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Abridged

Monthly Market Insights

11/2/2026

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Consumer & AI led growth; inflation, rates, and AI payoff add friction

1

3.4%

Q3 GDP growth, up from 2.2% in Q2

Consumers & AI Capex Powered Growth

TAILWIND

- Consumers kept spending despite gloomy sentiment, powering growth.
- Tech capex has contributed ~31% of upside GDP growth.
- Net imports detracted, but AI hardware demand is a meaningful portion of that.

2

3.6%

September PCE, as energy climbed

Inflation Up, but Yields Down as Fed Holds

HEADWIND

- Higher energy costs are spreading into everyday prices, and risks remain.
- The Fed held at 3.75-4.00% in October, but markets expect more hikes to come.
- Bond yields eased as investors sought safety.

3

12x

Anthropic Q3 revenue growth

AI Flywheel is Spinning, but the Market is Unsure

MIXED

- Anthropic S-1 showed strong demand and improving economics, but some concern recent growth is decelerating.
- Cloud revenues grew 39–103%, with ~$1.8T of backlog.
- The debate has shifted from demand to whether massive spending will pay off.

4

–17%

semiconductors in October

AI Trade Sells Off, Market Rotates

MIXED

- Market is debating if ~$730B of 2026 hyperscaler capex will earn its return?
- Investors punished companies whose spending outran cash flow.
- Equal-weight S&P 500 beat cap-weight by ~6%, retaking the YTD lead.

5

+29.8%

Q3 S&P 500 EPS growth, half reported

Earnings Strength Keeps Valuations in Check

TAILWIND

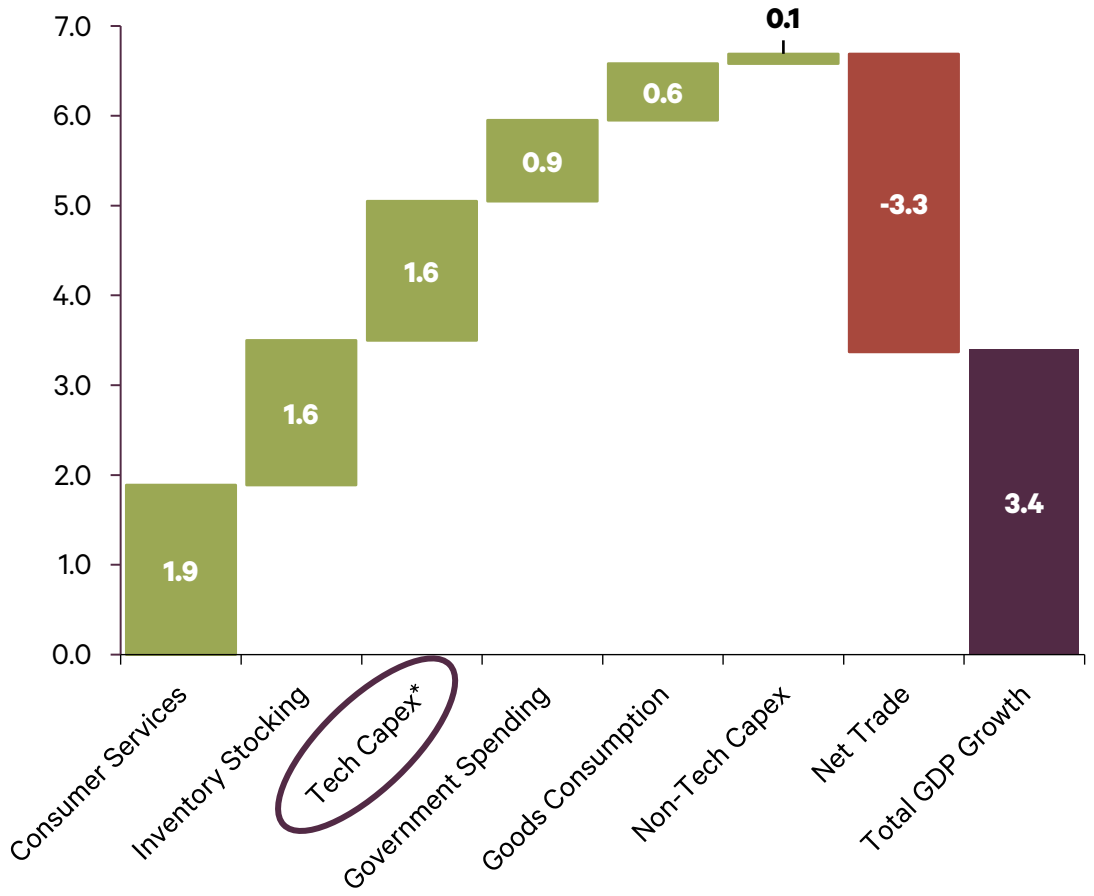
- Company profits are growing faster than expected, and ahead of stock prices.
- Valuations are less stretched than a year ago – S&P 500 at 18.9x forward earnings.
- Nasdaq-100 forward EPS is up 44% YTD vs. a 12.8% return.

THE BOTTOM LINE Growth and earnings remain solid, but inflation and the AI spending bill are the risks to watch. We stay constructive long term, favoring breadth and quality over concentration.

Sources: Bloomberg, FactSet, Anthropic PBC Form S-1 and company earnings releases. As of 10/30/2026.

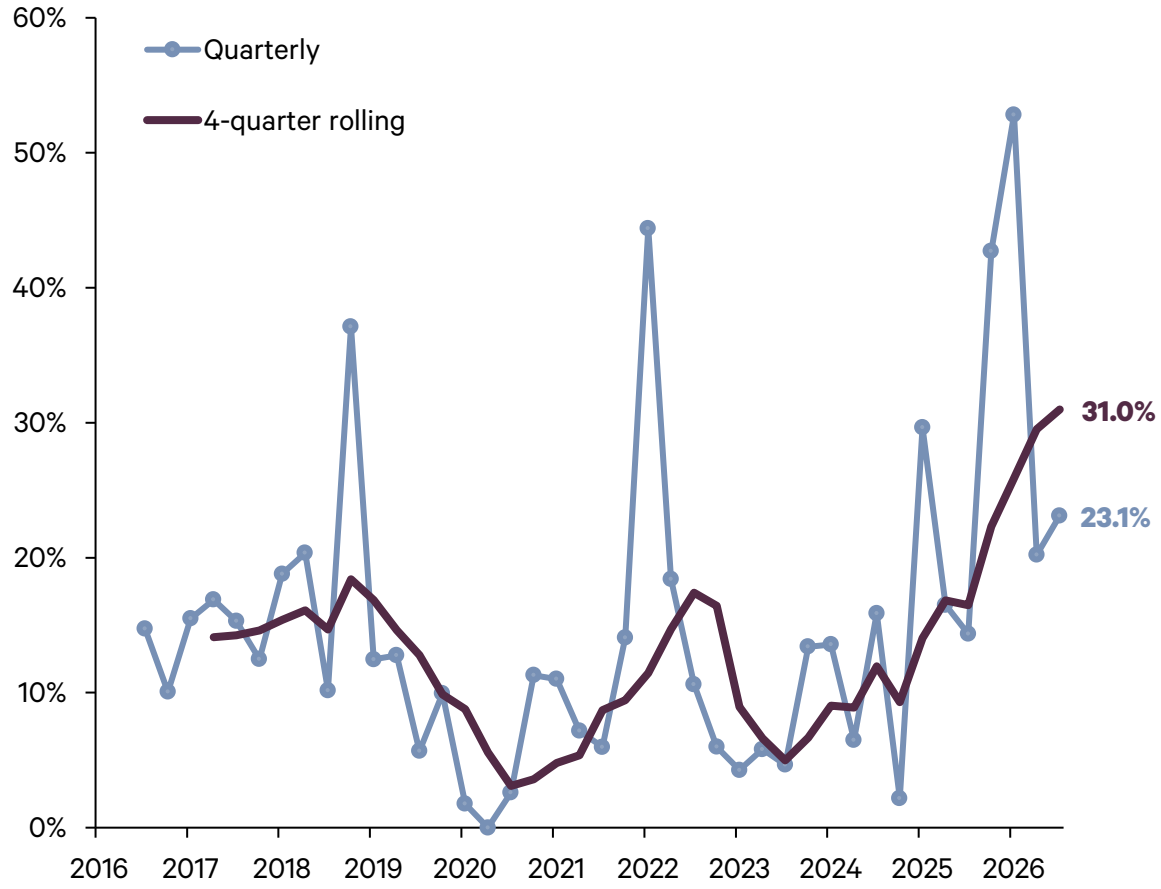
Consumption + tech capex drove above trend GDP in Q3

