IRRATIONAL EXUBERANCE 2.0?

SEPT 2026

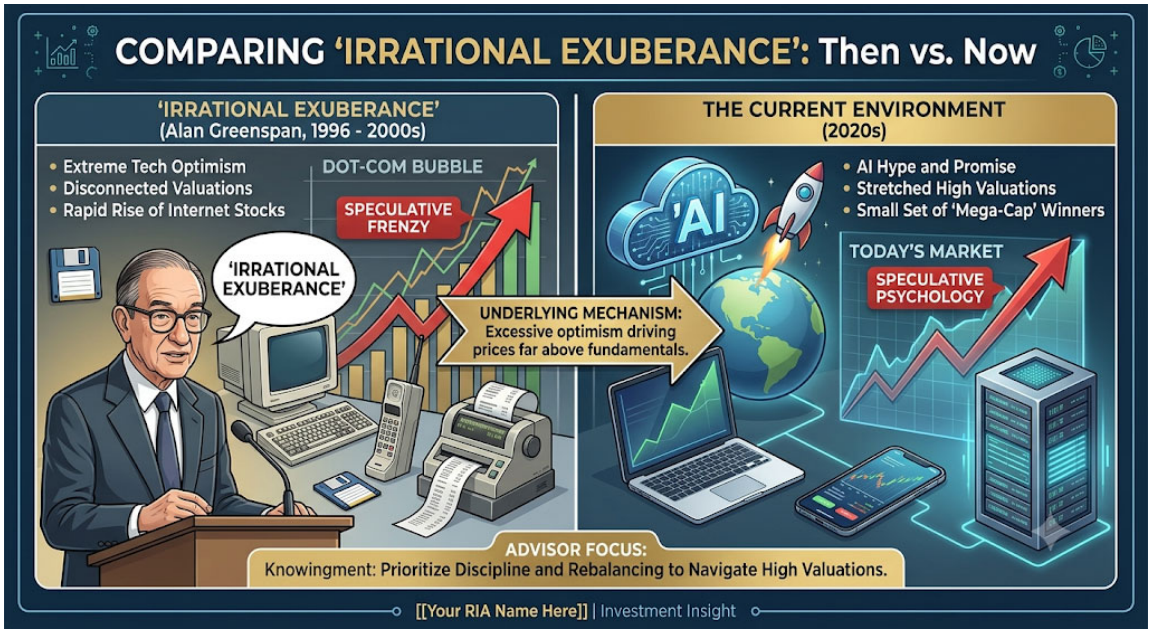
Bubbles are forming and CY 2026 clearly represents the increasing excitement about the potential of Artificial Intelligence, Moonshots, and the development of automation to eliminate the need for people! It is the ultimate productivity dream. We judge the hype to be greater than the probable benefits. This is not the first time automation caused exciting bubbles.

The 1990's were exciting as well, the following recounts the period likely known as the original "irrational exuberance".

- In 1996, Fed Chair Alan Greenspan mentioned the difficulty of knowing "*when irrational exuberance has unduly escalated asset values, which then become subject to unexpected and prolonged contractions.*" He was worried about a bubble forming.
- In 1998, Greenspan started believing productivity gains from equipment and software were not being measured correctly.
- In 1999, as prices of internet stocks became hotter, Greenspan testified before Congress about the "lottery ticket" analogy. He observed that people have long been willing to pay more for a lottery ticket than their chances of winning would justify, simple because they are drawn to the remote chance of a huge win. This is simply health venture style capitalism.
- And in 1999, Greenspan believed traditional economics measurement tools did not accurately capture productivity gains.

The Federal Reserve did not raise interest rates in the hot economy, and it added fuel to the fire by increasing liquidity, which increased leverage within the economy.

Today, things are very similar. Lots of hype over the productivity miracle of AI and automation. Lots of liquidity, lots of leverage, and lots of high prices. But bubbles, if they are forming are not forming everywhere. We estimate the US equity market may have 25-30% of the companies priced at levels clearly not supported by long-term valuation fundamentals. We continue to focus on avoiding speculative assets which means we seek to only invest in the safe assets.



Note: The AI Image is "Slop" and only used to depict the current environment