November 20, 2026

MarketDesk

The Weekly Note

AI Selloff, Fed Rate Hike Signals, Retail Sales, & Credit Spreads

Weekly Market Recap

Stocks fell sharply as AI-related selling broadened and Fed officials pointed to further rate hikes. The S&P 500 fell -5.5% and posted its sixth straight daily loss, the Nasdaq and Dow Jones each fell more than -6%, and the Russell 2000 small-cap index fell more than -5%. The Equal-Weight S&P 500 fell less, while Momentum and High Beta stocks fell about -8%. All 11 sectors traded lower, led by Tech, while Consumer Staples and Utilities held up best. U.S. Treasuries traded higher as yields declined, with longer-maturity bonds outperforming, while high-yield corporate bonds underperformed investment-grade as credit spreads widened. Oil fell more than -5%, gold dropped to its lowest level in 14 months, Bitcoin fell more than -10%, and the VIX jumped above 25. Meanwhile, the U.S. dollar rose to its highest level since April 2025.

Key Takeaways

1. The selloff in AI-related stocks spread to the broader market despite strong Nvidia results and Anthropic's record IPO. The S&P 500 fell to its lowest level since April, and the Nasdaq closed more than -10% below its October record, entering a correction. Nvidia's quarterly revenue rose +103% from a year earlier to $115.8 billion, and its forecast beat estimates, but its shares gave back their early gains. Earlier in the week, a Commerce Department rule restricted Chinese companies' access to advanced chips through foreign data centers. Anthropic raised $81.3 billion in the largest IPO on record, and its shares rose more than +15% in their Thursday debut, but most stocks fell. *Implication – The pullback in AI stocks that began in October has broadened to the rest of the market, even as AI companies continue to report strong growth.*

2. Fed officials signaled more rate hikes ahead, and one governor advocated for a 0.50% increase in December. Fed Governor Christopher Waller said a half-point hike is "probably necessary" at the December 8-9 meeting and that the Fed may need to reverse all three of last year's cuts and possibly go further. Minutes of the October meeting showed that "almost all participants" expected further hikes, and many officials described the AI buildout as "a material source of inflation risk." The New York Fed President struck a more measured tone, saying the situation does not call for "dramatic action." Futures markets put the odds of a December rate hike at about 96% and the odds of another hike in January at about 73%. *Implication – Unlike in many past selloffs, the Fed is signaling more rate hikes rather than cuts, as officials now count AI spending among the risks to inflation.*

3. Consumer spending held up in October, and major retailers reported strong sales. Retail sales rose +0.2% for the month, in line with expectations, but the control group, which feeds into GDP and excludes autos, gasoline, building materials, and restaurants, rose +0.6%, above the roughly +0.3% to +0.4% expected. Retailer earnings this week provided additional color. Target's comparable sales rose +5.6%, its best growth in more than five years, and TJX's comparable sales rose +4%. Walmart's revenue rose +5.2% to $188.8 billion, above estimates, and the company raised its full-year earnings forecast. *Implication – Spending stayed resilient through October despite higher borrowing costs and falling stock prices, a sign that household finances are holding up for now.*

4. High-yield credit spreads widened toward their highest level in a year as caution extended beyond the stock market. The extra yield investors demand to hold high-yield corporate bonds instead of Treasuries rose +0.17 percentage point in the week through Wednesday to 3.47%, just below its one-year high. The spread on CCC-rated bonds, the lowest-rated tier of high-yield, rose to 13.53%, also near its one-year high, while investment-grade spreads widened only slightly. On a related note, the Fed's minutes referenced the rapid growth of debt tied to the AI buildout, much of it through "complex and opaque financing structures." *Implication – Wider spreads show that investors are demanding more compensation to lend to riskier companies, although spreads remain well below the levels seen in past periods of severe stress.*

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Markets	1-Week	YTD
S&P 500	-5.5%	+4.8%
R.2000	-5.1%	+8.1%
Nasdaq	-6.3%	+5.4%
Dow Jones	-6.1%	+3.3%
Bond Agg.	+0.4%	-1.0%
WTI Oil	-5.3%	+75.1%