Q3 Real GDP Components (SAAR%)



Source: Pathstone with data from FRED, BEA

Tech Capex as a Percent of GDP Contributors



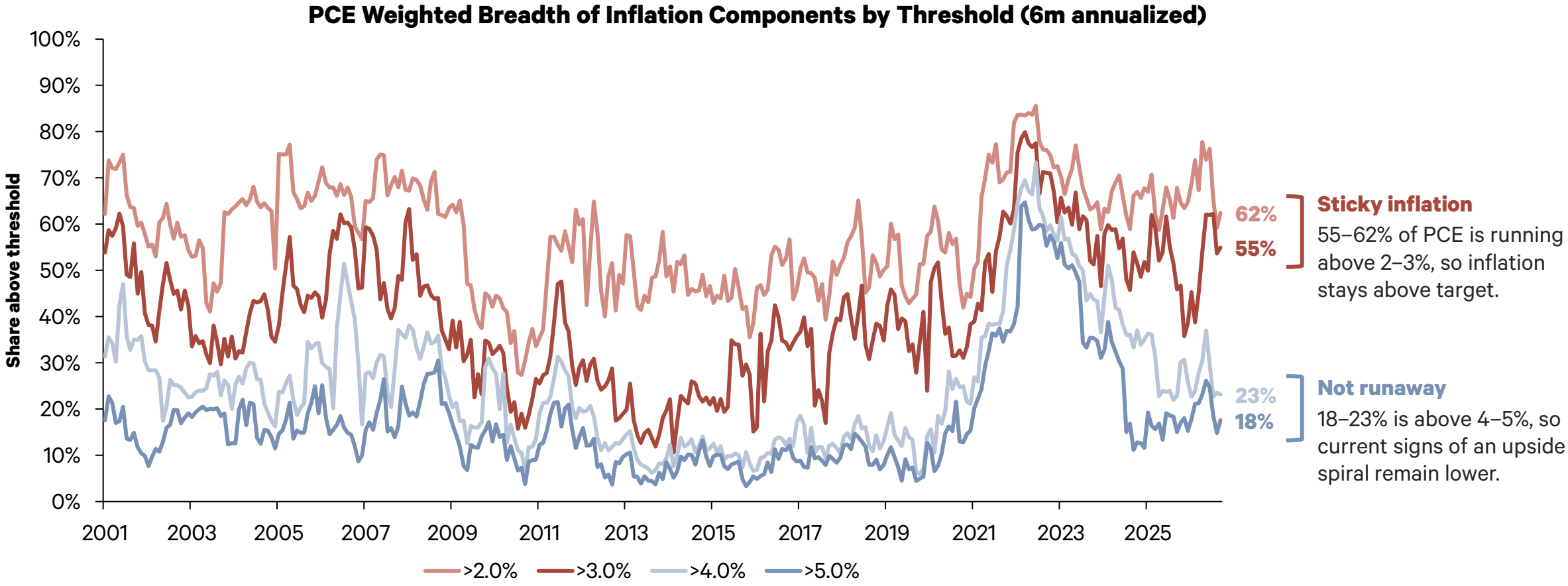
Sources: Pathstone with data from FRED, BEA

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*Tech Capex = information processing equipment + software and R&D + data center construction, based on BEA contributions to real GDP growth. It is a broad proxy for technology investment, not AI spending alone, and is shown gross of imports.

Energy is driving inflation, but breadth of inflation is also too high

September PCE inflation: headline 3.6% YoY (+0.5% MoM), core 3.1% (+0.3% MoM), both up from August and above Fed's 2% target. Fed Chair Warsh has said "too many categories" are still rising faster than 3% on a 6- and 12-month basis, so we are watching inflation breadth for any changes in trend.



Sources: Pathstone with data from BEA. As of 10/30/2026.

With inflation still elevated, markets price in further hikes

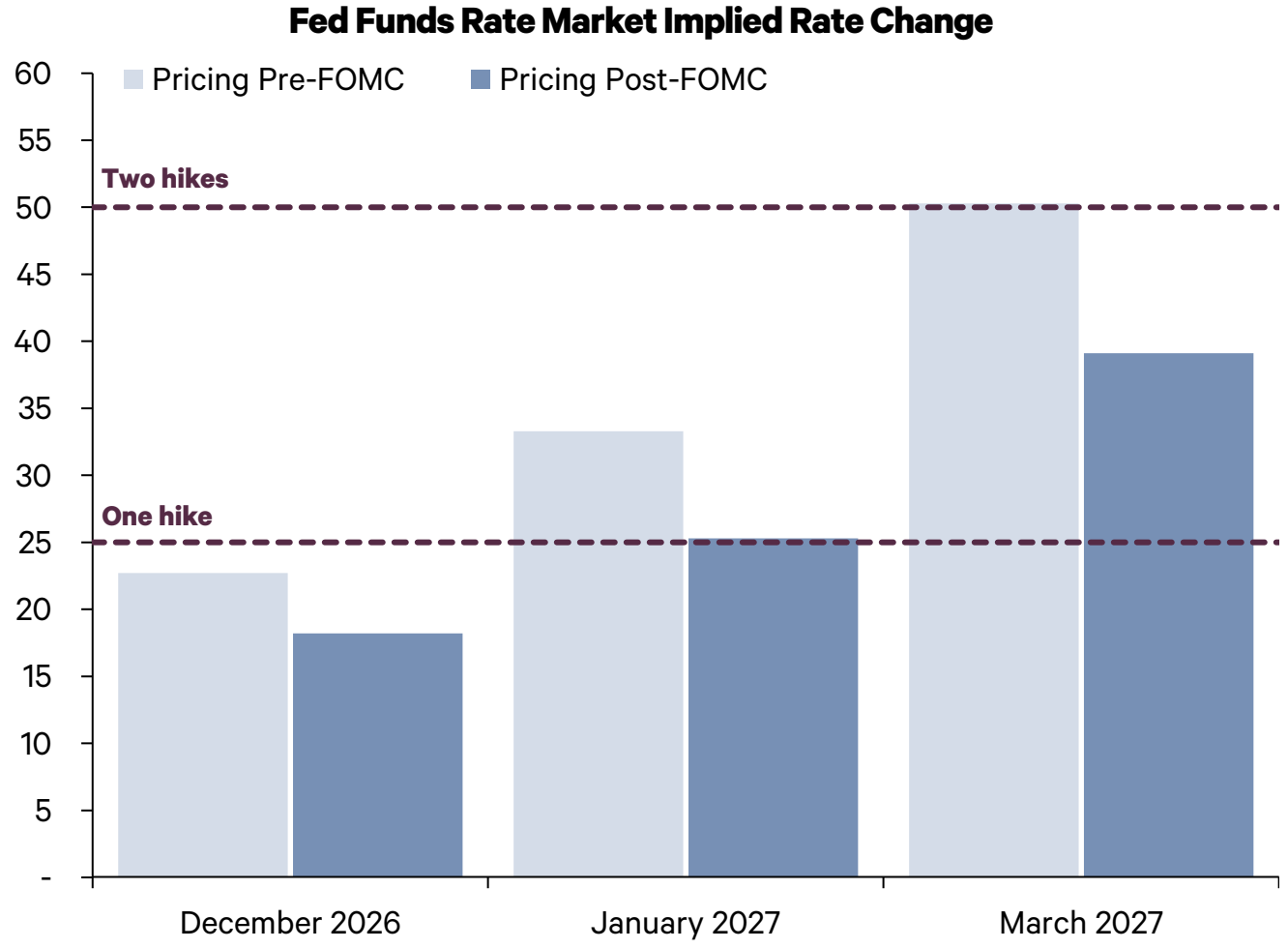
The Fed held rates, but two officials wanted a hike. The 10–2 vote kept rates at 375–400 bps; Governor Cook and Cleveland Fed President Hammack dissented for another 25 bp increase after September's unanimous hike.

The statement shifted to wait-and-see. Growth was upgraded to "strong" from "solid", and "inflation remains elevated" was repeated, while September's hike rationale gave way to gathering more information.

Warsh signaled a pause, not a pivot to easing. He said "inflation is too high," framed the hold as time to judge how September's hike is working, and gave no guidance for December.

