

Macro Roundup Article

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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.

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