Your Weekly Investment
Insights
November 2, 2026

VERDENCE CAPITAL ADVISORS

Key **Takeaways:**

- Democrats sweep Congress, euphoria replaced with pessimism.
- Voters spoke about the growing opposition to data centers.
- Technical damage may suggest additional downside ahead.
- Expect a volatile year end.
- Diversify outside of tech; look at developed international equities.

Addressing Last Week's Market Volatility

Markets swung sharply last week following the midterm elections, when Democrats won in a landslide victory. The initial market reaction was to cheer a divided government. In fact, the Dow Jones Industrial Average posted its best day after a midterm in more than 40 years (+3.0%). However, that optimism quickly turned to pessimism.

Volatility as measured by the VIX Index surged to the highest level since April. The Nasdaq entered correction territory (a drop of 10% or more). Bond yields fell as investors fled to safe havens. In this Weekly Insights, we discuss why there was a flip in sentiment, show the technical damage it left behind and discuss what we see through year end.

- **Why the flip in sentiment?** The initial optimism was driven by the White House not contesting the election. Also, history suggests equity markets and the economy do well in a divided government as the odds of major legislation changes are low. However, after investors dug into campaign promises, fears of slower economic growth amid less AI investment soured sentiment.
- **Data center opposition**: Voters backed 40 of 41 local data center ballot measures threatening data center investment. According to the St. Louis Fed, AI investment contributed ~40% of economic growth in the first three quarters of 2025 and the four largest hyperscalers expect to spend ~$700 billion this calendar year.[1] The main concern is the opposition in Texas which is expected to be the next wave of data centers. A delay in spending threatens the outlook for economic growth and earnings. We do not think this will derail AI investment but may make it slower and more costly.
- **Technical damage**: The massive swing in a short period of the time resulted in technical damage that can suggest additional weakness. The Nasdaq fell below its 200 day moving average, which can signal a longer term downtrend. The S&P 500 closed the week below its 20, 50 and 100 day moving averages. The Philadelphia Semiconductor Index is deeply in bear market territory (-38%) and is the furthest below its 200 day moving average on record.

The Bottom Line:

Given the speed and magnitude of last week's market movements, we would not be surprised if we see short term relief, especially since we are in a positive seasonal period. However, the moves highlight how important the AI trade is to both the equity market and economic growth. The results from last week's election will not stop the AI buildout, but it may slow the pace of the buildout and make it more costly (potential taxes on AI data centers). We have been cautious about AI for reasons that did not involve politics. The earnings outlook is at peak optimism, debt levels are rising, circular financing is a risk, free cash flow is deteriorating and investors are getting less tolerant of excessive spending. Since the new Congress does not start until January, in the near term we would sell on strength in the highly concentrated tech sectors. We will continue to look for opportunities but recommend diversifiying outside of tech, specifically in developed market equities, that offer less exposure to tech and may be an opportunity for investors.

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Past performance is not indicative of future returns.

Weekly Economic Recap –

Labor market remains strong

The ISM Manufacturing Index remained in expansion territory for the 10th consecutive month in October. The strength came from inventories, production and imports. While prices paid moderated, at 75.2 they are still near the highest levels since 2022.

Job openings as measured by the JOLTS report rose to a four month high in September. There are now 455K more job openings than those unemployed. Layoffs fell to the lowest level since March 2025. The quits rate, a measure of those leaving their jobs voluntarily increased to the highest level seen since June 2025.

The ISM Services Index moderated in October but has been in expansion territory for more than two years. The decline was led by business activity, new orders and inventories. Delivery times rose and export orders surged.

Weekly jobless claims for the week ending October 31st fell to 189K. There have only been 24 weeks over the past 75 years where claims were lower. The majority fell in the late 1960s.

Nonfarm productivity rose in 3Q26 while unit labor costs declined for only the second time in the past four years. In addition, the labor share of income (portion of output that goes to compensation) fell to the lowest since 1947.

The U.S. economy added more jobs to the economy than expected in October (+165K vs. 70K). In addition, the unemployment rate dipped lower (to 4.1%). The jobs added were concentrated in the manufacturing, professional/business services area and private education and health. The labor forece participation rate rose for the third consecutive month. This is the first time the labor participation rate has increased for three consecutive months since 2023.

Key Takeaways:

- Manufacturing and services remain in expansion territory.
- Job openings rise while layoffs fall.
- Payroll increase surprising to the upside.
- Global equities fall sharply as tech sell off deepens.
- Investors rotate from tech stocks to bonds for safety.
- Commodities fall led by oil and copper.