Markets pared back hike bets after the meeting. Futures now price 18 bp of hikes by December, 25 bp by January and 39 bp by March 2027, about one and a half hikes rather than two.

The FOMC calendar will change in 2027 & 2028. One of the eight meetings will focus on broad policy strategy in 2027, increasing to two of the eight in 2028, with no rate vote or statement.



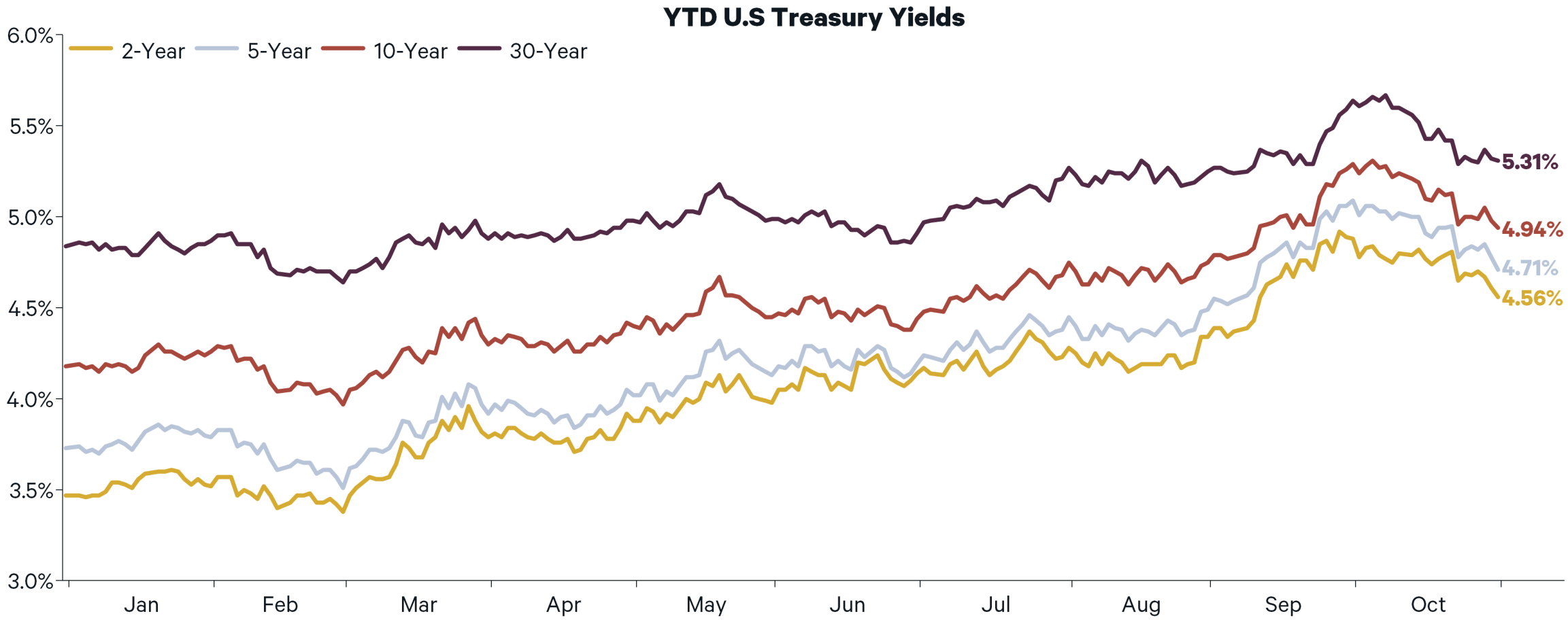
Sources: Pathstone with data from Bloomberg. As of 10/30/2026.

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Pre-FOMC is as of close on 10/27/2026 and Post-FOMC is as of close on 10/30/2026.

Treasury yields receded from recent highs as investors sought safety

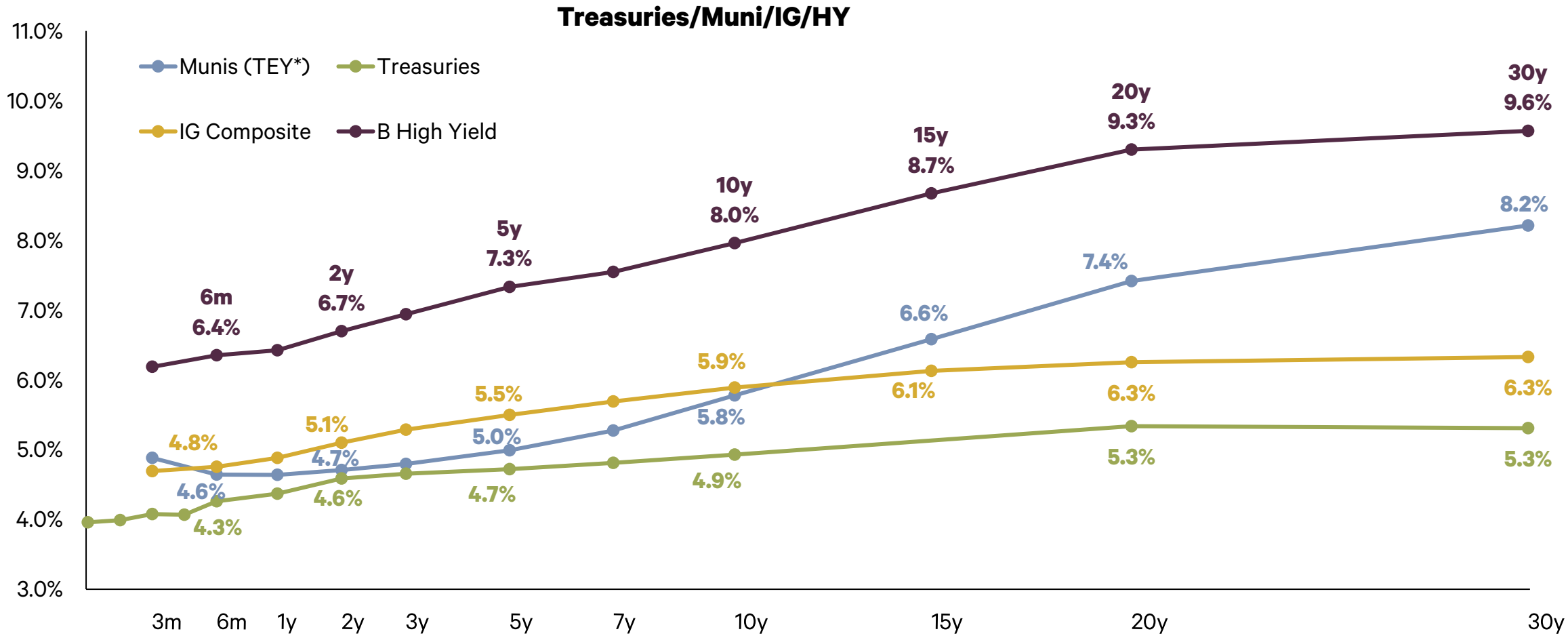
The 10-year yield fell ~36bp in October, its largest monthly drop since Dec. 2023, as the AI-led equity selloff drove a flight to safety and the Fed held rates. Yields remain elevated as stronger economic growth, plus elevated inflation, normalized the yield curve upward. Fiscal concerns seem to have taken a back seat.



Sources: Pathstone with data from FactSet

A steeper muni curve rewards duration; credit offers selective yield

Muni yields are off their highs, but the curve is steeper: tax-equivalent yields run from 4.6% at 6 months to 7.4% at 20 years, so longer duration is marginally more attractive. Credit spreads widened modestly in October, but remain in check, keeping selective opportunities in credit.

