Bubbles: AI today vs Dotcom in 2000

12 November 2025

Overview

- Markets are consolidating after a strong rally since April, with major indices posting double-digit gains led by tech-heavy Magnificent 7 (Mag7) and Asian equities.
- Historical bubble warnings rarely halted momentum; both Greenspan (Dotcom) and Roubini (GFC) flagged risks, yet markets rallied further before eventual corrections, underscoring the difficulty of timing peaks.
- AI is still in its early stages but is surely transformative. Unlike Dotcom, today's leaders are highly profitable, infrastructure is mature, and investor discipline is stronger.
- Valuations remain elevated, but investors now favour earnings clarity. Diversification into Next20, Emerging Markets, bonds and industrial metals offers balance in portfolios.

Executive summary

Markets are now pausing to absorb the year-to-date rally. Since the 8 April trough, the Magnificent Seven (Mag7), S&P 500, Nasdaq 100, HSCEI and Nikkei have surged by 68%, 37%, 50%, 27% and 55% respectively.

Calling the top is never easy. In 1996, Alan Greenspan's warning on "irrational exuberance" briefly rattled markets – Asian equities fell ~3% and the S&P 500 ~2%. Yet within weeks, the index had rebounded and climbed 10% above its pre-comment level. The Dotcom boom continued for three more years, doubling US equities before peaking in 2000. Similarly, in 2006, Nouriel Roubini flagged housing risks and subprime fragility. Despite this, the S&P 500 rallied another 24% over the next 14 months.

AI is still in its infancy as an investable theme. Like the internet and automobiles before it, we consider it a "general-purpose technology" (GPT) with economy-wide implications. The parallels and contrasts with the Dotcom era are instructive.

We remain overweight on equities as central banks ease, earnings remain robust and seasonality remains in our favour. However, 3Q earnings season has made us cognizant that investors are now more selective in playing the AI theme. Investors loaded with US tech should consider diversifying into other sectors and EM. Bond spreads have also widened slightly, giving investors some buying opportunities. Gold remains a must-have in portfolios but recent price action smells of speculative behaviour. For risk-tolerant investors, industrial metals could be considered in light of the "electrification-of-everything".

Figure 1: Performance since Liberation Day lows

Source: Bloomberg, UOB Private Bank

Figure 2: AI today vs Dotcom differences

Theme	Dotcom Boom	AI Today
Profitability	Most firms were loss-making; ideas trumped earnings	Leaders like Nvidia, Microsoft and Alphabet are profitable; startups show strong revenue growth
Investor mix	Retail-driven exuberance	Institutional and corporate-led flows; retail still active via social platforms
Macro setting	Rates rising	Rates easing; capital discipline and ROI scrutiny more prominent
IPO activity	Hundreds of internet IPOs	Fewer AI listings; incumbents lead innovation
Capex funding	Dependent on equity and debt; weak internal cash	Big Tech funds capex from robust cash flows; minimal new issuance
Tech maturity	Infrastructure nascent; monetisation unclear	Cloud and chip stack mature; enterprise use cases more defined

Source: Bloomberg, UOB Private Bank

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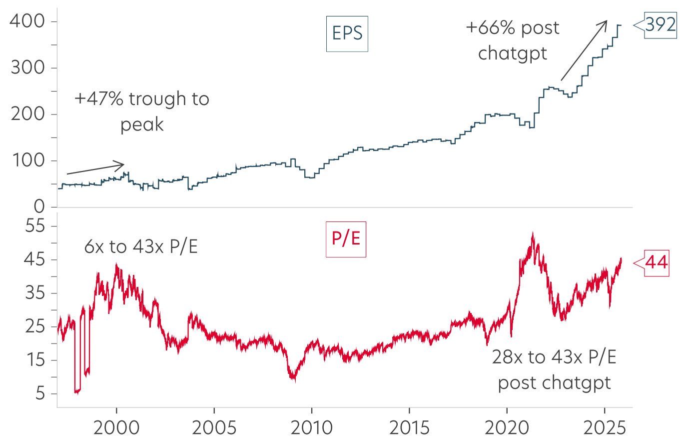
Figure 3: AI today vs Dotcom similarities

