THE MARKETS ARE IN TURMOIL:
ARTIFICIAL INTELLIGENCE IS STARTING TO LOOK LIKE AN AWFUL INVESTMENT

This is turning into the most savage week for the markets since the dark days of the Pandemic. All three major indices on Wall Street are in correction territory while the NASDAQ has given up all of its 2026 gains. It is not only shares, but all other assets are collapsing as investors flee for the exit with some of them heading towards the safety of government bonds.

It's beginning to be a rout as the smart money cashes out leaving behind retail investors who are no doubt being sweet talked by their financial advisers to hold on to and not sell, because after all, shares are for the long run. As always, it is the little people who will bear the biggest losses.

This is what the NASDAQ looked like by close of business on Friday. (All graphs provided by CNBC.)

Graph 1.



And this is what the broader based S&P looked like

Graph 2.



This cashing out includes cashing out of metals. This represents profit taking and needing cash to cover losses elsewhere. Graph 3 shows the vertical fall in the future price of copper. But unlike shares, selling metals representing industrial inputs is a more direct verdict on the future of the global economy.

Graph 3.



Aluminium fell to its lowest level of the year.

Graph 4.



The same applies to the price of iron ore.

Graph 5.



Nearly $4 trillion was wiped off the value of shares on Wall Street on Friday half of which was from the technology sector itself. The banking and consumer discretionary sectors were also badly hit.

And finally, that speculative barometer Bitcoin, has fallen to its lowest level this year. Now down over fifty percent from its all-time high. This represents a loss of over a trillion Dollars.

Graph 6.



And what about Bitcoin's polar opposite, what many consider real money – gold.

Graph 7.



Down by a third. This comment sums up the rout despite Central Banks loading up on gold to support their local currencies. " *Following a torrid run, which saw the price of gold hit new records 53 times in 2025, gold hit a historic high of $5,589.38 an ounce on Jan. 28, only to take an almost equally historic nosedive. On Wednesday, gold fell below $3,800 for the first time since September 2025, roughly a third below its peak. The speed of the rally made some investors uneasy, and there was growing talk that the Fed could tighten. Then, Cooper noted, the Middle East conflict broke out and gold changed roles. It stopped acting as a portfolio safe haven and became "a liquidity provider." Cooper explained that because it was liquid and easy to sell, investors sold it to raise cash, which set off the first correction. Since then, she said, markets have been pricing in what the Fed will do."*

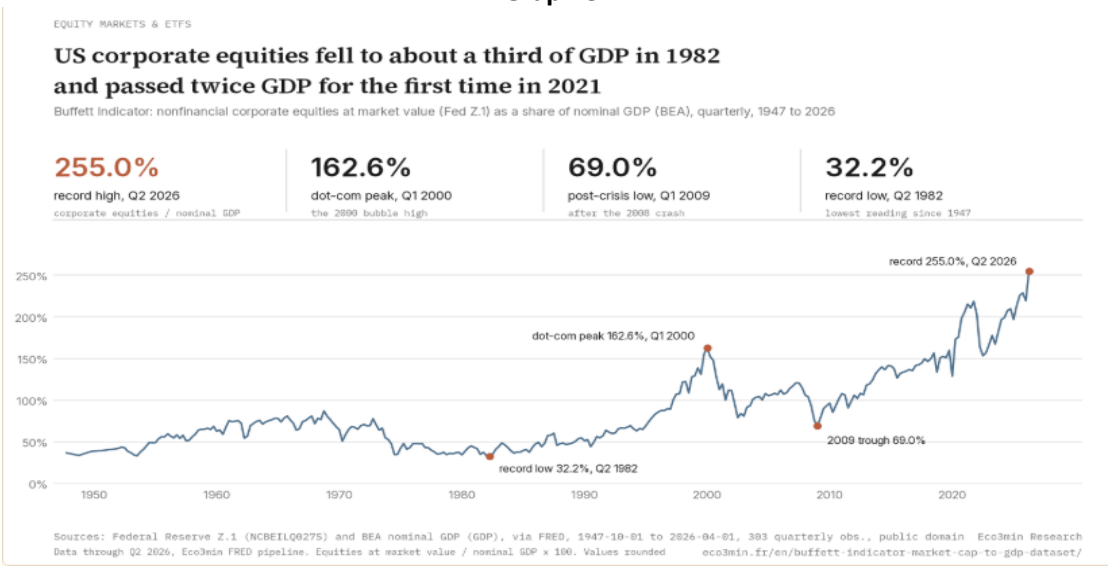
However, unlike the other metals, gold which still acts as a store of value, therefore acting as a safe haven, could make a comeback. One trigger could be the outflow of currencies as foreign buyers liquidate their holdings of shares triggering weakness in the Dollar and a potential crisis for the Dollar. The amounts are staggering: "*The Federal Reserve's Z.1 accounts (table F51.1.s, Q2 2026, released 11 Sep 2026) put total corporate equity held at **$123.7 trillion**, of which the rest of the world holds **$22.2 trillion**. Three denominators are in circulation, and they explain why published estimates range from 18% to 24%".*

