The Blackwell Cliff That Wasn't

At the start of the year, Wall Street voiced concern about Nvidia?s so-called Blackwell Cliff. The Blackwell Cliff is essentially an air pocket between demand for its current Blackwell chip generation and for its next platform, Vera Rubin. Specifically, the concern was that large hyperscalers would front-load Blackwell orders, leading to a pause in purchasing orders as they would have excess chips.

Based on Nvidia?s last earnings report, the data and executive commentary tell a different story. Blackwell?s backlog of 3.6 million units sold out through late-2026, with supply, not demand, remaining the binding constraint on Nvidia?s growth. Meanwhile, the new Vera Rubin generation of chips is already in its sampling phase, and first production shipments are expected to begin in Q3 2026, with volume ramping through Q4 2026 into 2027. The transition window, or potential Blackwell Cliff, is now measured in months, not years, as Wall Street worried.

At the recent GPU Technology Conference (GTC), Nvidia CEO Jensen Huang confirmed there are over $1 trillion in combined Blackwell and Vera Rubin purchase orders through 2027. That was double his $500 billion projection at the 2025 conference. &#2013266080;The real risk for Nvidia investors is not the Blackwell Cliff but whether a $3 trillion market cap already prices in Huang?s lofty expectations for the next few years. &#2013266080;

What To Watch Today

Earnings

Wednesday Jun 3	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Broadcom AVGO:US		2.37	1.58		21.89B	15B	$1.49T	Q2	PM
CrowdStrike Holdings CRWI		1.07	0.73		1.35B	1.1B	$96.41B	Q1	PM
Veeva Systems VEEV:US		2.13	1.97		857.76M	759M	$30.4B	Q1	PM
Five Below FIVE:US		0.94	0.86		1.1B	970.5M	$11.68B	Q1	PM
Macy's M:US		0.19	0.16		4.39B	4.6B	$4.86B	Q1	AM
PVH PVH:US		2.42	2.30		2.04B	1.98B	$4.16B	Q1	PM

Economy

Wednesday June 03 2026			Actual	Previous	Consensus	Forecast
06:00 AM	US	MBA 30-Year Mortgage Rate MAY/29		6.65%		
07:15 AM	US	ADP Employment Change MAY		109K		75.0K
09:00 AM	US	ISM Services PMI MAY		53.6		53
09:00 AM	US	Factory Orders MoM APR		1.5%		2.7%

Market Trading Update

Yesterday, we discussed the market internals behind the current market rally. While those internals suggest a correction is likely, and ?everyone? seems to be expecting it, I wanted to delve into the history of 10%+ corrections (like the one we had in April) and what happens afterward statistically.

Let?s start with what this rally actually is. The market ALREADY took its medicine this year. It fell roughly 10% to the early April low, and what we?ve seen since is a recovery, not an unanchored melt-up. That?s the pattern after most corrections. Since the end of World War II, the S&P 500 has booked 33 declines of 10% to 20% on a closing basis. The table tracks each one from the day the decline began, how long it took to bottom, and then the prize for sitting tight: the rally from that low to the next market peak, and how long that climb lasted.

−13.9%	**~4 mo**	**+34%**	**~10 mo**
Average correction depth, peak to trough	Average time to reach the low	Median rally from the low to the next peak	Median length of that rally

