

# Is AI Reshaping the Investment Landscape? A Portfolio Perspective



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Fifteen years ago, venture capitalist Marc Andreessen famously wrote that "software is eating the world." His argument was that any service capable of being written and automated as software would be. This prediction has proven remarkably accurate, as cloud computing, software-as-a-service, and digital platforms have fundamentally transformed entire industries and reshaped how consumers purchase goods and services. For investors, this evolution carries significant implications and has become a notable driver of recent market volatility.

Today, AI represents the next stage of this transformation. As with every major technological shift, markets are actively working to determine what this means for specific sectors and the broader economy. For long-term investors, drawing on historical perspective about how these cycles have played out in the past can offer valuable clarity.

Innovation and disruption are two sides of the same coin, and the recent broad sell-off and swift recovery in technology stocks illustrates just how difficult it can be to anticipate how these trends unfold. The release of new automation tools from Anthropic, a major AI company, demonstrated the ability to perform tasks previously handled by specialized software in areas like legal and financial research. This sparked a reassessment of traditional software business models. The stocks of some large technology companies also came under pressure after reporting over a hundred billion dollars in quarterly capital expenditures on AI infrastructure, raising questions about whether this level of spending will ultimately pay off.

Ironically, this occurred almost exactly one year after the "DeepSeek moment" in January 2025, when a Chinese AI company purportedly showed that AI models could be built at a fraction of the cost. In both instances, markets re-evaluated the winners and losers of technological change but also rebounded quickly once the dust settled. For investors, this serves as a reminder that maintaining a long-term perspective is essential as markets shift between the opportunities created by innovation and the challenges posed by disruption.

## **Technological disruption follows familiar patterns**

## The Stock Market and Technological Innovation

S&amp;P 500 Index since 1928 and select innovations (log scale)



Latest data point is Feb 12, 2026

Sources: Clearnomics,  
Standard & Poor's  
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The uncertainty surrounding AI may feel unprecedented, but history demonstrates that technological disruptions tend to follow recognizable patterns. Consider how dramatically our use of software has evolved over recent decades — from products purchased in cardboard boxes and installed on individual computers, to internet-enabled mobile devices, to the very foundation of how we work, communicate, shop, bank, and entertain ourselves today. In every wave of innovation, there is an "old economy" and a "new economy," and markets must determine which companies belong in each category.

AI has the potential to fundamentally change how services are created, extending the trend of traditional processes being replaced by software. However, it is worth remembering that even the most transformative technologies do not eliminate the need for specialized expertise and services. AI systems, regardless of their capabilities, will still require access to high-quality data, reliable platforms, and unique domain knowledge. Similarly, consumers will continue to place a premium on trust, personalization, and quality outcomes.

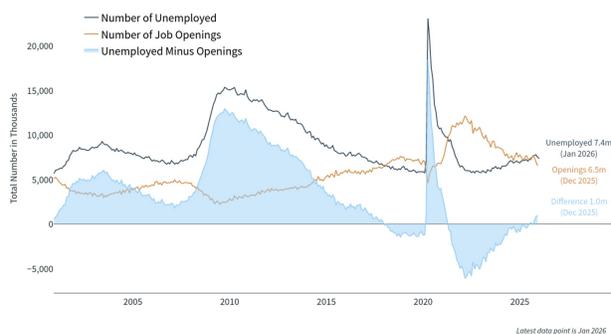
Which companies are best positioned to deliver these services may evolve over time, but the underlying fundamental needs will likely remain constant. Just as one would not build a car from scratch or rebuild it every time a trip to the grocery store was needed, AI applications will continue to rely on existing infrastructure and specialized services. Over time, this dynamic tends to benefit consumers through smarter products, lower costs, and more accessible services.

It is also important to maintain realistic expectations about the pace of change. While AI companies have predicted the arrival of "artificial general intelligence" or "artificial super intelligence" over the past several years, recent evidence suggests that progress in AI training has slowed somewhat. That said, what current AI systems can already accomplish is remarkable and is clearly sufficient to reshape investor expectations.

