

# Long Story Short

*Long Story Short is our CIO Equity newsletter highlighting key equity-market developments and trends.*

## Disruption vs. dispersion

### The story

AI-driven disruption moved centre stage in 2026, placing many traditional business models firmly under investors' radar. While this uncertainty has driven higher volatility and dispersion across global equities, we see both compelling opportunities and rising risks for investors.

### Long or positive investment implications

As the AI narrative shifts from "when" to "how" AI will be adopted, we are seeing clear and accelerating capex trends. We now expect global AI capex to grow by 54% in 2026, with a 27% CAGR over 2025–2030, benefiting semiconductors and related sectors such as utilities. Amid heightened volatility, we continue to favour quality, with a preference for big tech and stocks exposed to share buybacks.

### Short or negative implications

While valuations in several incumbent industries have fallen sharply year-to-date, disruption risks remain elevated. As a result, we continue to be selective, particularly in industries most vulnerable to AI-led disintermediation.

### AI winners, losers: dispersion surges

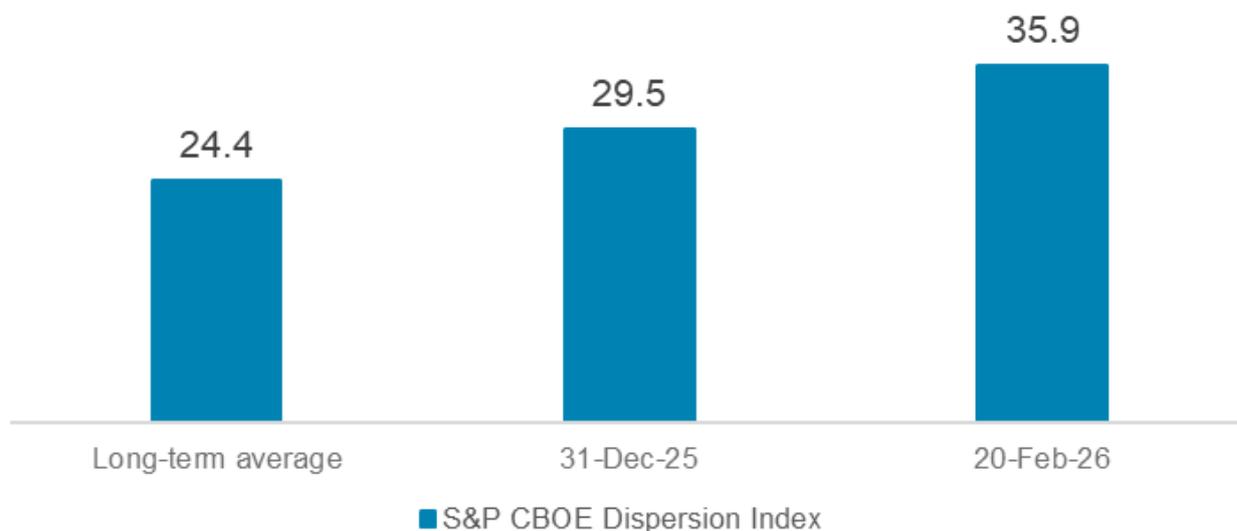
Global equities are up low single digits so far in 2026, following a roller-coaster start to the year. AI disruption has taken centre stage, with each new feature rollout from leading AI lab Anthropic triggering sharp negative reactions across incumbent industries such as software, IT services, fintech, real estate, and cybersecurity, among others.

At the other end of the spectrum, there has been no shortage of winners. Sectors including semiconductors, materials, utilities, and industrials have delivered double-digit returns.

Overall, we maintain a constructive view on equities, supported by reasonable valuations and strong earnings growth. However, the growing divergence between AI winners and potential losers means investors cannot afford complacency. Passive strategies alone may struggle in this environment, reinforcing the case for active management to generate alpha. This is particularly important given rising dispersion – a measure of performance divergence between the best- and worst-performing stocks. As shown in the figure below, the S&P CBOE Dispersion Index is up nearly 20% year-to-date and almost 45% above its long-term average.