S&P 500 CORRECTIONS (10–20%) AND THE SUBSEQUENT ADVANCE — 1945 TO PRESENT

DECLINE BEGAN	DEPTH (PEAK→TROUGH)	MONTHS TO TROUGH	RALLY: TROUGH TO NEXT PEAK	MONTHS TO NEXT PEAK	NEXT PEAK
Feb 5, 1946	-10.1%	0.7	+14.5%	3	May 29, 1946
Feb 11, 1947	-14.7%	3.2	+17.1%	2	Jul 24, 1947
Jul 24, 1947	-14.1%	6.7	+23.3%	4	Jun 15, 1948
Jun 12, 1950	-14.0%	1.1	+59.8%	30	Jan 5, 1953
Jan 5, 1953	-14.8%	8.3	+100.9%	24	Sep 23, 1955
Sep 23, 1955	-10.6%	0.6	+21.9%	10	Aug 2, 1956
Aug 2, 1956	-14.8%	6.4	+15.9%	5	Jul 15, 1957
Aug 3, 1959	-13.6%	13.9	+35.5%	15	Jan 3, 1962
Aug 22, 1962	-10.5%	2.0	+75.8%	40	Feb 9, 1966
Sep 25, 1967	-10.1%	5.3	+23.5%	9	Nov 29, 1968
Apr 28, 1971	-13.9%	6.9	+33.4%	14	Jan 11, 1973
Nov 7, 1974	-13.6%	1.0	+47.1%	7	Jul 15, 1975
Jul 15, 1975	-14.1%	2.1	+31.4%	12	Sep 21, 1976
Sep 21, 1976	-19.4%	17.4	+23.1%	6	Sep 12, 1978
Sep 12, 1978	-13.6%	2.1	+20.3%	11	Oct 5, 1979
Oct 5, 1979	-10.2%	1.1	+18.6%	3	Feb 13, 1980
Feb 13, 1980	-17.1%	1.4	+43.1%	8	Nov 28, 1980
Oct 10, 1983	-14.4%	9.5	+127.8%	37	Aug 25, 1987
Jan 2, 1990	-10.2%	0.9	+14.2%	5	Jul 16, 1990
Jul 16, 1990	-19.9%	2.9	+232.7%	84	Oct 7, 1997
Oct 7, 1997	-10.8%	0.7	+35.3%	9	Jul 17, 1998
Jul 17, 1998	-19.3%	1.5	+48.2%	10	Jul 16, 1999
Jul 16, 1999	-12.1%	3.0	+22.5%	5	Mar 24, 2000
Nov 27, 2002	-14.7%	3.4	+95.5%	55	Oct 9, 2007
Apr 23, 2010	-16.0%	2.3	+33.3%	10	Apr 29, 2011
Apr 29, 2011	-19.4%	5.2	+93.8%	44	May 21, 2015
May 21, 2015	-12.4%	3.2	+13.0%	2	Nov 3, 2015
Nov 3, 2015	-13.3%	3.3	+57.1%	23	Jan 26, 2018
Jan 26, 2018	-10.2%	0.4	+13.6%	7	Sep 20, 2018
Sep 20, 2018	-19.8%	3.1	+44.0%	14	Feb 19, 2020
Jul 31, 2023	-10.3%	2.9	+49.2%	16	Feb 19, 2025
Feb 19, 2025	-18.9%	1.6	+40.1%	10	Jan 27, 2026
Jan 27, 2026	**-9.1%**	**2.0**	**+19.8%** *so far*	**2** *ongoing*	**now (record)**
AVERAGE	**−13.9%**	**3.8**	**+47.7%**	**16.7**	**MEDIAN: +34% / 10 MO**

Peak and trough closing levels, 1946–Feb 2016: Yardeni Research, "S&P 500 Corrections & Bear Markets" (Standard & Poor's / Haver Analytics). 2018–2026 declines compiled from public daily index records (Jan 26, 2018 peak 2,872.87; Feb 19, 2025 peak 6,144.15 to Apr 8, 2025 low 4,982.77; Jan 27, 2026 peak 6,980.75 to the late-March 2026 low near 6,343.73). "Months to trough," "rally to next peak," and "months to next peak" computed by RIA Advisors; the next peak is the high that preceded the next 10%+ decline. Bear markets (declines of 20% or more) are excluded from the rows but serve as the next-peak reference where one immediately followed a correction. All figures close-basis; some episodes (1990, 2018, 2025) reached or neared −20% intraday. The 2026 rally is still in progress, measured to the June 1, 2026 record close of 7,599.96 (S&P 500 modestly lower intraday June 2, market open). Sources: Yardeni Research; FRED; CNBC. As of June 2, 2026.