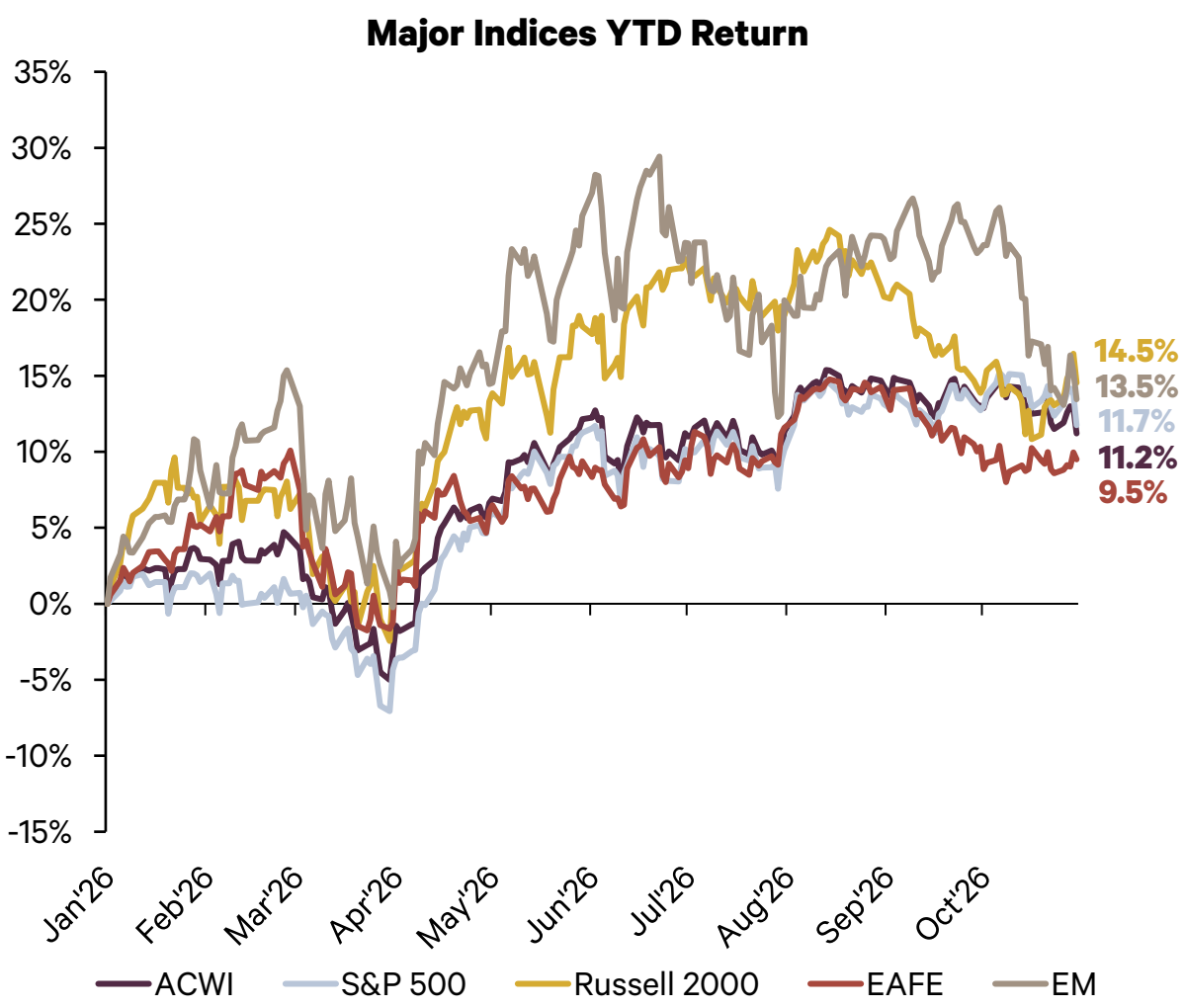


Sources: Pathstone with data from Bloomberg as of 10/30/2026

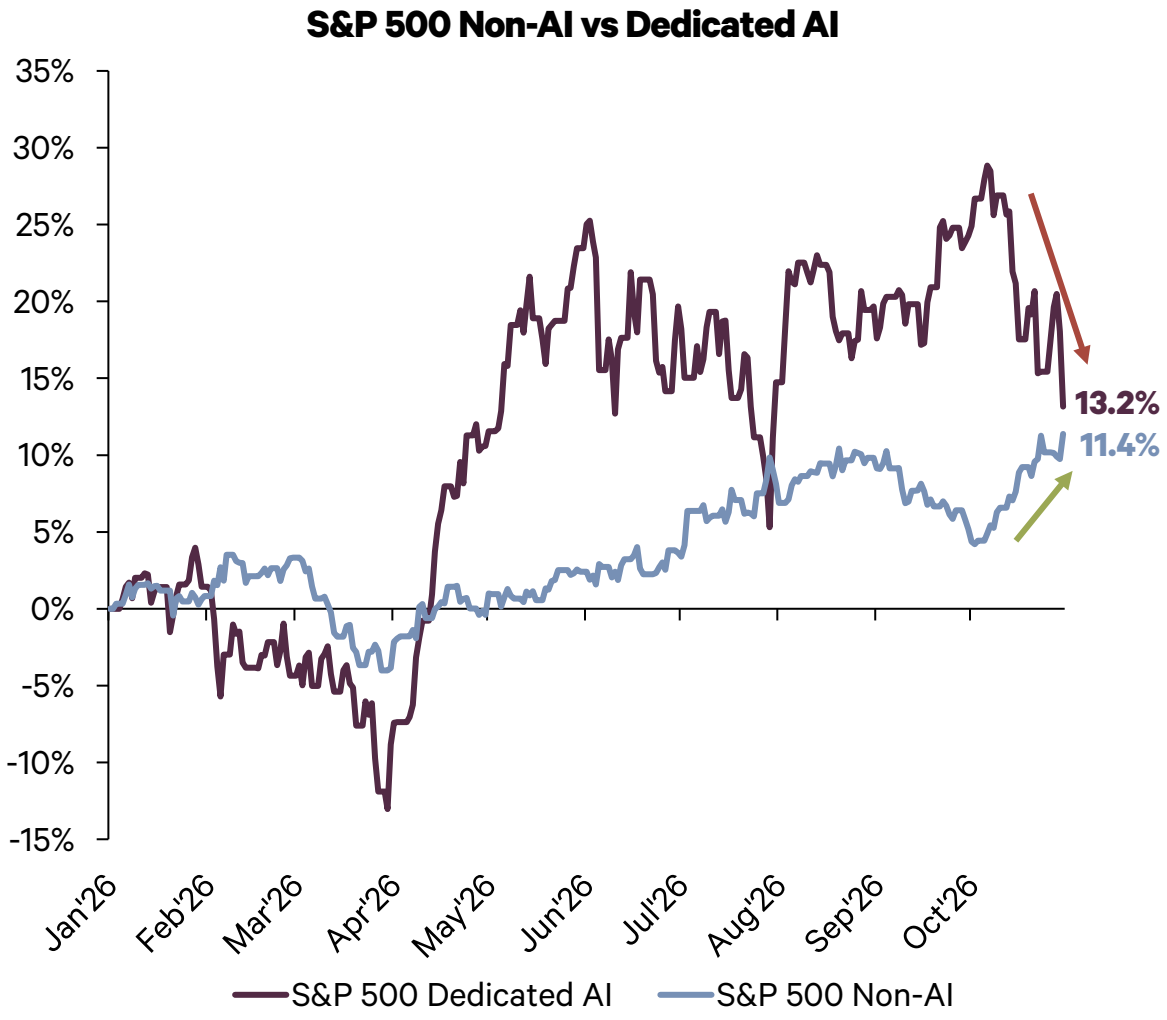
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Tax Equivalent Yield using 40.8% tax rate.

Stocks sold off in October, with AI names pulling back



Source: Pathstone with data from Bloomberg as of 10/30/2026



Source: Pathstone with data from Bloomberg as of 10/30/2026

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Index information can be found in the disclosures at the end of this presentation. S&P 500 Dedicated AI Index: Companies within the S&P 500 with exposure to artificial intelligence across six key infrastructure and application categories: Power & Energy Infrastructure, Compute/Chips, Data Centers/Physical Infrastructure & Construction, Cloud Infrastructure, Networking & Connectivity, and Application & Automation. S&P 500 Non-AI: All remaining S&P 500 companies without meaningful exposure to the six AI-related subcategories.

The "AI Flywheel" is spinning, but returns on capex remain uncertain

1 AI MODEL DEMAND

$16.8B

Anthropic's Q3 revenue, ~12x a year earlier; 11,900 customers now spend $100K+ a year

2 CLOUD REVENUE

$110B

Q3 revenue at AWS, Azure and Google Cloud, with ~$1.8T of contracted backlog

3 CAPEX

$730B

2026 capex guidance for the hyperscalers, growing to over $1.1T in 2027

4 RETURNS

4 of 5

hyperscalers now free-cash-flow negative; will the return on invested capital come?

POSITIVES THIS WEEK

Demand is real, broad and still accelerating

STILL TO PROVE

The build-out earns an adequate return on capital

Our take: long-term bullish on the tech, but winners & losers still being sorted. The two stories are a loop: Anthropic's compute bills become cloud revenue, which funds capex. That loop works while end demand keeps growing. Expect volatility as growth rates normalize and investors demand proof of profits.

