The Weekly Market Update - 11/23/26: Market Volatility Returns with Force

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	LTM	All-Time High	% from High
S&P 500	6,910.39	-8.61%	-9.69%	0.95%	1.03%	7,818.93	13.1%
Dow Jones Industrial Average	48,147.33	-8.02%	-5.42%	0.17%	1.23%	54,349.12	12.9%
NASDAQ Composite	22,617.73	-10.02%	-15.80%	-2.69%	-4.67%	27,599.79	22.0%
Russell 2000	2,581.79	-7.48%	-7.69%	4.02%	4.13%	3,068.42	18.8%
MSCI EAFE (USD)	2,908.75	-6.28%	-6.94%	0.55%	3.98%	3,262.58	12.2%
MSCI Emerging Markets (USD)	1,420.01	-8.40%	-16.71%	1.11%	1.32%	1,802.77	27.0%
Bloomberg Commodity Index	127.66	-4.36%	-9.96%	16.38%	18.97%	237.95	86.4%
Barclays U.S. Aggregate Bond	90.81	1.19%	2.08%	-3.47%	-3.56%	112.07	23.4%

Source: FactSet

U.S. equities declined sharply last week, slipping to the largest peak-to-trough decline since April 2025. The widely followed S&P 500 equity index suffered its worst week of 2026 (week ended 11/20/26), dropping -8.6% to its lowest level in more than seven months. Just one week earlier, the index had posted its best weekly gain since August, but that rally reversed as investor sentiment soured in the face of multiple headwinds. This includes a steep downturn in the Technology sector (led by semiconductors), political resistance to data center construction, and an increasingly restrictive Federal Reserve Bank (Fed) that is expected to implement additional increases in short-term interest rates. On 11/20/26, the S&P 500 index closed at a price of 6,910, down -11.6% from 10/6/26 (about six weeks earlier) when the index last closed at an all-time high (7,819). The -11.6% peak-to-trough (PTT) decline was the index's largest decrease since April 2025's tariff-driven -18.9% plunge, and represents a market correction. We commonly define a market correction as a decline of more than -10% from a high, and a bear market is a decrease of more than -20%. While S&P 500 corrections, on average, can happen every year (from 1980-2025, the average calendar-year PTT decline was -14.3%), bear markets are rarer, averaging about one every six years (since 1960, there were 11 S&P 500 bear markets, with an average decline of -34.6%). With a strong mid-morning gain on Monday (11/23), the index has moved solidly above Friday's closing low, although it remains negative in November. As investors assess recent market damage, we believe that volatility is likely to continue due to concerns about AI data center resistance and a Fed meeting in December that is expected to see a +0.25% increase in overnight interest rates (the fed funds target). Although 10 of 11 S&P 500 macro sectors (as measured by MSCI's Global Industry Classification Standards, or GICS) are lower in November (through 11/20), 5 sectors have remained positive in the fourth quarter (9/30/26-11/20/26). Weakness was most extreme in the Technology (Tech) sector, which has decreased -22.3% in the quarter. While Tech can lead a market bounce from the lows, we believe that prudent investors should remain invested with diversified exposure across sectors and resist making broad trading decisions amid market volatility and uncertainty.

Markets rebound on Monday and Nvidia reinstates CEO Jensen Huang. In late Monday morning trading (11/23), the S&P 500 was at 7,245, up about +4.8% from Friday's close. Stocks were broadly higher in premarket trading early Monday, indicating that investors were prepared to buy and support the market at the open following last week's decline. Futures moved even higher when the Nvidia Board of Directors announced that embattled CEO Jensen Huang would be reinstated as CEO. This removes some uncertainty at the company level and NVDA's increase of +31% mid-morning alone added an estimated +1.8% to the index's daily gain. We hesitate to predict that the market correction is over, and believe that it could take weeks, if not months, for the S&P 500 to reach its early October 7,819 closing high. But for now, extreme negative sentiment has eased.

November is barely three weeks old, but it is one of the most data-filled months in recent memory. November included the Democrat "blue wave" election market, the resignation and return of NVDA's CEO, the initial public offering of AI leader Anthropic (ANT), and the first market correction in 19 months. Trading is expected to be light as the week progresses, including Thursday's holiday. This will set up December for more volatility as markets and investors assess the final month of the year and look ahead to 2027. In our view, a key issue facing markets is whether the AI data center build-out will slow in 2027, and how that could weigh on U.S. economic growth. We wish everyone a safe and healthy Thanksgiving.

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today, the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Russell 1000 index includes the largest 1000 companies (by market capitalization in the Russell 3000 index. The Russell 1000® Growth Index is a market cap weighted index that measures the performance of the large-cap growth segment of the U.S. equity market. It includes those Russell 1000 companies with relatively higher price-to-book ratios and higher expected earnings growth rates. The Russell 1000® Value Index includes those Russell 1000 companies with relatively lower price-to-book ratios and lower expected earnings growth rates.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Each of the GICS sectors has multiple sub-industry groups, allowing further categorization of S&P 500 constituents. The Information Technology sector has six sub-industry groups. Software, Semiconductors/Semiconductor Equipment, Communications Equipment, Electronic Equipment, Instruments and Components, IT Services, and Technology Hardware, Storage & Peripherals. The market capitalization weightings of sectors and individual companies change daily along with market prices. Data on the 9/30/26 weightings of individual companies were from FactSet and S&P Global.

Nvidia (NVDA) is followed by D.A. Davidson Institutional Research. The analyst currently has a Buy rating with $200 price target. The most recent report is dated 11/12/26 and is available upon request.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts estimates from firms that submit estimates to FactSet for a given financial metric.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics. The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rate of change in the price index for personal consumption expenditures (PCE).

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP. Gross domestic final purchases measures the market value of goods and services purchased by U.S. residents, regardless of where the goods and services were produced. It excludes the GDP net exports adjustment. The most recent GDP report, for the third quarter of 2026 was released of 10/29/26 and can be found at bea.gov.

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Generative artificial intelligence (GenAI): a subset of artificial intelligence and machine learning that can produce new text, images, video, or audio clips from users' prompts. GenAI is trained on large datasets of training data, called a large language model (LLM), to find statistical patterns in the LLM. The GenAI uses those statistical relationships to generate unique responses to prompts. AI infrastructure refers to spending on data centers, graphic processors (GPUs), networking, power, and cloud computing capacity.

Volatility looks at to what degree and how quickly prices move over a given span of time. In the stock market, increased volatility, in the form of rapidly falling prices, is often a sign of rising uncertainty.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

Data on S&P 500 bear markets (peak-to-trough decline of more than 20%) and corrections (10% decline) are compiled by DA Davidson using the closing daily price (from FactSet) of the S&P 500 index since 1960. The correction referenced is the average of each calendar maximum peak-to-trough decline since 1980.

The 2026 U.S. national mid-term election was held on 11/3/26. While this is the middle of the presidential four-year term, all of the U.S. House of Representatives were on the ballot (two-year terms) and about 1/3 of the U.S. Senate (six-year terms). In recent mid-term elections (since 2000), political party control of one or both houses of Congress have flipped to the opposing party. The unofficial results as of 11/20/26 saw the Democratic party take back control of the House and Senate and also win several governor seats that were previously held by Republicans. Starting in January 2027, the Democrat party is expected to hold a 56 to 44 Senate majority and an estimated 258 to 173 seat majority in the House of Representatives.