FIRST CAPITAL FINANCIAL

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Last Friday's sell-off in equities suggests that the stock market is entering a more volatile phase. Investors however should not assume that a major bear market has begun, as declines were concentrated in macro-cap stocks including Nvidia (down 3%), Google (down 13%) and Intel (down 29%). [1]

But here's something important: smaller companies actually gained over the week. Notable names including Vertiv which supplies critical infrastructure for data centres and AI computing was up 20%, while Global Payments, a financial technology company, was up 17%. This makes the case that investors are rotating out of expensive technology stocks, rather than abandoning the market altogether. [1]

What's worrying investors is that the AI story is overblown, and are questioning whether the enormous amounts being spent on AI infrastructure will generate sufficient profits to support stock market valuations. It is our view that a lot of good news is already reflected in prices, and if the results fall short of this, then share prices will follow.

Further, higher interest rates and economic uncertainty make expensive growth stocks less attractive, setting the stage for a further correction in the broader technology sector.

All eyes will be on Apple this month, with investors looking to the company to answer the question of whether technology companies can still deliver growth. Advanced Micro Devices (AMD) is also reporting earnings, and will show if demand for AI chips is still strong. The US employment report comes at the end of the month, and will be telling in terms of whether economic growth is continuing in the world's largest economy.

Tuesday of course is the US mid-terms, and while the full results will not likely be known for a couple of days after November 3rd, our position is that this electoral outcome will matter more to the economy (particularly bi-lateral trade relations with us), than the direction of stock markets.

Over the past ten years alone, the S&P 500 (the broadest of measure of US stocks) has experienced short term reversals, only to recover and go on to set higher levels based on earnings growth. An investor who took cues from short term events and exited the market, would have failed to realize its long term growth potential. [2]

I've often written about ***being patient and being disciplined*** when it comes to your investment portfolio. Weeks like the last one underscore this point. Changing direction in terms of asset allocation based on a few trading days is never the right course of action. Eyes on the horizon for sure.

Stay tuned and thanks for reading!

Martin
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Open	7,610.83	Low	7,546.26	52-wk high	7,844.52
High	7,662.23	Prev close	7,580.07	52-wk low	6,316.91

1-Yahoo Finance, 2026

2-Globe and Mail, 2026

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