



CIO thinks tech stocks should continue to recover, supported by strong earnings growth of 12% or higher in 2025 if tariff headlines continue to improve. (UBS)

Global AI spending outlook is encouraging as the market broadens

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Global tech stocks extended their rally on Tuesday as several high-profile artificial intelligence (AI) deals were announced during US President Donald Trump's tour of the Gulf states.

As part of an economic partnership with Saudi Arabia that could see the kingdom invest USD 600bn in US companies, NVIDIA will supply advanced AI chips to the country's new AI venture Humain, while major tech firms including Alphabet's Google, Oracle, and AMD will invest USD 80bn in transformative technologies in both countries. Additional deals with Qatar and the UAE are also expected in the coming days as Trump's four-day tour continues.

Uncertainty around the tech sector remains. The semiconductor industry still faces potential tariffs, and increased costs from supply chain relocations could pose challenges to tech companies. Details of Trump's overhaul of the AI diffusion rule introduced by former President Joe Biden remain to be seen.

But with global tech valuations still reasonable, we think the risk-reward remains attractive and believe investors should continue to position for an ongoing recovery in quality AI names globally.

Global AI spending outlook is encouraging as the market broadens. Without commenting on individual names, the announced deals with Saudi Arabia underscore the broadening of the AI market as new entrants (including China AI, neoclouds, and enterprise and sovereign cloud providers) increase their investment in the technology. In fact, we estimate

sovereign and enterprise participants to be the second biggest source of global AI capex, after the US big tech companies, and we expect their spending to grow steadily in the coming years. Overall, we expect global AI capex spending to grow by 60% this year to USD 360bn, and by another 33% in 2026 to USD 480bn.

Latest company and survey data continue to reflect strong AI demand. Taiwan Semiconductor Manufacturing Co. (TSMC), the world's largest contract chip manufacturer, last week reported April revenue that is 48% higher than a year ago, while its revenue for the first four months of this year has grown 43.5% from the same period in 2024. With the chipmaker keeping its forecast for AI-related sales growth to double this year and maintaining its capital spending projection, we believe this points to strong underlying AI demand. Separately, US Census Bureau data suggest the AI adoption rate could cross the 10% threshold by the end of this year, just one-eighth of the 24 years it took for US e-commerce to reach such market penetration.

China's quest for AI self-sufficiency points to opportunities ahead. Beijing has long made public its goal of achieving technology self-sufficiency, and having an independent AI ecosystem has become more critical in light of the tech export controls imposed by the US. While China is the most self-sufficient in the application layer of the AI value chain and has made significant progress in the intelligence layer, the country's self-sufficiency in the enabling layer is still a work in progress. But that also means investments in the domestic AI compute segment should grow strongly in the coming years. We estimate China's AI compute self-sufficiency could improve from just over 33% in 2024 to 90% by 2029, translating to a localization AI compute opportunity of USD 81bn, from USD 6bn.

So, we think tech stocks should continue to recover, supported by strong earnings growth of 12% or higher in 2025 if tariff headlines continue to improve. We favor diversified exposure across leading internet and software companies and names along the AI semiconductor supply chain globally.

Original report - [Tech rebound has more to go, 14 May 2025.](#)

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