SOLLINDA
CAPITAL MANAGEMENT

Market Down & Dirty

November 2, 2026

The Data

- US equity headline indices declined while small-caps & the average stock gained.
  - S&P 500 -0.57% Dow -0.85% Russell 2000 +1.29%, Nasdaq -2.00%[1]
    - The All-Country World Index declined -0.61%.[1]
  - S&P 500 sub-sectors were mostly higher for the week with 9 of 11 advancing.
    - Healthcare, Materials, & Utilities led to the upside.[1]
    - Technology & Communication Services led to the downside.[1]
  - Despite spiking to 24 on Friday, the CBOE Volatility Index (VIX) closed flat.[1]

- US Treasury bond yields declined on the week, led by shorter maturities.
  - US 2yr -0.13% at 4.56%, 10yr -0.06% to 4.94%, 30yr -0.02% to 5.31%.[1]
  - Credit spreads on high-yield continued to remain elevated.

- Commodities as an aggregate asset class were mixed.
  - WTI Crude gained +0.82%.[1]
  - Gold declined -2.94%.[1]
  - The US Dollar index was +0.10%.[1]

- In our opinion, U.S. economic data was mixed.
  - Consumer confidence rebounded to 91.7 from 84.2.[1]
  - The PCE price index showed inflation rose +3.6% over the last year.[1]
  - 3rd quarter GDP grew at a +3.4% rate, up from +2.2% last quarter.[1]

- An index of equities outside the US (FTSE All-World ex-US) lost -0.34%.[1]

[1] Source: Bloomberg – 10/29/2026

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Conclusion

- October ended with one of the widest gaps in years between the headline market and the average stock.
    - The Nasdaq fell -5.3% in October, its worst month since March 2025, while the S&P 500 slipped -0.9% and the Dow gained +1.7%.[1]
        - The equal-weight S&P 500 rose nearly 5% in October, its best monthly outperformance versus the cap-weighted index since 2009.[1]
    - We believe this is a timely reminder of why diversification beneath the headline index matters.
- The AI debate has shifted from how much companies spend to how quickly that spending pays off.
    - Alphabet fell roughly 12.6% on Oct. 29, its worst day since its 2004 IPO, after quarterly capital spending of $51.4 billion pushed free cash flow negative.[1]
    - Amazon reaffirmed roughly $220 billion of 2026 capital spending and its shares declined; Intel fell nearly 29% on Friday on a weak outlook, its worst day in more than four decades.[1]
    - Microsoft, which paired strong cloud growth with positive free cash flow, held up comparatively well.[1]
    - At Friday's low, the Nasdaq 100 was more than 10% below its recent peak, its third correction of the year.[1]
    - In our view, the market is no longer rewarding AI spending on faith; investors want evidence that capital spending can convert into cash flow.
- Bonds acted more like a portfolio hedge last week as yields declined, pushing prices up.
    - The Federal Reserve held rates firm, signaling hawkishness without a hike.
    - The growth-inflation tension remains unresolved: strong GDP and firm PCE inflation sit alongside elevated oil prices.
- Outside of the US, dispersion remained the theme.
    - Europe saw gains while China experienced losses.
    - Korea's KOSPI index fell -16% for the month, yet remains up 40% on the year.
    - Brazilian equities and their currency sold off sharply following their Presidential election.
- From a near-term risk management perspective, here are some of the things we're watching:
    - **Midterm Elections:** Tuesday's results could shift policy expectations for technology, defense and financials. Will markets look through the outcome or reprice sector risk?
    - **October Jobs Report:** Friday's payrolls follow a 29,000 gain in September. A firm reading could reinforce December rate-hike expectations.
    - **AI Earnings & Cash Flow:** Apple, Palantir, AMD and Qualcomm report this week. Do results show spending converting into cash flow?
    - **Volatility & Credit:** With the VIX hitting above 20 last week and lower-quality bonds under pressure, will Friday's broader selling stay contained or spread beyond technology?

Justin Greenhill - Chief Investment Officer – justin@sollinda.com
Ryan A. Mumy, CFP® - CEO – ryan@sollinda.com
Phone: 844/662-1211

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