Navigating the AI landscape

AI will remain a defining investment theme in 2027. Global AI infrastructure spending is expected to grow 20%–30% next year, with cumulative investment reaching at least USD2.9tn by 2030. While tighter data centre regulation and higher financing costs could slow down some investment, the impact looks manageable. More importantly, demand remains strong: data centre capacity is still tight, GPU rental rates remain elevated, and compute shortages have constrained hyperscaler revenues. This suggests the AI investment cycle still has further to run. Against this backdrop our investment teams explore how they are navigating the evolving AI landscape and where they see opportunities emerging.

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Key takeaways

- The AI investment cycle has further to run, but returns will become more differentiated as investors focus on companies with pricing power and sustainable earnings growth. Shifting AI bottlenecks offer new investment opportunities via Asia technology equities.
- As AI's influence across the economy and financial markets grows, building portfolio resilience becomes increasingly important as traditional diversification is challenged. Multi asset strategies can broaden sources of return while managing changing correlations and risks.
- Value investors can benefit by identifying mispriced companies within AI and overlooked areas of the wider market. Asia and emerging market equities can offer a way to capture these opportunities.

How is the AI investment opportunity evolving as the infrastructure cycle matures?

The first phase of the AI rally rewarded almost every company exposed to the theme. The next phase should increasingly differentiate between companies that merely participate in AI and those that possess scarce technology, pricing power, high barriers to entry and demonstrate earnings growth.

While the November correction reflects growing concern about the scale of capital expenditure, we think the AI hardware cycle still has another two to three years of attractive structural growth as the fundamental spending cycle remains substantial. However, equity returns are likely to become much more differentiated and selectivity is key.

The bottlenecks continue to migrate, from GPUs to HBM, advanced packaging and leading-edge foundry capacity, and now increasingly to networking, optics, power delivery, and thermal management. This broadening opportunity set creates new areas for investment even as returns from the first generation of AI winners normalise. We continue to favour companies exposed to these critical supply-chain constraints. Semiconductor and hardware demand in 2027 will continue to be supported by approved data centre projects. For 2028 and beyond, we understand investors will have greater caution especially after the US midterm election results. However, given AI remains the spotlight of global technology development and token demand continues to accelerate, data centre build-out is more likely to be delayed rather than cancelled. Still 2027–28 could be a critical validation period as investors look for evidence that AI revenues and productivity gains justify today's capital commitments.

Eric YP Lin, Head of Overseas Equity and Fixed Income, Eastspring Taiwan

How important is the AI cycle for multi asset investors?

The impact of the AI cycle extends well beyond technology equities. The scale of AI-related investment means that developments in the sector are increasingly relevant to economic growth, corporate earnings, credit markets, and the relationship between asset classes. Technology investment has surpassed its dot-com peak and contributed an estimated 0.5 percentage points to US real GDP growth in 2025. A meaningful slowdown could therefore have implications well beyond the technology sector.

That growing economic importance is also being reflected in financial markets. Major technology earnings are now closely watched alongside traditional macro events such as US payrolls and US Federal Reserve meetings.

AI news sentiment also explained 5.4% of weekly moves in global equities relative to US investment-grade bonds over the past two years, compared with close to zero previously. While in absolute terms the number is not that large, we believe it displays the increasing importance of the AI theme in multi asset portfolios.

These linkages are also extending into credit. Since 2023, US investment-grade and high-yield spreads have become more sensitive to moves in large technology stocks around earnings announcements.

