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## MAKING SENSE OF *THIS* WORLD

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By Brunello Rosa



### Tech Sell Off Signals Emerging Signs of AI Stocks Over-Valuation

Last week, equity markets across the globe were rattled by a marked sell-off originating in the tech sector, and the semiconductor complex bore the sharpest correction. The Nasdaq Composite plunged over 4% in a single session; semiconductor stocks shed more than \$1.3 trillion in market value — the most significant correction in the AI trade of 2026. Micron lost approximately 13% of its value in a single session, a remarkable reversal for a stock that had surged nearly 800% over the preceding year on the back of AI-driven memory demand. The contagion spread eastward with equal ferocity: South Korea's tech-heavy Kospi index closed 10% lower, dragged down by SK Hynix and Samsung, both of which ended the session with losses exceeding 12%. In Europe, ASML, Infineon and STMicroelectronics fell between 4% and 7%. The sell-off was, in the most literal sense, global.

Three causes operated within the tech sector itself, against one macroeconomic backdrop that offered no mitigation. The first tech-specific cause refers to the recent IPO of Space-X. Days after the hyper-valuation of Space X, a large market correction was expected to emerge as it often happens after large IPOs.

The second and most structurally significant is the growing investor scepticism about whether artificial intelligence can generate returns commensurate with the capital it has consumed. Combined 2026 capital expenditure across Microsoft, Alphabet, Amazon and Meta has now exceeded \$452 billion — a figure that has migrated, in investor psychology, from impressive to alarming. When Apple and Microsoft simultaneously announced price increases on consumer hardware, citing soaring component and chip costs, the market read the subtext clearly: the AI infrastructure buildout is consuming margin across the entire supply chain, and those costs are now being passed downstream. Studies from MIT and the Harvard Business Review found that 95% of organisations have seen no tangible return from AI projects to date, even as cumulative industry investment approaches \$1.6 trillion since the modern AI boom began. The gap between capital deployed and value demonstrably created has become too wide to ignore.

The third tech-specific cause is structural and geopolitical in equal measure: China has repeatedly demonstrated that comparable AI results can be achieved with a fraction of the investment, directly undermining the narrative that underpins hyperscaler valuations. The most prominent case beyond DeepSeek is Alibaba's Qwen3, which ranks near the top of global leaderboards in reasoning and language tasks while operating under the same chip-constrained conditions facing all Chinese labs — and, unlike DeepSeek, is backed by a major listed company with real revenue. MiniMax produced its M1 model trained on just 512 Nvidia H800 GPUs, a figure US hyperscalers would have dismissed as inadequate for any competitive frontier model. Ant Group demonstrated something more pointed still: the ability to train AI models on domestically produced chips at lower cost with equivalent results — compute substitutability, not merely compute efficiency. Moonshot AI's Kimi K2.5 costs four times less than OpenAI's GPT 5.2 while scoring an identical Intelligence Index of 47. The aggregate pattern, confirmed by RAND in early 2026, is that Chinese AI models run at one-sixth to one-quarter the cost of comparable American systems.

Against this already unsettled backdrop, the macroeconomic environment offered no comfort. Geopolitical tensions in the Middle East continued to furnish a reliable volatility amplifier, sustaining fears of supply disruptions, persistent inflationary pressure and the possibility of a Federal Reserve less inclined toward accommodation than markets had priced. The US Dollar Index climbed to a new 2026 high above 101, reflecting safe-haven flows. Capital rotated accordingly — out of mega-cap technology and into healthcare, utilities and consumer staples, the perennial refuges of the risk-averse. Central banks rotated their investment from US Treasuries to gold.

This was not a repudiation of artificial intelligence as a transformative technology. It was something more disciplined: markets withdrawing the blank cheque extended on faith, and issuing instead a conditional invoice. Payment terms: verified earnings, sustainable margins, and a credible timeline from expenditure to return.

#### Our Recent Publications

 [\*The Rhetoric of Rearmament: Balancing Geopolitical Ambition with Social Welfare in Europe\*](#), by Lásma Kokina, 25 June 2026

 [\*The Future Of US-China Relations Under "Strategic Stability"\*](#), by Eva Kristinova, 24 June 2026

 [\*The Emergence of the "Islamic Quad"\*](#), by Giorgio Cafiero, 23 June 2026

 [\*Is the US – Iran Ceasefire Built to Last? Reading the new US-Iran Deal\*](#), by Kipp Mann-Benn, 22 June 2026



### Looking Ahead

#### The Week Ahead: US Final Reading of Q1 GDP to Show Accelerating Growth

**In the US**, in June, unemployment rate is expected to remain at 4.3%. NFPs are seen increasing by 114K (*p*: 172K). In June, S&P Global Manufacturing and Services PMIs are expected to increase to 55.7 (*p*: 55.1) and to 51.3 (*p*: 50.7).

