Yardeni Research

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Morning Briefing

On Nvidia, Stablecoins & AI Shopping Agents

Check out the accompanying chart collection.

Executive Summary: Nvidia has been seeding its future demand by investing huge sums in companies that will likely grow into big purchasers of Nvidia chips. Will the investments bear the hoped-for fruit? Jackie has the story. … Also: The Genius Act brings guardrails and clarity to the stablecoin market, but some say the legislation doesn't go far enough—leaving investors without guaranteed reimbursement if issuers fail. … And in our Disruptive Technologies segment: E-commerce evolves yet again with the arrival of AI shopping agents.

Information Technology: Nvidia's Story Gets Messy. In the good old days—maybe a year ago—Nvidia had a nice, clean story to tell investors. AI data centers were falling all over themselves to buy Nvidia's chips, and the company's revenue was growing sharply. In recent weeks, the story has gotten more complicated.

First, the company's data center revenue growth slowed in its latest quarter, compared to extremely fast growth in the past. Consider the trend: Fiscal Q4 (ended January) data center revenues grew 15.6% q/q, followed by 9.9% q/q growth in fiscal Q1 (April), and 5.5% growth in fiscal Q2 (July). On a y/y basis, data center revenue is still growing rapidly, to be sure—up 56% y/y to $41.1 billion last quarter—but the growth is slowing.

Second, Nvidia has been making extremely large investments in companies that presumably will buy Nvidia chips in the future. That's not illegal, but it should make analysts and investors question whether the company needs to make these gigantic investments in order to achieve future prospective sales boosts. That's left folks comparing the company's stock to Cisco's stock, which surged over five years before crashing hard in 2000 from levels it has yet to revisit (*Fig. 1*).

Let's take a look at some of the deals Nvidia has recently entered:

(1) *OpenAI gets $100 billion.* Nvidia *announced* this week that it will invest up to $100 billion in OpenAI to help the company build data centers that will be chock-full of Nvidia chips. Nvidia will invest $10 billion at a time into OpenAI, with the first phase of the project targeted to come online in the second half of 2026. The first $10 billion investment values OpenAI at $500 billion. The nine following investments will be priced at the company's valuation at the time investments are made.

This wasn't Nvidia's first investment in OpenAI. The chip company was also among the group of investors that invested $6.6 billion into OpenAI in 2024. Nvidia's contribution was $100 million.

Nvidia's investment this week in OpenAI was great news for Oracle. OpenAI had recently agreed to spend $300 billion on computing power provided by Oracle starting in 2027. But some questioned whether the unprofitable OpenAI would have the financial wherewithal to do so. Doubters were silenced after Nvidia's investment in OpenAI. And yes, Nvidia's chips are in Oracle's data centers, too.

OpenAI also committed to providing $100 billion of the $500 billion being raised to fund President Donald Trump's Stargate Project, which will build data centers with its other partners—Oracle, SoftBank, and Emerati firm MGX. Open AI said Tuesday that it ultimately expects $1 trillion will be needed to build out data centers across the US and abroad, the *WSJ* *reported*. And yes, it's likely that these facilities will hold Nvidia chips and servers.

(2) *Intel gets $5 billion.* On September 18, Nvidia *announced* it would invest $5 billion in Intel stock at $23.28 per share. The two companies announced plans to jointly develop data center and PC products using Nvidia and Intel products. Intel shares surged on the news.

(3) *Some smaller deals made, too.* Also on September 18, Nvidia *announced* plans to invest £2 billion (roughly $2.7 billion) into the UK AI startup ecosystem to accelerate the creation of new companies, jobs, and AI businesses. Nvidia also last week *invested* $500 million into UK data center startup Nscale, which uses Nvidia chips in its data centers.

CoreWeave, a cloud provider optimized for AI operations, has also benefited from Nvidia's investing largess. In 2023, Nvidia invested $100 million into CoreWeave during the company's private equity fundraising. Then, in March 2025, Nvidia came to the rescue when CoreWeave's IPO looked rocky by purchasing $250 million of CoreWeave stock.

