The Tech Bubble Analogy For Nvidia Falls Short

One of the most common parallels for AI stocks? booming performance is the tech bubble of the 1990s. Both periods were and are being driven by transformative secular developments. On the surface, the remarkable growth, market performance, and high valuations of AI stocks resemble dot-com stocks from the years that created the tech bubble. We?ve even experienced periods today where investor behavior resembles the tech bubble: many companies merely aligning their brand with the AI revolution get an ?AI Premium? baked into their valuation.

As shown in the tweet below, one of the more popular analogies cited by skeptics compares NVDA?s recent performance to that of Cisco (CSCO) during the late 1990s. Based on the strikingly similar trajectory of stock prices, this analogy appears to be rock-solid. However, the comparison shows cracks when you dig into the factors underlying each company?s growth. Val Zlatev raised two critical distinctions in a recent podcast episode of Monetary Matters with Jack Farley. He argued that the rise of cloud computing, beginning around 2010, is a better parallel for NVDA in today?s market.

Most of NVDA?s AI infrastructure revenue comes directly from the free cash flows of a handful of huge companies. This contrasts with the venture capital and debt-financed infrastructure spending throughout the late 1990s. Furthermore, NVDA?s AI hyperscaler customers have an established customer base of well-capitalized Fortune 500 companies. In the late 1990s, Cisco?s rapid growth was juiced by heavy infrastructure spending from VC-backed start-ups. Many of those start-ups had questionable business models and eventually failed, obliterating CSCO?s growth prospects and sparking the downturn. Zlatev?s point is that NVDA?s demand is much less likely to evaporate than Cisco?s was back then. Finally, CSCO?s forward P/E ratio was roughly 100-150 at the peak of the dot-com bubble, whereas NVDA?s forward P/E ratio is markedly lower at just 25.5 today. Considering these factors, the tech bubble analogy for NVDA falls short of a valid comparison.

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Nvidia $NVDA vs. Cisco $CSCO - Dot Com Bubble vs. Now

What To Watch Today

Earnings

Wednesday Jun 18	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Korn Ferry International KFY:US		1.26	1.26		690.07M	690.8M	$3.16B	Q4	AM

Economy

Wednesday June 18 2025			Actual	Previous	Consensus	Forecast
06:00 AM	US	MBA 30-Year Mortgage Rate JUN/13		6.93%		
06:00 AM	US	MBA Mortgage Applications JUN/13		12.5%		
06:00 AM	US	MBA Mortgage Market Index JUN/13		254.6		
06:00 AM	US	MBA Mortgage Refinance Index JUN/13		707.4		
06:00 AM	US	MBA Purchase Index JUN/13		170.9		
07:30 AM	US	Building Permits Prel MAY		1.422M	1.43M	1.4M
07:30 AM	US	Housing Starts MAY		1.361M	1.36M	1.35M
07:30 AM	US	Building Permits MoM Prel MAY		-4%		-1.5%
07:30 AM	US	Housing Starts MoM MAY		1.6%		-0.8%
07:30 AM	US	Initial Jobless Claims JUN/14		248K	245K	255.0K
07:30 AM	US	Continuing Jobless Claims JUN/07		1956K	1940K	1965.0K
07:30 AM	US	Jobless Claims 4-week Average JUN/14		240.25K		247.5K
09:30 AM	US	EIA Crude Oil Stocks Change JUN/13		-3.644M		
09:30 AM	US	EIA Gasoline Stocks Change JUN/13		1.504M		
09:30 AM	US	EIA Crude Oil Imports Change JUN/13		0.451M		
09:30 AM	US	EIA Cushing Crude Oil Stocks Change JUN/13		-0.403M		
09:30 AM	US	EIA Distillate Fuel Production Change JUN/13		-0.097M		
09:30 AM	US	EIA Distillate Stocks Change JUN/13		1.246M		
09:30 AM	US	EIA Gasoline Production Change JUN/13		0.681M		
09:30 AM	US	EIA Heating Oil Stocks Change JUN/13		0.487M		
09:30 AM	US	EIA Refinery Crude Runs Change JUN/13		0.228M		
10:30 AM	US	17-Week Bill Auction		4.220%		
10:30 AM	US	4-Week Bill Auction		4.080%		
10:30 AM	US	8-Week Bill Auction		4.380%		
11:00 AM	US	15-Year Mortgage Rate JUN/19		5.97%		
11:00 AM	US	30-Year Mortgage Rate JUN/19		6.84%		
11:00 AM	US	EIA Natural Gas Stocks Change JUN/13		109Bcf		
01:00 PM	US	Fed Interest Rate Decision		4.5%	4.5%	4.5%
01:00 PM	US	FOMC Economic Projections				

Market Trading Update

Yesterday?s post discussed the potential for a dollar rally given the current more deeply oversold conditions. Shifting focus to the overall market itself, the market sold off yesterday as headlines suggested it was related to the ongoing conflict between Israel and Iran. While the conflict certainly poses some concern, the reality is that the market is still in an ongoing consolidation process. The good news is that the bulls continue to hold support at the 20-DMA. The bad news, if you want to call it that, is that the rising wedge going into last week was broken to the downside. Such typically suggests a short-term correction or consolidation.

