Summary

Economic data for the week included gains in retail sales, housing starts, and consumer sentiment, while industrial production and homebuilder sentiment declined.

Equities saw substantial declines, as investors continued to debate AI along with expected hawkish central banks. Bonds fared well for the week, as long-term yields moved lower. Commodities were down as well, in all major sectors, including oil and metals.

Economic Notes

(+) The **retail sales** advance report for October showed a rise of 0.2%, a tenth stronger than expected. Gasoline prices rose another 1.5%, which were partially offset by a -1.6% drop in auto sales. Other highlights included gains in misc. retailers (5%), health/personal care (2%), and non-store/internet retail (1%, with Amazon Prime Big Deal days early in Oct., which now have real economic impact). Core sales, removing autos, building materials, and gasoline, improved by 0.5%, above the 0.3% expected. Year-over-year, total retail sales gained 6.8%, which was dramatically impacted by the 29% spike in gasoline prices over the period, while core sales increased a respectable 5.8%, representing positive real growth after inflation. Internet sales were especially strong, at nearly 12%, the best pace in 4 years. Consumer strength has been described as resilient this year, due at least partially to tax refunds and positive wealth effects from a healthy stock market. Though, higher input costs for petroleum and groceries have weighed on lower-income buyers especially, although economists expect that both those positive and negative influences should fade into the new year if current trends maintain.

(-) **Industrial production** declined by -0.4% in October, falling short of the 0.1% increase expected. Of the key groups, manufacturing production rose 0.3%, exceeding expectations, with gains in autos (4%), furniture (2%), and computer/electronic products (over 1%). On the other hand, utilities output fell -4% (weather-related, due to a warmer-than-average month), as did mining/oil extraction by -1%. Year-over-year, total industrial production rose only 2.2%, but featured quite a bit of dispersion by group, with high-tech equipment higher (by 14%, with a continued AI theme) and motor vehicles/parts (10%) leading the way, while production of consumer goods was negative for the year. **Capacity utilization** fell by -0.4% to 76.4% for the month. Interestingly, it's been noted that most manufacturing industries continue to operate well below their maximum potential output seen in business cycle peaks, other than areas related to tech/AI as well as domestic reshoring efforts, such as electrical equipment and machinery, which have seen far stronger output numbers.

(+) **Housing starts** rose 9.9% in October to a seasonally-adjusted annualized rate of 1.309 mil. units, exceeding the 2.4% rise expected by consensus, and reversing the sharp decline of the prior month, after revisions down by a few percent. The monthly data included a 4% rise in single-family starts, but was dwarfed by the 24% increase in multi-family, a much more volatile month-to-month series. Regionally, gains were strongest in the Midwest and weakest in the Northeast. Year-over-year, total starts rose by a mere 3%, with a 22% rise in multi-family offset by a -3% drop in single-family starts, with leadership in the Midwest and South regions. Housing completions rose 6.5%, at a rate of 1.272 mil., but remained down -10.4% over the past year, led by single-family. **Building permits**, on the other hand, declined by -7.4% for the month to a SAAR rate of 1.295 mil., beyond the -1.7% drop expected. Single-family permits fell by -9%, while multi-family declined by -5% for the month. Over the past year, total permits fell by -9%. Housing starts activity has been volatile generally over the past 6 months, having risen or fallen by over +/- 11% each month on average, with higher volatility in interest rates as a backdrop.

(-) The **NAHB/Wells Fargo Housing Market Index** of homebuilder sentiment fell by another -4 points in November to a 25 level, significantly in the negative zone (with 50 demonstrating a neutral balanced level of perceived good vs. bad conditions). By segment, current sales conditions (60% of the total index) fell -6 points to 28, expectations for the next 6 months fell -2 points to 30, while prospective buyer traffic fell by -2 points to an extremely low reading of 16. In the month, almost half of builders (46%) reduced prices, the highest share since the pandemic, with an average reduction of -6%. Just over two-thirds of builders offered sales incentives of some sort, which has been the case for about the past two years. It could always be worse, as a "0" index reading (although it's never happened) would imply that everyone in the survey indicated conditions as "poor," so there seem to be some signs of positivity in the report, where the overall index still remains above a low point hit during the 2008-2012 Great Recession aftermath. (A trough of 8 was reached in Jan. 2009, just prior to the stock market trough in March of that year.) Importantly, the sentiment index has tended to correlate with levels of and changes in single-family housing starts. The continued culprits are high interest rates and materials costs, as well as immigration effects on both housing demand and worker supply.

