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NEWS

Nvidia More Than Triples In 2023 On AI Boost — Is It A Buy?



APARNA NARAYANAN | 03:25 PM ET 08/04/2023

Nvidia (NVDA), a giant in data centers and gaming, continues to sizzle. The chip giant is seen as one of the biggest winners of the AI boom. Is Nvidia stock a buy right now, with earnings due?



Semiconductor, AI News

In May, Nvidia Chief Executive Jensen Huang announced a new supercomputer, software and services for **generative AI** (artificial intelligence). Generative AI can create content, including written articles, from simple descriptive phrases by analyzing and digesting vast amounts of data. It can also write computer programming code.

For its latest quarter, graphics-chip maker **Nvidia crushed Wall Street's targets** on record data-center sales. Production is ramping up to meet huge demand for AI technology, CEO Huang said.

Nvidia is a leader in AI chips. In the **tech industry's fierce battle for AI dominance**, the advanced chips needed for generative AI, such as the ChatGPT chatbot, are key.

For those looking for **top large-cap stocks to buy now**, here's a dive into NVDA stock.

Nvidia Stock Technical Analysis

Nvidia rebounded Aug. 3 after three down days, technically regaining a 439.90 **buy point**. Shares edged higher on Aug. 4. The latest entry from a **three-weeks-tight** pattern offered a place for existing investors to add a few more shares. The buy range goes to 461.90, the **IBD Leaderboard** stock analysis shows.

But with the market rally shifting to under pressure, investors may want to wait to see if Nvidia can find support at the 50-day/10-week line for the first time since early January.

A rebound from those levels would offer a buying opportunity. But shares aren't there yet.

A further pullback also could be part of a full-fledged base.

Shares still aren't far from the 52-week high, set on July 14.

NVDA joined the prestigious IBD Leaderboard in February on an earnings gap-up. It surged again in May on blowout earnings and strong guidance.

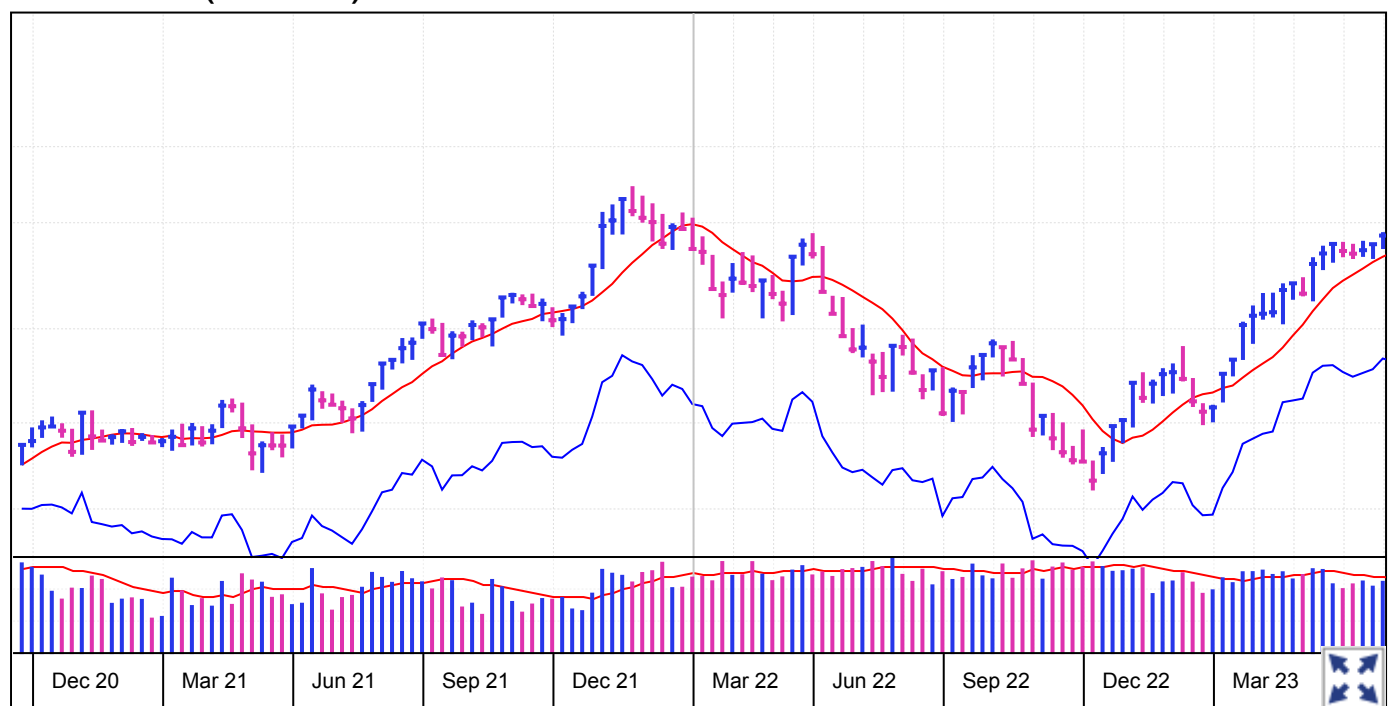
Year to date, Nvidia stock has skyrocketed 206%, after crashing in 2022.