Weekly Market Recap –

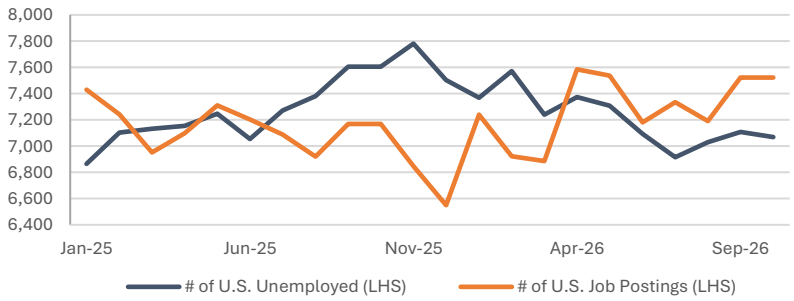
Global Equities Experience Worst Stretch Since March

Equities: The MSCI AC World Index fell for the fourth consecutive week posting its worst stretch of losses since March. After the initial euphoria about the U.S. elections wore off, investors grew concerned about a slowdown of AI investment. The Nasdaq and Russell 1000 Growth led the U.S. losses by dipping into contraction territory (a drop of 10% or more). The emerging markets and Japan also dropped sharply due to their sensitivity to the tech trade. The MSCI Europe ex UK was the only region to end the week in positive territory given its lower exposure to tech.

Fixed Income: The Bloomberg Aggregate Index rallied for the fifth consecutive week as investors fled to the safety of bonds in the midst of the tech sell off. Municipal bonds led the rally as supply was minimal in election week and we are entering a large reinvestment period.

Commodities/FX: The Bloomberg Commodity Index declined for the third consecutive week and by the most since April. Crude oil led the decline as the Democratic victory fueled hopes of a winding down of the Iran war. Copper prices fell on concern about future economic growth and the AI buildout. Gold prices rallied as investors rotated out of tech.

Jobs are Plentiful



Footnotes: Data is as of October 2026.
Data Source: Bloomberg Finance LP, Verdence Capital Advisors.

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Tech Enters Correction Territory

		Current	1WK	1MO	3MO	1YR	YTD
U.S. Equities	Dow Jones Industrial Average	51,286	-0.9%	-0.4%	-4.5%	11.1%	8.1%
	S&P 500	7,377	-2.7%	-5.6%	-4.1%	11.0%	8.8%
	Russell 1000 Growth	4,500	-5.0%	-13.5%	-9.4%	-4.8%	-5.1%
	Russell 1000 Value	2,529	-0.5%	2.3%	0.9%	28.9%	23.8%
	Russell 2500	4,928	-1.5%	-2.1%	-6.5%	18.8%	14.6%
	Russell 2000	2,754	-2.0%	-2.6%	-7.9%	15.4%	12.2%
	Nasdaq	24,579	-3.4%	-10.9%	-6.6%	7.3%	6.3%

		Current	1WK	1MO	3MO	1YR	YTD
International Equities	MSCI AC World (USD)	1,085	-2.7%	-5.9%	-5.0%	10.9%	8.2%
	MSCI EAFE (USD)	3,043	-1.8%	-2.6%	-5.3%	11.9%	7.5%
	MSCI Europe ex UK (USD)	3,376	0.4%	0.7%	-5.0%	12.4%	5.6%
	MSCI Japan (USD)	5,135	-7.5%	-12.8%	-8.7%	8.7%	8.8%
	MSCI UK (USD)	1,694	-0.8%	2.1%	-2.0%	15.4%	9.9%
	MSCI EM (USD)	1,502	-4.1%	-13.7%	-9.0%	10.0%	8.8%
	MSCI Asia ex Japan (USD)	986	-5.0%	-14.2%	-9.4%	9.9%	9.7%

		Current Yield	1WK	1MO	3MO	1YR	YTD
Fixed Income	U.S. Aggregate	5.2%	0.4%	2.7%	0.1%	0.3%	-0.1%
	U.S. Govt/Credit	5.1%	0.3%	2.5%	0.1%	0.0%	-0.3%
	U.S. 10 Year Treasury	4.9%	0.5%	3.7%	-0.3%	-1.5%	-1.7%
	U.S. TIPS (1-10YR)	4.8%	-0.4%	1.6%	-0.3%	1.0%	0.8%
	U.S. High Yield	8.2%	0.4%	0.3%	-1.5%	2.2%	0.8%
	EM Bonds (USD)	6.8%	0.3%	1.4%	-1.3%	0.9%	0.0%
	Municipal Bonds	4.1%	0.9%	4.2%	-0.5%	0.7%	0.4%

		Current	1WK	1MO	3MO	1YR	YTD
Commodities	Bloomberg Commodity Index	350	-4.5%	-5.3%	4.5%	30.7%	26.8%
	Crude Oil (USD/bbl)	$98.3	-19.3%	-2.3%	15.8%	34.9%	37.5%
	Gold ($/oz)	$4,070.8	5.1%	-2.2%	-4.0%	2.4%	-5.8%
	Copper	$13,768.0	-2.7%	-4.5%	-2.4%	28.9%	10.8%
	Wheat	$225.5	-1.1%	-8.9%	-1.2%	6.2%	12.5%
	U.S. Dollar	102	0.4%	0.5%	2.4%	2.6%	4.0%
	VIX Index	25.6	32.0%	70.8%	69.2%	31.5%	71.5%

Footnotes: Data is as of November 6, 2026.
Source: Bloomberg Finance LP, Verdence Capital Advisors.

1. Hyperscalers are Amazon, Meta, Alphabet and Microsoft

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