The financial biases shaping the AI stock boom

AI adoption has rapidly increased in recent years, and it has affected the stock prices of businesses operating in the sector. Find out more about the financial biases that could be driving this boom.

The rise of Nvidia, which provides essential hardware and software for AI development, demonstrates the scale of the AI boom.

In 2023, Nvidia became the seventh US company to reach a valuation of $1 trillion (£0.74 trillion). Just two years later, the BBC reported (9 July 2025) that Nvidia became the first company in the world to surpass a valuation of $4 trillion (£2.97 trillion).

Financial bias refers to unconscious emotional or cognitive tendencies that can affect your judgement when making decisions. While AI could present valuable investment opportunities, it can also be a breeding ground for financial bias.

In fact, experts have recently voiced concerns that a stock market bubble — where stock prices surpass their intrinsic value due to hype — may have formed.

According to the BBC (2 December 2025), the Bank of England warned that share prices in the UK are close to the "most stretched" they have been since the 2008 financial crisis, while equity valuations in the US are reminiscent of those seen during the dotcom bubble in the 1990s. The central bank added that a "sharp correction" could occur as a result.

4 types of financial bias that could affect decisions to invest in AI

1. *Fear of missing out*

The innovation of AI is exciting, and it's easy to get swept up in it. As a result, some investors may be making decisions based on the fear of missing out (FOMO).

FOMO can mean you're focused on what other people are doing and their outcomes. Rather than basing your decisions on logic, emotions may drive your thought process. This can lead to chasing opportunities that don't align with your overall investment strategy.

2. *Confirmation bias*

Confirmation bias is the tendency to select information that confirms your existing beliefs, or to interpret data in a way that supports them.

With AI featuring heavily in the news, if you believe it's a good investment, there are plenty of sources you can draw on. For example, the rise of Nvidia's stock and other major technology companies could reinforce your assumptions.

While the information you use might be accurate, confirmation bias often means you dismiss data that contradicts it, even if it's valuable. As a result, you could base decisions on only a snapshot instead of the full picture.

3. *Recency bias*

Recent events and the latest information are more likely to come to mind than older data when you're assessing an investment opportunity. However, ignoring historical data could make you more susceptible to short-term trends and volatility.

Investment opportunities in the AI sector could draw your attention more than others simply because you've read or heard about it recently.

4. *Narrative bias*

Finally, AI is part of a good story. You have the chance to invest in technology that feels futuristic and has the potential to revolutionise how the world works.

You might never have expected to see AI used day-to-day in your lifetime, and this narrative can be a compelling reason to invest. A story can draw your attention, and narrative bias can also mean investors overlook facts or misinterpret them to suit the story they've invested in.

AI could present investment opportunities, but investors shouldn't be driven by bias

These financial biases do not automatically mean that investing in AI isn't appropriate for you. However, it's important to take a measured approach.

Rather than investing because you have FOMO, you want to invest because it aligns with your risk profile and investment objectives. Recognising when bias might be influencing your decisions could allow you to take a step back and assess the situation.

Get in touch to discuss investing in AI

If you're interested in learning more about how your portfolio already invests in technology, or if you would like to discuss opportunities, please get in touch.

Please note: This article is for general information only and does not constitute advice. The information is aimed at individuals only.

All information is correct at the time of writing and is subject to change in the future.

The value of your investments (and any income from them) can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.

Approved by The Openwork Partnership on 20/01/2025.