# Stock market shows recovery with Nasdaq rally and AI stocks gaining momentum



The stock market is showing signs of recovery following a challenging start to 2025, despite remaining down about 9% year to date. Notably, the Nasdaq Composite index, known for its concentration of innovation-driven companies, has rallied more than 16% from its recent low. This recovery is partly attributed to signals from the Trump administration indicating a willingness to modify some of its extensive trade policies and engage in bilateral negotiations, which has eased concerns over a potential broader trade war.

Amid ongoing uncertainties, the first-quarter earnings season has highlighted resilience within the technology sector, particularly as artificial intelligence (AI) continues to emerge as a significant market theme. Three AI-focused stocks—Adobe, Alphabet, and SoundHound AI—are positioned as potential beneficiaries of this trend and could be poised for substantial growth.

Adobe, famed for its creative software such as Photoshop and Premiere Pro, has experienced a share price decline of approximately 38% from its 52-week high, despite reporting solid growth and record profits. In its fiscal first quarter of 2025, ending 28 February, Adobe posted a 10% year-over-year revenue increase and a 13% rise in adjusted earnings per share (EPS), with projections indicating further growth throughout 2025. The market’s cautious attitude towards Adobe’s stock partly stems from emerging competition in AI-powered creative tools offered by companies like Canva and OpenAI. However, Adobe’s reputation for quality and strong customer loyalty provide a foundation for optimism. Its stock is currently valued at about 18 times its consensus 2025 EPS, notably below its five-year average forward price-to-earnings ratio, suggesting it may be undervalued and poised for a rebound if it meets its financial targets.

Alphabet also delivered impressive first-quarter results that exceeded expectations, reigniting interest in the company's stock despite a recent dip of about 22% from its 52-week high. For the period ended 31 March, Alphabet reported a 12% revenue growth year on year, alongside a striking 49% increase in adjusted EPS. The success is largely driven by the company’s AI initiatives, particularly through Google Cloud Platform, which offers AI infrastructure and generative AI solutions that are gaining traction among enterprises. Alphabet’s latest AI model, Gemini 2.5, is noted for enhancing advertising conversions across Google Search and YouTube. With over 270 million paid subscriptions across platforms like YouTube Premium and Google One, Alphabet is diversifying its revenue streams and generating strong cash flow. Reflecting management’s confidence, the company has authorised a $70 billion share repurchase programme and increased its quarterly dividend by 5%.

SoundHound AI, despite a significant share price decline of about 52% year to date as of April 25, presents a notable growth story characterised by rapid revenue expansion. The company specialises in voice-AI technology, providing more natural and intuitive interaction with AI applications. In 2024, SoundHound AI reported revenue of $84.7 million, marking an 83% increase over the previous year. For 2025, it projects revenues nearly doubling to between $157 million and $177 million. SoundHound is exploring numerous use cases, including hands-free in-vehicle AI assistants, customer service chatbots, and voice-enabled ordering systems for restaurants. With an estimated addressable market worth $140 billion, the company is well placed to strengthen its market position over the longer term.

As the market navigates ongoing trade policy shifts and a competitive tech landscape, these AI-driven companies demonstrate key developments in innovation and growth potential, reinforcing AI's central role in shaping the technology sector’s trajectory this year.

Source: [Noah Wire Services](https://www.noahwire.com)

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