

Inside the AI Stock Surge: What Heavy Insider Selling Could Mean for Investors

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King Frederik X of Denmark (R), CEO and founder of Nvidia Jensen Huang (L), and CEO of the Danish Centre for AI Innovation A/S, Nadia Carlsten (C), symbolically switch on the new AI supercomputer named Gefion at the Vilhelm Lauritzen Terminal in Kastrup, Denmark, on Oct. 23, 2024. MADS CLAUS RASMUSSEN/Ritzau Scanpix/AFP via Getty Images



By Li Li

A A Print

Commentary

In 2024, AI stocks have seen a tremendous growth.

The hottest AI stock is no doubt NVIDIA, a maker of graphics chips for gaming and artificial intelligence.

It has grabbed much of the spotlight for its massive spike in stock price—as of Oct. 25, the company’s market cap is [\\$3.521 trillion](#), briefly overtaking Apple as the world’s most valuable company, and its [year-to-date return](#) is 190.2 percent.

While some have raised the question of whether the hype around artificial intelligence (AI) is overblown, or whether geopolitical tensions could affect semiconductor production and slow down AI development, Wall Street seeks to assure us of AI’s bright prospects.

The First Call Consensus Recommendation is “buy”—according to CNBC, there are [64 analysts reporting on NVIDIA](#); 21 rank it as a “strong buy,” 37 rank it as a “buy,” 6 rank it as a “hold,” and none of the analysts recommend selling it.

On Oct. 23, Bank of America analyst Vivek Arya told investors that the party has just begun, arguing that NVIDIA stock is still undervalued, raising [his target to \\$190](#).

However, while the analysts sure may know a thing or two, do they really know more than insiders of NVIDIA, such as Jensen Huang, the founder and CEO of NVIDIA?

According to Nasdaq insider trading activity reports, there have been zero shares [bought by insiders](#) (officers and directors) over the past three months, while [6,957,645 shares](#) have been sold during that time frame.

In fact, on Sept. 20, Huang disposed of 1,568,000 shares. In July, he sold 120,000 shares each day, except for a few-day break around

Independence Day.

Advanced Micro Devices (AMD) is a rival of NVIDIA in the AI chip market, aiming to challenge Nvidia's dominance.

While it does not boast NVIDIA's wonderchild stock performance, it [shares similar](#) traits in the trading by its insiders.

Over the past three months, 733,435 shares were sold by its officers and directors, while a mere 30,000 shares were bought. In total, over the past 12 months, 2,024,391 shares were sold and just 45,324 shares were bought. AMD CEO Lisa Su, just like her rival Huang, has been selling stocks of her own company.

How about Qualcomm, another chip-making company that is competing with NVIDIA in the AI hardware market?

Insider selling [outpaces](#) insider buying by 55 times. Qualcomm CEO Cristiano Amon is among those selling his stakes in Qualcomm.

Meanwhile, at Meta, another major AI player, founder and CEO Mark Zuckerberg was [selling stock](#) almost daily in August.

When it comes to artificial intelligence—a concept dating back as far as the 1950s that in recent years has dominated headlines with the rise of ChatGPT—the question is whether AI is delivering the financial rewards that investors are getting so excited about.

Edward Tian, CEO at [GPTZero](#), definitely thinks AI could be a bubble to burst.

“Essentially what is going on with this ‘AI bubble’ is that people, and investors, are beginning to realize that all of the fantastic promises of AI are falling short,” he recently [said](#).

Are we being oversold on the AI hype, and should we get nervous? Or should we keep pumping air into the bubble and believe that we can exit before it bursts?

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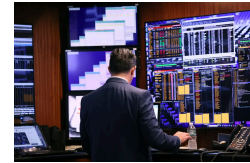
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