

Strategy Outlook

Dispatches From the Future (January 2, 2027): The Return Of Nasdog

In this Issue

- 02 AI Reality Check
- 04 First-Mover Non-Advantage
- 04 Shades of 2001
- 07 Cracks in the US Labor Market Turn Into Fissures
- 08 Consumption and Housing Falter
- 10 The US Policy Response: Too Little, Too Late
- 13 Europe: Limping Along
- 15 China: Too Much Supply
- 16 Stocks in 2026: The Making of a Bear Market
- 22 Bonds Had More Fun
- 23 US Dollar Sags, Yen Soars
- 26 Gold Takes the Gold
- 28 GIS Views, Trades, And Recent Reports
- 29 Global Investment Strategy View Matrix
- 30 Global Investment Strategy PowerScores
- 31 Global Investment Strategy FullView Portfolio

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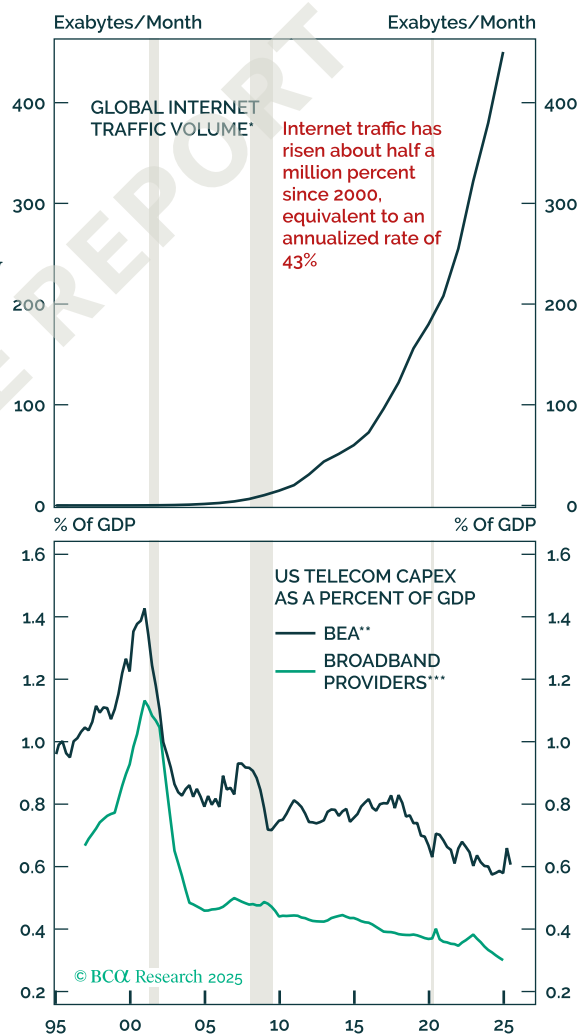
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Executive Summary

Top Takeaway: 2026 was the year the AI boom turned to bust. Our "Trade of the Year" – short QQQ/long TLT – generated a return of 52%.

- **Global Economy:** Global growth slowed in 2026. The US and most major economies succumbed to a recession by the end of the year, as falling stock prices cut into consumer spending while tech firms began to pause AI-related capex.
- **Equities:** The S&P 500 finished the year at 5280, down 23%. The Nasdaq Composite fell 31%. Largely due to their heavy tech weighting, US stocks underperformed their global peers.
- **Fixed Income:** The 10-year US Treasury yield reached 3.1% by the end of 2026. The Fed ultimately brought rates down to 2.25%. Credit spreads widened sharply, as corporate defaults picked up.
- **Currencies:** The US dollar index weakened in 2026. Aggressive Fed rate cuts and equity outflows weighed on the greenback. USD/JPY hit 115, making the yen by far the best-performing currency.
- **Commodities:** Both oil and industrial metals sold off in 2026. Gold struggled initially but rallied back towards the end of the year. Bitcoin slumped further, ending the year at around \$50,000.

As A Template For What Awaits AI, Internet Traffic Has Grown Rapidly Even As Spending On Internet Infrastructure Has Declined



* SOURCE: CISCO AND IBISWORLD. CISCO DATA IS AGGREGATED [HERE](#).
 ** INCLUDES INVESTMENT IN COMMUNICATION STRUCTURES AND COMMUNICATION EQUIPMENT.
 SOURCE: BUREAU OF ECONOMIC ANALYSIS (BEA).
 *** SOURCE: USTELECOM.
 NOTE: SHADED AREAS DENOTE NBER-DESIGNATED RECESSIONS.

