What's on Our Minds

November 16, 2026

MARKET HIGHLIGHTS

- **The October Consumer Price Index rose 0.4%,** virtually assuring a 25-basis-point hike at next month's Federal Open Market Committee meeting. Producer prices rose 6.5% year over year, the highest level in four years.
- **Federal Reserve (Fed) Vice Chair Michael Barr called for a potential 50-basis-point hike at the December meeting,** while New York Fed President John Williams and Chicago Fed President Austan Goolsbee also struck hawkish tones, reinforcing expectations for continued tightening.
- **Oil prices stayed volatile as President Donald Trump said the US doesn't need a deal with Iran.** The International Energy Agency reported the oil market has returned to surplus for the first time since the conflict began.
- **Bond yields rose sharply across the curve,** with the 10-year Treasury yield up 30 basis points, driven by hawkish Fed commentary, elevated AI-related capital expenditures, and a large October federal budget deficit.
- **October existing home sales fell 5.5%** to their lowest level since 2010, down 8.8% year over year, as mortgage rates near 25-year highs continue to weigh on the housing sector.

MARKET PERFORMANCE

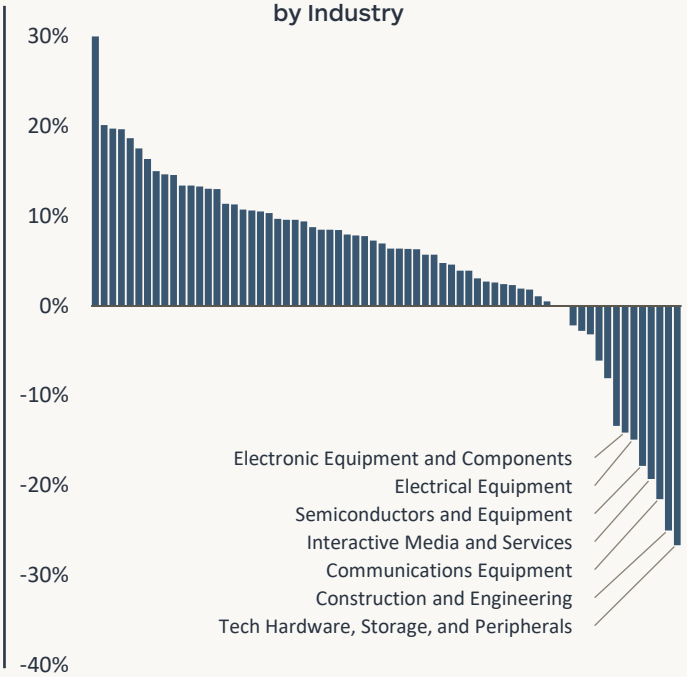
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	-1.50%	-1.64%
Municipal Bonds 1-10Y	-0.57%	0.37%
U.S. High Yield	-0.27%	0.48%
S&P 500	2.54%	11.54%
Russell 2500 (SMID cap)	1.77%	16.63%
MSCI EAFE (International)	2.07%	9.73%
MSCI Emerging Markets	3.21%	12.32%
MSCI ACWI (Global)	2.49%	10.89%
Crude Oil (NYMEX WTI)	1.73%	60.60%
Gold LBMA PM	-5.49%	-10.92%
60/40 ACWI/Agg Portfolio	0.89%	5.88%

WHAT CAUGHT OUR EYES THIS WEEK

Rotation, Rotation, Rotation

It's been a tale of two markets for large-cap stocks. We're now nearly six weeks out from the latest highs for the S&P 500 and the Nasdaq-100 indexes. Since then, we've seen some pain, but it's been highly concentrated in AI-related stocks and industries. The semiconductor and equipment industry, at one point ahead of the broader index by 50% year to date, has now given back nearly all its relative outperformance. With a Goldman Sachs basket of broader AI stocks down 30% from its peak, it's safe to say we are in an AI bear market. Meanwhile, it's been business as usual for the rest of the market, with 80% of the industries in the market up since the high on October 6. The average stock, as represented by the S&P 500 Equal Weight Index, is up 17% on the year, 4% higher than the high in its market cap–weighted counterpart. Even within the tech-heavy Nasdaq-100 index (currently in a correction), roughly half of the stocks are up, largely pharma, biotech, software, and other non-AI industries. There has been steady concern for the past few years that if the AI capex trade were to stumble, it could drag the rest of the market down with it. Fortunately, that has not been the case so far.

