The Markets This Week and Last

Artificial intelligence companies have badly overspent on infrastructure like those huge data centers that everybody seems to hate, they will never recover the money to pay back their debts, and are probably headed for bankruptcy.

Artificial intelligence companies own the future of technology, and their profits will soon dwarf the entire rest of the economy.

Chances are, neither of the above statements is true. But they represent the magnetic poles that are pulling market sentiment back and forth between optimism and pessimism at a time when, truthfully, nobody knows what's going to happen with AI and its leveraged proponents. It doesn't help clarify things that Nvidia's co-founder and CEO has been embroiled in a messy scandal involving reports of multiple affairs, including one with an alleged Chinese spy—Nvidia being the supplier of the chips that drive artificial intelligence's ever-expanding capabilities.

Nvidia CEO Jensen Huang embodies the two poles; when he resigned amid the scandal, his company's stock price—a big part of the indices—dropped, taking the market with it. When he was reinstated, the markets surged. And then Wall Street's quick-twitch traders seemed to wake up to the fact that Nvidia's brand has been tarnished, and the share price has been dropping again.

At the moment, the doomish predictions seem to be catching the attention of the brokerage day traders who drive prices up or down minute by minute. On November 20, the tech-

heavy Nasdaq index fell 5.3%, temporarily wiping out its 2026 gains. The VIX, also known as the 'fear index,' spiked that day to its highest close since April 2025. You can almost hear the shouts of 'Sell!' if you stand at certain intersections of lower Manhattan.

The irony here is that U.S. economic data has been mostly positive. Retail sales remain well above year-ago levels, though monthly growth slowed in October, and jobless claims remain low. Oil has come down from late-October levels, and diesel prices at the pump have dropped. The U.S. GDP rate, which measures economic activity, continues to be strong. But if market sentiment depends on whether or not the AI sector is over-leveraged or about to ascend to the moon, none of that will matter—at least temporarily.

Longer-term, we know that AI is going to have a positive effect on corporate efficiency and worker productivity, and one might suspect that that broad-based improvement in the market value of many companies across the economic landscape will outweigh any trauma suffered by any one or two serial builders of data centers.

Market pundits have a term for what we might encounter in the next few weeks—or months: they say 'the market is oversold.' That means that the value of companies is higher than what their share price would indicate—another way of saying that stocks are going on sale at bargain prices. Those bargains don't last forever. Market declines can test even patient investors, and past recoveries don't guarantee future results.

Wishing you and your family a very happy Thanksgiving!

Regards,
Shrier Associates

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