

Why Wall Street Is Suddenly Excited About Boring Old Computer Chips Again

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Note: the original article is provided as a separate file (attached to the email or downloadable from the website).

1. Reading Passage

For three years, the artificial intelligence boom has had one obvious winner: Nvidia, whose graphics processing units, or GPUs, do the heavy mathematical lifting behind systems like ChatGPT. Older corners of the technology industry — the makers of conventional central processing units (CPUs), storage drives, and enterprise software — have looked stranded, their products eclipsed by a flashier new stack. But the stock market has begun telling a different story, and Wall Street is now scrambling to understand how big a slice of AI spending the older technologies might actually command.

The evidence is hard to ignore. AMD said this past week that it expects compound annual growth of 35 percent in CPU sales over the next few years, roughly double the forecast it issued only six months earlier. ARM also reported surprisingly strong demand. Intel's share price has climbed 400 percent since the United States government took a stake in the company last summer. Even Seagate, a maker of disc drives long viewed as a relic, has jumped 60 percent in a month. The rebound rests on a simple insight: GPUs may train AI models, but CPUs are needed to load those models, manage queries against them — a process called inference — and stitch the output back into real applications.

The rise of so-called AI agents could deepen the trend. Agents are software programs that perform multi-step tasks autonomously rather than answering one prompt at a time, and tech executives including Nvidia chief executive Jensen Huang argue they will run on the same digital plumbing that already powers everyday work. Intel's chief financial officer noted recently that training a model requires only about one CPU for every eight GPUs, but agent workloads will demand CPUs and GPUs in roughly equal numbers. If accurate, that ratio rewires the economics of every data center on the planet.

The harder question is how the resulting value gets divided. If Old IT companies sit quietly in the background, they will collect modest margins. But if they can position themselves as central to the agent era, they may win back pricing power — and that question is sharpest in software, the most beaten-down corner of the old guard. Last month Salesforce became the first major company to launch a 'headless' product, software with no human-facing interface, designed to be operated directly by AI agents. The strategic logic is that years of accumulated customer data will let Salesforce orchestrate those agents intelligently. The risk is that, like most cloud software firms, Salesforce has always charged based on the number of human users — and headless software, by definition, has none.

The deeper bet beneath all of this is that probabilistic AI models, which by nature produce slightly different outputs each time, will not on their own deliver the reliable performance that real businesses require. Turning raw AI horsepower into a dependable computing resource is the next great battleground in technology, and it is one in which orchestration software, fast CPUs, and cheap storage all matter. Wall Street is not yet ready to declare Old IT a winner. But the days when investors could safely treat it as collateral damage from the AI revolution appear to be ending.

2. Explanation

For three years, AI hype has been all about Nvidia's GPUs. But suddenly, the unsexy chips and dusty software companies of 'Old IT' are roaring back – and Wall Street is scrambling to figure out why.

What's Going On?

Since ChatGPT launched, investors have crowned a small group of AI winners – Nvidia above all – while older tech names like Intel, AMD, Seagate and Salesforce have looked like yesterday's story. That narrative is shifting. As AI moves from research labs into actual business workflows, the boring infrastructure underneath it (CPUs, storage drives, enterprise software) is turning out to be more important than people assumed.

The trigger is a wave of stronger-than-expected demand for central processing units (CPUs) – the general-purpose chips that have powered computing for decades. AMD now expects 35% compound annual growth in CPU sales over the next few years, roughly double its forecast from six months ago. Intel's stock has bounced 400% since the US government took a stake last summer, and disc-drive maker Seagate has jumped 60% in a month.

How To Think About It

GPUs do the flashy AI math, but they don't run alone. Think of the AI stack like a Formula 1 race team:

- GPUs are the engine – incredible horsepower, but useless without the rest of the car. CPUs are the chassis, transmission and pit crew: they load the model, route the data, and manage what the engine actually does each lap.
- Or think of a restaurant during a dinner rush. Nvidia's chips are the celebrity chef, but you still need line cooks (CPUs), a pantry (storage like Seagate's drives) and a host coordinating tables (software like Salesforce). When the restaurant gets ten times busier – which is what AI 'agents' promise – every role scales up, not just the chef's.

Key Things To Know

- Inference vs. training: training an AI model is a one-time, GPU-heavy event; running queries against it (inference) happens billions of times and leans more on CPUs.
- Intel's CFO recently said AI training only needs about one CPU for every eight GPUs – but agent workloads will need roughly one-to-one. That's a massive shift in demand.
- Salesforce just became the first big company to offer 'headless' software – designed for AI agents instead of humans clicking buttons. Risky, because its whole business model has depended on charging per human user.
- The big unanswered question: how will the value from AI workloads be split between Nvidia, the Old IT companies, and the AI startups themselves?
- Most people assume AI will kill legacy tech. The counterintuitive reality: AI may need legacy tech more than ever – the question is whether legacy tech can charge premium prices for it.