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Sources: Pathstone with data from Anthropic PBC Form S-1 (10/26/2026), company Q3 2026 earnings releases, Reuters, Bloomberg. As of 10/30/2026.
Anthropic Q3 2026 revenue as reported by Reuters; Cloud figures are calendar Q3 2026; Hyperscalers are Microsoft, Meta, Alphabet, Amazon, and Oracle.

Anthropic's S-1: a historic business, but priced liked it too

WHAT WAS EXCEPTIONAL

REVENUE GROWTH
14x

H1 2026 revenue, to $16.3B; roughly 10x a year for three years

DEMAND
11,900

customers spend $100K+ a year, up from ~950; ~900% net revenue retention

GROSS MARGIN
~85%

implied for H1 2026, up from ~40% in 2025

COMPUTE EFFICIENCY
$2.07

of revenue per $1 of compute in Q2, up from $0.40 in Q1 2025

CASH
$132B

at June 30; but this could be ~$210–230B after an $80–100B IPO raise

RUNWAY
<0.1%

of Fortune 500 spending goes to Claude, though half spend $100K+

WHAT THE MARKET IS WEIGHING

SLOWER GROWTH
+45%

Q3 revenue growth vs. Q2, down from 144%; no Sept. 30 data in the S-1

FIXED COSTS
$417B

of new minimum compute payments, with hundreds of billions more possible via other deals

COMPETITION
Rivals

named in the S-1: Alphabet and OpenAI, plus open-weight models; where does value accrue?

CIRCULAR FINANCING
~$41B

invested by Amazon and Google, which get ~$225B of compute spend back

GOVERNANCE
50.1%

of the vote is with founders; a trust picks 4 of 7 directors

VALUATION
$1.5–2T

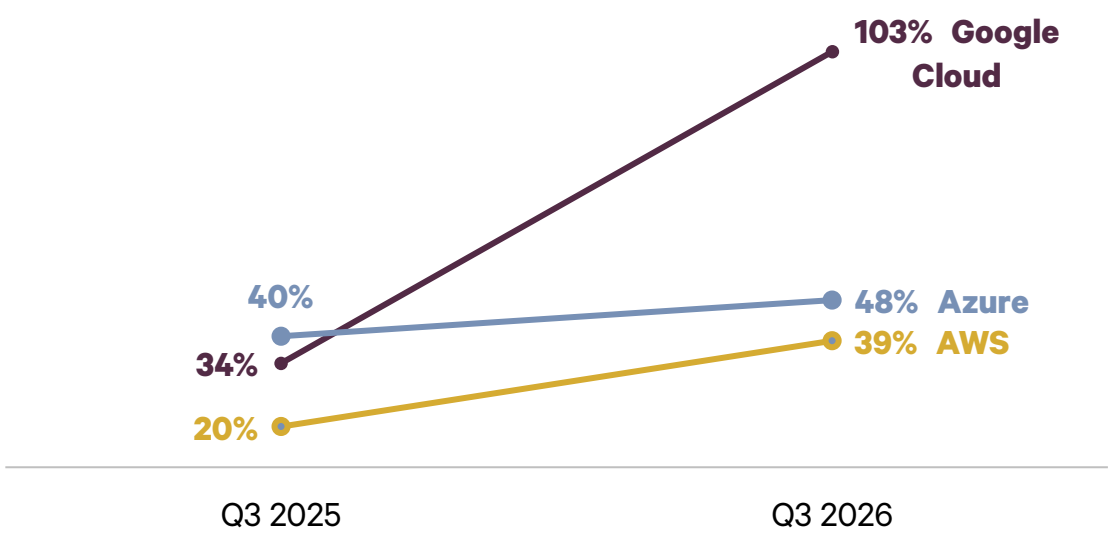
reported IPO range, ~32–43x run-rate revenue

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Sources: Anthropic PBC Form S-1 (10/26/2026), Reuters, Bloomberg. As of 10/31/2026.
S-1 financials run through 6/30/2026; Q3 growth is press-reported by Reuters. Gross margin is implied from the S-1 cost-of-revenue footnote. Pro forma cash adds $80–100B of IPO proceeds before fees. $417B is the S-1's minimum payment obligations under compute agreements signed or amended since 12/31/2025.

All three clouds beat; stocks split on the rest of the business

Cloud revenue growth, % YoY



THE READ-THROUGH

1 For the clouds: near-term demand is not in question. Investors rewarded growth that came with steady core results and cash flow, and sold the stocks where spending outran both.

2 For AI hardware: capex came in light at Microsoft and Alphabet; Microsoft cited supplier capacity delays and trimmed its 2026 plan. Late hardware pushes out chip revenue, and with higher interest rates and financing worries, chip stocks fell ~17% in October.

WHY THE STOCKS MOVED DIFFERENTLY

Google — **−10% stock**

Google Cloud +103%; $561B backlog; 36% margin

Why it fell: Search ads grew 12%, down from 17% in Q2, reviving fears that AI answers erode search. EPS missed, free cash flow was −$9.1B, and 2027 capex will rise "significantly."

amazon — **−7% stock**

AWS +39%, fastest in ~5 years; $578B backlog

Why it fell: Company revenue and EPS missed. Q3 capex of $77.3B ran above estimates, and trailing free cash flow fell to −$42.4B.

Microsoft — **+4% stock**

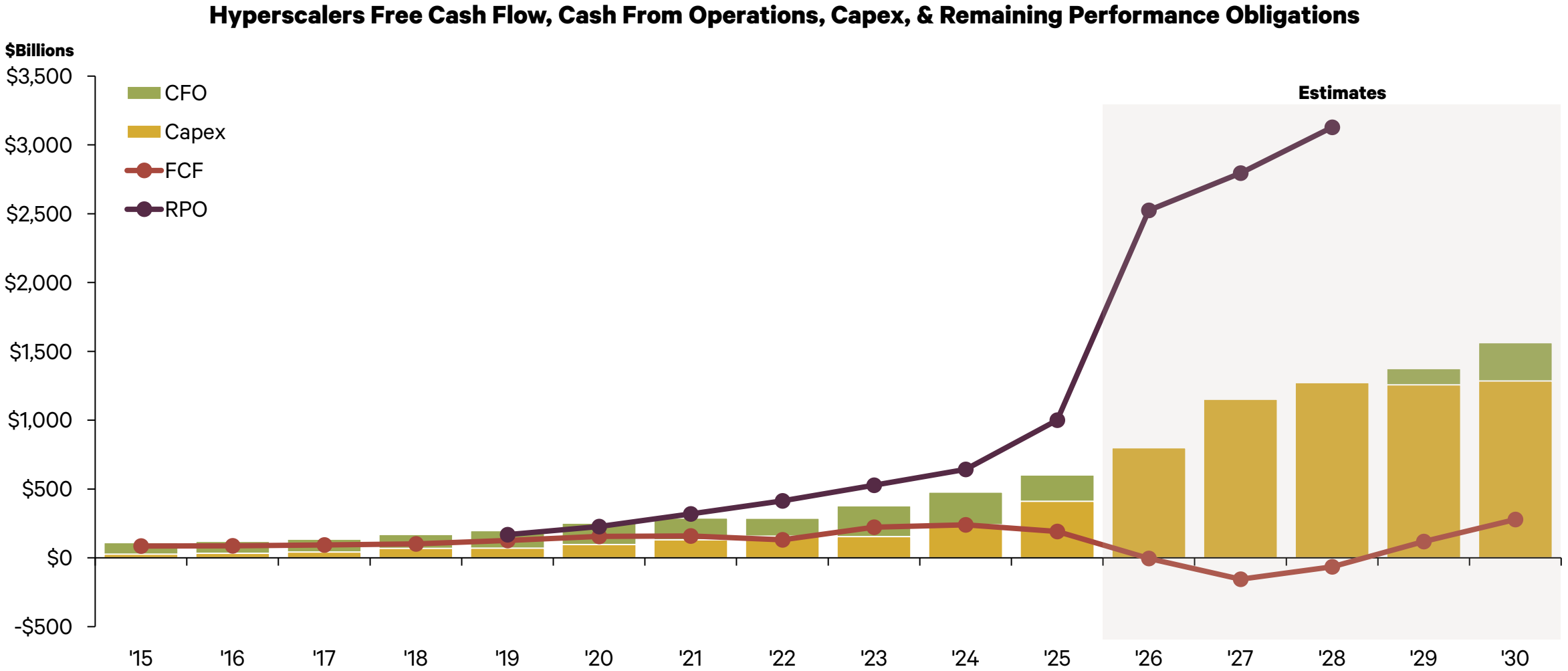
Azure +48% vs. ~45% guided; $677B backlog

Why it rose: Revenue and EPS beat, capex came in below estimates, and free cash flow stayed positive, though down 27% from a year ago.