Next Week's Economic Releases

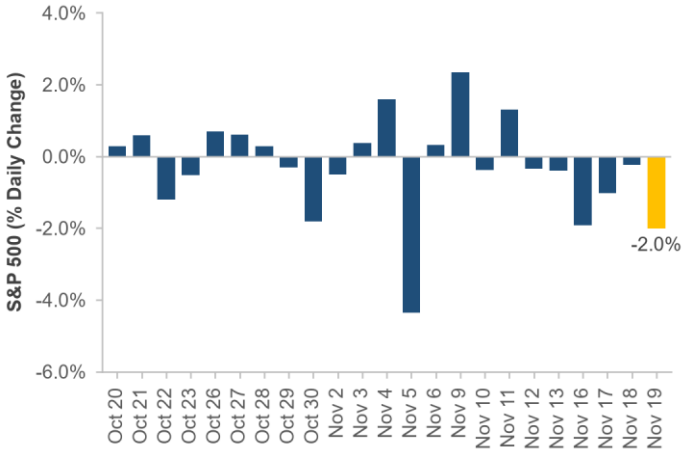
Consumer Confidence Index (11/24)
Richmond Fed Index (11/24)
S&P 20-City Home Price Index (11/24)
PCE (Inflation) (11/25)
Domestic Auto Sales (11/25)
Domestic Light Trucks Sales (11/25)
Domestic Total Vehicle Sales (11/25)
New Home Sales (11/25)
Personal Income (11/25)

Important Disclosures

All data as of Thursday's market close.

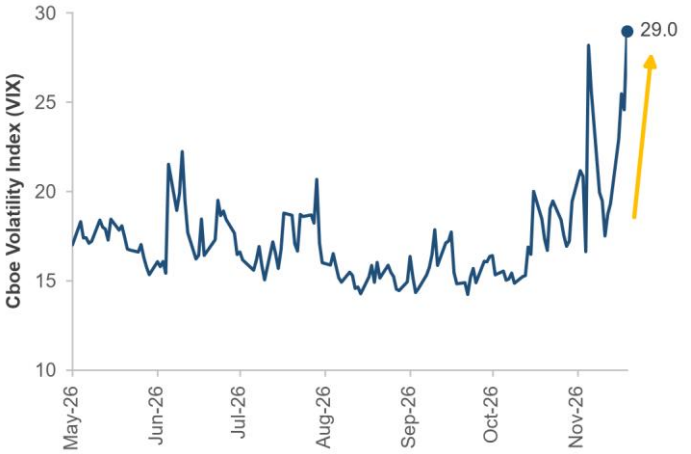
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Figure 1: S&P 500 Falls for a Sixth Straight Day ...



Source: MarketDesk.

Figure 2: ... As Volatility Climbs Above 25



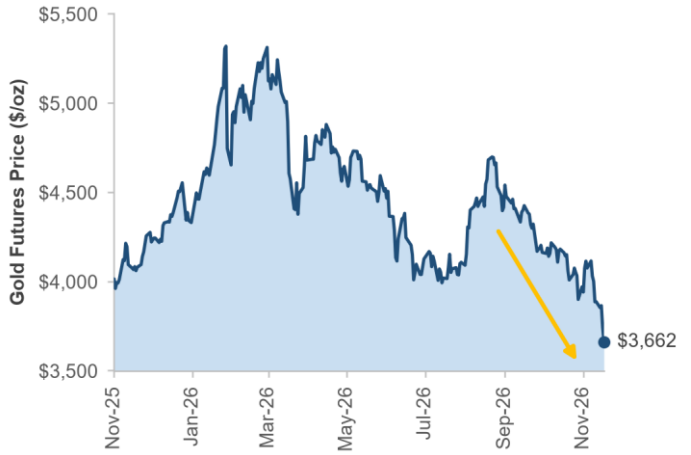
Source: MarketDesk, Cboe.

Figure 3: The U.S. Dollar Climbs to a 19-Month High ...



