WEEKLY

Strategy Perspectives

Carol Schleif, CFA, SASB-FSA, Chief Market Strategist



What Just Happened?

"The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails."

— William Arthur Ward (1921-1994), motivational thinker known for writing more than 4,000 inspirational quotes

THE THROUGH LINE: Markets have swung wildly in recent sessions, complicating the lives of strategists trying to pencil in 2027 forecasts. The storylines the markets are spinning have shifted more intensely than warranted by business, consumer or economic fundamentals. We hunt for a more realistic (fundamentals-based) middle ground somewhere between overt optimism and abject pessimism.

Holiday sales before the turkey is in the oven

Black Friday discounts came early this year – for shoppers AND investors. Stocks had struggled for weeks to find solid footing, then gave up trying by last Friday and closed the session posting steep declines. The S&P 500 Composite Index, for example, was down 6.8% for the five days, shrinking its year-to-date gain to barely 2%. Technology names were thrashed hardest: the tech-laden NASDAQ Composite was down 7.7%; and the Philadelphia Stock Exchange's Semiconductor Index (SOX)[i] declined 12.5% over the same period. Seems few wanted to face a holiday-shortened week with overweights to stocks in general – or growth names in particular.

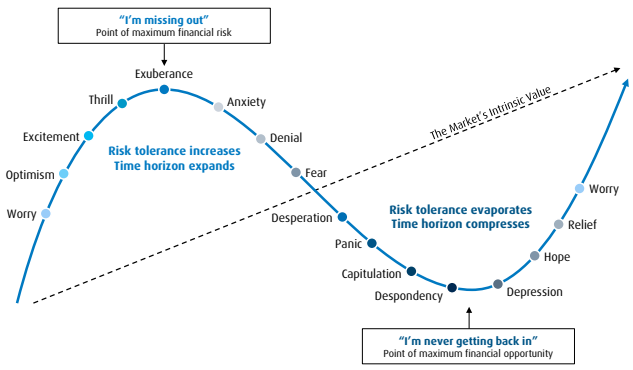
Then came the announcement before Monday's opening bell that Nvidia's board of directors had unanimously agreed to reinstate CEO Jensen Huang. Last week's angst was magically erased in a widespread, globally exuberant upmove that pushed the S&P 500 up 4.7% in a single session. The NASDAQ gained 6.5%; the SOX vaulted more than 14% higher. Nvidia (NVDA) shares rebounded more than 30% (though they are still down 11.5% for the year). Whipsaw much?

According to Investopedia, a *"whipsaw is a market pattern where a security's price shifts sharply in one direction, then reverses quickly in the opposite direction. Long-term investors can often ride out whipsaws, while short-term and day traders may incur losses.*[ii]*"* We suspect that more than a few short-term and day traders who'd exited the market, sector or individual stocks during the fitful trading of the last few weeks were scrambling to get back in following the announcement. The rush to react was so immediate that the futures market breached an *upside* circuit breaker before the trading day even began. By end of Monday trading, nearly 800 million Nvidia shares changed hands compared to normal daily volume of 170 million.[iii] At least from the markets' perspective, the "all AI all the time" trade appeared to be back in fashion. **But did broader fundamentals really change so dramatically that they warranted such wide swings on either day?**

Revisiting those pesky lizard brains

Little did we know when we addressed the basics of behavioral finance last week (WSP | Efficient Markets and Rational Investors: Fact or Fiction?) that the extremes laid out in *theory* would soon be illustrated *in living technicolor* across two consecutive trading days. The chart below shows that the ability to think long term (a.k.a. beyond end of day) compresses during stressful times, a state we saw build after each worrisome headline in recent weeks. By the time Friday was over, commentators were offering up analysis that contained plenty of emotion and words like "capitulation" and "panic" to describe the action.

The Cycle of Investor Emotions



Source: BMO Wealth Management (2026)

A handful of surprises *have* touched the market narrative in recent weeks, weighing on psyches:

- The decisive Democratic sweep of U.S. midterm elections and implications for datacenter rollout and/or AI regulation
- Hotter-than-expected inflation reports
- Rolling technology outages

- More "hawkish" (in favor of raising rates) comments from several Federal Reserve Open Market Committee members (the U.S. Federal Reserve's rate-setting body) suggesting they are amenable to 50 basis points of hikes at the next meeting (one member) or two. The FOMC's next rates decision is December 9
- Jensen Huang's resignation from the top job at Nvidia
- The Trump administration's move to tighten export controls on cutting-edge technology and floating the concept of slapping taxes on construction of datacenters built by U.S. companies outside the country
- And fresh off the press – a new list of tariffs President Donald Trump intends to levy on over a dozen economies including China and the EU

Nevertheless, it remains an open question if some – or any – of those storylines will have observable fundamental impacts on consumers, businesses or the broader economy. In addition to the reversal of one of them already (reinstatement of Mr. Huang) we note a variety of potentially offsetting constructive factors also in play:

- Rapidly declining energy prices
- NVDA's earnings report from last week generating $65 billion in net operating profit and 67% margins for three months, at the same time noting backlogs that won't likely be filled until the end of the decade or beyond
- Anthropic's (ANT) successful and sevenfold oversubscribed initial public offering – the largest on record – achieved despite weeks of market chop and the ready absorption of more AI debt (SpaceX's $32 billion offering) on the same day (though the stock has since traded below its launch price)
- Another strong earnings season – all 11 S&P 500 industry sectors participated in double-digit earnings and revenue growth – a feat that hasn't been achieved since 2021

Revisiting core market themes: What has (or hasn't) changed?

