FORT SHERIDAN ADVISORS

Mirror Image

What do the war in Iran and Jensen Huang's ouster at Nvidia have in common? At first glance very little, yet each is the kind of shock that changes how investors value an entire industry. The war unsettled an oversupplied oil market and has added a geopolitical risk premium into energy prices. Mr. Huang's exit could be the mirror image for AI infrastructure, unsettling a supply-constrained chip market and eroding its growth premium.

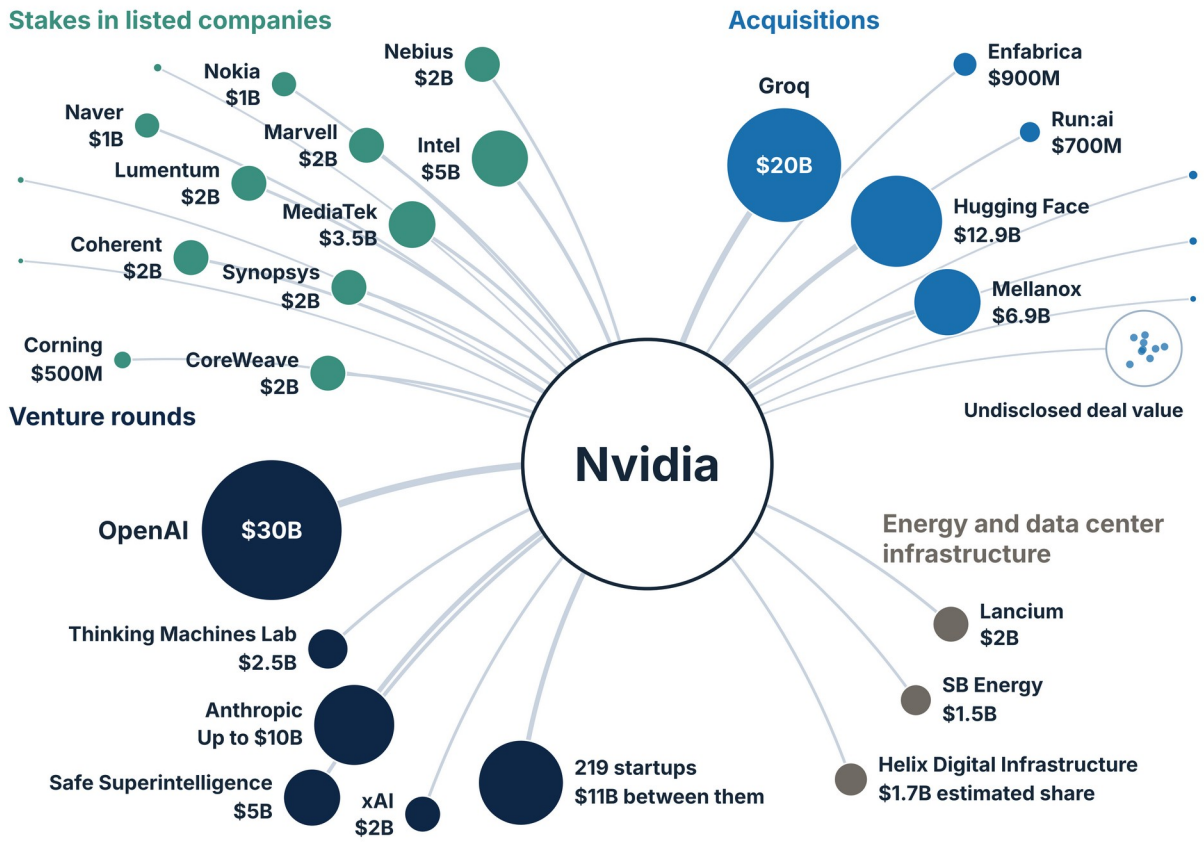
For most of the chip industry's history, investors treated chips as a cyclical business prone to boom and bust. AI turned them into a structural growth story with Nvidia at its center, and the company became the industry's main source of stability. Just as the war in Iran led investors to reassess the balance of supply and demand in the energy market, Mr. Huang's exit has them reassessing that balance in the chip market.