Why It Matters

If you're considering computer science, finance, or any business career, this is the central question of the next decade: who actually captures the money in an AI economy? It's not always the company with the coolest technology – it's the one that controls a chokepoint customers can't avoid. Index funds, your future 401(k), and probably your first employer's stock comp all depend on getting this right.

The Bigger Picture

We've seen this movie before. When the internet exploded in the late 1990s, everyone bet on the flashy dot-coms – but the durable winners turned out to be the 'picks and shovels' companies: Cisco's routers, Oracle's databases, Microsoft's operating systems. The current bounce in Old IT suggests Wall Street is starting to ask whether AI will follow the same pattern. Watch two things next: whether agent adoption actually drives the predicted CPU surge, and whether software companies like Salesforce can reinvent their per-seat pricing for a world where the 'seats' are bots.

3. Key Terms Glossary

CPU (Central Processing Unit)

The general-purpose chip that runs most everyday computing tasks – loading programs, managing memory, coordinating other components. Intel and AMD are the dominant makers.

GPU (Graphics Processing Unit)

A chip originally designed for video graphics that turns out to be excellent at the parallel math AI models need. Nvidia dominates this market.

Large language model (LLM)

An AI system trained on vast text data to generate human-like language. ChatGPT is the most famous example.

Inference

The phase when a trained AI model is actually used to answer questions or generate output, as opposed to the upfront 'training' phase.

AI agent

Software that uses AI to autonomously perform multi-step tasks – booking travel, writing reports, running queries – rather than just answering one prompt at a time.

Headless software

Software with no human-facing interface, designed to be operated by other programs (like AI agents) instead of by people clicking buttons.

Tech stack

The layered combination of hardware, storage, networking and software a company uses to run its computing – the 'stack' because each layer sits on top of another.

Compound annual growth

A growth rate that assumes each year's gains build on the previous year's, so 35% compound growth means a market more than triples in about four years.

Probabilistic AI model

An AI that produces outputs based on statistical likelihood, meaning the same input can give slightly different answers – useful but unreliable when businesses need guaranteed results.

4. Reading Comprehension Quiz

Circle the best answer for each question.

Q1. The passage primarily argues that:

- A) Nvidia's dominance in AI chips will soon be broken by Intel and AMD
- B) Older technology companies may capture more of the AI boom than investors first assumed
- C) AI agents will eliminate the need for human workers in software companies
- D) Wall Street has overvalued every company connected to artificial intelligence

Q2. According to the passage, AI agent workloads matter to CPU makers because:

- A) Agents replace GPUs entirely with cheaper general-purpose chips
- B) Agents require roughly as many CPUs as GPUs, unlike AI training
- C) Agents only run on Intel chips backed by the US government
- D) Agents lower the total cost of computing by simplifying the stack

Q3. Which choice best states the central idea of the section about Salesforce?

- A) Salesforce's stock will outperform other software firms in the AI era
- B) Salesforce is abandoning human users to focus exclusively on AI agents
- C) Salesforce is gambling that data and agent-orchestration will replace its per-user revenue
- D) Salesforce has already proven that headless software is more profitable

Q4. As used in the passage, the word 'eclipsed' most nearly means:

- A) physically blocked from light
- B) completely destroyed and removed
- C) overshadowed and pushed out of attention
- D) improved upon by newer versions

Q5. As used in the passage, the word 'apportioned' most nearly means:

- A) divided up and distributed
- B) calculated mathematically
- C) argued about publicly
- D) reduced through taxation

Q6. Which statement about Nvidia can most reasonably be inferred from the passage?

- A) Nvidia's CEO publicly disagrees with the rise of AI agents
- B) Nvidia is expected to lose its market lead within the year
- C) Nvidia's leadership sees agents as expanding rather than threatening AI demand
- D) Nvidia secretly relies on Intel CPUs for all its products

Q7. The passage suggests that the biggest risk in Salesforce's strategy is that:

- A) AI agents may turn out to be technologically impossible
- B) Its revenue model has long depended on the number of human users
- C) Government regulators will block headless software products
- D) Customers will refuse to share their historical business data

Q8. The author's tone throughout the passage is best described as:

- A)** alarmed and pessimistic about the tech sector
- B)** openly skeptical of all AI investment claims
- C)** analytical and cautiously curious about a market shift
- D)** celebratory toward the rebound of older tech firms

Q9. It can most reasonably be inferred from the passage that the strong rebound in Intel's and Seagate's stocks reflects:

- A)** investor belief that older infrastructure remains essential to AI
- B)** a temporary speculative bubble unrelated to AI fundamentals
- C)** successful new consumer products from both companies
- D)** the personal influence of Nvidia's CEO on Wall Street

Q10. Which choice provides the BEST evidence for the answer to the previous question?

