Market Perspectives
November 2026

TURTLE CREEK

AI weakness drives stock market rotation while interest rates fall in October.

Index	MTD	YTD	1 Year	2025	2024	2023
S&P 500	-0.87	11.77	12.11	17.88	25.02	26.29
Dow Jones Industrial Average	1.76	9.08	10.60	14.92	14.99	16.18
Russell 2000	0.58	14.37	14.80	12.81	11.54	16.93
NASDAQ Composite	-5.28	9.95	7.85	21.14	29.57	44.64
Europe, Australia, & Far East (EAFE)	-0.72	10.00	14.04	31.89	4.35	18.85
MSCI Emerging Markets	-8.04	13.78	14.43	34.36	8.05	10.27
Bloomberg Barclays U.S. Aggregate Bond	2.44	-0.54	-0.07	7.30	1.25	5.53
Bloomberg Barclays U.S. Corporate High Yield	0.30	0.40	1.56	8.62	8.19	13.45

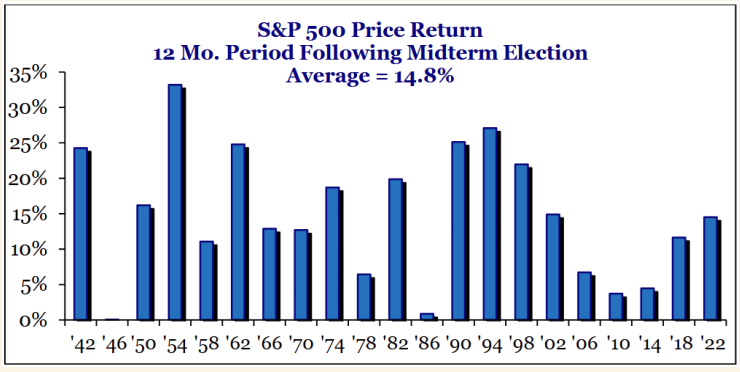
As of 10.31.2026; Returns in percent

MIDTERM ELECTION RESULTS

The November 3rd midterm elections delivered a decisive result, with Democrats winning control of both the House of Representatives and the Senate. With President Trump remaining in the White House, the nation returns to a divided government for the final two years of his term.

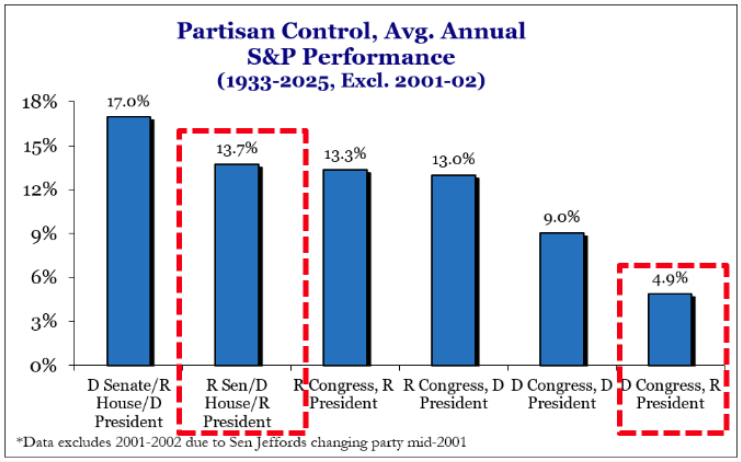
Our message to investors is simple: stay calm. Election outcomes can feel consequential, but we are long-duration investors who invest through cycles, and we do not believe the results warrant changes to long-term portfolio positioning.

While past performance is not indicative of future results, history has generally been constructive for markets following midterm elections. As the chart below shows, the S&P 500 has produced an average price return of 14.8% in the 12 months following midterm elections dating back to 1942, with gains in nearly every instance.



Source: FactSet; As of 10.31.26

Markets have also tended to fare well under divided government. As the chart below shows, the S&P 500 averaged annual gains of 13.0% to 17.0% in three of the four divided-government combinations since 1933 (excluding 2001-02). The combination now in place, a Democratic Congress with a Republican president, has historically been the weakest of the six, but has still averaged a positive 4.9% annual return.



