KISHER CAPITAL
INVESTMENT ADVISORY SERVICES

Kisher Capital — Oct-26 Market Update

November 2nd, 2026

Executive Summary

- Big Tech's AI spending began outrunning its cash flow, pulling the Nasdaq lower while energy and defensive stocks led the market.
- The Federal Reserve held rates in a split 10-2 vote, and markets are pricing in a December hike as oil keeps inflation elevated.
- Investors are rewarding cash flow over growth stories and preparing for interest rates to stay higher for longer.

Market Snapshot

Asset	Ticker	October Return	YTD Return*
S&P 500	SPY	-0.91%	11.69%
Nasdaq	QQQ	-6.66%	12.78%
Russell 2000	IWM	0.52%	14.24%
Core U.S. Bonds	AGG	2.29%	-0.56%
Bitcoin	IBIT	-8.41%	-12.67%

Two Key Stories

1. AI's Cash Bill Comes Due

The Story:

Meta spent $34.9 billion on data centers and chips last quarter. That was more than the $32.8 billion in cash its operations generated. Free cash flow, the cash left after that spending, turned negative for the first time in more than a decade. The stock fell 7% on October 22, and the Nasdaq dropped 2.6%, its worst day since early June. On October 27, Meta priced about $37.5 billion of new common and preferred stock.

Alphabet followed. Google Cloud revenue more than doubled, but earnings per share missed forecasts and free cash flow turned negative. The stock fell about 12.6% on October 29.

Investors moved elsewhere. Through October 23, energy and consumer staples stocks were each up double digits for the month. Technology and communication services were each down more than 5%.

Why It Matters:

Meta held about $82 billion in cash and investments at the end of September. Even so, it chose to raise outside money rather than slow its spending. New common stock spreads existing shareholders' ownership thinner. Preferred shareholders get paid before common shareholders. Investors want to know how long they must wait for a return.

These companies are among the largest in the S&P 500, so their drops hit index funds too.

Investor Takeaway:

Strong months in energy and staples show the market can rise without tech leading it. This tends to favor diversified portfolios. The test for AI companies is now cash. Firms that pay for AI out of profits stand on firmer ground than those raising new capital. Portfolios heavy in a few tech names carry more risk than they did a year ago.

2. A Split Fed Holds, With a Hike Still on the Table

The Story:

The Federal Reserve held its benchmark rate at 3.75% to 4.00% on October 28. Two of the twelve voters, Governor Lisa Cook and Cleveland Fed President Beth Hammack, wanted to raise rates now. As of October 30, futures markets put the odds of a hike at the December 9 meeting at about 70%.

Inflation drove the debate. Consumer prices rose 3.7% in the year through September, and energy prices rose 20%. Brent crude, the global oil benchmark, settled at $116.72 a barrel on October 23, near its March high. It eased slightly as U.S.-Iran talks gained ground. The 10-year Treasury yield closed at 5.31% on October 5 before falling back to about 5%.

Why It Matters:

The Fed faces hot inflation and a weak job market at the same time. Employers added just 29,000 jobs in September. A hike fights inflation but could slow hiring further. Most members chose to wait for more data, while two wanted to act now.

Higher rates raise borrowing costs for homebuyers, businesses, and the government. They also weigh on stocks whose value rests on profits far in the future.

Investor Takeaway:

We expect rates to stay high for longer. Bonds now pay solid income, but long-term bonds lose value if inflation surprises higher. Oil is the swing factor. Lower prices would give the Fed room to wait. Another spike would make a December hike more likely.

What This Means for Investors

- Market leadership broadened in October, with energy and consumer staples rising while the largest tech stocks fell, a reminder of the value of spreading investments across sectors.
- Investors will keep favoring AI companies that pay for their spending out of profits over those that sell new stock or borrow to keep building.
- With markets pricing roughly three-in-four odds of a December rate hike, stocks and bonds could swing around the November 10 inflation report and the December 9 Fed meeting.

What to Watch

- **11/02/2026:** Earnings Reports - Apple and Palantir Technologies
- **11/03/2026:** US General Election
- **11/06/2026:** October Jobs Report (Unemployment Rate)
- **11/06/2026:** Michigan Consumer Sentiment Report
- **11/10/2026:** Earnings Reports - CoreWeave
- **11/10/2026:** October Consumer Price Index (CPI) Release

Disclosures

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*YTD returns are adjusted closing prices of 12/31/2025 and 10/30/2026