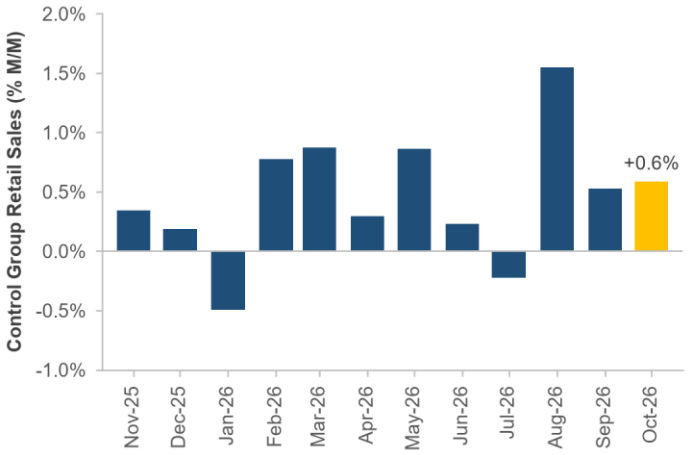
Source: MarketDesk.

Figure 4: ... While Gold Falls to a 14-Month Low



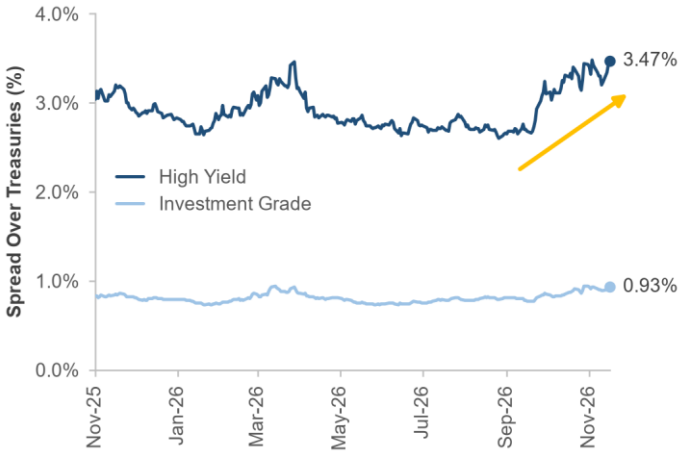
Source: MarketDesk.

Figure 5: Retail Sales Control Group Rises More Than Expected



Source: MarketDesk, U.S. Census Bureau. Seasonally adjusted.

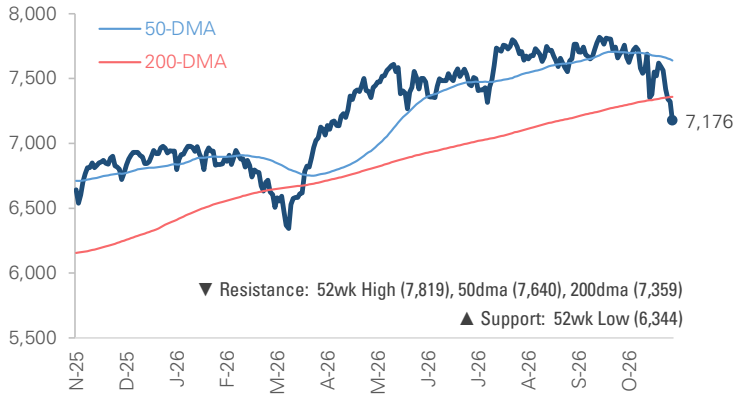
Figure 6: High-Yield Spreads Widen Toward a One-Year High



Source: MarketDesk. Option-adjusted spreads over Treasuries.

