Flash Economics

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Is the risk of a stock market crisis in the United States significant?

In the United States, equity indices have risen markedly since the beginning of 2023, driven by the performance of technology stocks. We can observe a virtuous circle at work: massive investment by companies developing artificial intelligence models is supporting the revenues and profits of their suppliers (producers of semiconductors, memory chips and hard drives), which in turn is fuelling the rise in the tech sector stock prices.

What mechanisms could bring this upward momentum in US equity indices to a halt?

- concern over the level of equity market valuations, despite strong profit growth;
- a continued rise in long-term real interest rates, against a backdrop of large general government deficits;
- the realisation that investment in artificial intelligence models is excessive, being based on overly optimistic earnings expectations;
- a decision by the Trump administration to reinstate the ban on exports of artificial intelligence models developed in the United States, as it did on a temporary basis for Anthropic's Fable 5.

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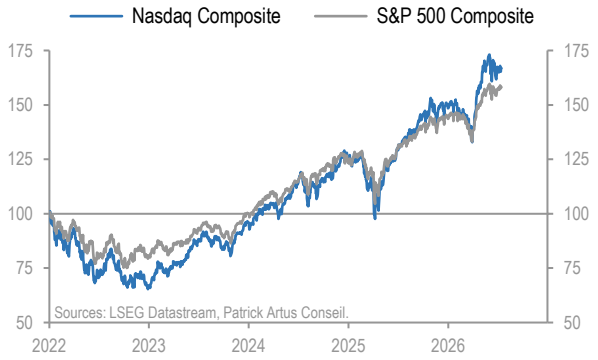
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In the United States, a sharp rise in equity indices, driven by tech sector stocks

Since their low point in January 2023, US equity indices have risen considerably: between January 2023 and July 14th, 2026, the Nasdaq Composite rose from 10,569 to 26,107 points and the S&P 500 from 3,895 to 7,543 points (**Chart 1**).

Chart 1
Stock market indices (01.01.2022 = 100)



This rise is largely attributable to the increase in **tech sector stock prices**. Information technology and communication services account for 46% of the S&P 500's market capitalisation. The S&P 500 Information Technology sector index rose from 2,172 points in January 2023 to 6,733 points on 14 July 2026, an increase of 210%, which **accounts for the entirety of the S&P 500's growth**.

A virtuous circle

In the United States, **companies developing artificial intelligence models are investing massively**: USD 750 billion in 2026, with USD 1 trillion expected in 2027. This investment is feeding their suppliers' revenues: between the first quarter of 2025 and the first quarter of 2026, Nvidia's revenue rose by 85% and Micron's by 346%.

Earnings per share are growing strongly, not only for companies developing artificial intelligence models but also for their suppliers: between 2024 and 2026, earnings per share at Alphabet, Microsoft and Nvidia rose by 77%, 42% and 199% respectively.

We examine the factors that could bring this favourable dynamic to an end (massive investment in artificial intelligence, rising sales of semiconductors and memory chips, and the rise in tech sector equity indices).

What mechanisms could halt the rise in US equity prices?

1. Concern over equity market valuations

As of July 14th, 2026, the price-earnings ratio of the S&P 500 stands at 27.9, against an average of 18.5 since 1990; that of the Nasdaq 100 stands at 37.6, against an average of 26.8 since 1 January 2004. The Shiller CAPE ratio stands at 39.4, against an average of 17.9 since 1900 (**Charts 2** and **3**). Even though the profitability of US companies is very high, investors may grow concerned about these very high equity market valuations.

Chart 2
P/E ratio

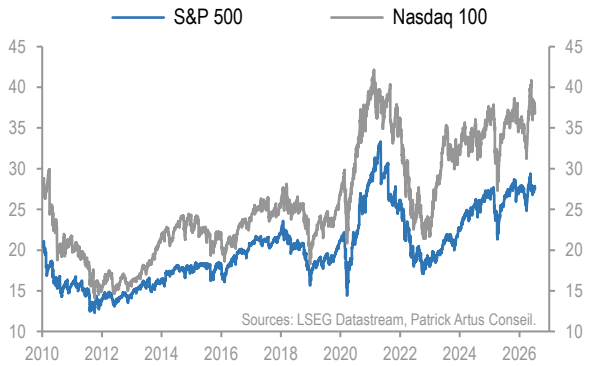
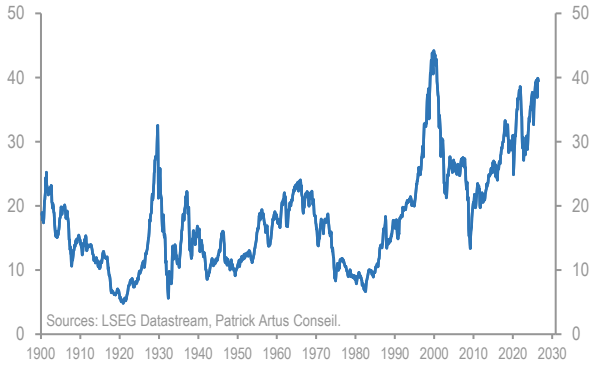