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Dear Client,

Today, we are sending you our 2026 outlook as a retrospective from the future – a future in which the AI boom turned to bust.

Next week, please join me for a [Webcast](#) on Wednesday, December 17 at 10:30 AM EST (3:30 PM GMT, 4:30 PM CET) to discuss the economy and financial markets. We will also host a [Webcast](#) for APAC on Tuesday, December 16 at 8:00 PM EST (9:00 AM HKT+1 day).

And with that, I will sign off for the year. I wish you and your loved ones a very happy and healthy 2026. We will be back on Friday, January 2 with our MacroQuant Model Update.

Best regards,
Peter Berezin
Chief Global Strategist

AI Reality Check

In retrospect, it should have been clear. In 2025, investment in tech equipment and software had reached 4.4% of GDP, nearly as high as at the peak of the dotcom bubble (**Chart 1**). The five hyperscalers – Amazon, Google, Meta, Microsoft, and Oracle – had plans to add about \$2 trillion of AI-related assets to their balance sheets by 2030. Given that AI assets typically depreciate at a rate of around 20% per year, this implied that the hyperscalers were facing an annual depreciation expense of \$400 billion – more than their combined profits in 2025.

These capex plans still do not capture the full extent of the AI build-out. OpenAI alone had intended to spend [\\$1.4 trillion](#) on data centers, alongside the billions that Anthropic and xAI planned to undertake, and the additional billions in AI-related assets targeted by the emerging “neoclouds” – CoreWeave, Nebius, IREN, Lambda, and Crusoe.

CHART 1
Tech Investment Back To Dotcom Boom Levels

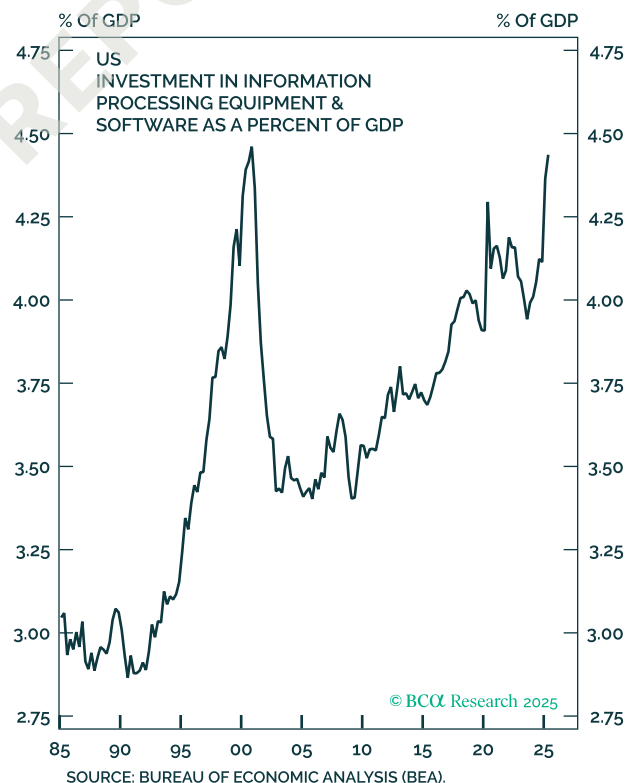
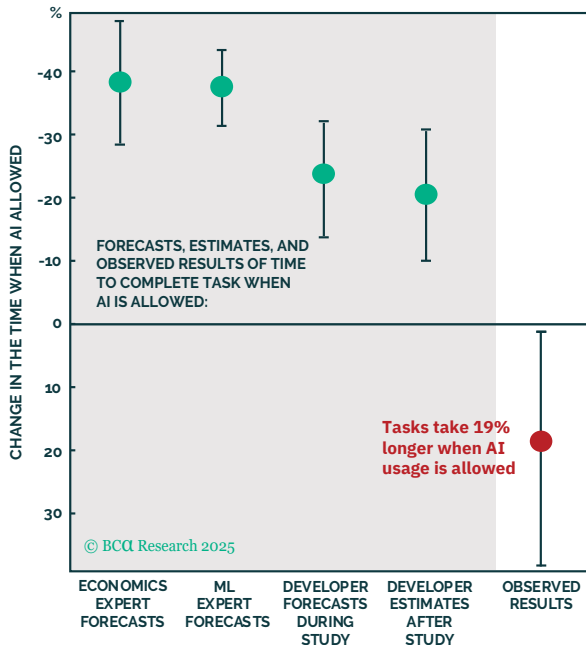