EPS growth. After three consecutive quarters of 25-30% earnings growth, investors are asking if this is as good as it gets. At a minimum, comparisons get tough off those prior strong periods since the law of larger numbers dictates slowing growth. However, **slowing growth does not imply negative earnings. We continue to believe we're in in the very early innings of an unprecedented SECULAR rewiring of our economic infrastructure that has implications beyond AI**. Even if earnings growth slows to a percentage in the low-to-mid teens, the opportunity for an extended earnings cycle remains. Market valuations have compressed all year and already reflect slowing growth rates. On the other hand, we expect growth will continue to broaden, with AI users also finding increasing efficiencies.

Datacenter build: the voters have spoken. The electorate sent clear messages on November 3, indicating they want a reboot relative to datacenter buildout and/or AI rules of the road. While the results may well moderate the pace of activity, it's highly unlikely they will stop it broadly, given the insatiable demand for compute. Still-growing hyperscaler and cloud-provider backlogs on top of rapidly scaling usage among corporate, government and personal users puts pressure on existing infrastructure and highlights the need to supplement capacity.

President Trump would need to sign any federal legislation aimed at moderating growth (highly unlikely). Though states can and have tried to legislate on their own, the administration would likely try to counter restrictions via executive orders or agency rulings. Best-case scenario would be bipartisan drafting for middle-ground framework – much like the permitting regulation (Bipartisan American Affordability and Jobs Act – BAAJA – that recently passed the Senate and will be taken up by the House when it returns) that has support from both oil and gas and environmental groups. Even though the legislation hopes to speed up permitting, it also contains clauses that would require datacenters to bear the servicing and building costs.

AI demand: can't stop/won't stop. Aside from the continued rapid scaling of agentic AI throughout businesses large and small, AI is being deployed by corporate IT and cyber security firms to find vulnerabilities that have lurked for years in corporate operating systems and processes. Many of the recent outages (Microsoft's Outlook, the FAA's ground stop, Apple, the National Security Agency, Delta, United, multiple banks, Java script) happened because of patch installation or system upgrades. We would not be surprised if some/all of these happened during AI-inspired reviews. Once a vulnerability is identified, patches must be installed quickly before malicious actors – also armed with AI and probing constantly for corporate vulnerabilities – can exploit them. As patches are hastily installed the rolling hiccups are creating a type of "patchmaggedon" that has users (and, tangentially, investors) concerned. Yet, from a higher-level view it seems to be a natural evolution of advancing technology. Against this backdrop, no company is going to downsize AI usage either for competitive reasons or to protect corporate security. Just the opposite, in fact.

Inflation/Interest rates. To the extent politics tries to choke off the creation of more compute capacity, inflation could well stay stubbornly high. The source of the cost could shift from the components (e.g., processing and memory chips and other datacenter construction components) to the cost per token of processing power as increased demand meets lack of supply. This hasn't happened to date. Indeed, token prices have fallen sharply this year thus encouraging even more demand. We are watching closely to see how the supply/demand curve evolves. If prices steadied/reversed, the Fed and other central banks could be backed into a corner. They have promised to fight inflation, albeit the blunt tools they can wield (control of short-term interest rates) have little or no effect on alleviating supply shocks. **The risk of a policy mistake – and pushing interest rates up in a series of hikes – could impose additional pressure on segments already impacted such as housing and the lowest income strata of consumers.**

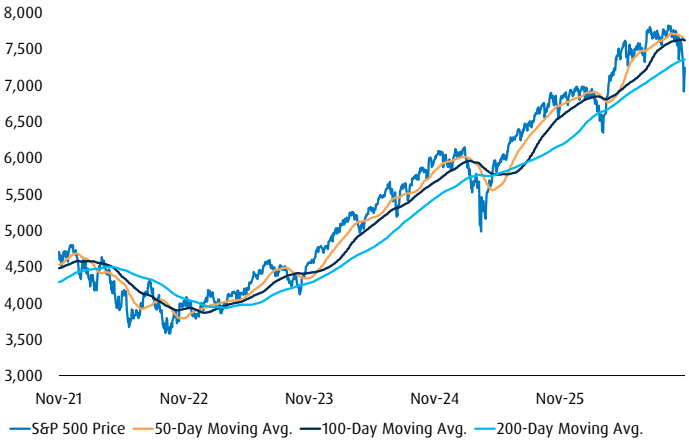
Thankful for

In the spirit of the season, we suggest using that pause between stimulus and response to widen the aperture a bit. Here's our starter list of things going right. What would you add? Let us know.

