Week in review and ahead (vol.47-26)



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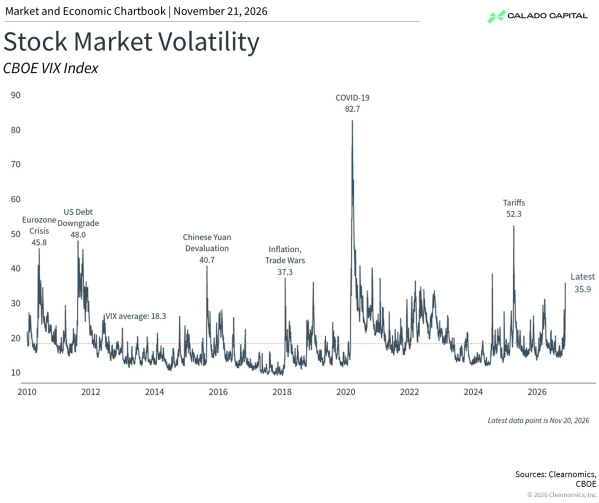
November 21, 2026

Week in review

U.S. equities experienced a sharp repricing this week as risk-off sentiment intensified amid concerns over a more restrictive Federal Reserve, growing political uncertainty, and questions surrounding the durability and pace of the AI investment cycle. These concerns ultimately overshadowed enthusiasm surrounding the IPO of Anthropic, the first publicly traded pure-play AI company (discussed further below).

Market volatility, which began the week at already elevated levels with the Cboe Volatility Index (VIX) above 20, accelerated markedly as the week progressed. Selling pressure intensified on Thursday and Friday, pushing the VIX to levels exceeding those reached during the onset of the Iran conflict before closing the week just below 36. Readings above 30 are generally indicative of heightened investor anxiety, elevated hedging activity, and the potential for outsized market swings. Although Friday's Cboe put/call ratio of 1.13 reflected significant demand for downside protection, it remained below the panic levels observed in early April amid heightened geopolitical tensions, which ultimately coincided with the beginning of the market's subsequent recovery.

The broad-based equity selloff also fueled a flight to quality within fixed income markets. As investors sought the relative safety of U.S. government debt, the 10-year Treasury yield retreated below the 5% threshold, ending the week at 4.92%. The 2-year and 30-year Treasury yields likewise declined to 4.63% and 5.31%, respectively. Lower yields reflected both increased demand for safe-haven assets and a moderation in longer-term interest rate expectations.



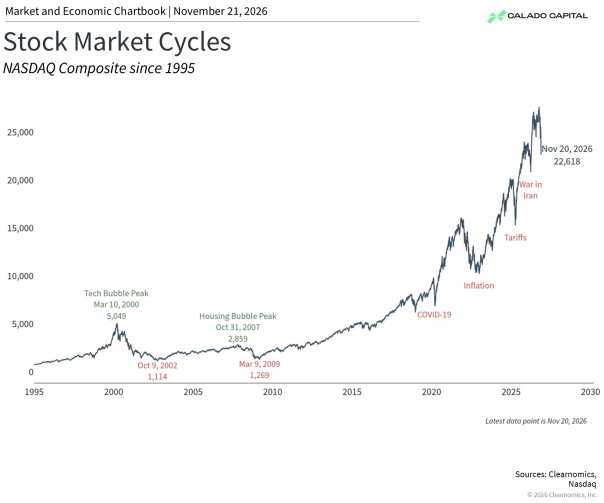
Against this backdrop, all major U.S. equity indices posted substantial weekly losses. The technology-heavy Nasdaq Composite led declines, falling 10.0%, while the S&P 500, Dow Jones Industrial Average, and Russell 2000 declined 8.6%, 8.0%, and 7.5%, respectively. Much of the damage occurred during an indiscriminate selloff on Friday, when the Nasdaq dropped 5.3%, followed by declines of 3.7% for the S&P 500, 2.8% for the Russell 2000, and 1.9% for the Dow.

Friday's selloff pushed the broader U.S. market into correction territory. The S&P 500, Dow Jones Industrial Average, and Russell 2000 are now more than 10% below their recent highs, while the Nasdaq Composite has surrendered its year-to-date gains. Meanwhile, the Nasdaq-100 briefly entered bear-market territory amid an intensified retreat in AI and semiconductor-related shares.

International equities fared little better as deteriorating risk sentiment and rising volatility triggered broad-based selling across most major markets. Losses were especially pronounced in technology- and export-oriented economies across Asia and Europe, although India remained a notable exception, demonstrating the resilience of its domestically driven growth outlook.