**Fig. 1 Rising dispersion strengthened the case for active management**

S&P CBOE Dispersion Index



Source: FactSet, Bloomberg, Standard Chartered

To help investors navigate near-term uncertainty, in today’s report we refresh our framework to identify potential AI disruption risks, outline how to remain positioned in AI winners, and—most importantly—emphasize the need to stay anchored in quality amid rising volatility.

Our view is that the first wave of AI disruption is likely to be concentrated in office automation and white-collar roles, before AI eventually permeates traditional industries through physical AI applications such as humanoids and autonomous driving. In other words, it is more a question of *when*, not *if*, AI reshapes many established business models.

Against this backdrop, focusing in the near term on companies that are negatively exposed to rising office automation or exhibit high employee-cost intensity (measured as employee costs as a percentage of revenue) may provide early signals of how disruption could unfold.

While we do not believe that every company with high employee-cost intensity will necessarily emerge as an AI loser—given factors such as entrenched customer relationships, high switching costs, regulatory barriers, and the reality that many incumbents are already investing aggressively in AI—the table below presents a heatmap across all 11 sectors and their respective industries based on employee-cost intensity. As an initial screening tool, we believe companies with employee costs exceeding 40% of revenue appear relatively more vulnerable to office-automation-led disruption, assuming incumbents are not proactively investing in AI.

**Fig. 2 Mapping industries with high employee cost intensity**

Employee cost as a % of revenues across industries

Sectors	Industry	Employee cost as a % of revenues				
		0-10%	10-20%	20-30%	30-40%	>40%
IT	Semiconductors					
	Software					
	Hardware					
	IT services					
Industrials	Capital Goods					
	Staffing & Other services					
	Aerospace & Defense					
	Transportation					

		0-10%	10-20%	20-30%	30-40%	>40%
<b>Healthcare</b>	Pharma					
	Medical devices					
	Biotech					
	Healthcare services					
<b>Financials</b>	Banks					
	Insurance					
	Other diversified financials					
	Fintech					
<b>Consumer Discretionary</b>	Automobile					
	Media & other services					
	Online retailing, durables & others					
<b>Communication services</b>	Telecom services					
	Internet media					
<b>Consumer staples</b>	Food & staples					
	Household & personal products					
	Beverages, tobacco & others					
<b>Materials</b>	Construction materials					
	Metals & mining					
	Chemicals					
<b>Energy</b>	Energy equipment & services					
	Oil, gas and other energy					
<b>Real Estate</b>	Real Estate					
<b>Utilities</b>	Utilities					

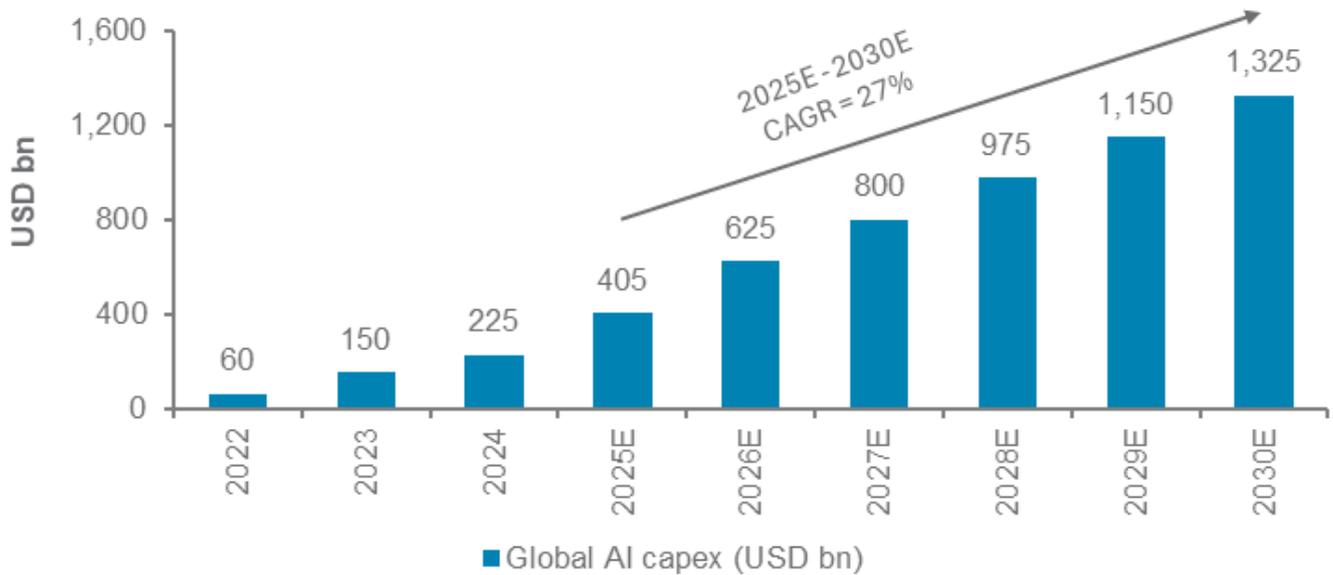
Source: FactSet, Bloomberg, Standard Chartered

