

THE BASIS POINT

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EXECUTIVE SUMMARY

■ NVIDIA CRUSHED IT - BUT STOCK PARED GAINS:

Q4 Results: EPS \$1.62 (beat \$1.53 expected by 6%), Revenue \$68.13B (beat \$66.21B by 3%). Q1 FY27 Guidance: \$78.0B (Street wanted \$75B+). This is EXACTLY what we said was needed. Data center revenue \$62.3B, up 75% y/y. Net income almost DOUBLED to \$43B.

The Stock Reaction: Initial after-hours pop, then 'pared most of its gains.' This is classic 'buy the rumor, sell the news.' At 4:20pm stock jumped, but by end of after-hours trading much of the gain faded. This morning's open will be THE test - does it hold or sell off further?

What This Means for Today's Market:

NVDA delivered the 'blowout' scenario (our 30% probability case). If the stock can hold yesterday's close level (~\$188) or higher at today's open, tech will rally and Nasdaq targets 16,500+. If it gaps down and fails to recover, it confirms 'peak AI capex' fears and triggers defensive rotation. The first 30 minutes of trading (9:30-10am ET) decides the direction.

1. NVIDIA RESULTS - BEAT ON EVERY METRIC

The Numbers (Released 4:20pm Wednesday):

Metric	Expected	Actual	Beat %
EPS	\$1.53	\$1.62 ■	+5.9%
Revenue	\$66.21B	\$68.13B ■	+2.9%
Data Center Rev	\$60.69B	\$62.3B ■	+2.7%

Net Income	N/A	\$43B (nearly doubled)	vs \$22.1B y/y
Q1 FY27 Guidance ■	~\$75B Street	\$78.0B ±2% ■	+4.0%

Key Highlights from the Report:

- **Data center dominance:** 91% of total revenue from data center unit (AI chips)
- **Hyperscaler concentration:** Just over 50% of data center revenue from Alphabet, Amazon, Meta, Microsoft
- **Revenue growth:** Total revenue up 73% from \$39.3B a year ago
- **Professional visualization surprise:** \$1.32B (+159% y/y) vs \$755M expected - huge beat
- **Automotive miss:** \$604M vs \$655M expected (this segment doesn't matter much - only 0.9% of revenue)

2. WHY DID THE STOCK PARE GAINS DESPITE THE BLOWOUT?

The After-Hours Trading Pattern:

At 4:20pm: Stock jumped on the headline numbers

By 8:00pm: 'Pared most of its gains'

Why? Three reasons:

REASON 1 - THE BEAT WAS PRICED IN:

Polymarket had 95% probability of a beat going into the print. The stock was already up 5% for the week ahead of earnings. When everyone expects good news, 'good' isn't enough - you need 'spectacular.' While the \$78B guidance beat the Street's \$75B, it wasn't the \$80B+ 'spectacular' level that would have triggered a sustained rally.

REASON 2 - PROFIT TAKING AFTER THE RUN:

NVDA ran from ~\$180 to \$194 in the two days before earnings. That's +7.8% in 48 hours. Many traders bought the rumor and sold the news. Even if you love the results, after a 7% run into the print, taking profits is smart risk management.

REASON 3 - MACRO HEADWINDS STILL LOOM:

Last Friday's stagflation data (PCE 3.0%, GDP 1.4%) didn't magically disappear. The Fed isn't cutting rates in June. At some point, high rates + slowing economy catches up to even the strongest companies. After-hours traders were asking: 'Can this growth continue in a stagflation environment?' The answer isn't clear.

