

Has the Google bubble burst?

Published: October 29, 2026, 7:53 am

I was planning to spend time this morning looking at the Office for Budget Responsibility projections for the UK economy, issued yesterday in association with the Budget, to appraise whether they made any sense, in my opinion, but my attention got dragged away by another chart that appeared in the media this morning. That is of the after-hours move in Google's share price.

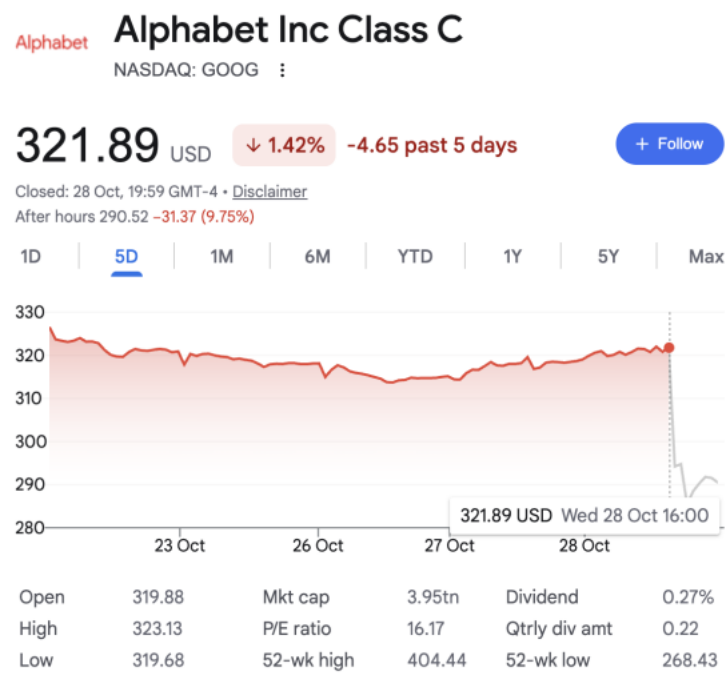
To put the chart in question in context, this has been the chart of changes in the Google share price over the last year.



After a wobble in late March as the world reacted to the war in Iran, the share price peaked at near \$400 in May. It has since declined but has been stable at around \$320 for the last few days. It closed around that level yesterday, but after the market closed, news broke that Google spent \$50 billion on AI in the last quarter, burning through more cash than it generated in the quarter for only the second time since it became a

publicly traded company.

The market reaction has been significant. Around \$32 has been wiped off the share price, or nearly 10% of the company's total value, as this chart shows:



Might this be an aberration, or even an overreaction, and something that will reverse when US markets open properly later today? I have to acknowledge that could be the case.

On the other hand, another possibility is that markets are becoming very nervous about this scale of AI spending. That might be because they see this level of expenditure as entirely irrational when no one yet knows what the potential returns might be. After all, how much more advertising revenue is Google going to create as a consequence of spending sums at this scale on AI delivery?

It already has near-monopoly control of the search-related advertising market, and, according to feedback I have received, all AI has done for its users is cause irritation by providing AI-driven answers to queries they did not ask, in the process making source data on a topic harder to find.

I am not saying the AI bubble is bursting yet, but maybe realism is setting in, and that could trigger stress for many highly leveraged investors in these shares, and that is where the risk really lies.

Watch this space.