HAWK THORNE™

INSIGHTS · RESEARCH REPORT

3 November 2026

COMPANY · NVIDIA CORPORATION (NASDAQ: NVDA)

NVIDIA: The Risk Has Moved

Narrative, positioning and investment risk analysis

NVIDIA's business has never been stronger. The risk in owning it has moved, though: the question is no longer whether demand for accelerators holds up, but who is paying for that demand. Increasingly, the answer is NVIDIA's own balance sheet.

CLOSE, 30 OCT 2026	12-MONTH RETURN VS SEMICONDUCTOR INDEX	REVENUE, FQ2 FY27	SHARE OF COVERAGE ON RISK THEMES
$204.64	**+0.9%**	**$96.2bn**	**20.5%**
−14.5% from the 6 Oct record	index +43.6%	+106% y/y · gross margin 75.0%	16.8% in the prior 12 weeks

Scope. 30,348 articles about NVIDIA drawn from a corpus of 1.38 million news items (23 Feb to 3 Nov 2026), prices since 2023, company filings, short-sale and off-exchange reporting, 13F, Form 4 and Form 144 filings, ETF flows, retail investor attention, macro series and Hawk Thorne's alternative data layer.

Nature of this material. An analysis of narrative, exposure and the conditions under which the thesis would change. It contains no buy or sell recommendation and does not consider any investor's circumstances. See page 18.

00 EXECUTIVE SUMMARY

A strong business, a weaker exposure

Over the past twelve months NVIDIA returned +0.9% while the semiconductor index gained +43.6%. This report asks whether the stock still offers an acceptable balance of upside and risk, and where that risk actually sits today.

The distinction this assessment rests on

Markets usually fold two separate questions into one: the **quality of the business** (demand, margins, technology position) and the **quality of the exposure**, meaning the channels through which a loss can reach the shareholder. For NVIDIA the two answers diverged in 2026. That distinction is the axis of this report.

Thesis

> **Demand for accelerators is not the main source of risk today. The main source is that NVIDIA increasingly finances and guarantees its customers' demand, so a single shock would hit it through three channels at once: revenue, the value of its stakes in customers, and its guarantees.**

The key risk is therefore not the largest one in isolation but the most correlated one. Historical volatility does not show it: 20-day volatility is 32.2%, the lowest in a year.

What would prove this wrong

1. **Results on 17 Nov.** If net income stays below operating income and new guarantees grow no faster than revenue, the earnings-quality argument weakens.
2. **Narrative.** If risk themes fall below 17% of coverage for four consecutive weeks, October's shift was an episode.
3. **Credit.** A return of the high-yield spread to about 2.7% (September's level) would remove the main macro headwind for the multiple.

The weakest link in this analysis. Guarantee amounts and CDS levels come from media reports, not direct measurement. We hold no CDS quotes and no full options chain (implied volatility, skew), so how the options market prices the tail is outside our scope.

Verdict by axis

AXIS	ASSESSMENT	BASIS (DATA TO 3 NOV 2026)
Operating fundamentals	STRONG	Revenue of $96.2bn in FQ2 FY27 (+106% y/y, +17.9% q/q); gross margin 75.0%, operating margin 66.2%.
Expectations in the price	MODERATE	The share price needs roughly 12.6–16.4% annual growth in adjusted EPS for five years (10% cost of equity, exit multiple 22–26x), against current growth above 80% y/y.
Earnings and balance-sheet quality	DETERIORATING	In FQ1 FY27 net income exceeded operating income by $4.8bn; long-term debt went from $7.5bn to $32.4bn in one quarter; guarantees and purchase commitments are growing.
Market narrative	SHIFTING TO RISK	Risk themes: 16.8% → 20.5% of coverage; negative headlines: 12.6% → 17.0% (last 4 weeks vs the 12 before).
Positioning	LIGHT	Short interest 1.24% of shares; volume −45% vs Q4 2025; not a single open-market insider purchase since 2024.
Macro backdrop	UNFAVOURABLE	The Fed hiked on 17 Sep; CPI 4.0% y/y; high-yield spread +79bp since September; Hawk Thorne risk regime DEFENSIVE since 23 Oct.

The verdict is split: high business quality, declining exposure quality. The labels describe state and direction of change; they are not trading signals.

01 KEY FINDINGS

Seven findings that change the picture

Each finding rests on figures from Hawk Thorne's data platform; calculations and sources follow in the chapters below.

01 **The leader became a laggard.** Since its relative-strength peak on 6 Aug 2025, NVIDIA has lost 37.4% against the semiconductor index. In 2026 capital flowed to memory (Micron +210%), AMD (+136%) and Intel (+78%). The market has not rejected AI. It has stopped paying a premium for the sole winner.

02 **Record revenue, lower-quality earnings.** FQ2 FY27 revenue was $96.2bn (+106% y/y). In FQ1 FY27 net income ($58.3bn) exceeded operating income ($53.5bn), which at a normal tax rate implies about $15bn of non-operating profit. The gap between GAAP EPS ($2.39) and adjusted EPS ($1.87) points to a similar figure.

03 **NVIDIA now behaves like an AI financier.** Between June and November it issued $25bn of bonds, guaranteed an OpenAI data centre (about $100bn, as reported), co-founded a $500bn financing initiative and discussed guarantees for further campuses. Its five-year CDS made headlines as a record in July and October, and as near-record in August.

04 **The narrative is moving from demand to risk.** Over the last four weeks risk themes (China, geopolitics, valuation, regulation, financing) took 20.5% of coverage, up from 16.8%. China grew fastest (+2.2pp, tone from 0.01 to −0.15), followed by geopolitics. AI labs as customers lost share (−3.7pp).

05 **Headline tone does not lead the price.** Weekly sentiment correlates −0.02 with NVIDIA's excess return over the semiconductor index in the same week and −0.07 in the next (n = 34). Narrative analysis earns its keep by mapping the debate, not by timing it.

06 **Positioning is light and attention is fading.** Short interest is 1.24% of shares, so there is no fuel for a squeeze. Volume is down 45% from Q4 2025 and retail forum mentions are down 91% from the August peak. Insiders sold $968m of stock in Q3 2026 and have bought none since 2024.

07 **Macro is working against the multiple.** The Fed raised rates on 17 Sep (from 3.75% to 4.00%) with CPI at 4.0% y/y and WTI at $103.4 ($57 in December 2025). The high-yield spread widened 79bp in six weeks. With a beta of 1.96 to the S&P 500, NVIDIA is among the large caps most exposed to this regime.

Catalyst calendar

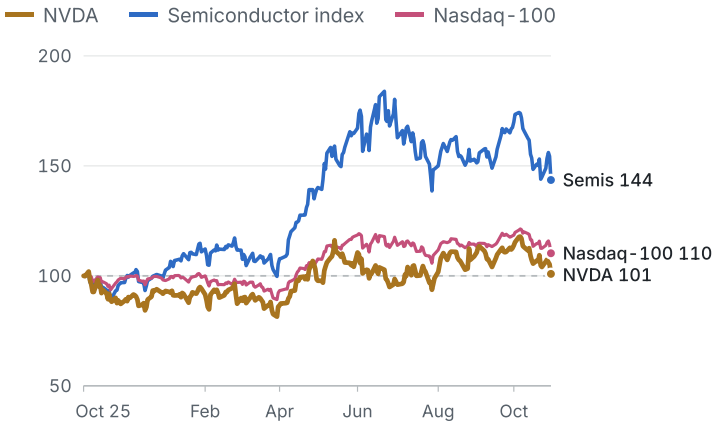
DATE	EVENT	WHY IT MATTERS
17 Nov 2026	FQ3 FY27 results	6 of the last 9 reactions were negative despite beats; average move ±5.8%
mid-November	Q3 13F filing deadline	2,900 of roughly 6,000 holders have filed so far
ongoing	DOJ review of the Hugging Face deal	risk of conditions or delay
ongoing	49% cap on Chinese business for cloud partners	reported 3 Nov; scale not yet visible in the data

02 MARKET

The leader that fell behind

NVIDIA's weakness against the index is not a sign that the AI cycle is ending: the semiconductor index itself rose +43.6% in a year. It is a sign that the market stopped paying a premium for the sole winner and began spreading the marginal dollar across memory makers, alternative accelerators and contract manufacturing.