The typical correction cuts about 14% over roughly four months, and the rally off the low has historically run a median 34% over about 10 months before the next peak. This year?s advance is 19.8% in about two months. Fast, yes; however, by this table?s standard, it is still on the young side. As ***Bob Farrell?s Rule #4*** reminds us, exponential moves usually run further than anyone expects before they roll over.

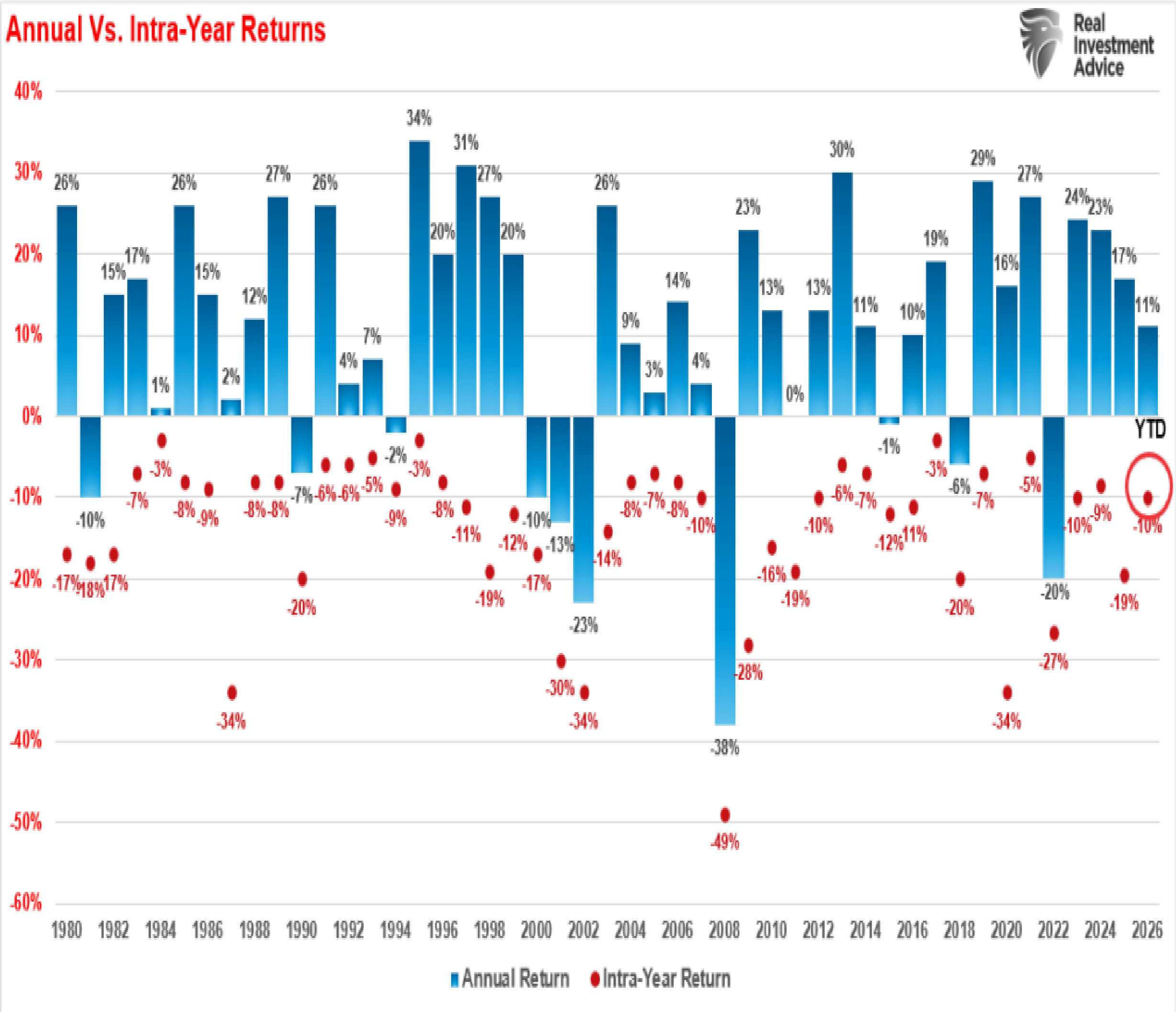
So how big would the feared pullback be? This is where the moving averages do the talking. At 7,600, the index sits about 7.5% above its 50-day average near 7,100 and about 11% above its 200-day average near 6,842. Those gaps are the answer. A garden-variety reversion to the 50-day is a 7% decline. A deeper flush all the way to the 200-day is a 10% decline, and even that holds above the March low and leaves the uptrend intact.