Source: Bloomberg; As of 10.31.26

Importantly, we believe underlying fundamentals remain strong. Blended Q3 S&P 500 earnings growth reached 30.2%, Q3 GDP grew 3.4%, and AI infrastructure and electrification continue to drive growth. One risk to monitor is that data center capex, a major contributor to economic and earnings growth, could be delayed given the political divide around data center development.

We expect data centers, energy and healthcare to be the sectors most in focus as policy debate unfolds in a divided Washington, and we are watching each closely for both risks and opportunities.

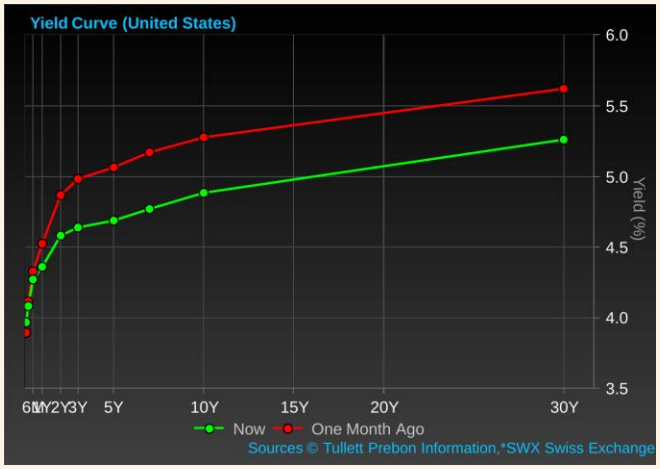
There may also be a silver lining. A more divided government could improve the odds of a diplomatic resolution in Iran, which could help alleviate inflation pressures and reduce macro risk.

Finally, a Democratic Congress raises the possibility that portions of the Trump tax cuts could be renegotiated. While any such change would still need to clear the President, the possibility increases the importance of tax optimization, an area where we remain focused through our custom direct indexing strategies.

OCTOBER FINANCIAL MARKET PERFORMANCE

Major US equity indices were mixed in October following September's mostly lower performance. The S&P 500 fell 0.9%, logging a second straight monthly decline, though the equal-weight S&P 500 rallied 4.95%, outperforming the cap-weighted index by ~590 bp. The Nasdaq Composite was the big loser, falling 5.8% on AI & Big Tech weakness, while the Russell 2000 posted a small gain of 0.54% after suffering its biggest monthly pullback in 18 months during September. Semiconductor and memory stocks were notable areas of weakness, while Big Tech was more mixed with Alphabet (-18.7%) and Meta (-15.2%) the largest losers, while Tesla (+12.7%) and Apple (+3.5%) were bright spots.

Bonds rallied as yields were sharply lower, with the 10-year yield down 35 bp. The US Dollar Index rose 0.5%, and Gold fell 6.9%, now at its lowest since Oct-25. Silver was down 18.6%, the lowest since Nov-25. Bitcoin futures fell 8.6%, and WTI crude was up 15.2% on continued uncertainty surrounding the conflict in Iran. This marked the fourth straight monthly gain for oil.



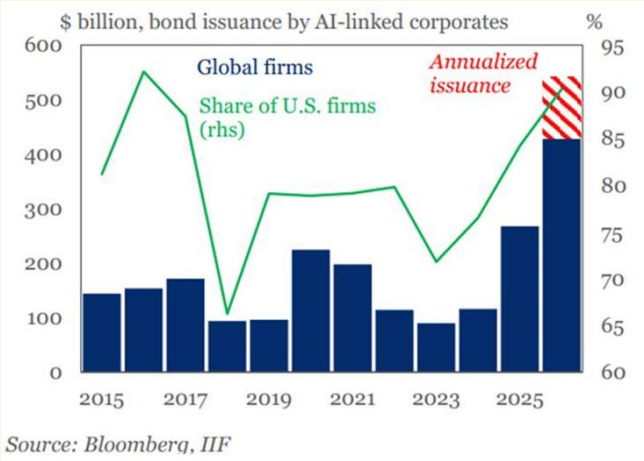
Source: Strategas; As of 10.31.26

Foreign stocks were a mixed bag, with the developed market EAFE index dropping by 0.7% while the Emerging Markets index fell 8.0% on the weakness in Tech and semiconductor stocks.