Theme	Dotcom Boom	AI Today
Narrative & FOMO	Internet as a revolutionary force; investors chased the "new economy"	AI seen as a universal disruptor; widespread enterprise and investor enthusiasm
Valuation excess	Nasdaq 100 traded at ~60× forward P/E	Mega caps now trade at elevated multiples; still expensive vs historical norms
Speculative flows	Capital flooded into firms with little revenue	Private AI startups attract heavy funding despite unclear monetisation paths
Infrastructure scale-up	Fibre and servers built ahead of demand	Data centres and GPUs scaled rapidly; risk of oversupply
Market concentration	Index dominated by Cisco, Intel and peers	A few AI leaders drive most of the gains

Source: Bloomberg, UOB Private Bank

Valuations offer another lens. During the Dotcom bubble, growth stock P/Es jumped from 6× to 43× — a sevenfold surge. Today's 43× multiple is not even a doubling since ChatGPT's debut in late 2022.

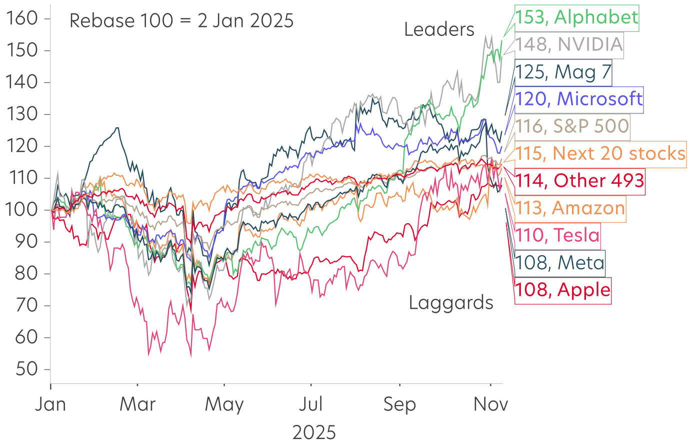
Figure 4: Comparing today vs Dotcom



Source: Bloomberg, UOB Private Bank

This earnings season shows a clear shift. Previously, loss-making firms often commanded premium valuations. Now, hyperscalers investing aggressively without monetisation clarity are being penalised. Meta's recent sell-off is a case in point. Investors are demanding profitability and discipline. This shift supports a healthier bull market and reinforces the need for selectivity — even within Mag7.

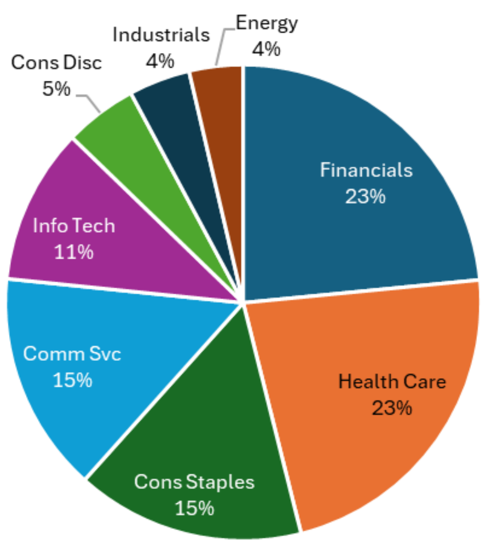
Figure 5: Be selective even among Mag7



Source: Bloomberg, UOB Private Bank

After a strong run, markets do not need bad news to correct — just news that is less good than expected. We cannot deny that a tech-led consolidation in US equities may be underway. The depth and duration remain unclear but we would take this opportunity to build positions as year-end seasonals have historically been positive for risk assets. Security selection will be key, as seen in the dispersion among Mag7 stocks. Option strategies may also be effective as volatility comes back. Finally, financial conditions are set to continue easing with central banks on an easing path. Barring recessions, this historically bodes well for portfolios.

Figure 6: "Next20" stocks are diversified



Source: Bloomberg, UOB Private Bank

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For investors "overloaded" with tech, we continue to favour diversification. "Next20" stocks (table next page), Emerging Markets (China, with India on positive watch) and bonds offer resilience and balance.

