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Selling Pressure

Last week should have been a banner one for artificial intelligence. Anthropic completed the largest IPO on record, Nvidia reported revenue up 103% from a year earlier, and an Anthropic mathematician said Claude helped him prove one of math's most famous unsolved problems, the Riemann hypothesis.[1] Yet by Friday, the S&P 500 had fallen 12% from its October high, while the Philadelphia Semiconductor Index had dropped 43% from its June peak. Even Anthropic's shares gave back most of their first-day gain, ending the week near their $83 offering price.[2]

A Reflexive Selloff

Much of the selloff reflects doubts about how much the largest buyers of AI infrastructure can keep spending. As the selloff picks up pace, the risk from here is that it becomes reflexive. In that scenario, falling share and bond prices would raise those companies' cost of capital and make their spending harder to justify. Higher costs could push them to pare back their investment plans. Any pullback in spending risks signaling slower growth to the rest of the market, sending the shares and bonds of those companies, and of the AI infrastructure companies downstream that benefit from that spending, lower still. Those losses would deepen the doubts behind the selloff.

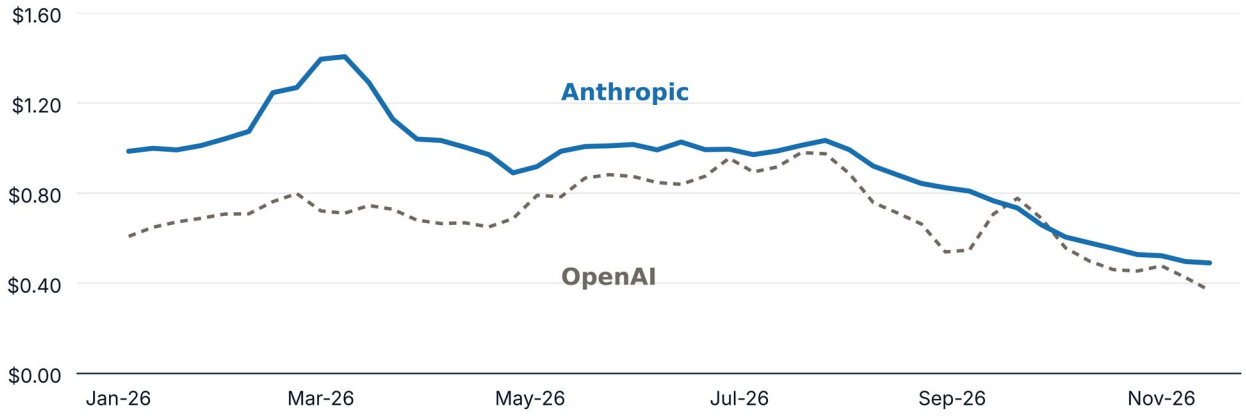
The risk of a reflexive selloff has grown since Jensen Huang's removal as Nvidia's CEO destabilized the entire AI ecosystem. Under Mr. Huang, Nvidia became the keystone of the AI buildout as its main supplier, a major buyer of memory and manufacturing capacity, and a key financier of its customers. Nvidia's backing includes up to $118 billion of guarantees that help customers fund data centers and $32 billion of commitments to buy computing capacity from neoclouds. Nvidia's interim CEO, Colette Kress, says the company will be "disciplined and selective" with that support. Neoclouds, for which Nvidia has been an important guarantor, are particularly susceptible to a pullback in that support. With yields on some of their bonds having topped 16%, their viability is now in question.[3]

Falling Prices

Now that Anthropic is public, questions about the AI firms' business models are coming to the forefront, starting with the falling prices of their models. Ramp, a payments company, maintains an AI spending index that tracks what more than 85,000 U.S. businesses pay AI providers. The index shows the price paid to Anthropic per million tokens of AI usage has halved since late July, to $0.50, while OpenAI's has fallen to $0.38. This month, both companies priced their newest flagship models 20% below their predecessors. Only a handful of firms can afford to build a frontier model, which would normally give them pricing power. But businesses can easily shift work between Anthropic's Claude, OpenAI's GPT and Google's Gemini. Competition among the three makes pricing power hard to maintain.[4]

The Price Businesses Pay for AI Has Halved Since July

Effective price per million tokens paid by businesses in Ramp's AI spending index, weekly



Source: Ramp AI Index, via Bloomberg Economics (11.19.26).

To be sure, falling prices need not hurt the AI firms if demand for their models grows fast enough to make up the difference and if their cost of serving those models declines. So far, demand has grown fast enough. Anthropic's annualized revenue run rate rose $10 billion in October alone, to $81 billion. The open question is whether the AI firms' revenue can outpace their costs, which have been climbing.[5]

A Race for Capital

To escape falling prices and rising costs, the AI firms are racing toward AI that builds better versions of itself, hoping to gain an advantage rivals cannot match. It is not clear any firm can stay ahead for long. The top spot on the intelligence index of Artificial Analysis, an independent firm that tests AI models, has passed between Anthropic and Google twice since late October. Google's newest Gemini models also rival those of OpenAI and Anthropic at a lower price.[6] If there is a secret sauce to building the best models, it may be little more than access to the most capital for computing power. In that case, Alphabet is well-placed, given the cash flow from its core advertising business, not to mention other advantages such as broad distribution channels for its AI and ownership of chips, computing capacity and models.

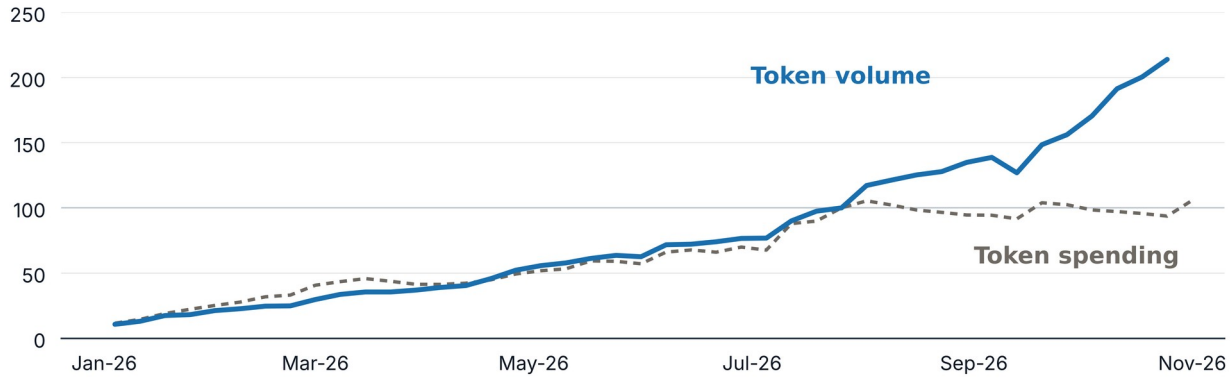
A Push Into Verticals?

Short of winning the race to artificial general intelligence outright, an AI firm facing falling prices for its models would need other ways to protect its position. One is to hook users on its user interface and applications, such as Anthropic's Claude Code. But applications offer limited protection, because a programmer who relies on Claude Code can just as easily switch to Codex, OpenAI's rival tool.

A more likely way for an AI firm to protect its position, in our view, is to move into industry verticals, selling finished products and services rather than intelligence by the token. Selling tokens alone leaves much of the gain from better models with customers. As the price of AI models has fallen, the businesses in Ramp's AI spending index have more than doubled the amount of AI they buy since late July, while what they pay has barely changed. By selling finished products or services in specific industries, the firms could keep more of the gains their models create, applying their intelligence and moving faster than incumbents. Anthropic's prospectus already lays out plans to enter new markets from health care to robotics.[7]

Businesses Have Doubled Their AI Use Since July With Little Change in Spending

Token volume and spending by businesses in Ramp's AI spending index, weekly, late July 2026 = 100



Source: Ramp; BCA Research (11.19.26).

Aside from productivity software, health care appears to be the AI firms' starting point. Anthropic has bought a small biotech company, begun its own drug research and set up a biology lab, while Alphabet's Isomorphic Labs raised $5 billion last week at a reported $50 billion valuation.[8] We expect the AI firms to try every industry they can, especially as public-market investors press them to justify their spending.

Partner or Competitor?

The AI firms' push into other industries creates an inherent conflict. Much of their revenue comes from businesses that build on or use their models, and moving into those customers' industries turns the firms into their competitors. Anthropic acknowledges as much in its prospectus, warning that it already competes with some of its customers, especially software companies.[9]

The bigger risk for the firms is how their other customers react. A business that worries an AI firm could become its next competitor has reason to spend less with it and shift work to rival AI firms or use open-source models. The lost revenue would add to the pressure on the firms to move into other industries. But an AI firm that displaces its customers has fewer businesses left to buy from it. In the end, the AI firms cannot do well by undermining the businesses that pay them.

Even so, the revenue potential for the AI firms is large, as evidenced by their rapid uptake. But investors are nervous about whether that potential is large enough to justify the scale of the investment. Wall Street expects the largest cloud companies and the AI firms to spend $5 trillion to $7 trillion on AI between 2025 and 2030. Assuming normal depreciation, those companies would need $2 trillion to $3 trillion of new AI revenue every year by 2030 to earn a low-teens return on that spending. By comparison, the world spends $6 trillion a year on all technology.[10] Granted, that revenue requirement would ease if the equipment lasts longer than expected or becomes cheaper to replace. In time, we expect investors to pressure the AI firms to show they can earn that return. That pressure could give the AI firms a reason to enter their customers' industries and keep more of the value their models create.

Competing with customers is not the only path open to the AI firms. In a potential bullish scenario, AI could become an enabling technology that makes businesses across the economy more productive and opens new capabilities in fields ranging from medicine to energy to manufacturing. The AI firms could then grow along with their customers. A faster-growing economy would also expand the market for the AI firms' models. In that scenario, the AI firms, their customers and the broader economy all gain. In fact, this is the outcome the AI firms expect, and it could very well happen.

A Wide Range of Outcomes

Whether the AI firms end up as partners to their customers or as competitors remains an open question. The possible outcomes range from a productivity boom that lifts the whole economy to trillions of dollars of AI spending that fails to earn an adequate return. With outcomes that far-ranging, the market is grappling with what AI-related companies are worth. We think Anthropic's listing last week sharpened that question, and the formerly bullish sentiment surrounding AI is now turning more skeptical.

Unfortunately, this reassessment comes on the heels of a volatile last month for investors, from the midterm elections to the turmoil at Nvidia. It also hit a market in which AI-related companies accounted for nearly half of the S&P 500's value at the index's October high, which left the index susceptible to any rotation out of those companies. Per data from Goldman Sachs, hedge funds since early October have sold technology stocks at the fastest pace in at least a decade. The result was the Nasdaq 100's worst week since March 2020, which drove the market's main gauge of volatility to its highest level since April 2025.[11]

In the near term, we expect volatility to remain elevated as investors weigh this wide range of outcomes. Against this backdrop, we favor businesses that can sustain their free cash flow and are less tied to the AI investment cycle. That said, we do think some exposure to AI investments makes sense, given the range of potential outcomes and the possibility that these businesses prove uniquely profitable and enable a productivity boom. Periods like this are a reminder of the importance of portfolio diversification and of ensuring that one's allocation is aligned with their long-term investment objectives. As always, please reach out with any questions.

Sincerely,

The Team at Fort Sheridan Advisors

Citations and Disclosures

[1] Anthropic (11.18.26); Nvidia investor materials; Scientific American (11.20.26).
[2] Bloomberg (11.20.26); Bloomberg (11.21.26); Reuters (11.20.26); Nasdaq.
[3] Bloomberg (11.20.26); Nvidia earnings call (11.17.26); Nvidia investor materials.
[4] Ramp (11.20.26); Bloomberg Economics (11.19.26); Anthropic (11.9.26); Artificial Analysis (11.17.26); Anthropic securities filings.
[5] Anthropic securities filings; Reuters (11.10.26).
[6] Artificial Analysis (10.28.26); Artificial Analysis (11.17.26); Artificial Analysis (11.18.26).
[7] Ramp; Anthropic securities filings; Anthropic product announcements.
[8] Anthropic (11.19.26); Anthropic (10.27.26); Reuters (9.18.26); Isomorphic Labs (11.17.26); Bloomberg (11.4.26).
[9] Anthropic securities filings.
[10] Third Point (third-quarter 2026 investor letter); Boston Consulting Group (10.29.26); Bain & Company (9.23.25); J.P. Morgan (November 2025); Goldman Sachs (11.17.26); BCA Research (11.19.26).
[11] Bloomberg (11.5.26); J.P. Morgan (October 2026); Goldman Sachs (11.18.26); Bloomberg (11.20.26); Bloomberg (11.21.26).

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