



OpenAI will build data centers with Nvidia's advanced chips in a \$100 billion deal between the two tech companies. *Photographer: Annabelle Chih/Bloomberg*

[Technology](#) | The Big Take

OpenAI, Nvidia Fuel \$1 Trillion AI Market With Web of Circular Deals

A wave of deals and partnerships are escalating concerns that the trillion-dollar AI boom is being propped up by interconnected business transactions.



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Two weeks ago, Nvidia Corp. agreed to [invest as much as \\$100 billion](#) in OpenAI to help the leading AI startup fund a data-center buildout so massive it could power a major city. OpenAI in turn committed to filling those sites with millions of Nvidia chips. The arrangement was [promptly criticized](#) for its “circular” nature.

This week, undeterred, OpenAI struck a similar deal. The ChatGPT maker on Monday [inked a partnership](#) with Nvidia rival Advanced Micro Devices Inc. to deploy tens of billions’ worth of its chips. As part of the tie-up, OpenAI is poised to become one of AMD’s largest shareholders.



Big Take

Why Circular AI Deals Are Raising Eyebrows



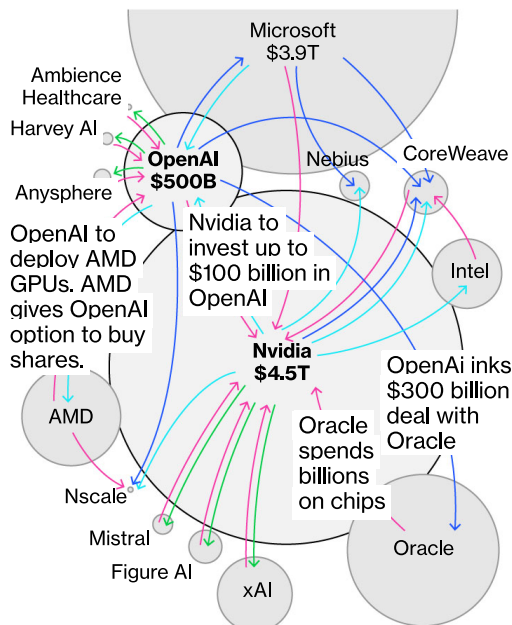
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Never before has so much money been spent so rapidly on a technology that, for all its potential, remains largely unproven as an avenue for profit-making. And often, these investments can be traced back to two leading firms: Nvidia and OpenAI. The recent wave of deals and partnerships involving the two are escalating concerns that an increasingly complex and interconnected web of business transactions is artificially propping up the trillion-dollar AI boom. At stake is virtually every corner of the economy, with the hype and buildout of AI infrastructure rippling across markets, from debt and equity to real estate and energy.

How Nvidia and OpenAI Fuel the AI Money Machine

Hardware or Software Investment
Services Venture Capital
Circles sized by market value

