Weekly Market & Strategy Update

Week Ending November 7, 2026

"Democratic midterms sweep and data-center ballot backlash triggered sharp AI infrastructure selling; Friday rebound and sharply lower oil provided partial offsets."

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Dear Valued Clients, Friends, and Acquaintances,

I hope this update finds you well. Below is our recap of market action for the week ended November 6, 2026, along with thoughts on strategy positioning and the outlook ahead.

The dominant story of the week was the U.S. midterm elections on Tuesday and the subsequent market reaction to a Democratic sweep of Congress and several key governorships, particularly in states with large data-center pipelines. Markets initially rallied on Wednesday as political uncertainty cleared, then sold off sharply on Thursday as investors focused on potential pauses or tighter restrictions on new data-center development. Friday brought a partial rebound led by technology as investors digested a stronger-than-expected jobs report and selectively bought the dip. For the week the S&P 500 finished roughly –2.7%, the Nasdaq Composite roughly –3.4% (and entered correction territory, more than 10% below its early-October high), the Dow roughly –0.9%, and the Russell 2000 roughly –2.0%. Infrastructure PLUS finished sharply lower for the week from heavy selling in semiconductors, power, cooling, electrical, and construction names tied to the next wave of AI infrastructure build-out. But no area was spared as we counted just one name in positive territory, Arista Net (ANET, +1.15%),

Crude oil declined meaningfully, with WTI settling near $90–91 and Brent near $98 after trading above $104 and $113 respectively the prior Friday. The U.S. 10-year yield finished the week near 4.84–4.86%, down from the mid-to-high 4.90s. The macro backdrop remained orderly aside from the election-driven volatility in the AI complex.

Midterms Deliver a Democratic Sweep and a Clear Data-Center Backlash

Democrats gained control of both the House and the Senate, with a greater number of gains than most pre-election forecasts anticipated. The biggest surprise was Democrat Gina Hinojosa's solid defeat of GOP incumbent governor, Greg Abbott in Texas by roughly seven percentage points (approximately 53% to 46%), the first Democratic statewide win in more than three decades. Keisha Lance Bottoms won in Georgia and Amy Acton won in Ohio, in both cases by larger margins than expected. Democrats also picked up governorships in Iowa and elsewhere. Local ballot measures were nearly unanimous: of

roughly 41 of 42 data-center-related measures decided across ten states, almost all favored tighter restrictions or outright local bans. Only one small North Dakota measure went the other way.

The political message was unambiguous. Voters in multiple states treated data-center development—its power demand, water use, and perceived impact on residential rates—as a salient cost-of-living issue. Three of the largest growth markets (Texas, Georgia, Ohio) now have governors who campaigned on pauses or conditional freezes.

What the New Governors Actually Pledged and What They Can Deliver:

- **Texas (Hinojosa)**: Immediate moratorium on new data-center approvals until the legislature passes stronger community, water, and cost protections. Abbott had already imposed temporary TCEQ and interconnection pauses; Hinojosa has said she will go further.
- **Georgia (Bottoms)**: Year-long statewide pause on new construction while rules are rewritten. Atlanta already has one of the largest under-construction pipelines in the country.
- **Ohio (Acton)**: Conditional moratorium—new projects must cover 100% of their utility costs, use union labor, and meet higher environmental standards.

Governors cannot rewrite statutes or rewrite utility commission rules unilaterally. Existing permits and projects already under vertical construction are largely protected. New applications, grid interconnection requests, and air/water permits will face delays. A practical range of 12–18 months for many early-stage projects is consistent with both the campaign language and the legislative calendars (most state legislatures reconvene in early 2027) and/or relocating to states that are more welcoming toward data center development.

Capacity Impact: 2027 Largely Intact, 2028 Is the Real Variable

Analyst tracking shows the bulk of near-term additions are already past the point of easy cancellation. SemiAnalysis estimates roughly 33.8 GW due in 2027 across the top 20 states, of which about 3/4 is already under construction. The firm's 2028 net-addition figure is 62.2 GW, most of it not yet under construction, with roughly 30 GW sitting in states where pause or conditional candidates won. Cleanview and Modo Energy trackers show large portions of the planned U.S. pipeline (158–256 GW depending on definition) in states whose new governors support pauses or conditional pauses. Most of the exposed volume is still only announced.

Using those anchor points and modest reallocation assumptions produces illustrative paths in which the gap opens mainly in 2028 and then narrows slightly in later years as capacity is relocated to other states. By 2030–2031 the difference is only a few percent under this reallocation scenario. Power, not capital or demand, remains the binding constraint in every market. Interconnection queues of 3–7 years and limited near-term generation headroom exist in both "pause" and "pro" states.

