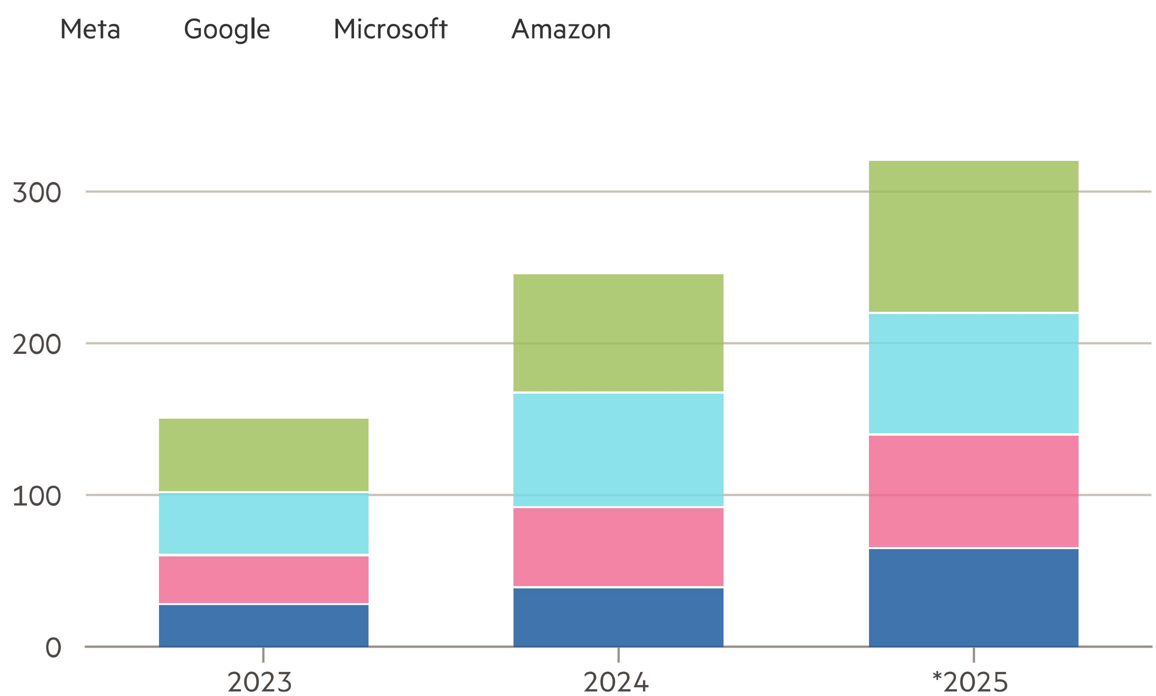
Microsoft and Alphabet each had $200bn wiped from their market value after reporting weaker than expected growth in their cloud computing divisions alongside steep increases in capital spending. Alphabet's 8 per cent drop on Wednesday was its fifth-worst trading day in the past decade.

Big Tech's capex soars as AI investment accelerates

Capital expenditure ($bn)



Source: Company reports and earning calls, FT calculations • The year refers to the fiscal year. Microsoft's fiscal year runs for the 12 months ending June 30, while the others align with the calendar year. *2025 data based on companies' forecasts.

"The unbridled enthusiasm across the entire 'Magnificent Seven' has been replaced by pockets of scepticism and created some 'show me' situations," said Jim Tierney, head of the concentrated US growth fund at AllianceBernstein. "The concerns that I've had since summer are magnified today."

Amid the hype about AI's transformative potential, shareholders worry that doubling down on spending without a commensurate increase in revenues could eat into capital that would otherwise be returned in the shape of buybacks and dividends, whilst starving non-AI business lines.