Market Commentary Update

Conditions, Framework Readings & Allocation Guidance

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S&P 500 (NOV 9)
7,549
+1.3% today | -3.4% from Oct 6 ATH

10-YEAR TREASURY
4.86%
Down from 5.36% cycle high Oct 7

ELLIOTT WAVE PHASE
Early Corrective
Shifted from Late Impulse at Oct 6 ATH

DEC HIKE PROBABILITY
~83%
Fed funds current: 3.75-4.00%

Where Things Stand: November 9, 2026

Since our October 19 commentary, five consequential developments arrived in rapid succession. The Federal Reserve held at the October 28 FOMC meeting — but in a 10-2 vote, with two members dissenting in favor of an **immediate** hike, making this the most hawkish hold of the current cycle. October payrolls reversed September's soft print, adding 165,000 jobs against a consensus of 65,000 and confirming that the labor market remains resilient. September PCE, released October 29, re-accelerated to 3.1% year-over-year, sealing December's fate. The midterm elections introduced the first genuine political headwind to the technology and AI investment narrative, sending the chip index down 7.2% in a single session. And developing Iran diplomacy has sent Brent crude down approximately 16% in one week.

None of these events individually changes the structural reading. Together, they confirm and refine it. We read them through five integrated analytical frameworks.

The Five-Framework Reading

Framework Layer	Current Reading	Signal	Change vs. October
1 — Entropy Trap	Stage 3 Control — velocity improving; stage designation unchanged	Caution	+165K payrolls and Q3 GDP +3.4% improved stress velocity; structural inflation unresolved
2 — Lumber-Gold	Ratio ~0.122 — dual-decline; gold off ATH on real rate pressure; lumber soft	Risk-Off, Improving	Ratio drifting lower post-ATH selloff; rate hedge instruments benefit from December path
3 — Tipping Point	AI regulation narrative has tipped | VIX spiked 69.66% on Nov 4 midterm results	TIPPED — Active Watch	October AI saturation confirmed; December hike adds second pressure on growth valuations

Framework Layer	Current Reading	Signal	Change vs. October
4 — Elliott Wave	Early Corrective | ATH 7,819 (Oct 6); current 7,549 — down 3.4% from peak	Phase Change	Shifted from Late Impulse at Oct 6 high; quality and low-vol now leading
5 — Yale / Cambria	Trend overlay validated in October live test | Tax-loss harvest window open	On Target	Managed futures overlay performed as designed; factor thesis confirmed in live data

Lens 1 — Entropy Trap: Stage 3 Deepening, Velocity Stabilizing. The global financial system remains in Stage 3 Control — defined by active rate manipulation and the Fed's sustained engagement as the primary tool against structural inflation. Stress velocity has partially stabilized: the October jobs report and the third-quarter GDP advance estimate of 3.4% annualized confirmed that the economy is not breaking down — it is running hot into a tightening cycle. This is a Stage 3 amplification signal, not a relief signal. The Fed must tighten into strength. The inflation structure — 54% of PCE components running above 3% annualized — has not improved materially since Jackson Hole.

Lens 2 — Lumber-Gold: Dual Decline, Rate Hedge Positive. The lumber-gold ratio at approximately 0.122 reflects a market in which neither cyclical demand (lumber) nor safe-haven demand (gold) is leading cleanly. Gold has pulled back from its January all-time high as real rates have risen with the hike cycle, but central bank buying — running at 50 tonnes per month in 2026 against a pre-2022 average of 17 tonnes — provides a structural demand floor that rate movements alone cannot remove. The dual-decline configuration supports interest rate hedging instruments that benefit directly from the continuing rate path.

Lens 3 — Tipping Point: AI Narrative Has Tipped; Second Pressure Incoming. The October 30 chip index decline of 7.2% in a single session — following the November 3 midterm Democratic sweep — was a repricing event, not a correction. Legislative risk to AI data center construction spending is now a priced factor. The Tipping Point framework assigns this narrative a tipped status: the dominant growth theme of the prior 18 months is now competing with a regulatory and valuation headwind. The December rate hike, if confirmed, adds a second compounding pressure — a higher discount rate applied to earnings already under question. This combination argues for caution on concentrated technology and growth exposure.

Lens 4 — Elliott Wave: Early Corrective. The S&P 500 reached its all-time high of 7,819 on October 6 and has since declined approximately 3.4%. The wave structure has shifted from Late Impulse to Early Corrective. This phase change does not call for defensive repositioning or significant de-risking. Early Corrective phases are characterized by rotation, not liquidation: quality and low-volatility factors tend to outperform, breadth narrows, and markets consolidate rather than collapse. The midterm seasonal pattern — positive in 19 of 19 November-to-April periods since 1950 — provides a constructive backdrop. The catch is the Fed.