Figure 1. Over the year NVIDIA returned +0.9%; the semiconductor index +43.6%.



Index: 30 Oct 2025 = 100; daily closes adjusted for splits, to 30 Oct 2026. Semiconductor index and Nasdaq-100 via ETFs.

Figure 2. NVDA relative to the semiconductor index is down 37.4% from its 6 Aug 2025 peak.



Ratio of NVDA to the semiconductor index ETF, 3 Jan 2023 = 100, weekly closes. Arrow: peak of the ratio.

Table 1. Total price returns to 30 Oct 2026

SECURITY	1M	3M	YTD	12M
NVIDIA	−10.4%	+4.9%	+9.7%	+0.9%
Semiconductor index (ETF)	−14.2%	−3.0%	+45.1%	+43.6%
Nasdaq-100 (ETF)	−6.7%	+1.0%	+12.4%	+10.3%
S&P 500 (ETF)	−0.9%	+1.9%	+10.8%	+11.2%
AMD	−17.5%	+4.0%	+135.7%	+98.1%
Broadcom	−7.1%	−15.9%	−5.8%	−13.4%
TSMC	−11.0%	+0.7%	+33.6%	+33.9%
Micron	−16.9%	+1.2%	+210.0%	+295.0%
Intel	−45.3%	−27.8%	+78.2%	+63.7%
Microsoft	+1.8%	+15.7%	+7.9%	−0.7%
Meta	−15.2%	+14.1%	−6.8%	−7.7%
Alphabet	−18.7%	−16.1%	−10.6%	−0.6%
Amazon	−3.5%	+2.1%	+4.1%	+7.8%
Oracle	−4.8%	+2.4%	−33.0%	−49.1%
CoreWeave	−37.0%	−25.8%	−23.4%	−58.1%

The whole AI complex fell in October: Alphabet −18.7%, Meta −15.2%, CoreWeave −37.0%, Intel −45.3% after weak guidance. NVIDIA (−10.4%) fell less than the index (−14.2%), consistent with its beta to the index of 0.65.

Reading it right. The reflex reading is "NVIDIA is losing share". The data point elsewhere: the market prices NVIDIA as a mature monopolist with declining marginal pricing power, and pays for scarcity where it is most acute today, in HBM and DRAM. Micron trades at 11.8x earnings on a 63.8% net margin, which tells you the market treats those profits as a cyclical peak.

03 VALUATION

What the market prices at $204.64

Instead of a price target we reverse the question: how fast must earnings grow for today's price to earn the cost of equity? That says more about the asymmetry than another P/E ratio.

Table 2. Market multiples as of 2 Nov 2026

COMPANY	P/E	P/S	NET MARGIN	ROE	BETA	52 WK
NVIDIA	25.6	16.3	63.7%	110%	2.28	+0.9%
TSMC	24.6	12.7	51.5%	41%	0.95	+17.5%
Microsoft	27.2	11.2	41.2%	33%	1.06	−0.7%
Broadcom	40.7	17.5	42.9%	44%	1.51	−13.4%
AMD	128.1	20.0	15.6%	10%	2.57	+98.1%
Micron	11.8	7.5	63.8%	92%	2.41	+295.0%
Alphabet	14.5	7.3	50.0%	43%	1.24	−0.6%
Meta	20.9	6.5	31.1%	30%	1.28	−7.7%
Amazon	19.2	3.3	16.9%	27%	1.52	+7.8%

P/E and P/S on trailing twelve-month GAAP earnings and sales. Beta against the broad market.

Three P/E ratios, three answers

On trailing GAAP earnings NVIDIA trades at 25.6x, below Microsoft (27.2x). GAAP earnings include gains on equity stakes, so adjusted EPS ($7.01 over four quarters) is the better base, and it gives 29.2x. On the last quarter annualised the ratio falls to 23.0x.

The spread from 23.0x to 29.2x is the whole debate. Treat the last quarter as the new baseline and the stock looks cheap. Treat it as the peak of an investment cycle and the valuation looks full.

Table 3. Required annual growth in adjusted EPS over five years

COST OF EQUITY	P/E 18	P/E 22	P/E 26	P/E 30
9%	20.1%	15.3%	11.6%	8.4%
10%	21.2%	16.4%	12.6%	9.4%
11%	22.3%	17.5%	13.6%	10.4%
12%	23.4%	18.5%	14.6%	11.4%

Illustrative model: price $204.64 = $EPS_0 \cdot (1+g)^5 \cdot$ exit $P/E/(1+r)^5$, EPS_0 = $7.01 (adjusted, four quarters). Dividends (immaterial) and buybacks ignored. A hypothetical scenario, not a forecast.

> **Decision threshold.** At a 10% cost of equity and a mature 22x multiple, the price requires 16.4% annual EPS growth for five years. Revenue is growing 106% y/y, so the bar looks low. The trap is the shape of the path: if 2027 brings a single year of earnings down 30%, as in a typical semiconductor cycle, the other four years must grow about 27% a year. The case for a cheap NVIDIA is a case that there is no cycle.

How results have been received

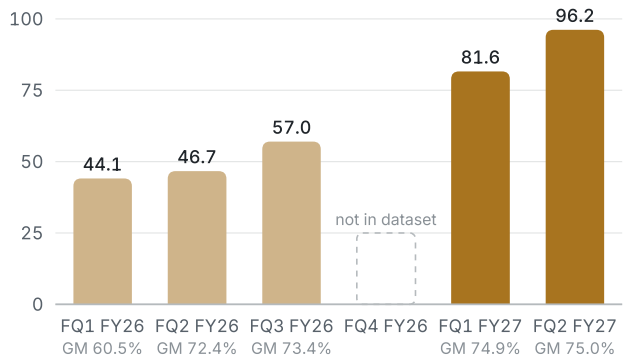
Adjusted EPS beat consensus in each of the last five quarters, by 2.0–4.3%. The market rarely rewarded it: after 6 of the last 9 reports the stock fell the next day (page 14). A beat of a few percent is already in the price; guidance and earnings quality move the stock.

04 FUNDAMENTALS

Record revenue, lower-quality earnings

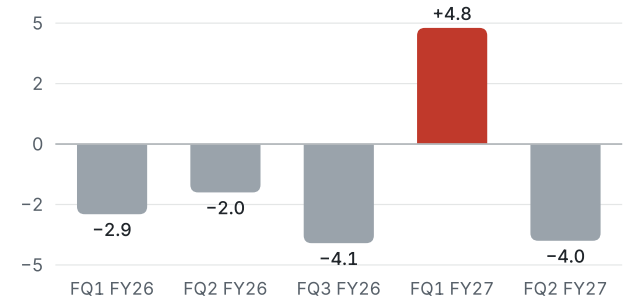
The income statement leaves no doubt about the scale of demand. The doubts sit below operating income and on the liability side.