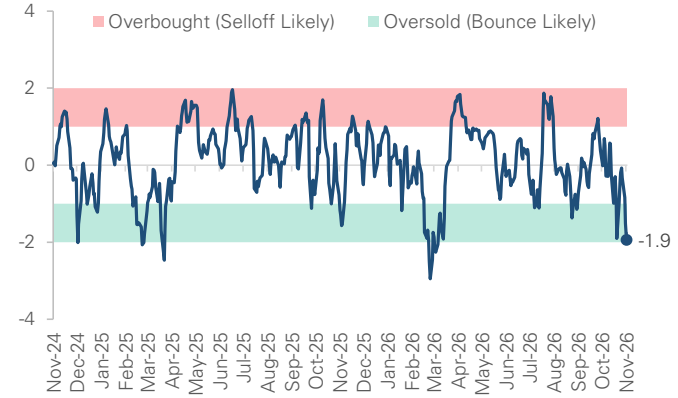
Asset Class Performance

Figure 7: S&P 500 Index (Last 12 Months)



Source: MarketDesk

Figure 8: S&P 500 Technical Composite (Last 24 Months)



Source: MarketDesk. Based on a composite of technical breadth measures.

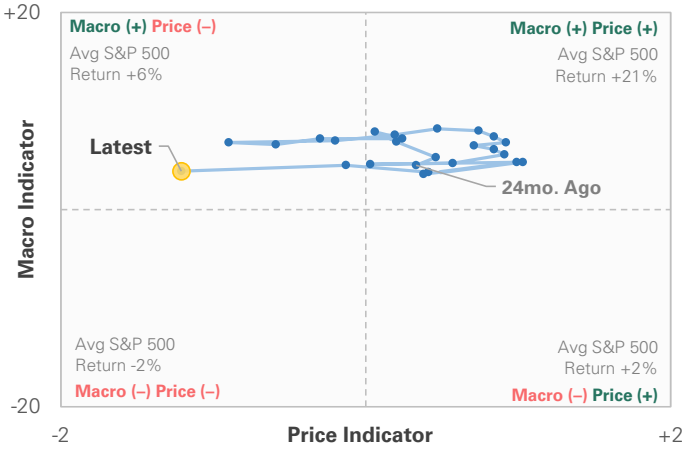
Figure 9: Key Performance, Valuation, and Technical Details