OCTOBER PERFORMANCE DRIVERS

AI trade shifted from a demand debate to a financing debate:

Early-month scrutiny centered on frontier-model demand and elevated expectations, but the narrative shifted sharply toward financing by mid-month. CoreWeave credit stress, Meta's mounting capital needs and broader concerns around the cost of funding the AI buildout drove an eight-session semiconductor losing streak and particularly sharp declines in memory and neoclouds. Pressure intensified late in the month as Meta flagged potential capital needs in the "hundreds of billions." Several large financing deals subsequently helped ease some funding concerns, while hyperscaler results continued to reinforce strong underlying demand, with Azure +48%, Google Cloud +103% and AWS +39% and sharply higher backlogs across all three. Still, AI-linked stocks remained sharply lower despite some improvement in underlying news flow. See below for debt linked to AI financing.

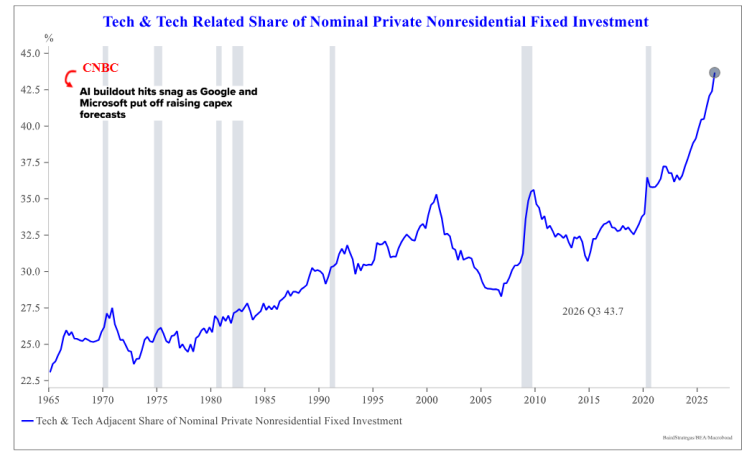


Source: FactSet; As of 10.31.26

AI weakness drove a major rotation rather than a broad risk-off move:

Despite sharp losses across AI-linked stocks, broader market breadth remained surprisingly resilient. Equal-weight S&P repeatedly outperformed the cap-weighted index during the sharpest AI declines, while defensives and select cyclicals benefited. Through October 29th, the equal-weight S&P was outperforming the cap-weighted index by nearly 490 bp for the month, with nearly 60% of S&P constituents above their 50-day moving averages versus just ~21% in late September. Staples, healthcare and utilities were among the month's sector leaders even as the semis tracked for a 9%+ decline. Positioning also became increasingly washed out, with Goldman flagging record selling of Info Tech and long/short net leverage near multi-year lows.

The chart below demonstrates how dependent the US economy has become on AI & tech related investment spending. This hyperbolic move does not appear to be sustainable, and recent reports from major Tech firms point to lower future spending.