Average Return Since October 6 S&P 500 High by Industry



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OUR KEY THEMES FOR 2026 (updated as of September)

1) Monetary policy moves to neutral or slightly restrictive, fiscal policy moves to neutral or slightly positive, and the AI infrastructure buildout remains a key structural tailwind.
2) OBBBA corporate tax changes are spurring a reacceleration in non-AI business investment.
3) Global growth on net remains positive as trend-or-better US growth offsets supply shocks overseas.
4) Broader economic activity lifts employment, while labor force growth remains sluggish.
5) Inflation remains above the Fed target, but progress should resume when the current supply shock fades.
6) We see a handful of rate hikes at the most, not another full-scale hiking cycle.
7) We see stability or slight upward pressure for long-term rates based on strong economic activity.
8) We believe it's hard to fight strong fundamentals for equity markets, with double-digit profit growth balancing high earnings multiples.
9) Better earnings breadth was delayed, not canceled.
10) International stocks still offer diversification benefits and an impressive fundamental outlook considering geopolitical headwinds.

IN CASE YOU MISSED IT

INSIGHTS

2026 Year-End Opportunities Guide

The Pace Perspective: Are Concerns About Financing in the AI Space Warranted?

Potential Economic and Market Implications of the Midterm Elections

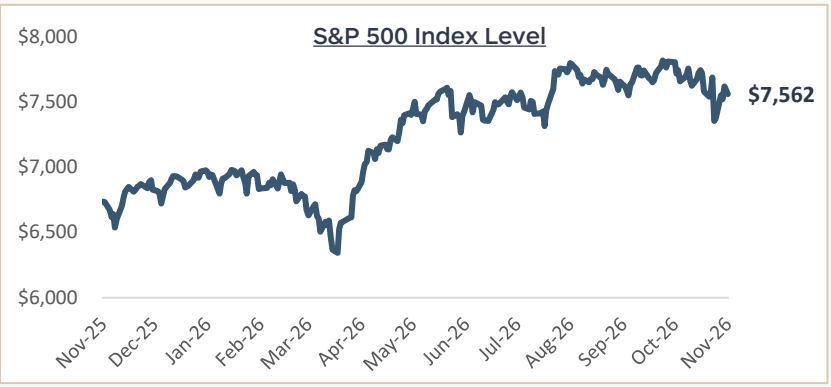
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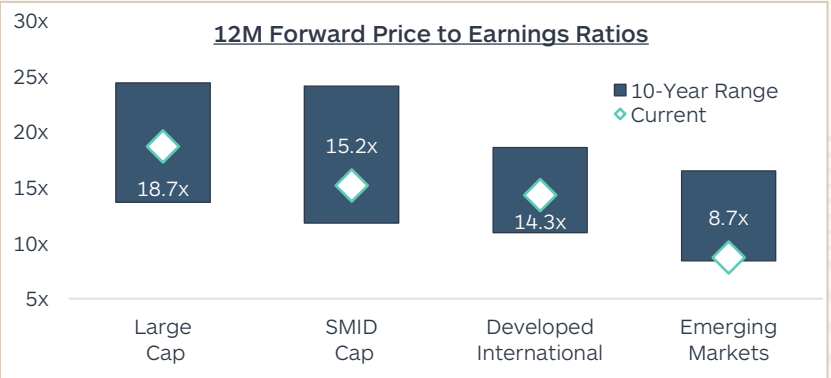
Historical Economic and Market Outlooks Insights

WEBINARS

Recording: Q4 2026 Market & Economic Outlook

EQUITIES





S&P 500 SECTOR	1-WEEK	YTD
Energy	5.1%	48.2%
Industrials	3.7%	9.7%
Comm. Services	3.5%	-6.1%
Consumer Staples	2.7%	22.6%
Consumer Discretionary	2.6%	3.2%
Financials	2.6%	8.5%
Health Care	2.2%	23.6%
Utilities	2.1%	5.4%
Information Technology	2.0%	13.6%
Real Estate	1.0%	13.8%
Materials	0.4%	15.9%

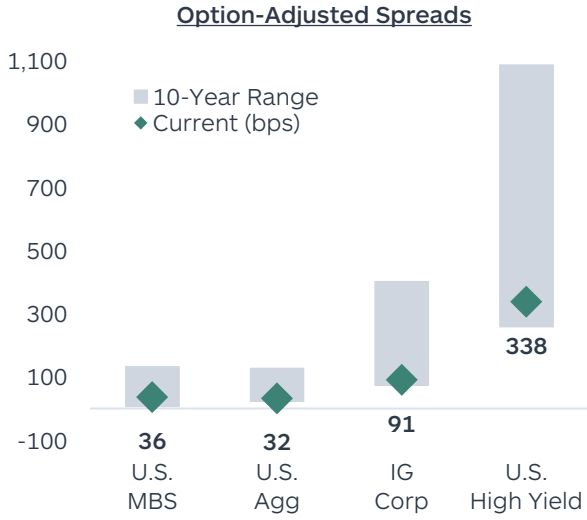
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FIXED INCOME