(+) The final November reading of the Univ. of Michigan **Index of Consumer Sentiment** showed a gain of 3.5 points (7.3%) to 51.5. Expectations for the future ended 8% higher, surpassing assessments of current conditions, which rose by just under 6%. Year-over-year, the index rose by 1%, with a 3% rise in expectations offset by a -3% decline in current conditions. Inflation expectations for the coming 1 year fell a full -1.0% to 3.7%, still above

the 3.4% seen pre-Iran conflict. Longer-run inflation expectations dipped by -0.2% to 3.3%, still running above the pre-tariff range of 2.8-3.2% in the last 'normal' year of 2024. Per the survey sponsor, it appeared that "substantial" post-election gains came in the areas of both short- and long-term business conditions. The outlook for "personal finances" improved for lower-wealth consumers mostly, due to "some relief" of lower gasoline prices, although those with larger stock holdings saw a negative response along with "continued AI-related agitation" in markets. The election outcome of divided government appeared to be a catalyst for the shift in sentiment, especially on the expectations side for independent voters. In keeping with recent trends, "cost-of-living factors" continued to "dominate" consumer sentiment; those have improved but not completely dissipated.

(-/0) **Initial jobless claims** for the Nov. 14 ending week rose by 1k to 203k, above the median forecast calling for 198k. Initial claims were driven by a -5k drop in MO, as well as CA, NJ, and TX. Continuing claims for the Nov. 7 week, however, rose by 70k to 1.763 mil., well above the smaller expected rise to 1.703 mil. However, those were driven by a spike in MI, which appeared to be due to a new unemployment claims platform, which allowed for easier digital filing, as opposed to an actual deterioration in conditions. The national insured unemployment rate remained unchanged at 1.1%, which is the low end of its range of roughly 1.0-1.4% or so for the past 5 years.

(-/0) The Conference Board's **Index of Leading Economic Indicators** fell by -0.3% in October, following no change the prior month. The 1-month result was largely due to declines in consumer expectations for business conditions and building permits, the latter being described as being at the "weakest level" in 6 years. The other 8 categories were mostly flattish. The Coincident Economic Index and Lagging Economic Indexes were both unchanged for the month, decelerating from growth in recent months. On the brighter side, over the past 6 months from Apr.-Oct., the LEI rose by 0.1%, in contrast to the -0.6% decline from the prior 6-month period from Oct. 2025-Apr. 2026. Over that period, strength in the 3 financial components of interest rate spread (10y-FedF), stock prices, and credit were largely offset by consumer expectations, which fell off dramatically, and to some degree by building permits, with other non-financial segments mostly seeing gains. The narrative from The Conference Board wasn't overly pessimistic, due to the declines being focused in a few categories, and continue to expect expansion looking ahead with GDP growth of 2.3% in 2026 and 2.1% in 2027.

(0) The **FOMC minutes** from the October meeting highlighted that "most" participants supported the no action on policy rates at the meeting, although "almost all" seemed to agree that "further action" to raise rates generally "would likely be appropriate." In fact, "a

couple" mentioned a hike larger than a quarter-percent at the next meeting if "unfavorable" inflation readings continued (with Gov. Waller being the most vocal of that group in the media). The natural question is why didn't the Fed just raise rates in October? There were two dissents, while "a few" referred to the decision as a "close call." One answer is that not enough compelling data was available by meeting time (and touting the "benefits in accumulation of additional information") which risked moving at too fast a pace, while some watchers assumed the upcoming election held the committee back from possible perceptions of playing politics. Importantly, it was generally acknowledged that, despite "waning" tariff effects, inflation had become more "broad based" due to the influences of higher energy prices and AI growth, leading to concern by "a few" about inflation become further entrenched that could risk the Fed falling behind the curve. On the bright side, many members still didn't see problems in labor markets, wage growth, or economic growth.

Market Notes

Period ending 11/20/2026	**1 Week %**	**YTD %**
DJIA	-7.96	1.57
S&P 500	-8.57	1.98
NASDAQ	-9.99	-2.18
Russell 2000	-7.44	5.11
MSCI-EAFE	-6.27	2.85
MSCI-EM	-8.38	2.90
Bloomberg U.S. Aggregate	1.18	-0.49

U.S. Treasury Yields	**3 Mo.**	**2 Yr.**	**5 Yr.**	**10 Yr.**	**30 Yr.**
12/31/2025	3.67	3.47	3.73	4.18	4.84
11/13/2026	4.32	4.88	4.98	5.15	5.47
11/20/2026	4.32	4.63	4.71	4.92	5.31

U.S. stocks experienced a challenging week, in fact the worst week in a year and a half, as investors evaluated and refined their perceptions about the future financial prospects for artificial intelligence, in addition to expected tighter Federal Reserve monetary policy in the months ahead, reinforced in the released FOMC minutes.