The Industry's Central Banker

Under Mr. Huang, Nvidia became the AI industry's central banker as well as its main supplier. By the end of July, it had invested $99 billion in AI developers and other partners and committed $25 billion more. Nvidia is also on the hook for more than $140 billion of guarantees and purchase commitments that helped its customers borrow and build. The largest is a guarantee of up to $105 billion of lease and power payments for an OpenAI data center campus in Ohio. Nvidia also agreed to buy $36 billion of computing capacity from neoclouds and guaranteed $3.5 billion of land, power and building costs for its partners.[1] The strategy was aggressive, but it rested on end-customer demand and filled a financing gap. Mr. Huang's removal risks destabilizing the ecosystem he helped create.

Nvidia's Key Role as an AI Financier

Nvidia's investments, acquisitions and infrastructure commitments; circles sized by deal value



Source: Dealroom; Financial Times (11.17.26).

With federal and internal investigations underway, we expect Nvidia to act far more cautiously as the industry's central banker under Colette Kress, who has taken over on an interim basis. Lenders are already asking that new loans to Nvidia's partners be backed by those partners' own customer contracts.[2]

A Weaker Backstop

A more cautious Nvidia will make it harder for the buyers it helped finance to fund their expansion, starting with the neoclouds. These smaller cloud providers, which rent out AI computing power, are expected to raise capital spending to $114 billion next year from $84 billion this year. Without Nvidia's support, it is unlikely they would be able to secure financing on economically feasible terms. As credit tightens, we think some will delay or cancel expansion plans. Those cutbacks would presumably dent some demand for Nvidia's chips or force the company to find buyers elsewhere.[3]

Export rules pose a separate threat in Asia. Yesterday the Commerce Department began requiring licenses for U.S. firms to ship advanced chips to Singapore, Malaysia and three other countries. It also requires a license for U.S. data center firms to rent computing power to Chinese companies. Last fiscal year, Nvidia billed an estimated $42 billion through Singapore, nearly a fifth of its revenue. While some of that likely went to U.S. companies running data centers overseas, presumably part, if not most, went to Chinese firms. Additionally, Nvidia sold $7.9 billion to customers in China and Hong Kong last quarter, nearly triple its sales there a year earlier.[4]

We think most sales tied to Chinese buyers could fall close to zero, and tighter rules could put the rest of Asia at risk. If those sales disappear, chips once bound for Chinese buyers will have to be sold elsewhere. Demand in the U.S. and Europe should absorb them over time, but the market for AI chips could swing from tight supply to ample supply in the near term.

A slowdown would also reach Nvidia's suppliers. Its commitments to buy memory and chip manufacturing capacity more than doubled in one quarter, to $279 billion, nearly all of it due within the next three years. According to The Wall Street Journal, Mr. Huang warned his finance team that those purchases were coming at him like an "avalanche." Memory makers – whose products are likened to commodities – are most exposed to swings in demand. As such, stocks of Samsung, SK Hynix and Micron have sold off sharply in the past month. Mr. Huang's exit also threatens the open-source AI developers Nvidia has backed. Nvidia funded them to spur demand for its chips and because it believed competition was beneficial for the AI ecosystem as a whole. We think that support will fade without him, tilting the field toward closed models from OpenAI, Anthropic and Google.[5]

From Scarce to Interchangeable

Those closed developers have the money and the motive to rely less on Nvidia. Google runs most of its own AI computing on its TPU chips and has begun selling them to outside customers. TPUs helped train frontier models such as Gemini and Anthropic's Claude. Meta signed a multibillion-dollar TPU deal in February, and Anthropic plans to deploy 5 gigawatts of TPU capacity next year, up from 1 gigawatt this year. Amazon is pursuing a similar strategy with its Trainium chips. AI itself is making the switch easier. Nvidia's CUDA software long made moving to rival chips slow and costly, yet Anthropic told prospective investors this month that its own AI transferred the company's models onto AMD chips in three days. From 2023 to 2025, Nvidia held more than 80% of the market for AI chips, but now accounts for 39% of the computing capacity the leading AI developers have contracted for the future.[6] Nvidia can still do well as the AI market expands, but it will face more competition for that growth.