I am expecting at least a forty percent fall in stock values. Some analysts expect a fall up to sixty percent using historical metrics such as the Dotcom bust. The 60% can be found in the graph below which shows the current peak to be 57% higher than the previous Dotcom peak. What the graph also shows is that the current peak is about 40% higher than the average 150% of GDP over the last twenty years, hence my estimate.

If we use the forty percent fall, the total **absolute** loss will still be an astonishing $49.5 trillion. This is fifty percent bigger than current GDP. In terms of foreign investors, the fall will be around $11.5 trillion or nearly equal to the combined GDP of Japan, Germany and the United Kingdom. It is of course difficult to determine how much of that $11.5 trillion will need to be repatriated and in what currency, whether the shares were bought with debt, and if with debt, where the lender is based, and what collateral was used. But clearly the repatriation of funds will be in the trillions bearing down on the $.

The forty percent fall must be understood in absolute figures. The Federal Reserve figure of $123.7 trillion cited above yields a Market Cap to GDP ratio of 375% based on the recently released figure of $33 trillion for Q3 2026 GDP. It is higher than the graph below. The figure of 255% is 57% bigger than at the Dotcom peak while the 375% figure is 231% bigger. (Please note the graph covers the period up to Q2 2026. However, the Q3 data is similar in terms of the GDP ratio, so no adjustment is needed.)

Graph 8.



What about the so-called resilient economy?

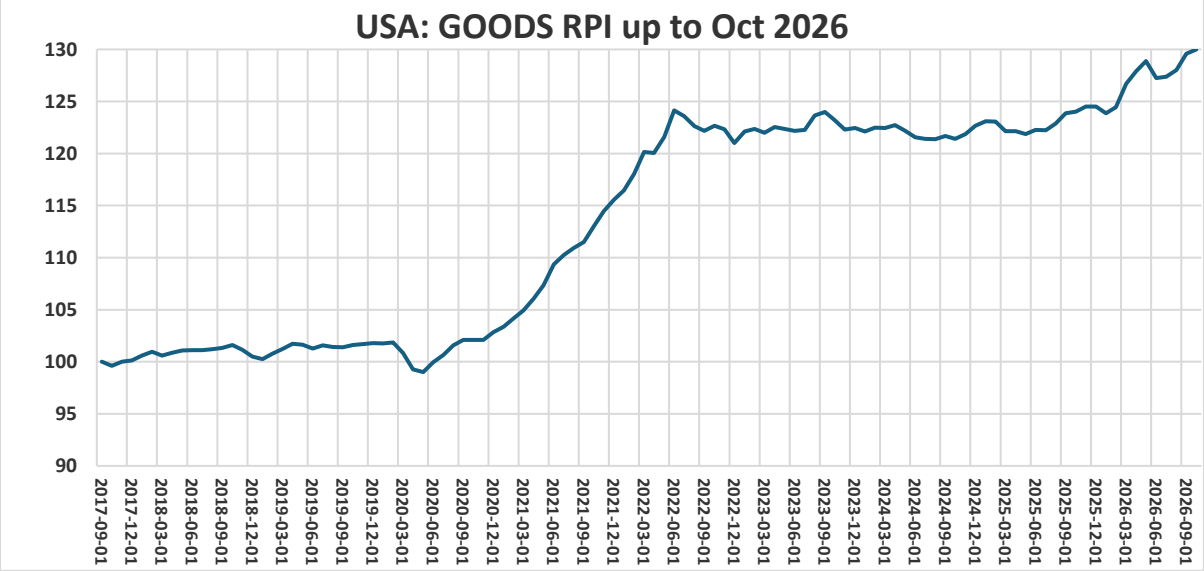
In the recent GDP release by the BEA of Q3 GDP AI investment and expenditures represented ninety six percent of the real annual growth of 3.4%. And it now represents 5.2% of GDP (actually stripping imputed sales and double counting the figure is more like 6%.) This is why Q3 will be the peak of

everything including GDP growth and profit growth. A halving of the growth in AI spending beginning in 2027 will cause GDP to fall by 1.6%. (Incidentally, the statistically authorities tend to overestimate growth and underestimate falls hence the depths of recessions tend to be underestimated.)

