November 4, 2026 • Investment Updates, Market Updates, Monthly Investment Updates

Monthly Update – November 2026

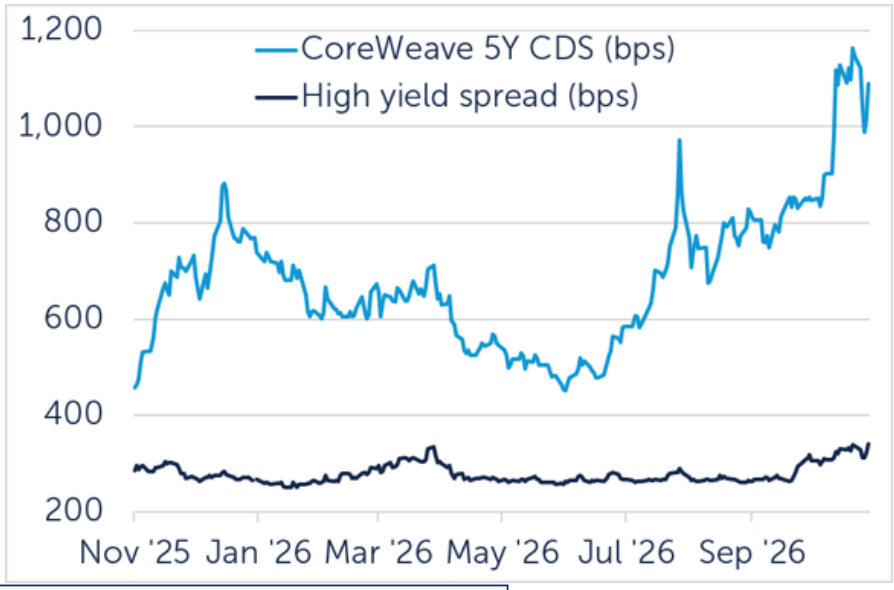


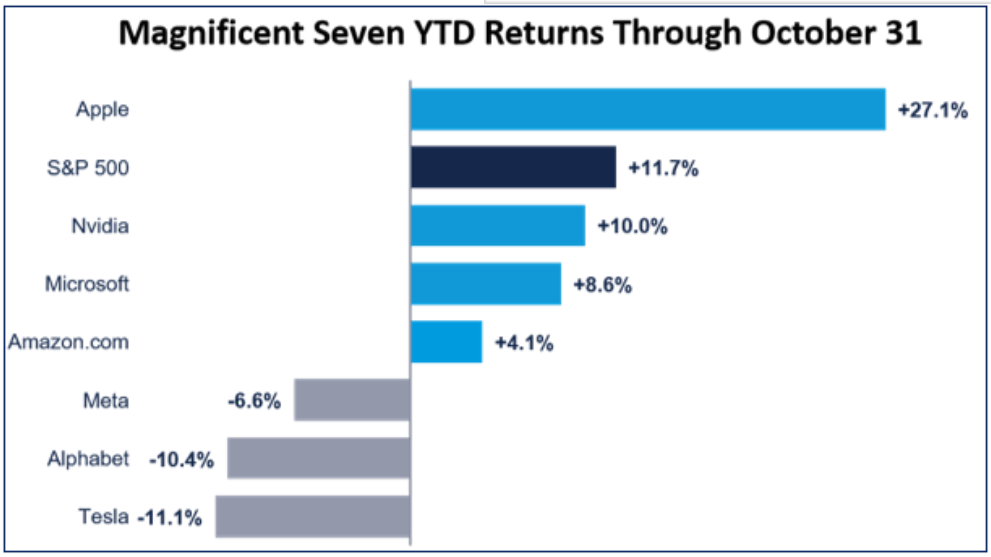
The average stock staged a rare comeback as the Fed paused

Investors continued to question the pace of AI spending in October. The chart to the right shows the increasing expense of insurance on bonds issued by Coreweave, an AI infrastructure company, relative to the muted shifts in broad high yield market spreads. This caused a reversal of September's narrow market performance; the Equal-Weight S&P 500 led the cap-weighted index by over 5 percentage points after trailing it by 4.5 points in September, the largest monthly swing in favor of the average stock since at least 1990.[1] That shift was also reflected in Mag7 stock moves.

Apple is the only Mag7 stock to outperform the market this year. The key differentiator? Apple has guided to Capex spending in the range of 2–3% of sales, whereas the three companies in the chart which have lost money YTD plan far higher spending: 18% of revenue (Tesla) to over 50% (Meta). This has reverberated across the semiconductor industry: Intel lost 28.6% on Friday, October 29, its worst daily decline in history.

e, the Federal eld the Fed Funds Rate steady at 3.75% to 4.00%, with two members dissenting in favor of another hike.[2] Markets still price 75% probability of a December hike. Meanwhile, the 10-Year Treasury yield eased from 5.30% on October 5 to 4.93% as hiring slowed to just 29,000 jobs in September.[3] Inflation moved the other way: headline CPI rose to 3.7% on higher gasoline prices, while core inflation was a more contained 2.6%.[4]





The market is pricing that energy price-driven inflation will eventually moderate, allowing the December rate hike to be, potentially, closer to the end of this rate hiking cycle. Futures markets are pricing in one more rate hike in 2027.

Before we review our Navigator process, let's review October's market performance.