Category	Market Areas	Yield	Total Returns (%)						NTM P/E (vs 10 Years)				Technical Composite			
			1wk	1mo	3mo	6mo	YTD	12mo	5th	Current		95th	RSI	10wk Price	TC Reading	
MDR Focused Indices [1]	U.S. Dividend	2.7%	-4.2	-2.8	-3.0	2.6	5.2	10.8	10x	14.8x	39%	34x	45		-0.4	-
	U.S. Large Cap	1.2%	-4.2	-3.8	7.8	19.8	15.2	20.9	16x	20.7x	33%	42x	47		-0.4	-
	U.S. Small Cap	0.8%	-2.8	-3.8	7.9	14.3	27.2	38.3	13x	19.5x	26%	48x	45		-0.4	-
	Intl. Momentum	2.8%	-3.7	-7.3	-16.0	-23.0	-3.8	6.0	10x	15.0x	38%	37x	42		-0.7	-
	U.S. Momentum	1.2%	-4.1	-7.2	-6.2	-11.8	8.3	19.5	13x	20.2x	41%	42x	40		-0.7	-
Major Indices	S&P 500	1.2%	-5.5	-6.4	-6.1	-3.6	4.8	9.7	15x	17.6x	25%	24x	34		-1.9	OS
	Russell 2000	1.0%	-5.1	-4.5	-11.0	-6.0	8.1	16.5	17x	20.8x	18%	60x	36		-1.3	-
	NASDAQ	0.5%	-6.3	-8.4	-9.2	-9.5	5.4	10.6	17x	18.7x	3%	32x	36		-1.5	-
	MSCI EAFE	3.4%	-5.0	-4.2	-8.0	-3.7	4.5	12.0	11x	14.0x	43%	18x	37		-2.0	OS
	MSCI EM	1.9%	-7.2	-8.1	-14.8	-13.6	4.3	8.9	8x	8.0x	0%	15x	35		-1.3	-
U.S. Factors	Equal Weight	1.5%	-4.1	-3.0	-3.6	4.2	11.8	18.0	13x	15.5x	30%	22x	40		-0.6	-
	Growth	0.4%	-6.8	-9.9	-11.1	-13.0	-8.3	-4.5	18x	18.3x	2%	33x	33		-1.5	OS
	Value	1.4%	-4.3	-2.9	-1.5	7.9	20.8	27.8	12x	16.9x	79%	18x	40		-0.8	-
	Momentum	0.7%	-7.9	-11.4	-16.1	-15.1	2.5	8.1	13x	14.6x	8%	40x	34		-1.2	-
	Low Volatility	1.4%	-4.1	-3.7	-0.6	4.5	7.0	9.3	16x	18.3x	36%	22x	38		-0.7	-
	High Beta	0.6%	-8.2	-8.8	-14.7	-10.7	7.1	20.1	10x	14.9x	17%	51x	36		-1.4	-
U.S. Sectors	Technology	0.5%	-7.5	-11.9	-12.1	-9.8	12.0	18.7	15x	16.8x	6%	30x	32		-1.7	OS
	Consumer Staples	2.4%	-1.3	-0.1	6.0	7.6	17.9	19.8	17x	20.9x	93%	22x	52		0.3	-
	Consumer Discr.	0.8%	-3.8	0.8	-0.5	-2.0	-2.4	5.6	17x	22.8x	49%	39x	51		-0.2	-
	Utilities	2.8%	-1.8	0.3	-1.0	-3.1	2.9	0.5	15x	16.8x	21%	21x	44		0.2	-
	Health Care	1.4%	-5.5	-2.1	3.3	20.8	16.1	19.1	14x	19.6x	99%	20x	37		-0.8	-
	Real Estate	3.3%	-3.3	0.8	-4.1	-2.0	8.8	9.9	15x	17.0x	20%	24x	47		-0.3	-
	Financials	1.5%	-4.5	-1.9	-2.1	8.2	2.7	10.4	9x	14.8x	71%	18x	46		-0.4	-
	Comm Svcs	1.3%	-4.5	-4.3	-6.9	-11.0	-11.9	-5.4	13x	13.8x	1%	24x	58		-0.9	-
	Energy	2.5%	-5.3	-9.9	-3.9	4.3	38.9	40.9	3x	12.0x	23%	52x	21		-1.1	-
	Industrials	1.1%	-4.8	-3.2	-10.0	-4.9	4.8	10.4	14x	21.8x	66%	27x	40		-1.4	-
	Materials	1.7%	-5.6	-4.4	-5.3	-0.4	10.4	19.1	12x	16.0x	15%	23x	34		-1.1	-
U.S. Credit	U.S. Corp HY	6.1%	-0.6	-0.2	-2.3	-1.3	-0.3	1.3					35		-0.6	-
	U.S. Corp IG	4.9%	0.0	-0.8	-1.6	-2.4	-2.7	-2.3					36		-0.1	-
	UST (1-3Y)	4.8%	0.3	0.1	0.1	0.9	1.2	1.7					38		0.4	-
	UST (7-10Y)	5.0%	0.7	-0.1	-1.3	-1.2	-2.4	-2.5					39		0.4	-
	UST (+20Y)	5.4%	0.8	-1.3	-1.2	-2.3	-4.2	-5.7					36		0.2	-
Volatility	CBOE VIX	-	5.9	5.5	8.6	7.8	9.6	-1.9					57		1.5	-
	MOVE (Bond VIX)	-	-2.4	-10.8	22.8	16.3	32.0	18.2					45		-0.4	-
FX	U.S. Dollar Index	-	0.7	2.3	5.1	4.7	5.7	3.8					73		1.5	-
Oil	WTI Oil	-	-5.3	-15.5	3.0	-4.6	75.1	70.9					17		-1.8	OS

Source: MarketDesk. All data as of Thursday's close. 1-week returns are calculated Thursday to Thursday. See page 6 for definitions. (1) MarketDesk Focused S&P 500 Index based on the "Monthly Rebalance" model index version. Refer to each index's monthly PDF for additional information and disclosures.

