

UAE Well-equipped to Weather AI Investment Volatility in Light of Global AI Rivalry

The recent shake-up in the AI sector triggered a wave of uncertainty, raising questions about AI market valuation, a sector that has become key for global economic strategies and future innovation plans.

With the Middle East, and especially the UAE, relying heavily on the tech sector for data infrastructure and as part of its diversification away from oil, significant funds have been allocated to AI, data, and innovation.

The DeepSeek market shock unsettled investor confidence, pushing for a reassessment of portfolio allocations and rethinking the tech sector's status as a safe haven as 2025 unfolds. Institutional and private investors are shifting towards a more cautious approach, focusing on solid fundamentals rather than speculative AI valuations.

"The competition intensified as China introduced cost-effective AI solutions, challenging OpenAI's ChatGPT, just a week after Oracle, SoftBank, and OpenAI's \$500 billion investment in AI infrastructure expansion in the US boosted market gains", confirmed Razan Hilal, Market Analyst, CMT at FOREX.com.

She added: "However, that market euphoria didn't last long, as global indices, including the Nasdaq, S&P 500, Dow Jones, and DAX, faced strong pullbacks. Meanwhile, the UAE MSCI Index saw only a minor correction, holding above its 17-range high, last seen in August 2022, after recording an 18% rally between October 2024 and January 2025, breaking out of the March 2023 – August 2024 price range".

This week, Q4 mega-cap earnings presented mixed results, setting the stage for challenges in the coming quarters, as the DeepSeek event acted as a wake-up call for AI sector valuations.

Hilal stated: "Investors are likely to be more careful with high-valuation stocks throughout 2025, especially with Trump's aggressive policies adding further uncertainty to the market. Yet, the UAE's strong economic fundamentals, strategic focus on innovation, and position as a tech and AI investment hub are expected to help it weather the volatility and maintain its long-term attractiveness for investors, keeping the sector's momentum alive despite the recent turbulence."

In a nutshell, the AI sector will still be a key part of global economies, and while the long-term trend remains intact, the pace of its exponential growth may slow, leading to a more stable and sustainable movement.

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