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Market Commentary | November 11, 2025

Lessons from the Last Bubble: Just Because Everyone Repeats Something Doesn't Make It True

Alan F. Skrainka, CFA
Chief Investment Officer

"The investing public is often attracted to assets and strategies that have performed well. This popularity can drive prices beyond fundamental value, resulting in lower future returns." — Howard Marks

Scenes from the Last Bubble

In the late 1990s, "Internet demand doubling every 100 days" became a mantra on Wall Street. This phrase, rooted in a 1998 U.S. Commerce Department report citing industry data and a white paper by Inktomi, was cited relentlessly by analysts, executives, and commentators until it became accepted market gospel. Billions of dollars poured into infrastructure and tech IPOs, justified by the widespread belief in inexhaustible digital growth.

But reality diverged sharply from the narrative. The period of exponential growth lasted only briefly—primarily during 1995–1996, when U.S. internet backbone traffic did indeed explode. By 1997, actual traffic was doubling only once per year—a dramatic slowdown from the earlier hype. Despite this, telecom companies built out enormous fiber-optic capacity far ahead of real demand. The capacity-built during the bubble proved vastly excessive: by 2002, only about 2.7–10% of new fiber was actually lit ("in use"), and over 90% of the fiber installed in the late 1990s–early 2000s remained "dark fiber"—unused infrastructure. Bandwidth prices fell more than 90% due to this glut, and it took nearly a decade for demand to absorb the excess from the bubble years. So while internet use kept rising healthily, the story that justified massive overbuilding was never again as explosive as the oft-repeated "100 days" claim.

This historic episode shows how a single catchy statistic, endlessly repeated, can drive massive investment decisions even when the underlying reality is far more nuanced.

Dot Com Myths vs. Tech Company Earnings

Another myth was that the dot-com bubble was simply about companies with "no earnings." While earnings-free companies like Pets.com and eToys collapsed, many tech leaders with real profits also crashed. Jeremy Siegel's famous *Wall Street Journal* article, "Big-Cap Tech Stocks Are a Sucker Bet" (March 13, 2000), warned that even giants like Cisco, Intel, and Oracle were trading at valuations never justified by historical precedent, regardless of earnings quality.

Here's just how severe the drawdowns were:

Company	PE (2000)	Earnings (2000)	Peak-to-Trough Decline (%)
Cisco	110	Yes	–86%
Intel	40	Yes	–82%
Oracle	105	Yes	–86%
Microsoft	60	Yes	–60%
Qualcomm	236	Yes	–88%
Sun Microsystems	120	Yes	–95%

*Source: Wall Street Journal, "Big Cap Stocks are a Sucker Bet", Jeremy Siegel, March 14, 2000. *Sun Microsystems was later acquired by Oracle.*

Today's Narrative: "This isn't a bubble because, unlike the dot.coms, these companies have earnings"

The current refrain is that the Mag 7 tech giants are insulated from bubble risks because they are profitable and sport lower PE multiples than the late 1990s. However, the combined PE for the Mag 7 is 38x, rising to 56x when adjusted for certain expenses—well above most historical averages, and only lower compared to the most extreme years (like 1999/2000, which saw PE ratios above 100 for the market's leaders). It is misleading to benchmark today's valuations against the most overvalued era in market history.

"If everyone is thinking alike, then somebody isn't thinking." — George S. Patton

The Real Lesson: Fundamentals and Discipline Outlast Narratives

AI may well be the most disruptive technology in human history, transforming industries, economies, and societies at a pace even faster than the internet revolution. Like the internet, which was an incredible leap forward, AI's breakthroughs promise vast new capabilities and opportunities. However, just as the internet boom produced many innovative companies that ultimately proved disappointing investments, not every popular AI stock will deliver the long-term returns investors hope for. Disruptive technology has the power to reshape industries and societies, but successful investing always comes back to discipline, an objective focus on valuation, and intrinsic value. Popular narratives often drive market darlings to prices far beyond what the underlying business is worth.

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