Portfolio Strategy

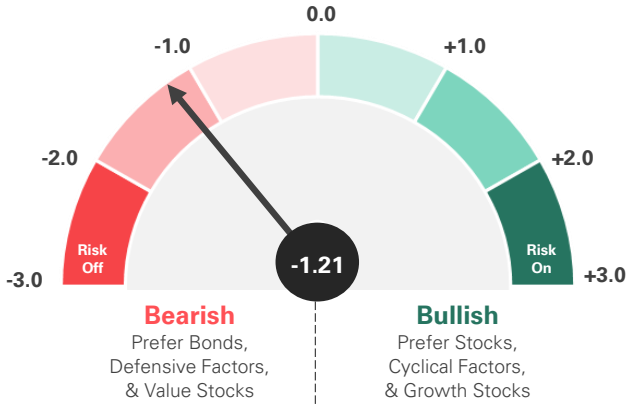
Figure 10: Simple Asset Allocation Framework (SAAF)



Source: MarketDesk. **Click Here** to read more about the SAAF.

Figure 11: MarketDesk U.S. Risk Demand Indicator (USRDI)

Bull / Bear Market Gauge



Source: MarketDesk. **Click Here** to read more about USRDI.

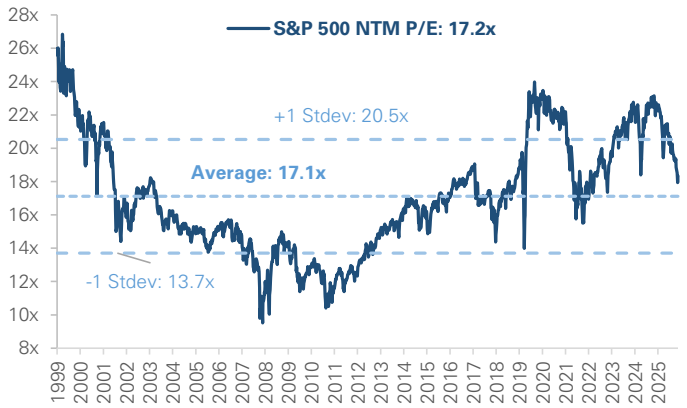
Figure 12: S&P 500 Valuation Matrix

Change in S&P 500 NTM Consensus EPS

NTM P/E Multiple	$374 (-10%)	$395 (-5%)	$404 (-3%)	$416 (0%)	$429 (+3%)	$437 (+5%)	$458 (+10%)
15.0x	5617	5929	6054	6241	6429	6554	6866
16.0x	5992	6325	6458	6658	6857	6990	7323
17.2x	6458	6817	6961	**7176**	7391	7535	7893
18.0x	6741	7115	7265	7490	7714	7864	8239
19.0x	7115	7511	7669	7906	8143	8301	8696

Source: MarketDesk. NTM = Net 12 Months. Note: Growth of 0% (center column) is based on the current NTM consensus EPS of $416, which already implies +18% growth vs LTM's actual EPS of $353. Therefore, growth of +10% (far right column) would imply +28% growth vs LTM actual EPS. The S&P 500's NTM P/E multiple is currently 17.2x.

