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Daily Commentary

Three Lights and a Shadow in Technology

29th October 2026

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There are mornings when the market looks like a distracted reader who, of a book of four chapters, reads only the last page.
This is one of those.
In the last twenty-four hours the world of technology has given us **three decidedly good pieces of news and one less good**.
Yet Nasdaq 100 futures are down by more than **1.0**% and those on the S&P500 index by about half a point, dragged down by **Alphabet**, which in after-hours trading is losing about 10%.
Oracle dispels the doubt of the circular economy, that is, the suspicion that money goes round in circles among a few players (those who build the data centers, those who rent them, those who sell the chips) without anyone, in the end, generating real cash.
Oracle was the symbol of this fear, because it was the first major technology company to see its free cash flow relative to price go into the red, with a hole of **23.7** billion dollars in the fiscal year ended May 2026.
The stock, until Tuesday, was down **33**% since the start of the year.

Yesterday, at the annual conference in Las Vegas, the chief financial officer, **H. Maxson**, put the numbers on the table: **30** billion dollars of free cash flow in the fiscal year ending in May 2029, when the market was still expecting a negative figure.
The return to positive territory is expected as early as the final part of 2028, investments will decline after the peak of this year and the next, and the need for new capital is limited to **20** billion USD until May 2030, between equity and debt.

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
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The rest will be covered by supplier financing, hardware made available by customers, and advance payments.
The **225** billion USD of revenues in 2030 and another **7** gigawatts of capacity over the next two years were confirmed.

The reaction was immediate.
Oracle up **11.0**% to 144.34 dollars, the strongest daily gain since the end of May.
The point is that customers are paying in advance and making hardware available, a sign that **demand for computing capacity is real and that someone is willing to pay for it up front**, which is not exactly the behavior of a bubble spinning in a vacuum.

The second piece of good news is **Microsoft**.
Azure is growing by **48**%, against the 44-45% indicated in July, and the guidance for the Christmas quarter brings growth to **49**-**50**%.
Revenues at **92.3** billion USD (+**19**%), adjusted earnings per share at **4.89 dollars** against 4.71 expected, operating margin at **49.8**%.
The stock is up about **3.0**% after the close.
It is not a perfect quarter, because free cash flow is down **27**% and orders are declining compared with last year's peak, but it is the cleanest proof that **investments in Artificial Intelligence are turning into revenues**.

The third piece of good news, and perhaps the most telling, is **Marvell**.
According to Bloomberg, **Marvell is in advanced talks to acquire Lumentum**,

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one of the leading manufacturers of lasers and optical components for data centers, with an announcement possible as early as next week.
We are talking about a company with a market capitalization of about **83** billion dollars.
Lumentum makes the "light pipes" that connect the chips to one another.
The more AI clusters grow, the more fast optical connections are needed, and lasers are the bottleneck that no new architecture manages to eliminate.
Do you spend 80 billion USD or more to buy an AI component supplier if you think the cycle is ending?
No.

A deal of this size is a multi-year bet on the durability of investments in Artificial Intelligence infrastructure.
The fact that Marvell is down 8% after the close is the classic reaction of the buyer (dilution and debt are feared), not a judgment on the theme.

And now let's turn to the shadow. **Alphabet**'s results have two faces.
Google Cloud is doubling its revenues (+**103**% to **30.7** billion USD) with a margin up to **36**%.
It is the best figure in the entire sector.
Advertising, the historical growth engine, is instead slowing down.
Search is growing by **12**% to **63.4** billion USD against 64.9 expected, YouTube by **9**%.
Operating profit is **6.0**% below estimates and free cash flow is negative by **9.1** billion USD, with share buybacks

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suspended and recourse to bonds and new shares.

Is there really cause for concern?
For Alphabet shareholders, a little, because search is growing in volume, but AI-generated answers still monetize even less than traditional ones, and moving from returning capital to raising it is a change of skin that the market makes you pay for.
However, for **the AI capex theme, the reading is almost the opposite**.
Alphabet confirms **195-205** billion USD of investments this year and announces a "**significant**" **increase in 2027**.
Every dollar that worries the Google shareholder is a dollar that ends up in the revenues of those who supply chips, memories, optical networks and energy.

And the Fed meeting?
A blow to the circle and one to the barrel.
The FOMC left rates unchanged at **3.75-4.00**%, with a **10** to **2** vote.
Lisa Cook and **Beth Hammack** would have wanted a hike right away.
The statement describes an economy as "strong" and no longer "solid" and replaces the phrase about the timely return of inflation to 2.0% with the need to "accumulate more information", that is, **the work is not finished, but nobody commits on when**.

At the press conference, **K. Warsh** reiterated the "readiness to act", but when asked why not hike already yesterday he acknowledged that price stability has not been achieved, without explaining the reason for waiting.

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His ability to dodge journalists' questions is by now evident.
The market, in any case, was not rattled, because yesterday the S&P500 index closed up by about **0.3**% and December remains largely priced in as a month of hikes.

The decline in futures was above all mechanical, because Alphabet is one of the heavyweights of the indices and a −**10**% on a stock with a market capitalization of over **3,600** billion USD is enough on its own to move the Nasdaq 100.
For now, there is no sign of a flight from the AI theme.
Microsoft is rising, Oracle has just gained 11.0%, and optics is the subject of multibillion-dollar acquisitions (Lumentum).

We are facing a weak opening session, led by Alphabet and the stocks most tied to online advertising.
However, looking only at the last page of the book would be a mistake, because the news from overnight says that spending on Artificial Intelligence continues (Alphabet) and that it is also beginning to come back in the form of cash (Oracle).
Today's weakness in the names of the Artificial Intelligence supply chain looks more like an opportunity to evaluate than a warning sign.
Tonight it is the turn of Amazon and Intel, the last piece of the picture on investments.

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