Figure 3. Revenue rose from $44.1bn to $96.2bn across five reported quarters; gross margin settled at 75%.



$bn, NVIDIA fiscal quarters (fiscal year ends in January). GM: gross margin. FQ4 FY26 is absent from the filings dataset; we do not fill it with an estimate.

Figure 4. In FQ1 FY27 net income exceeded operating income for the first time, the footprint of large non-operating gains.



Net income minus operating income, $bn. A positive value (red) means non-operating income exceeded income tax.

Where the excess net income came from

At a tax rate of about 15%, FQ1 FY27 net income of $58.3bn implies pre-tax income of about $68.6bn, or roughly $15bn above operating income. A second, independent route leads through the gap between GAAP EPS ($2.39) and adjusted EPS ($1.87): about $12.6bn after tax. Both routes land in the same range. In FQ2 FY27 the excess shrank to about $6.5bn (EPS gap: about $5.8bn).

Our dataset does not report the line item directly. The most consistent explanation is mark-ups on stakes in AI ecosystem companies NVIDIA invested in during 2025–2026 (OpenAI, Nebius and Intel among them). The second-order effect is easy to miss: **NVIDIA's GAAP profit partly depends on the valuations of its own customers**, the same loop the market started to question in July.

Table 4. Balance sheet, $bn

QUARTER END	ASSETS	LIABILITIES	EQUITY	LT DEBT	CASH
26 Jan 2025	111.6	32.3	79.3	8.5	8.6
25 Jan 2026	206.8	49.5	157.3	7.5	10.6
26 Apr 2026	259.5	64.0	195.5	7.5	13.2
26 Jul 2026	320.3	91.3	229.0	32.4	22.4

Cash excludes marketable securities. Source: company periodic filings (XBRL).

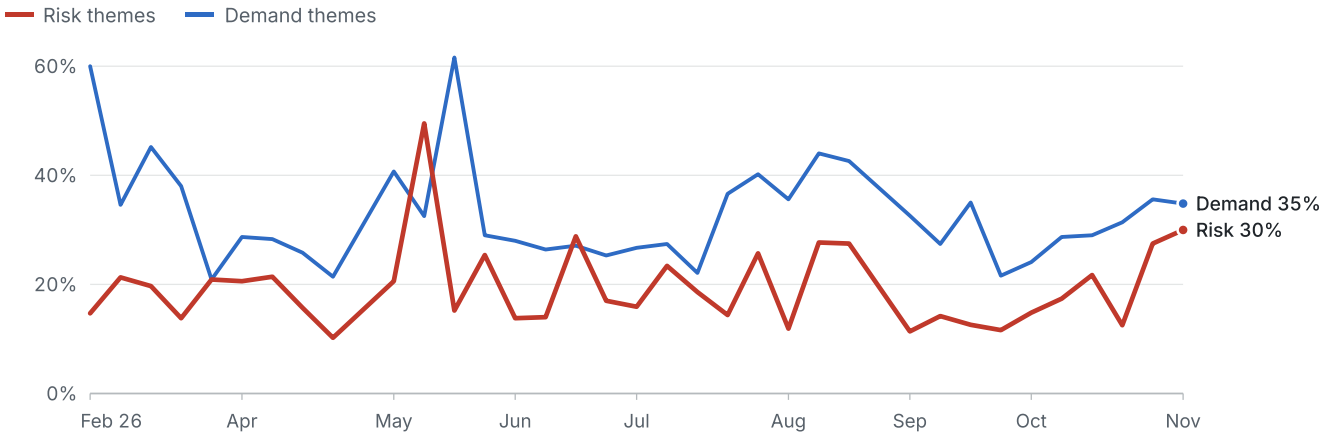
In the quarter to 26 Jul 2026 assets rose $60.8bn, liabilities $27.3bn and long-term debt $24.9bn after the June bond issue. Coverage of that quarter's report put purchase commitments at $279bn, more than double. The most profitable company in the sector is borrowing and locking up capital in supplier commitments to keep both deliveries and customer financing on pace.

05 NARRATIVE ANALYSIS

The debate is moving from demand to risk

We analyse 30,348 articles with NVIDIA in the headline (26,405 unique headlines), selected from 1.38 million news items published between 23 Feb and 3 Nov 2026. Each article is mapped to twelve themes with a deterministic lexicon; one article can carry several themes.

Figure 5. In the last week of October risk themes took 27.5% of coverage, against 11–15% in September.



Share of articles carrying at least one risk theme (China and exports, geopolitics, valuation, regulation, financing) or demand theme (capex, AI labs, product, results); weeks ending Friday. Weeks with corpus gaps (9–13 Apr, 22–27 Apr, 20–27 Aug) are omitted, not set to zero; the last point covers 2–3 Nov.

Figure 6. Map of the debate: August was the peak for capex (19%) and financing (15%); October was dominated by product (14%).

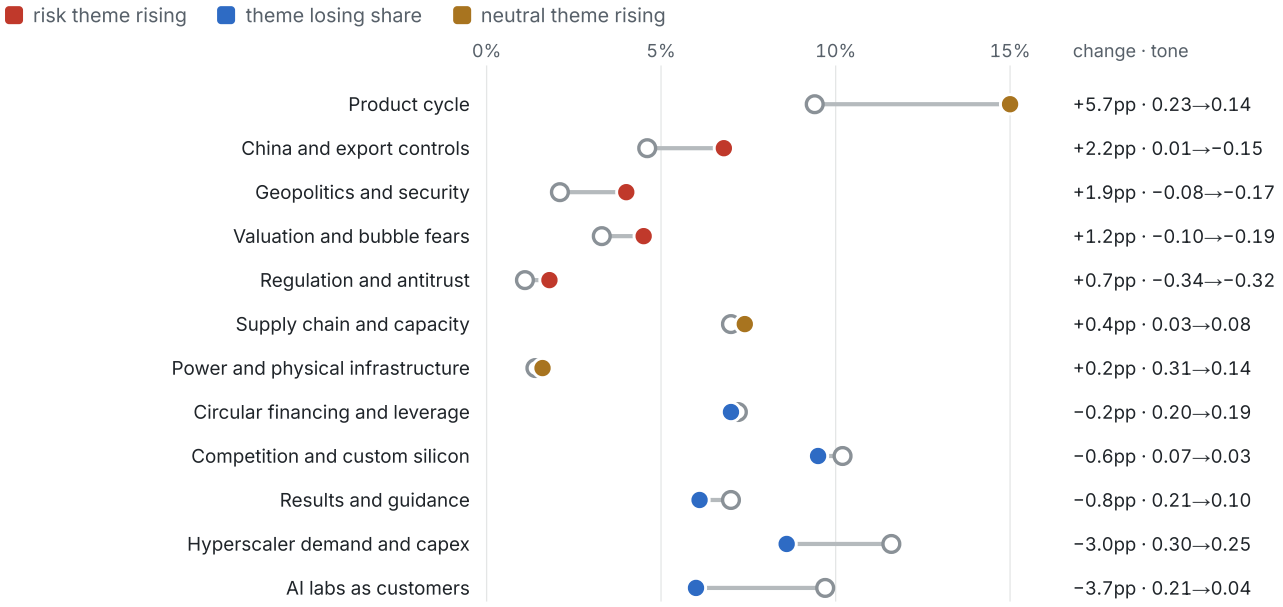
	Feb*	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Hyperscaler demand and capex	4	8	5	8	8	9	19	7	9
Results and guidance	30+	7	6	30+	4	7	12	5	6
Competition and custom silicon	6	7	10	9	10	11	10	10	10
China and export controls	5	8	5	12	5	8	4	4	6
Valuation and bubble fears	6	4	5	3	4	5	3	3	4
Product cycle (Blackwell to Rubin)	4	18	13	5	15	12	7	9	14
AI labs as customers	5	7	3	4	3	8	10	9	6
Circular financing and leverage	1	3	2	3	4	6	15	3	7
Supply chain and capacity	4	7	10	8	12	9	7	6	8
Geopolitics and security	3	3	5	7	3	4	2	2	3
Regulation and antitrust	0	1	1	1	2	2	0	1	2
Power and physical infrastructure	0	3	0	1	1	1	2	1	2

Share of NVIDIA articles in each month carrying the theme, %; scale capped at 30% (February: 51% of articles about results, shown as 30+). *February from 23 Feb. Colour deepens with share; the numbers carry the information, colour only reinforces it.