Figure 13: S&P 500 Forward P/E Ratio



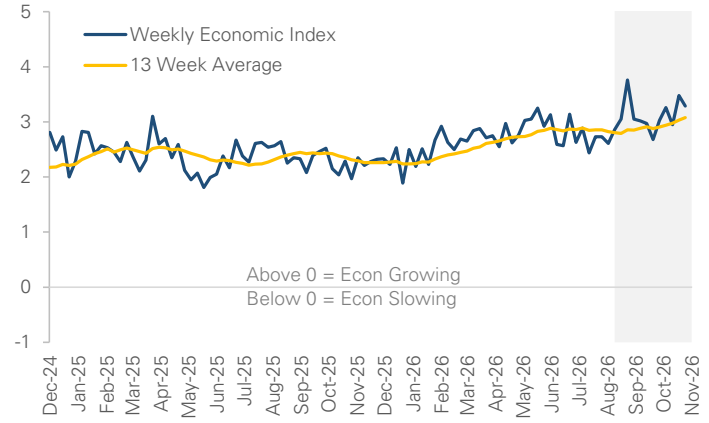
Source: MarketDesk

Figure 14: U.S. Economic Calendar – Next Three Weeks

Monday	Tuesday	Wednesday	Thursday	Friday
Nov 23	**Nov 24**	**Nov 25**	**Nov 26**	**Nov 27**
	Consumer Confidence Index Richmond Fed Index S&P 20-City Home Price Index	PCE (Inflation) Domestic Auto Sales Domestic Light Trucks Sales Domestic Total Vehicle Sales New Home Sales		
Nov 30	**Dec 1**	**Dec 2**	**Dec 3**	**Dec 4**
Dallas Fed Index	Construction Spending Manufacturing PMI JOLTS (Job Openings)		Durable Goods Orders Industrial Orders Services PMI	Unemployment Rate Nonfarm Payrolls Private Payrolls
Dec 7	**Dec 8**	**Dec 9**	**Dec 10**	**Dec 11**
	Labor Productivity	Existing Home Sales	Consumer Price Inflation (CPI)	

Source: MarketDesk, Federal Reserve, Various U.S. Government Departments and Agencies

Figure 15: Federal Reserve Weekly Economic Index (WEI)



Source: Federal Reserve Bank of New York. WEI is an index of ten real-time economic indicators, such as unemployment claims, railroad traffic, and retail sales.

Figure 16: Interest Rates and U.S. Treasury Yields

UST Duration	Recent Performance (bps)				Last 12-Month Range		
	1wk	2wk	1mo	3mo	Low	Current	High
Fed Funds	-	-	-	+25	*3.6%*	**3.88%**	*3.9%*
3-Month	+3	+17	+12	+48	*3.6%*	**4.25%**	*4.3%*
2-Year	-11	+30	+11	+53	*3.4%*	**4.76%**	*4.9%*
5-Year	-11	+25	+7	+46	*3.5%*	**4.85%**	*5.1%*
10-Year	-8	+20	+7	+37	*4.0%*	**5.04%**	*5.3%*
30-Year	-5	+14	+11	+21	*4.6%*	**5.40%**	*5.7%*
Prime Rate	-	-	-	+25	*6.8%*	**7.00%**	*7.0%*
30Yr Mtge	+3	-3	-18	+56	*6.1%*	**7.27%**	*7.5%*
US Corp IG	-3	+21	+13	+54	*4.8%*	**5.96%**	*6.1%*
US Corp HY	+15	+22	+15	+121	*6.9%*	**8.63%**	*8.6%*

Source: MarketDesk, Federal Reserve

Asset Class Ratings

Latest as of October 31, 2026

MarketDesk

- **Overweight (OW)** — Favor higher weight than the broad index. Comfortable letting winners run and increasing exposure after selloffs.
- **Marketweight / Neutral (N)** — Market areas offering limited differentiation vs the broad index.
- **Underweight (UW)** — Favor lower weight than the broad index. Potential areas of risk (i.e. underperformance, macro / thematic headwinds).