Further entangling the two companies, CNBC *reported* last week that Nvidia had agreed to purchase any unsold capacity in CoreWeave’s servers through April 2032. The deal is valued at a whopping $6.3 billion. And yes, CoreWeave’s servers are filled with Nvidia’s chips and products.

(4) *Nvidia’s balance sheet.* Fortunately, Nvidia has plenty of cash on hand to fund these major commitments if they are spread out over a number of years. Nvidia had cash and marketable securities of $56.8 billion in fiscal Q2 and only $8.5 billion of long-term debt.

The company generated $42.8 billion from operating activities in Q2 alone. It did use $9.7 billion to repurchase its common stock, but that left plenty of cash to make investments.

Nvidia’s shares don’t suggest investor concern about these new, large investments in other companies. The stock hit a new 52-week high on Monday and has risen 32.9% ytd through Tuesday’s close (*Fig. 2*). The company’s revenues are expected to grow 39.5% over the next 12 months, relatively close to its forecasted earnings gain of 44.3% (*Fig. 3* and *Fig. 4*). Under those growth assumptions, the stock’s forward P/E, at 31.1, looks reasonable (*Fig. 5*).

But make no mistake, Nvidia’s fortunes are closely tied to those of the small companies in which it is investing. As long as companies like OpenAI and CoreWeave can continue to raise billions of dollars from Nvidia and others to build data centers, Nvidia’s chips should stay in demand. But the day that stops, watch out.

Financials: A Stablecoin Update. When President Trump signed the Genius Act into law on July 18, it established a regulatory framework around stablecoins that gave market participants both guardrails and clarity. The latest sign of the stablecoin market’s success: Tether, the largest stablecoin issuer, is in the market raising as much as $20 billion in a private equity offering that pegs the company’s valuation at $500 billion, according to a Bloomberg report *cited* by the *WSJ* yesterday.

Here's a look at the current state of the market and some of the positives and negatives of the Genius Act legislation:

(1) *Still growing fast.* Stablecoins are digital assets that maintain their value by being pegged to a reserve asset, like US Treasuries. State Street Investment Management *estimates* that the stablecoin market’s capitalization has grown at a compound annual rate of 77% over the past five years, hitting $262 billion in July.

Tether held $98 billion of US Treasuries as of March, and Circle held over $22 billion of US Treasuries as of late January. Combined, the two stablecoin issuers would be the 18th largest holder of US debt, trailing South Korea but surpassing Germany, a June 5 ARK Invest *report* stated.

ARK forecasts the stablecoin market will grow to $1.4 trillion by 2030. If they retain their market shares, Tether and Circle could hold more than $660 billion of US Treasuries by 2030, making them among the largest holders of US debt. In this scenario, stablecoins will prove to be a major source of demand for both Treasuries and the US dollar.

(2) *Genius Act pros.* The Genius Act lays out several rules for stablecoin issuers that should give investors some certainty about what they own. Most importantly, the legislation requires that stablecoins be backed one-for-one by reserves of liquid assets, like cash or short-term Treasuries. The composition of the reserves must be disclosed monthly.

The Genius Act also prioritizes stablecoin investors' claims above those of other creditors if a stablecoin becomes insolvent. It establishes rules to protect consumers from deceptive marketing practices, such as falsely claiming that stablecoins are federally insured or backed by the US government. Stablecoin issuers are prohibited from offering any interest or yield on stablecoin offerings.

Stablecoin issuers must comply with anti-money laundering, sanctions, and know your customer rules. And they may be regulated either by federal regulatory agencies or by state agencies that are substantially similar to their federal counterparts.

(3) *Genius Act cons.* Some critics are concerned that investors in stablecoins aren't guaranteed reimbursement if the stablecoin issuer fails. They worry that large technology companies will use stablecoins to enter banking businesses without being subject to the same stringent regulatory oversight that banks undergo. Tech companies in stablecoins would erode the traditional separation between banking and commerce.

Some folks wanted the legislation to prohibit offshore companies, like Tether, from issuing stablecoins in the US. They fear that offshore entities are more able to evade US regulations and sanctions.