05 NARRATIVE ANALYSIS (CONT.)

What is rising, what is fading, and what not to read into it

Figure 7. Four of the five risk themes gained share and their tone worsened; demand themes are losing share and warmth.



Theme share of coverage: hollow dot = 12 weeks to 6 Oct 2026 (n = 10,285), filled dot = 4 weeks to 3 Nov 2026 (n = 4,022). Right: change in percentage points and average headline sentiment for the theme (scale −1 to +1). Red: a risk theme rising; blue: a theme losing share; bronze: a neutral theme rising.

Tone is not a timing signal

We tested whether weekly headline sentiment leads NVIDIA's excess return over the semiconductor index. It does not: the correlation is −0.02 in the same week and −0.07 in the next, and 0.03 for changes in sentiment (n = 34 weeks). The result is useful for what it rules out. Do not use NVIDIA's narrative to time the stock. Use it to map what the market is arguing about and which risks it is starting to price.

The shift is recent

Negative headlines rose from 12.6% to 17.0%, and reached 25.6% on 2–3 Nov, the highest since May. The China thread only grew in late October (reports of a surveillance plot against the CEO, which NVIDIA denied; questions from Senator Warren; the 49% cap for cloud partners), so it does not yet show in the monthly full-text data.

Cross-checks in independent corpora

In the full-text corpus (7,749 articles that list NVIDIA among related companies) the financing thread appeared in 62.0% of October articles, against 37.4–44.5% in April to July; the valuation thread reached 74.3%. Both are the highest in the period. In a second, independent news stream with sentiment labels, the positive share fell from 55.9% in September to 49.7% in October.

Fear in the full-text emotion analysis peaked in June (12.1%, alongside reports of cuts to Rubin production) and fell to 5.2% in October. The articles stay analytical rather than alarmed. The agenda is changing, not the temperature.

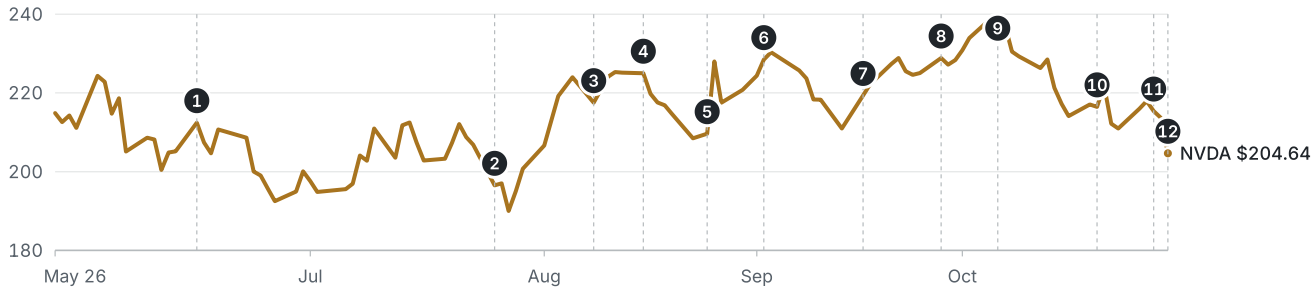
> **What follows.** The market no longer fears that AI will end. It is starting to ask who pays for the infrastructure, and what happens to the supplier that became its guarantor.

06 CASE STUDY

NVIDIA as a financier of AI infrastructure

Between June and November 2026 NVIDIA added the roles of bond issuer, investor and guarantor to that of supplier. The credit market reacted faster than the equity market.

Figure 8. The financing sequence against the share price: the guarantor role grew, and so did the CDS records.

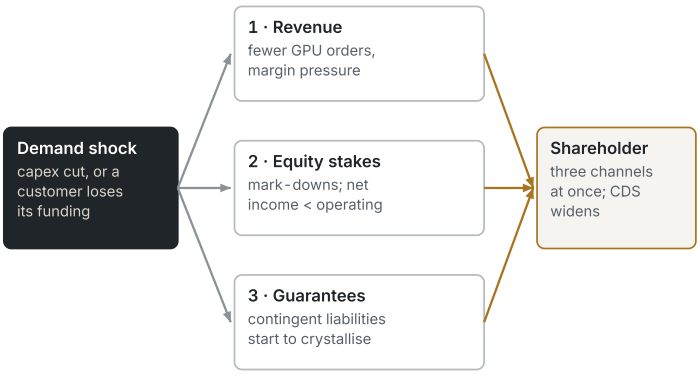


NVDA daily closes in $, 26 May to 30 Oct 2026. Numbers match Table 5. Dates from the news corpus and 8-K filings.

Table 5. Timeline; NVDA move on the day of the event (for results, the next session)

	DATE	EVENT	NVDA
1	15 Jun	First bond issue since 2021: $25bn, upsized from $20bn.	+3.5%
2	27 Jul	Talks on a guarantee of up to $250bn for an OpenAI data centre in Ohio; NVIDIA five-year CDS reported at a record; 'circular financing' enters the headlines.	−5.0%
3	10 Aug	A $500bn AI infrastructure financing initiative with large asset managers and banks.	−2.9%
4	17 Aug	Guarantee cut to roughly $100bn; agreement signed and 8-K filed (items 1.01 and 2.03: new financial obligation).	−0.1%
5	26 Aug	FQ2 FY27 results: revenue $96.2bn; purchase commitments reported at $279bn, more than double.	+8.7%
6	3 Sep	Acquisition of Hugging Face for $12.93bn.	+1.8%
7	17 Sep	The Fed raises its upper bound from 3.75% to 4.00%.	+4.0%
8	28 Sep	Board adds $150bn to the share buyback programme.	+1.7%
9	6 Oct	Record close: $239.24.	+0.1%
10	20 Oct	'Hedging wave': Oracle, Meta and NVIDIA CDS all reported at records.	−0.3%
11	28 Oct	Department of Justice reviews the Hugging Face deal.	−1.2%
12	30 Oct	Talks on credit guarantees for an Nscale campus serving Anthropic; reports, denied by NVIDIA, that its CEO was targeted by a surveillance plot.	−4.2%

Figure 9. Correlated risk: one shock, three channels, the same direction.



Hawk Thorne analytical schematic; not a quantitative model.

Who carries what

For OpenAI or a cloud operator, an NVIDIA guarantee lowers the cost of capital and makes room for more chip orders. For NVIDIA it is a contingent liability whose value rises exactly when chips get cheaper and customers lose access to funding. The customer buys protection against the downside; the guarantor takes the tail.