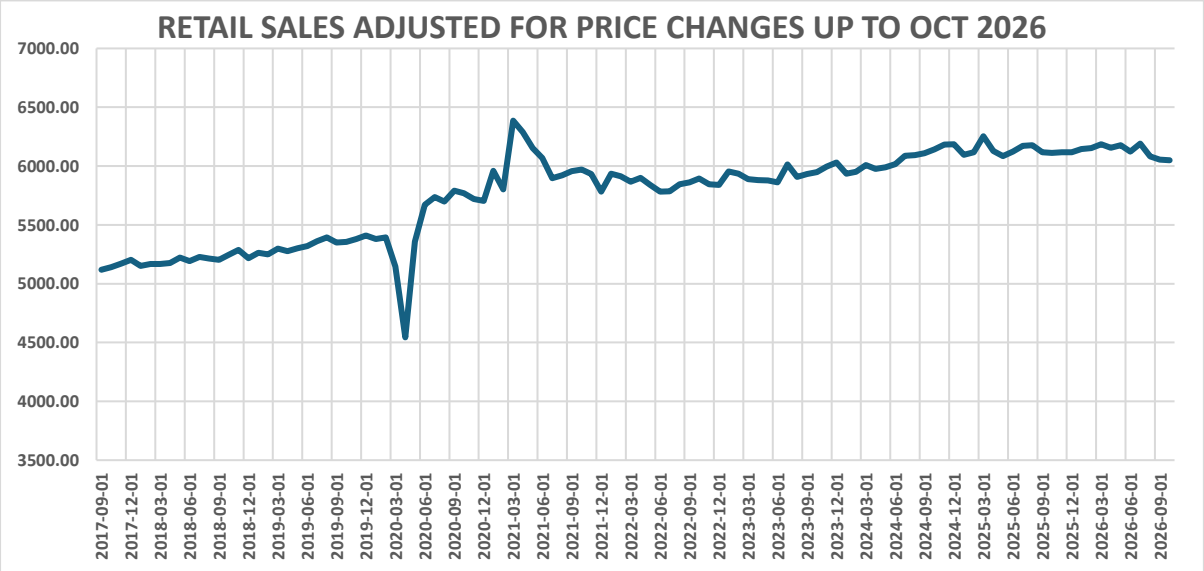
The knock-on effects will be amplified by the cessation of the wealth effect impacting personal consumption. Inequality means that the top ten percent spend as much as the bottom ninety percent and their propensity to cut back on spending is far greater than poorer consumers who have no choice but to keep spending. Using the Harvard data cited in earlier articles, the reduction in spending due to a fall of $38 trillion ($49.5 - $11.5) will be $3 trillion over time equal to 10% of GDP. Accordingly, if this 40% fall occurs a nasty recession beckons.

So how strong is this resilient economy really? Let's start with retail sales. Graph 10 shows an already weak trend for the volume of sales. And high-end sales are already succumbing to demand softness.

Graph 9.



