

Yes, Nvidia's Results Were Terrific. But!

[Take Our Compatibility Survey](#)

Investor sentiment can turn on a dime based on a single economic report, a sudden policy pivot, or a mega-cap earnings announcement. In today's markets, emotion and narrative drive short term moves just as much as fundamental data.

These hair trigger sentiment shifts have always influenced segments of the market — sometimes targeting specific industries and other times sweeping across all sectors. That makes it easy to mistake the market's reaction to a single event as the foundation for a broader shift. As investors, it's important to remain skeptical when the market seems to attach its momentum to the success or failure of a single proxy.

When a Rising Tide is Driven by Few Boats

Popularized by John F. Kennedy, the saying "a rising tide lifts all boats" suggests that broad economic growth benefits everyone. The idea extends naturally to markets: when optimism floods in, it can lift nearly all asset prices at once.

Over the past decade, big tech has epitomized this "rising tide" effect. Earnings announcements from the so-called "Magnificent Seven" (Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla) have frequently sparked outsized moves in broad indexes. Because these giants carry such heavy index weights, their success or disappointment often ripples through portfolios.

As early as 2023, Nvidia began to lead the charge among the Magnificent Seven, which helped it gobble up its FAANG predecessor ("N" was Netflix back then, not "Nvidia"). As Nvidia's stock has climbed higher and higher, the market has become increasingly focused on the highs and lows of a single company's fortunes.

The last few weeks are a prime example. Headlines warning of an "AI bubble" proliferated, sending many growth and tech names lower. As AI bubble fears began to mount, investors fixated on one question: would Nvidia's earnings trigger a deeper sell-off, or would it remerge in its leading role as savior?

Those bullish on AI received an early holiday gift. Nvidia released another round of spectacular results, trouncing analyst estimates and reporting demand that far exceeded expectations. This single earning report sharply shifted sentiment for nearly anything attached to the AI theme overnight.

Such episodes underscore the market's recent tendency to over rely on a single "bellwether" stock as a proxy for a whole sector — or even the entire market.

The Attachment Problem: Nvidia as a Market Proxy

Nowhere is this over-reliance more evident than in the recent Artificial Intelligence (AI) boom, with Nvidia becoming the poster child for the trend. Over the past year, enthusiasm for AI-related stocks has at times reached a fever pitch, as investors chased anything even

loosely connected to the AI revolution.

More recently, weâ??ve seen the opposite effect as well. In the weeks leading up to Nvidiaâ??s latest earnings report, conviction in the â??AI tradeâ?• cooled. Pundits increasingly warned that AI might be in bubble territory. Nvidiaâ??s stock â?? and the broader Nasdaq â?? softened as debates intensified over whether investors had become too optimistic about AIâ??s nearâ??term payoff.

Nvidiaâ??s results genuinely are impressive and reflect real demand, not just hype. But investors should resist the urge to treat Nvidia as the sole barometer for the future of AI or the broader market.

A more prudent stance is balanced optimism:

- **Participate** in powerful structural themes like AI, but do so selectively and with attention to valuation, competition, and fundamentals.
- **Recognize concentration risk** in indices and portfolios that lean heavily on a handful of megaâ??caps.
- **Question the narrative** when a single earnings report seems to justify large, broad moves across sectors.

We should all celebrate innovation and strong execution. But no single company, no matter how exceptional, can defy economic gravity or singleâ??handedly â??saveâ?• an entire market forever. By remaining analytical, staying diversified, and focusing on longâ??term fundamentals, investors can ride the waves of sentiment without capsizing when the tide inevitably turns.

DISCLOSURE: Securities highlighted or discussed in this communication are mentioned for illustrative purposes only and are not a recommendation for these securities. Evergreen actively manages client portfolios and securities discussed in this communication may or may not be held in such portfolios at any given time. This material has been prepared or is distributed solely for informational purposes only and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Any opinions, recommendations, and assumptions included in this presentation are based upon current market conditions, reflect our judgment as of the date of this presentation, and are subject to change. Past performance is no guarantee of future results. All investments involve risk including the loss of principal. All material presented is compiled from sources believed to be reliable, but accuracy cannot be guaranteed and Evergreen makes no representation as to its accuracy or completeness.