- **Markets are enjoying reasonable valuations.** Markets came into this recent weakness featuring valuations below where they were last month, last quarter, or at the start of the year. Also, more than two-thirds of the Russell 2000 had already corrected over 30% BEFORE last Friday's action. Lower valuations mean investors have discounted a variety of potentially dour outlooks – leaving room for upside surprise relative to earnings strength.

- **Now that Anthropic is public, investors will have a quarterly look at how a frontier model creator is scaling** its own business prospects for cash flows and profitability. Transparency is always a plus.
- **Broad, deep, liquid and well-functioning markets** have handled volatility and shifting narratives well. Even though wild gyrations can be intensely jarring, they're normal. It's healthy that there are so many ways for investors to pursue their own personal market theories. The feedback loop is alive and well.
- **Business resiliency continues** despite repeated shocks.
- **Consumer resiliency likewise rolls on**, spurred by low unemployment and continued spending. U.S. air travel this holiday season is projected to be the highest since 2010. Even this week's Conference Board consumer confidence readings came in much stronger than projected.
- **Most democracies have the geopolitical wherewithal and ability to pursue course changes through largely non-violent means.** It's hard on our emotions, but a wonder to behold in action; messages from the people are being sent/received.
- **The innovation cycle is accelerating.** AI (scary as it can be at the margins) may also lead us to amazing breakthroughs in customized regimens (cures?!) for cancers, rare diseases and chronic ailments like Alzheimer's.
- **Market action continues to broaden.** Though it's hard to see, given the prominent weight of info tech (35%), financials (13%) and communications services (9%) in the S&P Composite, each of those segments has had periods of soft performance during the year, impeding forward progress of the entire index. The equal-weighted S&P 500 is up 10.9% for the year, versus +5.7% for the cap-weighted index. **Granted that market pullbacks are never comfortable – they are normal. They're the price of admission for the above-average, long-term growth prospects that stocks often provide.** Even pullbacks to/through the 200-day moving average are not uncommon (see the chart below).

S&P 500 Index



Source: Bloomberg L.P. (2026), as of 11/23/2026

Implications for investors

While we can't control volatility, we CAN control our reaction to it. Focus on fundamentals and whatever you have some influence over (e.g., you can decide whether to watch patiently as things sort themselves out or succumb to the lure of short-term emotional trading).

Although last Friday's market action showed some signs of bottoming (high-volume whiffs of panic), it remains to be seen if those lows have indeed occurred – or are retested in the coming days. Several near-term issues may act as speed bumps. For example, now that the Q3 earnings season has largely wrapped up, we will have to wait eight or nine weeks before we get solid, in-depth reads on Q4. The Fed's quiet period begins Saturday, November 28, and runs through the next rate-setting meeting December 9.

Overall, it's been quite a month. Going into Thanksgiving, investors have plenty to be thankful for, including the prospect of continued gains, resilient markets and strong underlying corporate fundamentals. Most of all, we are reminded that gratitude is a powerful catalyst for joy and peace of mind. Happy Thanksgiving!

Next week in North America

Now that earnings season is largely finished and the Fed is in a pre-meeting blackout period, the risk for headline-induced volatility is elevated. Upcoming we have a meaty week in both the U.S. and Canada that will bring key reads on manufacturing and services activity. In the U.S. it's jobs week – ADP, Challenger and nonfarm payrolls are all on tap.

Monday 11/30	**U.S.** Dallas Fed Manufacturing activity, House and Senate back in sessions **Canada** Bloomberg Nanos confidence, Quarterly GDP
Tuesday 12/1	**U.S.** S&P Global Manufacturing PMI, SIM Manufacturing, JOLTs, Construction spending **Canada** S&P Global Manufacturing PMI
Wednesday 12/2	**U.S.** ADP employment reports. Mortgage applications **Canada** None scheduled
Thursday 12/3	**U.S.** Challenger reports, Initial Jobless claims, S&P Global services PMIs, ISM Services indexes, Factory orders, durable goods, Capital goods orders **Canada** Labor productivity, S&P Global Services PMI
Friday 12/4	**U.S.** Nonfarm Payrolls reports, University of Michigan Consumer sentiment **Canada** Net change in employment, Ivey Purchasing managers index

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[i] S&P 500® Index is an index of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization. NASDAQ Composite Index is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange. PHLX Semiconductor Sector (SOX) is a capitalization-weighted index comprising the 30 largest U.S.-traded companies (not necessarily U.S. companies) primarily involved in the design, distribution, manufacture, and sale of semiconductors.

[ii] Navigating Whipsaw Patterns: Stock Price Impacts and Effective Strategies

[iii] NVIDIA Corporation (NVDA) Stock Price, News, Quote & History - Yahoo Finance