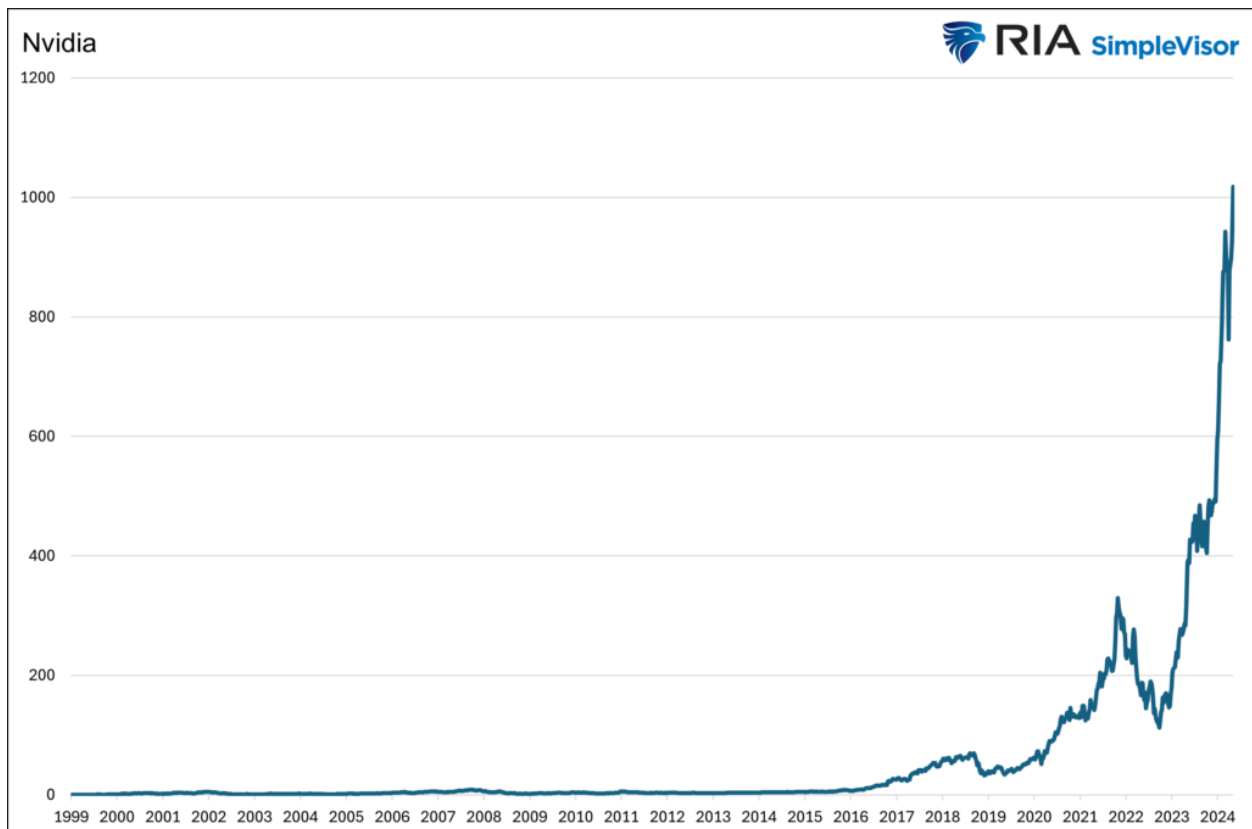


With the stock price of Nvidia (NVDA) now trading at over \$1,000 per share, Nvidia stock has been up 270,000% since it went public. If you bought 1000 shares of Nvidia at its IPO in 1999 for a mere \$376 and held them until today, congratulations?you are now a millionaire. We present a few numbers to help you better appreciate Nvidia's meteoric rise.

