Nvidia, Google and AI Bubble: What People Dont Understand

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Nvidia, Google and AI Bubble: What People Dont Understand

Nvidia just posted US$31.9 billion profit—so why did the stock crash 13%? This article discuss the impact of Google owning TPU AI chip, Gemini 3 breakthrough on Nvidia.

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<u>Summary</u>
(1) Despite Nvidia posting impressive Q3 2025 results—with net profits of US$31.9 billion—the stock crashed 13% due to investor fears of an AI bubble. The balance of skepticism (investors taking profit/exiting) and optimism (Big Tech continuing CAPEX) suggests the market is not yet in a bubble, but rather in a rational tug-of-war.
(2) The "smart money" in the bond market remains risk-averse and rational, which is a sign that the AI bubble hasn't popped. Investors demand higher return for AI-related debt (e.g., Meta's bond priced at a 6.6% yield) to compensate the increased risk. This suggests the AI boom is just beginning its debt-funded phase, rather than ending.
(3) The launch of Gemini 3 proves that "scaling laws" for AI are still effective. While Google used its own proprietary TPUs, this success actually creates more demand for Nvidia. Competitors will need

Nvidia's superior hardware (like the upcoming Blackwell architecture) to compete with Google without getting locked into Google's closed ecosystem.

This is a difficult piece to write, because on one hand I know the market is wrong, but on the other hand, it is impossible to predict short-term stock price movement.
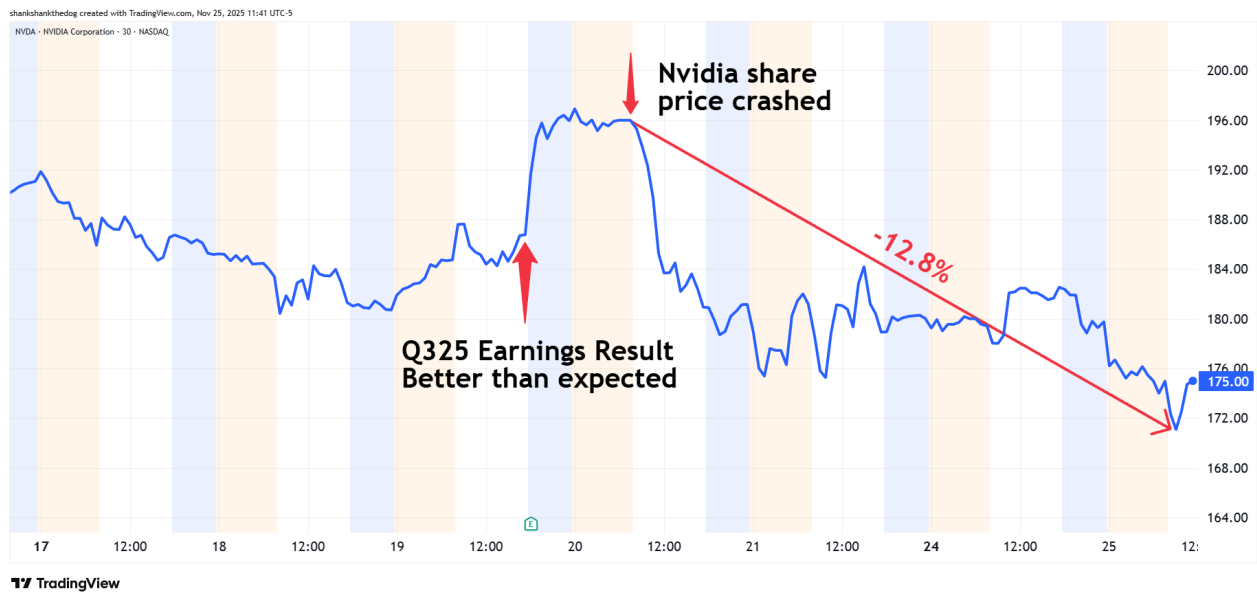
Nvidia share price from 17 Nov to 25 Nov 2025