Despite these potential risks, investors should not overstate the pace or immediacy of disruption, as any such shifts are likely to unfold over a considerable period of time. More importantly, we believe the market is missing the forest for the trees. In our view, near-term demand for AI tokens from leading AI labs remains significant and underappreciated, which means there are equally, if not more winners from rising AI adoption.

As a result, we are further raising our AI capex estimates. As shown in the figure, we now expect global AI capex to grow by 54% in 2026, reaching USD 625 billion, and to deliver a 27% CAGR over 2025–2030. This step-up in investment is clearly supportive of our preferred sectors—most notably technology and semiconductors—and also benefits utilities, given that next-generation AI chips are increasingly power- and thermally-intensive, with rising thermal design power (TDP) requirements.

**Fig. 3 AI's capital intensity is expected to stay elevated**

Global AI capital expenditure over years

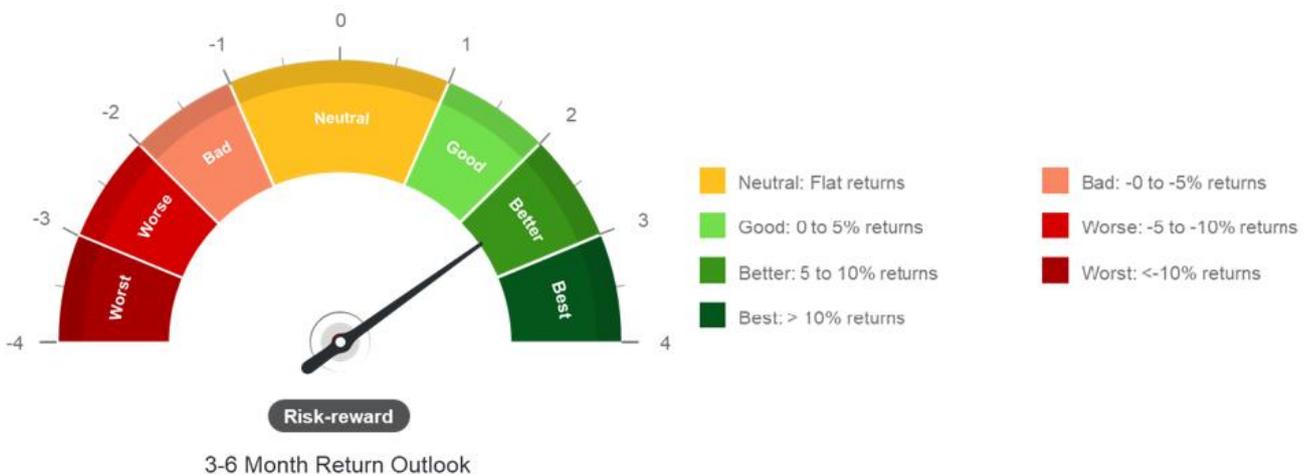


Source: Company reports, Standard Chartered

**AI Bubble Meter update for March 2026**

For March 2026, our **AI Bubble Meter** remains unchanged, with the confidence index holding at 2.5, indicating a “better” risk-reward profile. This implies a potential 3–6 month return outlook of 5–10% for the AI theme, in our view. Our overall risk score has increased moderately by 0.5, driven by a rise in the *Disruption Risk* score from 2.5 to 3 following the successful rollout of multiple new features by leading AI platform Anthropic. These developments have heightened disruption risks for traditional business models. That said, the increase in risk is fully offset by a corresponding 0.5 uplift in our catalyst score. We raise our *Capex Trends* score from 4 to 4.5, reflecting our latest upward revisions