Asset Class	Allocation View				Rationale
	Chg.	UW	N	OW	
U.S. Factors					
Quality		•	•	●	Strong balance sheets & steady earnings tend to hold up as risk appetite fades; Low debt matters more as borrowing costs rise
Equal Weight		•	•	●	Reduces reliance on AI mega-caps as market leadership broadens; More sensitive to an economic slowdown than the S&P 500
Minimum Volatility		•	•	●	Historically one of the strongest equity factors in risk-off periods; Tends to give back some of its lead once markets recover
High Dividend	▲	•	•	●	Steady income & low valuations offer defense as risk appetite fades; Higher Treasury yields remain competition for income
Momentum	▲	•	•	●	Shorter lookback signals can rotate into more defensive leaders as risk-off persists; Crowded AI winners sold off sharply in October
Growth	▼	•	●	•	Earnings growth stays strong, but AI spending now outpaces cash flow; Investors are less willing to pay for growth in risk-off
Large Caps		•	●	•	Strong balance sheets add stability vs small caps; Heavy weight in AI leaders = risk while investors question their spending
Small Caps		•	●	•	Low valuations & less AI exposure support the case; Higher borrowing costs & credit sensitivity = risks until markets stabilize
Value		●	•	•	October's rotation lifted Value, but it trades expensive vs its own history; Has offered little reliable protection in risk-off
High Beta		●	•	•	Most vulnerable factor when risk appetite fades; Heavy semiconductor exposure ties it to swings in AI sentiment
U.S. Sectors					
Real Estate	▲	•	•	●	Falling Treasury yields & steady rental income support the sector in risk-off; Refinancing costs remain a headwind if rates rise
Health Care	▲	•	•	●	Defensive earnings that hold up in slowdowns = a core risk-off holding; Valuations near 10-year highs after a strong October
Utilities	▲	•	•	●	Defensive earnings & falling Treasury yields support the sector; AI-driven power demand adds a long-term tailwind
Consumer Staples	▲	•	•	●	Steady demand for everyday goods makes it one of the most reliable risk-off sectors; Valuations elevated after a strong October
Technology	▼	•	●	•	AI demand & earnings estimates remain strong; Doubts about spending that outpaces cash flow add downside risk in risk-off
Consumer Disc	▼	•	●	•	Strong economic growth supports demand; Flat real spending, low savings & high fuel prices leave consumers stretched
Materials		•	●	•	Metals demand & higher commodity prices support earnings; Cyclical sensitivity to slower global growth limits upside in risk-off
Energy		•	●	•	Higher oil & Gulf supply risks lift earnings & hedge inflation; A sharp oil reversal if tensions ease limits conviction
Comm Services		•	●	•	Valuations have reset lower & earnings estimates are rising; Heavy AI spending that outpaces cash flow = the main risk
Financials	▼	●	•	•	Higher rates support lending income; Rising stress among weaker borrowers raises the risk of credit losses as conditions tighten
Industrials	▼	●	•	•	AI buildout & defense spending support demand; Economic sensitivity & rich valuations leave the sector vulnerable in risk-off
Fixed Income					
MBS		•	•	●	Higher yield than Treasuries with government-backed credit quality; Elevated interest rate volatility is the main headwind
Investment Grade		•	•	●	High credit quality = less default risk if the economy slows; Spreads are still tight, so returns rely mostly on income
Long Duration		•	•	●	Treasuries were the haven in October's selloff & lock in high yields; Sticky inflation & a likely December Fed hike = risks
Bank Loans/CLOs	▼	•	●	•	Floating-rate income is high & benefits if the Fed hikes; Loans to weaker borrowers carry more credit risk in risk-off
EM Sovereign		•	●	•	High yields support income; Emerging-market debt tends to lag when risk appetite fades & the dollar firms
Municipals		•	●	•	Strong credit quality & attractive after-tax yields for high-tax investors; Heavy new issuance can weigh on prices
TIPS		•	●	•	Inflation protection matters with CPI at 3.7% & oil rising; Real yields can rise if the Fed hikes, which limits upside
Convertibles		●	•	•	Heavy tech & AI exposure makes them trade more like stocks than bonds; Vulnerable while AI leadership weakens
High Yield		●	•	•	Stress is rising among the weakest borrowers & spreads leave little cushion; Historically lags safer bonds in risk-off
International Regions					
Emerging		•	●	•	Very low valuations offer support; Heavy exposure to Asian chipmakers made EM one of the hardest hit in October's AI selloff
ACWI ex U.S.		•	●	•	Lower valuations & less AI concentration than the U.S. help; Foreign stocks have usually lagged the U.S. in past risk-off periods
Developed		•	●	•	Europe's fiscal spending & Japan's reforms support DM; Less AI exposure cushioned October, but global growth risks limit upside
FX					
U.S. Dollar		•	•	●	Tends to strengthen in risk-off as investors seek safety; A likely Fed hike keeps U.S. rates above most peers, adding support

Note: The ratings represent our asset allocation views for the next 6-12 months. Arrows indicate a positive (▲) or negative (▼) recent change in our view. Over / Under / Market weight is in context to the benchmark for each market area (i.e. S&P 500 weights for Sectors).

Disclosures

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