Nvidia's share price shot up 5.4% right after earnings result released, then crashed 7.6% when the market opened the next day. In total, **Nvidia crashed 13% since releasing its latest earnings result.**
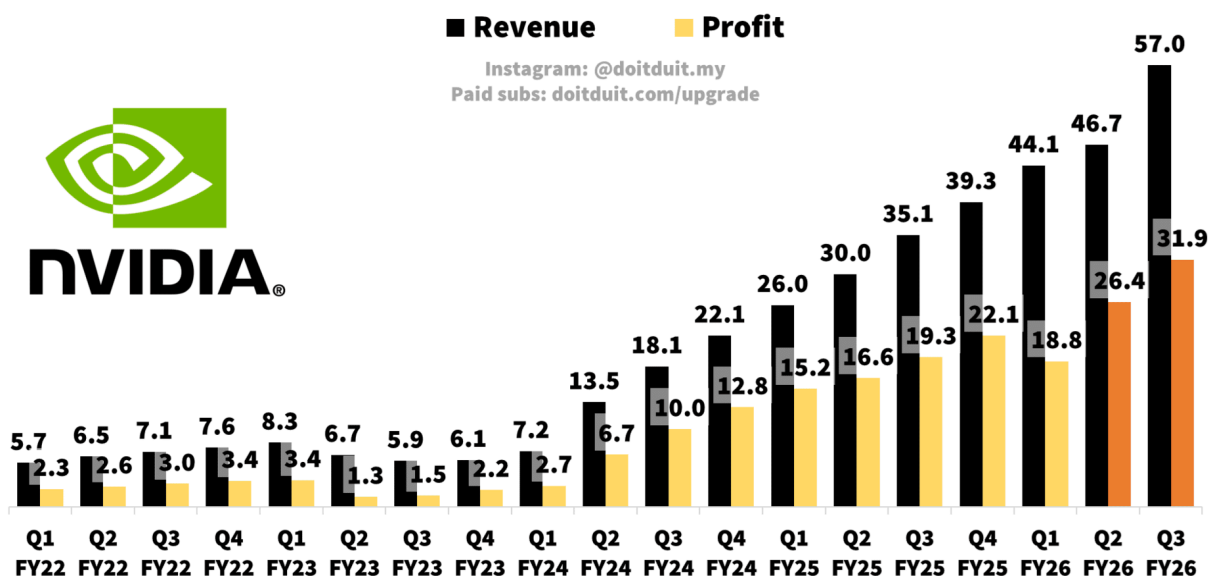

Nvidia's historical quarterly revenue and profit

When you look at Nvidia's Q32025 result, it is amazing. **US$31.9 billion quarterly net profit** is almost comparable to the world's most profitable business, Google that achieved US$35 billion quarterly net profit.

Few reasons why Nvidia share price crashed despite the strong result, and why the market might be wrong:

1. The market is extremely concerned about the AI bubble

Artificial Intelligence Stocks Slump From Highs

✎ Bloomberg Magnificent 7 Index   ✎ SOX Index
✎ Morgan Stanley AI Tech Beneficiaries Index
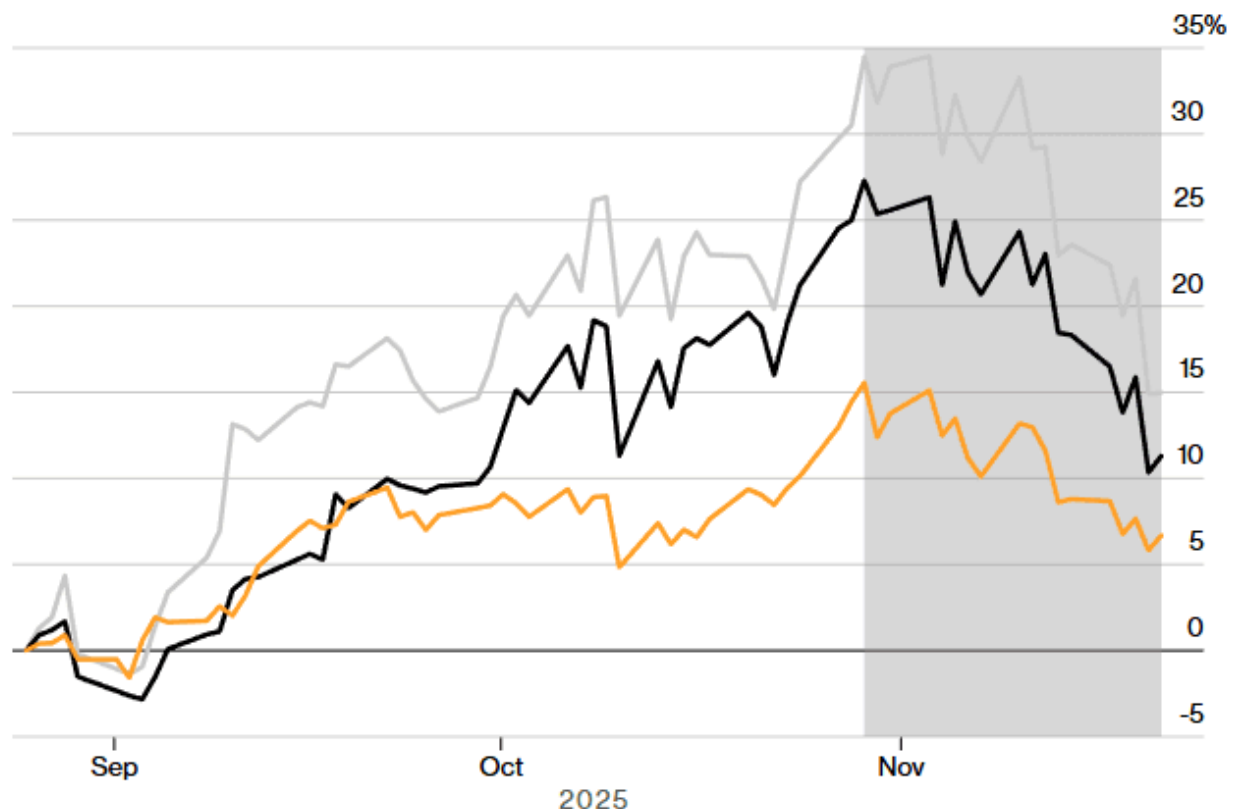
Source: Bloomberg
Data is normalized with percentage appreciation as of August 25, 2025.