3. WHAT TO WATCH TODAY - THE MARKET'S VERDICT

The First 30 Minutes (9:30-10:00am ET) Will Decide Everything:

Scenario	What Happens	Market Implication
BULLISH (40% prob)	NVDA opens above \$190 and holds. By 10am, trading \$192-195.	Nasdaq +1.5-2%. Semis rally (AMD +5%, AVGO +4%). 'AI is real' wins. Stagflation fears pushed aside.
NEUTRAL (40% prob)	NVDA opens \$188-190, drifts sideways. No decisive move either way.	Nasdaq +0.3-0.5%. Mixed session. Market waits for more data. Focus shifts to macro again.
BEARISH (20% prob)	NVDA opens below \$185, selling accelerates. Breaks yesterday's lows.	Nasdaq -1.5-2%. 'Peak AI capex' narrative explodes. Defensive rotation begins (utilities, healthcare).

Key Levels to Watch:

- **NVDA:** \$190 resistance (break above = bullish), \$185 support (break below = bearish)
- **Nasdaq:** 16,200 resistance (previous high), 15,800 support
- **10-year yield:** Currently ~4.06%. Break below 4.00% = recession fears intensify
- **VIX:** Watch for spike above 22 (would signal fear)

4. PROFESSIONAL ANALYST TAKEAWAY

Nvidia Delivered - Now the Market Decides

I can't fault Nvidia's execution. They beat on every metric. \$78B Q1 guidance is exactly what I said we needed (\$78B+ to rally). Net income almost doubled. This is a company firing on all cylinders in the middle of an AI revolution.

But here's the uncomfortable truth: GREAT results don't always mean stock goes up. The after-hours 'paring of gains' tells me profit-takers won. When a stock runs 7% into earnings, then delivers 'as-expected great,' not 'shockingly great,' you get selling.

What I'm Doing Today:

I sold half my NVDA position Monday at \$190 (smart decision in hindsight). The half I kept through earnings, I'm watching the 9:30am open VERY carefully:

- If NVDA opens strong (\$192+) and holds first 15 minutes → I'm holding and may even add more
- If it opens weak (\$186 or below) → I'm selling the rest and moving to defensive sectors
- If it opens in the middle (\$187-191) → I'm doing nothing and waiting for direction

The Bigger Picture - Stagflation Still Lurks:

Nvidia beat, but the macro hasn't changed. PCE is still at 3.0% (well above Fed's 2% target). GDP is still at 1.4% (recession-adjacent). The Fed isn't cutting rates anytime soon. Kevin Warsh takes over in May and he's a hawk.

AI is real. Nvidia proved that last night. But AI companies operate in an economy. If the economy weakens enough, even AI spending slows. The \$700B in hyperscaler capex plans for 2026 are great, but what about 2027 if we're in recession?

My Base Case for Next 2 Weeks:

NVDA likely trades in a \$185-195 range. Initial enthusiasm from earnings fades as focus shifts back to macro. We need the March 18 FOMC meeting to get clarity on Fed policy. Until then, markets are rudderless. I'm positioned 60% cash, 25% defensive (utilities, consumer staples, healthcare), 15% tech (NVDA only).

5. TODAY'S HOMEWORK - POST-EARNINGS ANALYSIS

Exercise 1 - Compare Your Prediction

Yesterday you wrote down your NVDA prediction. How'd you do? If you predicted a beat but stock sells off, you learned the 'priced in' lesson. If you predicted both correctly, analyze WHY you got it right. Pattern recognition is everything.

Exercise 2 - Watch 9:30-10:00am Live

The first 30 minutes after open decide direction. Watch NVDA and Nasdaq futures starting 9:25am. Note the opening price. Does it hold or break in first 15 minutes? Write down what you see. This is real-time market education.

Exercise 3 - The 'Priced In' Concept: Research other recent earnings where the stock beat but sold off (PANW, Walmart). Find one more example from this earnings season. Write a brief explanation of WHY this happens. Understanding 'priced in' is critical to not getting fooled by 'good news.'

Sources: CNBC, Nvidia Investor Relations, Kiplinger, Bloomberg, StreetAccount, Yahoo Finance

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Disclaimer: Educational purposes only. Not investment advice. Always do your own due diligence.