Across Asia, investor risk aversion weighed heavily on regional markets. Japan's Nikkei 225 declined 7.7%, while South Korea's KOSPI fell 8.2% amid significant weakness in technology and export-related sectors. Chinese equities also moved lower as investors continued to assess growth challenges, with Hong Kong's Hang Seng Index declining 5.2% on the week. In contrast, India's Nifty 50 advanced 2.9%, making it one of the few major global equity markets to post gains and underscoring investor confidence in the country's comparatively resilient economic outlook.

European markets similarly succumbed to the global risk-off environment. The STOXX Europe 600 declined approximately 4.5%, while Germany's export-sensitive DAX fell 7.3%. France's CAC 40 and the United Kingdom's FTSE 100 lost 5.3% and 5.1%, respectively, as investors weighed slowing global growth expectations and a weaker appetite for risk. Despite generally resilient corporate fundamentals, European equities were unable to escape the broader global market correction.



Week in review – US macroeconomics

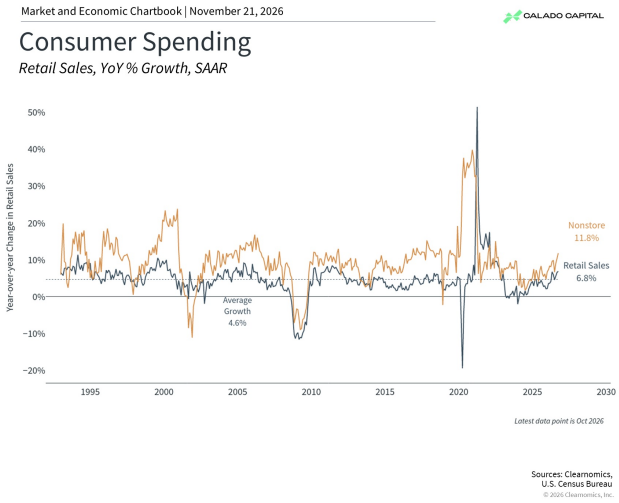
The consumer and the Federal Reserve set the tone this week. October retail sales showed that household spending carried solid momentum into the fourth quarter, while the minutes of the October FOMC meeting, together with a busy slate of Fed remarks, confirmed a committee firmly inclined toward further tightening.

Retail sales rose 0.2% month-over-month ("MoM") in October, in line with expectations and down from September's exceptionally strong 0.8%. More importantly, the control group, which feeds directly into GDP calculations, advanced a robust 0.6%, ahead of the 0.4% expected and up from an upwardly revised 0.5%. The strength in consumption seen last quarter has carried into the start of the fourth quarter, even as the Atlanta Fed's GDPNow estimate for fourth-quarter growth moderated to a still-solid 3.2%. Trade prices pointed to persistent price pressures. Export prices rose 1.1% MoM, well above the 0.3% expected though down from 2.4%, while import prices also rose 1.1%, ahead of the 0.7% expected and unchanged from September's pace. Industrial production disappointed declining by 0.4% MoM in October, against estimates of 0.1% and reversing last month’s gain of 0.7%.

Housing, by contrast, remains mired in recession. Pending home sales fell 4.7% MoM, well below the 2.0% decline expected, and 16.7% year-over-year, the steepest annual decline since August 2023 and an acceleration from 11.3% the prior month. Elsewhere, the labor market remained broadly stable. Initial jobless claims rose to 203,000, above the 197,000 expected and nominally up from a revised 202,000. The University of Michigan's final November consumer sentiment reading confirmed the preliminary estimate of 51.5, a modest improvement from 48.0 in October.

The minutes of the October FOMC meeting, released Wednesday, revealed a committee more hawkish than its decision to hold rates suggested. Almost all participants judged that further rate increases would likely be appropriate, and some favored an immediate hike in October. A couple of participants signaled that a move larger than 25 basis points could warrant consideration in December should inflation data disappoint. A vast majority expressed concern that inflation could persist even as gasoline prices decline, and many cited the AI build-out as a material source of inflation risk. Fed officials' public remarks during the week echoed that message. Policymakers broadly agreed that further tightening is needed, but differed on its pace. Some argued for a more forceful response in December to reinforce the Fed's credibility, while others cautioned against dramatic action and favored a gradual approach to limit the strain on rate-sensitive sectors such as housing.

Remarks from Fed leadership centered on the longer-term implications of AI for productivity and employment, offering no signal on near-term policy. Markets now fully price a December hike, with a 25 basis point move the clear base case, and increasingly expect further tightening into early 2027.