Disruptive Technologies: Google's Rules for AI Shopping Agents. In the near future, consumers may tell AI shopping agents what they'd like to buy, and the AI agent will scour the Internet to find the perfect item and purchase it. To make this future a reality, Google introduced last week Agent Payments Protocol (AP2), a new set of rules to govern online purchase transactions.

Here's a look at Google's AP2 offering and some alternatives offered by competitors:

(1) *New rules of the road.* Today's payment systems assume that there's a human clicking when something is purchased on the Internet. The advent of shopping agents turns this assumption on its head.

AP2 has rules that show the human buyer gave the AI shopping agent authorization to make a specific purchase. It enables merchants to ensure that the shopping agent's request reflects the buyer's true intent. If fraud does occur, a clear audit trail allows the parties involved to determine who's accountable.

"AP2 builds trust by using Mandates—tamper-proof, cryptographically-signed digital contracts that serve as verifiable proof of a user's instructions. These mandates are signed by verifiable credentials (VCs) and act as the foundational evidence for every transaction," a September 16 Google *blog post* stated.

(2) *A view into the future.* Google provided two examples of how AP2 could be used. In the first situation, a human asks an AI shopping agent to find white running shoes. That request is documented in an Intent Mandate. After the AI agent deposits the shoes that it found into a cart, the human shopper signs a Cart Mandate that lays out the shoe's size, color, price etc.

In the second example, shopping for and purchasing concert tickets is entirely delegated to an AI shopping agent. An Intent Mandate is created when the human asks the AI agent to shop for concert tickets, specifying price limits, timing, or other conditions. Once the conditions are met, the AI agent automatically generates a Cart Mandate.

In both scenarios, after the Cart Mandate is created, the merchandise can be paid for using the human's desired payment method.

Google envisions this system enabling new ways of shopping. For example, if a sweater is out of stock, a consumer could ask an AI agent to be on the lookout for that sweater and to purchase it automatically if it becomes available within a specific price range. Alternatively, if a desired item is not listed online, the AI agent could ask a retailer directly whether it's available and take action based on the retailer's answers.

(3) *Crypto players excited.* From a technology standpoint, AP2 is an open, shared protocol that provides a common language for transactions. Google worked with several partners—including financial companies like MasterCard, PayPal, American Express, and Coinbase—in developing AP2. Google says the system will support various payment methods, including credit and debit cards, stablecoins, and real-time bank transfers.

This, of course, has folks in the crypto markets excited. Cryptocurrencies' many fans notwithstanding, the currency still isn't used frequently to make purchases in daily life. AP2's ease of payment could change that.

(4) *Everyone wants into the market.* There's certainly plenty of competition. For example, MasterCard has introduced its own MasterCard Agent Pay, which it developed in coordination with Microsoft. Visa has its Intelligent Commerce tool, which replaces credit card details with tokenized digital credentials.

Amazon is beta testing its "Buy For Me" feature, which is an AI shopping agent that will leave the Amazon website and surf the Internet to find the product for which the customer is looking. The customer is shown the product and purchases the product while remaining on Amazon's website.

Competitors may be concerned that AI agents will disrupt traditional consumer shopping patterns and loyalties. "If AI agents were simply to seek the best product online, brand loyalty would diminish in importance, potentially reducing marketplaces to interchangeable, dumb pipes," an August 5 ARK Invest *report* stated. Marketplaces will have to show their value by offering the best prices, inventory, and speed.

