THE TOYOSAKI REPORT

AGD SEMICONDUCTOR WATCH

Reading the Chokepoints.

A Record of Forecasts, and the Scenarios Ahead



SPECIAL FEATURE

The Day the Daisy Chain Breaks

Smuggling, Circular Finance, and the Black Monday Question

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CHAPTER 1 — FORECASTS AND VERIFICATION

A Record of Forecasts — The Structure the Digital Shoinjuku Pointed To

This is a special issue, published ahead of Vol. 1. What it contains is not a boast about prophecy. It is a verifiable record. The YouTube program “Digital Shoinjuku” is a show in which the anchor sets a theme on the day, and Yoshihisa Toyosaki analyzes it impromptu, drawing on data accumulated over years. KINAKO, who handles editing and analysis for this journal, extracted 566 claims from Episodes 4 through 58 and graded the 208 whose outcomes could be confirmed against subsequent data, using five grades: Hit / Directional Match / Partial Match / Undetermined / Miss. The most thickly corroborated of all was the genealogy of “diversion and smuggling” that slips through export controls on China, and of the “circular” flow of money.

The Genealogy — The Claims, and What Followed

When	The claim (Digital Shoinjuku)	What followed (public record / reporting)
Ep. 24 Sep. 2, 2024	Diversion routes are not single; several exist, including the Middle East and Asia. Billing-based disclosure does not reveal end demand	**Hit**. A bust in Singapore (Feb. 2025, transaction value approx. $390 million); multiple routes were confirmed in later indictments
Ep. 29 Oct. 28, 2024	TSMC-made chips found in a Huawei AI server. A thorough investigation and expansion of controls	**Directional Match**. The U.S. Department of Commerce ordered shipments halted, and Sophgo, which had intermediated, was placed on the Entity List
Ep. 30 Nov. 5, 2024	Cutting-edge AI semiconductors are being smuggled and diverted to China and elsewhere in large volumes	**Directional Match** (as to China, at the level of a Hit). The scale of the outflow was corroborated by the later indictments
Ep. 49 May 8, 2025	A deep dive on Supermicro. A former employee’s lawsuit exists, and there are suspicions of diversion dealings	**Directional Match**. The lawsuit was confirmed in court records (Case No. 24-cv-02440). Indictments followed roughly ten months later
Materialized Mar. 19, 2026	—	The U.S. Department of Justice indicted three individuals — Liaw, Chang, and Sun — for conspiracy to divert exports on the order of $2.5 billion
Materialized Oct. 8, 2026	—	Sun, a broker, pleaded guilty to four counts including export-control violations and smuggling (Reuters)
Materialized Oct. 29, 2026	—	The New York Times reported the Megaspeed allegations (Chapter 2)

The graded claims in this genealogy number 23: 2 Hits, 11 Directional Matches, 9 Partial Matches, 1 Undetermined, 0 Misses. The grading carries no leniency. Across all 208 claims — 55 Hits, 45 Directional Matches, 65 Partial Matches, 13 Undetermined, 30 Misses — the misses concentrate in claims that asserted the “timing” of markets. Readings of figures and structures (Wolfspeed’s bankruptcy, Huawei’s ascent to the world No. 1 position in smartwatches, readings of semiconductor companies’ earnings figures) are corroborated in many cases, while assertions of timing are weak. That, too, is part of the record.

One caveat must be stated plainly. “The existence of smuggling and diversion” has been corroborated in judicial records, but there is no public evidence that “NVIDIA was organizationally involved.” Those indicted were persons connected to a server vendor, brokers, and buyers; NVIDIA is not a defendant in any of the indictments. This distinction must not be blurred.

Source Materials for Verification (YouTube)

— Digital Shoinjuku, Ep. 49 (Supermicro deep dive): https://youtu.be/Qi8WzZCoTlU

— Digital Shoinjuku, Ep. 24 (the structure of diversion routes): https://youtu.be/Q4Q9iijHitk

The program is distributed on the YouTube channels “MCSCC Official Channel” and “Digital Shoinjuku 3.0.”