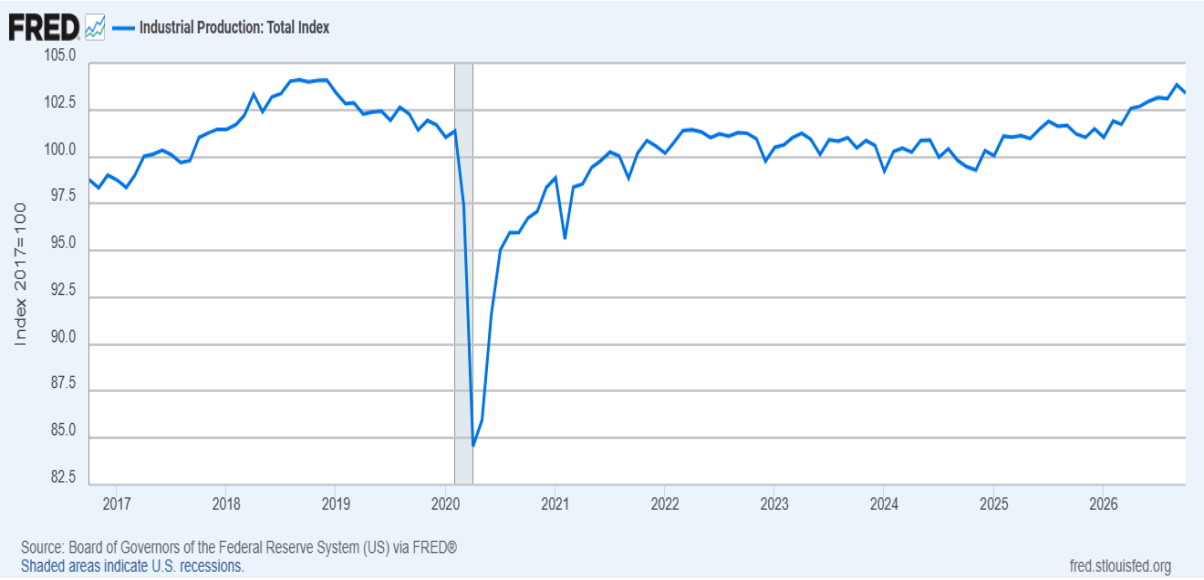
Graph 10.



From now on I expect retail sales to fall sharply as the top 10% of income earners, the shareholders nursing losses, cut back on spending as the wealth effect evaporates. The weakness in auto sales is one indicator. In an economy depending on AI investment and personal consumption, this is critical.

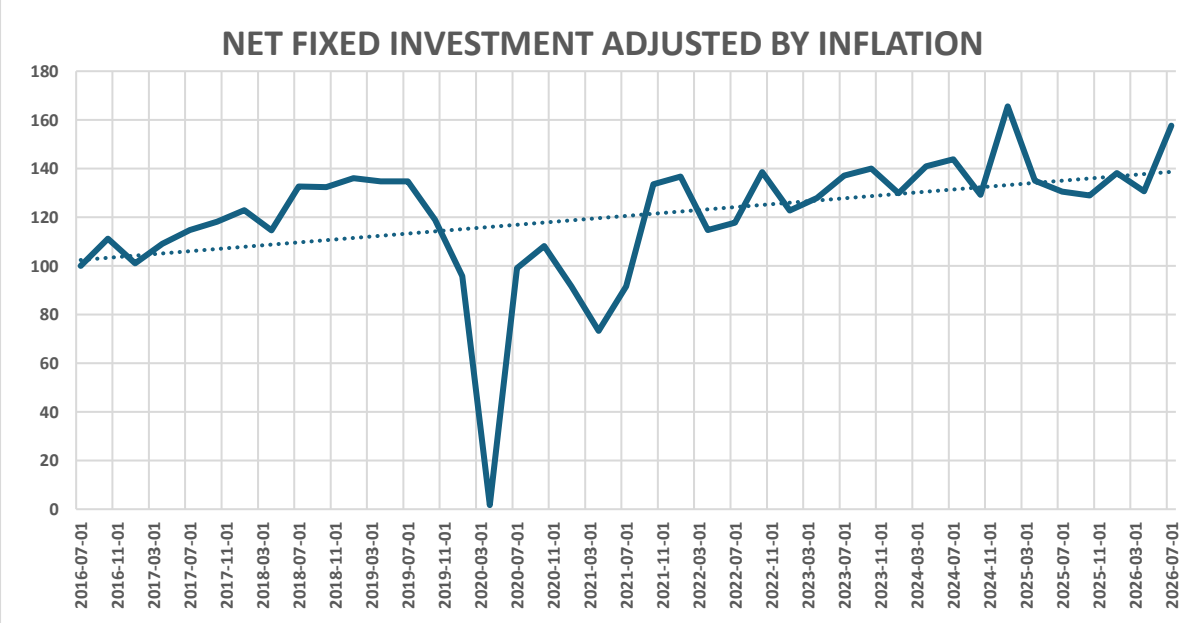
Let's investigate the industrial beating heart of the economy. Production has likely peaked no higher than in 2019. Therefore, despite Trump tariffs and inducements, despite AI, industrial production has not increased in 7 years. It is likely that whatever gains took place in information technology, they were offset by losses elsewhere. (The equivalent figure for China is +37%) The last US reading was down in October, and it is likely, despite the momentum built up in AI, to continue downwards.