Figure 7: Ratio of gold vs industrial metals

Source: Bloomberg, UOB Private Bank

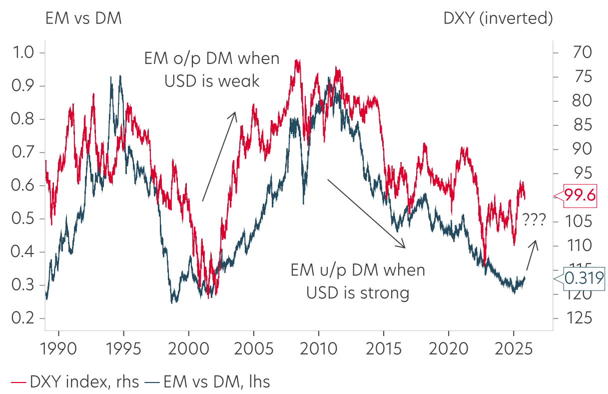
Finally, gold remains a strategic long-term asset for diversification. However, recent price action looks a tad speculative. Historically, gold outperforms when growth falters. Yet the rally that began in April 2022 seems driven more by geopolitical tension – especially post Russia's invasion of Ukraine.

EM central bank buying initially supported prices, but official net purchases have slowed since 2024 for various countries like China and Singapore, while gold price has doubled since the start of 2024. Retail flows now appear to be the main driver. One way to express this divergence away from gold is for risk-tolerant investors to consider industrial metals. Copper and aluminium are vital for grid expansion and power generation in the AI-led "electrification-of-everything" era. Their supply remains tight due to years of underinvestment and mining divestment.

Figure 8: EM bonds continue their run

Source: Bloomberg, UOB Private Bank

Figure 9: EM relative to DM



Source: Bloomberg, UOB Private Bank

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Figure 10: Next 20 largest stocks after Mag7

Sector	Company	Mkt cap (USDbn)	B/H/S	Cons target	Last px	% up/down	Est Yield (%)	Est P/E (x)	Est P/B (x)
Semiconductors	Broadcom Inc	1,692.4	53/4/0	398.55	358.39	11.2	0.7	38.4	22.4
Insurance	Berkshire Hathaway	1,074.5	3/3/0	529.00	496.98	6.4	NA	23.0	1.5
Pharmaceuticals	Eli Lilly	913.8	28/8/1	980.24	966.64	1.4	0.6	30.7	30.7
Banks	JPMorgan Chase	862.7	19/11/3	327.89	316.89	3.5	1.8	14.9	2.5
Retail	Walmart Inc	816.6	46/1/1	114.07	102.42	11.4	0.9	34.8	8.4
Software	Oracle Corp	686.6	37/11/2	355.86	240.83	47.8	0.8	30.3	19.9
Diversified Finan Serv	Visa Inc	655.8	39/8/2	398.92	334.85	19.1	0.8	23.2	16.5
Oil&Gas	Exxon Mobil Corp	498.6	19/14/1	128.86	118.22	9.0	3.4	16.1	1.9
Diversified Finan Serv	Mastercard Inc	496.6	37/9/1	658.54	552.96	19.1	0.6	28.9	61.6
Internet	Netflix Inc	474.6	45/14/2	1348.79	1120.07	20.4	0.0	35.5	17.4
Software	Palantir Technologies	461.3	9/16/4	190.64	193.61	-1.5	NA	193.4	64.2
Pharmaceuticals	Johnson & Johnson	453.9	16/12/1	202.70	188.41	7.6	2.7	16.4	5.8
Retail	Costco Wholesale	405.8	24/16/1	1068.50	915.56	16.7	0.6	41.4	12.1
Banks	Bank of America	390.1	25/4/1	58.92	53.42	10.3	2.0	12.3	1.4
Pharmaceuticals	AbbVie Inc	386.5	21/10/1	242.68	218.71	11.0	3.0	15.3	810.0
Retail	Home Depot	368.7	28/13/3	431.32	370.43	16.4	2.5	22.8	28.9
Cosmetics/Personal Ca	Procter & Gamble	340.0	15/13/0	169.23	145.50	16.3	2.9	19.8	6.2
Aerospace/Defense	General Electric	329.0	17/4/1	336.82	311.94	8.0	0.5	43.8	17.2
Oil&Gas	Chevron Corp	313.4	18/14/1	171.82	155.65	10.4	4.4	19.4	1.6
Healthcare-Services	UnitedHealth Group	291.3	21/7/2	392.20	321.58	22.0	2.7	18.1	2.9

Source: Bloomberg, UOB Private Bank. Data as of 1700hrs 11 November 2025.

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