Market Reaction: Hyperscalers Rallied on FCF Relief, Suppliers Sold Off on Timing Risk

Equity markets immediately priced the distinction between the owners of scarce existing and near-term capacity and the companies that supply the next wave of construction. Hyperscalers rallied: Amazon gained roughly +6.1%, Microsoft +6.7%, Alphabet +3.2%, and Meta +1.4% in the initial post-election sessions (SpaceX was an outlier to the downside). The prevailing narrative was that state-level pauses and a slower pace of new data-center approvals would reduce the intensity of capital spending, protect free cash flow that has recently turned negative for several of the large platforms, and increase the scarcity value of the capacity they already own or have under construction.

The opposite reaction hit the supplier complex. Shares of data-center equipment, semiconductors, cooling, electrical, construction, and power-generation names were sold aggressively—Vertiv, GE Vernova, Modine, Sterling Infrastructure, Comfort Systems, and several neocloud and powered-land developers among them—with many down 10–20% or more on Thursday alone. The market's presumption is that revenue and earnings growth rates will be far slower than previously modeled, particularly in 2028. Developers and hyperscalers will need time to identify alternative sites in pro-data-center states, secure land, line up power and interconnection, and obtain permits. That relocation process is not instantaneous; it introduces a multi-quarter lag between a canceled or delayed Texas/Georgia/Ohio project and an equivalent project that can begin construction elsewhere.

Thursday's broader selloff (S&P 500 –4.4%, Nasdaq –5.5%, roughly $2.5–3 trillion in market value erased) was the largest single-day decline since the April 2025 tariff episode and pushed the Nasdaq into a technical correction (off more than -10% from peak). Friday's rebound recovered a portion of the losses, particularly in semiconductors (but still down -11% to -12% on the week) and technology (down -8% on the week), but the weekly damage remained significant. This decline occurred despite the capacity analysis: 2026–27 additions are largely locked in (and therefore supportive of existing hyperscaler capacity), while 2028 is the year in which the geographic reallocation and associated delays become

material for the supplier chain though as we explain below the timing is what shifts more than the total.

Capital Spending: Timing Shifts More Than Totals

The four largest hyperscalers have guided to roughly $720–740 billion of combined 2026 capex, with management commentary pointing higher still in 2027 (Goldman and others have floated figures near or above $1.2 trillion for broader groups). Recent earnings have already shown delivery friction (Microsoft said a neocloud provider delivery of compute capacity was delayed), but the direction of spend remains upward. A multi-state permitting slowdown does not cancel the underlying AI demand or the hyperscalers' contracted power and offtake commitments. It primarily pushes some 2028 deliveries into 2029, accelerates the search for sites with faster power (behind-the-meter gas, existing generation, or states with clearer permitting paths), and raises the relative value of companies that already hold multi-state land, interconnection rights, or generation offtake. Total capex is unlikely to fall materially in the next 18–24 months; the geographic mix and the exact quarter in which capacity comes online much more likely to change.

Relocation Realities: Pro-Data-Center States and Realistic Pace

Early-stage projects (announced but not yet permitted or under construction) can be redirected. Projects that already have interconnection positions, air permits, or concrete in the ground cannot. Principal destination states with clearer paths include Virginia (established hyperscale hub), Louisiana (strong tax incentives, Meta Hyperion and Amazon campuses under construction), Tennessee (xAI Colossus already operating and growing), Utah, North Dakota, and parts of the Southeast and Mountain West. Meaningful volumes can move, but not overnight and not without power. Pure greenfield sites in any state still face multi-year power timelines. That lag is what the market has been discounting in supplier names this past week.

Index Performance:

- **S&P 500:** Roughly –2.7% | Wednesday relief rally more than offset by Thursday's sharp decline; Friday partial recovery.

- **Nasdaq Composite:** Roughly –3.4% | Entered correction territory after Thursday's –5.5% session (worst in ~19 months). Tech and AI infrastructure led both the decline and Friday's rebound.
- **Dow Jones Industrial Average:** Roughly –0.9% | Relative outperformer; less concentrated in the hardest-hit supplier complex.
- **Russell 2000:** Roughly –2.1% | Gave back some of its recent relative strength.
- **US 10 year:** ~4.84–4.86% | Down ~10 bps w/w.
- **Crude Oil:** WTI ~$90–91/bbl (down sharply from ~$104) and Brent ~$98/bbl (down from ~$113).