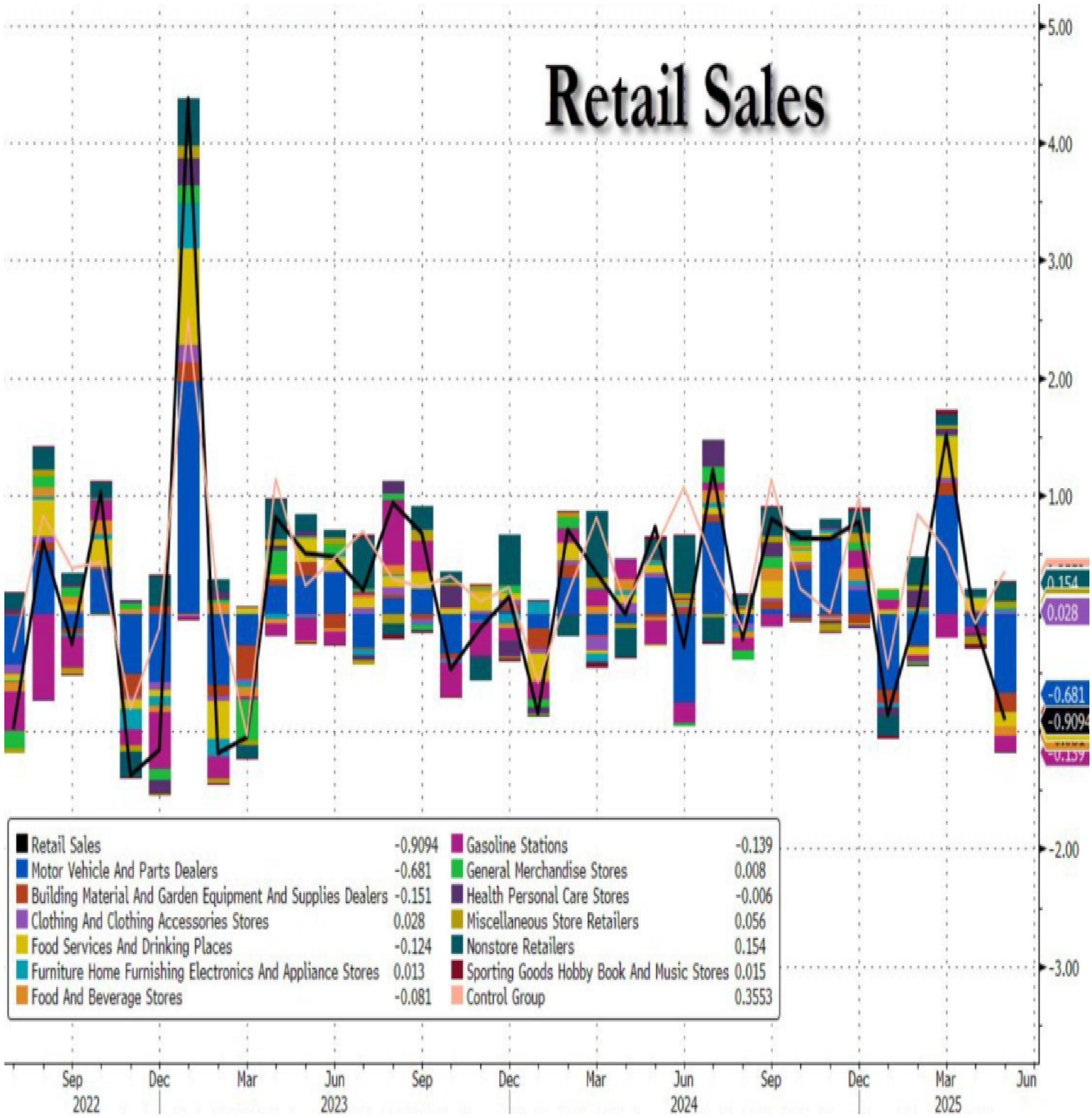
As shown, momentum *(at the top of the graph)*&#2013266080;has more definitively broken down&#2013266080;to the downside, which does suggest some caution, particularly as relative strength *(at the bottom of the graph)* weakens. The current market action reminds me of November 2024 heading into December. At that time, exuberance was high, money flows peaked and started declining, and momentum and relative strength turned lower. While it wasn?t a significant correction, the market just chopped broadly sideways to work off those conditions. I suspect we could see the same in the weeks ahead.