Calendars

US: Thurs: Real GDP & Price Index 3.3% & 2.0%; Real Consumer Spending 1.6%; Durable Goods Orders -0.5%; Initial Claims 235k; Goods Trade Balance -$95.5b; Existing Home Sales 3.95mu, Kansas City Manufacturing Index; Williams; Barr; Goolsbee; Bowman; Logan; Daly. **Fri:** Personal Income & Spending 0.3% & 0.5%; Headline & Core PCED 0.3%m/m, 2.7%y/y & 0.2%m/m, 2.9%y/y; Consumer Sentiment 55.4; Bowman; Barkin. (Source: FX Street)

Global: Thurs: Germany Gfk Consumer Confidence -23.1; France Consumer Confidence 87; ECB Economic Bulletin; Japan Core CPI 2.8%y/y. **Fri:** Spain GDP 0.7%q/q, 2.8%y/y;

France Business Confidence 87.5; BoE Quarterly Bulletin; Cipollone; Escriva. (Source: FX Street)

Strategy Indicators

S&P 500 Earnings, Revenues, Valuation & Margins (*link*): During the September 18 week, the S&P 500's forward revenues edged up less than 0.1% w/w to 0.1% below its record high during the August 29 week. Forward earnings rose a hair as well, but to another new record high as the forward profit margin remained steady at a record high of 14.0%. The forward profit margin is now 3.7ppts above its seven-year low of 10.3% during April 2020. The consensus expectations for forward revenues growth was steady w/w at a 37-month high of 6.2%. From a longer-term perspective, that's well above its 20-year average of 5.2%. It has gained 3.9ppts from its 33-month low of 2.3% during the February 23, 2023 week. That's down from a record high of 9.6% growth at the end of May 2021 and compares to 0.2% forward revenues growth during April 2020, which was the lowest reading since June 2009. The forward earnings growth forecast rose 0.1ppt w/w to a 33-week high of 12.9%, up 2.0ppts from its 15-month low of 10.9% during the May 29 week. That's a bit stronger than its 20-year average of 11.4% and slowing from a 38-month high of 14.3% during the December 12 week. That's also down from its 23.9% reading at the end of April 2021, which was boosted by the recovery from the pandemic to its highest reading since June 2010 and up substantially from its record low of -5.6% at the end of April 2020. Analysts expect revenues to rise 5.6% in 2025 (unchanged w/w) and 6.3% in 2026 (unchanged w/w), compared to a 4.9% rise in 2024. They expect an earnings gain of 11.2% in 2025 (unchanged w/w) and a 13.6% rise in 2025 (unchanged w/w) compared to 2024's earnings gain of 11.4%. Analysts expect the profit margin to rise 0.6ppt y/y to 13.2% in 2025 (unchanged w/w) and 0.9ppt y/y in 2026 to 14.1% (unchanged w/w), compared to 2024's 12.6%. Looking at valuation data as of September 18, the S&P 500's weekly forward P/E rose 0.2pt w/w to a 56-month high of 22.6. It's now up 3.4pts from its 16-month low of 19.2 during the April 17 week. It also compares to 23.1 in early September 2020, which was the highest level since July 2000, and to a 77-month low of 14.0 in March 2020. The S&P 500 weekly price-to-sales ratio gained 0.03pt w/w to a new record high of 3.16. That's up from a six-month low of 2.22 during the October 26, 2023 week and compares to a 49-month low of 1.65 in March 2020.

