

Why Meta's Muse may support the AI bull market

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Key takeaways

Higher oil prices and interest rates have stalled the broadening trade, but the structural artificial (AI) growth story has remained intact.

Meta's launch of Muse offered evidence that consumer AI adoption could turn investment into future growth and earnings.

The bull market likely ends with a meaningful deterioration in the AI story — not simply another rotation within it.

While investors have been watching oil prices and interest rates climb,¹ the most important market development of the past few weeks may have come from Meta.² The early success of its new personal AI agent, Muse, is a reminder that the cyclical backdrop may face the headwinds of higher oil prices and rising interest rates, but the structural growth story underpinning this bull market remained very much intact.

Investors entered the year with two powerful forces working in their favor. There was a long-term structural growth story centered on AI. But within that story, there was also a cyclical upswing taking shape.³

Stalled cyclical market story

The world was expanding, supported in part by fiscal stimulus and the prospect of monetary easing. The result was a broadening of market leadership beyond the largest technology companies and into the traditionally more cyclical parts of the market, including the industrial, materials, and energy sectors.⁴ Remarkably, that broadening continued through the early months of the war in Iran, as investors largely expected the conflict to reach a quick conclusion.⁵

As the war has persisted and expanded, oil prices have moved sharply higher, and interest rates have risen alongside them.⁶ Higher rates, tighter monetary policy, and a flatter yield curve are hardly ideal for the broadening trade.⁷ Not surprisingly, that rotation has stalled.⁸

But something else happened beneath the surface.

The structural AI trade had spent much of the year experiencing its own rolling correction. The hyperscalers were hit first.⁹ Then came the software stocks.¹⁰ Finally, the selloff reached semiconductor and memory stocks.¹¹ By the time investors turned their attention toward oil, inflation, and interest rates, something unusual had happened. Many of the companies at the center of the AI story had become surprisingly attractively valued relative to their potential earnings power.¹²

Meta's successful launch of Muse

Which brings us to what may be the most important market story of the past couple of weeks.

Meta launched Muse, a personal AI agent designed to do more than answer questions, on September 8. It can work on a user's behalf across the web. Once given a goal, it can carry out a series of tasks with relatively little additional instruction, while leaving important final decisions to the user.

The response has been striking. Muse surpassed ChatGPT to become the top free app in the US on Apple's App Store and Google Play.¹³ That matters because Meta had become something of a poster child for investor concerns about AI spending. The company has been investing enormous sums in AI, while some investors questioned what it had to show for it. Its stock had fallen into an ugly downtrend.¹⁴ Muse suddenly provides a tangible answer. Meta shares surged more than 11% in one session, adding nearly \$200 billion in market value as investors began contemplating what successful consumer AI adoption could mean for future growth.¹⁵

The enthusiasm has also spread to central processing unit (CPU) companies. Training large AI models has been dominated by graphics processing units (GPUs). AI agents, however, must continuously perform actions, process sequential instructions, and interact with applications. Those workloads can create greater opportunities for CPUs alongside GPUs, potentially broadening the beneficiaries of rising AI usage across the computing ecosystem. CPU stocks, such as Advanced Micro Devices and Intel, have surged 34.56% and 40.50% over the past month.¹⁶

Bull market and structural AI story

Oil matters. Interest rates matter. The Strait of Hormuz matters. Those developments are affecting the cyclical backdrop today, and they help explain why the broadening trade has stalled.

But they aren't necessarily what determines whether the bull market in stocks ultimately survives, in my view, but perhaps whether there's another rotation within that bull market. For the so-called broadening trade to re-engage, I believe rates and oil prices would need to peak.

This bull market may likely end with a meaningful deterioration in the structural AI story, whether through weakening investment, disappointing adoption, or a failure of that investment to translate into earnings. In a month when much of the news has been negative, the success of Meta's Muse may be the clearest evidence yet to me that the payoff from this extraordinary investment cycle may potentially be only beginning.

