

## The stock market crash could be bigger than I previously...

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As the [FT reports](#) this morning:

*The blockbuster listings of SpaceX, Anthropic and OpenAI are set to prompt an unprecedented wave of buying and selling as new “fast entry” rules thrust the stocks straight into Wall Street indices.*

*The rules, implemented this month by Nasdaq, mean billions of dollars of passive money will automatically flow to the three companies shortly after they go public, driving their share prices higher but forcing investors to sell other stocks.*

Let me unpack this because what is being said is important in the current economic context, where an economic crisis appears almost inevitable, and a stock market adjustment is well overdue.

What this FT article notes is that the three companies it names are to be launched on the NASDAQ stock exchange in the USA, with potentially record-breaking valuations. I will address the issues around each company in a moment, but first, let me explain the FT’s current point. This is that because a great deal of stock market trading is undertaken on the basis of “following the index”, which means that the investment funds selling products of this sort must hold share portfolios that as closely as possible replicate the proportionate value of shares in the market that they are tracking, the launch of three share issues of the mega size that each of these will represent will create significant short-term disruption to stock market values over the periods when they are issued because fund managers will have to sell some of their existing portfolios to acquire shares in these new companies.

Three things are likely as a result.

The first is that selling pressure on some existing companies will reduce their share valuations.

Secondly, because these new market entrants are, however, subject to excessive hype at present, the overall value of the market will probably increase, and we will see new

stock market highs.

Thirdly, this just means that the amount by which the markets will fall in due course is even larger than I previously expected. The nature of stock market investment, coupled with the vast number of billions of dollars that will be invested in these companies, will guarantee that.

This, then, is the first stage in the process of rupture of late-stage AI market euphoria, which is coming.

The second stage in that rupture will occur when it is realised just how great the hype around these companies really is.

I am not disputing that, in the absence of government agencies willing to undertake the task, there is a market for commercial rockets sending satellites into Earth orbit. SpaceX is in that market, and a great deal of what now happens on the web is dependent upon those satellite systems.

In the late 1990s, I was a director of a company that built what we believed to be the first-ever truly spherical map of the world, so we could develop mapping technology for the internet. It worked. I could not have imagined how much the internet would change as a result.

But, and let me stress this, SpaceX is not being valued on this usefulness basis. The hype around it is all about missions to Mars and related ideas about space colonisation. Let me, then, add a sobering note for all of those who believe in this complete and utter pile of guff. There is no evidence that human beings could survive a journey to Mars and, if they did, the impacts of the journey, and in particular the prolonged period of limited gravity involved, would mean that they could never survive a return to Earth. I think there is pretty strong evidence to suggest that.

It is my belief, then, that the hype behind this narrative is completely misplaced. This looks like tulip mania, or the South Sea Bubble, to me. I would not go near this company, even if I could stomach providing funds to Elon Musk, which is what this share issue will deliver, as the governance of SpaceX provides him with near-total control of the company.

Let me then note the launches of OpenAI and Anthropic, treating them for these purposes as being similar because they both provide popular AI tools.

I should make a fair declaration. I subscribe to ChatGPT, which is an OpenAI product, and Claude AI, which is an Anthropic product. Both have roles in our workflow here now. I am not, then, suggesting that these companies are producing products which are not useful. My own experience proves that they are.

But, and I cannot make the point strongly enough, being useful is not the same as

being fundamental, and I think that the valuations that will be attached to these companies imply that they will be fundamental to the future of the economy in a way that I think is, again, overhyped, although I accept that I may be wrong.

In this case, I think there are good reasons to differentiate these products from that other example in which I was involved in the late 1990s. The difference is that for OpenAI and Anthropic to deliver on their promise, they must absorb massive amounts of energy and water. That is deeply problematic when, as a matter of fact, we know that water is in increasingly short supply, with the resources that we have being necessary to ensure human survival, whilst the use of nuclear and fossil-fuel power to provide energy for these companies will imperil future life on Earth.

In that case, I think both these companies have growth prospects that are massively lower than is currently assumed.

As is apparent from the discussion that I am now witnessing about the impending economic crisis we are facing, there is an almost hopeless inability amongst economic commentators to grasp the consequences of absolute physical shortages in supply. Their belief that the world is an infinite resource that can deliver whatever we desire forever, without consequence, is quite extraordinary and utterly unjustified.

For that reason, I think any valuation that will be attributed to these companies is similarly unjustified.

So, to draw conclusions from these observations, at a time when we face economic meltdown, US stock markets are going to see the launch of three share placements at record-breaking levels that might push the value of the NASDAQ, and other exchanges, to levels previously unseen, from which they are then most likely to topple because the physical fundamentals underpinning the share offerings being made do not exist, and the economy is going to crash whatever they might offer.

I think that these offerings are based upon mythology and not fact, and that is now, as it always has been, a basis on which fools part with their money, and many are going to do so. The trouble is that the scale of the crisis to follow will topple stock exchanges and banks, and we will then be back in a full-blown financial crisis.

The FT might be excited about these launches, but I am, as is so often the case at present, left terrified by the incomprehension of so many supposedly clever financial observers who are unable to understand the reality of the world around them.