

UPSIDE PODCAST — #Episode 99

Is this 1999? The data cuts both ways.

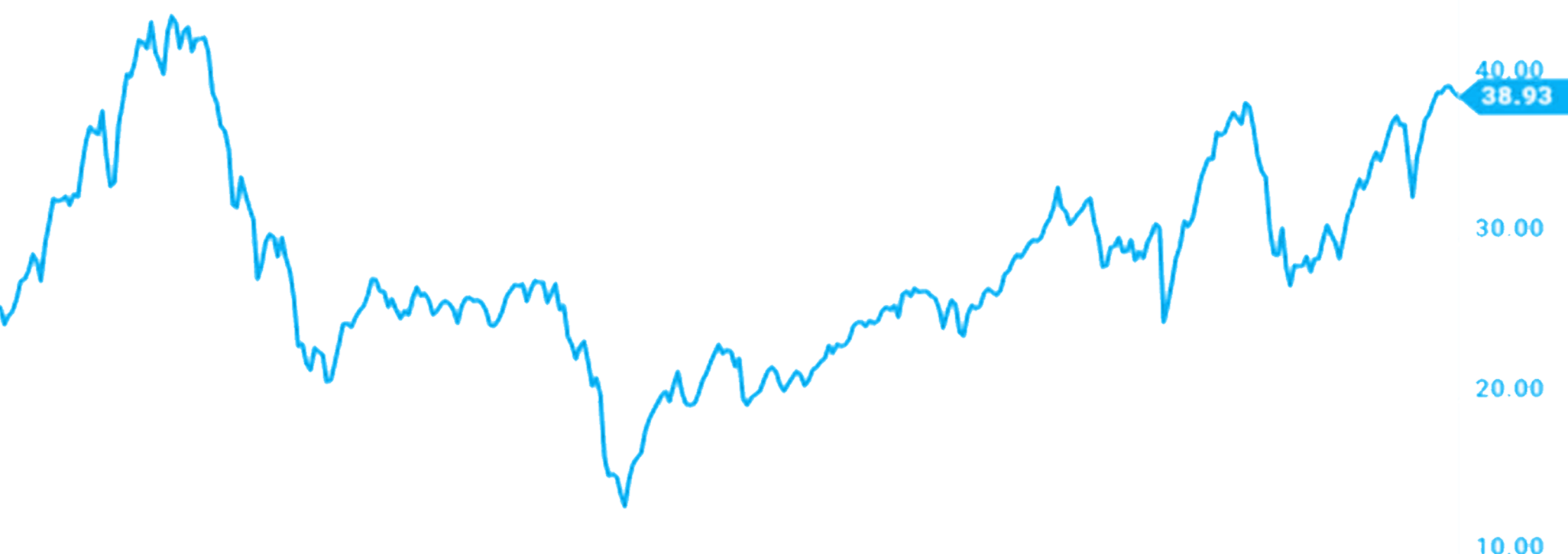
The CAPE ratio just flashed red for only the second time in history. The other time was December 1999.



THE YES CASE

Some of the numbers are *hard to ignore*.

The CAPE ratio has crossed 40 twice in history. The last time was just before the Nasdaq lost 78% of its value. AI CapEx to sales is projected to hit 34% this year. The dot-com peak was 32%. Over \$800 billion in AI deals are now circular - NVIDIA funds OpenAI, OpenAI buys NVIDIA chips. The BIS, the Bank of International Settlements, the central bank of central banks, used the word mania in June.



MORE REASONS TO WORRY

The cracks showing up *this summer.*

OpenAI is reportedly losing \$12 billion a quarter. NVIDIA shed close to a trillion in under two months. Oracle, one of the most exposed hyperscalers, dropped 40% in a month. Big tech, historically a cash machine, is now borrowing. Hyperscalers are carrying an estimated trillion in undisclosed data centre leases. And retail investors are buying up what hedge funds are selling, at the fastest pace in a decade.

THE NO CASE

But this time *the revenue is real.*

The Nasdaq is up 115% since ChatGPT launched. After Netscape in the nineties, it was up 700%. Forward earnings multiples are sitting at 23 to 24 times today versus 60 to 70 times in March 2000. OpenAI hit \$20 billion ARR. Anthropic went from zero to \$9 billion in three years, a ramp that took Amazon a decade. **In 1999 the metric was page views. Today it is trillions of tokens a week in actual usage.**

THE MOST IMPORTANT DIFFERENCE

Bubbles need infinite supply. *This one has physical limits.*

Memory is sold out. Power is constrained. Planning permission is blocking data centres. Governments are treating compute as national infrastructure. Classic bubbles are hype chasing infinite supply. This one has a ceiling on how fast it can even grow. *And even if CapEx does overshoot, unlike the dot-com fibre glut that took years to fill, this infrastructure will be used almost immediately.*

CLOSER

Nobody knows where the top is. *But knowing the arguments on both sides is a start.*

Full episode out now ↓

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A photograph of two men, the hosts of the Upside Podcast, sitting at a table with microphones. One man is wearing a black shirt and the other is wearing a dark green shirt. They are both looking towards the camera.

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