HOW FAR THE S&P WOULD FALL TO REACH EACH LINE

REFERENCE LEVEL	VALUE	S&P ABOVE IT	DECLINE TO REACH
20-DAY AVG.	≈ 7,470*	+1.7%	−1.7%
50-DAY AVG.	7,058	+7.7%	−7.1%
200-DAY AVG.	6,831	+11.3%	−10.1%
LATE-MARCH LOW	6,343.73	+19.8%	−16.5%

*S&P 500 at 7,599.96 (June 1, 2026 close, record high); modestly lower intraday June 2 with the market open. 50-day and 200-day moving averages as of May 29, 2026 close. *20-day average is an estimate from the recent daily path, not a sourced print. Sources: S&P Dow Jones Indices via FRED, StreetStats, CNBC. Historical correction data: Guggenheim, Invesco, Carson.*

That maps cleanly onto the historical norm. The market corrects 5% to 10% in almost every calendar year, and since we?ve already booked the double-digit drop in March, the odds favor the shallow version next. The last genuinely deep decline, the roughly 20% drawdown that bottomed in April 2025, is already well behind us. Back-to-back deep corrections inside the same window are the exception, not the rule.



For investors, the market is trending positively, economic growth remains resilient, and earnings expectations are rising. The catalysts for a deeper correction are not readily present. As such, a normal 5% to 8% pause here only takes us to the 50-day. That?s the place where buyers will want to add exposure, not abandon it. However, given the market?s complacency, a 5-8% correction will *&#2013266080;?feel?*&#2013266080;much worse than it actually is. Don?t overreact.

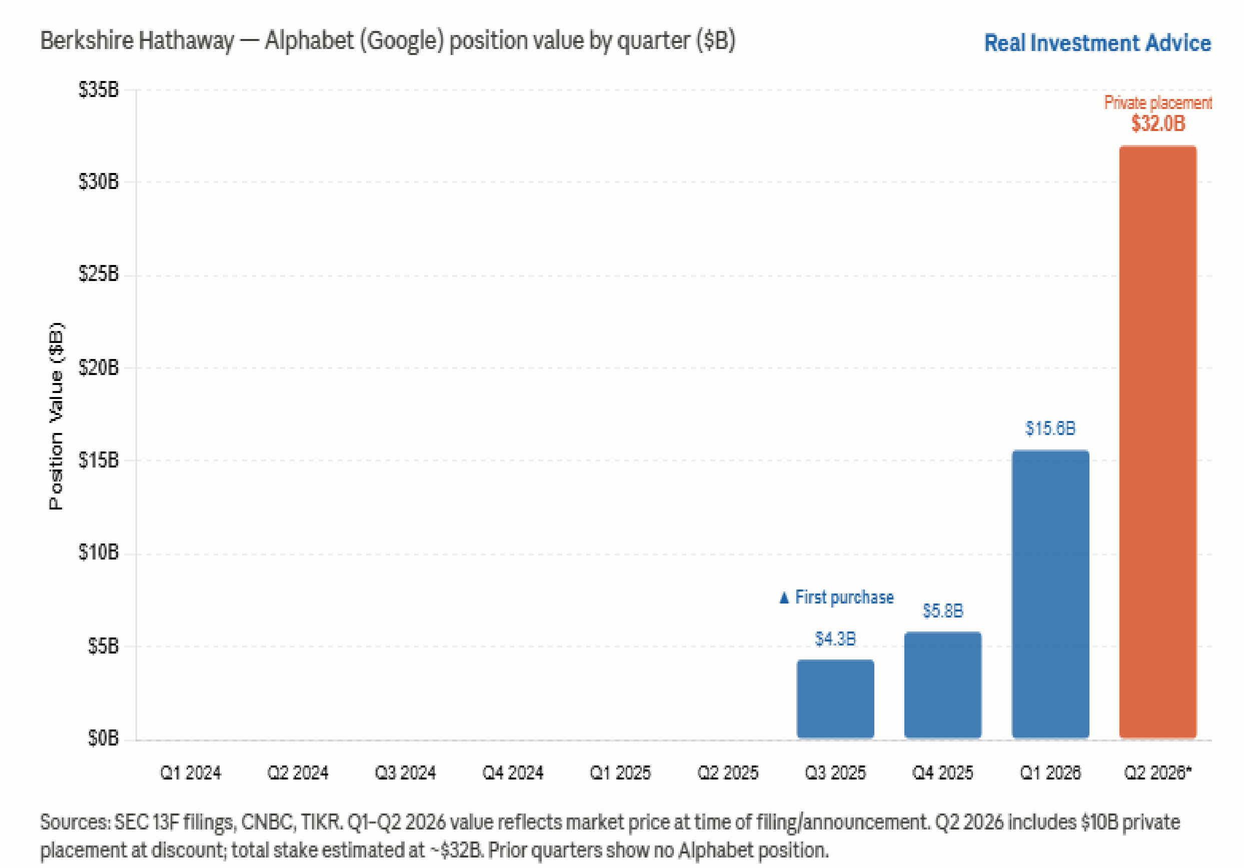
Make no mistake, an overbought tape can pull back hard and fast, and an RSI north of 73 says we?re stretched. But stretched is not broken. The bottom line is that the math of this rally argues for a pause, not a peak.

