

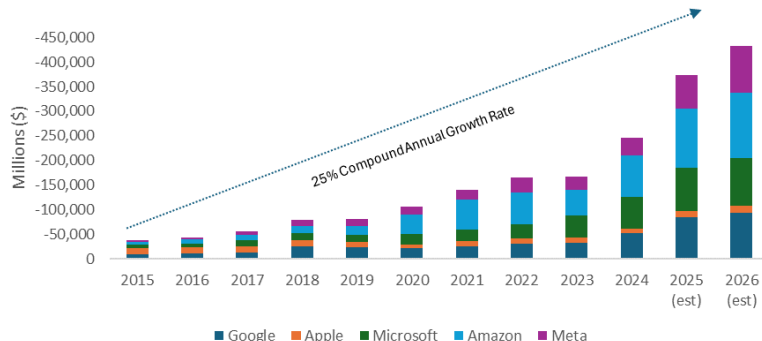
## The Artificial Intelligence Gold Rush

It is perhaps inevitable that a technology as revolutionary as AI would give rise to speculative excess. History shows that investors often overreact to breakthroughs in the short term—a tendency reflected in today's share prices and the extraordinary capital expenditures by AI-focused firms. Annual capital spending by hyperscalers has grown at a 25% compound rate over the past decade and is projected to exceed \$450 billion this year, reaching \$2 trillion by 2028—roughly equivalent to Mexico's GDP. These figures underscore the scale of capital chasing AI-driven returns.

Such magnitude increases the likelihood that not all investments will prove profitable. Jeff Bezos—founder of Amazon, which will spend over \$100 billion on capital expenditures this year, largely on AI—warns: “Investors have a hard time in the middle of this excitement distinguishing between the good ideas and the bad ideas.”\* The closest historical parallel is the late-1990s dot-com bust, when speculative companies collapsed and share prices of established firms dropped sharply. While we hesitate to draw direct comparisons, the lessons are clear: today's exuberance suggests that both sound and unsound ideas will attract capital, and excessive expectations may ultimately go unmet.

While near-term risks for portfolios are real, the long-term outlook for the economy remains promising. AI's ability to replace routine mental work, enhance productivity, and create new economic opportunities suggests that its ultimate impact will be profound.

### Annual Capital Expenditures



Bloomberg, Trailing 12-month capital expenditures through June 30, 2025.  
 GDP figures from the World Bank.

\*Alberto Brambilla. “Bezos Says AI Spending Boom Is a Bubble That Will Pay Off.” Bloomberg. October 3, 2025.

### Economy

#### Last Week

- **JOLTS (Aug.):** 7.2 mln job openings, unchanged from month prior  
 Quits rate 1.9% vs. 2.0% in July

- **ISM Manufacturing (Sept.):** 49.1 vs. 48.7 month prior  
 New orders 48.9 vs. 51.4 month prior

- **ISM Services (Sept.):** 50.0 vs. 52.0 month prior  
 New orders 50.4 vs. 56.0 month prior

- **Payrolls & Unemployment (Sept.):** Unreleased due to government shutdown

#### This Week

- **FOMC Meeting Minutes (Sept.):** 10/8

- **U of Mich Sentiment (Oct. P):** 10/10

### Equities

Index	Level	1 Week	Returns (%)			
			QTD	YTD	1 Year	3-Year Ann.
S&P 500	6715	0.42	0.42	15.29	19.40	24.39
Russell 1000 Growth	4735	0.36	0.36	17.65	27.67	31.18
Russell 1000 Value	2013	0.43	0.43	12.12	10.76	16.22
FTSE High Dividend Yield*	512	0.06	0.06	12.78	13.39	16.77
S&P Small and Mid Cap	18070	-0.26	-0.26	5.00	6.32	13.68
MSCI EAFE	2800	1.23	1.23	27.33	18.98	22.09
MSCI EM	1375	2.18	2.18	30.94	19.35	18.60

#### Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD			
S&P 500	22.2	15.5	1.2	25	IT	Comm. Serv.	Utilities
Russell 1000 Growth	29.7	17.9	0.5	20	Industrials	Financials	Materials
Russell 1000 Value	17.0	13.5	2.0	15	Energy	Health Care	Real Estate
FTSE High Dividend Yield*	13.3	13.0	3.9	10	Cons. Discr.	Staples	
S&P Small and Mid Cap	15.3	15.4	1.8	5			
MSCI EAFE	15.4	13.5	2.9	0			
MSCI EM	13.6	11.2	2.5				

\* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

### Fixed Income

Index	Yield	1 Week	Returns (%)			
			QTD	YTD	1 Year	3-Year Ann.
U.S. Aggregate	4.34	0.23	0.23	6.38	4.46	5.09
U.S. Int. Gov/Credit	3.94	0.19	0.19	5.90	5.19	5.29
U.S. Corporates	4.79	0.24	0.24	7.13	5.11	7.09
High Yield	6.71	0.11	0.11	7.33	7.97	10.59
Municipals (1-10)	2.96	0.13	0.13	4.26	3.39	4.15

#### Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.56	3.54	3.61	4.24	4.02	4.31	0.15
10-yr Treasury	4.12	4.10	4.15	4.57	4.07	3.88	0.79
30-yr Treasury	4.72	4.71	4.73	4.78	4.34	3.84	1.59
SOFR	4.15	4.20	4.24	4.49	4.83	3.05	0.08
6-mo. CD rate	3.90	3.94	3.94	4.33	4.53	4.56	0.25
Prime Rate	7.25	7.25	7.25	7.50	8.00	6.25	3.25
30-yr fixed mortgage	6.40	6.38	6.36	7.28	6.96	7.04	3.04

Data as of 8:12 AM ET, October 8, 2025. Returns through October 7, 2025.