to AI investment expectations. In summary, despite ongoing market volatility, our **AI Bubble Meter** continues to point to a favourable risk-reward profile for the AI theme over the medium to longer term, suggesting that valuations remain supported and that we do not yet see evidence of a bubble.

**Fig. 4 AI bubble meter**



Source: Standard Chartered

While we continue to believe that the positives for global equities outweigh the negatives, we expect volatility to remain elevated through 2026. Markets are likely to face an ongoing tug of war between AI-driven disruption and macroeconomic concerns on the one hand, and resilient fundamentals and reasonable valuations on the other. As shown in the figure, this dynamic is reflected in the gradual year-to-date uptrend in the VIX volatility index.

**Fig. 5 Market volatility likely remain elevated through 2026**

CBOE Volatility Index (VIX Index)

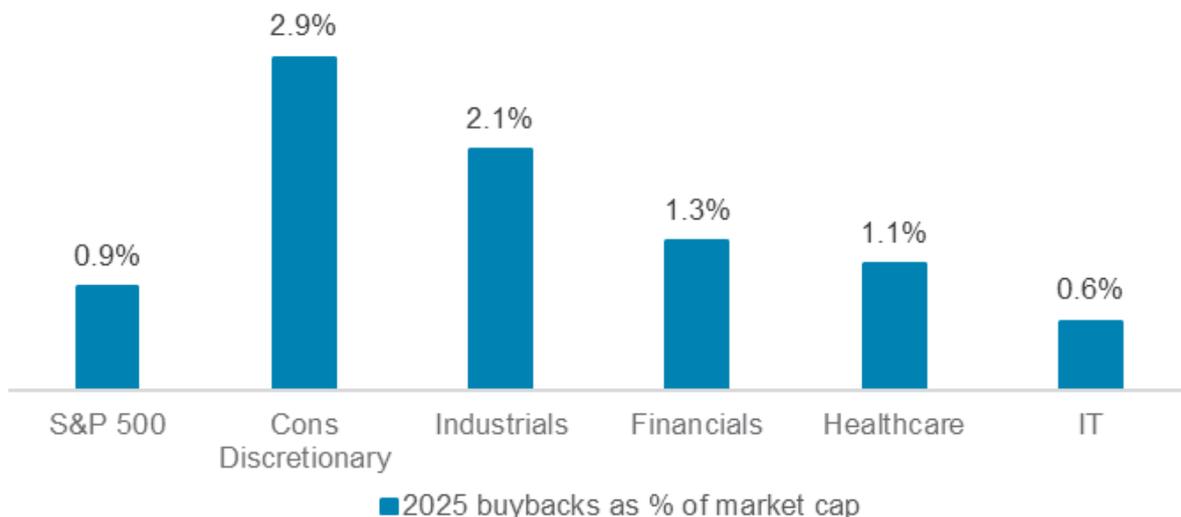


Source: Bloomberg, Standard Chartered

Amid rising volatility, we continue to favour large-cap technology, which we believe is well positioned to benefit from improving AI monetization in the second half of 2026, alongside the ongoing share buyback theme. We expect the market to continue rewarding companies that can sustain or increase buyback activity, particularly in an environment where earnings visibility and balance-sheet strength matter. The table below highlights the top five U.S. sectors with the highest share buybacks as a percentage of market capitalization in 2025.

**Fig. 6 Top 5 sectors with buyback yield in the US**

2025 buybacks as % of market cap across sectors



Source: FactSet, Bloomberg, Standard Chartered

*Should you have any questions or comments on our newsletter, please reach out to your representative at Standard Chartered Bank.*

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