October Market Review

October rewarded broader participation:

- The S&P 500 returned -0.9% while the Equal-Weight S&P 500 returned 5% and the Nasdaq 100 fell 6.6%, a reversal of September's narrow leadership[5].
- Growth stocks lost 5.9% while value stocks gained 4.3% as leadership shifted away from technology mega-caps.
- Small and mid-cap stocks held in better, with the Russell 2500 up 1.2% as Treasury yields eased; international and emerging markets fared worse – down 2.8% and 8%, respectively.
- Bonds gained as the 10-Year Treasury yield pulled back from its 5.3% high[6].

Sector leadership rotated sharply:

- Energy rose 14.0%, consumer staples 11.4% and utilities 10.1%, with health care close behind at 9.7%[7].

- Semiconductors fell 15.4% as concerns about the pace of AI spending weighed on the group, pulling information technology down 6.8%.
- Communication services was the weakest sector, falling 15.2%. Year to date, Apple is the only Magnificent 7 stock outperforming the S&P 500's 11.7% gain, while Meta, Alphabet and Tesla are negative.

Our Navigator framework informs our outlook.

November 2026 Navigator Outlook

Economy: Growth picked up to 3.4% in Q3 as consumers and business investment offset a trade drag[8]. Energy is pushing headline inflation higher while core stays well below the core measure. S&P 500 earnings have grown 30.2% so far in the third quarter with 60% of companies reported, the third straight quarter above 25%.[9]

Technicals: The average stock staged its biggest comeback versus the Nasdaq in decades, and Apple is the only Magnificent 7 stock outperforming the S&P 500 this year as the market reprices the outlook for AI spending. The 10-year yield pulled back from its 5.3% high as growth data softened, offering support to stock valuations.[10]

Sentiment: Markets have historically risen in the 12 months following midterm elections, with gains in all 19 past periods. CEOs are betting big on AI, with 84% calling it a top investment priority for the next three years. AAII retail investor sentiment remains neutral as bearish sentiment eased to 41.4% in the latest week.[11]

Valuation: The equity risk premium remains thin even after yields eased. October's pullback reduced semiconductor valuations, leaving the Philadelphia Semiconductor Index at a forward P/E of 16.5x, below the market's PE; Semis trade at a significant premium on a price to sales basis. Investment grade corporate bond yields remain near ten-year highs, and high yield spreads have widened slightly as AI-driven credit concerns flow through markets.[12]

Outlook and Recommendations: Broadening is welcome, but the margin of safety remains thin

Last month we noted that the market could broaden again if bond market volatility began to subside. October delivered on that possibility. As Treasury yields eased, the average stock recovered and leadership extended well beyond technology mega-caps.

o crosscurrents have not gone away. Brent crude averaged $114 per barrel in
r as supply disruptions continued[13]. We expected inflation pressure to begin easing, but September's report moved the other way, driven mostly by energy. With the labor market cooling and inflation elevated, the Fed faces a difficult balance heading into its December meeting.

Valuations remain a key factor. The S&P 500 forward P/E of 18.4x leaves its earnings yield only slightly above the yield on the Bloomberg Aggregate bond index.

Fixed income continues to compete well with equities: investment grade corporate yields sit near ten-year highs at 5.8%, while the blowout in hyperscaler bond spreads has caused a widening in high yield spreads[14] – a reminder that selectivity in credit matters, and a reminder that conditions in the bond market tend to lead those in the stock market.

While there are many fears – some of which may come true – regarding the sustainability of the AI-driven revenues and economic impacts, we can look to the credit markets for clues to the outlook. The below chart from Apollo (a private credit focused firm) helps illustrate that, while concerns grow in the hyperscaler arena, the broad industrial economy appears relatively stable. There does not, at this point, appear to be spillover from AI credit concerns to the broad economy.

Portfolio Construction and Positioning

Our Navigator process continues to guide our portfolio construction. Our portfolio is focused on the following:

- **Mid-cap and international equities:** These segments continue to offer attractive valuations relative to U.S. large caps. October's broadening illustrates the value of owning diverse exposures rather than relying on a narrow group of leaders.
- **Balanced exposure across styles:** We maintain a mix of growth and value stocks positioned for resilient earnings growth. October's sharp rotation reinforced the case for balance over concentration.
- **Fixed income remains compelling:** Investment grade yields near ten-year highs and positive real (inflation-adjusted) yields support continued fixed income exposure.
- **Mortgage-backed securities:** Government-backed mortgages continue to compensate investors well for minimal credit risk, while wider high yield spreads call for selectivity in corporate bonds.
- **Alternative investments:** When inflation drives markets, stocks and bonds can fall together. Non-correlated public strategies and private market investments may serve as ballast in that environment.

October's broadening was an encouraging sign, but elevated valuations, energy-driven inflation, a hawkish Fed and growing scrutiny of AI spending keep risks to the outlook in view. Diversification across asset classes remains valuable. As always, we counsel investors to stay invested, practice disciplined stewardship of their resources and use unexpected volatility as an opportunity to reinforce long-term objectives.

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1) Source: Bloomberg.

2) Source: CME Fedwatch tool FedWatch – CME Group

3) Source: Bureau of Labor Statistics, Employment Situation, September 2026.

4) Source: Bureau of Labor Statistics, Consumer Price Index, September 2026.

5) Source: Bloomberg.

6) Source: Bloomberg.

7) Source: Bloomberg and S&P Global.

8) Source: Bloomberg.

9) Source: Factset.

10) Source: Bloomberg.

11) Source: Bloomberg.

12) Source: Bloomberg.

Related Insights

13) Source: U.S. Energy Information Administration, Short-Term Energy Outlook (October 2026).

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15) Source: Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggregate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield