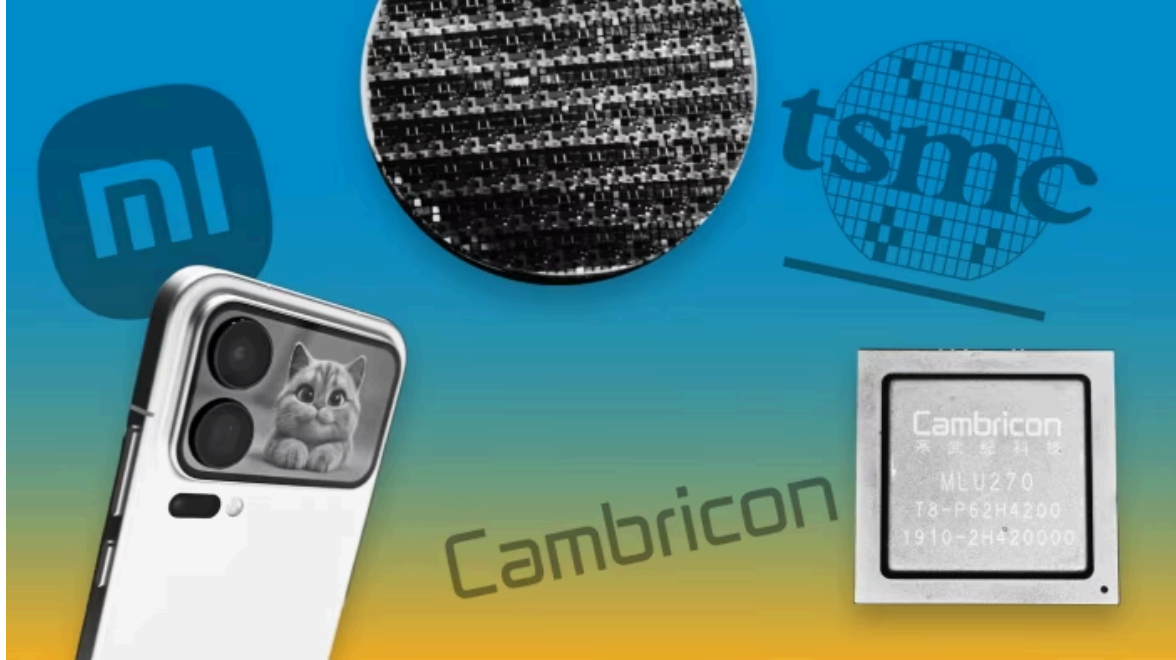


**Technology sector****Asian markets' reliance on AI boom raises 'bubble' fears**

Some investors grow concerned that region's markets could be hit by downturn in US tech sector



© FT montage/Bloomberg/Getty Images

**Arjun Neil Alim, William Sandlund and Haohsiang Ko** in Hong Kong

Published 3 HOURS AGO

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Big technology stocks have driven half of the gains in some of Asia's main indices this year, raising concerns among some investors that the fast-growing US artificial intelligence sector is fuelling a bubble in equity markets in other parts of the world.

Six tech companies expected to benefit from the AI boom — including ecommerce group Alibaba, smartphone maker Xiaomi and video sharing app Kuaishou — account for 50 per cent of the returns of Hong Kong's Hang Seng this year, according to Financial Times calculations.

In South Korea, two stocks are responsible for 40 per cent of the index's return, while in Taiwanese chipmaker TSMC is responsible for more than half of year to date gains on the Taiex.

The reliance on such a small number of stocks, which are often trading on huge valuations, is fuelling concerns among some investors that the region's markets could easily be dragged down by a major downturn in the US AI sector.

“What is in the US is not staying in the US,” said Frank Benzimra, head of Asia equity strategy at Société Générale. “If you assume you have a bubble in the US then you have one in Asia.”

In the US, the so-called Magnificent Seven tech stocks were responsible for 42 per cent of the S&P 500 index's return in the first three quarters of 2025, according to First Trust Economics.



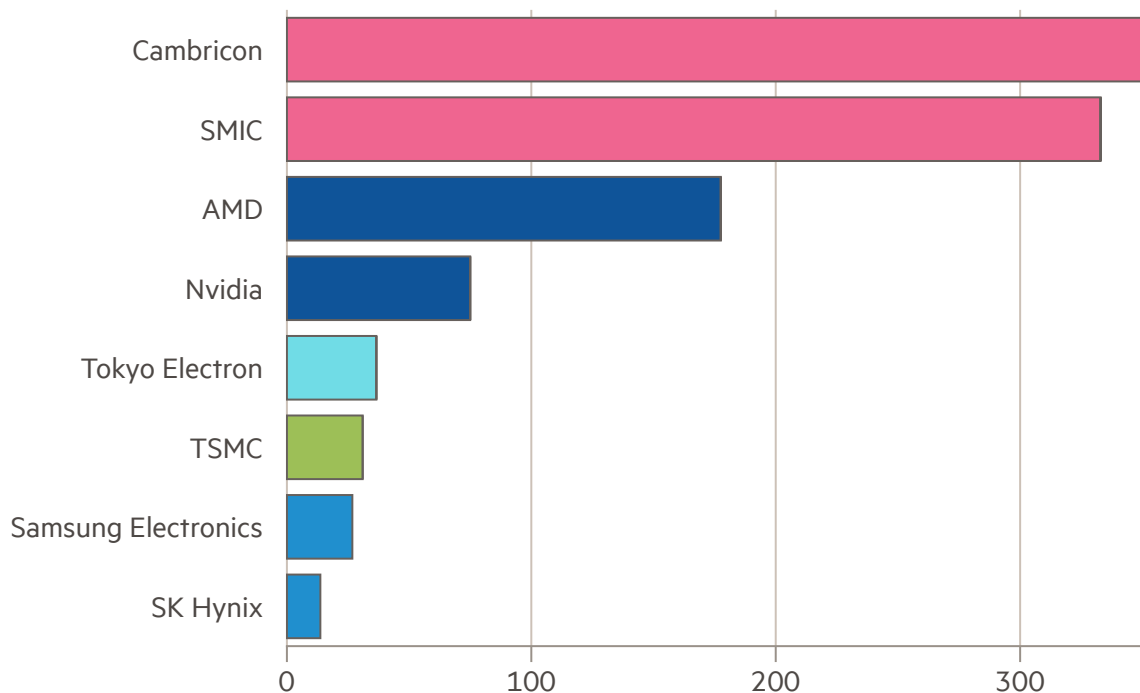
The surge in the valuations of AI-related stocks has been particularly marked for Chinese chipmakers. Shanghai-listed Cambricon Technologies trades at a price-to-earnings ratio of 506.2 and SMIC trades on 221.3 times earnings, compared with Nvidia's multiple of 57.7 times. TSMC, the world's largest chip foundry, trades on 24.7 times earnings.

"If US tech goes down, Asia [ex-China] goes down — basically it is a dependency", said Alicia García-Herrero, chief Asia-Pacific economist at Natixis.

## Chinese chipmakers trade at higher PE ratios than other AI stocks

Price-to-earnings ratio, by stock and area

China US Japan Taiwan South Korea



However, some investors highlight the rapid growth of China's emerging tech sector, which they say is not fully captured by a purely valuation-based approach.

"If you only look at the valuation to judge these newcomers it will be very difficult," said Hao Hong, chief investment officer at hedge fund Lotus Asset Management.

"Its earnings are growing exponentially," he said of Cambricon.

And while some chipmakers — traditionally a cyclical industry — have posted huge gains this year, with Samsung Electronics more than doubling and SK Hynix up around 250 per cent, some argue that the driver this time around is a structural one. The stocks account for 18.2 per cent and 11.7 per cent of the Kospi index respectively.

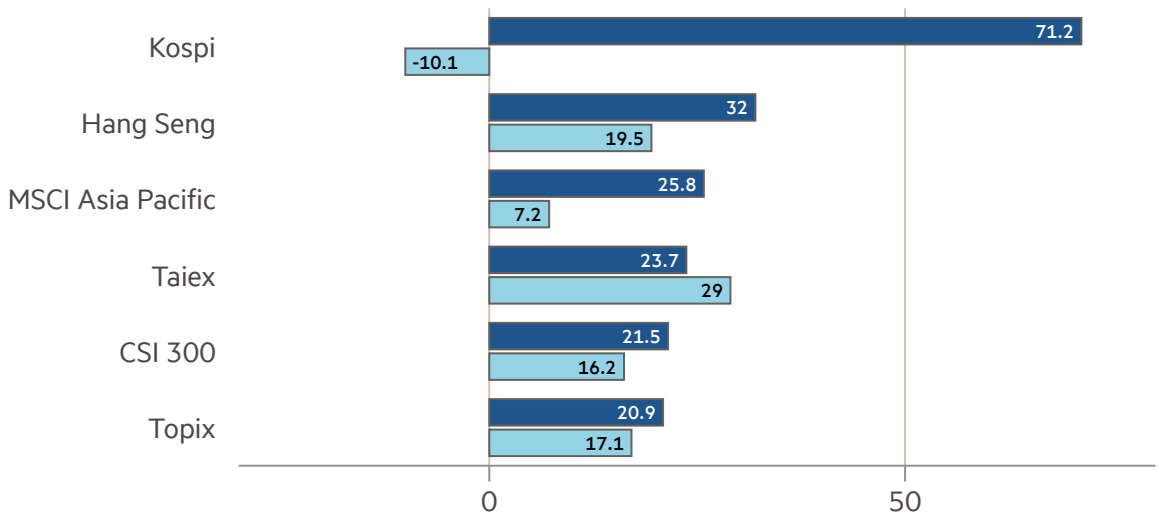
Stephen Yiu, founder and chief investment officer of Blue Whale Capital, predicts a huge amount of new demand for data storage and memory chips.

“We think it’s going to be a mega refresh cycle in terms of how data is going to be stored,” he said. “It’s kind of implying we’re going into a supercycle.”

## Asian stocks have surged this year

Index performance (%), by market

2025 YTD 2024



FINANCIAL TIMES

Source: Bloomberg, FT calculations • Data as of Oct 31 2025

And although a few Chinese tech stocks trade at much higher valuations than US tech giants, valuations more broadly in the Asia tech sector are below those in the US. Nasdaq 100 stocks, for instance, trade at an average 12-month trailing price/earnings ratio of 35, while the equivalent for the Hang Seng Tech index is 20 times.

“Valuations in parts of the US tech sector are more stretched, reflecting high expectations for AI monetisation,” said Charlie Linton, Asia Pacific and Asia ex Japan portfolio manager at investment firm Ninety One.

“In Asia, while we’re mindful of premium valuations in semiconductors, the broader technology complex trades at reasonable levels, supported by earnings growth and balance sheet strength.”

The price-to-earnings ratio of companies such as Alibaba and Tencent are still lower than US counterparts such as Amazon or Apple — primarily as a result of regulatory uncertainty following a crackdown on the technology sector by Beijing — and some put recent gains in the Asian tech sector down to it starting to catch up with Wall Street rivals.

“It’s just a revaluation of some of the most interesting and innovative Chinese assets,” said Jerry Wu, an emerging markets fund manager at Polar Capital.

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