A Boom That Looks More Like a Cycle

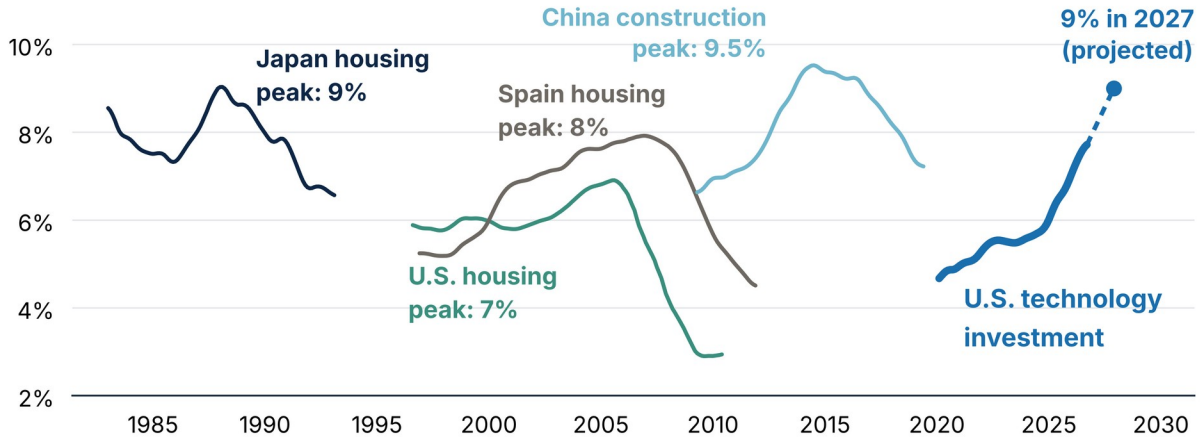
Some forecasters have already cut their estimates of AI spending sharply. Yesterday SemiAnalysis, a semiconductor research firm, lowered its estimate of AI chip spending in 2029 by 41%, to $796 billion. The analyst consensus compiled by Bloomberg Intelligence projects growth in cloud companies' capital spending slowing from 95% this year to 39% in 2027 and stalling by 2030. Chip stocks have often struggled once growth expectations moderate, even when demand remains strong.[7]

More broadly, history cautions about a buildout of this size. BCA Research calculates that U.S. investment in technology is on pace to reach 9% of GDP in 2027, near the peaks of housing and construction booms in Japan, Spain, the U.S. and China. Each ended in a long decline.[8]

To be clear, we do not expect AI spending to end the way those booms did. Unlike the homes and offices built in those booms, AI is a technology that raises productivity, and it already generates real revenue. Anthropic's annualized revenue is expected to top $100 billion by year-end, up from $9 billion at the end of 2025, and OpenAI expects $70 billion or more. And demand for computing still outstrips supply. However, given all the uncertainties we have outlined above, chips risk reverting to a cyclical valuation paradigm. Nvidia's stock already reflects much of that shift. At $156 as of Monday's close, it trades 35% below its October 6 record and at less than 10 times the earnings analysts expect next fiscal year.[9]

U.S. Tech Investment Nears the Level Where Past Booms Peaked

Investment as a share of GDP



Source: BCA Research (11.17.26). U.S. technology investment includes information processing equipment, software, data centers and communication. China is shown in nominal terms.

