

What are the prospects for the Artificial Intelligence (AI) market? Is it worth investing now considering long-term perspectives?

FAQ

From a stock market perspective, market participants tend to overvalue investment themes in the short term and undervalue them in the long term.

The general trend of AI has spread quickly and widely across the market, and at each successive release of financials, investors tend to look closely not at the topic itself but at how it affects the business and how it can lead to the growth of a company's valuation.

As the novelty of the topic itself diminishes, the investment context becomes more and more important: the state of the economy, the company's sectoral belonging, the legal framework for AI development in that sector, etc.

We consider AI to be not only innovative but also important from the point of view of improving the efficiency of labor resources in the economy, but now we are at a stage where the economic context is becoming no less important than innovation in business.

Is it appropriate to describe the current timing for purchasing long-term US bonds as favorable?

Given the current downturn in the bonds market, we tend to believe that gradually increasing the share of long-term US government bonds in the portfolio is a sound strategy in the present environment.

The primary reason is that, despite being in the final stages of interest rate hikes, there is a reasonably high probability of a new wave of inflation. This, in turn, may prompt the Fed to maintain an aggressive interest rate policy for a while longer.

The IMF has raised global inflation expectations and recommended that global central banks adopt aggressive interest rate policies, indirectly confirming the potential risks.

We believe that investing in treasuries and long-term government bonds offers an attractive position considering the current bonds market selloff, but the aforementioned risks encourage us to accumulate positions in a systematic manner.

Could there be a potential for a short-term stock market rally on the horizon?

Given the last info from leading indicators dynamics (indicators that show overall economic dynamics before the economy starts to move in a given direction), a short-term rally event is definitely possible.

For example, the latest data coming from the Fed's regional banks indicates a slight rebound in capital investment in the corporate sector, which inherently influences more positive expectations for new manufacturing orders.

On the other hand, the massive increase in borrowing costs and the general slowdown in the economy are creating a multitude of factors that are limiting the long-term upside for the stock market.