

Macro Roundup Article

Headline: [Letter To The Editor](#)

Article Link: <https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/eye-on-the-market/letters-to-the-editor-amv.pdf>

Author(s)	Michael Cembalest
Publication	J.P. Morgan
Publication Date	June 16, 2023

Tweet: Michael Cembalest @jpmorgan notes "the AI hype machine is in full swing right now." Thirty-two stocks in the \$CHAT Generative AI ETF have returned 77% this year with a mean P/E of 31x.

Summary: Investors are paying a sizable premium for AI exposure. One example: the 32 stocks in the \$CHAT Generative AI ETF have returned 77% this year. The 22 \$CHAT ETF stocks that have positive earnings projected for the next 12 months trade at an average P/E of 31x. The other 10 \$CHAT ETF stocks have infinite P/Es, either due to negative earnings or trivially positive earnings that create nonsense P/E ratios over 100x. The large language model revolution is going to have to live up to the high end of expectations to justify this. I have seen estimates that AI will eventually add ~10% to the fair value of the S&P 500 due to some combination of augmented employee productivity and staff reductions, but I'm not sure how one would measure that.

Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Weekly

Permalink: <https://www.edwardconard.com/macro-roundup/michael-cembalest-jpmorgan-notes-the-ai-hype-machine-is-in-full-swing-right-now-thirty-two-stocks-in-the-chat-generative-ai-etf-have-returned-77-this-year-with-a-mean-p-e-of-31x?view=detail>

Featured Image

Link: <https://www.edwardconard.com/wp-content/uploads/2023/06/Megacap-2024.png>