Harry's Take

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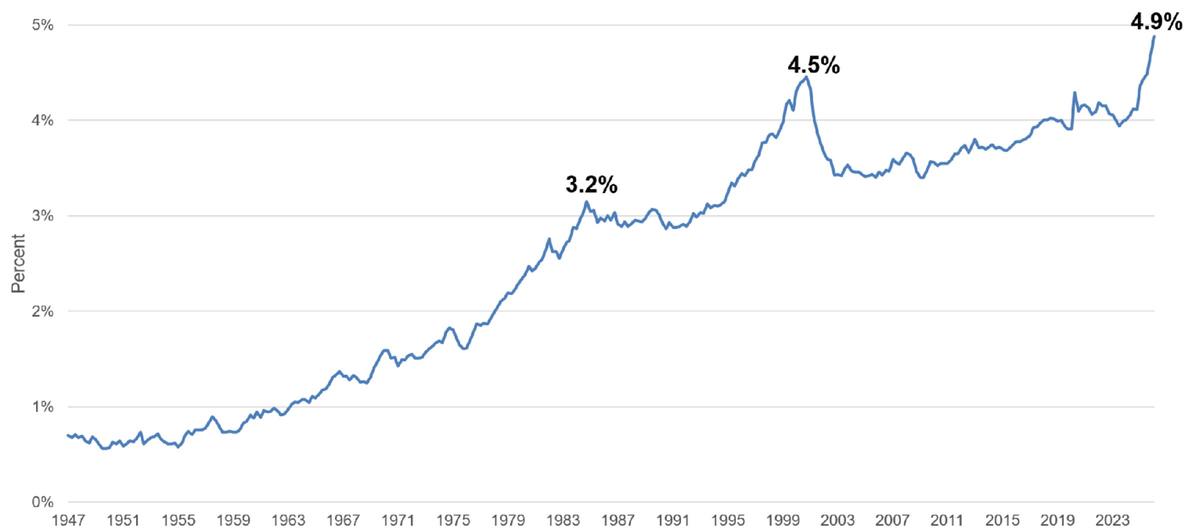
Second Bubble in Info Tech Investment Peaking… and the Last for a Long Time

Every new cycle in technology requires massive new investments in new capacity to accommodate, and those investments create massive growth to follow. But every such revolution also creates a "race for leadership" in new companies that compete to see who is going to dominate these new growth areas… and there is always a shake-out that follows to prove which companies are the best and most efficient, and worthy to survive and continue the growth in the future, after narrowing down to the best leaders who can best keep the costs of such new technologies coming down into mass affordability. That shake-out causes a bubble crash like late 1929 to mid-1932. The last bubble in Internet companies peaked in early 2000 and then saw such a crash into late 2002 in stocks. This most recent AI (and Crypto and Space) bubble is now peaking 26 years later, and that would have been more like late 2021 on natural cycles. The massive stimulus since 2009 has stretched everything, including this final bubble that would have naturally peaked around late 2019 and crashed into late 2022 or so.

Private Investment in Info Equipment as % GDP Highest Ever Near 5%!



Source: U.S. Bureau of Economic Analysis, Private fixed investment in information processing equipment and software [A679RC1 Q027SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/A679RC1Q027SBEA, July 17, 2026. U.S. Bureau of Economic Analysis, Gross Domestic Product [GDP], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/GDP, July 17, 2026.
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Investment in information technology has grown dramatically into 3.2% of GDP in its first peak in 1984, that was natural. But then it surged to 4.2% into its second peak in 2000 that first tech bubble, that's extreme… and now at a likely long-term 4.9% into its likely final peak in 2026 in this second more dramatic bubble. The problem is that the shake-out to follow such bubbles is also brutal for a short period of time, like 1930-32, 2000-02, and now late 2026 to mid-29 likely ahead. Now is the worst time to be investing in this historic technology surge, and in stocks. The best time is likely to be late 2028 to mid-2029 ahead, after the next bubble crash. The next boom to follow is likely to be less bubbly and last into around late 2036-37 in the U.S. Until then, long-term 10- and 30-year U.S. Treasuries are the best safe haven, not gold which has also now bubbled in recent years… or short stocks just for the first 50%+ crash likely into year-end, if you are more aggressive.

We are not likely to see bubble booms like the two from 1990-2000 and 2009-2026 again for the rest of our lifetimes. Due to unprecedented massive government stimulus and intervention, we have never seen two back-to-back bubbles like this ever… hence, this can only end very badly!

Harry

Got a question or comment? You can reach us at info@hsdent.com.