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The AI story isn't over yet!

The Democrats' overwhelming victory in the U.S. midterm elections has triggered some sharp corrections on the stock markets. Among the biggest decliners are the stocks that benefit from the spread of artificial intelligence. In fact, this investment segment has been in an ongoing correction phase for several weeks now.

With the elections, fears have now surfaced among investors that the expansion of data centers could be delayed, hindered, or even prevented by the regulation-friendly Democrats. If this were to happen, the earnings outlook for data center builders and suppliers would indeed require a downward revision, at least in the short term. Meanwhile, existing major owners of computing capacity—such as Amazon, Alphabet, Microsoft, Meta, etc.—would be able to charge higher prices for the use of their capacity, as demand will continue to rise strongly. In this scenario, the so-called hyperscalers are consequently the beneficiaries, while chip manufacturers, construction firms, and companies providing the inner workings for these facilities - in short, all those who profit from the construction of new centers - are the "losers." This is the picture painted by recent stock market developments.

The Democrats skillfully and successfully leveraged the issue of data center expansion during the election campaign. In 40 provinces, voters cast ballots in favor of restrictions, which underscores the public's skeptical, if not outright hostile, attitude toward the issue. The main points of criticism are rising electricity costs, the enormous amounts of water for cooling purposes, and tax breaks. Texas is the stronghold of data centers. The ousted Republican governor had already ordered a construction freeze before the election, as the electricity capacity and water requirements for new projects are not guaranteed. Public resistance is not new, but the election brought it into the spotlight of markets.
It would be very surprising, however, if the Democrats—who have traditionally maintained close ties to the tech industry—were to excessively slow the development of artificial intelligence by banning capacity expansion.
A shift by the industry toward less reckless investment activity would also be helpful for investors, as the question of the profitability of these expenditures would become significantly less pressing.
All in all, we believe that the current market phase is a good time for reflection, helps to deflate some overly high expectations, and could be a good opportunity for those who have been on the sidelines to integrate AI into their portfolios.

Wangs, 6 November 2026