- A)** The reference to AMD doubling its CPU growth forecast in six months
- B)** The line stating value depends on how central Old IT is to new AI workloads
- C)** The mention of the US government taking a stake in Intel last summer
- D)** The description of Salesforce's headless software launch

My Score: _____ / 10

5. Answer Key with Explanations

Q1. The passage primarily argues that:

Answer: B

The passage's central claim is that 'Old IT' – CPU makers, storage firms, enterprise software – is rebounding as AI workloads spread, and Wall Street is reassessing how much of the spending pie they'll get. A is wrong (TRAP A – right scope, wrong direction; the passage doesn't claim Nvidia loses, only that others gain). SAT Tip: For 'primarily argues' questions, look for the option that matches the passage's overall arc, not a single dramatic sentence.

Q2. According to the passage, AI agent workloads matter to CPU makers because:

Answer: B

Intel's CFO is cited as saying training needs about one CPU per eight GPUs, but agent workloads will demand roughly one-to-one – a major shift toward CPUs. A is the main trap (TRAP B – uses passage vocabulary in a wrong combination; agents don't replace GPUs). SAT Tip: When a question asks 'because,' find the explicit cause-and-effect sentence in the passage; don't pick an answer that just sounds technically plausible.

Q3. Which choice best states the central idea of the section about Salesforce?

Answer: C

The passage describes Salesforce's bet on 'headless' software and its hope that historical customer data will let it orchestrate AI agents – but warns the model has always relied on human-user counts. B overstates (TRAP C – true-sounding but unsupported; the passage never says Salesforce is abandoning human users). SAT Tip: Watch for absolute words like 'exclusively' or 'entirely' in answer choices – they often signal an overstatement of what the passage actually says.

Q4. As used in the passage, the word 'eclipsed' most nearly means:

Answer: C

The passage says older technologies were 'eclipsed' in the ChatGPT era – meaning they lost prominence, not that they disappeared (they're now bouncing back). A is the literal-astronomy meaning (TRAP B – common meaning of the word, wrong in context). SAT Tip: On vocabulary-in-context, substitute each option for the word and see which keeps the sentence's original meaning intact.

Q5. As used in the passage, the word 'apportioned' most nearly means:

Answer: A

The passage asks how value from AI workloads will be 'apportioned' – split between Old IT, Nvidia, and AI firms. The context is allocation of a pie, not math (B), debate (C), or taxes (D). SAT Tip: Use surrounding metaphors as clues – when the passage talks about 'a slice of the spending cake,' the matching verb is one about dividing.

Q6. Which statement about Nvidia can most reasonably be inferred from the passage?

Answer: C

The passage says Nvidia CEO Jensen Huang claims agents will use the same digital tools that already shape work – implying Nvidia welcomes the trend as growth. B is unsupported (TRAP C – possibly true in the real world but not stated). SAT Tip: Inference questions reward the smallest, safest leap from what's actually printed – avoid bold predictions the passage never makes.

Q7. The passage suggests that the biggest risk in Salesforce's strategy is that:

Answer: B

The passage explicitly warns that Salesforce, like most cloud software firms, has always priced based on how many people use the service – so removing humans removes the meter. A and C aren't mentioned (TRAP C). SAT Tip: When the passage names a specific risk, that's almost always the right answer – don't invent more dramatic risks the author didn't raise.

Q8. The author's tone throughout the passage is best described as:

Answer: C

The author lays out evidence (stock bounces, growth forecasts), notes uncertainties ('Wall Street is grasping to understand'), and avoids cheerleading. D is a trap (TRAP A – right topic, wrong direction; the author isn't celebrating, just observing). SAT Tip: For tone questions, look at hedging words like 'may,' 'could,' 'is grasping' – they signal a measured rather than emphatic stance.

Q9. It can most reasonably be inferred from the passage that the strong rebound in Intel's and Seagate's stocks reflects:

Answer: A

The passage frames the rebound as part of the broader thesis that 'Old IT' may play a bigger role in AI than expected – investors are repricing that possibility. B is the trap (TRAP C – bubbles do exist, but the passage attributes the rally to a real shift). SAT Tip: Inference answers must trace back to the passage's argument, even if a competing real-world explanation sounds plausible.

Q10. Which choice provides the BEST evidence for the answer to the previous question?

Answer: B

The line tying stock value to how 'central a role' Old IT plays directly supports the inference that investors are repricing infrastructure's importance to AI. A and C are real facts but don't establish the why. SAT Tip: On evidence-pairing questions, lock in your previous answer first, then find the line that literally states the same logic – not just a related fact.