

# AI investors get cold feet

## Key takeaways

The UK was the only regional stock market to make progress last week as investors turned defensive and banked recent profits from global AI and chipmaking stocks.

### Global tech stocks hit the buffers

A confluence of factors undermined the AI investment narrative last week. Among them was media speculation that OpenAI will need to postpone its mega-IPO (initial public offering) until next year due to faltering investor support and complications with the White House.

Elsewhere, a report suggesting the price of Nvidia's H100 chips was down some 40% from May, sent shivers through global technology stocks, while Elon Musk effectively quelled the excitement from his SpaceX IPO with a \$60bn acquisition of AI business Anysphere, and a \$25bn bond sale. South Korea's Kospi Index fell so severely it triggered a trading halt. Japanese stocks declined, led by OpenAI-backer Softbank, as did Europe's chipmakers. The S&P 500 Index of US companies suffered five days of losses with giants like Microsoft, Meta, and Tesla all nursing double-digit declines.

### Core problems for Apple

Apple imposed some of the steepest price increases in its history last Thursday. Price hikes of around 20% for its MacBooks and iPads saw its shares plummet over 6% on the news. The company blamed the soaring cost of memory and storage chips that's been driven by the global AI buildout. The price of memory chips virtually doubled in the first quarter of this year with estimates that they increased by 60% or more in the second quarter.

The news that even Apple's famous supply chain had been derailed helped to further the declining sentiment for tech stocks. The same day, Microsoft announced similar price hikes for its Xbox consoles. Other providers such as Asus, Dell, HP and Lenovo, have also flagged increased prices, or reduced the memory in their devices, as a result of the emerging 'memory crisis'.

### A rollercoaster week for Micron

The recent fortunes of Micron Technology, the only US-based memory chipmaker, say a lot about current market sentiment. Early last week, its shares declined alongside a broader sell-off in global technology stocks. They soared more than 15% on Thursday, following blowout earnings for its third quarter, only to slump again on Friday due to broader investor concerns over AI spending.

Micron reported quarterly revenues had more than quadrupled from \$9bn a year ago, to almost \$42bn, far surpassing expectations closer to \$36bn. The company, which was briefly worth more than Meta or Tesla last week, now forecasts \$50bn in revenues for the current quarter, more than four times the figure for last year. Even so, its shares tumbled on Friday alongside those in other chipmakers such as Intel, Arm and Marvell, as investors reassessed ballooning AI spending.



## Market moves

Global stock markets declined amid a sell-off in technology stocks.

The UK was only major stock market to make progress. Emerging market shares slumped over 4%.

UK and US government bonds delivered modest gains. Gold declined further, marking a 5% fall so far this year.

## What to look out for this week

Tuesday brings the Nationwide House Price Index and the latest UK GDP reading.

The US sees non-farm payrolls and jobless claims on Thursday ahead of the Independence Day holiday.

Inflation data from across Europe, and economic activity indicators from China and Japan, round off the week.



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