



Source: Getty UBS

AI investment remains, AI applications emerge

25 September 2026, 12:28 UTC, written by Michael Bolliger

Recent earnings growth in equity markets has been driven largely by investment in artificial intelligence, particularly in the US market and semiconductor sector. At the same time, earnings are well above their long-term trend, while valuations remain within historical ranges—raising concerns about the sustainability of current profitability. In the coming years, AI investment growth is likely to remain high but slow. Margins may also come under pressure, and depreciation could weigh more heavily. For markets, the key question is whether the focus can shift from the current investment-driven phase to one of broader, productivity-enhancing AI applications. In our view, investors should diversify and actively manage existing positions, while selectively seeking companies that use AI to improve efficiency and develop new business models.

Over the past several quarters, corporate earnings in the major equity indices appeared to move in only one direction: up. Investment in artificial intelligence (AI) was a key driver. Many investors now ask whether this is a new bubble—not so much in valuations as in expectations for future earnings growth. It is therefore worth examining more closely how markets might absorb a potential transition from AI's investment phase to its application phase.

Earnings per share in the S&P 500 have grown much faster than the overall economy in recent years. Much of this increase is directly or indirectly attributable to AI investment. At the same time, valuations—measured by the price-to-earnings ratio—remain within historical ranges, while earnings themselves are well above their long-term trend. This raises concerns that some of this profitability may not be sustainable.

The AI boom has accounted for almost half of S&P 500 earnings growth this year. At the same time, signs are growing that this tailwind may weaken: tighter regulation of AI models, increasing competition—including from China—and higher capital costs. Spending on data centers, chips, and infrastructure is likely to keep rising, but investment growth will probably slow. Higher depreciation could also weigh more heavily on earnings in the coming years. A strong tailwind could therefore become a moderate headwind by 2028.

The exceptional cycle is especially evident in the semiconductor sector: Profit margins are at historically high levels of around 70%. If competition and pricing pressure increase, margins could fall toward their longer-term average—with noticeable consequences for earnings. Valuation gains on equity stakes have also inflated the reported earnings of large technology companies—an effect that is also likely to fade in the coming years.

Does this mean the AI boom is nearing an end? Hardly. The key question is how well markets can navigate the transition from the current phase, in which investment is the main driver of earnings, to a phase in which productivity-enhancing AI applications spread across the broader economy. On average, global corporate earnings most recently rose around 35% year over year—not only in the technology sector, but across countries and industries. This broad earnings base creates capacity for further investment, as well as higher employment and wages.

Our conclusion? The pace of AI investment will probably slow at some point. Given the importance of this spending to the global economy, markets are likely to react sensitively over the next few quarters to news about AI investment, margins, and regulation. Even so, we continue to see attractive opportunities, increasingly beyond the technology sector. Companies using AI to lower costs, automate processes, and develop new business models could form the next cohort of potential beneficiaries.

For investors, there is a strong case for actively managing their AI exposure, diversifying broadly, and looking beyond established “AI leaders.” This may improve the prospects of benefiting from the next phase of the AI cycle—even if the path becomes bumpier at times.

Disclaimer

Hong Kong / Singapore: For Global Wealth Management clients of UBS AG Singapore / Hong Kong branch, please refer to the [HK/SG Marketing Material Disclaimer](#).

This document is prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland), its subsidiaries or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. In the USA, UBS Financial Services Inc. is a subsidiary of UBS AG and a member of FINRA/SIPC.

This document and the information contained herein are provided solely for your information and UBS marketing purposes. Nothing in this document constitutes investment research, investment advice, a sales prospectus, or an offer or solicitation to engage in any investment activities. This document is not a recommendation to buy or sell any security, investment instrument, or product, and does not recommend any specific investment program or service.

Information contained in this document has not been tailored to the specific investment objectives, personal and financial circumstances, or particular needs of any individual client. Certain investments referred to in this document may not be suitable or appropriate for all investors. In addition, certain services and products referred to in the document may be subject to legal restrictions and/or license or permission requirements and cannot therefore be offered worldwide on an unrestricted basis. No offer of any product will be made in any jurisdiction in which the offer, solicitation, or sale is not permitted, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

Although all information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to the document's accuracy, sufficiency, completeness or reliability. All information and opinions expressed in this document are subject to change without notice and may differ from opinions expressed by other business areas or divisions of UBS Group. UBS is under no obligation to update or keep current the information contained herein. **The views and opinions expressed in this material by third parties are not those of UBS.** Accordingly, UBS does not accept any liability over the content shared by third parties or any claims, losses or damages arising from the use or reliance of all or any part thereof.

All pictures or images ("images") herein are for illustrative, informative or documentary purposes only and may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. Unless expressly stated, no relationship, association, sponsorship or endorsement is suggested or implied between UBS and these third parties.

Any charts and scenarios contained in the document are for illustrative purposes only. Some charts and/or performance figures may not be based on complete 12-month periods which may reduce their comparability and significance. Historical performance is no guarantee for, and is not an indication of future performance.

Nothing in this document constitutes legal or tax advice. UBS and its employees do not provide legal or tax advice. This document may not be redistributed or reproduced in whole or in part without the prior written permission of UBS. To the extent permitted by the law, neither UBS, nor any of its directors, officers, employees or agents accepts or assumes any liability, responsibility or duty of care for any consequences, including any loss or damage, of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.

Important Information About Sustainable Investing Strategies: This terminology refers to definitions in the UBS Sustainable Investing Framework and does not refer or relate to any product-specific regulatory labelling regime or naming conventions. Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or sustainable investing considerations may inhibit UBS's ability to participate in or to advise on certain investment opportunities that otherwise would be consistent with the Client's investment objectives. The returns on a portfolio incorporating ESG factors or sustainable investing considerations may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by UBS, and the investment opportunities available to such portfolios may differ.

Except as otherwise specified herein and/or depending on the local entity from which you are receiving this document, this document is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

Please visit <https://secure.ubs.com/global/en/wealthmanagement/insights/chief-investment-office/disclaimers/marketing-material-disclaimer.html> to read the full legal disclaimer applicable to this document.

© UBS 2026. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.