Hamilton-Bates Market Update

November 10-2026

Blue Wave Swamps AI Trade and Causes Market Turbulence (For Now)

Note: Microsoft has killed Publisher which we have used for our Updates for 30-Years, so we are in the process of migrating to a new look. Nice and simple will have to do for now.

The election caused some pretty crazy trading in the markets over the past week, with outsized moves in both directions. This week we got some additional inflation news which could add to the volatility for a while. Ultimately, we still see good things for the market, but we'll cover all that we are seeing in this update.

The AI Trade

The immediate aftermath of the election was a complete rethink and repricing of the entire AI trade. The AI trade has been battered over the past week, with may stocks losing 20, 30, 40% or more. It is as if the market is now pricing AI as if building will come to a complete halt. Recently chip stocks have taken a hit as fears of a 'glut' coming in 2027. We are not sure this violent adjustment is correct. AI buildout will come under more scrutiny, but a lot of what was specked out wasn't going to get built because the electrical grid cant handle it. Now, what will get built are facilities that won't affect local water and electric price – how it should have been done in the first place. The massive correction in this sector has also made chip prices start to look very attractive. AI data centers will get built, this area will still be a growth component of the economy. Slower growth could help temper inflation, which has remained high as we will see below.

Economics, Earnings, and Interest Rates

The economy is still strong, with GDP growth at about 3% give or take. That is pretty good. Earnings have been strong as well, and it hasn't been just AI. If you take out tech and energy (two leading sectors), earnings growth for the S&P has still been 12%. That is very good. Job growth also remains strong, with the latest employment report coming in better than expected. We see the economy as more of a 'slow-hire no fire' situation, which means Americans will have jobs and when they do they spend. The problem with the economy right now remains inflation, which has been stubbornly high the past few months. This has largely been driven by energy prices, with diesel hitting an all time high a month ago. This flows through the economy at all levels.

This means the Fed could and will likely hike again in December, chairman Warsh said as much this morning. They could even move 50bp at the next meeting on December 9th. We see this inflation as transitory as oil has come way down in the past week and so has gasoline. If AI growth moderates this will also put downward pressure on inflation in coming months. We just need to get past this December meeting. We do not believe the Fed will be restrictive in its policy overly long. We are not seeing a prolonged hiking cycle from here.

Stock Market Outlook

The market is still digesting the effects of the election on the AI trade, that move is largely done but we could see a few more reverberations over the next few weeks. The Fed likely to hike at its next meeting also adds volatility to the market. Bond yields had moderated from the mid-fives on the 10-year treasury down to 4.80. The possibility of a 50bp hike has sent yields pushing higher once more. This too adds volatility to the financial markets.

Offsetting this negativity are the seasonal and historical factors that kick-in right about now. Seasonally the period from November through April is the strongest for the market. Historically the next three quarters after the mid-term election have been overwhelmingly bullish.

We see the negative factors on AI and a potential Fed hike as short-term in nature, and ultimately the bullishness that remains in the economy and earnings, along with seasonal and historic factors

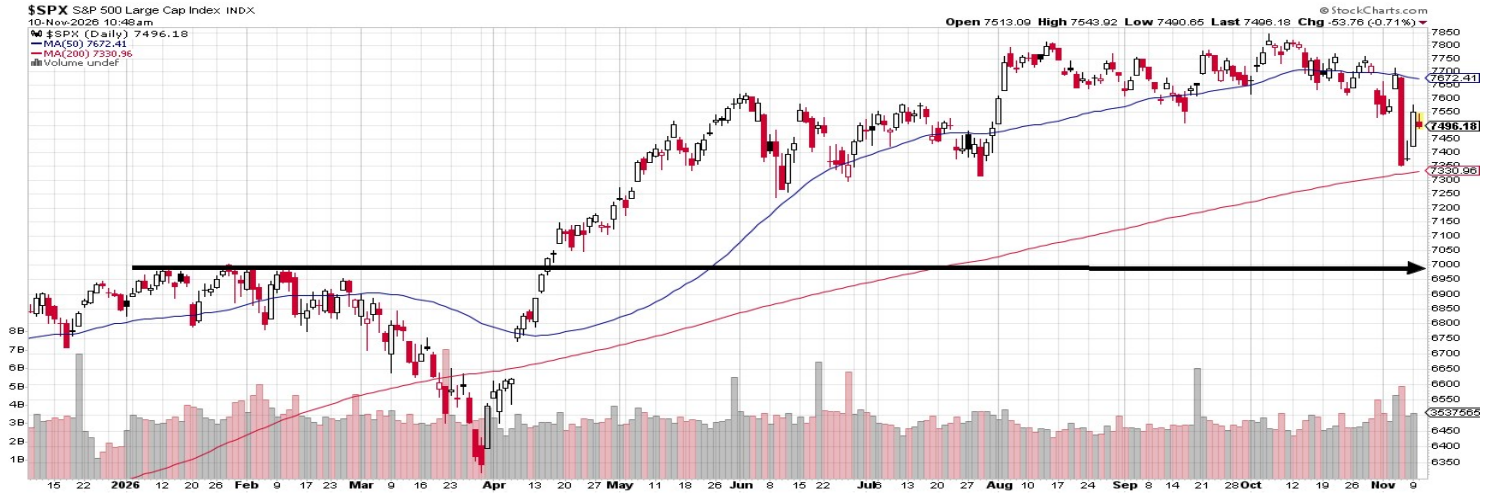
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will push stocks higher. It just may take some time. The huge moves we saw in stocks last week in both directions usually take a while to work themselves through, so we could see some more choppy activity last even into December. Our approach will be to buy this weakness, but we want to be patient. Today's inflation data complicates the situation. The type of volatility seen last week tends to persist; we want to wait that out.

We favor short-term yields in the bond market, and we continue to own that segment for fixed income. For equities, we remain partial to those large-cap dividend payors. Quality is working, our managed portfolios are comparing nicely this year to the market indices.

S&P 500 Chart



The AI stocks and the technology sector in general have taken a beating lately, but the overall market has been pretty tame by comparison, until the past week. After drifting since August, the S&P finally started moving after the election. We have now seen the index drop to its 200-day average, a level that typically acts as support, and it has once more. Still, we could see further chop; and even a minor break below the 200-day would not change the outlook for higher prices. Just below the 200-day average is a level that represents the hold highs from 2025. A drop to test this level would not be a major shock and really set the stage for a rally in 2027. We are patiently optimistic and remain bullish for 2027.