The **relative strength line** is flattening out a bit after a strong rally, the IBD **MarketSmith** charts show. A rising RS line means that a stock is outperforming the S&P 500. It is the blue line in the chart shown.

NVDA earns an **IBD Composite Rating** of 97, out of a best-possible 99. In other words, Nvidia stock is in the top 3% of all stocks in terms of technical and fundamental metrics.

NVIDIA (NVDA)

\$454.17 7.37 ↑ 1.65%



08/07/2023 (Market Close)

Investors generally should focus on stocks with Comp Ratings of 90 or even 95 and above. Nvidia stock often earns a spot on the **IBD 50**, **Big Cap 20** and **Sector Leaders** lists.

The **IBD Stock Checkup** tool shows that NVDA carries a **Relative Strength Rating** of 99. That means it has outperformed 99% of all other stocks over the past year.

The **iShares PHLX Semiconductor ETF (SOXX)** holds both Nvidia stock and **AMD** stock.

Nvidia Earnings

Nvidia's **EPS Rating** is 68 out of 99 and its **SMR Rating** is a B, on a scale of A to a worst E. The EPS rating compares a company's earnings growth to other stocks. Its SMR Rating gauges sales growth, profit margins and return on equity.

On May 24, the chip giant delivered a big beat-and-raise report. The **Nvidia earnings report** included a bullish, AI-fueled sales forecast.

The Santa Clara, Calif.-based company earned \$1.09 a share on sales of \$7.19 billion in the quarter ended April 30. Year over year, Nvidia earnings dropped 20% while sales fell 13%. But the results easily outpaced Wall Street's expectations.

In Q1, data-center sales rose 14% to \$4.28 billion. Gaming-chip sales fell 38% to \$2.24 billion.

Analysts expect Nvidia earnings per share to rebound 138% in fiscal 2024, on a 61% sales gain. Last year, Nvidia earnings fell 25%.

Its next quarterly report is expected on Aug. 23.

Out of 50 analysts covering NVDA stock, 43 rate it a buy. Six have a hold and one has a sell, according to FactSet.

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NVDA Backstory, Rivals

The fabless chipmaker pioneered graphics processing units, or GPUs, to make video games more realistic. It's expanding in AI chips, used in supercomputers, data centers and drug development.

Nvidia's GPUs act as accelerators for central processing units, or CPUs, made by other companies. It's working on "supercomputers" combining its own CPUs and GPUs.

In addition, Nvidia chips are used for Bitcoin mining and self-driving electric cars.

Nvidia has made a **big push into metaverse applications**.

Fabless chip stocks include **Qualcomm (QCOM)**, **Broadcom (AVGO)** and **Monolithic Power Systems (MPWR)**.

Currently, the fabless group ranks No. 2 out of 197 industry groups. Fabless companies design the hardware while outsourcing the manufacturing to a third-party firm.

For the best returns, investors should focus on **companies that are leading the market and their own industry group**.

Is Nvidia Stock A Buy?

On a fundamental level, Nvidia earnings are expected to return to growth. They should more than double this fiscal year, driven by booming chip sales for data centers and artificial intelligence.

The fabless chipmaker is expanding in other growth areas such as automated electric cars and cloud gaming as well. The adoption of the metaverse and cryptocurrencies could further stoke demand for Nvidia chips.

However, macroeconomic uncertainties and risk of global recession linger.

NVDA stock has staged a massive comeback, more than tripling in 2023 so far. Shares have reclaimed their latest follow-on entry after a retreat and are now back in a proper **buy zone**. But investors may want to wait for a pullback to key levels or a new base, especially with the market rally under pressure.

Bottom line: Nvidia stock is a buy right now, but with caveats.

As a leading chip company with exposure to top end-markets, Nvidia is always one to watch.

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