Everyone knows that companies are spending a lot on CAPEX to expand into AI, so they need to be convinced by looking at Nvidia's number. **Nvidia's great result comfort the market at first, then many investors start to take their profit off the table, crashing the market.**

Peter Thiel and Masayoshi Son exited Nvidia

Few big investors, include **Peter Thiel from Founders Fund and Masayoshi Son from Softbank had recently exited all their Nvidia position**, also made the market panic. The balance of skepticism by investors and optimism by Big Tech towards AI is the reason why we might not be in a bubble yet.

2. The bond market remains rational despite the AI boom

Credit Binge

AI companies are flooding bond markets with new issues this year
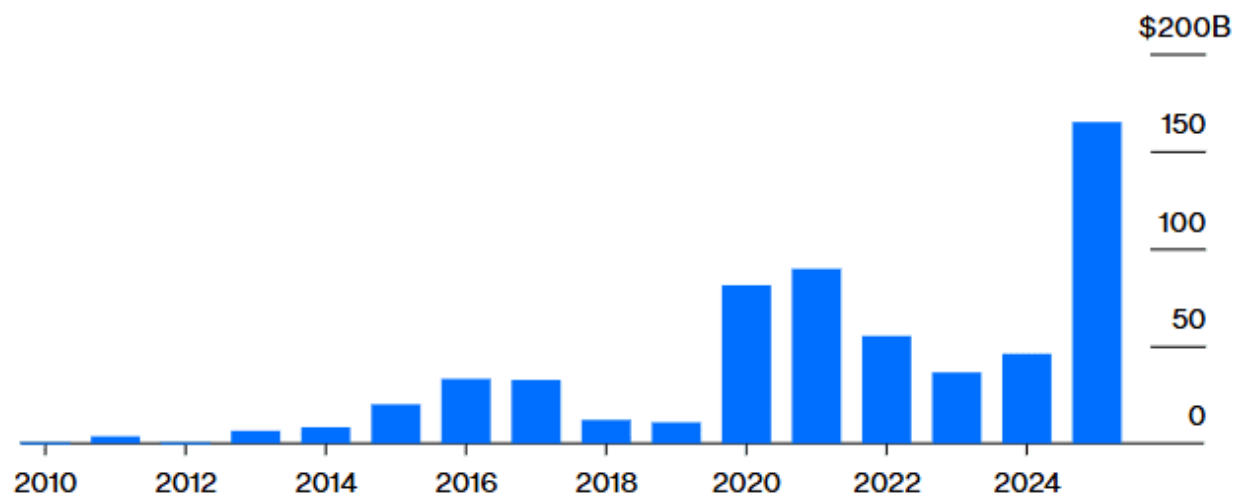
Source: Bloomberg

Bond market is growing so fast, so big

The first 2 years of AI expansion (2023/24) is all funded by Big Tech using cashflow. Starting from 2025, when Oracle entered the scene with huge debt, it has triggered a land grab towards AI. **Big Tech also starts to take on more debt to fund their AI expansion,** hence we mentioned in our The Ingredients for Stock Bubble is All Ready article that the expansion is starting to look bubble-ly.