CHAPTER 2 — A NEW PHASE

The Megaspeed Allegations — The "Customer" Who Came Close to the CEO

On October 29, 2026, The New York Times reported a new phase. The stage has risen from brokers at the periphery to the vicinity of the CEO. According to the NYT, U.S. authorities have judged a Chinese woman — a former executive of Megaspeed International, a Singapore-based data-center company — to be a collaborator of Chinese intelligence, and are investigating her. She is suspected of having built a close relationship with NVIDIA CEO Jensen Huang and of passing information to Chinese authorities.

The company provides data-center services to Chinese firms including the Alibaba Group, and U.S. authorities have also been examining suspicions that advanced NVIDIA AI semiconductors were diverted to China through it. The investigation is said to have begun in late 2024, under the Biden administration. President Trump was briefed about a year ago but, concerned about the impact on NVIDIA's sales and on trade with China, took no particular action, the NYT reports. So far, these are allegations; no indictment has been brought.

The Rebuttal (Bloomberg interview, as reported by Reuters)

- Huang: NVIDIA's dealings with Megaspeed were "ordinary, not unusual"
- His relationship with the company's executive was appropriate, and he had confirmed that Megaspeed was not illicitly diverting chips to China
- "We examined the deployment of all of our GPUs and counted every one of them"
- The executive in question has already left the company. NVIDIA has long maintained that smuggling of advanced AI chips is not a significant problem

No reporting states that Huang passed confidential information. The dinners captured in photographs are said to have been occasions attended by multiple industry figures.

Three points matter structurally. First, the gap between the design of controls and reality. Export controls govern "to whom, in which country, a sale is made" — but place a corporation in a third-country hub and, in outward form, it becomes a lawful customer. The data-center business can deliver not goods but computing power across borders. Second, the dimension of information. In a supply-constrained market, allocation information itself — which customer receives how much — is a strategic asset, and proximity to a CEO means access to information. Third, the gap in perception between authorities and the company. Between the self-confirmation of "we counted them" and the authorities' suspicion that "you cannot have counted them all," there is a gulf that does not close.

The conclusion of this chapter is hedged. The only established facts are that "U.S. authorities are investigating" and that "the parties deny it." What is certain is that we have entered a phase in which the effectiveness of export controls, and the premises of NVIDIA's third-country sales, are being questioned at the same time — and that this leads directly into the circular structure of the next chapter.

CHAPTER 3 — THE STRUCTURE OF THE CIRCLE

NVIDIA's Circular Model — The Five Loops of the Daisy Chain

The Megaspeed allegations cut deep because NVIDIA is not a mere semiconductor maker; it sits at the center of the circular structure of AI investment. We decompose that structure — in which money and demand are linked like a chain, a daisy chain — into five loops.

The Daisy Chain — Five Loops

Loop	Structure	Figures and sources
1. Investment	Hyperscalers and NVIDIA invest in AI companies and neoclouds that are their customers, and the funds return as chip purchases	In 14 deals since 2023, approx. $300 billion in equity plus $650 billion in debt was provided, in return for approx. $1.4 trillion in revenue commitments. The IMF named this "wrong-way risk" (IMF Global Financial Stability Report, October 2026 edition; secondary information via JBpress commentary)
2. Guarantee	Customers' credit is supported by NVIDIA's own balance sheet	Guarantees and purchase/lease payment commitments total up to $164.5 billion (approx. ¥26 trillion). The breakdown includes lease guarantees for SB Energy of up to $105 billion, and a commitment to buy back cloud providers' unsold computing capacity of approx. $36 billion, among others (Forbes, based on the quarterly filing as of end-July 2026)
3. Debt	Debt and payment commitments pile up on the demand side	Anthropic's payment obligations, on a simple sum, are approx. $807.6 billion to $1,079 billion (including overlaps across notes; verified against the original text in Vol. 1 of this journal). Meta's commitments are approx. $825 billion. Alphabet's long-term debt grew in one year from $21.6 billion to $125.1 billion, and its third-quarter free cash flow was negative $9.07 billion (CNBC)
4. Bond Market	Data-center construction funds flow into the bond market, and quality degrades	Of the $80 billion in data-center bond issuance in 2026, approx. $37 billion — nearly half — is junk-rated. Average yields have risen to approx. 10%, and CoreWeave's bonds trade below 80 cents on the dollar (Forbes tally)
5. Collateral	The value of GPUs and data centers — the collateral behind the debt — depends on rental prices and residual values	H100 rental prices have fallen 25–50% since early 2025 (Silicon Data). A fall in collateral value feeds back into the debt loop through margin calls and downgrades

A chain's strength is set by its weakest loop. If an investment destination fails, the revenue commitments vanish; if guarantees are called, the center's balance sheet thins; if collateral values fall, the credit of the entire debt structure shakes.