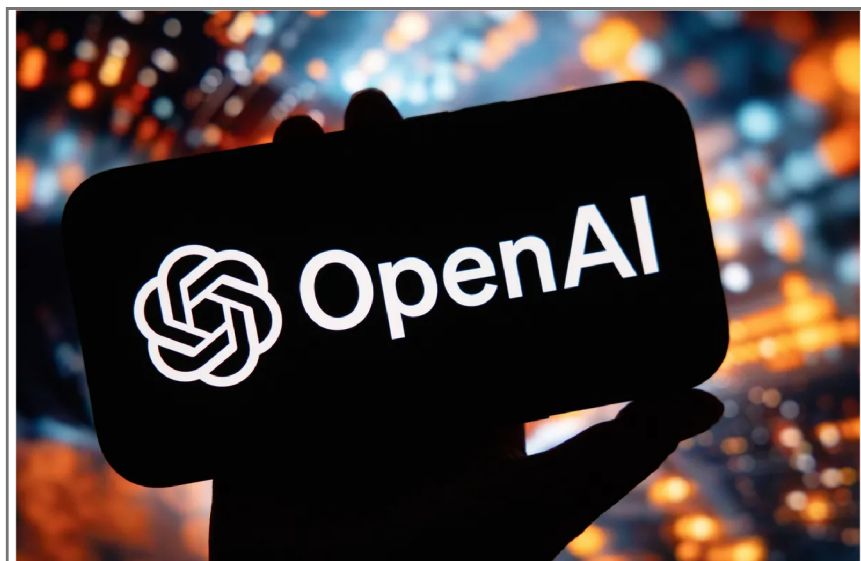


The companies, which ignited an AI investment frenzy three years ago, have been instrumental in keeping it going by inking large and sometimes overlapping partnerships with cloud providers, AI developers and other startups in the sector. In the process, they're now seen as playing a key role in ratcheting up the risks of a possible AI bubble by inflating the market and binding the fates of numerous companies together. OpenAI alone has now struck AI computing deals with Nvidia, AMD and Oracle Corp. that altogether could easily top \$1 trillion. Meanwhile, the AI startup is burning through cash and [doesn't expect to be](#) cash-flow positive until near the end of the decade.

"If we get to a point a year from now where we had an AI bubble and it popped, this deal might be one of the early breadcrumbs," Brian Colello, an analyst with Morningstar, said about Nvidia's investment in OpenAI. "If things go bad, circular relationships might be at play."

Read More: [Why Fears of a Trillion-Dollar AI Bubble Are Growing](#)

For much of the AI boom, there have been whispers about Nvidia's frenzied dealmaking. The chipmaker bolstered the market by pumping money into dozens of AI startups, many of which rely on Nvidia's graphics processing units to develop and run their models. OpenAI, to a lesser degree, also invested in startups, some of which built services on top of its AI models. But as tech firms have entered a more costly phase of AI development, the scale of the deals involving these two companies has grown substantially, making it harder to ignore.



OpenAI has struck deals with Nvidia Corp., Advanced Micro Devices Inc. and Oracle Corp. *Photographer: Andrey Rudakov/Bloomberg*

The day after Nvidia and OpenAI announced their \$100 billion investment agreement, OpenAI confirmed it had struck a separate \$300 billion deal with Oracle to build out data centers in the US.

Oracle, in turn, is [spending billions](#) on Nvidia chips for those facilities, sending money back to Nvidia, a company that is emerging as one of OpenAI's most prominent backers.

Concerns that Oracle won't wring meaningful profit from such lavish investments surged Tuesday on a [report](#) that showed the company's cloud business had narrower margins than many analysts estimated. While Oracle generated about \$900 million in sales by renting servers powered by Nvidia chips in the most recent quarter, its gross profit came in at 14 cents for every \$1 in sales, The Information [reported](#), citing internal documents. The news dragged down Oracle stock and [weighed on](#) the broader market.

Later Tuesday, people familiar with the matter said [Nvidia plans to invest](#) up to \$2 billion in equity in Elon Musk's xAI in a financing round tied to Nvidia's chips. XAI's funding round, now set to total \$20 billion, would be split between about \$7.5 billion of equity and as much as \$12.5 billion of debt, the people said, and structured via a special purpose vehicle. The SPV will be used to buy Nvidia processors, and Musk's artificial intelligence startup would then rent the chips out for five years.

xAI to Raise \$20 Billion After Nvidia ...

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xAI to Raise \$20 Billion After Nvidia and Others Boost Round

A similar set of cyclical relationships can be seen with CoreWeave Inc., one of the [breakout successes on Wall Street](#) this year. Nvidia buoyed the neocloud company's initial public offering by [taking a 7% stake](#). It has since agreed to [buy \\$6.3 billion worth](#) of cloud services from CoreWeave, which rents out access to Nvidia chips. OpenAI, meanwhile, received \$350 million in equity from

CoreWeave ahead of the IPO and recently expanded its cloud deals with the company to [as much as \\$22.4 billion](#). Once again, a set of deals had tied OpenAI and Nvidia more tightly together.



