years. I think risks are growing for underperformance as concentration reaches multi-decade highs. Concerns around an AI bubble are perhaps best captured by the tension between capital spending to build out data centres and related AI infrastructure, versus the revenue of AI builders. Currently, capital spending is running at a rate somewhere around six times that of current revenues. This suggests dramatic revenue growth is necessary to justify this rate of spending.



David Chao

To be sure, AI is delivering significant revenue and revenue growth. At this stage, we think the AI investment theme can continue but returns should increasingly be driven by earnings growth rather than climbing valuations.

Meanwhile, I favour rebalancing portfolios to best navigate growing concentration and valuation risks. I believe it's time to diversify beyond mega-cap tech. I see opportunities in US cyclicals, smaller-cap and value stocks, and emerging market equities. These areas offer more attractive valuations and may benefit from a global pickup in economic activity and continued policy support. I also want to highlight other AI opportunities at more attractive valuations, particularly Chinese technology stocks.

Zhikai Chen, head of Asia/Global emerging market equities

BNP Paribas Asset Management

The hyperscalers continue to pour capex in a battle of AI dominance, with the latest 3Q25 results confirming this trend. Cloud/AI capex is projected to increase 67% in 2025 and a further 31% in 2026. Given the scale of investments, there are questions as to profitability. For now, both corporates and investors believe that overinvestment is the more acceptable option compared to missing potential AI deployment. There have been various comparisons to the TMT situation in the early 2000 timeframe (dot-com bubble), but for now, the capex is funded mostly by companies with significant cashflows and earnings. In recent months, there have been some worries as some corporates are reaching for debt to fund the capex as well.



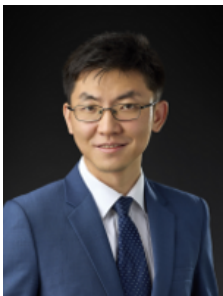
Zhikai Chen

Valuations are high, and a number of events have tested the favoured names and, so far, they are holding up.

For Korean and Taiwanese equities, they have benefitted significantly from the AI capex (Asia is the supply chain), and as derivative plays to AI capex, there has been considerable re-rating to their multiples.

Louis Luo, deputy head of macro investments

Aberdeen Investments



Louis Luo

Although it is true that the AI theme drove the lion's share of S&P500 return in the last two years, the large-cap hyper-scalers are also extremely profitable, grow at double-digit CAGR, run a healthy balance sheet and generate strong cash flow. The valuations appear expensive vs historical average, but they are justified by fundamentals, and there is still some safe distance away from the extreme level seen in the dotcom bubble level. What investors should be more mindful about are expensive yet unprofitable pockets of the tech companies, which might be building on the AI narrative but are yet to demonstrate a successful and sustainable business model.

Investment diversification can happen at multiple levels and along different dimensions. Within equities, there are regions and sectors with cheap valuations vs history and seeing structural or cyclical tailwinds, such as Japanese equities benefitting from an exit from a disinflationary spiral and European banks that are embracing the era of positive interest rates. Even within the AI space, Chinese tech companies, as the only credible contenders to US large techs, are still valued at a much cheaper level. Beyond equities, we believe investors

should construct a systematically diversified multi-asset portfolio that includes asset classes with different reaction functions to business cycles and structural shifts, so that they enjoy robustness and a smoother investment journey.

Under current market conditions, we pay special attention to gold and US government bonds. Gold benefits from structurally higher geopolitical tension, central bank buying and dollar debasement risk. US bonds have gone through several years of bear markets and are priced at a decent yield level that should provide excellent protection in a recession or burst of the AI bubble.

Vis Nayar, chief investment officer

Eastspring Investments

We believe 2026 represents an opportunity to diversify from concentration in AI tech plays. Domestic growth will emerge over the next couple of quarters in India and parts of ASEAN as new policy stimulus kicks in.

The recent outperformance of Indian equities reflects the beginning of market pricing of interest rate cuts and tax cuts, beginning to improve domestic sentiment and activity, in our view. A further 25bps policy interest rate cut by the Reserve Bank of India in December should add to this momentum.



Vis Nayar

China appears likely to further lose momentum in the next few months before new government stimulus kicks in in 2026. The 10pp cut in the US tariff on China that came out of President Trump's meeting with President Xi should work to support exports, but mainly into early next year. The differing drivers in China, India and ASEAN point to a need to be nimble and active in seeking out opportunities.

Andy O'Brien, portfolio manager

Putnam Global Technology and US Research strategies

We believe AI is the defining technological innovation of this generation, one that will fundamentally reshape how people live and work over the years and decades ahead. As with prior transformative cycles, such as the rise of the internet, this wave will create tremendous investment opportunities. These will come alongside significant pitfalls, as many early entrants are likely to fall short of lofty goals and many entrenched companies will face new disruption.



Andy O'Brien

The nearly \$500 billion in hyperscale infrastructure spending projected for 2025 is frequently cited as evidence of bubble-like behaviour. While any large-scale buildout carries the risk of temporary oversupply, our view is that elevated investment levels may prove lumpy in any given year, but they will ultimately persist through the end of the decade. This will be supported by three durable forces: continued validation of AI scaling laws and performance improvements with larger compute; expanding AI adoption across both consumer and enterprise markets; and the increasing compute intensity required by ever-more reasoning and multimodal models.

We continue to own leading large-cap infrastructure beneficiaries such as NVDA and AVGO (Nvidia and Broadcom), which have captured much of the early value creation in AI infrastructure. However, we are equally focused on the broadening of the opportunity set—both within the physical layers of AI (memory, storage and

energy) and across the deployment layer (software, services and gaming), where we expect the next leg of value creation to emerge.

Steve Alain Lawrence, CIO

Balfour Capital Group



Steve Alain Lawrence

History doesn't repeat, but it rhymes loudly for those who listen. Every era creates its own illusion of permanence – and every correction restores the idea of value. At Balfour Capital Group, we don't fear bubbles; we study them. They remind us that true worth lies not in narratives, but in cash flow, balance-sheet strength and durability.

The AI boom feels familiar. Nvidia's meteoric rise recalls Cisco in 2000 – a company that changed the world but was briefly priced for perfection. The underlying technology is transformative, but markets are again leaning toward exuberance. We entered Nvidia and Microsoft early in 2022 and have since trimmed exposure, rotating into the quieter enablers of the AI ecosystem: ASML, Tokyo Electron, and Lam Research in fabrication; Broadcom, Marvell Technology and Super Micro in data infrastructure; Eaton, Schneider Electric and NextEra Energy in power systems.

If a correction comes – as history suggests it will – we'll be buyers, not sellers. Each market cycle teaches the same lesson: value hides in plain sight only after the crowd moves on. The AI revolution isn't the end of value investing – it's its next great chapter.

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#ai bubble #alternatives #tech