- *Nvidia is now larger than the entire German stock market and five times the size of companies like Walmart, Exxon, and Visa.*
- *Nvidia posted quarterly revenue of \$26 billion, up 18% from last quarter and a whopping 262% from a year ago. Its data center revenue is up 427% from a year ago.*
- *The aggregate market cap of the 174 smallest S&P 500 stocks is equal to that of Nvidia.*
- *Its market cap is greater than the GDP of every state except California and Texas.*

To accommodate AI, we need AI data centers. These require specific chips, of which Nvidia is the leading producer. Given its dominant position and surge in data center construction, Nvidia's stock is today's poster child for AI. However, other less-followed industries will also greatly benefit from data center growth. On Wednesday, we published [Part One of AI Data Centers and EVs Create Incredible Opportunities](#), describing the enormity of building out the power grid to accommodate AI and EVs. We will follow up with discussions of stocks and industries that will likely benefit. While we can't expect 270,000% gains like NVDA, many stocks involved in the power grid buildout and modernization will see substantial growth.

As hockey great Wayne Gretzky once said: "Go to where the puck is going to be, not where it has been."



# What To Watch Today

## Earnings

Time	Symbol	Company Name	Market Cap*	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
☹	CCEP	Coca-Cola Europacific Partners plc	\$33,652,262,800	Mar/2024		1	N/A	N/A
☀	BAH	Booz Allen Hamilton Holding Corporation	\$19,910,799,675	Mar/2024	\$1.22	11	5/26/2023	\$1.01
☹	BKE	Buckle, Inc. (The)	\$1,866,725,587	Apr/2024		1	N/A	\$0.86
☹	HIBB	Hibbett, Inc.	\$1,017,463,218	Apr/2024	\$2.68	4	5/26/2023	\$2.74

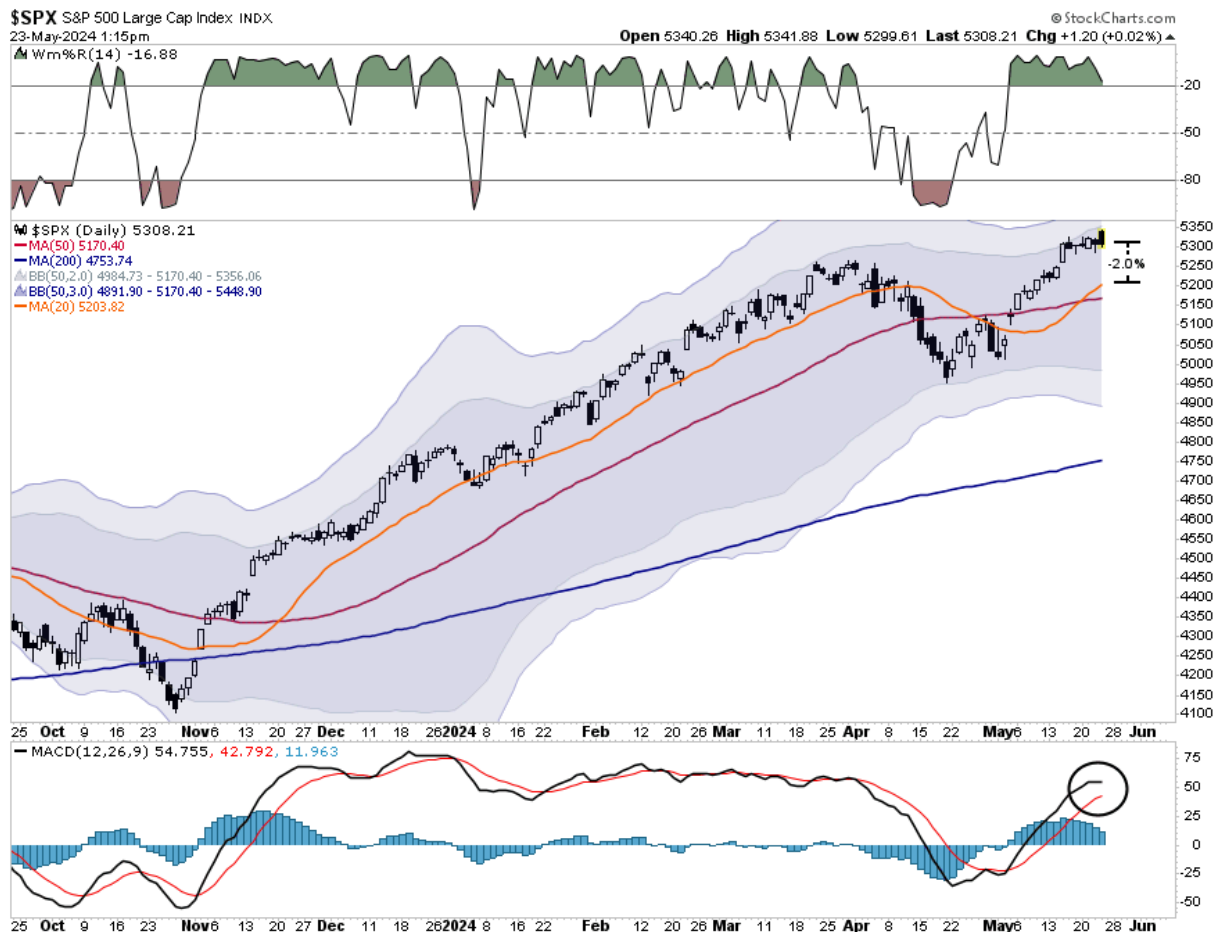
## Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
FRIDAY, MAY 24						
07:30	🇺🇸 USD Durable Goods Orders(Apr)	🔴	-	-	-0.8%	2.6%
07:30	🇺🇸 USD Durable Goods Orders ex Defense(Apr)	🔴	-	-	-	2.3%
07:30	🇺🇸 USD Durable Goods Orders ex Transportation(Apr)	🔴	-	-	0.1%	0.2%
07:30	🇺🇸 USD Nondefense Capital Goods Orders ex Aircraft(Apr)	🔴	-	-	0.1%	0.1%
08:35	🇺🇸 USD Fed's Waller speech	🔴			SPEECH	
09:00	🇺🇸 USD Michigan Consumer Sentiment Index(May)	🔴	-	-	67.5	67.4
09:00	🇺🇸 USD UoM 5-year Consumer Inflation Expectation(May)	🔴	-	-	3.1%	3.1%

