Bears beware: Case for bull market momentum

Invesco · 2026-08-17 · English original

Key takeaways

Market bears have seen many arguments fade as AI demand strengthened, earnings improved, market breadth widened, and inflation fears seem to have eased.

AI infrastructure spending may not signal an earnings bubble if broader adoption of AI agents creates years of demand for compute capacity.

The bull market has continued to challenge bearish views, with strong S&P 500 gains and broader participation supporting market momentum.

I feel bad for the bears. Not the Chicago Bears, who may one day be in Indiana if stadium negotiations keep heading across state lines.

One by one, I believe this market has knocked down their concerns.

Concern: No demand for AI

The argument was that artificial intelligence (AI) was little more than a science project searching for a business model. Fast forward to today and the debate has shifted dramatically. Demand has surged to the point where, in many cases, the bigger challenge is no longer finding customers. It's securing enough chips, power, memory, data center capacity, and electrical infrastructure to satisfy them.

Concern: High valuations

Many investors argued that stocks were simply too expensive. Yet earnings and earnings expectations have grown so rapidly that valuations appeared less stretched, even as the market has marched higher.1 The market is now in its fourth consecutive year of strong gains, something many thought was impossible.2

Concern: Concentration risk

A handful of megacap technology companies were carrying much of the market’s gains, which was supposedly unsustainable.3 This year, however, equal-weight indexes have outperformed their market cap-weighted counterparts.4 Market participation has broadened considerably, with nearly two-thirds of stocks trading above their 200-day moving averages.5 That’s not a sign of a market standing on a narrow foundation in my view. It’s evidence of healthier breadth.

Concern: Circular financing

Critics argued that AI spending resembled companies using their own products and financing arrangements to create a self-reinforcing cycle of demand. Nvidia's recent announcement involving major financial institutions meaningfully challenges that narrative.6 Increasingly, external capital providers are stepping in to fund AI infrastructure investments rather than relying on Nvidia itself. That moves the ecosystem closer to a traditional capital spending cycle supported by independent financing and away from concerns that spending is simply being recycled within the same group of companies.

Concerns: Geopolitics, oil, and inflation

Certainly, the headlines were alarming. Yet despite periods of volatility, oil prices today have been where they stood in mid-April.7 Inflation expectations embedded in the bond market have fallen meaningfully.8 This week delivered additional encouraging news with favorable consumer and producer inflation reports.9 Once again, the feared outcome hasn't materialized.

So where do the bears go next? And I don't mean Indiana.

Potential concern: Earnings bubble

Up next, I assume, is the concern of an earnings bubble. The argument is that hyperscalers are investing so aggressively in AI infrastructure that they're borrowing future demand. In this view, today's spending has simply been pulling years of earnings forward for semiconductor, memory, networking, power, and industrial companies. But that perspective may miss the bigger picture. Consider that it's currently estimated that roughly 250,000 people worldwide are actively training AI agents to work for them around the clock.10 Sounds impressive until you remember there are roughly 8 billion people on the planet. Now imagine a world where not hundreds of thousands, but hundreds of millions, are deploying agents to perform persistent work on their behalf.

If that future unfolds, today's investment boom may not look excessive in hindsight. It may look early. In fact, I'm going to go out on a limb and suggest that we could spend years in a near-perpetual state of compute constraints, where demand continuously pressures available supply despite massive investment throughout the ecosystem.

S&P 500 advance

The S&P 500 gained 26.26% in 2023, 25.00% in 2024, 17.86% in 2025, and is up 13.95% year to date in 2026.11 At some point, fighting every advance can begin to look less like discipline and more like stubbornness to me. The market bears should have gone into hibernation a while ago, in my view.

As for Chicago, I feel bad about them potentially losing the Bears. At least they still have the Bulls. I'm happy to remain one of those, at least in the market sense. But don't expect me to forgive Michael Jordan and company for spending much of the 1990s crushing the championship dreams of my New York Knicks. Some scars never fully heal, even if the Knicks finally won a championship.

Source: Bloomberg L.P., Aug. 13, based on the current price-to-forward earnings of the S&P 500 Index (20.0x) compared to the beginning of 2025 (21.6x) and 2026 (22.0x).

Source: Bloomberg L.P., Aug. 12, based on the returns of the S&P 500 Index in 2023 (26.26%), 2024 (25.00%), 2025 (17.86%), and year-to-date 2026 (13.95%).

Source: Bloomberg L.P., Aug. 12, based on the returns of the S&P 500 Index (57.82%) compared to the S&P 500 Equal Weight Index (28.62%) over the two-year period ended Dec. 31, 2024.

Source: Bloomberg L.P., Aug. 12, based on the year-to-date returns of the S&P 500 Index (13.95%) compared to the S&P 500 Equal Weight Index (16.49%).

Source: Bloomberg L.P., Aug. 12, based on the number of companies on the New York Stock Exchange trading above their 200-day moving average.

Source: CNBC, “Nvidia lines up $500 billion in financing as CEO Jensen Huang tells CNBC his chips are ‘investable asset,’” Aug. 10, 2026.

Source: Bloomberg L.P., Aug. 12, based on the price per barrel of US West Texas Intermediate crude sweet oil.

Source: Bloomberg L.P., Aug. 12, based on the 5-year US Treasury inflation breakeven. A breakeven inflation rate is a market-derived estimate of future inflation, calculated by comparing the yield on a standard government bond (nominal) to the yield on a Treasury Inflation-Protected Security (TIPS) of the same maturity.

Source: US Bureau of Labor Statistics, July, based on the 0.1% monthly increase in the US Consumer Price Index and the -0.7% monthly change in the US Producer Price Index for finished goods.

Source: Bloomberg L.P., Aug. 12, based on the returns of the S&P 500 Index in 2023 (26.26%), 2024 (25.00%), 2025 (17.86%) and year-to-date 2026 (13.95%).

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 bear market is an environment in which stock prices are falling, and widespread pessimism causes the stock market’s downward spiral to be self-sustaining.

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

The Consumer Price Index (CPI) measures the change in consumer prices and is a commonly cited measure of inflation.

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

The Federal Open Market Committee (FOMC) is a committee of the Federal Reserve Board that meets regularly to set monetary policy, including the interest rates that are charged to banks.

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

Investments focused on a particular industry or sector are subject to greater risk and can be more impacted by market volatility than more diversified investments.

Market breadth is a concept used in technical analysis to gauge the direction of the overall market by examining the number of companies advancing relative to the number of companies declining.

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

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

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).

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

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

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

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

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

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

Treasury Inflation-Protected Securities (TIPS) are US Treasury securities that are indexed to 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 Aug. 13, 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.

Leaving Invesco.com

This link takes you to a site not affiliated with Invesco. The site is for informational purposes only. Invesco does not guarantee nor take any responsibility for any of the content.