Fast and Furious

Big tech is raising billions of dollars from credit markets

■ Alphabet ■ Oracle ■ Amazon ■ Meta ■ Meta Affiliated ■ Oracle Affiliated
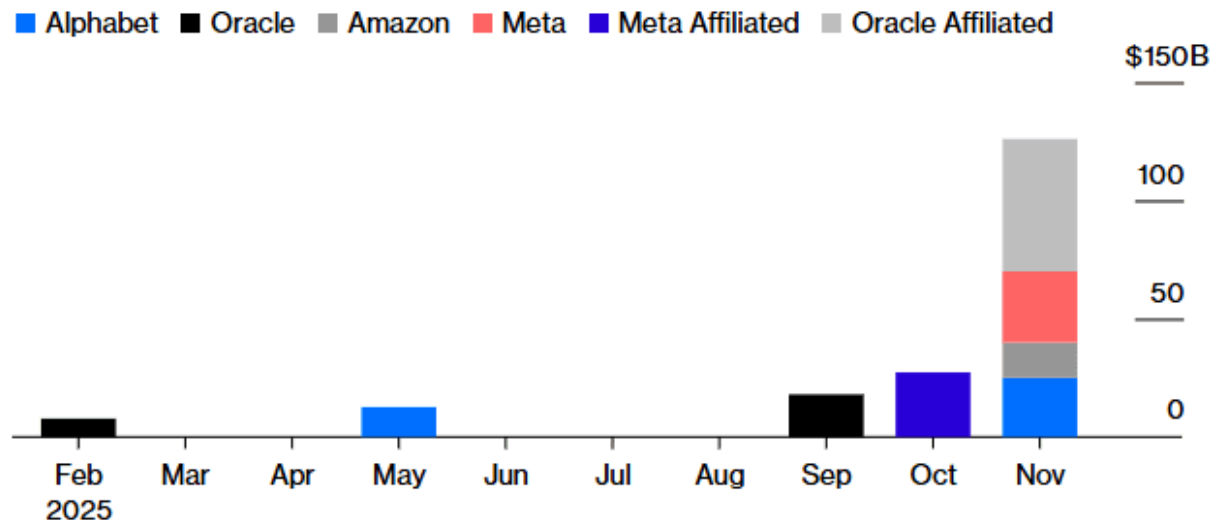
Source: Bloomberg
Note: 1. Meta-adjacent: Beignet's $27B placement; 2. Oracle-tied: $38B Vantage and $18B BorderPlex loan packages, pending

Bonds issued by Big Tech companies

But this is by no means the AI bubble is popping now, it just means the AI bubble just started. The bond market, which is the most risk-averse investors are still very rational even when lending money for AI expansion. **Bond investors are asking for higher return (yield) to cover the risk in AI expansion**.
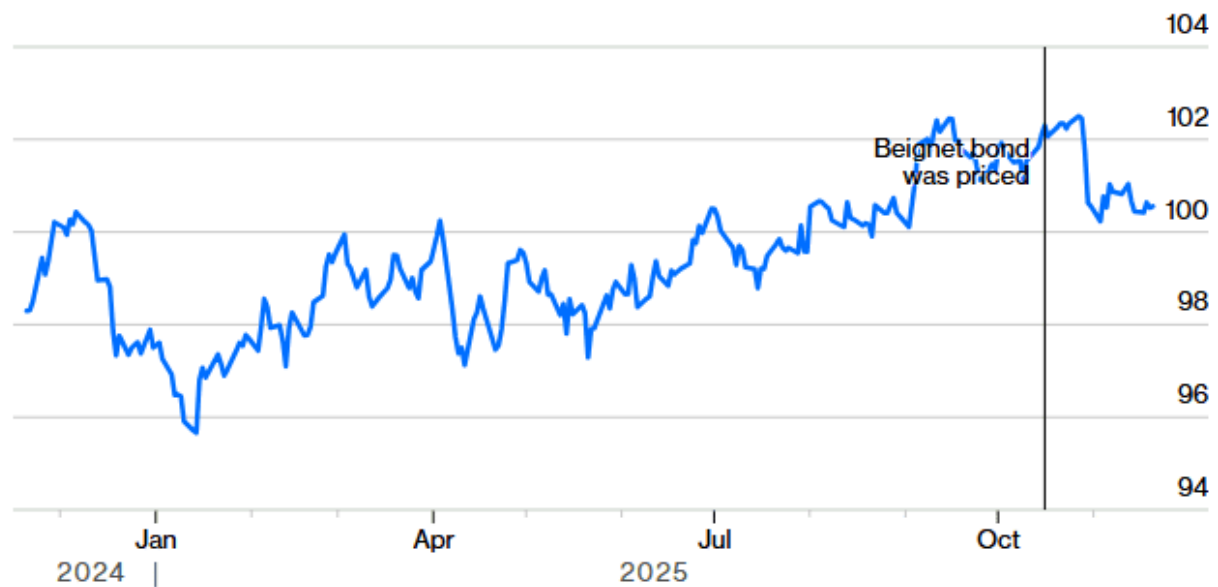
In the rest of the analysis for paid subscribers, we will explore:

- Google Gemini 3 and Google's strength in TPU

- Impact to Nvidia facing Google's strong TPU

- What people got wrong about Nvidia

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Spilling Over
Meta's bonds were sold off after its joint venture's $27 billion issue

Source: Bloomberg

Bond price drop after Meta issued the latest bond with higher yield

Case in point, Meta's bond yield for its data center expansion is priced at 6.6% (similar to junk bonk level), although the bond is A+ investment grade bond. Bond yield of 6.6% is also 1% higher than Meta's normal bond yield with similar 25 years tenure, meaning **bond investors are requesting higher return for the same investment to cover their risk**.

When the most risk averse bond investors are still rational, the market does not seem like it is in bubble territory, yet.

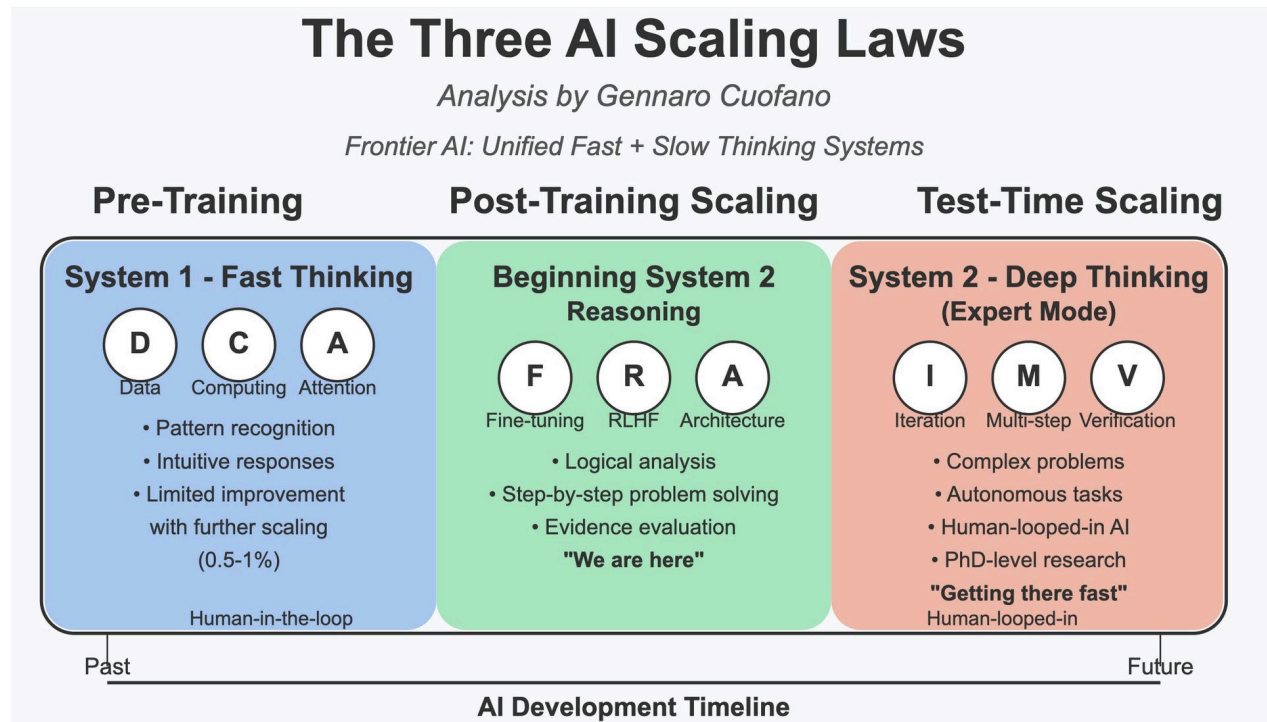# 3. Google Gemini 3 - Best AI model trained by Google's own TPU chip
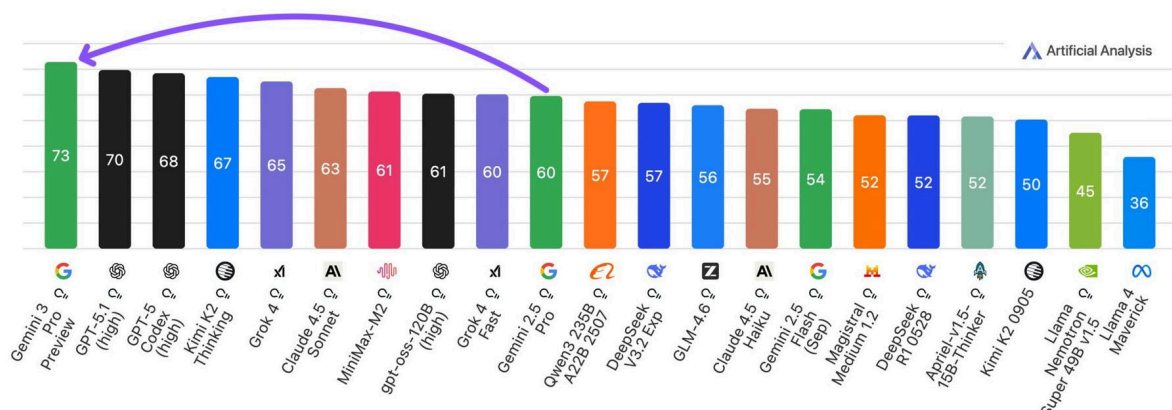
Gemini 3 Pro ranks first in most AI ranking

