GLOBAL MARKETS

Global Markets: Tug of war between AI Growth or AI Bubble

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TRADING MATTERS SERIES: NEWS FOCUS

The summary and impact of a major news event

Recent headlines have raised concerns about a potential tech bubble. Many fear that excessive investment and soaring valuations in artificial intelligence companies could create an unsustainable market similar to the dot-com era.[1] This trend is driven by intense hype, massive capital inflows, and significant market gains.[1] The debate ultimately centers on whether the market's enthusiasm reflects a rational response to innovation or a speculative frenzy that could lead to a crash.[1]

What the Bull says?

Most of the AI leaders boast strong earnings and cash-rich balance sheets, unlike the dot-com era's unprofitable startups.[1,2] Bulls see AI as a transformative technology, comparable to electricity or the internet, with demand for data centers, chips, and power infrastructure driving real-world growth.[1] With use cases still emerging, they argue it is early in the cycle and valuations reflect long-term potential rather than hype.[1]

What the Bear says?

Sceptics warn that massive AI capex may not deliver proportional returns, echoing past telecom busts.[2] Valuations look stretched, margins could compress, and rapid chip obsolescence risks hardware gluts.[2,3] Market reliance on AI enthusiasm means any earnings miss or sentiment shift could trigger sharp sell-offs, signs of a bubble may already be forming.[4,5]

Looking ahead

Global risk assets remain supported by the Federal Reserve's ongoing easing cycle, which has prompted similar actions by other central banks.[6] The base case is that a US or global recession remains unlikely.[6] Although tariffs have created headwinds, companies have adapted without a sharp slowdown or a surge in inflation.[6] Historically, rate cuts in a non-recessionary environment tend to be constructive for equities even when risk factors are present.[7]

Seasonally, trading volumes usually decline in mid-December and often fall 50% to 70% below normal during the final week of the year.[8] Despite this, December has historically delivered strong returns, a phenomenon often referred to as the Santa Claus rally.[8]

S&P 500 Index performance during December over the past 20 years

2024	-2.50%	**2019**	2.86%	**2014**	-0.42%	**2009**	1.78%
2023	4.42%	**2018**	-9.18%	**2013**	2.36%	**2008**	0.78%
2022	-5.90%	**2017**	0.98%	**2012**	0.71%	**2007**	-0.86%
2021	4.36%	**2016**	1.82%	**2011**	0.85%	**2006**	1.26%
2020	3.71%	**2015**	-1.75%	**2010**	6.53%	**2005**	-0.10%

Source: Bloomberg, extracted on 25 Nov 2025

Looking ahead to 2026, the market is expected to maintain a risk-on stance, although less aggressively than in 2025 because valuations are stretched and US markets are near all-time highs.[9] Global equities are likely to see moderate upside, with stronger gains possible in a bullish scenario.[9] The S&P 500 index could potentially reach 7,000 in the base case and 7,600 if momentum remains strong.[9] In Asia, many Hong Kong-listed technology companies currently trade at lower valuations compared with their US counterparts, which may appeal to traders seeking growth opportunities at a discount.[9] As such, the Hang Seng Tech index is likely to move toward 7,300 level, while a bear case may see potential support near 4,800.

Artificial intelligence continues to be a secular growth driver, supported by solid earnings and sustainable investment cycles, yet concentrated positions and elevated valuations call for caution.[9] Traders should focus on companies with strong fundamentals and reliable dividends.[9] It is also prudent to avoid chasing high yields that could lead to dividend traps. Diversify across sectors and maintain exposure to secular themes such as AI while balancing risk to withstand volatility.[9]

S&P 500 Index

Below are the index stocks based on Market Capitalisation

No.	Ticker	Name	Market Cap	Price (HKD)	Analysts' Consensus 12M Target Price	Potential returns from Analyst Consensus	Dividend Yield	RSI (14 Day)
1	NVDA US	NVIDIA CORP	4.44T	178.88	251.43	40.56%	0.02%	41.48
2	AAPL US	APPLE INC	4.08T	271.49	285.12	5.02%	0.38%	59.68
3	GOOG US	ALPHABET INC-C	3.84T	299.65	327.82	9.40%	0.26%	68.30
4	MSFT US	MICROSOFT CORP	3.52T	472.12	630.24	33.49%	0.77%	28.10
5	AMZN US	AMAZON.COM INC	2.42T	220.69	297.03	34.59%	N/A	40.65
6	AVGO US	BROADCOM INC	1.78T	340.20	404.59	18.93%	0.62%	44.91
7	META US	META PLATFORMS-A	1.55T	594.25	835.25	40.56%	0.34%	26.37
8	TSLA US	TESLA INC	1.39T	391.09	387.49	-0.92%	N/A	38.26
9	BRK/B US	BERKSHIRE HATH-B	1.10T	504.04	534.20	5.98%	N/A	57.87
10	LLY US	ELI LILLY & CO	1.01T	1059.70	1030.13	-2.79%	0.56%	83.04
11	WMT US	WALMART INC	0.83T	105.32	118.79	12.79%	0.90%	56.39
12	JPM US	JPMORGAN CHASE	811.23B	298.02	328.19	10.12%	2.01%	40.42
13	V US	VISA INC-CLASS A	644.94B	327.98	397.76	21.28%	0.81%	40.26
14	ORCL US	ORACLE CORP	570.96B	198.76	354.67	78.44%	1.00%	24.95
15	JNJ US	JOHNSON&JOHNSON	496.44B	203.90	204.56	0.32%	2.53%	79.76
16	XOM US	EXXON MOBIL CORP	489.06B	117.08	129.45	10.56%	3.55%	53.42
17	MA US	MASTERCARD INC-A	482.99B	540.40	655.79	21.35%	0.57%	42.01
18	NFLX US	NETFLIX INC	453.27B	104.31	132.18	26.72%	N/A	34.78
19	ABBV US	ABBVIE INC	405.63B	236.28	246.45	4.30%	3.02%	62.33
20	COST US	COSTCO WHOLESALE	392.71B	899.01	1068.50	18.85%	0.59%	39.89
21	PLTR US	PALANTIR TECHN-A	386.55B	154.85	190.83	23.23%	N/A	33.85
22	BAC US	BANK OF AMERICA	379.22B	51.56	59.02	14.47%	2.16%	45.87
23	AMD US	ADV MICRO DEVICE	350.11B	203.78	285.61	40.15%	N/A	37.26
24	PG US	PROCTER & GAMBLE	343.45B	150.92	169.23	12.13%	2.88%	56.68
25	HD US	HOME DEPOT INC	335.03B	343.32	399.57	16.38%	2.73%	30.47
26	KO US	COCA-COLA CO/THE	312.25B	72.95	79.44	8.90%	2.81%	69.26
27	GE US	GENERAL ELECTRIC	310.17B	287.44	333.39	15.99%	0.49%	35.36
28	CVX US	CHEVRON CORP	301.52B	149.98	172.61	15.09%	4.57%	39.89
29	CSCO US	CISCO SYSTEMS	301.23B	76.10	86.21	13.28%	2.15%	59.41
30	UNH US	UNITEDHEALTH GRP	289.01B	319.97	393.00	22.82%	2.77%	41.15