Sources: Pathstone with data from company Q3 2026 earnings releases and calls, Bloomberg. As of 10/30/2026.

Q3 = calendar Q3 2026 (Microsoft fiscal Q1 2027). Azure growth is ex-FX; Microsoft backlog is commercial remaining performance obligations. Stock moves are after-hours or next-session reactions to Q3 reports.

Hyperscalers are funding supply to meet growing demand

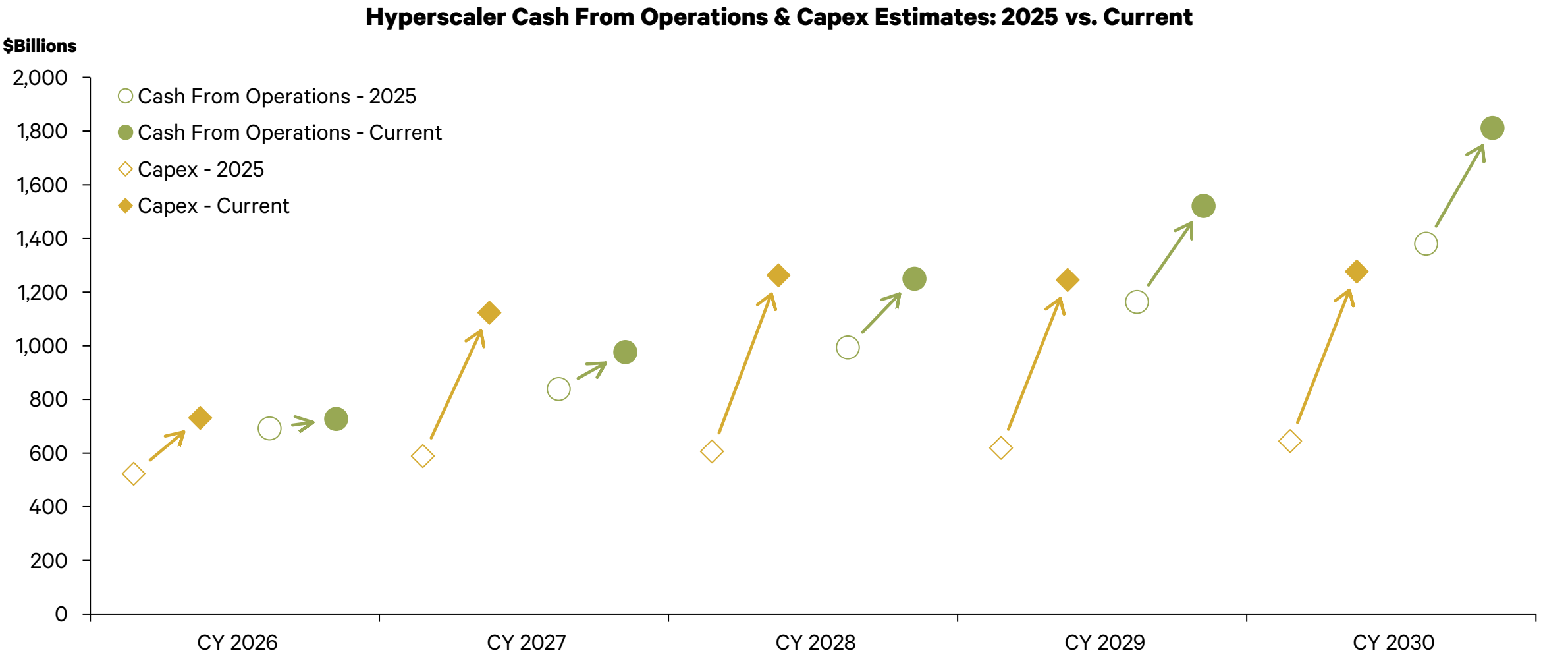


Sources: Pathstone with data from Bloomberg. As of 10/31/2026.

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Hyperscalers are Microsoft, Meta, Alphabet, Amazon, and Oracle. Capital expenditures are expected to exceed Cash From Operations for calendar years 2026-28. RPO (signed contracts not yet recognized as revenue) covers Oracle, Microsoft, Alphabet and Amazon by fiscal year; 2026–28 are estimates.

AI selloff reflects capex growing faster than cash flow estimates

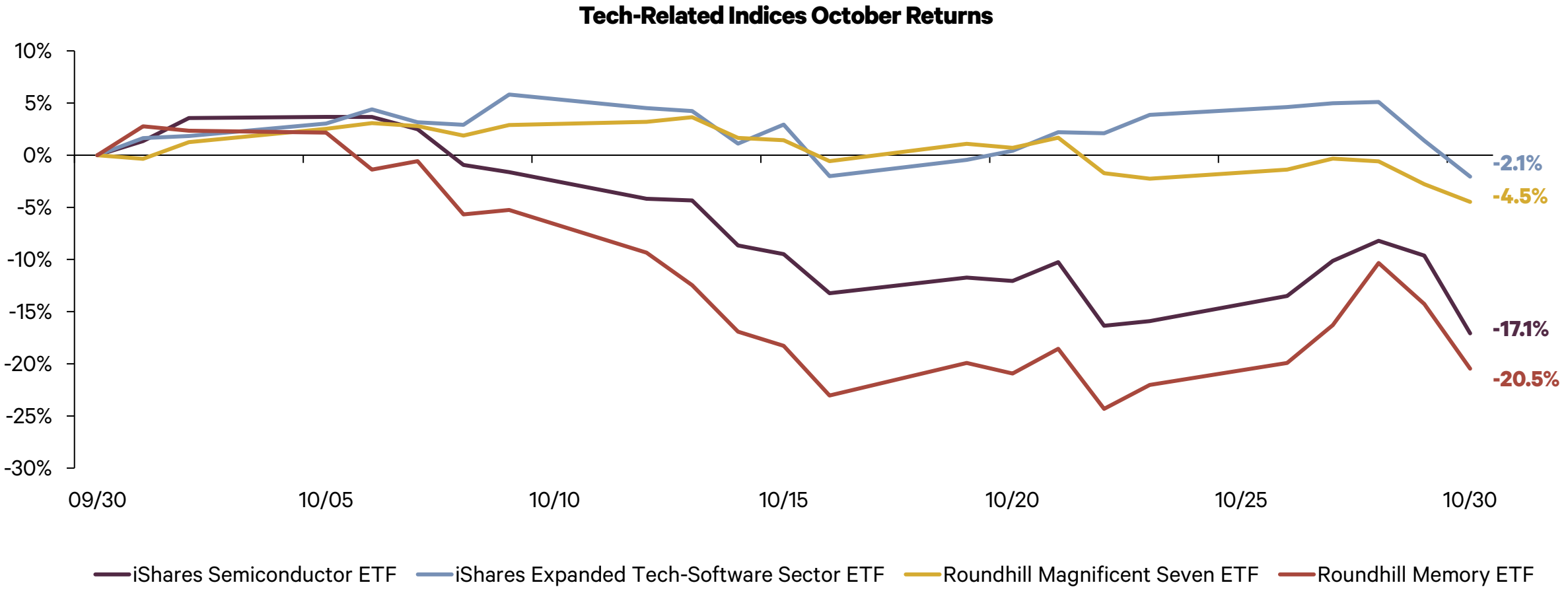


Sources: Pathstone with data from Bloomberg. Data as of 10/30/2026.

Hyperscalers are Microsoft, Meta, Alphabet, Amazon, and Oracle.

AI hardware is where the capex debate got repriced the hardest

Hyperscaler spending is outpacing cash flow, raising the risk of an overbuild or a pullback. Either would hit chip suppliers first, and chips and memory are historically tech's most cyclical corner, so they fell far more than the hyperscalers themselves or software, which is arguably a beneficiary of cheaper compute costs.