On 19 November 2025, same day as Nvidia's earnings result, Google launched Gemini 3. **Gemini 3 shows huge improvement since day one, and it is trained exclusively by Google's own TPU chip only**, without reliance on Nvidia's GPU chip.

What Google achieved with Gemini 3 tells 2 things:

The Three AI Scaling Laws

Analysis by Gennaro Cuofano

Frontier AI: Unified Fast + Slow Thinking Systems

Pre-Training	Post-Training Scaling	Test-Time Scaling
System 1 - Fast Thinking	**Beginning System 2 Reasoning**	**System 2 - Deep Thinking (Expert Mode)**
D C A	F R A	I M V
Data Computing Attention	Fine-tuning RLHF Architecture	Iteration Multi-step Verification
• Pattern recognition	• Logical analysis	• Complex problems
• Intuitive responses	• Step-by-step problem solving	• Autonomous tasks
• Limited improvement with further scaling (0.5-1%)	• Evidence evaluation **"We are here"**	• Human-looped-in AI • PhD-level research **"Getting there fast"**
Human-in-the-loop		Human-looped-in

Past — AI Development Timeline — Future

(i) Scaling law is still working for pre-training: Many people are concerned that scaling law has hit its peak because these AI companies have consumed all the data available in the world. The launch of Google Gemini 3 with noticeable improvement in Day One shows that this is not the case. Most AI model today relies on post-training via Reinforced Learning with Human Feedback instead of pre-training. *Note: Scaling law means AI model is better when you train the model with more data.*

(ii) Gemini 3 (trained on TPU) will create more demand for Nvidia GPU, not less: The market is extremely concerned on Nvidia's future GPU demand because they think that if Google can achieve Gemini 3 level without using Nvidia's GPU, then there is no point for AI model to use Nvidia GPU. This is a totally wrong conclusion.

# Google TPU keeping pace with Nvidia GPU
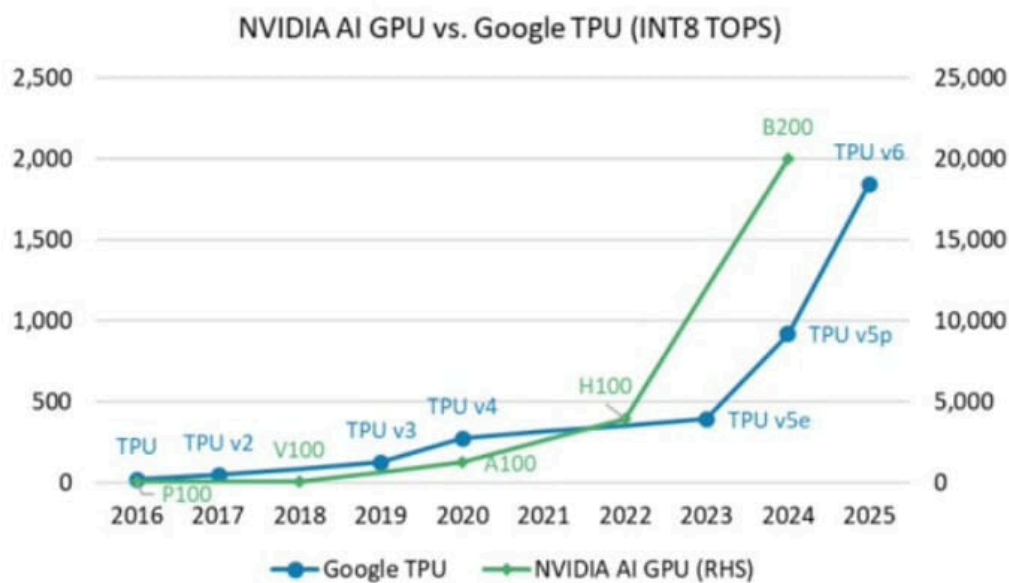
Google's TPU vs Nvidia's GPU

Gemini 3 is trained based on Google's 5th and 6th gen TPU, that is manufactured by TSMC with 3-4nm process (rumoured), while **all the other AI models in the market are currently trained by H100 and H200 (Hopper architecture) with 4nm process**.

