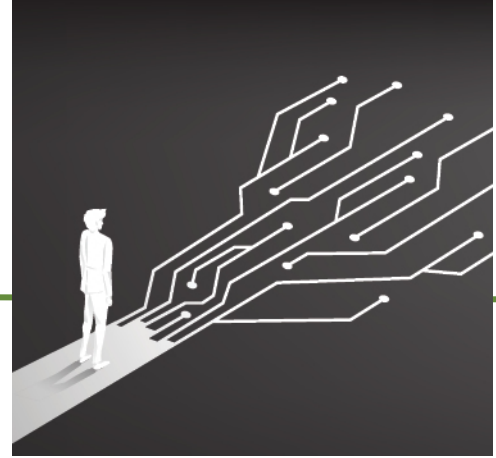


MARKET SIGHT LINES



Spotlight No. 5: Outlook 2024: *Embracing Change* The AI Revolution

By Michael O'Keeffe, *Chief Investment Officer*



So far this year, we've focused on [Outlook 2024: *Embracing Change*](#) ([full report](#), [video summary](#), and [client webinar replay](#)), sharing "spotlight" articles, like [a report overview](#), [a summary of our outlook](#), [our bear and bull scenarios](#), and [geopolitics](#). In this week's Sight|Lines, we offer our final "spotlight" for 2024 to summarize the article *AI Revolution: Transforming Industries and Investments* and discuss how artificial intelligence (AI) is influencing our investment decisions and changing our world.

THE TAKEAWAY: EMBRACE CHANGE – AI IS THE NEXT TRANSFORMATIONAL WAVE

The evolution of AI has played a vital role as we develop and use our [long-term investment themes](#) in our work. We appear to be on the precipice of an AI Revolution. In summary:

- Past transformational waves include the computer, the personal computer, the internet, and mobile computing. AI is next.
- The introduction of generative AI tools has almost eliminated the barriers to entry in AI.
- In terms of economic impact, we see AI transforming the labor market, increasing productivity, and amplifying competition between companies and countries.
- "Embracing Change" concerning AI can mean learning how it impacts our lives and how to use the tools and services.
- But "Embracing Change" can also mean seeking investment opportunities, including the AI enablers, innovators, and disruptors.

IN-DEPTH: WE WILL BE WELL SERVED TO EMBRACE AI, THE NEXT WAVE TRANSFORMING OUR ECONOMY, OUR INVESTMENTS, AND OURSELVES.

Our [long-term investment themes](#) address AI in our *Fourth Industrial Revolution* and other themes. Increasingly, with AI evolving from an evolution to a revolution, AI is set to be the next transformational wave for our economy, our investments, and ourselves. Going deeper:

- Past transformational waves have impacted our labor market, productivity, and competition:
 - The introduction of the computer changed businesses, but then the advent of the personal computer impacted individuals at work and eventually at home.
 - The internet created a gateway for computers to interact, ushering in more improvements and productivity, and accelerating our shift from a physical to a digital world.

- The introduction of the iPhone and other “smart” mobile phones pushed this connectivity into the palm of our hands, followed by a mobile computing transformation that is changing our lives.
 - While these are simple examples, today we can track online purchases through delivery and track our luggage as we fly, from baggage drop to carousel.
- How we access and benefit from AI has changed:
 - Businesses wanting to use AI have built teams of AI specialists to implement the frameworks and build, test, and deploy the models specific to their use cases.
 - The recent launch of AI tools, including generative AI tools, like ChatGPT, makes deployment more efficient and puts the capabilities into our hands as individuals.
- AI is set to have a meaningful economic impact:
 - *Labor Market*: McKinsey estimates that by 2030, activities that make up almost one-third of the hours worked across the U.S. economy today could be automated.
 - *Productivity*: Many companies are referencing AI initiatives in recent earnings calls.
 - *Competition*: While companies will use AI to compete, countries (most notably the U.S. and China) are ever mindful of developing and protecting intellectual property (IP) rights, including AI.
- As individuals, we can “Embrace Change” by learning about and using AI tools:
 - I’ve observed friends and family as they consider AI tools as personal assistants rather than replacements.
- We are also “Embracing Change” related to AI by seeking related investment opportunities:
 - *Enablers* are companies providing the infrastructure, tools, and support systems that empower the development and adoption of AI technologies. From hardware manufacturers to data storage solutions, enablers form the backbone of the AI ecosystem.
 - *Innovators* are spearheading the advancement of AI applications, like cutting-edge algorithms, novel use cases, or new and improved user experiences that can impact various industries.
 - *Disruptors* use AI to revolutionize traditional business models and establish new competitive moats within their market, with the potential to establish or reaffirm the role of market leader.

CONCLUSION

In January, we released **Outlook 2024: Embracing Change** with a [full report](#), [video summary](#), and [client webinar replay](#). The emergence of Artificial Intelligence in our everyday lives influenced our decision to anchor our report on “Embracing Change” as we’re moving from the evolution of AI to a revolution. Most see AI as the next technological wave influencing our economy and, as a result, AI will be an ever-increasing focus as we work and invest for our clients.

Michael P. O’Keeffe, CFA 

Chief Investment Officer

michael.okeeffe@stifel.com

www.stifelinsights.com

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