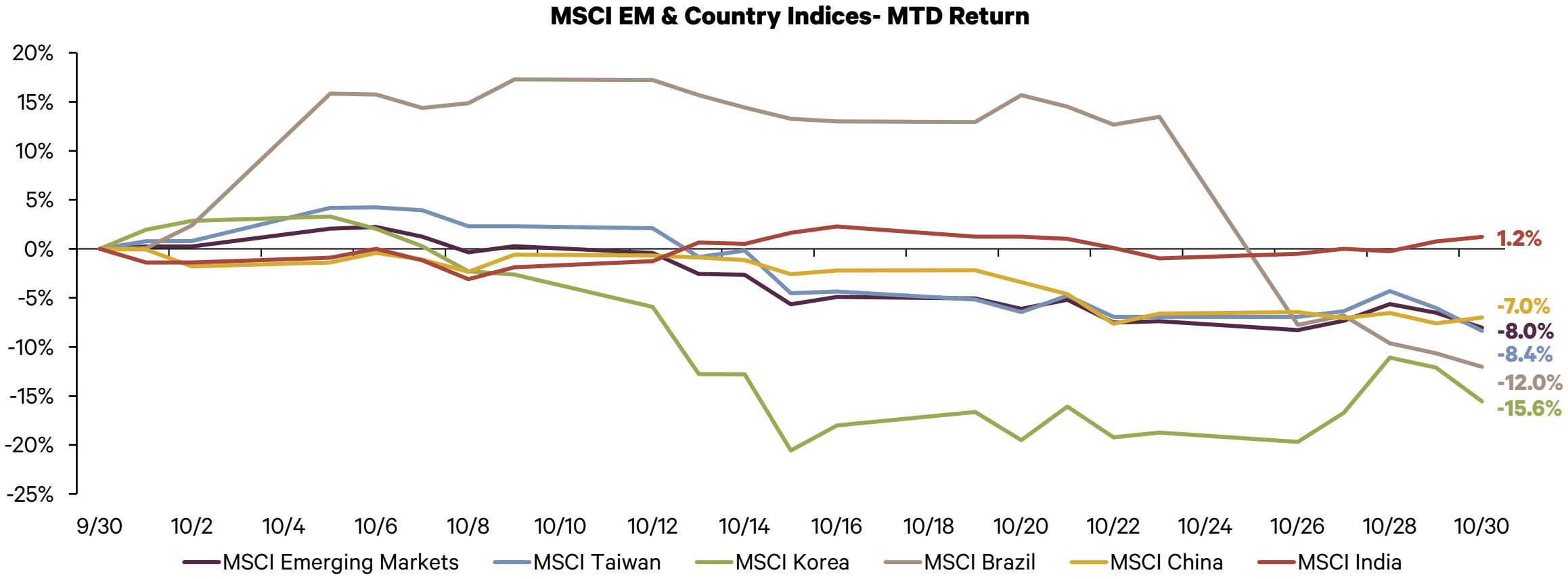


Sources: Pathstone with data from FactSet as of 10/30/2026

Index information can be found in the disclosures at the end of this presentation.

EM: Concentrated theme, concentrated risk in AI hardware

TSMC, Samsung and SK Hynix make up nearly a quarter of the EM index, so doubts about hyperscaler AI spending fell hardest on Korea and Taiwan. Record memory profits and more long-term contracts at SK Hynix did not ease concerns that U.S. tech can keep funding capex as its free cash flow turns negative. In Brazil, Lula's surprise re-election raised doubts about fiscal discipline. India, with little AI hardware exposure, sat out the selloff.



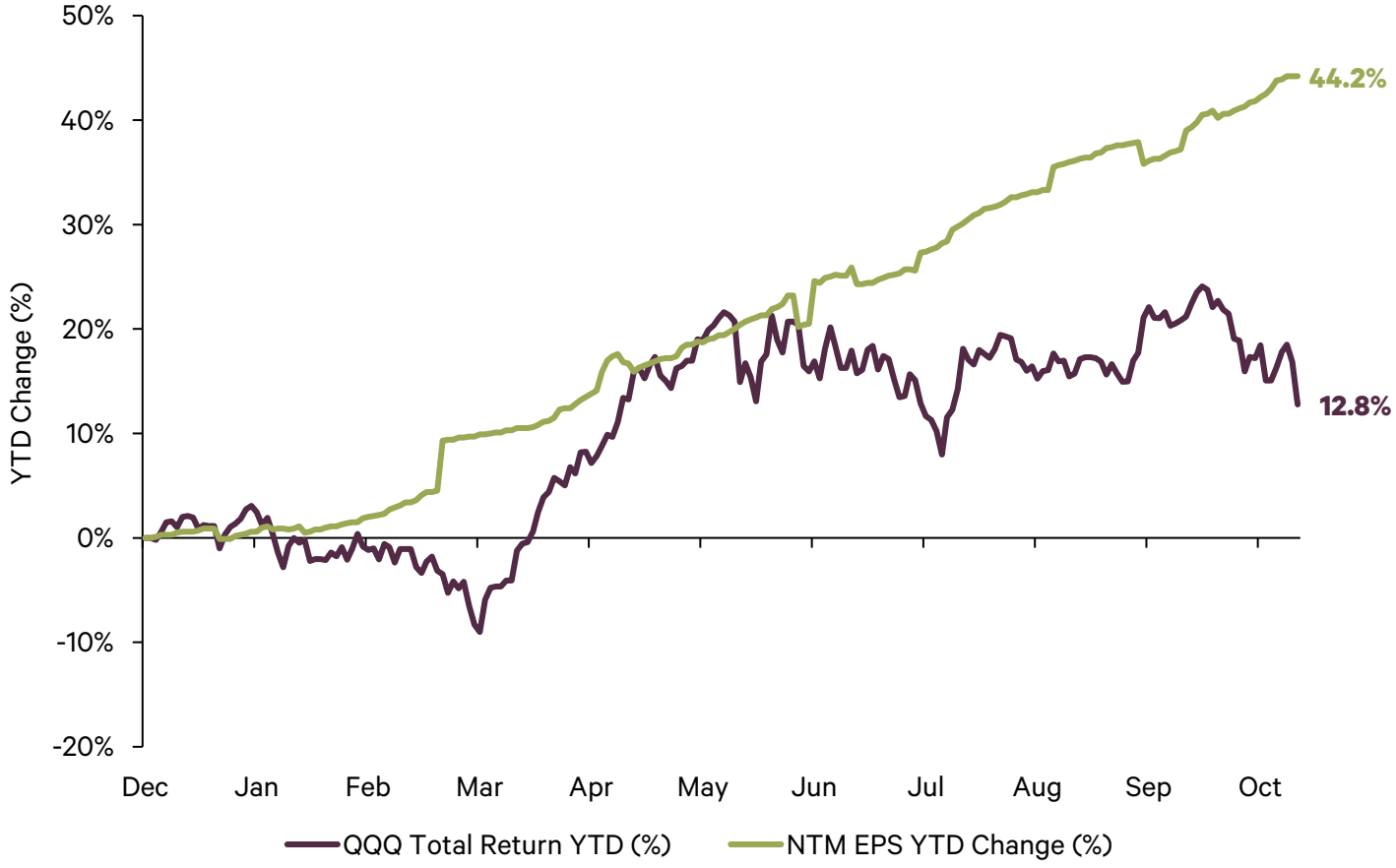
Sources: Pathstone with data from Bloomberg as of 10/30/2026

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A stealth bear market in ~half of the Nasdaq despite earnings growth

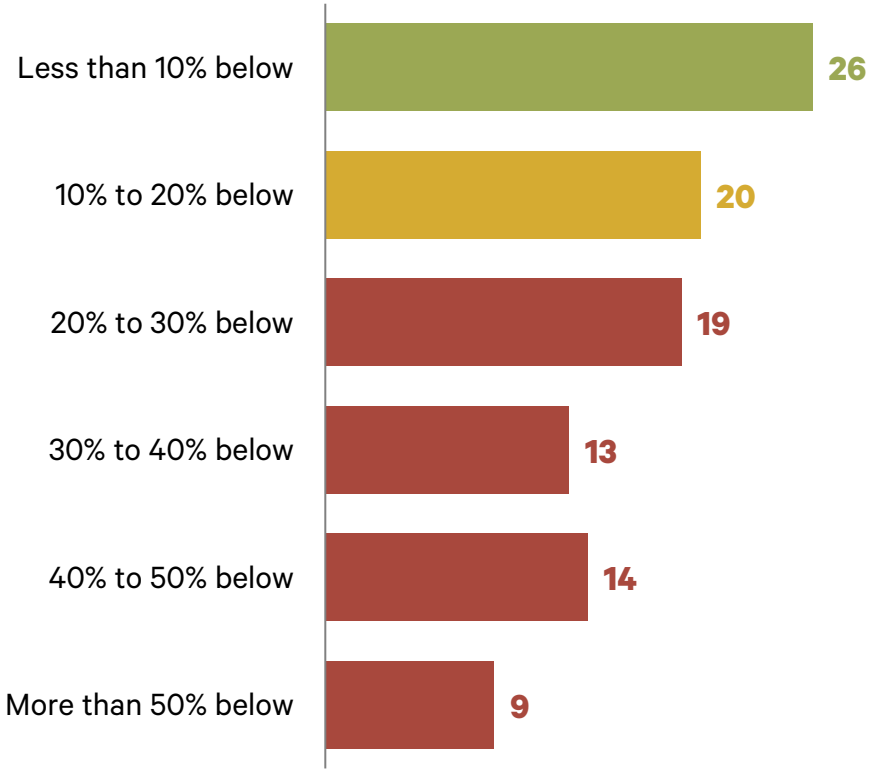
This pullback has brought down the Nasdaq-100 forward P/E multiple to 20.1x, which is below the trailing 10-year average and right at the trailing 20-year average.