While we are holding excess levels of cash, we are fine with the current process. However, we will be looking for an opportunity to put that capital to work in the weeks ahead. For now, continue to manage risk, but make a shopping list with entry targets for positions you want to own.

Retail Sales Weren?t as Bad as They Seem

Headline retail sales fell by -0.9% in May, below the consensus estimate of -0.6 %. Financial media quickly attributed the decline to waning demand from Trump?s tariffs, but the print isn?t as bad as it seems. It mainly reflects a normalization of demand following tariff front running in March, as shown in the chart below.

Motor vehicle and parts dealers (-0.68%) were the largest detractors from the headline. Followed by gas stations (-0.139%) and building materials, garden equipment, and supplies dealers (-0.15%). All three categories are excluded from the control group, which is the measure that strips out volatile categories and feeds into GDP. The control group beat expectations, increasing 0.4% in May, above the consensus of a 0.3% increase. While the headline figure deteriorated last month, the control group data still reflect healthy consumer spending in the U.S. economy.



How to Protect Your Wealth During Market Downturns

Economic downturns are an inevitable part of the financial cycle. For affluent investors, protecting wealth in recession periods is not just about weathering the storm but strategically positioning assets to avoid major losses and seize long-term opportunities. Whether it?s a bear market, economic contraction, or sudden geopolitical shifts, understanding how to implement a solid financial planning strategy for market downturns can make all the difference in long-term&#2013266080;portfolio performance.

In this guide, we?ll explore proven techniques such as portfolio diversification, tax-loss harvesting, and tactical asset allocation that can help high-net-worth individuals maintain financial stability and avoid costly mistakes during periods of volatility.

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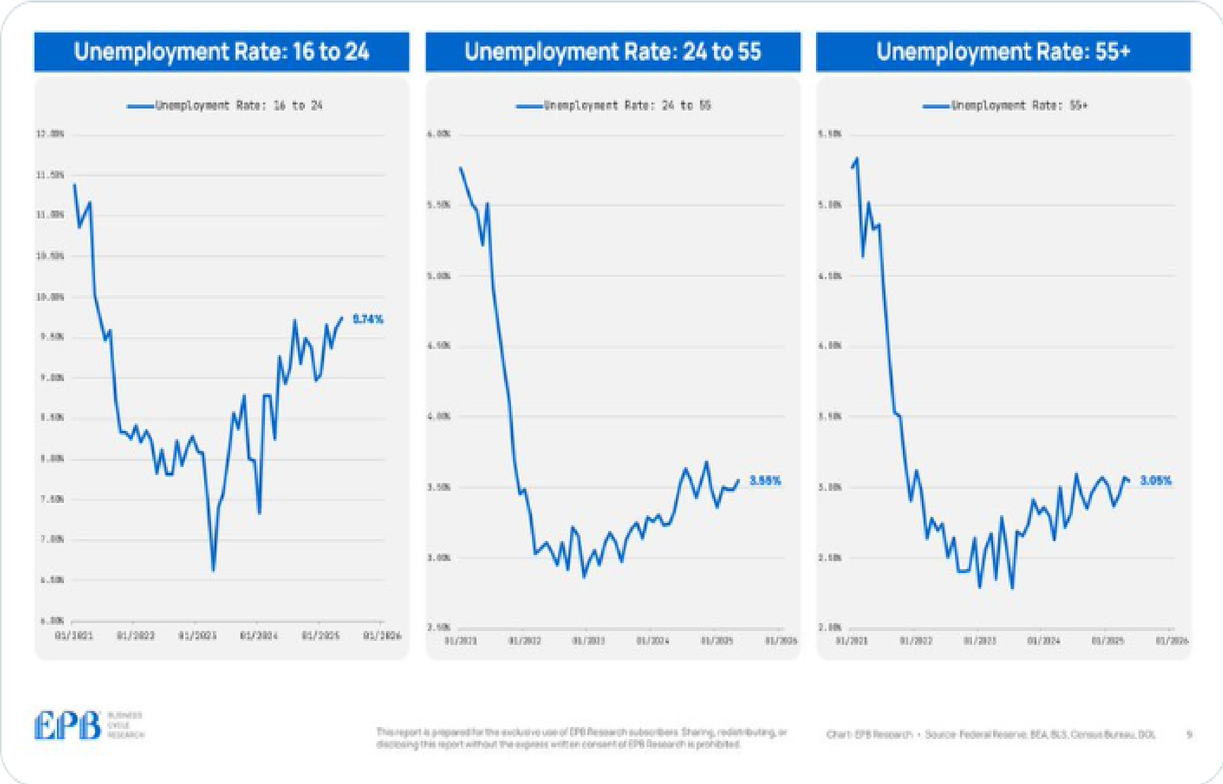
Tweet of the Day

Eric Basmajian
@EPBResearch

The increase in unemployment is coming mainly from the very young population.



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