



MARKETS

Goldman boss David Solomon warns of a stock market drawdown: ‘People won’t feel good’

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KEY POINTS

Goldman Sachs CEO David Solomon said AI presented opportunities but that some investors were overlooking “things you should be skeptical about.”

Speaking at Italian Tech Week in Turin, Italy, he said a “drawdown” was likely to hit stock markets in the coming two years.

“I think that there will be a lot of capital that’s deployed that will turn out to not deliver returns,” he said.



David Solomon, chief executive officer of Goldman Sachs.

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Stock markets are due a “drawdown” in the next year or two after years of being propelled to record highs by an AI frenzy, according to Goldman Sachs CEO David Solomon.

“Markets run in cycles, and whenever we’ve historically had a significant acceleration in a new technology that creates a lot of capital formation, and therefore lots of interesting new companies around it, you generally see the market run ahead of the potential … there are going to be winners and losers,” he said at Italian Tech Week in Turin, Italy, on Friday.

Solomon pointed to the mass adoption of the internet in the late 1990s and early 2000s, which led to the emergence of some of the world’s largest companies — but also saw investors lose money to what became known as the “dotcom bubble.”



VIDEO 02:59

Tech sector sentiment is at its worst since the dotcom bubble, says Saxo Bank

“You’re going to see a similar phenomenon here,” he said. “I wouldn’t be surprised if in the next 12 to 24 months, we see a drawdown with respect to equity markets ... I think that there will be a lot of capital that’s deployed that will turn out to not deliver returns, and when that happens, people won’t feel good.”

An AI boom has gripped global markets in recent years, with a slew of [new technologies](#), [multibillion-dollar deals](#) and the [continued rise of ChatGPT-developer OpenAI](#). It’s seen investors bet big on the tech and pour capital into stocks such as [Microsoft](#) , [Alphabet](#) , [Palantir](#) and [Nvidia](#) .



[The AI trade could rapidly unravel – and one hedge fund is preparing for the fallout](#)

The buzz around AI has helped to push indexes [on Wall Street and beyond](#) to record highs, even as the major U.S. averages were [dented earlier this year](#) by President Donald Trump’s trade policies. However, as investors have continued to seek out opportunities in AI, concerns have been raised about the [possibility of a bubble bursting](#) somewhere down the line.

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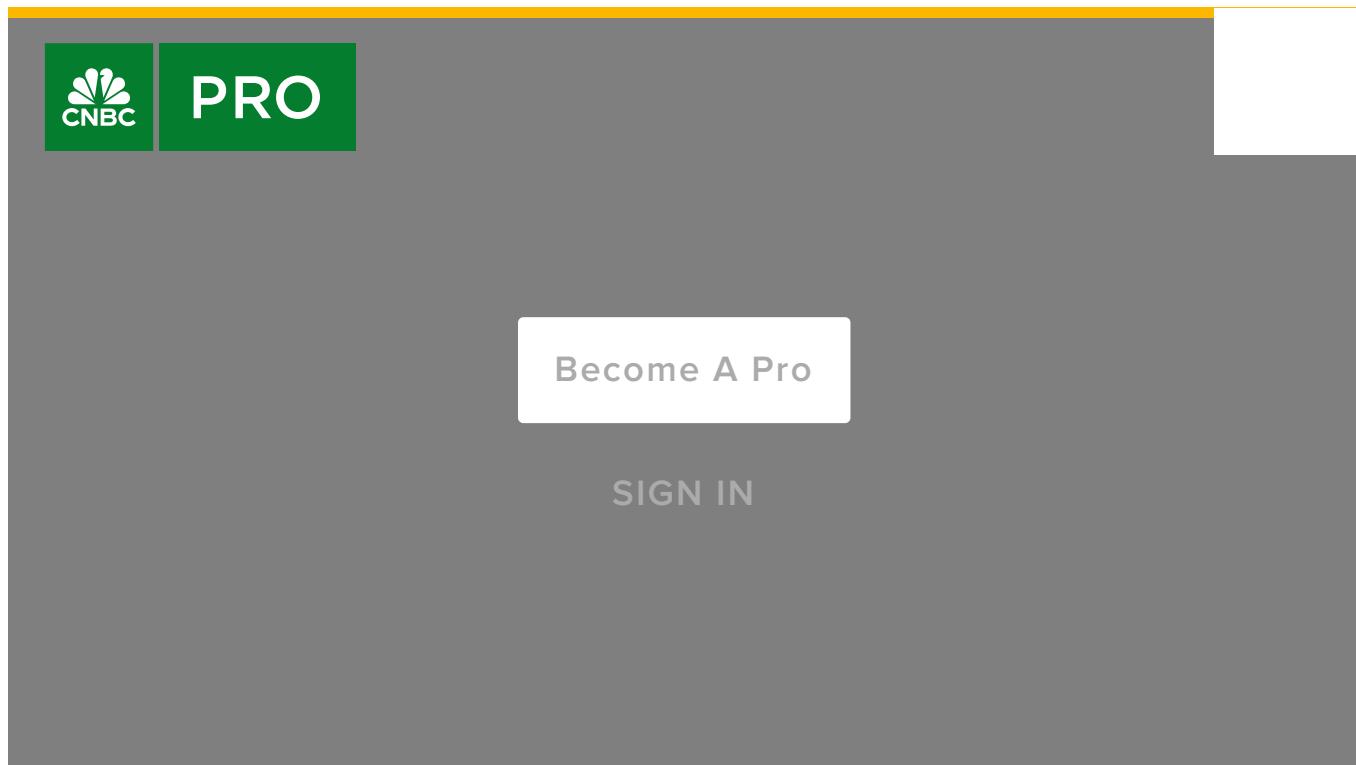
~~But I do know people are out on the risk curve because they're excited, Solomon said Friday.~~

“And when [investors are] excited, they tend to think about the good things that can go right, and they diminish the things you should be skeptical about that can go wrong ... There will be a reset, there will be a check at some point, there will be a drawdown. The extent of that will depend on how long this [bull run] goes,” he added.

Solomon is not alone in having concerns about current market levels. Speaking at the same event, [Amazon](#) founder Jeff Bezos said Friday that [artificial intelligence is currently in an “industrial bubble.”](#)

And earlier this week, veteran investor Leon Cooperman told CNBC that we are in the [late innings of a bull market where bubbles can form](#) — something Warren Buffett had warned about.

Karim Moussalem, chief investment officer of equities at Selwood Asset Management, meanwhile, warned of “enormous risks” on the horizon for the AI trade which could rapidly unravel. “The AI trade is beginning to resemble one of the great speculative manias of market history,” Moussalem, who runs a market-neutral equity strategy at the London-based hedge fund, said in a [post on LinkedIn](#).



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“I sleep very well. I’m not going to bed every night worried about what will happen next,” Solomon said Friday. “Generally speaking, I think what’s super exciting is the technology is expanding, new companies are being formed, and the potential of this technology deployed into the enterprise can be very, very powerful. So, it’s an exciting time.”

— CNBC’s Hugh Leask and Yun Li contributed to this report

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