Corporate Earnings

As the third-quarter earnings season draws to a close, FactSet characterizes results as "mixed… relative to expectations." With 93% of S&P 500 companies having reported, 84% have exceeded EPS estimates, above the 5-year average of 78%, though by an aggregate of just 3.5%. FactSet notes that this would mark the lowest surprise since Q4 2022 if it holds. Revenue results have been stronger, with 74% of companies beating estimates by an aggregate 2.2%, both above their 5-year averages.

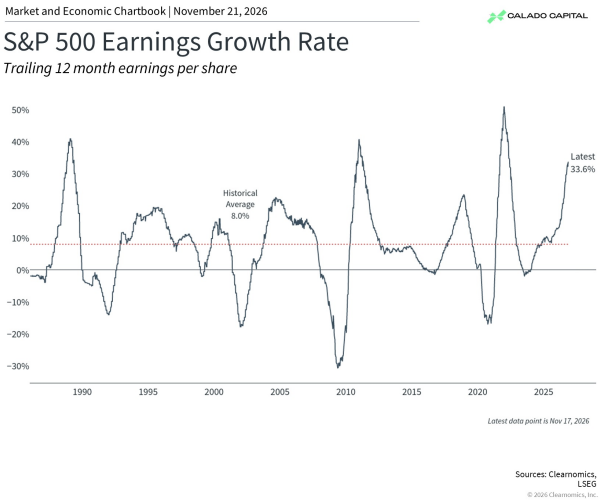
Growth, nonetheless, continues to impress. According to FactSet, the blended earnings growth rate rose to 32.9% from 32.0% last week, while blended revenue growth reached 14.6%. Notably, FactSet highlights that the "Magnificent 7" reported lower earnings growth than the other 493 S&P 500 companies for the quarter, at 27.0% against 32.6%. If this holds, it would be the first such shortfall since Q4 2022, a meaningful sign that earnings strength has broadened well beyond the market's largest constituents. Looking ahead, FactSet reports that analysts expect earnings growth of 28.9% for Q4 and 16.4% for CY2027. Meanwhile, the recent market correction has compressed the forward 12-month P/E ratio to 17.1, well below the 5-year average of 19.8.

With the season largely complete, just 13 S&P 500 companies are scheduled to report in the holiday-shortened week ahead, according to FactSet.

Week ahead

The holiday-shortened Thanksgiving week will be front-loaded, with the key releases scheduled before Thursday's market closure. The marquee release will be the October PCE price index, the Fed's preferred inflation gauge, alongside personal income and outlays. With markets having grown increasingly volatile on the prospect of further Fed tightening, investors will place particular emphasis on the inflation reading, among the final key data points before the committee's December 8–9 meeting.

Beyond inflation, the second estimate of third-quarter GDP will refine the initial 3.4% reading, while S&P Global's flash PMIs for November will offer an early read on business activity heading into year-end. Housing will remain in focus with the S&P/Case-Shiller home price index and new home sales, offering further insight into a sector under considerable strain. Initial jobless claims, the Conference Board's consumer confidence index and advance durable goods orders will round out an abbreviated but consequential week.



Number of the week: $93.5 billion

That is the total amount Anthropic raised in its initial public offering after underwriters exercised their overallotment option, making it the largest IPO on record and surpassing the $85.7 billion SpaceX raised in June. The company initially sold 980 million shares at $83 each, raising $81.3 billion. The offering was priced well above its marketed range of $70 to $78 and enlarged from 825 million shares, reflecting robust institutional demand. At its offering price, the company was valued at roughly $1.5 trillion. Shares began trading on the Nasdaq on November 19 and closed their first session at $97.17, up 17% from the offering price.

The milestone is all the more striking given the company's youth and the backdrop against which it came to market. Founded in 2021, barely five years ago, Anthropic chose to proceed with its listing despite a pronounced risk-off environment. Over the preceding month, the Nasdaq Composite had declined roughly 7.6% amid mounting concerns over the financing, profitability and leadership of the AI trade. The index fell a further 2% on the day of the debut, underscoring how fragile sentiment remains.

In our view, the offering sends a mixed but meaningful signal. The depth of institutional demand suggests that investors remain willing to commit substantial capital to the AI theme, provided they are compensated with a credible path to growth. Yet the debut also highlights the scale of capital the AI build-out continues to require, at a time when credit markets, Treasury yields and equity valuations are all signaling greater caution. Whether that capital ultimately earns its return will remain among the defining questions for markets in the year ahead.

If you have questions about how this may impact your investments, or how you should be positioned, please do not hesitate to contact us at claudio@caladocapital.com.

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