## Market Trading Update

**As noted yesterday**, the market was posting all-time highs ahead of the release of the FOMC minutes and Nvidia's earnings report. However, as we have noted over the last several trading days, the market was overbought and deviated from its 20- and 50-DMA, which would likely limit upside in the near term. Even with blowout numbers from Nvidia, the market struggled yesterday as it continued consolidating recent gains over the last week. There is currently a 2% decline for a retest of support at the 20-DMA. With the market overbought and the MACD signal starting to close in on a short-term sell signal, a pullback and retest of that support seems highly probable.

Continue to manage risk accordingly. There is nothing currently "wrong" with the market that would suggest a deeper decline in the coming month or so. However, it is always a good practice to manage risk along the way.



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## PMI Surveys Scares Bond Investors

The Flash PMI manufacturing and services surveys were both better than expected. Manufacturing continues improving and has been in expansionary territory for two months. Services, which were trending lower, jumped from 51.3 to 54.8 and are now at their highest level in a year.

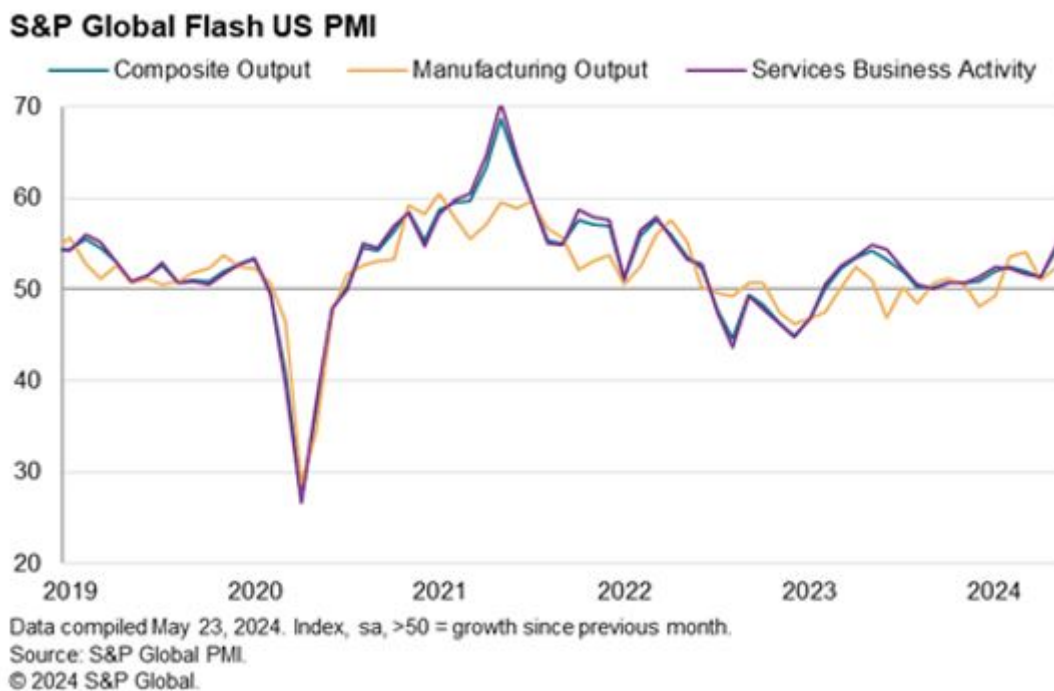
Bond yields rose on the news as PMI suggests the Fed will not hike rates this year. Bond investors are concerned that prices will remain at current levels, especially if the service sector remains strong. To their point, input and output prices rose, although manufacturing, not services, prices account for most of the price growth. Interestingly, companies are having trouble passing on higher prices to their consumers. Per the report:

*However, the overall rate of selling price inflation remained below the average seen over the past year.*

Of concern in the reports is employment. Despite what appears to be an optimistic outlook by business managers, the report notes the following:

*Employment fell for a second successive month in May, contrasting with the continual hiring trend seen over the prior 45 months.*

We caution that the Flash PMI is based on mid-month data and sometimes diverges from the monthly ISM report. We will wait for the next round of ISM and the regional Fed survey to confirm whether the Flash PMI survey is representative of economic activity.



## Credit Losses Bring Back Memories of 2008

According to Bloomberg, investors in a AAA-rated CMBS tranche experienced their first loss since 2008. The graphic below, courtesy of Deutsche Bank and Bloomberg, shows that the 1740 Broadway CMBS security has wiped out holders of all classes except the highest-rated AAA tranche, which will receive 74 cents on the dollar.

CMBS, or commercial mortgage-backed securities, hold loans on one or more properties. Often, they are structured such that the loans cash flows are prioritized to classes based on risk. For instance, the AAA holders of 1740 Broadway were supposed to be paid first, then AA, and so on down the line. In this case, the loan holders went bankrupt, and based on the data in the graphic, the sale of the property, 1740 Broadway, was only worth a third of the original loan amount.

We suspect that, given that some commercial office real estate is selling for small fractions of its original worth, this won't be the last CMBS-AAA loss we hear of.

## AAA Holders of 1740 Broadway CMBS Get Hit

Lower ranking creditors are wiped out

Class	Original Balance	Bond Loss	Percentage loss	Original S&P Rating
A	\$157.5 m	\$40.3 m	26%	AAA
B	38.6	38.6	100	AA-
C	26.7	26.7	100	A-
D	32.8	32.8	100	BBB-
E	44.6	44.6	100	BB-
F	7.8	7.8	100	B+

Source: Deutsche Bank AG

## Tweet of the Day



**Bespoke** @bespokeinvest · 4h

How 'bout this chart title on \$NVDA 😂



?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)

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