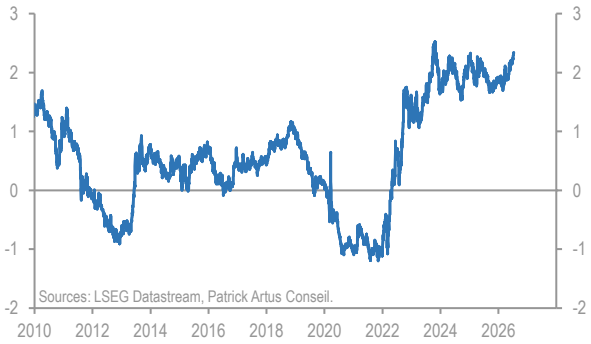
Chart 3
CAPE / Shiller PE Ratio



2. A continued rise in long-term real interest rates

The 10-year real interest rate (calculated using the 10-year inflation swap) stood at −0.66% in January 2022 and 1.26% in January 2023; it stands at 2.32% as of July 14th, 2026 (**Chart 4**).

Chart 4
United States: 10-year real government bond yield (%)



Higher real interest rates imply a decline in equity indices. The long-term real interest rate in the United States could continue to rise, given the high level of the general government deficit which is likely to exceed 6% of GDP in 2026 (**Chart 5**) as well as the increase in general government debt (**Chart 6**), despite the decline in long-term inflation expectations following the end of the war in the Middle East.

Chart 5
United States: general government deficit
(as % of GDP)

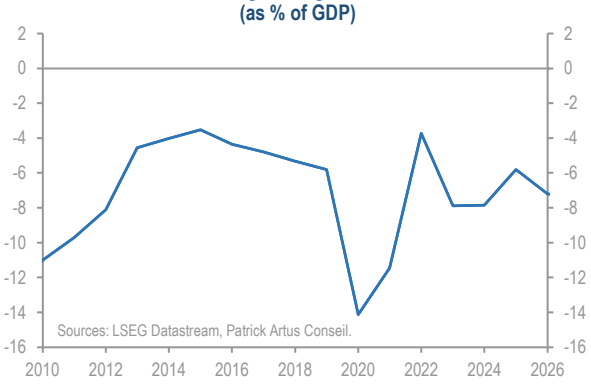
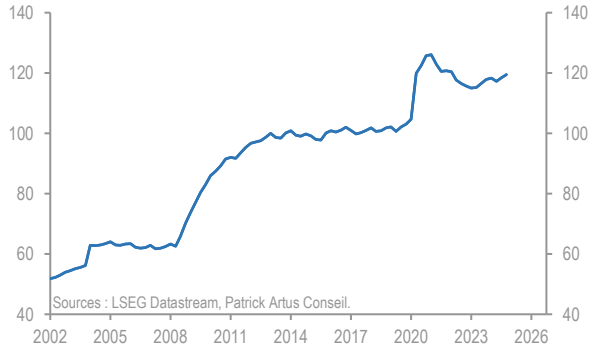


Chart 6
United States: General government debt (as % of GDP)



3. A drop in optimism about the profits expected from investment in artificial intelligence

Investment in the development of artificial intelligence models is considerable in the United States (USD 750 billion in 2026). It is by no means certain, however, that the associated profits will be very high, given the competition between the companies developing these models (OpenAI, Anthropic, Alphabet) and those offering open-source models, in particular Chinese companies (Alibaba, ByteDance, Z.ai, DeepSeek). **Disappointment over the future earnings of companies developing artificial intelligence models would trigger a downward correction in equity indices.**

4. Restrictions on exports of artificial intelligence models developed in the United States

The Trump administration banned the sale of the most advanced artificial intelligence software, such as Anthropic's Fable 5, to persons not holding US citizenship, before once again authorising the sale of these services. Were **a new ban** to be introduced and maintained on a lasting basis, it would deprive US companies developing artificial intelligence models of substantial revenues abroad, impacting their profitability.

Summary: what factors could trigger a decline in US equity indices?

Could the virtuous circle linking investment in the development of artificial intelligence, rising profits both for the companies developing these models and for those supplying them with components, and the rise in tech sector equity indices be interrupted?

Four risks of a downward correction in US equity indices have been identified:

- growing concern over the level of US equity valuations;
- a continued rise in long-term real interest rates;
- disappointment over the returns on massive investment in artificial intelligence;
- restrictions on exports of artificial intelligence models developed in the United States.

Such a decline would be more drastic than the one observed since the beginning of June 2026 (−3.0% for the Nasdaq Composite, −1.1% for the S&P 500 and −3.6% for the Nasdaq 100).

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