



AI Reckoning

Last week, I noted that I am not the only one who thinks there's a similarity between the market today and 2002. OpenAI CEO, Sam Altman, as reported by *The Verge*, recently told a handful of journalists that investors are "overexcited" about AI. He also stated that, "when bubbles happen, smart people get overexcited about a kernel of truth." He then compared the current environment to "the tech bubble."

When the primary beneficiary of the AI Boom — OpenAI, which has a \$500 billion private valuation — thinks there's a bubble, there's a *bubble*.

Mr. Altman isn't the only key figure in the AI industry ringing alarm bells, however.

Fortune has reported that over 95% of generative AI pilot projects fail. Gary Marcus, an AI pioneer, has been warning of the limits of the large language models for years. The recent GPT-5 received lackluster reviews.

Torsten Slok, Apollo Global Management's chief economist, has warned investors that "the difference between the IT bubble in the 1990s and the AI bubble today is that the top 10 companies in the S&P 500 today are more overvalued than they were in the 1990s."

My own experience with AI is mixed. I use Grammarly to edit my work. I've worked with editors for decades, from writing books to publishing financial newsletters. My guess is it would cost \$100,000 (salary, benefits, overhead) to put someone in an editing position. Grammarly is \$150. The AI features, though, leave a lot to be desired. The suggestions don't "sound" like a real person. I avoid the AI features entirely.

When it comes to market research, the AI features are also underwhelming. At this point, AI overweighs fundamental factors that worked in the past to such a degree that it's "fit" to history, rather than what's likely to happen in the future. This is the kiss of

death for quantitative strategies. The past may be prologue, but you don't want to use past data to overfit your factors, such that they won't work well in the future.

On the other hand, I've been working on a project with a very talented programmer (who is the son of a subscriber), and AI is used to create a stop-loss on a trading system. It's certainly piqued my interest. I'm not 100% sold on it yet and would have to be before investing \$100,000+ of my account in the trades. But it has a lot of potential.

My conclusion is that, like any tool, its effectiveness depends on how it is used and who is driving its use.

Many companies are now plastering AI all over the place, much like they did when they added ".com" to their names back in the day.

Due to the *massive (over) investment in the space*, which may be a sunk cost, the shine may come off the AI stocks, at least for a bit. There will likely be an AI 2.0 version in the market, and that may be the time when another run higher occurs.

Nonetheless, Nvidia, Apple, Microsoft, and others will get hit. Hard. Altman's "bubble" talk wiped out over \$1 trillion in market value from leading stocks in less than a week. These stocks are leading the way, making it hard to keep pace with the S&P 500.

That won't always be the case.

The opportunity will be underneath the stocks that comprise a third of the index today.

Therefore, my central allocation to my taxable account will be the equal-weight S&P 500 (Ticker: RSP) when the market is oversold and sentiment is too bearish.

Want to know when that situation arises? Just keep reading here. For now, this is my #1 trade under the right conditions.

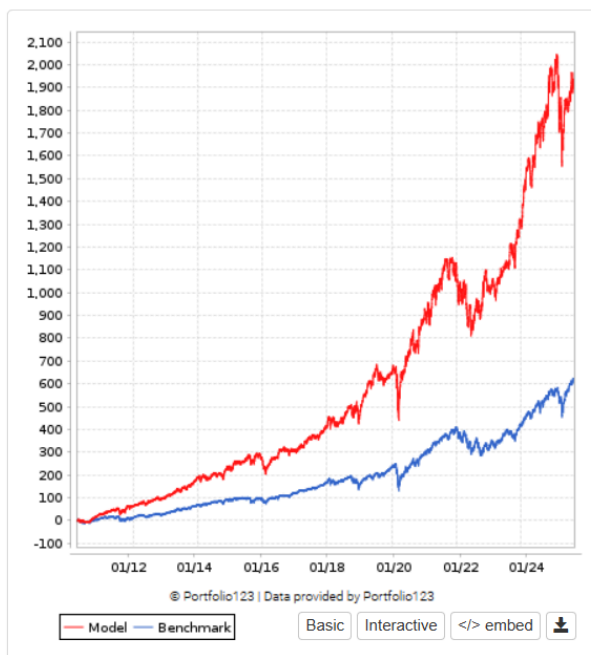
On the other hand, there's a significant opportunity in individual quality stocks. The gap between them and the AI leaders *will* close.

The gap between quality and hype *always* closes.

If you want a complete, easy-to-use system to identify quality stocks while avoiding the duds that could torpedo your portfolio, consider my *FAST Profits* newsletter.

FAST Profits utilizes my *Forensic Accounting Stock Tracker (FAST)* to build a portfolio of just eight stocks that have outperformed the market since April 2010, when I started my research firm.

Those eight stocks have generated returns of 1,963.9% compared with 623.0% during that time.



General Info

PDF Report

Total Market Value (inc. Cash)	2,063,854.70
Cash	5,848.44
Number of Positions	8
Last Trades (2)	08/18/25
Period	04/01/10 - 08/22/25
Sizing Method	Static Weight
Next Rebalance (Every Week)	08/23/25 Due
Mode	Manual
PIT Method - Prelim	Use
Benchmark	S&P 500 (SPY:USA)
Universe	S&P1500 CompositeCap (IVV+IJH+IJR)
Ranking System	FAST Ranking

Quick Stats as of 8/22/2025

Total Return	1,963.85%
Benchmark Return	623.00%
Active Return	1,340.85%
Annualized Return	21.72%
Annual Turnover	1,333.52%
Max Drawdown	-30.94%
Benchmark Max Drawdown	-33.72%
Overall Winners	(1004/1654) 60.00%
Sharpe Ratio	1.19
Correlation with S&P 500 (SPY:USA)	0.82

The *FAST Model* is my life's work.

You still have a few days left to snag Harry Dent's special Labor Day offer...

The first 25 readers to snap up this offer will get access to the complete *Forensic Accounting Stock Tracker*. You'll be able to see how 1,500 stocks rank across a variety of factors that generate an edge in the market.

I charged clients over \$25,000 a year for access to the Model. You won't pay a fraction of the price. Now, individual investors can be armed with the tools of the pros — and level the playing field!

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