Source: FactSet; As of 10.31.26

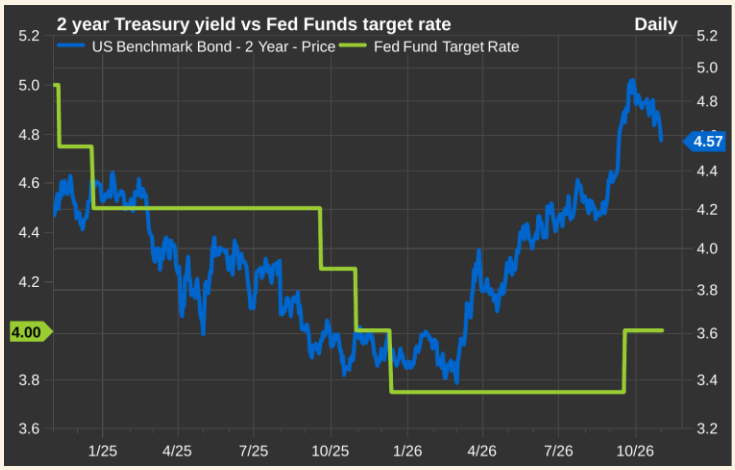
Treasuries rallied as AI/growth concerns overtook inflation and fiscal worries:

Long-end yields began October at fresh 24-year highs amid sticky inflation, AI financing needs, and renewed global fiscal concerns. France was a particular focus, with the 10-year French bond yield briefly topping 5% for the first time since 2002.

However, strong US Treasury auctions and some easing in fiscal concerns helped stabilize bonds before the AI unwind accelerated the rally and pushed yields sharply lower. The US 10-year yield subsequently fell below 5%, though yields backed up somewhat late in the month as oil prices firmed.

Fed held as expected as resilient growth and sticky inflation kept another hike in play:

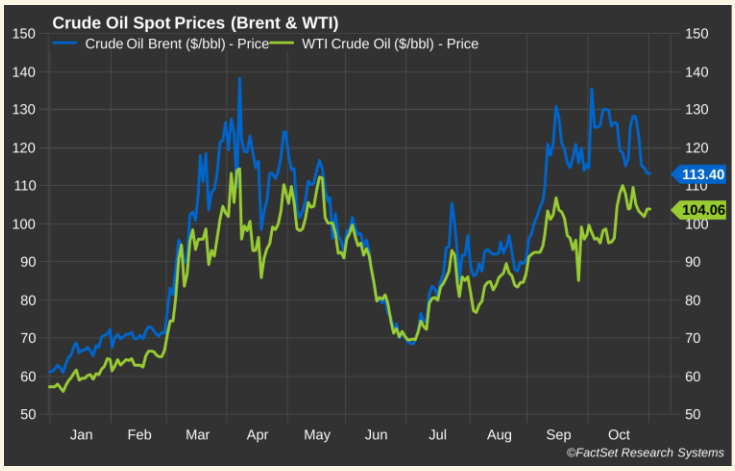
September core CPI rose 0.3% m/m versus 0.2% consensus, while core PCE increased 0.3%, in line with consensus, and Q3 GDP beat at 3.4%. Labor data was softer, with payrolls rising just 29K, unemployment increasing to 4.2% and wage growth slowing, though retail sales and jobless claims continued to point to resilient/healthy underlying activity. The Fed held rates in October as expected, with Chair Warsh acknowledging some tightening in financial conditions but stopping short of signaling the hiking cycle was finished, leaving a December hike in play with market pricing a 75% probability. The chart below shows that the 2-year Treasury yield, which has historically been a good harbinger of where Fed Funds rates are heading, remains well above the Fed Funds target rate. This data further supports additional Fed rate hikes.



Source: Strategas; As of 10.31.26

Oil moved back above $100 as US-Iran escalation risk returned:

Middle East tensions remained a key source of risk throughout October as attacks on shipping in Hormuz increased and the US military prepared options for renewed strikes on Iran. Late-month reports indicated Washington was leaning toward a potentially short, intensive campaign after the midterms, helping push WTI back above $100. This came despite an improving physical backdrop, with Hormuz flows and Gulf exports recovering. In fact, Middle East crude oil exports are back at/near prewar levels as Gulf producers ramp up supplies through alternative pipelines and ship-to-ship transfers.