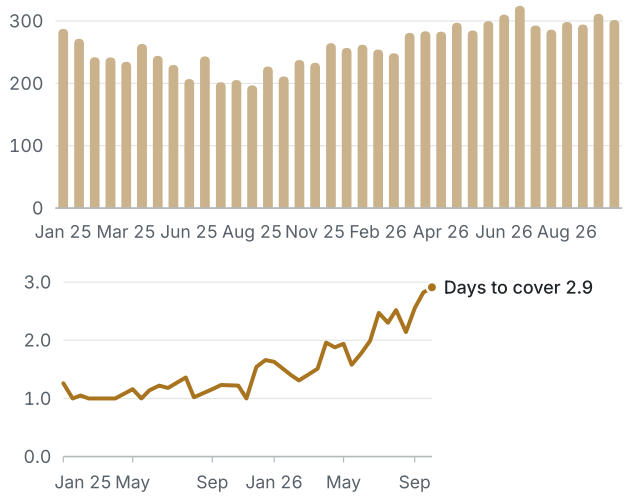
An analyst quoted on 3 Nov said NVIDIA has already backstopped clusters totalling 6.5 GW; the figure comes from media coverage and is not confirmed in filings.

07 POSITIONING AND FLOWS

Nobody is betting against it, and fewer are betting on it

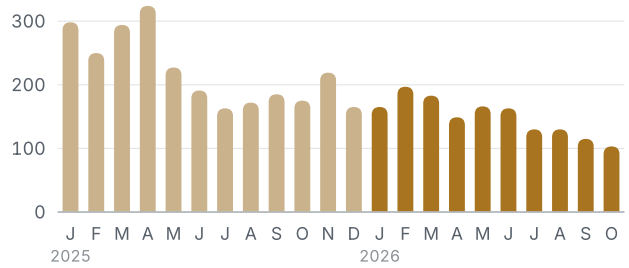
Short interest is low, institutions are flat on a net basis, and both volume and retail attention are shrinking. This is a market waiting for a resolution, not a crowded one.

Figure 10. Short interest: 301.6m shares (1.24% of shares) at 2.91 days to cover.



Top: shares sold short, millions, bi-monthly settlement, Jan 2025 to 15 Oct 2026. Bottom: days to cover (short interest / average daily volume). The rise from 1.3 to 2.9 days in 2026 comes mostly from lower volume, not more shorting.

Figure 11. Average daily volume fell from 185m to 101m shares (−45%).



Average daily volume per month, millions of shares, split-adjusted. Turnover is still about $22.3bn a day (20 sessions).

Institutions (13F): flat on a net basis, rotation underneath

Across 5,392 managers present in both quarters, NVIDIA holdings rose by 260m shares, of which 187m is an artefact of the Nasdaq-100 fund's restructuring. Excluding it: +73m (active +0.14%, passive +0.17%, dealers +3.2%). Large growth managers and multi-strategy funds cut; 13F filers together hold 69.5% of shares.

Table 6a. Largest active sellers, Q1 to Q2 2026, millions of shares

MANAGER	Q1	Q2	CHANGE	%
Capital World Investors	130.3	109.1	−21.1	−16%
Wellington Management Group Llp	133.9	122.1	−11.8	−9%
Jennison Associates Llc	74.0	64.3	−9.6	−13%
National Philanthropic Trust	9.7	1.3	−8.5	−87%
H&H International Investment, Llc	13.8	6.3	−7.6	−55%
Point72 Asset Management, L.P.	7.6	0.4	−7.1	−94%

Table 6b. Largest active buyers, millions of shares

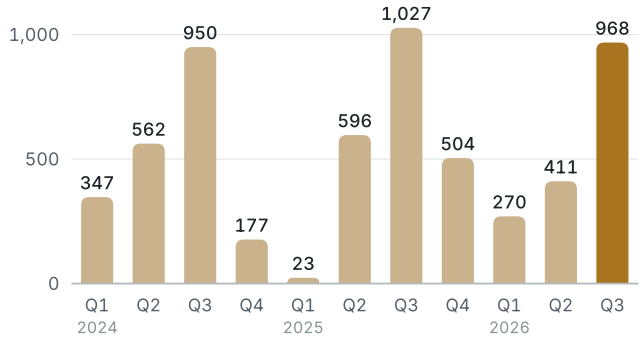
MANAGER	Q1	Q2	CHANGE	%
Fmr Llc	993.9	1,026.1	+32.2	+3%
Sanders Capital, Llc	7.1	22.6	+15.4	+217%
Capital Research Global Investors	193.0	202.7	+9.7	+5%
Ascentis Wealth Management, Llc	0.1	9.1	+9.0	new

2,900 filers have reported Q3 so far (5.6% of Q2 shares held); this early, smaller group raised positions by +3.6%. We count shares, not values, because some filings report values in thousands of dollars.

07 POSITIONING AND FLOWS (CONT.)

Insiders sell, retail drifts away, passive money buys the sector

Figure 12. Q3 2026: insider sales of $968m, the most since Q3 2025; no purchases since 2024.



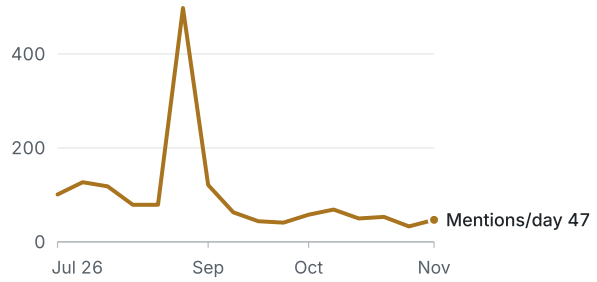
Value of shares sold by officers and directors (Form 4), $m, calendar quarters. Director M. Stevens sold about 4.24m shares for $947m between 31 Aug and 18 Sep. Notices of proposed sale (Form 144) for Q3: $1,108m.

NVIDIA insiders have sold regularly for years, much of it under 10b5-1 plans, so selling alone is not a signal. The information is the absence of a counterweight: there is not a single open-market purchase in our data since the start of 2024, including during the 37% fall between January and April 2025.

Off-exchange volume and daily short sales

Alternative trading systems (dark pools) account for an average 14.0% of weekly volume (July to October). The short-sale share of off-exchange reported volume rose from 35.7% in June to 41.9% in October: a small move, but in the cautious direction. Fails to deliver in October: $30m, immaterial.

Figure 13. Retail attention is down 91% from its peak in the week of the August results.



Average daily NVDA mentions on the largest retail investor forum, weeks ending Friday, since 21 Jul 2026.

Table 7. Implied ETF flows, $bn

FUND	JUL	AUG	SEP	OCT
Semiconductors (iShares)	−0.42	−3.73	+1.77	+3.40
Technology (SPDR)	+1.01	−1.33	−0.13	+2.09
US Technology (iShares)	−0.35	+0.33	−0.03	−0.61
S&P 500 (iShares)	−11.65	−8.87	+2.97	−3.62
S&P 500 (SPDR)	+6.86	−4.86	+2.51	−5.35

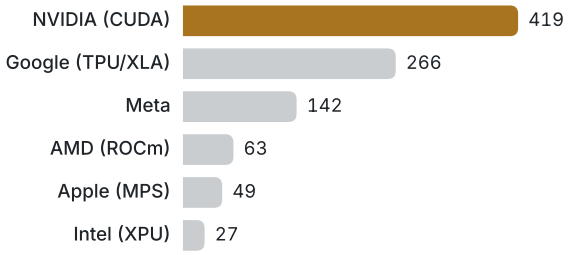
Flows from unit creations and redemptions. The semiconductor ETF took in $5.2bn in September and October even as the index fell 14.2% in October.