Existing AI models (e.g. ChatGPT 5) are trained using Hopper, not Blackwell

Nvidia started shipping B100 and B200 (Blackwell architecture) in 2025 that will give 30x better inference performance and 4x better training performance than H100. So we can expect **similar jump in AI computing which will lead to better overall AI model performance soon**.
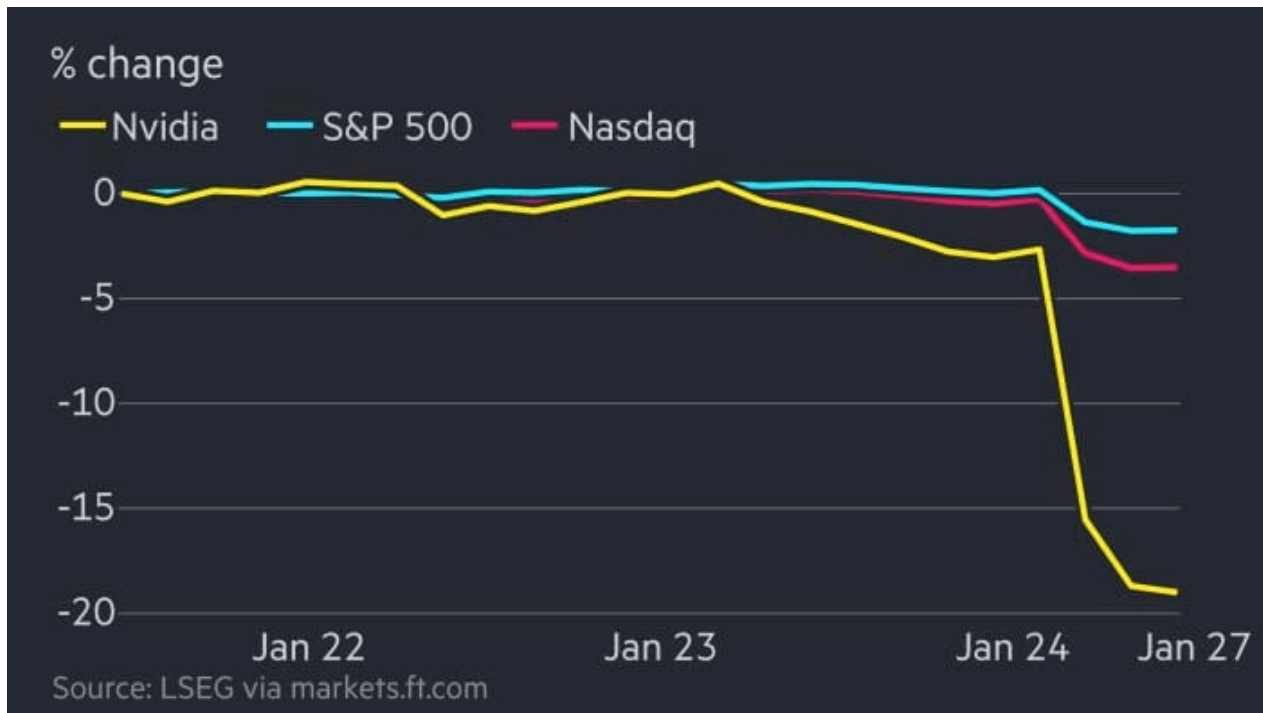
Initial reaction when DeepSeek first tell the world they can achieve good AI model much cheaper

