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Equity Market Commentary

SLIMMON'S TAKE | APPLIED EQUITY TEAM | November 2026

Based on the numerous questions we have fielded, primarily about the mid-term elections and October's technology sell-off, here are some initial thoughts:

1 I always worry when there is overarching agreement on the near-term movement of the market. If it's so consensus, will it really happen?

When most every Wall Street pundit is using the same playbook, can it actually come true?

2 Sometimes the answer is "yes".

As we exited September, the pundit's playbook suggested:

1. October is seasonally a rocky month for stocks, especially for the year-to-date leaders.
2. In a mid-term election year, it's even worse.
3. For short-term traders, the ideal move would be to pivot into quality, "safe", risk-off stocks, and out of growth and value cyclical names.
4. But only for the month of October.

3 Even though this was so consensus, that pivot was exactly the right move!

The market overall wobbled. Consumer staples and health care stocks performed great, while the technology and communications sectors were bludgeoned.

Growth stocks performed horrendously, and stocks perceived as defensive shined.[1]

AUTHOR



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[1] Bloomberg as of October 31, 2026

The index performance is provided for illustrative purposes only and is not meant to depict the performance of a specific investment. **Past performance is no guarantee of future results.**

4 If the market seems to be following the script so well, what does November historically suggest?

The playbook shifts leadership.

As we have consistently articulated, the post mid-term period has been a good time for stocks, **as the party not in power gains seats** and **the market ultimately heaves a sigh of relief.**

And rallies.

Gridlock in DC is beloved by Wall Street.

It does not matter whether Democrats or Republicans are gaining seats.

When the emotion surrounding the elections dies down is tough to call, but that is historically what happens.[2]

Since the playbook has worked so far, I see no reason to assume it won't continue.

5 Over many years in the markets, I have observed that whenever investors are consumed by what happens in DC rather than focusing on the economy and company fundamentals, ***it has been an excellent time to be a buyer of stocks***.

Furthermore, I would say the ***overestimation of the macro impact on stocks*** has to be one of the biggest errors I see investors make.

6 Let's face it, the business media fuels that.

I can't blame them.

Discussing the potential macro and geopolitical impacts on stocks is much more interesting than a review of a company's 10-Q or 8-K financial statements.

As we move into November and past the mid-term elections, I remain a believer that the playbook will work again.

7 In other words, I am in the camp that the year-end rally is not dead.

And I don't think a rally will be led by companies selling toothpaste and/or diapers, which were the standout companies in October.

I do expect a rally will be led instead by the growth stocks that were hit hard in October.

And even some value names like financials.

Hence, if the market pivots more optimistically, these October winners will go back to being laggards.

As much as we have a smattering of defensives, we certainly are not adding to them.

In hindsight we should have owned more of them going into October, but it becomes rather difficult to navigate if we think they will only lead for one month!

8 An obvious question is, *how can tech shine if a "blue wave" leads to a slowdown in the data center buildout?*

Call me slightly cynical on this campaign rhetoric.

Yes, it makes for great headlines for politicians, "no data centers in our communities."

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[2] Post mid-terms, the S&P 500 has produced a positive 12-month return every time since 1950 inception, with an average 1 year return +16%. LPL Research, Bloomberg, Fundstrat, Strategas.

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But once the election is over and the reality of massively fiscally strapped local and state budgets face these elected or reelected politicians, hyperscalers and their deep pockets will be difficult to resist.

If hyperscalers make commitments to infrastructure, public services and even educational funds, I think this issue quietly goes away.

9 If you don't believe me, you might want to read up on Richland Parish in Louisiana or Dona Ana County in New Mexico.

In the end, the data center builders got their way.

10 Meanwhile, there is simply a lack of proof that demand for Ai is slowing.

While there is always a lot of noise around earnings season, reality is clear.

The demand for compute power is accelerating.

11 Ultimately what drives stocks is straightforward:[3]

1. What is the earnings story, and is it better or worse than expected?

2. What is the P/E multiple on those earnings?

12 To me, 2026 has been all about a battle between #1 and #2.

13 All year I have stressed that the economy was stronger than what Wall Street expected, and this has led to *consistent positive earnings revisions*.

As I have articulated regularly, stocks do not go down for long when fundamentals are BETTER than expected.

And that is the story even for the past month when there were all sorts of anxieties about the mid-terms, the war, and "you choose your macro worry."

Earnings revisions just continue to push higher.

14 However, consider:

At the beginning of the year, S&P 500 earnings were expected to grow from 2025 to 2026 by +14.8%.

As of last Friday, October 30th, that number is +32.4%.

All else equal, the market should also be up dramatically.

But it's not.

That's because we have experienced a pretty significant decline in what investors *pay* for those earnings.

Worse than I expected.

At the beginning of the year the market was trading at a forward P/E of 22.1x. Today it's at 18.3x.[4]

[3] Stock prices = P/E x Earnings.

[4] Bloomberg. Market defined as the S&P 500.

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15 Why the degradation?

Simple.

Interest rates are higher, and the Fed has pivoted to a rate hiking cycle.

16 If the Fed is commencing a long campaign to raise rates, then I think the forward P/E will continue to decline, thereby suppressing returns.

17 However, if they raise rates only a couple of times over the next year, then the multiple has probably stopped declining, and this wonderful earnings story can power the market much higher.

18 If you want to worry about the market, *stop worrying about the macro, politics, etc. and worry about this*, the key question:

What is the duration and depth of the tightening cycle?

19 Seems to me the monthly inflation numbers will be pretty key to understanding the answer.

If inflation remains persistently high, then the market will continue to pay less for those earnings while investors recalibrate how much pain the Fed will exert through higher rates.

However, if the inflation prints show they are directionally moving toward the Fed's 2% target, then the P/E multiple likely stabilizes if not begins to reflate back towards the levels seen earlier in 2026.

20 I do think this is the real story for 2027.

21 **In the meantime, as much as the "safety" pivot was painful in October, I do expect the market to follow the playbook where the midterms are a clearing event and post mid-terms, Q4 has been a strong period.**

Andrew

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