Berkshire Gets A Deal On Alphabet?s Stock

Yesterday, Alphabet announced a hefty $80 billion capital raise to fund its rapidly expanding AI infrastructure. Buried in that announcement was a detail worth examining: Berkshire Hathaway committed $10 billion to the deal at a discount to Alphabet?s current market price. Berkshire purchased $5 billion of Class A shares at $358.81 and $5 billion of Class C shares at $348.20. For context, the stock closed that day at $376.37 and $372.58, respectively. Accordingly, those purchases were at a discount of approximately 6% on the Class A shares and nearly 8% on the Class C shares.

In private placements, a discount to the current stock price is not unusual. Large investors in significant, headline-worthy equity raises routinely negotiate discounts in exchange for certainty of execution and the reputational credibility they bring to a deal. Having Berkshire anchor the offering enhances the offering?s overall credibility in Alphabet?s mind.

For Berkshire, the purchase adds to its position, which it has been building rapidly over the past three quarters, making Alphabet one of the company?s largest holdings. The important takeaway here is not just that Berkshire added to its Google position. It is that Berkshire extracted a discount to do so, and Alphabet accepted those terms. When a well-regarded and disciplined capital allocator demands a margin of safety on a $10 billion investment, and the counterparty agrees, both sides are telling you they see some funding risk in the market.



Tweet of the Day

Lawrence McDonald
@Convertbond

SpaceX IPO valuation vs. USA GDP - clearly, light-years away (colossal premium) from previous large IPOs.

For context, here's how all the listed IPOs stack up as % of GDP in their year (using your valuations):

Company	Year	IPO Valuation	US GDP (nominal)	% of GDP
Microsoft	1986	$775M	~$4.58T	~0.017%
Amazon	1997	$475M	~$8.58T	~0.0055%
Nvidia	1999	$75M	~$9.63T	~0.0008%
Tesla	2010	$2B	~$15.05T	~0.013%
Facebook	2012	$100B	~$16.25T	~0.615%
Uber	2019	$80B	~$21.5T	~0.37%
Palantir	2020	$22B	~$21.4T	~0.10%
SpaceX (est.)	**2026**	**$2T**	**~$32.4T**	**~6.2%**

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