

## NVIDIA's Beat Fails to Calm AI Disruption Concerns

Stocks finished lower in a volatile week that underscored the market's uneasy relationship with mega-cap leadership, AI disruption concerns, and a still-hawkish inflation backdrop.



The S&P 500 (-0.4%) slipped back below its 50-day moving average, while the Nasdaq Composite (-1.0%) and DJIA (-1.3%) also posted weekly losses. Small- and mid-cap stocks did not provide shelter, with the Russell 2000 (-1.2%) and S&P Mid Cap 400 (-0.9%) finishing firmly lower.

The week began with a sharp “risk-off” tone tied to renewed tariff uncertainty and intensifying AI-disruption fears, particularly across software and financials. Early weakness in mega-cap technology and asset managers set the tone, and although dip-buying efforts midweek briefly restored technical footing, the rebound ultimately proved fragile.

AI disruption remained a dominant theme. Software stocks endured sharp swings throughout the week as

investors grappled with automation headlines and evolving competitive dynamics. At the same time, semiconductor stocks struggled to provide consistent leadership.

A major inflection point came with earnings from NVIDIA. Despite delivering another stellar report highlighted by record data center revenue and strong guidance, the stock fell sharply and ended the week down 6.7%. The muted response reinforced lingering concerns about valuation and the sustainability of hyperscaler capital expenditures tied to the AI buildout. That hesitation spilled over into other chipmakers and weighed on the broader information technology sector (-2.2%).

Financials (-2.0%) were another area of notable weakness. Early-week pressure tied to AI-related uncertainty and private equity exposure resurfaced late in the week after a hotter-than-expected inflation print pushed out rate-cut expectations. The January Producer Price Index rose 0.5% (Briefing.com consensus 0.3%), while core PPI increased 0.8% (Briefing.com consensus 0.3%), reinforcing the notion that inflation pressures remain sticky at the wholesale level.

The data added to an already hawkish tilt and undercut enthusiasm for rate-sensitive areas such as capital markets and leveraged finance.

In contrast to tech and financials, defensive sectors stood out. Utilities (+2.9%), consumer staples (+2.7%), and health care (+2.1%) attracted steady rotational flows, while energy (+2.0%) benefitted from a rebound in crude prices. Oil experienced a volatile week amid escalating tensions between the U.S. and Iran, with late-week comments from President Trump keeping geopolitical risk in focus.

Overall, the week reflected a market still searching for durable leadership. Mega-cap technology failed to convert strong earnings into sustained upside momentum, AI disruption fears resurfaced across software and financials, and a firm PPI reading reinforced the Fed's cautious stance. At the same time, defensive sectors and energy saw continued interest, highlighting an ongoing rotation away from concentrated growth leadership and toward a more selective, risk-aware positioning backdrop.

- S&P 500: -0.4%
- S&P Mid Cap 400: -0.9%
- Nasdaq Composite: -1.0%
- Russell 2000: -1.2%
- DJIA: -1.3%

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