Business expectations and growth momentum in Europe's largest economy

Consumer confidence (Sept.) Job Openings and Labor Turnover Survey (Aug.)

Household sentiment and signs of cooling or resilience in labor demand

ADP employment report (Sept.) Gross domestic product, third estimate (Q2) Personal income, spending, and PCE inflation (Aug.)

Broad read on jobs, economic growth, consumer demand, and the Federal Reserve's preferred inflation gauge

Official manufacturing and non-manufacturing Purchasing Managers' Indexes (Sept.)

Factory and services momentum in the world's second-largest economy

Consumer price inflation, preliminary (Sept.)

Early signal for eurozone inflation and European Central Bank policy

Initial jobless claims ISM Manufacturing Purchasing Managers' Index (Sept.)

Timely view of labor conditions, factory activity, orders, employment, and prices

Corporate sentiment, investment plans, and the outlook for Bank of Japan policy

Payroll growth, unemployment, and wages —key inputs for the Federal Reserve's policy outlook

Consumer price inflation, flash (Sept.) Unemployment rate (Aug.)

Price pressures and labor-market conditions shaping the European Central Bank outlook

Source: Bloomberg L.P., Sept. 23, 2026, based on the US West Texas Intermediate crude sweet oil and the 10-year US Treasury rate.

Source: The mention of a specific company is not intended as investment advice.

Source: Organisation for Economic Cooperation and Development, Aug. 31, 2026, based on the OECD Global Leading Economic Indicator.

Source: Bloomberg L.P., Aug. 31, 2026, based on the year-to-date performance as of the end of August of the following S&P 500 GICS Level 1 sectors: Energy (+44.20%), Industrials (+16.69%), and Materials (+13.56%).

Source: Bloomberg L.P., Sept. 23, 2026, based on the year-to-date performance of the S&P 500 Equal Weight Index compared to that of the S&P 500 Index as of Aug. 31, 2026 (+15.57 to +13.31%) and as of Sept. 23, 2026 (+11.79% to +13.51%).

Source: Bloomberg L.P., Sept. 23, 2026, based on the US West Texas Intermediate crude sweet oil and the 10-year US Treasury rate.

Source: Bloomberg L.P., Sept. 23, 2026, based on the 10-year US Treasury rate, the fed funds rate, and the spread between the 10-year and 2-year US Treasury rates.

Source: Bloomberg L.P., Sept. 23, 2026, based on the year-to-date performance of the S&P 500 Equal Weight Index compared to that of the S&P 500 Index as of Aug. 31, 2026 (+15.57 to +13.31%) and as of Sept. 23 (+11.79% to +13.51%).

Source: Bloomberg L.P., Sept. 23, 2026, based on the June performance of the five hyperscalers, including Alphabet (-5.98%), Amazon (-11.93%), Meta (-10.86%), Microsoft (-17.15%), and Oracle (-35.09%).

Source: Bloomberg L.P., Sept. 23, 2026, based on the 21.25% peak-to-trough decline in the S&P North American Expanded Technology Software Index from June 1 to June 25.

Source: Bloomberg L.P., Sept. 23, 2026, based on the 28.61% peak-to-trough decline of the Philadelphia Stock Exchange Semiconductor Sector Index from June 22, 2026 to July 29, 2026.

Source: Bloomberg L.P., Aug. 31, 2026, based on the 18.75x price-to-forward earnings ratio of the S&P 500 Information Technology Sector, compared with an average of 22.22x over the past 10 years.

Source: CNBC, "Meta's Muse AI agent downloads are surging. Here's how it compares to ChatGPT,

Grok and Claude," Sept. 21, 2026.

Source: Bloomberg L.P., Sept. 23, 2026, based on the -13.41% year-to-date return of Meta Platforms Inc. as of Aug. 31. The mention of a specific company is not intended as investment advice.

Source: Bloomberg L.P., Sept. 23, 2026, based on Meta's stock price on Sept. 18., 2026.

Source: Bloomberg L.P., Sept. 23, 2026. The mention of specific companies is not intended as investment advice.