**In the EZ**, in June, headline inflation rate is seen easing off to 3.0% y-o-y (*p*: 3.2%), whereas core inflation is likely to remain at 2.6% y-o-y. In May, unemployment rate is likely to stay unchanged at 6.3%. In June economic sentiment is expected to rise to 94.3 (*p*: 93.5). Consumer confidence is likely to increase to -1.7 (*p*: -19). In June, S&P Global Manufacturing PMI is expected to decline to 51.3 (*p*: 51.6), while Services PMI is likely to increase to 48.9 (*p*: 47.7). Composite PMI is seen edging up to 49.5 (*p*: 48.5).

**In the UK**, in Q1, according to the final estimate, GDP growth rate is seen advancing by 0.6% q-o-q (*p*: 0.2%) and 1.1% y-o-y (*p*: 1.0%). In June, S&P Global Manufacturing and Services PMIs are expected to decline to 53.3 (*p*: 53.9) and to 48.7 (*p*: 49.3). Composite PMI is seen edging down to 49.4 (*p*: 49.7).

#### The Quarter Ahead: US-Iran Ceasefire Under Strain; Google Caps Meta's AI Access; Starmer Steps Down

**US-Iran tensions escalated** after US strikes on Iranian military targets prompted Iranian missile and drone attacks on Kuwait and Bahrain. President Trump warned that further escalation could lead to the "annihilation" of Iran, underscoring the fragility of the recently agreed ceasefire.

**Google has reportedly limited Meta's access to Gemini AI models** after being unable to meet the company's demand for computing capacity, highlighting ongoing AI infrastructure constraints. The restrictions have reportedly delayed some of Meta's internal projects and pushed the company to use AI tokens more efficiently.

**UK Prime Minister Keir Starmer announced he will step down as Labour leader**, triggering a leadership contest to select his successor. He will remain prime minister until a new leader is chosen, with Andy Burnham emerging as the early frontrunner.

### Last Week's Review

#### Real Economy: US Final Reading of Q1 GDP Showed Accelerating Growth; PCE Prices Rose In US

**In the US**, in Q1, according to the final estimate, GDP growth advanced by 2.1% q-o-q (*c*: 1.6%; *p*: 0.5%). In May, PCE and core PCE prices increased to 4.1% y-o-y (*c*: 4.1%; *p*: 3.8%) and 3.4% y-o-y (*c*: 3.4%; *p*: 3.3%). In June, Michigan Consumer Sentiment rose to 49.5 (*c*: 50.0; *p*: 44.8)

**In the EZ**, in June, consumer confidence increased to -17.7 (*c*: -17.5; *p*: -19).

#### Financial Markets: Stocks Were Down; Long-Term Yields Fell; Dollar Rose; Oil And Gold Prices Declined

**Market Drivers**: US equities ended mixed, as weakness in large-cap technology and AI stocks weighed on the S&P 500 and Nasdaq. Treasury yields declined, as lower oil prices and in-line inflation data supported bonds. A late-week selloff in global technology stocks on AI valuation concerns weighed on sentiment in Europe as well.

**Global Equities**: decreased w-o-w (MSCI ACWI, -2.1%, to 1,102.60). The US S&P 500 index declined (-2.0% w-o-w, to 7,354.02). In the EZ, share prices were down (Eurostoxx 50, +1.1% w-o-w, to 6,221.55) In EMs, equity decreased (MSCI EMs, -4.5%, to 1,706.40). Volatility rose to 19.06 (VIX S&P 500, 52w avg.: 19.4; 10y avg.: 19.9).

**Fixed Income**: w-o-w, the 10-year US Treasury yields declined (-12 bps to 4.37%). The 2-year US Treasury yields rose (+9 bps to 4.09%). The German 10-year bund yields edged down (-13 bps to 2.85%).

**FX**: w-o-w, the US Dollar Index increased (DXY, +1.6%, to 101.36; EUR/USD -0.7%, to 1.14). In EMs, currencies declined (MSCI EM Currency Index, -0.5% w-o-w, to 1,856.46).