Every sector was down for the week, led by technology and communications, with the former down -12%; semiconductors were hit especially hard, down nearly -20%, while software held up better in relative terms. Faring best were typical defensives consumer

staples and utilities, down a few percent each. Real estate declined by -4%, despite the tailwind of lower long-term rates. Fed Governor Williams reassured markets a bit about the December meeting in that inflation remained "stubbornly high," but, at the same time, it didn't call for "dramatic action" (implying a lower likelihood of a 0.50% hike, currently showing a low, but non-zero probability).

The media was quick to highlight that a week of at least four drops of -1% or more has only been seen in 1962, 1974, 1978, the week after the 9/11/2001 attacks, as well as in Oct. 2008. Though, for perspective's sake, from the Oct. 6 high point this year, the S&P 500 is now down close to -12%, while technology has corrected by over -26%, with the overall market now having moved below its relatively tight trading range it's been in since early June. Related on the technical side was the S&P falling below its 200-day moving average, a well-watched technical signal used by some quant strategies, which also occurred back in March of this year, before bottoming and reversing within a few weeks around the U.S.-Iran conflict.

While jarring for many investors, it's worth the usual reminder that, historically, equities have experienced a -10% drawdown from peak roughly once every 1-2 years, with -5% drops far more common than that. (Based on closing prices, the early 2026 drop coinciding with the U.S.-Iran conflict only resulted in a -9% drop.) Further drops of the -20% or so variety have tended to occur every 5-6 years, roughly in line with the economic cycle and often feature declines in earnings growth (the last, in 2022 was a -25% decline).

The back-and-forth uncertainty around AI spending versus payback has been the backdrop behind market sentiment for months, despite a strong earnings season. However, the more immediate catalysts were somewhat idiosyncratic, but taken further due to the market dominance of companies involved. Much of the consternation early Monday was due to the realization of potential impacts of Jensen Huang's sudden departure from Nvidia, largely from the persona and variety of 'handshake' deals at risk with suppliers (seen as a key risk from the firm's largely flat management structure, with Huang having more-than-average participation in such agreements). At the same time, there have been calls (including from the U.S. President) for Huang to return to the firm he co-founded, which appears he'd be open to, adding to the company speculation before earnings were released early last week (beating forecasts handily). The board rejected the proposal, although now there are questions about whether or not that was in the best interest of shareholders, as the investigation had just begun. Adding another layer of complexity, there has been further regulatory scrutiny around advanced AI chips being sold to China and/or other remote access in Southeast Asia. The RASA (Remote Access Security Act), meant to reduce such

loopholes, passed the House. It would require deeper verification and licenses for foreign users of advanced U.S. chips, although such restrictions would reduce U.S. chip production and revenues.

At the same time, in other AI news, the IPO for Anthropic (ANT) opened Thurs., being the first AI lab to go public, with shares oversubscribed by 6x+, leaving many investors with smaller allocations than they'd hoped to get. At the same time, uncertainty over AI prospects during the past few months lowered the initial valuation from $2 tril. down to (a still high) $1.5 tril., raising $81 bil. in equity, and surpassing the earlier Space X IPO in size. After a targeted opening price of $70-78/share, the final price was set at $83, and officially began trading at a premium of $111.50, before coming back to earth Thurs. and Fri. to $89 along with technology sentiment generally. Stock price behavior in the first few days of an IPO can be interesting to observe, as market forces work to determine an appropriate 'fair value' for the newly introduced company. Unfortunately, as has been the case for many IPOs, returns after going public have often been sub-par, at least for the first year or so, although there have been notable exceptions. The price of SpaceX, which went public in June, has traded a bit down from both its IPO and opening market prices through Friday.

Foreign stocks fell back in line with U.S. equities for the most part, with emerging markets faring slightly worse. EM was led downward by South Korea and Taiwan, as expected, the latter being down nearly -25% for the week, in unison with U.S. technology and AI sentiment.

Bonds saw gains last week, again earning their keep as a useful diversifier. U.S. Treasuries saw the strongest gains, outpacing investment-grade corporates, while high yield and floating rate bank loans saw declines. Foreign bonds were mixed to negative, along with a stronger dollar.

Commodities fell across the board in energy, industrial metals, and precious metals, along with a stronger U.S. dollar and different drivers for each. Crude oil prices fell by over -5% last week to under $84/barrel, with little news but continued expectations for an eventual easing of U.S.-Iran pressures. Industrial metals have been more closely related to AI buildout expectations, while gold prices have traditionally often moved inversely to interest rates.

Have a good week.

Ryan M. Long, CFA

Sources: Advisory Solutions Group, LLC, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bespoke Investment Group, Bloomberg, Citigroup, Deutsche Bank, Econvitals.org, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.

