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CIO maintains a positive view on the investment case for the AI growth story and recommends an active approach. (UBS)

Raising our big tech capex forecast

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Amazon's shares fell over 4% in extended trading after fourth-quarter revenue at its cloud business fell short of market estimates. The firm's forecasts for first-quarter revenue and profit were also below expectations.

Amazon said it plans to boost capital expenditures to more than USD 100bn this year to capture a "once-in-a-lifetime" opportunity in AI, after spending USD 83bn in 2024.Earlier this week, Alphabet said it will spend USD 75bn on its AI buildout this year, almost 30% higher than market expectations.

Our view: Without taking any single-name views, our conclusion following the recent tech reporting season is that the near-term threat to AI capex from low-cost models like DeepSeek is limited. In fact, we have further revised up our capex estimates and now expect 2025 capex from the Big 4 US tech firms to grow by 35% to USD 302bn. This compares with our previous forecast of a 25% increase to USD 280bn, and would represent a more than 100% growth from the USD 148bn capex seen in 2023.

We maintain a positive view on the investment case for the AI growth story and recommend an active approach. Given that tariff- and export control-related uncertainty can spur periods of volatility ahead, investors should consider taking advantage of volatility through structured strategies and by buying the dip in quality AI stocks.

Original report - **Treasury yields fall ahead of US jobs release, 7 February 2025.**

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