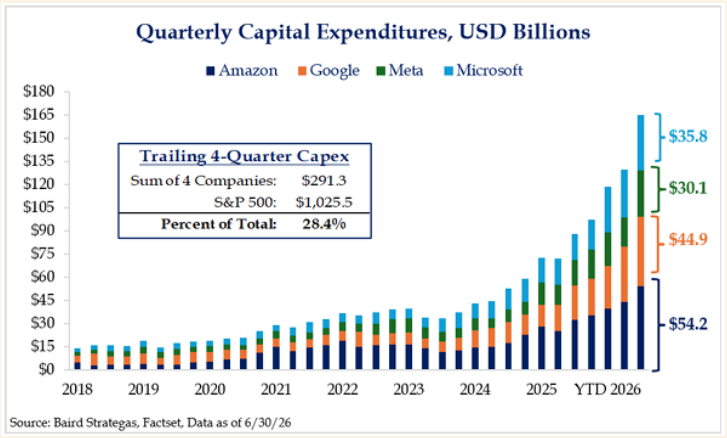
Source: Strategas; As of 10.31.26

Q3 earnings remained strong, though elevated expectations and cost pressures complicated reactions:

Blended S&P 500 earnings growth reached 30.2% with 82% of reporters beating EPS estimates as of October 30th. Commentary pointed to resilient travel and consumer demand, improving industrial activity, and continued strength across AI infrastructure and electrification. However, the high bar drove several negative reactions even to solid tech results, while higher fuel, freight, commodity, and memory costs emerged as recurring headwinds. Consumer trends also showed increasing income-based bifurcation, while housing remained a notable weak spot.

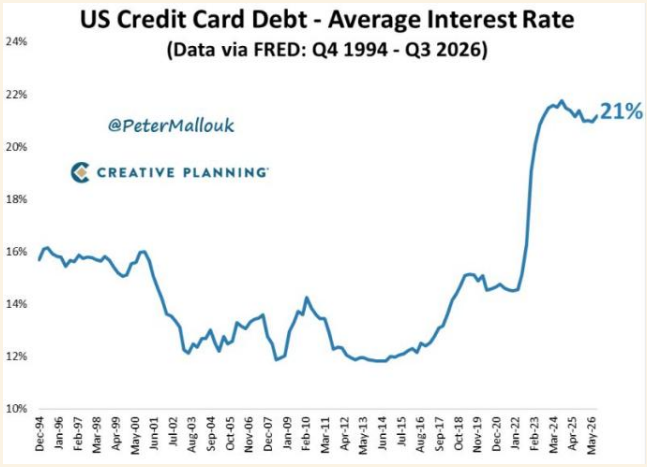
THE BEARISH NARRATIVE

Sentiment around AI and the Iran conflict continues to drive inflation and earnings growth expectations as well as stock market price action. This past month saw no progress toward a diplomatic solution in Iran, driving oil prices higher, while concerns around continued massive AI/Tech capital investment and how it is being financed were a headwind for the tech sector. The chart below demonstrates how massive the growth in this spending has been for four of the largest players, while companies in the technology sector continue to drive earnings growth. With the midterm elections this month, and the political divide around data center development, more uncertainty and market volatility are possible.



Source: Strategas; As of 10.31.26

Another concern for investors today is the health of the consumer. Although unemployment remains low and consumer spending is still solid (albeit largely driven by the top 10% wage earners), consumers are clearly feeling the pinch of sustained higher prices for necessary goods and services. Because wage growth has not kept up with inflation, many consumers have been forced to tap credit card debt to make ends meet. As a result, we are now faced with a record $1.3 trillion of credit card debt which bears an average interest rate of 21%. This appears to be a problem for the consumer and one that would likely improve from lower inflation.



Source: St. Louis Fed and Creative Planning

WHAT TO EXPECT & INVESTMENT PORTFOLIO IMPLICATIONS

The variance in performance among asset classes this year again demonstrates the need for diversification and a patient long-term approach. In addition, we still believe alternative strategies such as private equity and private credit may offer excellent diversification and return enhancement to an investor's portfolio.

Thank you for your support of Turtle Creek. We are committed to helping the families we serve meet their long-term financial goals. Please contact us if you have any questions or thoughts about this market update or if we can help in any way.

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