08 ALTERNATIVE DATA

The software moat holds; the geography of risk is getting denser

Hawk Thorne's alternative data layer tracks what share prices do not show: the code engineers write for specific chips, incidents on shipping lanes, export control actions and grid interconnection queues.

Figure 14. In October NVIDIA accounted for 43.4% of public hardware references in commits to core open-source AI repositories; AMD for 6.5%.



Verified commits and open changes in two core open-source AI framework and compiler repositories that reference a given vendor's hardware, 1–31 Oct 2026 (n = 966). A hardware reference does not measure market share; it measures whose platform the community is optimising code for.

The indicator answers a question quarterly results do not ask: is the "multi-vendor platform" narrative (competition takes 9.5% of coverage) reaching engineers' day-to-day work? In October it was not. For every reference to AMD's platform there were about 6.7 references to CUDA. Among 59 changes flagged as references to unannounced silicon, most are optimisations for Blackwell and GB200, and one classifies Jetson Thor (SM 11.0) as data-centre-class Blackwell.

Limitation: five weeks of observations (since 26 Sep). This is a signal, not a trend; it needs at least two quarters of history.

Geography of risk

REGISTER OBSERVATIONS, 2 OCT TO 2 NOV 2026	COUNT
Maritime incidents in the Taiwan Strait zone linked to semiconductors	57 (24 unique)
Incidents in the Strait of Hormuz zone	231 (96 unique)
BIS export control actions and publications	16

The register started on 2 Oct, so these counts describe a month, not a trend. The Taiwan series includes unexplained clusters of ships anchoring off the island (25–26 Oct) and Taiwan's purchase of US unmanned surface vessels. None of the events touches TSMC production directly. They matter because they are clustering just as geopolitics gains share in NVIDIA coverage (2.1% → 4.0%). A BIS rule of 2 Oct restricting polysilicon stockpiling was linked by the system to NVDA, ASML, AMAT, LRCX and TSM.

The Hormuz series connects to the macro channel: the US–Iran war in March pushed WTI above $100 ($102.9 at end-March, $108.6 at end-April), and after the 8 Apr ceasefire it never returned to pre-war levels ($103.4 at end-October). That is one reason the Fed hiked.

Grid interconnection queues

PROJECT STATUS (FOUR US GRID OPERATORS)	COUNT	GW
active in queue	1,317	390
construction / advanced	280	72
in service	751	206
withdrawn / suspended	5,627	1,755

Latest observation of each request, 2 Oct to 2 Nov 2026. Status vocabularies differ across operators and only about 22% of requests give an in-service date, so we derive no capacity timeline from this data. For every gigawatt in the active queue there are about 4.5 GW of withdrawn or suspended requests: the queues are clogged with speculative filings. That is the context for post-earnings headlines about a power bottleneck: the pace of GPU deployment may be capped by the grid, not by chip supply.

09 MACRO AND MARKET REGIME

Rates, oil and credit are working against long-duration equity

A stock with a beta near 2 and a valuation that depends on earnings several years out is most sensitive to three things at once: real rates, the cost of credit and the risk premium. All three deteriorated this autumn.

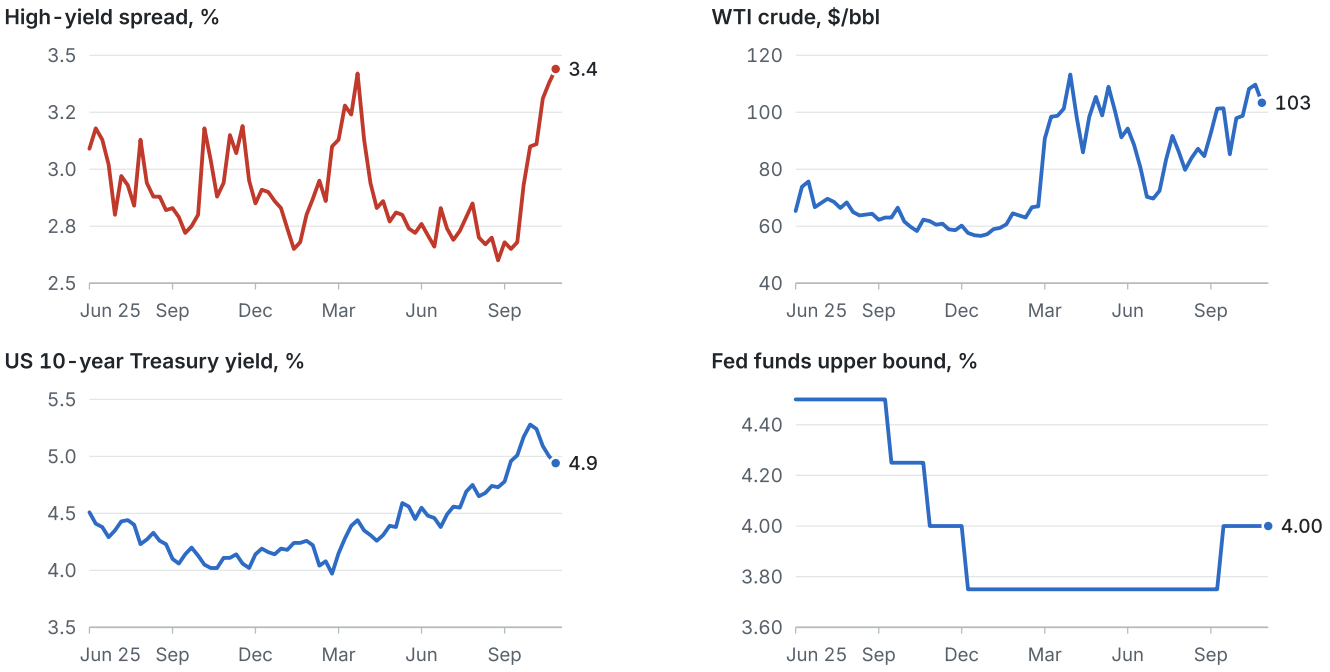


Figure 15. Four indicators, one direction since September: dearer money and dearer credit. Weekly data, Jun 2025 to Oct 2026, official statistical series. Separate panels rather than one chart with two axes.

Table 8. Readings as of 30 Oct to 2 Nov 2026

INDICATOR	READING	CONTEXT
Fed funds upper bound	4.00%	hiked 17 Sep 2026 (from 3.75%); first hike since 2023
US 10-year Treasury yield	4.94%	peaked at 5.29% at end-September
US 2-year Treasury yield	4.56%	market prices further tightening
High-yield spread (OAS)	3.44%	+79bp from the September low (2.65%)
Investment-grade spread (OAS)	0.94%	widest since summer 2025
CPI inflation y/y (September)	4.0%	back to 4%, as in April
WTI crude	$103.4	$57.3 in December 2025
VIX / VIX 3M	19.4 / 20.8	contango: no panic in index options
Risk regime (Hawk Thorne model)	DEFENSIVE	since 23 Oct; score 70/100, driver: credit stress

Why this matters more for NVIDIA than for the market

NVIDIA's one-year beta is 1.96 to the S&P 500 and 1.32 to the Nasdaq-100. The high-yield spread matters twice over: as a gauge of risk appetite, and as the cost of capital for customers who fund GPU purchases with debt (cloud operators, AI labs). When the spread widens, part of NVIDIA's demand gets more expensive at the source, and its guarantees become more valuable to customers and more costly to shareholders.

