fundstrat

WEEKEND ALPH
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Weekend Alpha

Nvidia Shares Plummet But Stock Indexes Hold Their Own



Thomas Lee, CFA AC

HEAD OF RESEARCH

- We can understand why investors are skeptical that technology likely has bottomed. Equity markets have been tumultuous over the past six weeks, and given the fierceness of the volatility in technology, it is intuitive that investors are sidelined.
- And there has been a lot of technical damage, as identified by Mark Newton, Head of Technical Strategy at Fundstrat. He believes technology is simply rallying to resistance. But as he similarly notes, this consolidation doesn't require technology to make meaningful new lows. Moreover, he sees a recovery later this month. Thus, we would still be buying these dips.
- The risk/reward for technology remains attractive as well. The Nasdaq 100 P/E is back to the COVID-19 lows. As we know, that was a generational opportunity. Should this pullback be any different?

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Mark L. Newton, CMT AC

HEAD OF TECHNICAL STRATEGY

- The ongoing Nvidia news is wreaking havoc with Technology, and the whipsaws for those trying to buy dips are intense and very well could stay this way.
- Without considering this most recent post-market information, it's proper to say that while today's rally was strong in Technology, it failed to break existing downtrends, while yields, the US dollar, and crude have begun to push higher.
- Overall, some evidence of trend improvement happening on broad-based participation is thought to be necessary and important before growing too bullish on buying dips. Until then, this rise in cross-asset volatility, and Nvidia volatility in particular, remains a concern for equities, and a proper bottoming might indeed take another week.

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Sean Farrell AC

HEAD OF DIGITAL ASSET STRATEGY

- The combination of growth and profitability is what stands out. If you compare Figure's margin and growth profile with broader software companies, the company screens exceptionally well. More importantly, the earnings profile continues to validate Figure's transition from a capital-intensive loan originator toward a more capital-light, blockchain-enabled financial marketplace.
- That transition is increasingly visible in the revenue mix. Ecosystem and technology fees more than tripled from a year ago and now account for roughly 48% of Figure's take-rate revenue, while gain-on-sale revenue tied more directly to the company's own originations declined.
- That matters because the long-term thesis is not simply that Figure can originate loans more efficiently. It is that the company can use blockchain infrastructure to lower origination costs and processing times for itself and third-party participants, then extend that marketplace model into additional categories of credit.

Read the Latest Digital Assets - Comments



L. Thomas Block

WASHINGTON POLICY STRATEGIST

- The Democrats will have a majority in both Congressional chambers, but in the Senate, Republicans will retain their option for filibuster.
- The budget is escalating as an issue, with a shutdown deadline of Dec. 11.
- President Trump has sent conflicting messages about how he will approach the new Congress.

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NVIDIA SHARES PLUMMET BUT STOCK INDEXES HOLD THEIR OWN



Hardika Singh

ECONOMIC STRATEGIST, MARKET INTELLIGENCE

Key Takeaways

- The S&P 500 closed the week at 7,561.67 points, up 2.5%. The Nasdaq Composite added 2.3% to 25,136.27. Bitcoin was at USD 68,568.95 on Friday afternoon, down about 8% from Monday levels.
- Fundstrat Head of Research Tom Lee said that Nvidia Chief Executive Jensen Huang's resignation doesn't change his bullish thesis on AI, which is why he continues to recommend buying the dip.
- Head of Technical Strategy Mark Newton has a slightly different view, where he maintains his bullishness on technology but urges investors to wait a little while longer before buying the dips.

"Nothing will work unless you do." — Maya Angelou

Good evening,

There was certainly no shortage of bad news this week, but the stock market shook it off for the most part.

"The market has actually been extraordinarily resilient this year, much more resilient than normally speaking in many midterm election years," Fundstrat Head of Technical Strategy Mark Newton said during our weekly huddle.

The S&P 500 rose 2.5% this week to 7,561.67 points, marking its first up week after four weeks of losses, with all 11 sectors leading it to the green. Meanwhile, the tech-heavy Nasdaq composite increased 2.3% to 25,136.27points, an impressive recovery after last week's 3.4% loss which looks even better when considering the latest developments at Nvidia.

Chief Executive Jensen Huang resigned this week after news broke that he had multiple affairs with employees and also with a woman suspected to be a Chinese spy. Finance Chief Colette Kress was tapped to serve as interim CEO while the company looks for a permanent successor.

The announcement on Thursday largely took the markets by surprise, sending Nvidia shares down 4.3%.

Huang, considered to be the "Godfather of AI," powered Nvidia's market value to dizzying heights in his tenure as CEO. Even after the most recent declines, Nvidia's market cap is at $3.92 trillion, ranking as the third most valuable company in the world. Along the way, Huang's jumpstarting of the AI revolution kicked off rallies across all kinds of industries from utilities to memory and storage names, even helping to lift shares of staples like Walmart to new heights. That's why what happens to Huang is of immense importance to the broader market's fortunes. While many investors are looking at Nvidia's changing of the guard as a sign for exercising caution, Head of Research Tom Lee has a different view.

Lee expects Nvidia will continue to dominate. He listed out the following reasons in a Flash***Insights*** post: (1) The company has a huge technological lead in chip design and supply chain control, and CUDA, which is likely to survive a leadership change (2) Engineering talent is deep. If Jensen was the chief designer of the chips and architecture, the company's risk would be much greater (3) An ownership culture at Nvidia: 80% of employees are stock millionaires and 50% own stock worth more than $25 million (4) These employees are not "punching the clock," so they're highly motivated to maintain the company's leadership position (5) The stock has an attractive price-to-earnings multiple and the substantial

free cash generation means the company can support the stock via buybacks.

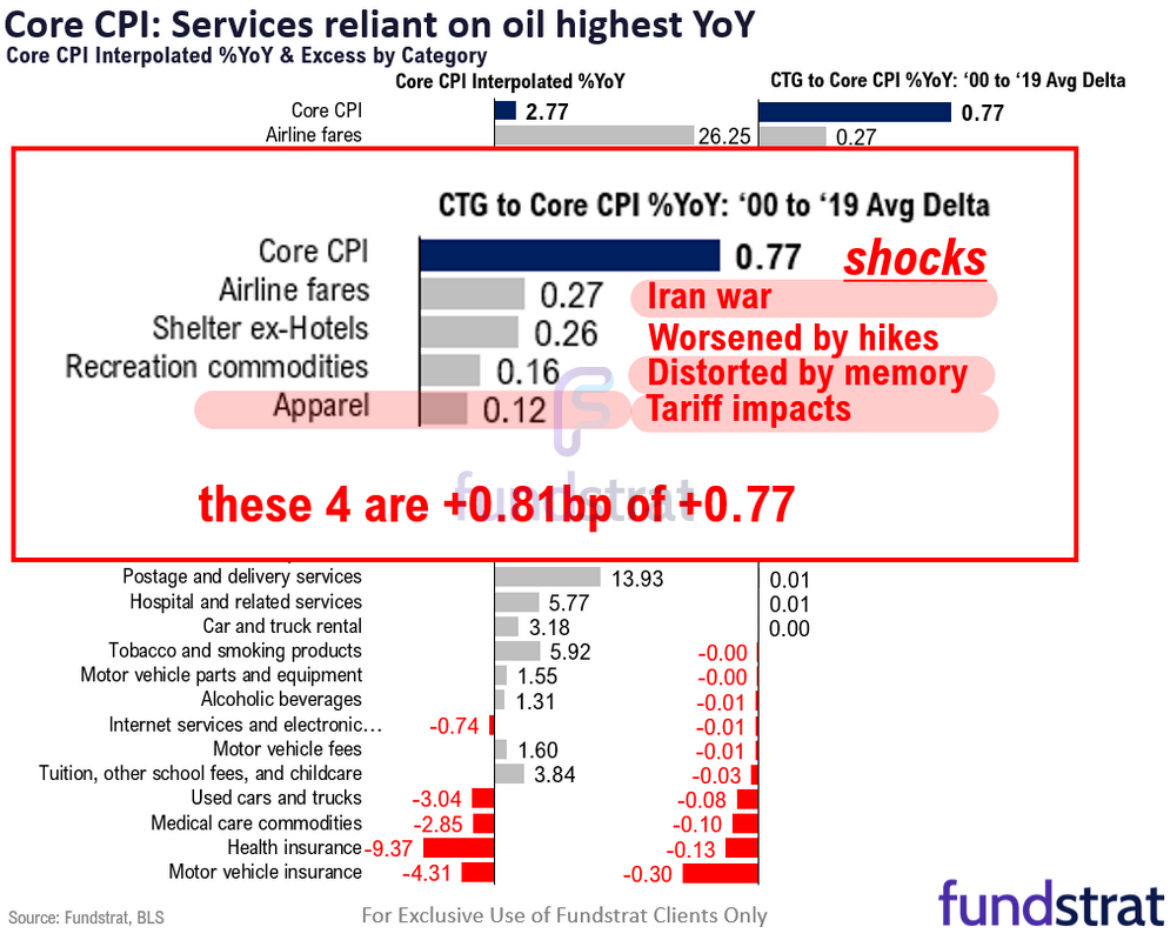
“There will be pain near term since many investors view this as an adverse development,” Lee said. “It is, but at 10x forward PE, this is also the best risk/reward in AI at the moment.”

Technical trends back up that view, according to Newton. “My view is that this is a pretty compelling opportunity. Between now and year-end or January, we’re likely to have a pretty sizable rally in Nvidia,” he said. He expects it to move up to over $200 between now and February.