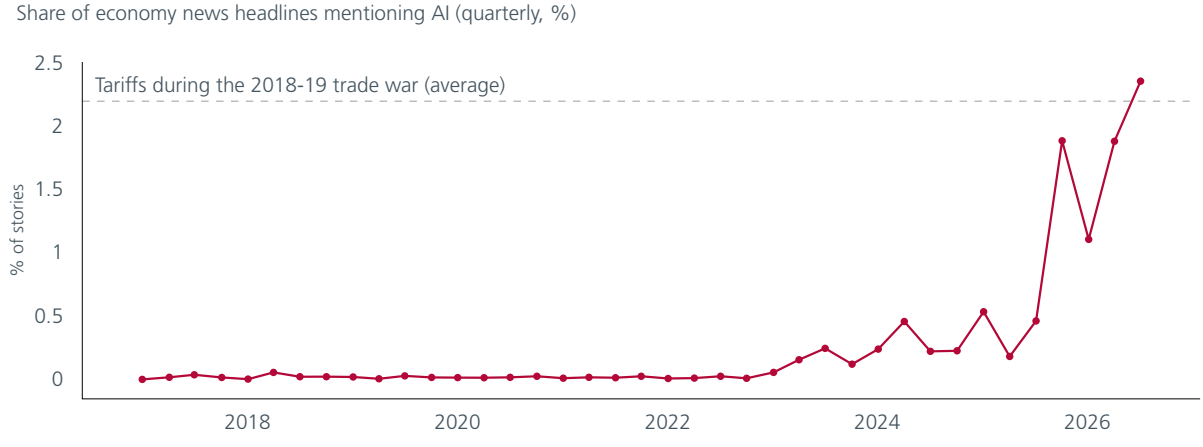
This relationship could strengthen as the AI build-out becomes more capital intensive and companies increasingly turn to bond markets for financing.

For multi asset investors, this raises an important diversification question. If equities and credit are increasingly influenced by the same AI cycle, apparently diversified portfolios could carry more exposure than traditional asset class labels suggest. The effects could also extend into the real economy, with continued AI investment supporting growth and earnings, while a sharp slowdown could weigh on markets, credit, and economic activity.

Given how difficult it is to anticipate a turning point, the focus should therefore be less on timing the cycle and more on building portfolio resilience. Systematic risk management overlays can provide a way to maintain buffers against these downside risks while retaining exposure to the potential benefits of the AI investment cycle.

Nupur Gupta, Portfolio Manager, Multi Asset Portfolio Solutions, Eastspring Singapore

AI is rapidly becoming a dominant economic theme



Source: Eastspring Investments, RavenPack, 2026.

How could growing AI-related debt reshape opportunities and risks for bond investors in 2027?

As the AI build-out becomes more capital intensive, companies are increasingly turning to debt markets to fund investment. This should expand the investible AI-related bond universe in 2027, creating new opportunities but also increasing the need for selectivity.

Strong balance sheets and clear cash flow visibility will remain important. Negative free cash flow may be expected while companies invest, but the key question is whether that spending ultimately generates sustainable cash flow. Rising debt before revenues materialise can leave issuers more exposed to refinancing risk if financing conditions tighten.

The opportunity set is also becoming more diverse, spanning hyperscaler corporate debt, GPU-backed loans to neocloud operators and data centre financing. Each brings different risks. Construction delays can defer cash flow, technology obsolescence can weaken collateral values, while changes to commercial contracts, geopolitical restrictions or supplier policies can reduce lender protection, even when demand remains strong. With AI-related capital expenditure expected to remain high, bond markets are likely to play a bigger role in funding the build-out in 2027.

Jerry Gwee, Credit Analyst, Fixed Income, Eastspring Singapore

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How can value investors navigate AI-driven volatility and identify opportunities as valuations reset?

