

Daily Commentary

Everything Has Changed

5th November 2026

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Everything changed overnight.
Until Tuesday, the market was telling the story that demand for data centers was infinite, and so was growth for anyone supplying a piece of them.
The chips, of course, but also the servers, the memory, the copper and fiber connectors, the cooling liquids, the turbines, even Caterpillar's earthmoving machines.
Since Wednesday, that story has an asterisk, and it is called **Texas**.

Gina Hinojosa is the first Democratic governor of Texas in over thirty years, and during her campaign she repeatedly called for **an immediate moratorium on new data centers**.
It is not a detail, because Texas accounts for almost **30**% of the US data center capacity expected online in 2028, and about **13** gigawatts of projects are exposed immediately.
Adding Ohio, Georgia and Pennsylvania, we reach about **50**% of US projects, which come under a much stricter lens.

Does this mean data centers will no longer be built?
No.
It means that **many data centers will be built later, elsewhere and at higher costs**.
Those who already have power, permits and steel go ahead, while those who have power but not the environmental permits slip by **12-18** months, and finally, those who have neither probably move to Louisiana, Oklahoma, or nowhere at all.
The Texas pause will last at least until the end of the legislative session, on **May 31,**

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
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2027.
This is where politics becomes finance.
In a world where these investments are financed with leverage, through bonds and bridge loans, a pause is not a neutral wait, because **interest keeps running even when the construction site is idle**.
CDS (contracts that insure against default risk) linked to data centers hit their 2026 highs yesterday.

Yesterday's session can be summed up in one image: **money moved from those who collect the checks to those who sign them**.
Amazon gained as much as **8.3**%, Microsoft **7.0**% with a new all-time high, Apple over **6.0**%, Alphabet **5.9**%, Meta **3.6**%, almost USD **1,000** billion of market capitalization in a single day.

On the other side, Flex **−14.0**%, CoreWeave and Tesla around **−5.0**%, Nvidia lower, Intel, Marvell and Caterpillar oversold.
The Nasdaq beat the semiconductor index by almost 460 basis points, one of the ten widest daily gaps of the last ten years.
Until yesterday, the large cloud operators were trapped.
If they invested too much, the market punished them, because the returns were not visible and free cash flow had fallen below zero (in the third quarter they burned a combined USD **31** billion).
If they cut, the signal was even worse, because it means admitting they do not see the returns.
Now they have **a perfect alibi**, "we would keep investing, but the government does

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not want to".
The brake is pulled by the State, not by the companies.

Moreover, **if new capacity becomes scarce, the capacity that exists is worth more**.
Every data center already standing turns into a highway toll booth, and the toll booths are largely owned by the hyperscalers.
Prices already say so, because renting an H100 chip costs **26**% more than a year ago, while the GB200 is up **50**% since the start of the year.
The Magnificent Seven had lost almost **6.0**% since the start of earnings season and on Tuesday showed only +**4.0**% year to date, nobody wanted them anymore.
Yesterday, they were bought in a hurry, selling semiconductors as a source of liquidity.

However, yesterday the market did not buy only the hyperscalers, but bought almost everything.
Consumer and internet names, with Booking +**11.0**%, also driven by short covering; defensive stocks and everything that benefits from the collapse in oil, with Brent down by about **18** dollars in five sessions on the bet that a Democratic Congress will speed up the end of the war with Iran.
The US ten-year yield fell as low as **4.84**%, the lowest level since September 10.
Perhaps without realizing one thing, that data centers were **the only construction site truly growing in the American economy**.

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If the government pulls the plug on data centers, it pulls the plug on growth, and then there is little to celebrate.
There is little reason to buy consumer staples (basic consumer goods) at multiples above those of the market, because in a slowing economy their volumes do not grow and the premium for safety is already fully paid.
Lower oil helps the consumer, it is true, but it does not replace hundreds of billions of investment slipping by a year.
The opposite thesis exists, because some economists think that moratoria, if they come, will not last long, and others remember that there are other states happy to welcome the rejected projects.

Possibly, but "in the end" is a long time for those who pay interest every quarter.

Turning to **semiconductors**, in two months the expected P/E (price/earnings ratio) of the SOX index has gone from **28** to **16 times**, against about **18** times for the S&P500 index.
Deeper discounts were seen only in 2017-18 and in 2022, while Nvidia trades at its lowest multiple since 2013.
These multiples already discount a sharp slowdown in earnings, and perhaps they are even right, because the 2027 orders, tied to the frozen projects, will be the first to go.
The quarterly results say so.
Arista halved its stock market rally, despite a growth forecast for 2027 of **38-40**%, against expectations of around 30%.

The market no longer prices the numbers, it now prices politics.

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However, a slowdown does not mean the business is over.
Demand for compute does not disappear, so much so that its price is rising and projects are moving, not evaporating.
Earnings growth is only postponed, not cancelled.
The real risk is another.
The hyperscalers can afford to wait for the end of a moratorium, but those who sell them equipment, financing themselves with debt, much less so.
That is where selection is needed, favoring solid balance sheets and those less dependent on new construction sites.
This morning the rotation went around the world.
Samsung and SK Hynix lost over **7.0**%, dragging the Kospi to −**5.2**%, the Nikkei sheds **1.6**%, Tencent and Alibaba rise by more than **6.0**%.
Nasdaq 100 futures lose **1.2**%.
Another session of selling chips and buying everything else awaits us.
Caution is needed with those that rose the most yesterday and patience with those that fell too much, because **everything has changed, but not everything that has changed is worth celebrating.**

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
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