CHART 2

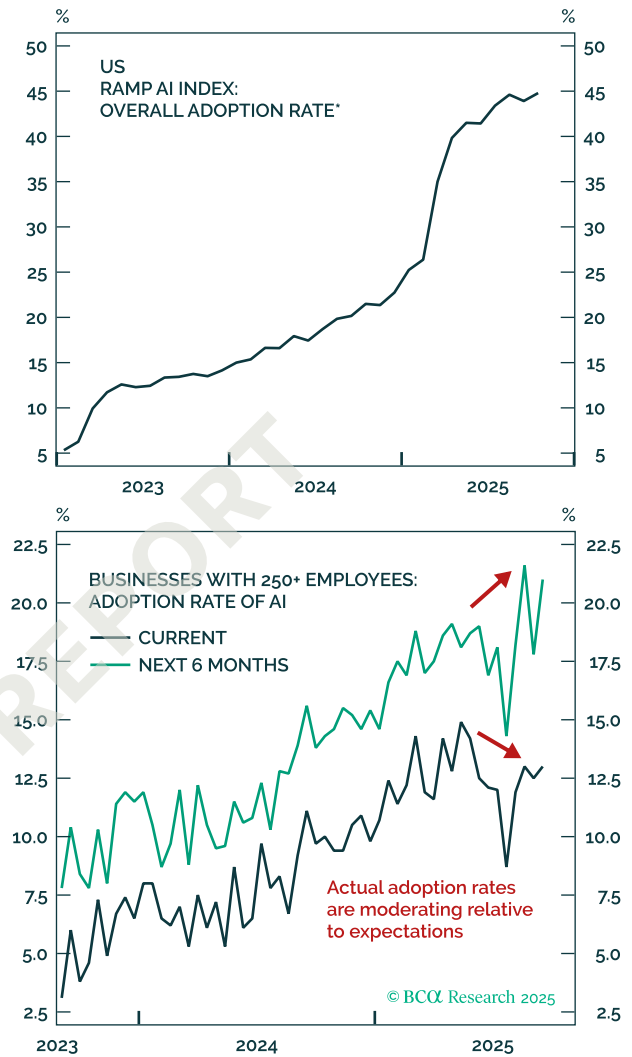
Experienced Programmers Who Had Access To AI Took 19% Longer To Finish Their Tasks

NOTE: BASED ON 16 DEVELOPERS COMPLETING 246 TASKS. PARTICIPANTS POLLED FOR FORECASTS AND ESTIMATES OF TIME BOTH PRIOR TO AND UPON COMPLETION OF TASKS. SOURCE: JOEL BECKER, NATE RUSH, BETH BARNES, AND DAVID REIN, "MEASURING THE IMPACT OF EARLY-2025 AI ON EXPERIENCED OPEN-SOURCED DEVELOPER PRODUCTIVITY," MODEL EVALUATION & THREAT RESEARCH (METR), JULY 25, 2025.

Tech companies justified this lavish spending on the grounds that AI would significantly boost their sales and profits. As 2026 began, that assumption started to look increasingly shaky.

Yann LeCun left his role as Meta's chief AI scientist in late 2025, arguing that the capabilities of LLMs were limited. In his estimation, LLMs were great at regurgitating old knowledge but not so great at coming up with new knowledge. Supporting LeCun's perspective, a study by METR found that experienced programmers who had access to AI took 19% longer to finish their tasks than those who did not (**Chart 2**).

CHART 3

Signs Of Peaking In AI Adoption Rates

* SOURCE: [HTTPS://RAMP.COM/DATA/AI-INDEX](https://ramp.com/data/ai-index).

THIS IS A SAMPLE REPORT.

Our team will be in touch shortly with the full report.

If you do not receive a call, please contact our Client Services team

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