Financial HARTbeat

Markets
Nov 5th 2026



Good Morning,

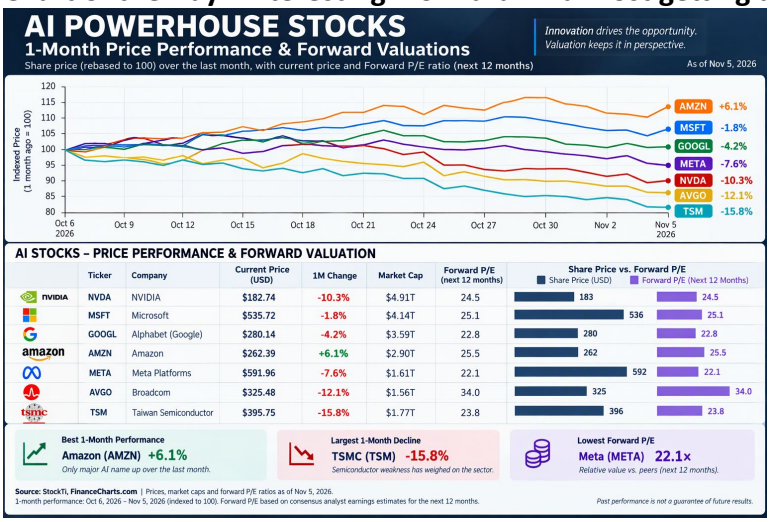
Sharp reversal on Wall Street: After Wednesday's strong post-midterm rally, U.S. equities have sold off hard today. The **S&P 500 is down ~3.1%, Dow ~2.3%, with the Nasdaq/tech complex leading the decline**, as investors reassess stretched AI/technology valuations.

AI/semiconductors are driving the risk-off move: Concerns around **AI spending, regulation and data-centre investment** have hit the technology trade particularly hard, with weakness spreading through global semiconductor markets in Japan, Korea and Taiwan.

Oil remains the other major story: Crude plunged roughly **8% Wednesday** on hopes for U.S.-Iran de-escalation, although it is rebounding today, with **Brent around $97**. Meanwhile, Treasury yields have eased from recent highs, providing at least some offset to the equity volatility.

Catch the playback of our Weekly Roundup ***Click here***
Also, catch the playback of our Annual Outlook ***Click here***

Chart of the Day: Interesting…forward PE almost getting attractive if you think the E can continue…



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Top News

Markets point to a mix open on the heels of Democrats' midterm wins as investors rotated away from key technology stocks for another day. Chipmaker Qualcomm reported earnings that beat estimates, but the stock dropped 9% on a weaker-than-expected earnings outlook.

AppLovin, the artificial intelligence-powered advertising company, surged 19% after delivering better-than-expected results and issuing guidance that beat estimates. Chip stocks, along with companies linked to the AI infrastructure buildout, slipped further following the Democrats' election victory including in some key data-center states, where public opposition to the industry's rapid expansion has been growing. Elon Musk-led SpaceX and Tesla were down over 1% each, extending losses.

Musk spent nearly half a billion dollars backing Republican candidates, including efforts to keep them in control in Texas, the home state of both companies. A sharp drop in oil prices in the previous session had also supported the sentiment. Brent crude futures were up over 1% on Thursday after dropping more than 8% on Wednesday.

The Bank of England raised interest rates for the first time in over three years on Thursday and warned that at least one more increase was likely if the US-Iran conflict continues, as it started on a path that its main peers have already embarked on. British inflation is likely to reach around 5% in the middle of next year, the BoE said, more than double the central bank's target and a blow for new Prime Minister Andy Burnham who has sought to ease of cost-of-living pressures.

Japan's Nikkei share average tumbled on Thursday, dragged lower by a sharp selloff in AI and chip shares even as most stocks on the index rose. Toyota lifted its annual outlook as robust sales of hybrid vehicles helped it defy an industry downtrend, while also announcing an $89 billion plan to boost shareholder returns that sent its shares soaring. Sony on Thursday reported a 45% rise in second-quarter operating profit, beating market estimates, while Nintendo reported an earnings slide that missed market expectations. Japan's service sector expanded modestly in October as activity and new orders both rose slightly faster, a business survey showed on Thursday. The S&P Global final Japan Services Purchasing



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Managers' Index (PMI) edged higher to 51.7 in October from 51.3 in September, marking a fifth straight month of expansion but coming in below the flash reading of 52.0.

Hong Kong stocks posted the biggest daily gain in 21 months, while China shares inched higher on Thursday as market sentiment recovered after the US midterm elections.

Good Year for Value Internal (Argus)

We have three strategic asset-allocation models, targeting risk-reward approaches: Conservative, Growth, and Aggressive. We make tactical adjustments to the models, based on our outlooks for the various segments of the capital markets. Performance matters and we monitor it closely. Through October, stocks have taken the performance lead over bonds as long-term interest rates have risen to five year highs. Looking ahead, from an asset-allocation standpoint, our Stock/Bond Barometer model still sees both asset classes near fair value, with an edge to bonds as the benchmark 10-year T-bond yield has topped 5%. Tactically, we have a bullish outlook on stocks and think that well-designed, diversified portfolios can benefit from trends that indicate core long-term U.S. GDP can grow at a 1.5%-2.5% rate over the next few quarters; the Fed can maintain control of inflation into 2027; and corporate profits will grow at a double-digit pace on average during that time. We are market-weight on large-cap stocks at this stage of the market cycle. We favor them for growth exposure and financial strength, as well as exposure to the IT sector; small- and mid-caps offer better valuation.

Moving to the international arena, global stocks turned in an impressive performance in 2025, though long-term trends favoring domestic stocks are starting to emerge again. That said, international stocks still offer favorable near-term value, and we target 15%-20% of equity exposure to the group. In terms of growth and value, over the longer term, we anticipate that growth, led by the IT sector, will top returns from value, led by Energy, Real Estate, and Materials, due to favorable secular and demographic trends. Value has taken the lead in 2026, after lagging for the past five years, and appears positioned for solid performance in the near term with longer-term interest rates at elevated levels.



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Bond Yields (bps (basis points) negative means prices up and positive means prices down)

Figure 1: **Key Interest Rates (Canada & U.S.)**

Canadian Key Rate	Last	Change bps	Canadian Key Rate	Last	Change bps
CDA o/n	2.50%	25.0	CDA 5 year	3.44%	0.9
CDA Prime	4.70%	25.0	CDA 10 year	3.71%	0.5
CDA 3 month T-Bill	2.59%	0.0	CDA 20 year	3.93%	0.1
CDA 6 month T-Bill	2.79%	0.0	CDA 30 year	4.03%	0.1
CDA 1 Year	3.03%	0.0			
CDA 2 year	3.24%	1.6			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.75-4.00%	0.0	US 5 year	4.70%	1.4
US Prime	7.00%	0.0	US 10 year	4.89%	0.2
US 3 month T-Bill	4.03%	0.0	US 30 year	5.27%	-0.8
US 6 month T-Bill	4.29%	0.2	5YR Sovereign CDS	46.00	
US 1 Year	4.41%	2.2	10YR Sovereign CDS	54.69	
US 2 year	4.61%	2.7			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	697.82	0.00%	0.23%
BMO Laddered Preferred Shares (ETF)	12.74	0.00%	3.33%

Source: LSEG

Keep looking forward! Have a great day!

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