Note that when China's DeepSeek showcase new ways to train AI model to build AI model with much cheaper cost in January 2025, **demand for Nvidia GPU spiked up even more**, not less. So now that Google TPU showed that they can train a good AI model without using Nvidia's GPU, it will trigger higher demand for Nvidia GPU, not less. Because **Google's competitors need more AI computing to compete with Google, not use Google's TPU to forever be at par with Google**.
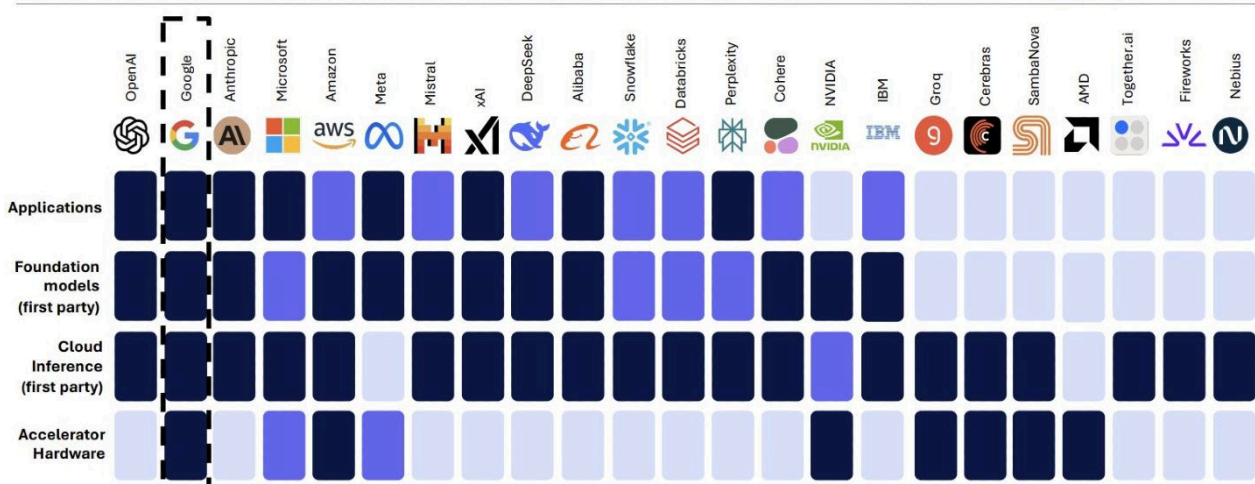
Google's competitive advantage in owning the whole AI value chain, is also its weakness. To use Google's TPU, the client also need to use Google Cloud and all its other services. In short, it means losing control. **If you own your own AI model, the last thing you want is to be locked in into one ecosystem**.
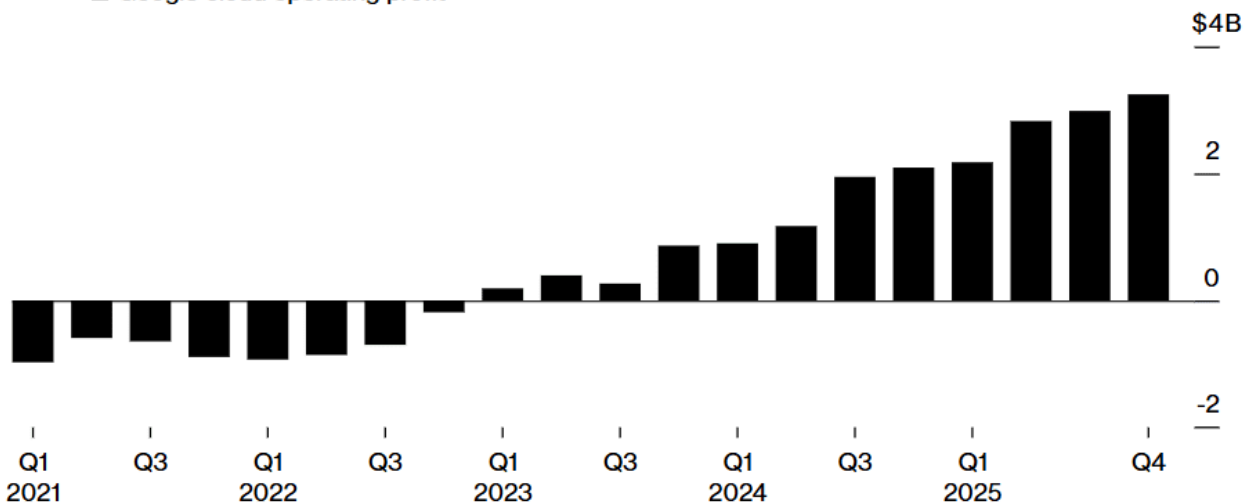
Final thoughts

Google Cloud Revenue and Profit

It seems like there is a misunderstanding in the market, thinking that Google's success in TPU is bad for Nvidia.

Of course, it seems like Google will continue to benefit from stronger cloud sales and profitability, but **that doesnt mean Nvidia is losing out in this battle.**

Congrats to all Google shareholders, you deserve a pat in the shoulder.

Stay safe and stay strong investing!

Cheers,
Guan🍉 and HY🏔
DoitDuit

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