Market Technicals

The Nasdaq Composite's entry into correction territory (down more than 10% from its early-October high and down for the 4th consecutive week) and Thursday's extreme breadth (decliners outnumbering advancers by roughly 5:1 or worse on the Nasdaq) mark a washout-style session.

November 5, 2026 Advance/Decline Snapshot
(D/A = Declines ÷ Advances)

Index / Universe	Advances	Declines	Unchanged	D/A Ratio	Notes / Interpretation
NYSE	413	2,336	38	**5.66**	Extremely weak. Roughly 5.7-to-1 decliners. Classic risk-off breadth on the senior exchange.
Nasdaq (listed)	850	4,086	139	**4.81**	Weak. Roughly 4.8-to-1 decliners. Consistent with heavy tech/AI selling that drove the Nasdaq Composite down 5.52%.
S&P 500	73	430	~0	**5.89**	Very poor. Only ~15% of components advanced; advancing volume just ~9.3%. Classic "narrow and negative" tape.
Broader U.S. (SwingTradeBot-style)	~889–891	~5,224–5,226	~188	**~5.87**	Extremely one-sided (~5.9-to-1 decliners). Confirms the sell-off was market-wide, not limited to large caps.
All US Stocks (net)	—	—	—	—	Net –3,237 (advancers minus decliners). S&P 500 members net –349; Nasdaq-listed net –1,901. Broad participation failure.

Source: GrokAI

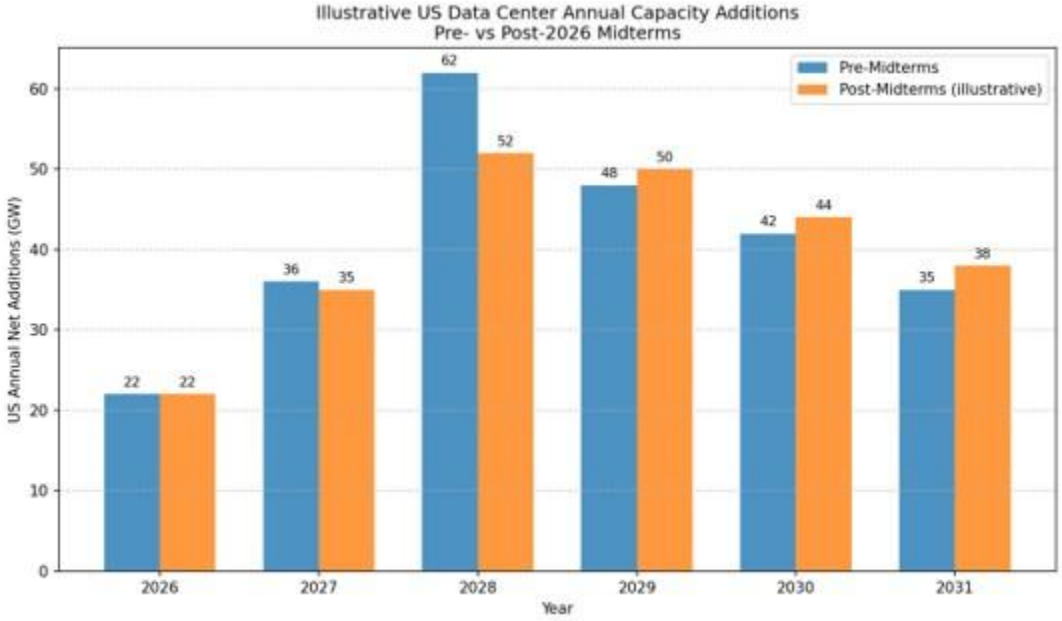
Historical studies of Nasdaq advancing/declining issues show that such one-sided days have, on average, been followed by better-than-baseline returns over the subsequent 5–21 sessions. The CNN Fear & Greed Index fell into Extreme Fear (readings near 20–22) after Thursday's decline, down from 26 the prior Friday and well below mid-month levels. Extreme Fear readings have historically coincided with periods of elevated short-term volatility but also with better subsequent returns once the immediate catalyst is digested. The major averages remain under pressure relative to short- and intermediate-term moving averages.