Hawk Thorne's regime model moved to DEFENSIVE on 23 Oct, the first time since spring, on credit stress in the 96th–100th percentile of its one-year window. Index options remain calm (VIX in contango), so the stress is in credit, not yet in equities. Divergences like this usually resolve in credit's favour.

10 QUANTITATIVE RISK PROFILE

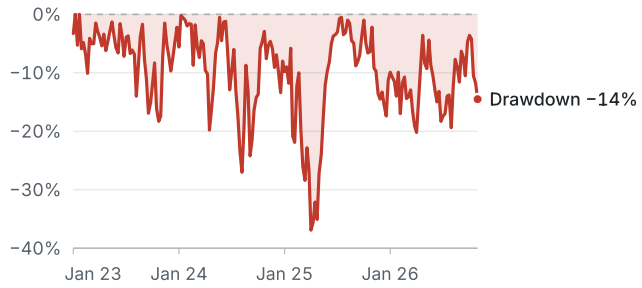
Volatility currently understates the risk

Current 20-day volatility (32.2%) is the lowest in a year and a third below the three-year average (46.9%). With results approaching and the narrative shifting, this looks more like the calm before a resolution than a new, quieter regime.

Table 9. NVDA risk measures, data to 30 Oct 2026

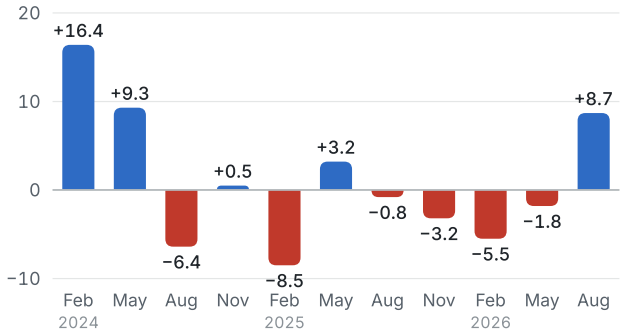
MEASURE	VALUE	NOTES
Annualised volatility: 20 / 60 / 252 days	32.2% / 39.1% / 38.0%	3 years: 46.9%
Beta: S&P 500 / Nasdaq-100 / semis	1.96 / 1.32 / 0.65	12 months, daily returns
Correlation with semiconductor index	0.71	with Nasdaq-100: 0.70
99% VaR, 1 day (historical)	4.84%	3-year window: 6.97%
97.5% ES, 1 day (historical)	4.95%	3-year window: 7.70%
99% VaR, 10 days (3 years, overlapping)	17.8%	97.5% ES: 17.5%
Max drawdown: 12 months / 3 years	−20.2% / −36.9%	3 years: 6 Jan to 4 Apr 2025
Average turnover, 20 days	$22.3bn	101m shares
Exit $5bn / $10bn at 10% of volume	2.0 / 3.9 days	on 60-day average

Figure 16. The deepest drawdown in three years: −36.9% over three months in 2025; currently −14.5%.



Distance from the running peak, weekly minimum, Jan 2023 to Oct 2026.

Figure 17. Earnings reactions: after 6 of the last 9 reports the stock fell the next day, although adjusted EPS beat consensus every time.



NVDA move in the session after results (released after the close), Feb 2024 to Aug 2026, %. Mean absolute move: 5.8%. Label: month of the reaction session.

How to read these numbers before 17 Nov

One-year historical VaR (4.84%) is smaller than the average earnings reaction (5.8%). A risk model calibrated on the last twelve months will understate the loss on results day. The three-year window gives 6.97% for one day and 17.8% for ten, a closer order of magnitude for a horizon that includes results.

Liquidity is not a constraint, even for large funds: a $5bn position can be exited in about 2.0 sessions without exceeding 10% of volume. The risk is a gap after an event, which liquidity does not remove.

The year's worst sessions show where losses come from: 5 Jun (−6.2%, the sector −9.2%), 26 Feb (after results, −5.5%) and 27 Jul (−5.0%, the day of the $250bn guarantee reports and the CDS record). The last one was company-specific: the index lost only 2.3%.

11 RISK REGISTER

The biggest risk is not the most likely one, but the most correlated one

The register ranks risks by probability over 12 months and impact on equity value (1–5 scale, analytical judgement). Each risk has an early-warning indicator from our data and a threshold beyond which the assessment needs revisiting.

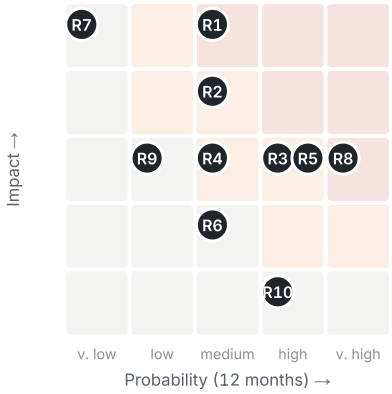


Figure 18. Risk matrix. Background: low, elevated and high zones (product ≥ 8 and ≥ 15). Scores are judgement; the table explains them.

Why R1 scores 5 for impact. Not because guarantees are large relative to equity, but because they crystallise together with R2 and R5. The impact score reflects correlation, not the amount alone.

	RISK	P/I	INDICATOR	READING	REVIEW THRESHOLD
R1	**Correlated financing risk** guarantees, customer stakes, debt; one shock through three channels	3/5	financing share of coverage; HY spread; net minus operating income	7.0% of coverage; HY 3.44%	HY > 4.0%; a new guarantee > 10% of equity
R2	**Hyperscaler capex digestion** orders slow after years of build-out; ROI pressure	3/4	demand-theme share; hyperscaler share prices	demand 32.3% of coverage; Alphabet −18.7% in Oct	capex guidance cuts; demand share < 28%
R3	**China and export controls** 49% cap, surveillance reports, Congressional pressure	4/3	share and tone of China theme	6.8%, tone −0.15	new licences or bans; tone < −0.3
R4	**Competition and pricing power** customers' own chips, AMD, multi-vendor strategies	3/3	gross margin; CUDA share of code references	GM 75.0%; CUDA 43.4%	GM < 73%; CUDA share < 35%
R5	**Rates and credit** Fed hike, 4% inflation, oil above $100	4/3	Fed, 10Y, CPI, WTI	Fed 4.00%; 10Y 4.94%	another hike; 10Y > 5.3%
R6	**Regulation and antitrust** DOJ and Hugging Face; China	3/2	regulation-theme share	1.8%, tone −0.32	formal proceedings; deal conditions
R7	**Taiwan and the supply chain** production concentrated at one foundry	1/5	Taiwan Strait incidents	57 obs. since 2 Oct	weekly incident count doubles
R8	**Event: results on 17 Nov** reaction to guidance and earnings quality	5/3	historical reactions, 3-year VaR	±5.8% average	certain event; size uncertain
R9	**Execution: Rubin and HBM4** memory delays, production ramp	2/3	share and tone of product theme	15.0%, tone 0.14	reports of a ramp delay
R10	**Insider share supply** steady selling, no buying	4/1	Form 4 and Form 144	$968m in Q3	insider purchases (opposite signal)

12 SCENARIOS FOR THE NEXT 12 MONTHS

Three paths, and the signals that tell them apart

The scenarios contain no price levels. They describe conditions, early signals in narrative and market data, and the mechanism by which each path changes the valuation. Probabilities are analytical judgement, not model output.

A Financing under control

probability (judgement): 45%

CONDITIONS

- hyperscaler capex grows more slowly in 2027, but grows
- Rubin ramps without material delay
- guarantees grow no faster than revenue; net income ≤ operating income
- HY spread back below 3.2%

WHERE IT SHOWS UP FIRST

Risk-theme share falls below 17%; tone on AI labs recovers above 0.15; the results reaction follows the direction of guidance.