Lens 5 — Yale / Cambria Factor: Trend Overlay Validated. October provided a live test of the managed futures overlay thesis that Cambria Investment Management's research validates historically. While the cap-weighted S&P 500 declined 0.9% in October, the equal-weighted index gained 4.95% — the second-widest monthly outperformance margin since 2003. Trend-following managed futures strategies provided the drawdown mitigation the framework promises.

Additionally, the tax-loss harvest window is open following the November 5 AI and growth selloff — losses in that segment can be harvested and redeployed without changing the structural allocation.

Allocation Guidance: What the Framework Prescribes

The five-framework reading produces a coherent, conditions-based allocation posture. Guidance is by asset category and characteristic, not specific instruments. It adjusts as measurements change.

Asset Category	Framework Basis	Bias
Real assets and inflation protection	Core PCE at 3.1% YoY and re-accelerating; 54% of PCE components above 3%; Stage 3 structural inflation thesis intact regardless of near-term Iran oil diplomacy	Overweight
Interest rate hedging	December hike at ~83% probability; rate hedge instruments benefit directly from continued tightening path; most effective in the pre-hike window	Overweight
Short-duration nominal fixed income	Rate control phase; short Treasuries provide income and capital preservation without duration risk; yields near cycle highs and attractive on a risk-adjusted basis	Overweight
Quality and dividend factors	Early Corrective Elliott Wave phase favors quality, low-leverage, and dividend consistency; external research independently overweights quality, minimum volatility, and high dividend this cycle	Overweight
Managed futures and trend overlay	October live test confirmed drawdown reduction role; rate trend remains active and positive; factor research validates managed futures allocation across full market cycles	Overweight
Developed international equity	Europe's fiscal recovery and Japan's structural reforms provide support; less AI concentration than U.S. cushioned October decline; dollar dynamics warrant monitoring	Neutral
Broad U.S. equity (market-weight)	Equal-weight character preferred over cap-weight; breadth broadening is	Neutral

Asset Category	Framework Basis	Bias
	constructive; Early Corrective phase calls for selectivity, not liquidation	
Defined outcome and buffer strategies	Appropriate for Early Corrective downside management; relevant for accounts where drawdown tolerance is a primary constraint; participation bounded but protected	Neutral
High-beta and concentrated growth	AI narrative tipped; chip index -7.2% in one session; midterm regulatory risk; December hike adds discount rate pressure on stretched growth valuations	Underweight
High yield and leveraged credit	CCC-to-BB spread at 1,094bp vs. 627bp median; elevated stress among the weakest borrowers; spreads leave little cushion as conditions continue to tighten	Underweight
Long-duration bonds	Duration risk uncompensated at current yields; structural inflation makes long-duration exposure a poor hedge in Stage 3; yield levels do not offset inflation trajectory	Underweight

> **The Most Important Date Remaining in 2026: October CPI — November 10, 8:30 AM ET**
> Tomorrow's October CPI report will not publish year-over-year rates — the Bureau of Labor Statistics cannot construct October 2025 comparisons because the prior-year data was never collected during last year's government shutdown. The monthly core change is the only figure that matters. A reading at or above +0.3% month-over-month cements the December hike as near-certain. The December 8-9 FOMC meeting and its accompanying dot plot will then define whether the tightening cycle is complete at 4.00-4.25%, or extends into 2027. That answer is the single most consequential piece of information for first-quarter 2027 positioning.

Our Perspective: Measuring Conditions, Not Headlines

Three themes have run through our commentary cycle since September. The Iran energy shock is partially deflating: Brent crude has fallen approximately 16% in a single week on diplomatic progress, which is constructive for the December and January inflation data. It does not resolve core inflation — services, shelter, and wages — which the framework identifies as the durable, structurally-driven components of the inflation problem.

The AI narrative has tipped, but the equity cycle has not broken. The Early Corrective phase is a rotation environment, not a liquidation environment. Quality, dividend yield, and equal-weight breadth each outperformed cap-weighted technology in October by the widest margin in over two

decades. The framework does not call this a bear market. It calls it a regime that rewards selectivity and penalizes concentration.

Our framework measures conditions, not headlines. The conditions entering December describe a system in Stage 3 Control running into its final tightening move of this cycle, with stress velocity stabilizing but structural inflation unresolved, and a market that has absorbed significant rotation without breaking its technical foundation. We position for the conditions the data describes. When the measurements change — a confirmed ceasefire stabilizing energy, a December dot plot signaling a genuine pause, or a PCE print below 3.0% — the framework updates the guidance accordingly. It has not been asked to update yet.

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