MARKET PULSE

November 5, 2026

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- U.S. equities fell as selling in artificial intelligence-linked stocks outweighed gains elsewhere.
- The S&P 500 fell 4.4%, the Dow Jones Industrial Average (Dow) declined 3.4%, and the Nasdaq lost 5.5%.
- Non-U.S. markets were mixed. The DAX (Germany) fell 0.4%, and the Nikkei (Japan) declined 1.8%.
- The 10-year Treasury yield fell to 4.84%. Brent crude rose 4.1%.

CATALYSTS

- The dominant catalyst for today's move was concern that tighter restrictions on data center construction could slow the AI investment cycle. Democratic victories in the midterm elections increased scrutiny of a theme that has supported technology earnings and economic growth.
- The potential impact extended beyond chipmakers to power equipment and other infrastructure. Large AI-linked companies weighed heavily on the major indexes, even as roughly two out of every five S&P 500 stocks rose. The Nasdaq traded more than 10% below its October 6 record close, a decline commonly defined as a correction.
- Earnings were also a supporting catalyst. Arm Holdings beat estimates, but its revenue outlook only slightly exceeded expectations, while Qualcomm's smartphone chip sales fell short of estimates amid sluggish demand. The results added pressure to a group already weakened by data center concerns.
- Economic data offered a counterpoint to the selling. Initial jobless claims fell to 189,000, while third-quarter productivity grew at a 3.6% annual rate and unit labor costs declined. The reports suggested continued labor market resilience and improved efficiency rather than a sudden deterioration in the economy.

INVESTMENT STRATEGY OUTLOOK

- In our October 2 Market Sight|Lines, we highlighted AI's potential to improve productivity and support long-term growth, while acknowledging regulatory uncertainty and elevated valuations. Political concerns add to increasing scrutiny in recent weeks around potential overinvestment, financing needs, and returns on investment. Together, these issues could keep volatility elevated in the coming weeks and months.
- Gains since the 2022 bear market have been significant, with a disproportionate share driven by a narrow group of stocks. While rewarding for many investors, this period has also shifted the composition and risk profile of many investment allocations. Periodic rebalancing may help restore portfolios to their target allocations, mitigating risk while maintaining alignment with long-term objectives.
- We continue to emphasize the fundamentals: stay diversified, avoid chasing recent performance, dollar-cost average cash earmarked for long-term strategies, and stay anchored to long-term goals.
- We believe the backdrop for the U.S. economy remains constructive, supported by the ongoing artificial intelligence build-out and resilient consumer spending. We do not forecast a recession in our base case and maintain our real GDP growth range of 1.75%-2.5% for this year.
- For more insights and market commentary visit Stifel Insights.

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