“I like buying this for a bounce,” he said.

Another hit to the market this week came from the release of a hot consumer-price index report, which showed that monthly inflation and core inflation rose 0.4% and 0.3%, respectively, in October. Both came in hotter than expected. Naturally, odds of an interest-rate hike at the Federal Reserve’s December meeting rose to 92%, up from 24% a week ago.

Lee, however, doesn't think inflation is running hot. Looking at year-over-year core CPI trends, he said the shocks related to three of the four contributors to the excess inflation trends—airline fares, shelter ex-hotels, recreation commodities, apparel—have largely passed. “When you look at the drivers of excess inflation, it is a mistake to hike,” he said. Our Chart of the Week has more details:



Lee also reiterated his bullish thesis on the broader stock market this week. After the Nasdaq composite entered correction territory last week, many bears felt vindicated, but to Lee, the losses meant that tech stocks have likely bottomed. The S&P 500 is off 3.3% from its all-time high hit on Oct. 6, while the Nasdaq composite is 8.9% away from its record.

Lee liked that technology stocks finished the week in the green despite the Nvidia news, adding that the Nasdaq 100's forward price-to-earnings ratio is back to Covid-19 lows.

"As we know, that was a generational opportunity. Should this pullback be any different?" he said.

Newton feels that tech stocks are quite close to bottoming. "If you like to buy dips, I do sense we'll get a strong rebound, but it's just a volatile spot

right now. I think that probably is going to continue a little bit longer, likely until right before the Thanksgiving holiday," he said.

His No. 1 sector remains healthcare. In the past month, healthcare stocks have added 11%, the biggest outperformer of the 11 sectors.

Elsewhere

A massive global Microsoft 365 outage crippled Outlook and Exchange Online services for over 18 hours starting Thursday, disrupting operations for millions of workers, hospitals, airlines, and government agencies across more than 70 countries. The disruption—which Microsoft blamed on an overwhelmed server configuration following a recent update rather than a cyberattack—knocked out corporate email, locked users out of two-factor authentication, and broke third-party AI integrations with OpenAI and Anthropic. While Microsoft reported steady recovery across North America, Europe, and Asia-Pacific by Friday morning, the company warned that users could continue experiencing intermittent access issues and delayed email backlogs as engineers work to clear queues.

The American Cancer Society overhauled its prostate cancer screening guidelines for the first time since 2010, reversing a years-long stance that left testing up to individual preference. While average-risk men are now advised to get a routine prostate-specific antigen (PSA) blood test every two years starting at age 50, the organization pushed screening below 50 for high-risk groups—recommending annual testing starting at age 45 for Black men and those with a strong family history of the disease. The shift follows a concerning rise in late-stage prostate cancer diagnoses over the past decade, with updated clinical evidence showing that regular PSA testing significantly lowers mortality rates while secondary tools like MRIs help curb unnecessary biopsies.

OpenAI's third-quarter revenue is reported to have surged nearly 50% sequentially to $10 billion. The top-line boom was accompanied by deepening red ink as operating losses widened to $10.9 billion from $10.1

billion in the second quarter. Its rival Anthropic is expected to go ahead with its IPO plans next week.

Eight people, including two children, were killed and 18 others injured after a three-story mixed-use building collapsed in Flatbush, Brooklyn on Wednesday afternoon. The structure at 1321 Flatbush Avenue—which housed four residential apartments above a ground-floor storefront—caved into an adjacent excavation site where foundation work was underway. Following a nearly 24-hour search-and-rescue effort hindered by heavy rain, the Department of Buildings issued a full stop-work order for "unsafe construction operations". Mayor Zohran Mamdani announced sweeping citywide inspections across roughly 100 other construction sites linked to the entities involved in the project.

And finally: An early taste of winter is gripping the Northeast as a cold snap pushes temperatures 20 to 25 degrees below seasonal averages and ushers in the region's first notable snowfall of the season. Higher elevations and interior stretches—including upstate New York, Vermont, New Hampshire, and Maine's White Mountains—could see 5 to 8 inches of accumulation, while coastal hubs from Washington, D.C., through New York City are expected to stick primarily to chilly rain and gusty winds. Looking ahead toward the Thanksgiving travel window, forecasters expect the brisk, chilly pattern to persist across the region, with dry, crisp conditions dominating the Mid-Atlantic and sporadic snow showers lingering across northern New England.

Important Events

Retail Sales Advance MoM
Tue, Nov 17 8:30 AM ET

Est.: 0.2% Prev.: 0.8%

Housing Starts
Wed, Nov 18 8:30 AM ET

Est.: 1240k Prev.: 1221k

U. of Mich. Sentiment
Fri, Nov 20 10:00 AM ET

Est.: 53.3 Prev.: 51.0

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