OpenAI CEO Sam Altman and AMD CEO Lisa Su at a Senate hearing in Washington. *Photographer: Nathan Howard/Bloomberg*

Inside the tech industry, executives argue these unorthodox business relationships are essential to meet an unprecedented surge in demand for AI services. AMD Chief Executive Officer Lisa Su told Bloomberg TV that the partnership with OpenAI is a “virtuous, positive cycle.” Likewise, Greg Brockman, OpenAI’s president and co-founder, said it will take an “industry-wide effort” using the entire AI supply chain to meet the immense demand for computing power to support ChatGPT and other products.

In Washington, some have adopted a laissez-faire attitude to all the activity in a sector viewed as vital to competing with geopolitical rival China. “It’s up to them,” White House AI and Crypto Czar David Sacks told Bloomberg on Monday. “We want American companies to be successful.” The Trump administration, for its part, is also connected to the sprawling web of AI investments through its stake in Intel Corp., not to mention its [plans to take a cut](#) of Nvidia and AMD’s chip sales to China.

The Complex Web of AI Deals: By the Numbers

Relationship	Description
Nvidia and OpenAI	Nvidia agrees to invest up to \$100 billion in OpenAI.
OpenAI and Oracle	OpenAI inks a \$300 billion cloud deal with Oracle.
Nvidia and CoreWeave	Nvidia buys \$6.3 billion of cloud services from CoreWeave.
OpenAI and CoreWeave	OpenAI to pay CoreWeave as much as \$22.4 billion.
OpenAI and AMD	OpenAI agrees to deploy billions of dollars worth of AMD chips.
US and Intel	US takes a 10% stake in Intel using CHIPS Act funding.
Nvidia and Intel	Nvidia invests \$5 billion in Intel and plans to co-develop chips.
US and Nvidia	US takes a 15% cut of Nvidia and AMD's chip sales to China

Source: Bloomberg News reporting

Note: These deals represent a selection of the relationships between some of the most prominent AI players.

But some analysts and academics who've tracked the tech industry long enough see uncomfortable similarities to the dot-com bubble. "In the late 1990s, circular deals were often centered on advertising and cross-selling between startups, where companies bought each other's services to inflate perceived growth," said Paulo Carvao, a senior fellow at the Harvard Kennedy School who researches AI policy and who worked in tech in the late 1990s. "Today's AI firms have tangible products and customers, but their spending is still outpacing monetization."

In a statement, an Nvidia spokesperson said the company "does not require any of the companies we invest in to use Nvidia technology." Nvidia Chief Executive Officer Jensen Huang echoed that point while speaking about the OpenAI deal in an interview with CNBC Wednesday. "We don't make it a requirement that they use that investment to buy Nvidia's technology," he said. "They could use it to do anything they like."

OpenAI did not respond to a request for comment.