We had a strong rally day on Friday which we consider Day 1 of a rally attempt. Infrastructure PLUS rallied in the +3.5-+4% range and the Nasdaq rallied +1.1% and the S&P500 gained +0.3%. We will be looking for confirmation of such rally attempt in the Day 4 and after before putting elevated cash levels back to work. Recall the prior week we had the start of a rally attempt with strong upside moves for three days only to see the rally

attempt break down. In this case, I believe more important to wait for confirmation give that the trade pattern on Friday was strong in the morning which faded throughout the day as evidenced by most stocks trading in the lower third of the trading range for the day. For example, the Nasdaq 100 (QQQ) closed at the 20% level of the trading range on Friday.

Investment Implications for the Strategy

The midterm results introduce a geographic and timing risk that was under-priced before the election, particularly in Texas-heavy portfolios. They do not change the fundamental power-constrained nature of the AI build-out or the multi-year demand for generation, transmission, interconnect, cooling, compute/advanced semiconductors. Near-term (2026–27) capacity additions remain largely locked in. The 2028–30 window becomes more dependent on how quickly developers relocate capital and how quickly pro-states can deliver power. Companies and projects with diversified footprints, existing interconnection rights, or behind-the-meter generation retain a relative advantage.



Source: SemiAnalysis, Cleanview, Modo Energy

Why negative stock price reactions look overdone:

- Modest timing shift, not demand destruction. Illustrative GW paths show only a limited delay (mainly some 2028 additions moving into 2029) with little change in multi-year cumulative capacity once reallocation to pro-data-center states is assumed. Total hyperscaler capital spending also shows no published downward revisions.

- Cooling and power suppliers have already been capacity constrained. Comfort Systems (FIX), Vertiv (VRT), Quanta Services (PWR), and GE Vernova (GEV) have repeatedly cited tight capacity, long lead times, and strong backlogs through 2027 and into 2028–29. A multi-quarter delay in some projects does not eliminate the underlying orders; it largely redistributes when the work is done.
- E&C names appear to have been massively oversold: Sterling Infrastructure (STRL) reported +127% y/y increase in revenue for its 3Q26 results and total backlog plus unsigned awards of $8B up +90% y/y, yet shares are down over 70% from their 52-week high. MasTec (MTZ) delivered record quarterly revenue (+30% y/y) and record 18-month backlog of $24.5B up +46% y/y, yet shares are down ~62% from their 52-week high.
- Semiconductor and memory suppliers remain sold out or heavily constrained. A modest shift in data-center delivery timing does not reduce the total volume of memory or equipment required over the 2027–2030 window.

In short, the market appears to have priced in a more permanent or larger reduction in spending than the available evidence supports, particularly for suppliers that were already capacity-constrained well beyond 2027. We will continue to monitor legislative sessions in Texas, Georgia, and Ohio and the actual permitting actions taken by the new governors. The data remains consistent with the same total compute capacity being delivered, just on a somewhat longer and more geographically dispersed schedule.

Week Ahead

The week features a continued earnings calendar along with ongoing monitoring of post-election policy signals and economic data. Near-term focus will be whether additional commentary can ease CapEx and free-cash-flow concerns in the AI complex, whether the geographic reallocation of data-center projects gains traction, and how the stronger jobs report influences Federal Reserve rate expectations.

Key items:

- Additional earnings from remaining large names and AI-related companies
- Monitoring of legislative and permitting signals in Texas, Georgia, and Ohio
- Economic data releases and implications for the Fed path
- Ongoing monitoring of oil, yields, and credit markets

11/9 Constellation Energy (CEG), Ceco Environmental (CECO), Global Ship Lease (GSL), NRG Energy (NRG), Select Water Solutions (WTTR),

11/10 CoreWeave (CRWV), Consolidated Water (CWCO), Venture Global (VG),

11/11 EnerSys (ENS), Honda (HMC), Flex LNG (FLNG), Siemens Energy (SMEGF), Teekay Corp (TK),

11/12 Brookfield Corp (BN), Cerebras Systems (CBRS), Cisco (CSCO), Forgent Power Solution (FPS), Nebius Group (NBIS)

Last week's action was driven by the midterm results confirming a clear data-center backlash in key growth markets, strong underlying cloud and AI demand signals from prior earnings, and a sharp decline in oil prices. The tailwind remains contracted capital spending on AI and the physical infrastructure that supports it, reinforced by continued tight-supply commentary and multi-year commitments. The headwinds now include geographic and timing risk around 2028 datacenter capacity additions, a market that can fade even strong fundamental updates when free-cash-flow or permitting questions arise, and a 10-year still near 4.85%. I expect choppy conditions to continue while the underlying AI infrastructure thesis stays intact.

As always, this letter is for informational purposes only and does not constitute investment advice. Please reach out with any questions.

Best regards,

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