- September 23, 2026
- September 21, 2026
- September 14, 2026
- September 8, 2026

All investing involves risk, including the risk of loss.

Past performance does not guarantee future results.

Investments cannot be made directly in an index.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Artificial intelligence (AI) technology companies are sensitive to specific risks such as small markets, business cycle changes, economic growth, technological progress, obsolescence, and regulation. These companies may have limited products, markets, resources, or personnel, making their securities more volatile, especially for smaller start-ups. Rapid technological changes can adversely affect their results. AI companies often rely on patents, copyrights, trademarks, and trade secrets to protect their technology, but there's no guarantee these protections will be sufficient. Significant research and development (R&D) spending doesn't ensure product or service success.

A bull market is an environment in which stock prices are rising or are expected to rise.

Businesses in the energy sector may be adversely affected by foreign, federal, or state regulations governing energy production, distribution, and sale, as well as supply-and-demand for energy resources. Short-term volatility in energy prices may cause share price fluctuations.

Credit risk is the risk of default on a debt that may arise from a borrower or issuer of bonds failing to make required payments.

Credit spread is the difference in yield between bonds of similar maturity but with different credit quality.

Earnings per share (EPS) refers to a company's total earnings divided by the number of outstanding shares.

The federal funds rate is the rate at which banks lend balances to each other overnight.

Fixed income investments are subject to credit risk of the issuer and the effects of changing interest rates. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa. An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic, and political conditions.

The Global Industry Classification Standard (GICS) was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.

The Global Leading Economic Indicator (LEI) is a proprietary, forward-looking measure of the growth level in the economy. A reading above (below) 100 on the Global LEI signals growth above (below) a long-term average.

Gross domestic product (GDP) is a broad indicator of a region's economic activity, measuring the monetary value of all the finished goods and services produced in that region over a specified period of time.

Hyperscalers are large cloud service providers that can provide services such as computing and storage at enterprise scale.

Inflation is the rate at which the general price level for goods and services is increasing.

Many products and services offered in technology-related industries are subject to rapid obsolescence, which may lower the value of the issuers.

A market cycle is a trend or pattern that may exist in a given market environment, allowing some securities or asset classes to outperform others.

The OECD Global Leading Economic Indicator is an index designed to provide early, qualitative signals of turning points (peaks and troughs) in business cycles by tracking economic activity relative to its long-term potential.

Option-adjusted spread (OAS) is the yield spread that must be added to a benchmark yield curve to discount a security's payments to match its market price, using a dynamic pricing model that accounts for embedded options.

The price-to-forward-earnings ratio (forward P/E) is a stock valuation metric that divides a company's current share price by its estimated future earnings per share (EPS).

References to specific companies aren't buy/sell recommendations.

The Philadelphia Stock Exchange Semiconductor Sector Index is a capitalization-weighted index comprising the 30 largest U.S.-traded companies primarily involved in the design, distribution, manufacture, and sale of semiconductors.

Purchasing Managers' Indexes (PMI) are based on monthly surveys of companies worldwide and gauge business conditions within the manufacturing and services sectors.

The S&P North American Expanded Technology Software Index measures U.S.-traded securities in the GICS® Application Software and Systems Software sub-industries, as well as applicable supplementary stocks.

The S&P 500® Equal Weight Index is the equally weighted version of the S&P 500® Index.

The S&P 500® Information Technology Index includes stocks in the S&P 500 Index classified as information technology companies based on the Global Industry Classification Standard methodology. The index is market-cap weighted.

The S&P 500® Index is an unmanaged index considered representative of the US stock market.

Tightening monetary policy includes actions by a central bank to curb inflation.

West Texas Intermediate (WTI) is a type of light, sweet crude oil that comes from the US.

The opinions referenced above are those of the author as of Sept. 28, 2026. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward-looking statements are not guarantees of future results. They involve risks, uncertainties, and assumptions; there can be no assurance that actual results will not differ materially from expectations.

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