**Commodities**: w-o-w, oil prices declined (Brent, -9.9% to 72.6 USD/b). Gold rose declined w-o-w (-1.8% to 4,096.30 USD/Oz).

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The picture in the first page was taken from [this website](#).





## Abbreviations, Acronyms and Definitions

|       |                                       |         |                                                       |
|-------|---------------------------------------|---------|-------------------------------------------------------|
| a     | Actual                                | LN      | Northern League, Italy                                |
| AKP   | Justice and Development Party, Turkey | M5S     | Five Star Movement, Italy                             |
| ann.  | annualized                            | m-o-m   | Month-on-month                                        |
| ARS   | Argentinian Peso                      | mb      | Million barrels                                       |
| avg.  | Average                               | mb/d    | Million barrels per day                               |
| bn    | Billion                               | MENA    | Middle East and North Africa                          |
| BoC   | Bank of Canada                        | MHP     | Nationalist Movement Party, Turkey                    |
| BoE   | Bank of England                       | mn      | Million                                               |
| BoJ   | Bank of Japan                         | MPC     | Monetary Policy Committee                             |
| bpd   | Barrels per day                       | NAFTA   | North-American Free Trade Agreement                   |
| bps   | Basis points                          | NATO    | North Atlantic Treaty Organization                    |
| BS    | Balance sheet                         | OECD    | Organization for Economic Cooperation and Development |
| c     | Consensus                             | Opec    | Organization of Petroleum Exporting Countries         |
| C/A   | Current account                       | p       | Previous                                              |
| CB    | Central bank                          | P2P     | Peer-to-peer                                          |
| CBB   | Central Bank of Bahrain               | PBoC    | People's Bank of China                                |
| CBK   | Central Bank of Kuwait                | PCE     | Personal Consumption Expenditures                     |
| CBT   | Central Bank of Turkey                | PE      | Price to earnings ratio                               |
| CDU   | Christian Democratic Union, Germany   | PM      | Prime minister                                        |
| CNY   | Chinese Yuan                          | PMI     | Purchasing managers' index                            |
| CPI   | Consumer Price Index                  | pps     | Percentage points                                     |
| DJIA  | Dow Jones Industrial Average Index    | pw      | Previous week                                         |
| DIEM  | Dow Jones Emerging Markets Index      | QCB     | Qatar Central Bank                                    |
| d-o-d | Day-on-day                            | QAR     | Qatari Riyal                                          |
| DXY   | US Dollar Index                       | QE      | Quantitative easing                                   |
| EC    | European Commission                   | q-o-q   | Quarter-on-quarter                                    |
| ECB   | European Central Bank                 | RE      | Real estate                                           |
| ECJ   | European Court of Justice             | RBA     | Reserve Bank of Australia                             |
| EIA   | US Energy Information Agency          | RRR     | Reserve Requirement Ratio                             |
| EM    | Emerging Markets                      | RUB     | Russian Rouble                                        |
| EP    | European Parliament                   | SWF     | Sovereign Wealth Fund                                 |
| EPS   | Earnings per share                    | tn      | Trillion                                              |
| EU    | European Union                        | TRY     | Turkish Lira                                          |
| EUR   | Euro                                  | UAE     | United Arab Emirates                                  |
| EZ    | Eurozone                              | UK      | United Kingdom                                        |
| Fed   | US Federal Reserve                    | US      | United States                                         |
| FOMC  | US Federal Open Market Committee      | USD     | United States Dollar                                  |
| FRB   | US Federal Reserve Board              | USD/b   | USD per barrel                                        |
| FX    | Foreign exchange                      | UST     | US Treasury bills/bonds                               |
| FY    | Fiscal Year                           | VAT     | Value added tax                                       |
| GCC   | Gulf Cooperation Council              | VIX     | Chicago Board Options Exchange Volatility Index       |
| GBP   | British pound                         | WTI     | West Texas Intermediate                               |
| GDP   | Gross domestic product                | WTO     | World Trade Organisation                              |
| IMF   | International Monetary Fund           | w       | Week                                                  |
| INR   | Indian Rupee                          | w-o-w   | Week-on-week                                          |
| IPO   | Initial public offering               | y       | Year                                                  |
| IRR   | Iranian Rial                          | y-o-y   | Year-on-year                                          |
| JPY   | Japanese yen                          | y-t-d   | Year-to-date                                          |
| k     | thousand                              | ZAR     | South African Rand                                    |
| KSA   | Kingdom of Saudi Arabia               | 2y; 10y | 2-year; 10-year                                       |



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