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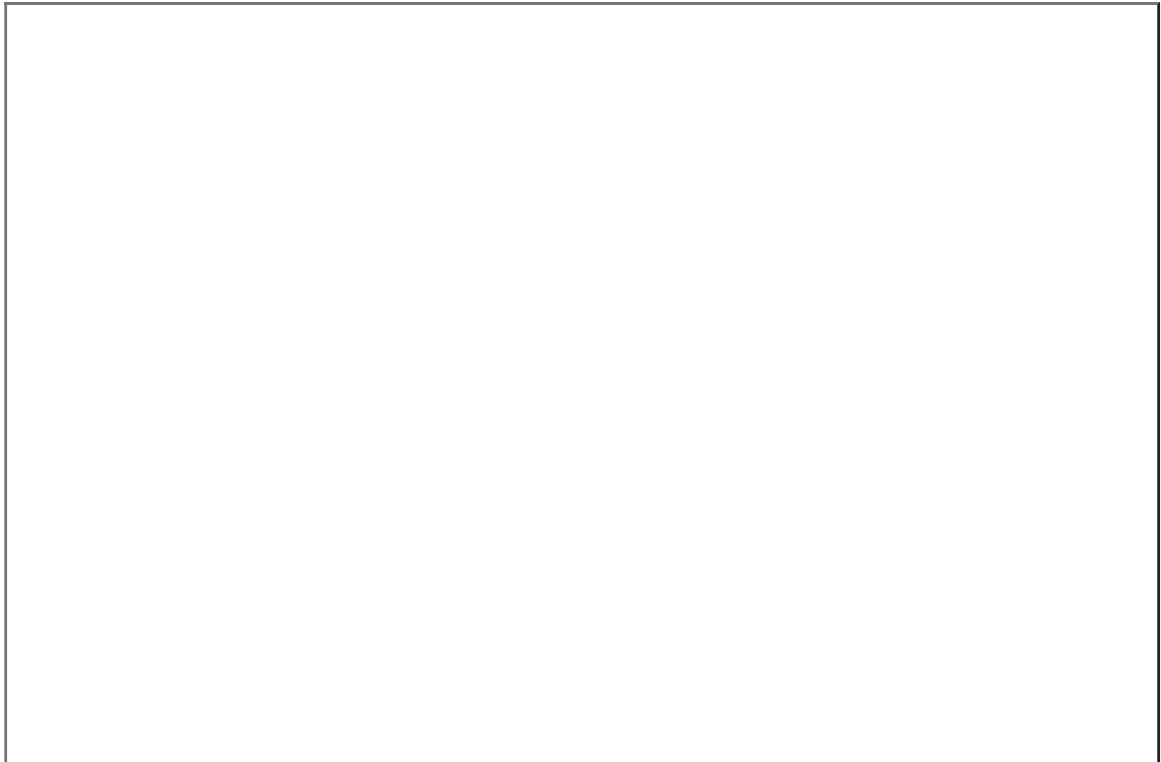
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Top AI companies are also spending far more than dot-com era startups. OpenAI's Sam Altman has said he expects his firm to invest "trillions" in building out the physical infrastructure needed to support cutting-edge AI models. While that would be a tall order for any company, it's even more challenging for a startup that has never

turned a profit. To meet that lofty goal, OpenAI plans to rely on a mix of venture capital, debt and its growing number of creative partnerships with other businesses, many of which are eager to be associated with the buzzy startup.

Previously, OpenAI and its peers leaned heavily on investment deals with Big Tech companies like Microsoft Corp., [Amazon.com Inc.](#) and [Alphabet Inc.'s Google](#) that also benefited by selling their cloud computing services to the AI startups. Now AI developers like OpenAI and [Elon Musk's xAI](#) are joining larger tech firms by tapping the debt market for billions of dollars to finance their AI infrastructure plans – and none have grander ambitions than Altman and OpenAI.

Altman “has the power to crash the global economy for a decade or take us all to the promised land,” Stacy Rasgon, an analyst with Bernstein Research, wrote in an investor note this week. “Right now we don’t know which is in the cards.”



A Stargate AI data center from OpenAI and Oracle that's under construction in Abilene, Texas. *Photographer: Kyle Grillot/Bloomberg*

At a developer event earlier this week, Altman briefly addressed his company’s finances: “Obviously, one day we have to be very profitable and we’re confident and patient that we will get there,” he said. “But right now, we’re in a phase of investment and growth.”

Nvidia, by contrast, has the financial wherewithal to keep the good times going for a while. As the dominant player in advanced AI chips, Nvidia has crested the AI wave to become the most valuable company in the world, with a \$4.5 trillion market cap. The company is now spreading its money around at a faster pace.

Nvidia participated in 52 different venture investment deals for AI companies in 2024 and had already done 50 deals by the end of September this year, according to data from PitchBook. Nvidia Chief Financial Officer Colette Kress said at a Goldman conference in September that the company intends to put its cash toward “the most strategic parts of the ecosystem.” Beyond startup investments, Nvidia has taken steps to backstop partners, including CoreWeave, by [agreeing to buy any excess cloud capacity](#) not used by its customers.

Michael Intrator, CoreWeave’s CEO, acknowledged the circular financing worries in a recent interview with Bloomberg News, but said the public concerns will dissipate as more businesses adopt AI.

“When Microsoft comes to us to buy infrastructure to deliver to its clients who are consuming 365 or Copilot, I don't care what the narrative is about circular financing,” Intrator said. “They have end users that are consuming it.”