### The labor market adds to economic uncertainty

### Unemployment and Job Openings

U-3 unemployment compared to JOLTS job openings



Sources: Clearnomics, Bureau of Labor Statistics, © 2026 Clearnomics, Inc.

Adding to investor concerns is a labor market that has shown signs of softening since mid-2025. The latest data published by the Bureau of Labor Statistics showed that job openings fell to their lowest level since 2020 in December. At its peak, there were more than two job openings per job seeker, but the ratio has since dropped below one, with approximately 6.5 million openings for 7.5 million unemployed individuals. Meanwhile, a report by Challenger, Gray & Christmas showed that job cuts soared to 108,435 in January, a 118% year-over-year jump and the highest level for the month since 2009.

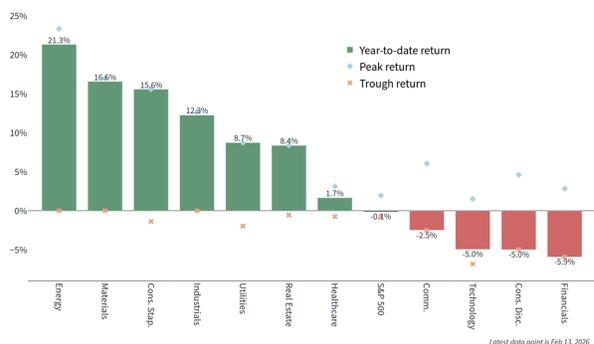
There is no direct evidence yet that these job cuts are AI-related, but these trends nonetheless affect the broader economic outlook. Over the long run, every major technological wave — from the Industrial Revolution to the Information Technology Revolution — has ultimately created more jobs than it displaced. However, the transition periods during which workers are retrained can be challenging for both individuals and society as a whole.

In the interim, a softer labor market has raised concerns among some investors following years of better-than-expected economic growth. This also has implications for the broader economic outlook and the path of Federal Reserve policy. It is important to note that other economic indicators remain healthy, including continued consumer spending supported by household wealth near record levels and inflation that has held steady below 3%. While some economic challenges exist, there is also reason to believe the economy could continue to grow at a healthy pace.

### What these trends mean for portfolios

### Sector Returns – Year-to-Date

S&P 500 sector year-to-date, peak and trough returns



Sources: Clearnomics, Standard & Poor's, I/B/E/S, © 2026 Clearnomics, Inc.

For investors, recent market volatility reinforces the principle that asset allocation matters more than any single trend or headline. The Information Technology and Communication Services sectors, while delivering strong returns in recent years, are also known for experiencing significant swings as expectations shift. These sectors are sensitive to long-term factors such as interest rates and are therefore affected by uncertainty surrounding the Fed. So, while groups like the Magnificent 7 have performed well over the past several years, they can struggle during periods like 2022 just as they have over the past two months.

Perhaps the most pressing question concerns stock market valuations. With the S&P 500's price-to-

earnings ratio near historically elevated levels, investors have been rotating into other sectors such as Consumer Staples, Energy, Materials, and Industrials. This may reflect markets becoming more selective and identifying opportunities beyond AI. After all, the fact that AI is capturing the majority of investor attention does not mean that attractive opportunities do not exist across other parts of the market.

It is also worth noting that cryptocurrencies have experienced a significant pullback in recent months, with Bitcoin falling 50% to just above \$60,000 before rebounding somewhat. This is a reminder that, from a portfolio perspective, cryptocurrencies remain highly volatile assets that can be sensitive to sentiment shifts that often lack a straightforward explanation. For those interested in these assets, determining how they fit into a balanced portfolio is far more important than attempting to time the market.

Ultimately, today's AI trends should be viewed within a broader context that encompasses other changes to the market and economic landscape. If past cycles are any indication, markets will likely over- and underreact to these trends in the short run. History demonstrates that those who can remain patient and stay properly invested will be best positioned to achieve their long-term financial goals.

**The bottom line? While AI is prompting a reassessment of specific stocks and sectors, the principles of long-term investing remain unchanged. Maintaining a portfolio aligned with your financial goals is still the most effective way to navigate periods of rapid change.**

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