S&P 500 Sectors Revenues, Earnings, & Margins (*link*): During the September 18 week, five of the 11 S&P 500 sectors posted gains in their forward revenues; six posted gains in their forward earnings; and the forward profit margin was unchanged for 10 sectors and fell for Real Estate. These five sectors had post pandemic- or record-high forward revenues this week: Communication Services, Consumer Discretionary, Financials, Information Technology, and Real Estate. Health Care, Industrials, and Utilities are less than 0.1% from their very recent record-high revenues and record-high worthy Consumer Staples' is instead 6.0% below due to Drug Retail's exit in late August. Energy's is improving now from its three-year low in May, but remains depressed at 29.5% below its September 2008 record and 16.8% below its cyclical high in October 2022. Materials' has improved to a 25-month high to 3.9% below its June 2022 record high. These two sectors had record-high forward earnings this week: Financials and Information Technology. These five are less than 0.6% from their record highs a week earlier: Communication Services, Consumer Discretionary, Industrials, Real Estate, and Utilities. Consumer Staples' is now 1.0% below its record high due to Drug Retail's exit, and Health Care's has improved to 1.6% below its April 3 record. Forward earnings remains depressed for the last two sectors, Energy and Materials, but have improved in recent months to 38.4% and 22.6% below their respective highs during 2022. Looking at the forward profit margin, one sector fell w/w and 10 were steady. These two sectors were at record highs: Financials and Information Technology. These four sectors remain close: Communication Services, Consumer Discretionary, Industrials, and Utilities. Consumer Staples, Energy, Materials, and Real Estate are improving somewhat from their recent multi-year lows, but Health Care's is still at a record low. Here's how the S&P 500 and its 11 sectors rank based on their current forward profit margin forecasts along with their record highs: Information Technology (28.0%, a fifth straight record high and for the first time since September 2024 when low-margin Dell's addition to the index lowered the margin 1.3ppts then to 26.3%), Financials (20.9, up 0.1ppt w/w to a new record high), Communication Services (19.4, down from its 19.8 record high during the August 7 week), Real Estate (16.6, down 0.1ppt w/w from a 16.7 six-month high and down from its 19.2 record high in 2016), Utilities (14.8, at a 43-month high and 0.3ppt below its 15.1 record high in April 2021), S&P 500 (13.9, at a record high), Materials (10.9, at a seven-month high and up 0.5ppt from 51-month low in late February and down from a 20-month high of 11.6 in July 2023 and a 13.6 record high in June 2022), Consumer Discretionary (9.3, down from a record high 9.4 in early April), Energy (8.9, up 0.4ppt from a 55-month low of 8.5 during the during the May 15 week and down from its 12.8 record high in November 2022), Industrials (11.2, down from its 11.3 record high in early January), Health Care (8.1, at a record low and down from its 11.5 record high in February 2022), and Consumer Staples (7.1, up 0.4ppt from a 21-month low due to Drug Retail's exit during the 9/4 week and down from its 7.7 record high in June 2020).

US Economic Indicators

New Home Sales (*link*): New home sales (counted at the signing of a contract) surged in August, blowing past consensus estimates! *New home sales* jumped 20.5% to 800,000 units (saar)—well above consensus estimates of 650,000 units and followed July's upwardly revised sales of 664,000 units, first reported at 652,000. *Compared to a year ago*, sales were up 15.4%. The *estimate of new homes for sale* was 490,000 units at the end of August, representing a 7.4 months' supply at the current sales pace, down from 9.0 months in July. *Regionally*, sales moved higher in all regions, led by a surge in the Northeast (+72.2% to 31,000 units, saar), while there were also double-digit gains in both the South (+24.7 to 530,000) and the Midwest (+12.7 to 89,000), with the West (+5.6 to 150,000) recording a single-digit increase during the month. Of the 800,000 *homes sold* during August, 414,000 were completed, 290,000 were under construction, and 96,000 weren't started. Of the 490,000 *homes for sale* during August, 124,000 had been completed, 261,000 were under construction, and 105,000 hadn't yet broken ground.

Global Economic Indicators

Germany Ifo Business Climate Index (*link*): "Prospects for an economic recovery have suffered a setback," according to Ifo. *Business sentiment* fell in September, after reaching a 15-montth high in August. The *Ifo business climate index* slipped to 87.7 in September, after increasing seven of the prior eight months, from 84.8 in December to 88.9 in August. The *expectations* component sank to 89.7 this month after climbing from 84.7 in December to 91.4 last month, which was its highest reading since February 2022. The *current conditions* component has been in a relative flat trend in recent months, hovering around 86.0. It was at 85.7 this month. *By sector*, *manufacturing* sentiment declined this month, as companies' assessment of their current situation was slightly worse, while they became more cautious about expectations. The *service sector* saw its business climate deteriorate noticeably this month, with expectations sinking to the lowest level since February, while companies downgraded their assessments of the current situation—particularly in the transport & logistics sector. *Trade* deteriorated again this month, driven by a setback in expectations, while the current situation was rated somewhat more positively—with the business climate index moving higher for retail though falling for wholesale. The *construction index* advanced this month following last month's setback. Companies were slightly more optimistic about current conditions, while their expectations for the coming months continued to improve.

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