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Daily Commentary

The Captain Has Left the Bridge

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Today is one of those days to mark on the calendar.
This evening, after the US markets close, **Nvidia will publish its first quarterly results without Jensen Huang**, the first with **Colette Kress** in the dual role of interim chief executive officer and chief financial officer.

The expected numbers are, once again, impressive.
The consensus points to revenues of about USD **109** billion, over **90**% more than last year, and adjusted earnings per share of USD **2.47**.
The company had guided for USD **108** billion and a gross margin of **74**%.
In August, management had anticipated revenue growth of about **70**% for fiscal year 2028, in a "supply-constrained" environment, everything that can be produced is sold.

The problem is that the market cares little about the quarter just ended.
Yesterday, the stock lost another **4.1**%, closing at USD 156.14, a new 52-week low, with volumes almost double the monthly average.
Since the beginning of November, the drop is close to **24**%, from the early October high we are around −**35**%, dragging down the whole market, Nasdaq −**2.49**%, S&P500 −**1.92**%, third negative session in a row, because the real question is not how much Nvidia sold in the quarter, but what it will sell in a year and to whom?

Since last Thursday, the newspapers have

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
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talked only about the scandal, but, the more days pass, the more the tabloid side deflates.
The Washington Post reports that the CIA memo was reportedly reworked, the Department of Justice has confirmed nothing and Trump said he does not know whether it was really a spy, adding that he would not mind a return of Huang.
The board, however, will not even think about it.

So, a question arises spontaneously, even if a slightly mischievous one: what if the scandal had been only the noisiest way to exit the stage?
There are no elements to say so, of course. However, looking at what is happening around Nvidia, one would almost think that **the captain had left the bridge before the Titanic hit the iceberg**.
Or rather, the icebergs, because there are two and Nvidia is right in the middle.

The first is **China**.
Officially, in Nvidia's accounts, **China is now worth almost zero for the data center segment**, but is that really so?
Until mid-2025, Nvidia reported revenue by the customer's billing location and one country stood out above all, Singapore.
Two years earlier it weighed **8.0**% of revenue, in the quarter ended July 2025 it had reached **22.0**%, about USD **10.2** billion, second only to the United States.
And yet, according to the island's government, less than **1.0**% corresponded to goods physically delivered there.
Then, Nvidia changed method and Singapore disappeared from the financial

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statements.
According to the Wall Street Journal, the change came shortly after the internal blacklisting of **Megaspeed**, a data center operator, which according to Culper Research is reportedly financed and controlled by **Alibaba**.
Bloomberg found that Nvidia had told Washington about **50,000** fewer chips than those that ended up at Megaspeed.

The thesis circulating among operators is that **a share close to 20% of revenue was in fact linked to Chinese demand,** chips sold legally in permitted countries, mainly in Southeast Asia, installed in data centers whose computing capacity was then rented to Chinese companies.
The chip is bought by an authorized party, the computing power is used by someone else.
According to a study by the Institute for Progress, **32% of the computing capacity for Artificial Intelligence available to China at the end of 2027** would come through remote access to American chips and three quarters of Chinese capacity abroad is located in Southeast Asia.

Yesterday, Washington closed this door as well.
The Department of Commerce imposed a license to ship advanced chips to any data center that supplies companies based in China with more than a certain amount of computing power (about four Blackwell racks) and a **general license for Singapore, Malaysia, Indonesia, Thailand and Brazil**, except American buyers.
Existing operators have **90 days** to comply.

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Here, Nvidia has few weapons.
J. Huang had personally spoken out against these rules, so much that he was perceived in Washington as the head of a company that "did not behave like an American company".
Without him, the political capital for the next battle is much scarcer.
In the meantime, Chinese demand does not disappear, it moves.
Z.AI, DeepSeek and Meituan are already training their models on Huawei Ascend chips and DeepSeek now collaborates on the design of Huawei's chips.

The second iceberg is **CUDA**, Nvidia's software ecosystem, the language in which engineers and researchers have been writing code for almost twenty years, which runs on its GPUs.
It has always been the real moat around the castle.
Even when a competitor offered a valid chip, moving one's models to another platform takes **six to twelve months** of engineering work, costly and complicated.
So, people bought Nvidia and paid the price, with gross margins around **75**%.
Now, that moat has dried up.
One of the big frontier labs (Anthropic) has said that, by using its own Artificial Intelligence model to do the engineering work, it can now run a new model on AMD GPUs in **three days**.
Three days against six months.
It is artificial intelligence itself that is writing the way out of CUDA.

It is not just a software issue.

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On inference, that is the phase in which the already trained model produces answers, the performance gap has closed.
The Epoch AI index puts AMD's MI455X at the top, at about **2.9 times** an Nvidia GB300, ahead of Vera Rubin itself (about 2.2 times).
Rubin Ultra could reverse the ranking, but it will arrive in 2027 and on cost per token Google's TPUs already do better.
The result shows in the contracts.
Of the roughly **44 GW** of capacity that the frontier labs have contracted for delivery from 2026, **only 28% is on Nvidia GPUs**.
Yet in 2024-2025 Nvidia held between **80**% and **90**% of the revenues from Artificial Intelligence chips.
Of the seven largest buyers of accelerators, only one is not building a chip of its own.
All the others are working to stop paying that 75% margin.

There is then a third theme, less talked about but just as important, **the guarantees**.
In its latest quarterly report Nvidia reported USD **530.5** billion between commitments and guarantees, in addition to equity stakes worth USD **99** billion.
Among these stand out the guarantee of up to USD **105 billion** on the leases of OpenAI's campus in Ohio and the USD **6.3** billion backstop to CoreWeave until 2032.

Nvidia had become the bank of the Artificial Intelligence ecosystem, it **sold the chips and guaranteed those who bought them**.

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On this, C. Kress has always been much colder.
She was the one asking how much those guarantees were worth and what return they produced, and she was the one who reduced the guarantee proposed for Ohio from USD 250 billion to USD **105** billion.
Ironically, Huang himself, in October in Berlin, had already warned the neoclouds that the days of the "open checkbook" were over.
A leading investment bank estimates that even just a pause in Nvidia's financing could take USD **50** billion or more out of the ecosystem.
Once again, the captain seems to have stepped off, just as the decision was being made to close the till.

What to listen for tonight?

The guidance will matter, that is the indications on the fourth quarter and the confirmation, or not, of the +**70**% for 2028.
It will matter how Kress talks about Southeast Asia, an area for which Nvidia has not reported revenues for sixteen months, about the impact of the new rule on remote access and about the policy on guarantees and investments.
If the guidance holds, the discussion will return to the numbers, if instead it falls, the icebergs have already entered the income statement.
Beware, however, of the opposite error.
Nvidia remains the company that between 2023 and 2025 captured **83**% of the revenues from Artificial Intelligence chips with margins of **75**%, chip design cycles are long and the stock trades at a **PEG of 0.2** (price/earnings relative to

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expected growth), the lowest among the big Artificial Intelligence names.
However, that multiple assumes that growth estimates hold up and today both legs that support them are moving.

On the flows front, the stock is still in the midst of unloading the old momentum trade, with volumes double the average and options pricing a move of about **11**% after the results, against a historical average of around **8**%.
Positioning is not yet clean.
Probably, Nvidia will require more patience than usual.
The Titanic has not sunk, but the new captain will first have to prove he can see the icebergs and dodge them in time.

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