Graph 11.



Net fixed investment shows a similar picture, barely up from 2019. The average for 2022 to 2026 is no higher than for previous plateau between mid-2018 to mid-2019.

Graph 12.



One area which is definitely in recession is residential real estate. *"Two consecutive months of record-low pending contracts point to very sluggish fourth-quarter home sales closings, and annual existing-home sales could be the lowest since the mid-1990s," Yun added. "It is somewhat puzzling that home sales would fall to levels last seen three decades ago, even as the U.S. population has grown by roughly 75 million."* Pending sales is a forward-looking indicator which explains why builder sentiment fell to its lowest level since 2012.

Table 1.



Redfin finds a fall in pending home sales of 15.7%. It also found that sellers outnumber buyers by 70.3%, a record imbalance. Zillow whose adjusted square footage allows for an accurate comparison found house price rose by less than one percent, well below inflation. This seems optimistic given that 53% of home sales have yielded price falls of at least 10%. DR Horton, the biggest home builder saw its revenues decline by over 3% in Q3 and its pre-tax income by 16%. The number of home sales closed fell 2% and the average price by 2.5%. And these weak figures are already two months out of date.

Total bankruptcies in September rose by 6% yoy and were concentrated in individual and small business filings. Small business filings rose 38% but larger Chapter 11 filings fell. For the year up to September 2026 total filings rose 11.4% to 621,111. This weighting towards individuals and small business will end soon, especially in terms of value rather than volume. The result of the collapse in fictitious assets will hit larger corporations hard.

Unless Trump is stupid or desperate enough to embark on a full-scale attack on Iran, rather than to strangle it economically, the period ahead is one of falling interest rates and deflation. Falling interest rates will help sectors such as housing, but deflation will hurt insolvent corporations facing cash shortages. In my opinion, the FED would be ill advised to raise interest rates at the next meeting of the FOMC in December.

Private finance.

In the past, losses in the huge unregulated banking sector were compensated for, or better still, obscured by gains in the share market. When prices were rising it was a winning bet to play the market. Now markets are in free fall, with losses replacing gains, adding to losses elsewhere. It is only now that the entrails of the unregulated banking sector will be exposed. The next six months is going to be interesting. The confidence of a financial emergency (Marx) breaking out is high.

There is already evidence the banks are heading for the exits as they try and offload there AI exposures. No doubt, the murkier and more heavily exposed insurance industry, is doing the same. The losses will become apparent soon, as we are early in the cycle.

Anthropic is the canary in the silicon mine. The whole industry balances on the outcome of its IPO. It launched at $83 a share last week and for a while everything looked rosy as its share price gained nearly 20%. Then the flippers got engaged and by Wall Street's close on Friday, it was barely above $88, up 6%. The coming week is decisive, and the omens suggest Anthropic share price will fall below $83, and if it does, this will mark the definitive beginning of the end of the AI bubble.

There is no doubt that LLMs (AI) are useful. There is no doubt that LLMs have been overhyped. There is no doubt that they are more difficult to manage than previously anticipated. All the recent outages suggest they are more like caustic soda than a band aid hastily applied to legacy software in an environment where cuts to IT staff have led to a loss of experience and institutional knowledge. And above all, there is no doubt that AI will be far less profitable than hoped for.

Conclusion.

It is likely that Q3 will mark the end of the **period of overproduction**. An end to the period of accelerated GDP growth, an end to the period of overinvestment, an end to forced production, an end to profit growth based on the conversion of legacy value into current revenue via investment and debt, and an end to the expansive credit cycle. I am sure John Keely will concur.

We are now at the turning point in the industrial cycle and entering its downward phase, that of crash and stagnation. The information sector is no longer able to support the stagnating economy. Without a doubt Q4 data will mark a sharp slowdown. Last week was the mid-point of the quarter and with another five weeks to go, there is unlikely to be a change in trend despite the traders wish for the usual Santa Clause rally to beef up their bonuses.

The sell off as CNBC reported is now becoming broad based and it is worldwide. The MSI Global Index has also entered correction territory. The two critical questions remain; is this a crash or correction, and if a crash, how deep will it be given that we have just passed through the biggest speculative bubble in history? We will know in the next few weeks.

And all of this coincides with the worst effects of the outsize El Nino about to peak. It is a time to not only hold onto pockets but to hats as well. 2027 is bound to be a memorable year.

Brian Green, 22nd November 2026.