WHAT IT DOES TO VALUATION

The debate returns to the durability of growth; the EPS growth in Table 3 is achievable without multiple expansion.

B Investment digestion

probability (judgement): 35%

CONDITIONS

- at least two hyperscalers cut 2027 capex plans
- price pressure from customers' own chips and AMD
- gross margin drifts towards 72–73%
- macro unchanged: rates high, credit getting dearer

WHERE IT SHOWS UP FIRST

Demand-theme share below 28% for a month; a growing competition theme with negative tone; a falling CUDA share in code references.

WHAT IT DOES TO VALUATION

The market starts pricing a year of falling earnings; the multiple converges on that of a mature hardware maker.

C A credit event in the AI chain

probability (judgement): 20%

CONDITIONS

- a large customer or cloud operator loses access to funding
- guarantees are called and stakes written down
- net income falls below operating income on mark-downs
- HY spread > 4%, NVIDIA CDS at a new record

WHERE IT SHOWS UP FIRST

Financing above 15% of coverage with negative tone; headlines about CDS, restructurings and circular financing; NVDA diverging below the index on days without sector news.

WHAT IT DOES TO VALUATION

The three channels in Figure 9 fire at once; historical VaR stops being the right measure because correlations jump.

Why these weights

Scenario A gets the highest weight because operating fundamentals (revenue +106% y/y, 75% gross margin) and light positioning do not point to a forced drop in demand in the coming quarters. A 20% weight for scenario C is high for a credit event; it reflects that three of its four conditions are already partly present (CDS records, a widening high-yield spread, the guarantor role), and that CoreWeave has lost 58% in a year.

Moving between scenarios

The most likely route does not run from A straight to C, but through B: investment digestion weakens customers' cash flows, which raises their dependence on financing guaranteed by NVIDIA. That is why scenario B's indicators (demand share, gross margin) are also the early warning for C.

13 IMPLICATIONS FOR RISK MANAGEMENT

How to build these findings into an investment process

The points below concern measuring and controlling the risk of an NVIDIA exposure. They are not advice to open, increase or reduce a position; that decision belongs to each investor, within its own mandate and risk budget.

1 An equity exposure with a credit component

Problem. A risk model that treats NVIDIA purely as a growth stock (beta, volatility) misses the guarantee and mark-to-market channel, which would fire together with the revenue channel.

Plan. Add credit indicators to position monitoring: the high-yield spread, the financing theme's share of coverage, the gap between net and operating income. Stress-test NVIDIA together with Oracle, CoreWeave and the hyperscalers as a single AI-financing factor.

Outcome. Earlier detection of the moment correlations jump, before historical volatility (now a one-year low) shows it.

2 Event risk on 17 November

Problem. Average earnings reaction ±5.8%, against a one-year 99% VaR of 4.84%; 6 of the last 9 reactions negative.

Plan. Size the exposure over a horizon that includes results using three-year measures (10-day 97.5% ES: 17.5%), not 20-day volatility.

Outcome. A tail loss fits within the risk budget without a forced cut after the fact.

3 Factor concentration, not name concentration

Problem. NVIDIA's correlation is 0.71 with the semiconductor index and 0.70 with the Nasdaq-100. Exposure to the AI cycle is spread across many positions whose combined risk is invisible in issuer limits.

Plan. Measure the portfolio's total exposure to an AI factor (regress position returns on a basket of NVDA, semiconductors and hyperscalers) and set a limit on the factor, not just the issuer.

Outcome. Risk limits match how positions actually move under stress.

4 Narrative as an early-warning system

Problem. Headline tone does not lead the price (correlation ≈ 0), but the theme mix changes ahead of fundamentals: financing hit the headlines in July, before it appeared in a filing.

Plan. Track the share of risk and financing themes weekly against the thresholds in Table 10; do not use sentiment to time trades.

Outcome. Assessments are revised on thresholds defined in advance, not on a single headline.

Table 10. Early-warning dashboard (as of 3 Nov 2026)

INDICATOR	READING	ESCALATION THRESHOLD	NORMALISATION THRESHOLD
High-yield spread (OAS)	3.44%	> 4.0%	< 2.8%
Risk-theme share (4 weeks)	20.5%	> 25% for 2 weeks	< 17% for 4 weeks
Negative headlines (4 weeks)	17.0%	> 20%	< 13%
Net minus operating income (quarter)	$−4.0bn	> 0 (mark-ups return)	persistently < 0
Long-term debt	$32.4bn	new issue or guarantee > $23bn	repaid without new issue
Gross margin	75.0%	< 73%	≥ 75%
CUDA share of hardware references	43.4%	< 35%	> 45%
Short interest (% of shares)	1.24%	> 2.0%	< 1.0%
Fed funds upper bound	4.00%	another hike	a cut

14 FINAL VERDICT AND LIMITATIONS

High business quality, declining exposure quality

We assess NVIDIA in two layers, because folding them into a single grade would be an analytical error. **Business quality is high and rising**: revenue doubled in a year, gross margin holds at 75%, and more than 40% of the AI community's hardware-specific code is still written for its platform. **Exposure quality is declining**: earnings partly depend on customer valuations, the balance sheet is taking on debt and guarantees, the narrative is shifting towards risk, and macro is raising the cost of capital for the whole chain.

The share price has gone nowhere for a year precisely because the two layers cancel out. The resolution will not come from another consensus beat. It will come from the answer to one question: will revenue growth in 2027 require an ever larger share of financing from NVIDIA itself?

When a supplier starts guaranteeing its customers' debts, its risk stops being a seller's risk and becomes a creditor's.

Limitations

- **Guarantees and CDS from media reports.** The amounts ($100bn, 6.5 GW, $279bn of purchase commitments) and the CDS records come from the news corpus, not from direct measurement or full filings.
- **No options data.** Without implied volatility and skew we cannot say how the market prices the tail ahead of 17 Nov.
- **Corpus gaps.** 20 business days with incomplete coverage (9–13 Apr, 22–27 Apr, 1–10 May, 20–27 Aug) are excluded from comparisons; the August results week is filled from an independent news stream.
- **Theme lexicon.** The classification is deterministic and auditable but relies on headlines and leads; precision was checked by hand on samples, not on a labelled test set.
- **Short alternative series.** Repository telemetry has five weeks of history, grid queues one month, the retail forum data starts in July. These are signals, not trends.
- **FQ4 FY26 is missing** from the filings dataset; we do not replace it with an estimate.

Methodology

Prices and risk. Daily closes adjusted for splits, 3 Jan 2023 to 30 Oct 2026. Historical VaR and ES with no distributional assumptions; beta from the covariance of daily returns (252 sessions).

Narrative. Articles with NVIDIA in the headline (auto-generated notes on fund position changes removed), headline sentiment on a −1 to +1 scale, 12 themes assigned with a regular-expression lexicon. Share of coverage is the percentage of articles; volume is normalised to the whole corpus for each day. Cross-checked in two independent corpora (full texts with emotion analysis, and a sentiment-labelled news stream).

Positioning. Short interest and off-exchange volume from regulatory reporting; 13F as a panel of the same managers, counted in shares; insider transactions from Forms 4 and 144; ETF flows from creations and redemptions.

Alternative data. Verified commits in public open-source AI repositories, interconnection queues of four US grid operators, export control and sanctions registers, maritime incidents. Data sourcing is documented internally.

Valuation. The reverse model in Table 3 illustrates the assumptions required; it is neither a forecast nor a target value.

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