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Wall Street Is Counting on Nvidia to Keep the AI Party Going

Nvidia’s results could send shock waves through tech sector—and broader stock market

By David Uberti and Krystal Hur
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Nvidia CEO Jensen Huang at a July event in Tokyo. MANAMI YAMADA/REUTERS

Quick Summary

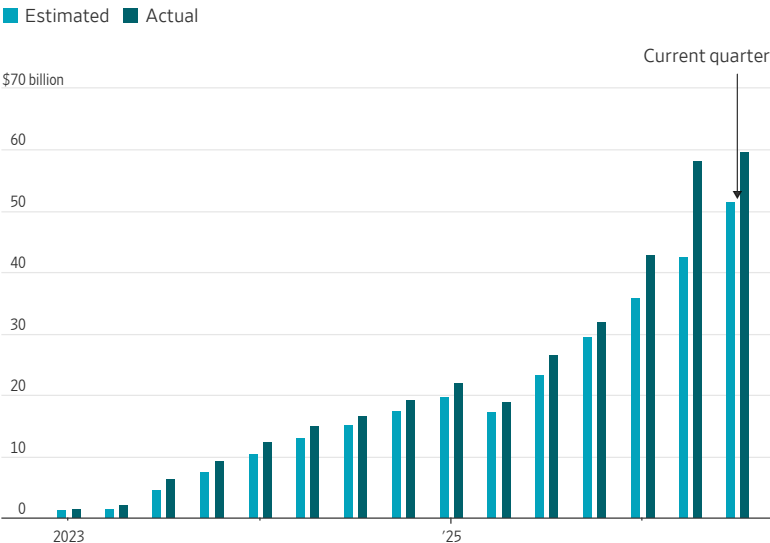
- Nvidia’s coming earnings report and outlook on semiconductor demand are expected to heavily influence the tech sector and the broader stock market.
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Chip makers are fighting to assure investors that the artificial-intelligence boom is racing forward. Wall Street might not believe it until Nvidia’s NVDA -0.63% ▼ Jensen Huang says so.

When the Nvidia chief executive steps up to the mic for his company’s earnings call Wednesday, he will have the world’s attention. What he says about Nvidia’s present will preview the future of AI, dictate the path forward for a tech-crazed stock market and influence an American economy increasingly tethered to hopes that the boom won’t go bust.

The \$5 trillion chip maker has provided the key building blocks for AI since the launch of ChatGPT in 2022 set off a race for dominance among OpenAI, Anthropic and established Silicon Valley giants. Now, as Nvidia backstops sprawling data-center projects and an exotic money pipeline to boost chip demand, the company’s influence is arguably bigger than ever.

Nvidia quarterly earnings since the launch of ChatGPT



Source: FactSet

But there are signs of trouble ahead. Political pushback to AI is growing. A bond selloff propelled borrowing costs to their highest levels in years. The hyperscalers that include some of Nvidia's key customers—once cash-printing machines—are relying more on debt. OpenAI recently told investors its revenue rose by a tepid 18% in the second quarter while its losses deepened.

Nvidia is increasingly stepping in to shore up potential weak points across the market. Earlier this month, the company teamed up with six of Wall Street's biggest firms on a \$500 billion AI-financing plan, pledging to backstop lending to customers that can't afford its chips otherwise. The chip maker last week also took a stake in Cloverleaf Infrastructure, which arranges power for data centers, and struck a \$6 billion deal with startup Poolside aimed at developing a powerful open-weight AI model.

After watching shares in other chip makers and the so-called Magnificent Seven tech companies swing wildly in recent months, Wall Street is hoping Nvidia can beat expectations—again. The countdown is on.

"It's kind of becoming more and more like the World Cup final than the Super Bowl at this point," said Brian Mulberry, chief market strategist at Zacks Investment Management. "It's just gotten to be that big."

The company has smashed analysts' earnings estimates for each of the 14 quarters since the AI boom kicked into high gear. Nvidia posted 210% annual growth in net income in its last three-month period, according to FactSet, making Wall Street's 126% projection look pedestrian.

Expectations for a blowout second quarter have risen rapidly over the course of this year. All Nvidia will have to do to beat this target: outrun 95% annual earnings growth to more than \$51.5 billion. Analysts project the chip maker will report record sales of \$92 billion for the period, up from a forecast of \$78 billion at the start of this year.

In July, big-tech earnings sparked volatility. Concerns about runaway capital spending spread across the sector after Alphabet's and Tesla's results, driving a \$890 billion wipeout that contributed to the unwind of hedge fund Situational Awareness. Microsoft posted the largest one-day gain in market capitalization by any company, ever, after a quarter proving that it could still show investors the money. SpaceX rocketed higher after a record-breaking initial public offering, only to see \$1 trillion in value evaporate.

Market performance this year



Source: FactSet

Surging memory prices and borrowing costs have fueled fears that those and other companies will be unable to keep plowing more money into supplies including Nvidia chips. Shaia Hosseinzadeh, founder of OnyxPoint Global Management, has recently bought dips in AI-infrastructure stocks when Wall Street has strained to absorb massive debt issued by Silicon Valley.

"The macro data is really quite robust," he said. "Of course, there's a level at which everything breaks."

Investors have kept pumping money into the AI trade despite concerns around chip consumers—and to the benefit of chip producers. That is why Nvidia's outlook for semiconductor demand could send ripples through counterparts such as Micron Technology and Sandisk, developers of the data centers in which their chips reside, and a supply chain of power producers, contractors and other specialists that underpin the globe-spanning AI build-out.

"We joke internally that we're all Nvidia analysts now," said David Lefkowitz, head of U.S. equities at UBS Global Wealth Management.

The irony is that investors have tended to sell Nvidia stock immediately after blockbuster earnings, with shares falling each trading session after its four past quarterly reports. Some are betting that will be the case this time around, too.

The options market is pricing in a 5.3% swing, higher or lower, in Nvidia shares during the session following earnings, according to Option Research & Technology Services. That is higher than the 4.8% average move in Nvidia's stock over the last 12 months after the company reports quarterly results.

In recent days, some of the most actively traded Nvidia options have been put contracts tied to the stock falling from its Friday value of \$214.75 to \$205 and \$210 apiece, according to Cboe Global Markets data. Put options give the right to sell a stock by a set price and typically represent a bearish wager.

Many analysts remain optimistic. Frank Lee, global head of tech hardware and semiconductor research at HSBC Global Investment Research, recently raised his price target for Nvidia shares to \$360 from \$325, citing, among other things, Nvidia's strategic partnerships with suppliers and its role as a top contributor to open-source AI.

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David Uberti is a reporter in New York covering the intersection of financial markets and the economy for The Wall Street Journal. He aims to chronicle the people, places and businesses smack in the middle of seismic changes transforming America. He has crisscrossed the country in his reporting, exploring the small town at the heart of the data-center boom, meeting the rural accountant preparing for the twilight of the U.S. oil juggernaut and revealing how a tiny investment bank became the go-to dealmaker for President Trump's sons....

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