KEY INTEREST RATES	11/13/2026	Δ YTD
Municipal Bonds 1-10Y	3.64%	0.67%
Effective Federal Funds Rate	3.88%	0.24%
3M T-Bill	4.22%	0.59%
10Y Treasury Yield	5.16%	0.99%
U.S. Aggregate	5.49%	1.17%
Prime Rate	7.00%	0.25%
30Y Mortgage Rate	7.23%	0.98%
U.S. High Yield	8.52%	1.44%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	11/13/2026
Crude Oil	$91.96
Gold	$3,890.85
U.S. Dollar Index	$103.41
Bitcoin	$68,915.00

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THE WEEK AHEAD

Nov. 16 (Mon.)

Nov. 17 (Tue.)

- Oct. Retail Sales
- Oct. Industrial Production
- Oct. Import & Export Prices

Nov. 18 (Wed.)

- FOMC Minutes
- Oct. Pending Home Sales

Nov. 19 (Thu.)

- Weekly Initial Claims

Nov. 20 (Fri.)

Coming Up

- Oct. PCE (11/25)
- Nov. Employment Report (12/4)
- FOMC Meeting (12/9)

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ABBREVIATIONS: Agg: Aggregate. EM: Emerging Markets. SOFR: Secured Overnight Financing Rate. MBS: Mortgage-backed securities. IG: Investment Grade.

CHART OF THE WEEK: Cerity Partners, Cleanview, YCharts, S&P US. Equal-weighted average of S&P 500 constituents by GICS industry, 10/06/26 to 11/13/26, including dividends.

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 11/13/26. Underlying indices are in descending order: Bloomberg US Aggregate provided by Bloomberg Capital; Bloomberg Municipal Bond 10 Yr provided by Bloomberg Capital; ICE BofA US High Yield Index provided by Bloomberg Capital; S&P 500; provided by: Standard & Poor's. Index; Russell 2500; provided by: Russell Investments; MSCI Europe, Australasia, and the Far East (EAFE) provided by MSCI net official pricing; MSCI EM provided by MSCI net official pricing; MSCI All Country World Index (ACWI) provided by MSCI net official pricing; Crude Oil (WTI) provided by CME; LBMA Gold Price PM provided by FactSet. The 60/40 ACWI/Agg Portfolio (60% ACWI / 40% AGG) is not a recommendation and is provided for reference purposes only.

EQUITIES: Top Left-hand Chart. S&P 500 Index Level as of 11/13/26 and provided by Standard & Poor's. Bottom Left-hand Chart. Forward Price to Earnings Ratios refers to the price-to-earnings ratio for the forward 12 months, which is a valuation measure applied to respective broad equity indices as of 11/13/26. Large Cap data is proxied with the S&P 500 and provided by FactSet. SMID data is proxied by the Russell 2500 and provided by FactSet. Developed International data is proxied with the MSCI EAFE and provided by FactSet. Emerging Markets data is proxied by the MSCI EM and provided by FactSet. S&P 500 Sector performance table. Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends. 1-Week and Year-to-Date (YTD) returns are as of 11/13/26.

FIXED INCOME: Top Table. Effective Federal Funds Rate provided by FactSet. Composite Municipal Bond Yield provided by FactSet. Bloomberg US Aggregate provided by FactSet. 3-Month Treasury Bill rate provided by FactSet. 10-Year Treasury Yield provided by FactSet. 30-Year Mortgage Rate provided by FactSet. ICE BofA US High Yield Index provided by FactSet. Prime Rate provided by FactSet. Bottom Table. Option Adjusted Spreads as of 11/13/26. Bloomberg US Aggregate Securitized – MBS, Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US High Yield data provided by Bloomberg Capital.

COMMODITIES, CURRENCIES, CRYPTO: WTI NYMEX Crude Oil provided by FactSet. Gold is proxied with the LBMA Gold PM and provided by FactSet. Bitcoin is proxied by the Bitcoin (CME) Continuous index and provided by FactSet. U.S Dollar prices are proxied with the U.S. Dollar Index and provided by FactSet.

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