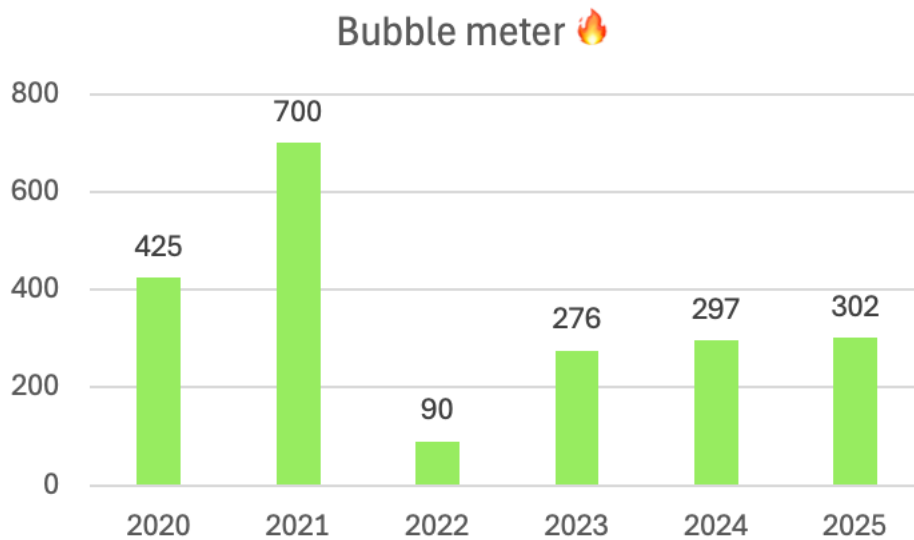


Bubble meter shows no serious danger signs

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As 2025 draws to a close, I revisit my simple yet effective method for gauging the stock market's bullishness and bearishness; counting how many large companies (valued above 5 billion USD) are trading at more than 10x forward sales. The 10x forward sales is a quite steep valuation in terms of how much growth and profitability a company must deliver over the next decade not to disappoint investors. As a rule of thumb, it requires 20% annual earnings growth for 10 years. It's possible but far from all companies in the bubble meter can deliver such growth.

Global stock markets have risen by 7% in 2025 (measured in euros), once again largely driven by a small group of very large US companies. In 2025 there's however a headwind from 12% weaker USD vs EUR. It's also worth noting that South Korea and Spain are very



strong markets in 2025 with 82% and 48% rise on index level respectively. The weakest market is Denmark and weighed down by Novo Nordisk, down 48% in 2025.

Looking into 2026 it's likely to be a very good year for stock markets. Bearish commentators will say there's cockroaches in the credit markets, geopolitics are dangerous, 2nd US presidential year is never good, there's an AI bubble etc.

Earnings are going to get a boost from AI in 2026 as the AI infrastructure start to deliver on productivity in other industries and that's not properly reflected in current stock prices, hence a reason to be bullish