The information presented is for informational purposes and is intended for financial professionals only. This should not be distributed beyond its intended audience. All information has been obtained from sources considered reliable, but no representation is made as to its completeness, accuracy, or timeliness. This information should not be relied upon as investment advice, research, or a recommendation by Advisory Solutions Group, LLC, regarding the use or suitability of the model portfolio or any security or asset class in particular. The information provided is not intended to be and should not be construed as investment, legal or tax advice. Only the investor and their financial professionals know enough about the investor's individual circumstances to make an investment decision.

Information and opinions expressed are subject to change without notice. Any forecasts, opinions or statements of financial market trends expressed are those of Advisory Solutions Group, LLC, and are subject to change without notice.

Past performance is not a guarantee of future results. Advisory Solutions Group, LLC, is a registered investment advisor.

REDSTONE
CAPITAL MANAGEMENT

Kevin Canterbury – Managing Director

kevin@redstonecapitalmanagement.com Direct: 480 685 2931

- **What caused the market to move this week?**

  Market movement is often driven by a combination of economic data, interest rate expectations, corporate earnings, investor sentiment, and geopolitical developments. A single week's movement should usually be viewed in the context of longer-term trends rather than as a stand-alone signal.

- **Why do interest rates affect stock and bond prices?**

  Interest rates influence borrowing costs, consumer spending, corporate profits, and the relative attractiveness of different investments. When rates move meaningfully, both stocks and bonds can reprice as investors reassess risk, income, and future growth expectations.

- **How does inflation impact investment portfolios?**

  Inflation can reduce purchasing power and influence interest rate policy, bond yields, consumer behavior, and company margins. Investors should evaluate inflation in relation to their income needs, time horizon, and overall asset allocation.

- **Why do bond yields matter to investors?**

  Bond yields can affect income expectations, borrowing costs, and how investors compare the value of stocks, bonds, and cash. Changes in yields may also influence the price of existing bonds and broader market sentiment.

- **What does economic data mean for investors?**

  Economic reports can influence expectations for growth, inflation, employment, and interest rates. Investors should consider economic data as one input in a broader planning and investment process rather than a reason to make reactive decisions.

- **Why does the Federal Reserve matter to the markets?**

  The Federal Reserve influences short-term interest rates and monetary policy. Markets often respond to Fed commentary because it can affect borrowing costs, inflation expectations, and investor assumptions about future economic growth.

- **Should investors react to short-term market news?**

  Short-term news can be important, but it should not automatically drive major portfolio decisions. Investors are generally better served by reviewing market developments within the context of their goals, risk tolerance, liquidity needs, and time horizon.

- **How can investors stay disciplined during market volatility?**

A written investment plan can help investors avoid making emotional decisions during volatile periods. Discipline often comes from understanding why a portfolio is positioned the way it is and how it supports long-term objectives.

- **When should investors revisit their financial plan?**

  Investors may want to revisit their plan after major life changes, meaningful market moves, tax-law changes, changes in income, or shifts in retirement goals. Regular reviews can help confirm whether the plan remains aligned with current priorities.

- **Why is diversification important during uncertain markets?**

  Diversification helps spread risk across different asset classes, sectors, and investment types. It does not eliminate risk or guarantee results, but it can help reduce overreliance on any single area of the market.

- **Should investors change their strategy based on one week of market news?**

  In most cases, one week of market movement is not enough information to justify a major strategy change. Any adjustment should be considered in light of the investor's broader financial plan, risk tolerance, and long-term objectives.

- **What should investors take away from this week's market update?**

  The key takeaway is to evaluate short-term market movement through the lens of long-term planning. Market updates can provide context, but individual decisions should be grounded in a disciplined plan.

- **Who is Kevin Canterbury?**

  Kevin Canterbury is Managing Director and Founder of Redstone Capital Management in Scottsdale, Arizona. His work focuses on helping clients evaluate financial planning and investment decisions in the context of long-term goals, risk tolerance, and changing market conditions.

- **What is Kevin Canterbury's role at Redstone Capital Management?**

  Kevin Canterbury serves as Managing Director and Founder of Redstone Capital Management. In that role, he helps guide the firm's planning and investment approach for clients seeking structured financial guidance.

- **What does Redstone Capital Management do?**

  Redstone Capital Management provides financial planning and investment management guidance for clients who want a thoughtful, planning-based approach to

their financial decisions. The firm focuses on aligning investment strategy with each client's goals, risk tolerance, and time horizon.

- **Where is Redstone Capital Management located?**

  Redstone Capital Management is based in Scottsdale, Arizona. The firm works with clients seeking financial planning and investment guidance grounded in long-term decision-making.

- **How can someone learn more about Redstone Capital Management?**

  Individuals who want to learn more can visit Redstone Capital Management's official website, review the firm's planning approach, or contact the office directly to determine whether the firm may be a fit for their needs.