That real demand exists, and that the structure is fragile, are both true at once. That is the difficulty of this phase.

CHAPTER 4 — SCENARIO AND WATCH

The Break Scenario — Will There Be a Black Monday?

So where does the chain break? There are five candidate break points. First, a regulation and intelligence scandal. If the allegations of the previous chapter advance to indictments or tighter controls, the premises of third-country sales collapse. Second, the failure of a neocloud. As funding in the bond market effectively closes, one company's failure reverberates to the center through the chain of SPVs, leases, and guarantees. Third, a chain of earnings misses. Alphabet, in its October 28, 2026 results, fell short of expectations on both revenue and EPS, and its stock fell 10%. If misses line up at a second company, a third, the premises of capital expenditure as a whole will be repriced. Fourth, a collapse in collateral values. As generational turnover settles into a one-year rhythm and rental prices fall, the gap between depreciation over five to six years and real market values surfaces from three directions — accounting, ratings, and collateral. Fifth, litigation risk. If the stock falls sharply or the smuggling problem grows, Huang's own statements — "We counted every one of our GPUs," "smuggling is not a major problem" — become the targets of securities class actions and of shareholder derivative suits alleging breach of fiduciary duty. More than the damages themselves, the essential blow is that information held down until now comes out into the open through the disclosure process of litigation.

Whether a break spreads into market-wide turmoil depends on the amplifiers of transmission — the triple leverage the IMF points to. The share of investment-grade corporate bonds accounted for by hyperscalers has risen from under 1% to 10%; hedge funds' gross equity positions and credit borrowing have risen from approx. 10% to approx. 15% of advanced-economy GDP; and in leveraged ETFs held by individuals, the single-stock ratio has risen from 16% to 28%. The essence of Black Monday in 1987 was not the fall in prices themselves, but the automated chain in which selling called forth selling, and the evaporation of liquidity. Its modern counterparts are leveraged-ETF rebalancing, mechanical selling linked to volatility, and the simultaneous occurrence of margin calls.

Over this lies the political timeline. President Trump is reported to have disclosed holdings of NVIDIA stock. The United States faces midterm elections on November 3, 2026. If AI stocks collapse before the election, the administration's economic management itself comes into question, so enforcement actions and tighter controls are unlikely to surface. Conversely, suppressed risk may surface in concentrated form after the election. Not only whether the chain breaks, but when it breaks, is swayed by the political calendar. Shareholder litigation, however, is not bound by the political calendar. Private suits can be filed even before an election, and through disclosure they force suppressed risk to the surface — one of the few forcing devices that exist.

Conditions Under Which No Break Occurs (The Other Side)

- The hyperscalers' own cash-generating power remains enormous, and cloud demand itself is real (Google Cloud's revenue more than doubled in the quarter)
- Caution in credit markets is beginning to be priced in; this is not a risk "no one has noticed" (CDS spreads: 288 basis points for Oracle's five-year, 424 basis points for SoftBank — both secondary information)
- If the policy safety valves (liquidity provision, phased application of controls) function, the outcome ends not in collapse but in "selection"

Watch Indicators — The Seven This Journal Tracks

(1) NVIDIA's stock and announcements by authorities on controls regarding China and third countries (progress of the investigation into the allegations; whether indictments follow) (2) Neoclouds' bond prices and yields, and reports of failures (3) The speed of decline in GPU rental price indices (4) Quarterly movements in hyperscalers' free cash flow and long-term debt (5) CDS spreads for Oracle, SoftBank, and others (6) The success or failure of new issuance of junk-rated data-center bonds (7) The filing of securities class actions and shareholder derivative suits against NVIDIA, and the progress of SEC / Department of Justice proceedings.

In closing. The condition for not breaking the chain is neither technology nor money. It is the restraint of greed — not piling up promises that lack real demand. And it is the eye of selection, which views the weight of promises and the reality of demand separately. This journal will keep a record of forecasts in a form that withstands verification, and will keep tracking the scenarios in numbers. That practice itself, we believe, is the discipline that keeps a warning from ending in pessimism.

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