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Daily Commentary

A Fuse Lit at the Right Moment

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There are weeks that are quickly forgotten and weeks that are remembered for years.
The one that just ended belongs to the second kind.
Not so much because of the −**2.7**% weekly move in the S&P500 index, but because of Thursday, when the index lost **4.4**%, its worst session since Liberation Day in April 2025, and the Nasdaq 100 lost **6.4**%, its worst since March 2020.
Then, over the weekend, the **Nvidia** case exploded, and the two stories, as we will see, are more closely linked than they seem.

The Nasdaq 100 burned about USD **2,500** billion of market capitalization in a single session, the largest dollar loss ever, with record volumes.

The **VVIX** (the volatility of volatility, that is, how much the fear index swings) rose by about **44** points in a day, and here, only the Volmageddon of February 2018 did worse.
And yet, the VIX closed Thursday at **28.2** and Friday at **25.6**, very far from the **70** of Covid, the **60** of 2008 and the **50** of Liberation Day.

How do we explain it?

With one word, **surprise**.
A simple indicator, namely the daily change divided by the previous day's implied volatility, that is, how large the move was compared with what the options were charging for it, says it all.
For the S&P500 index, Thursday marked the **highest value at least since 2007,** higher than 2008, than the Volmageddon

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
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and than Covid.
Here, **options were being sold at bargain prices against a risk that was there.**
In fact, the first reaction to the vote had been mechanical, the child of a market with very few hedges.
On Wednesday, after the post-election rebound, clients had removed their hedges, they sold puts on the eve of the shock.
On Thursday, they bought them all back together, in the crudest way, with index ETFs, which reached **33**% of trading against an average of 28%.
You sell the index and that's it.

The most striking data point, however, is **positioning**.
The net exposure of US long/short funds is at the **first percentile** of the last year.

In the technology sector, four of the five heaviest selling weeks ever came in the last five months, and the rotation is from technology and industrials toward utilities, real estate and financials.
And here is the paradox: consumer staples trade at about **22.5** times 24-month forward earnings, semiconductors at about **10.5**.
Toothpaste costs twice as much as the chips that run the world's data centers.
Logical?
Probably not.
However, the machines are not done.
CTAs (systematic funds that follow the trend) are negative on about **60**% of global equity markets, the estimate is USD **28** billion of S&P500 index futures still to be sold next week and **45** in the next month.
Meanwhile, they are buying Treasuries, just

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as October payrolls come out at +**165 thousand** against expectations of around 60 thousand and the market prices a rate hike in December.
Systematic funds are buying duration (sensitivity to rates) with a Fed that is hiking, we will see how it ends.
Historically, **a panic index above 9 has been a good buying opportunity**, even though around Liberation Day those levels lasted a few weeks before the low.

Then Sunday came.
Jensen Huang wrote to employees that he had had an extramarital affair, and Nvidia's board of directors opened an independent investigation to understand whether the founder was the target of Chinese intelligence.
The woman, **Alice Huang** (no relation), is an executive at Megaspeed, a Singapore data center operator, and according to a US intelligence memo she would be working for Beijing's Ministry of State Security.
Let's pause for a moment.
Do we really think Washington mobilized over an extramarital affair?
Obviously not.
A Taiwanese semiconductor analyst explains it well, **the scandal is the detonator, not the objective.**
The objective is the chips and there are three targets.

The first is **Huang's voice**.
Over these two years, he has been the most effective lobbyist against a total ban on exports to China: "leave China to Huawei and it will be the American tech

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industry that dies".
It worked, first the reopening to the H20, then in December the green light for the H200, with the US government collecting **25**% of revenues.
From now on, every word of his in favor of the Chinese market will sound like that of someone who has fallen into a trap.
Huang, politically, has lost his voice.

The second target is **licenses**.
The same day, the New York Times published an investigation into the Chinese companies authorized by the Department of Commerce to buy the H200: "ghost offices" with wires hanging from the ceiling, owners linked to sanctioned entities or to suppliers to the Chinese army.
Two investigations in one day, a single direction, freeze the H200 licenses and close the back door of third-party data centers in Singapore and Southeast Asia.

The third is the **leash**.
The congressional committees on China, foreign affairs and intelligence have asked for a closed-door hearing on November 18, the day after Nvidia's quarterly results and the board had to open an investigation into its own founder.
In effect, **the national security apparatus has put a watchdog inside the world's most capitalized company.**

Every high-performance chip will have to go where Washington decides, and there will be no more room for tailor-made chips designed to stay a millimeter below the regulatory thresholds.

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What makes this reading convincing is the **timing**.
According to the Financial Times, the memo was already circulating before the Beijing summit in May, yet Huang boarded Air Force One and in September sat at the state dinner with Xi.
Information that stayed in the drawers for months comes out all at once, right before the earnings.
Coincidence?
We doubt it.
In fairness, the opposite thesis exists.
An administration, which knew and let it slide for months, does not seem like one that draws the sword, and China has received very few H200s.
However, beyond who released the safety catch, the result does not change.
For the stock it is not a small matter, because Nvidia arrives at the appointment already far from its October peak (almost USD 5,800 billion of capitalization, now below **5,000**), without a public succession plan for a founder who is the brand itself.
China, which in the bullish case was the free option, becomes the first victim.
Here is why the date that matters most is not the 17th, but **November 18.**
Here the two stories touch.
On Thursday, the market discovered it was afraid of data centers slowed by the new Congress, while on Sunday, it discovered that even chip exports can end up under lock and key.
Two different brakes on the same run.

A weak open is expected on **Nvidia**, already down in overnight trading and

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nervous on the sector, but not a new Thursday, because the hedges have been bought, exposures are at the lows and the panic index is above 9.

The positioning reset is largely done.

The rest is not, USD **45** billion of CTA sales in the next month, a Fed at risk of hiking and an AI issue that is shifting from financing to politics.

Better to accumulate the most punished sectors gradually and not chase the "safe" one, which today costs double, because, as this week has taught us, **the last thing to trust right now is the price the options give to the unexpected**.

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