The Next Phase of the AI Story

We think Anthropic's initial public offering later this week will mark a turning point for the AI trade. For the past several years, investors have focused on the infrastructure buildout and the companies that supply it, from chipmakers to component, power and industrial firms. With Anthropic public, we expect the economics of the model developers themselves to take center stage. Ultimately, the focus is likely to shift again, from how the model developers profit to how their customers benefit. For AI to demonstrate its long-term value, it needs to establish itself as an enabling technology, raising productivity throughout the economy or unlocking new capabilities in fields such as medicine and materials science.

Meanwhile, Nvidia's own situation remains fluid. Its earnings later today are unlikely to settle larger questions of who will lead the company and how it will use its balance sheet.[10] And it is premature to gauge any additional fallout from the last week of turmoil. Just as the energy market has yet to recover to its pre-Iran War balance, we doubt the market for AI infrastructure will soon return to the balance it had with Nvidia at its center under the leadership of Mr. Huang. For now, we remain holders of Nvidia, given its valuation, track record of innovation and the size of its addressable market. We will pay close attention to the company's investor update later today and will promptly share any change in our assessment.

Sincerely,

The Team at Fort Sheridan Advisors

Citations and Disclosures

[1] Nvidia securities filings; Dealroom; Financial Times (11.12.26); J.P. Morgan (11.14.26).
[2] Wall Street Journal (11.12.26); Nvidia securities filings; Reuters (11.16.26).
[3] Bloomberg Intelligence (11.16.26); Nvidia securities filings.
[4] Bloomberg (11.16.26); U.S. Commerce Department (11.16.26); Nvidia securities filings.
[5] Nvidia securities filings; Wall Street Journal (11.12.26); Korea Exchange; Nasdaq (11.6.26); MIT Technology Review (11.16.26).
[6] Bloomberg Intelligence (11.13.26); J.P. Morgan (11.14.26); Broadcom and Google company reports (2026).
[7] SemiAnalysis (11.16.26); Bloomberg Intelligence (11.16.26).
[8] BCA Research (11.11.26).
[9] Bloomberg (11.16.26); Reuters, via Crunchbase News (10.26.26); Bloomberg (10.9.26); Nvidia securities filings.
[10] Bloomberg (11.17.26).

This letter is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed are as of the date noted above and may change as subsequent conditions vary. The information and opinions contained in this letter are derived from proprietary and nonproprietary sources deemed by Fort Sheridan Advisors LLC ("Fort Sheridan") to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Fort Sheridan, its principals, employees, agents or affiliates. This post may contain "forward-looking" information that is not purely historical in nature. Such information may include, among other things, projections and forecasts. There is no guarantee that any forecasts made will materialize. Reliance upon information in this post is at the sole discretion of the reader.

Please consult with your Fort Sheridan financial advisor to ensure that any contemplated transaction in any securities mentioned in this letter align with your overall investment goals, objectives and tolerance for risk. In addition, please note that Fort Sheridan, including its principals, employees, agents, affiliates and advisory clients, may have positions in one or more of the securities discussed in this communication. Please note that Fort Sheridan, including its principals, employees, agents, affiliates and advisory clients may take positions or effect transactions contrary to the views expressed in this communication based upon individual or firm circumstances. Any decision to effect transactions in the securities discussed within this communication should be balanced against the potential conflict of interest that Fort Sheridan Advisors has by virtue of its investment in one or more of these securities.

Additional information about Fort Sheridan is available in its current disclosure documents, Form ADV and Form ADV Part 2A Brochure, both which are available without charge by contacting Fort Sheridan toll-free at 866-559-9700. You may also request copies by email at info@fortllc.com, or access the documents online via the SEC's Investment Adviser Public Disclosure (IAPD) database at www.adviserinfo.sec.gov, using CRD# 151139 or SEC# 801-70517.

Fort Sheridan neither provides investment banking services nor engages in principal or agency cross transactions. All securities transactions are effected through Fidelity Brokerage Services LLC. Fort Sheridan is not an affiliate of Fidelity Brokerage Services LLC.

Investing involves risks, including the possible loss of principal and fluctuation of value. Past performance is no guarantee of future results.