



Nvidia plummets in what could be a market 'pullback'

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Highlight: How the \$US200 billion intraday tumble in market value is met could prove key as to how fast a pullback in US equities is approaching.

Body

After having leapt higher in early trading in New York on Friday (Saturday AEDT), Nvidia's stock just as swiftly reversed direction to end the day 10.1 per cent from its session peak, yet still higher than its close on Tuesday.

At 4.02pm, Nvidia was 5.6 per cent lower to \$US875.28; it earlier reset its record high at \$US974. It closed on Tuesday at \$US855.11.

Friday's intraday swing represented a more than \$US200 billion shift in market cap in a matter of hours for a company valued at \$US2.19 trillion as of Friday's closing bell.

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"For us, looking at the charts on the S&P 500, the Nasdaq 100, the SMH semiconductor ETF, and individual stocks like Nvidia, we can see a very overbought condition in general," Matt Maley, chief market strategist at Miller Tabak + Co, said ahead of the opening bell.

"Therefore, we believe that the stock market is becoming quite ripe for some sort of meaningful pullback back that begins at some point in March."

The reversal in Nvidia's stock on Friday [at least temporarily](#) slows its move towards overtaking Apple as the second most valuable publicly listed company. Apple rallied 1 per cent on Friday, lifting its market cap to \$US2.64 trillion.

So far this calendar year, Apple has shed a little more than 10 per cent of its value. In contrast, [Nvidia has surged more than 75 per cent](#). Apple has been hurt by concerns about falling iPhone sales in China and the perception that it's lagging in the artificial intelligences race.

Nvidia's parabolic stock surge is continually being checked by bulls' reading of the company's quarterly results.

Joel Lim, a financial analyst at Trading.Biz, said: "while some investors have doubted Nvidia's ability to stay on top of AI and tech, [there is no denying its current momentum](#)."

Yet BCA Research argues that the S&P 500 is overvalued and the optimism about profit margins is overly optimistic too. It pointed to [Cisco](#) as a warning for Nvidia investors.

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"**Cisco** was the world's most valuable listed company in 2000, trading at over 30-times sales (a similar multiple to Nvidia today). Yet, despite growing earnings-per-share nearly tenfold since then, **Cisco**'s stock price is still 39 per cent below its 2000 peak.

"Will Nvidia share **Cisco**'s fate? Our guess is yes."

Still, Nvidia for now has captured the attention of smaller investors, who are turning to it and away from Tesla, according to Vanda Research's latest report on February 28.

"Nvidia looks every day more like the new bellwether of general retail sentiment. The "'scary' part is that despite the recent hype around anything AI and semiconductors, current retail flows into Nvidia shares have merely matched the lowest point seen in Tesla stocks during 2023."

There are reports that the stunning rally in Nvidia could prompt the company to split its stock as it did in 2021.

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In a note, Bespoke Investment said coming into today, Nvidia was up 17 per cent over the last week and more than 40 per cent above its 50-day moving average.

After gapping up another 5 per cent, Nvidia "is finally experiencing gravity with an intraday drop", Bespoke said. "As we've been mentioning recently, the type of upside moves we've seen in some areas of the market can't go on forever, and traders are finally seeing what 'red' looks like again."

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