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CAPITAL MANAGEMENT

Market Down & Dirty

November 16, 2026

The Data

- US equities rebounded last week, snapping a four-week losing streak despite a Friday decline.
  - S&P 500 +2.51% Dow +2.07% Russell 2000 +1.32%, Nasdaq +2.27%.[1]
    - The All-Country World Index rose +2.45%.[1]
  - All 11 S&P 500 sub-sectors finished higher last week.
    - Energy, Industrials, & Communication Services led to the upside with gains of over 3.5%.[1]
    - Real Estate & Materials lagged, rising less than 1%.[1]
  - The CBOE Volatility Index (VIX) fell nearly 25% to close at 19.30.[1]

- US Treasury bond yields jumped as markets leaned toward a December rate hike.
  - US 2yr +0.37% at 4.88%, 10yr +0.29% to 5.15%, 30yr +0.21% to 5.47%.[1]
  - The shorter maturities led the pressure on yields reflecting probable Fed hiking.

- Commodities as an aggregate asset class were lower.
  - WTI Crude declined -2.5%.[1]
  - Gold fell -4.63%.[1]
  - The US Dollar index gained +1.10%.[1]

- In our opinion, U.S. economic data was soft.
  - Consumer prices rose +0.4% in October vs a +0.3% expectation.[1]
  - Producer prices rose +0.3% for the month.[1]
  - Existing home sales fell to their lowest level in 16 years as mortgage rates rose.[1]

- An index of equities outside the US (FTSE All-World ex-US) gained +2.01%.[1]

1: Source: Bloomberg

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Conclusion

- An equity rebound met a tech-led slide Friday; ending with the best week for stocks since August.
  - The S&P 500 snapped four straight weekly losses, even as the Nasdaq-100 fell 1.2% on Friday and the semiconductor index dropped 3.4%.[1]
  - Under the surface, Friday was not a bad day, as 314 S&P 500 stocks rose and 185 fell, but a handful of heavily weighted chip names did most of the damage.
    - Six of the ten largest detractors were semiconductor or chip-equipment companies, which together make up about 12.6% of the index.[1]
  - In our view, that is concentration risk in a single day…a few heavily weighted names can move the whole index.
- Market mechanics that accelerated the selloff now look more balanced.
  - Volatility has normalized quickly, with the VIX falling back below its 3-month counterpart; a pattern more typical of calmer markets.
  - Systematic strategies that have reduced equity exposure substantially could provide a tailwind of mechanical buying if volatility stays suppressed.
  - However, the share of stocks above their moving averages remains well above levels that typically mark a market low, suggesting selling pressure may not have fully cleared.
- The AI trade remains the swing factor for the broader market.
  - Nvidia fell 12.75% on the week, its sixth straight weekly loss, after announcing that its CEO is leaving and several firms downgraded the stock.[1]
  - We believe this highlights how heavy index concentration in a few names means single-stock news can move the entire market.
- In our view, the rebound has real mechanical support behind it, but the fault lines remain.
  - The same large companies that drive the indexes also carry the wealth effect for households and pension funds.
  - Until their prices steady, we would expect a market that is easy to move in both directions.
- Bonds sold off as inflation data and Fed commentary pointed to additional Fed hikes.
  - The 10yr US Treasury rose to 5.15% as fixed income didn't provide a safe-haven bid.[1]
  - The market is now pricing in an 80% chance of a Federal Reserve hike in December.[1]
- From a near-term risk management perspective, here are some of the things we're watching:
  - **Nvidia & Chips:** Nvidia reports third-quarter results Tuesday. How do semiconductor stocks react?
  - **Rates & the Fed:** Minutes from the Fed's Oct. 27-28 meeting arrive Wednesday. Does the 10yr yield hold above 5%, or does another jump make the backdrop more fragile?
  - **Options Expiration & Volatility:** Does Friday's monthly expiration reset positioning and allow volatility to keep settling?
  - **Oil, Gold, & The Dollar:** Do Iran peace talks keep oil lower and can gold recover its recent lows or does USD pressure continue?

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1: Source: Bloomberg

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