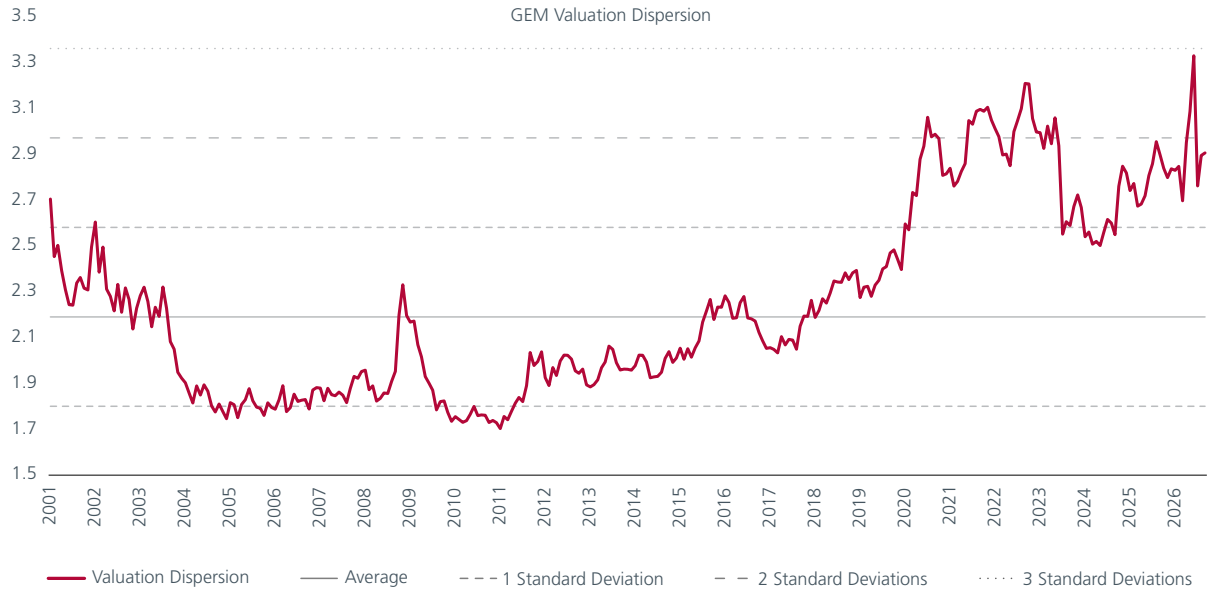
AI has been a powerful driver of market leadership, but rising volatility is starting to create greater dispersion. As investors become more selective about valuations and the prospects for AI-related returns, the gap between perceived winners and overlooked parts of the market could widen. This can create attractive entry points for disciplined value investors.

> **One interesting feature of the current market is the enormous volatility around AI expectations.**

The challenge is timing. Attractive valuations alone are not always sufficient to drive a re-rating, and opportunities can remain undervalued for an extended period while thematic enthusiasm persists. We remain disciplined around valuation rather than chasing momentum, recognising that the recent moderation in AI enthusiasm could create the conditions for a meaningful broadening of market leadership.

A key catalyst would be some relief from the macroeconomic pressures currently weighing on Asian and emerging economies. Rising interest rates, elevated oil prices, tariff uncertainty, and potential El Niño impacts are creating a difficult backdrop for many companies and sectors. AI-related businesses have been relatively insulated from these concerns, supported by strong structural growth expectations.

Extreme valuation dispersion continues to create opportunities



Source: Eastspring Investments, 30 September 2026. Valuation dispersion is defined as the Forward 12 month price to earnings ratio of the 25% most expensive stocks in the research universe divided by the forward 12 month price to earnings ratio of the 25% least expensive stocks in the research universe. The research universe is defined as the top 95% by market capitalisation of the S&P Emerging BMI plus Korea.

If those broader economic pressures begin to ease, we expect investor interest to broaden towards areas of the market that have been left behind. Valuations in many of these areas are already compelling, although valuation alone is rarely enough. Typically, some catalysts are required to reignite investor interest and close that valuation gap.

One interesting feature of the current market is the enormous volatility around AI expectations. That is creating opportunities to rotate the portfolio more actively than usual, taking profits in areas where valuations have run ahead and recycling capital into laggards where expectations have become overly pessimistic.

In the meantime, we continue to find opportunities where valuations have become extreme, including both outside and within the AI complex. The environment remains challenging, but it is also creating significant dispersion and selective opportunities.

Steven Gray, Head of GEM and Regional Asia Value Equities, Eastspring Singapore

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