Source: Bloomberg, extracted on 25 Nov 2025

Hang Seng Tech

Below are the index stocks based on Market Capitalisation

No.	Ticker	Name	Market Cap	Price (HKD)	Analysts' Consensus 12M Target Price	Potential returns from Analyst Consensus	Dividend Yield	RSI (14 Day)
1	700 HK	TENCENT	5.81T	624.50	752.77	20.54%	0.71%	45.55
2	9988 HK	BABA-W	3.05T	154.50	197.47	27.81%	0.64%	45.74
3	1810 HK	XIAOMI CORP-W	1.05T	38.66	56.88	47.12%	N/A	27.82
4	1211 HK	BYD COMPANY	916.10B	94.85	128.12	35.08%	1.49%	37.81
5	9999 HK	NETEASE INC	699.68B	216.60	262.48	21.18%	2.14%	46.06
6	300 HK	MIDEA GROUP CO-H	666.59B	88.80	99.71	12.29%	0.62%	59.63
7	981 HK	SEMICONDUCTOR-H	665.05B	68.05	77.86	14.42%	N/A	39.60
8	3690 HK	MEITUAN-W	607.18B	98.15	123.86	26.19%	N/A	44.24
9	9961 HK	TRIP.COM GROUP L	361.12B	542.00	680.51	25.55%	0.42%	43.83
10	9618 HK	JD-SW	326.12B	112.40	163.77	45.70%	3.46%	32.62
11	9888 HK	BIDU-SW	327.60B	111.80	156.24	39.75%	N/A	41.99
12	1024 HK	KUAISHOU-W	308.49B	68.55	87.72	27.97%	N/A	45.96
13	6690 HK	HAIER SMART H-H	264.52B	26.02	33.05	27.01%	1.13%	54.17
14	1698 HK	TENCENT MUS-CL A	227.22B	72.30	100.65	39.21%	0.95%	32.44
15	6618 HK	JD HEALTH	205.05B	62.55	80.69	29.00%	N/A	46.47
16	9868 HK	XPENG INC-A SHRS	155.65B	81.35	115.97	42.56%	N/A	41.44
17	2015 HK	LI AUTO INC-A	153.72B	71.35	105.39	47.70%	N/A	30.91
18	1347 HK	HUA HONG SEMIC-H	141.97B	69.65	82.07	17.83%	N/A	40.44
19	992 HK	LENOVO GROUP	122.43B	9.74	12.47	28.07%	3.95%	29.39
20	9866 HK	NIO INC-CLASS A	113.19B	45.44	57.09	25.64%	N/A	35.63
21	9660 HK	HORIZON ROBOTICS	113.41B	7.58	11.78	55.47%	N/A	36.06
22	241 HK	ALIBABA HEALTH	95.92B	5.73	6.90	20.49%	N/A	44.59
23	9626 HK	BILIBILI INC-Z	89.81B	203.00	247.18	21.76%	N/A	43.43
24	20 HK	SENSETIME-W	83.92B	2.11	2.77	31.33%	N/A	38.41
25	285 HK	BYD ELECTRONIC	73.81B	32.08	48.56	51.38%	1.89%	30.30
26	2382 HK	SUNNY OPTICAL	70.89B	64.15	98.37	53.35%	0.83%	30.58
27	268 HK	KINGDEE INTL SFT	51.40B	14.37	19.40	35.00%	N/A	43.39
28	780 HK	TONGCHENG TRAVEL	50.69B	21.40	26.49	23.79%	0.83%	44.28
29	3888 HK	KINGSOFT CORP	42.12B	29.64	41.42	39.75%	0.50%	37.52
30	522 HK	ASMPT LTD	30.59B	70.85	95.18	34.34%	0.45%	32.07

Source: Bloomberg, extracted on 25 Nov 2025

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