Nasdaq 100: YTD Total Return vs YTD NTM EPS Change



Sources: Pathstone with data from FactSet as of 10/30/2026

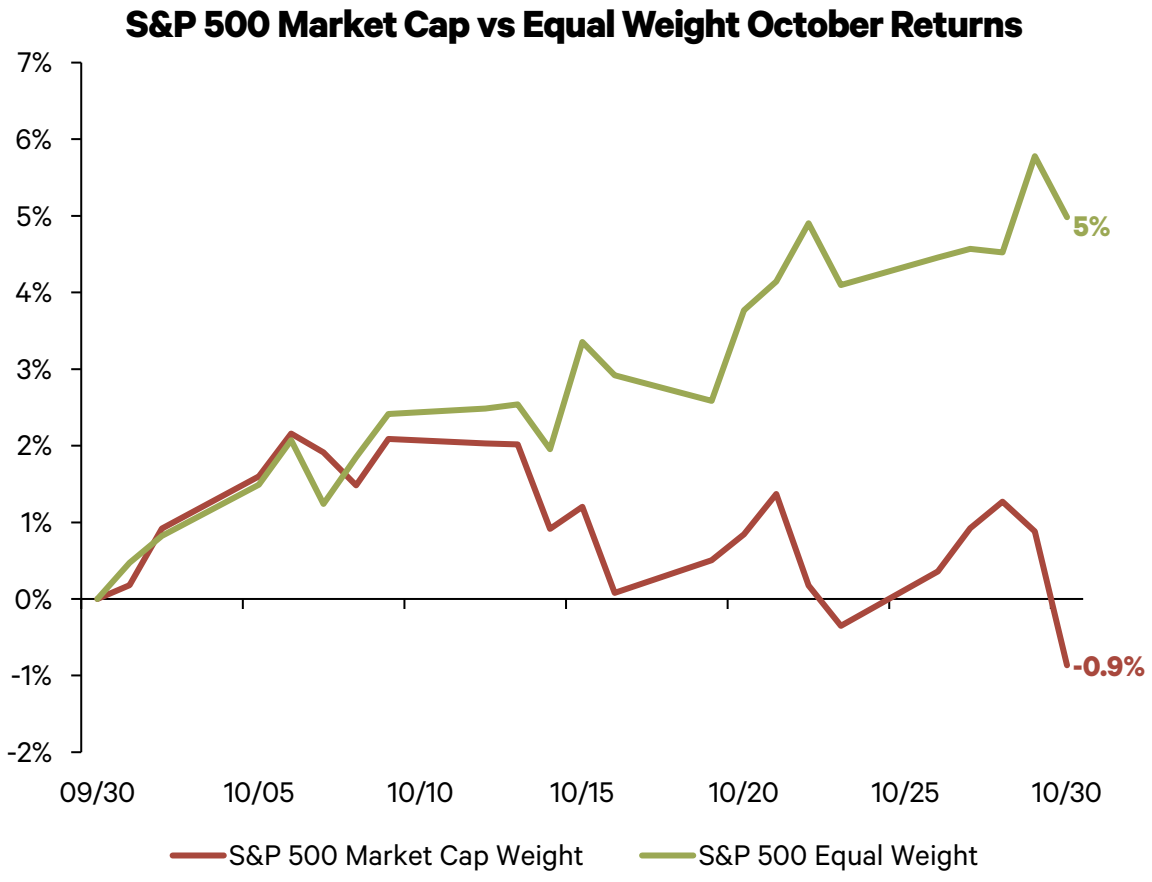
Number of Nasdaq-100 companies by drawdown from 52-week high



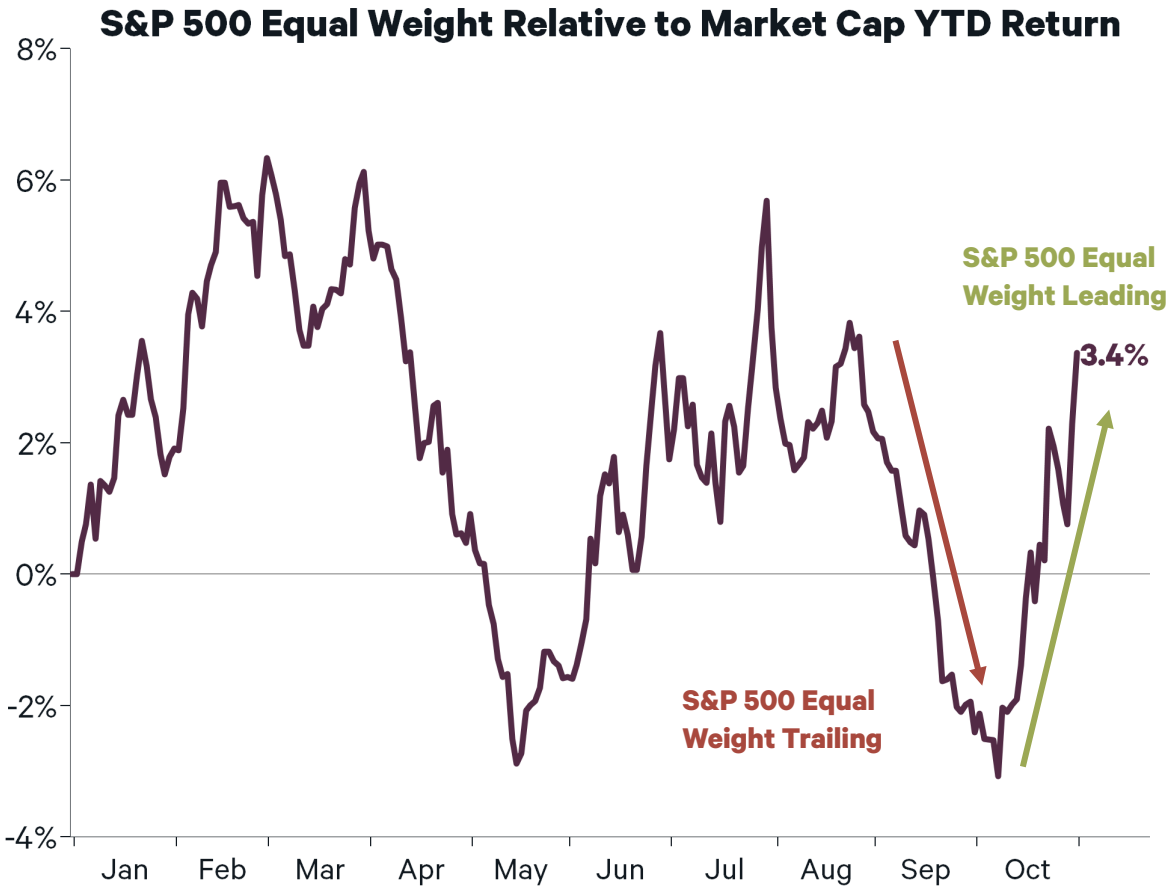
Sources: Pathstone with data from FactSet as of 10/30/2026

After 7 weeks of underperforming, S&P 500 Equal Weight recovers

Market breadth has been narrow this year. As semiconductors and megacap tech sold off in October, other sectors held up and outperformed, putting the equal-weight S&P 500 ahead of the market-cap index by nearly 6% in October, and regaining the lead YTD by over 3%.

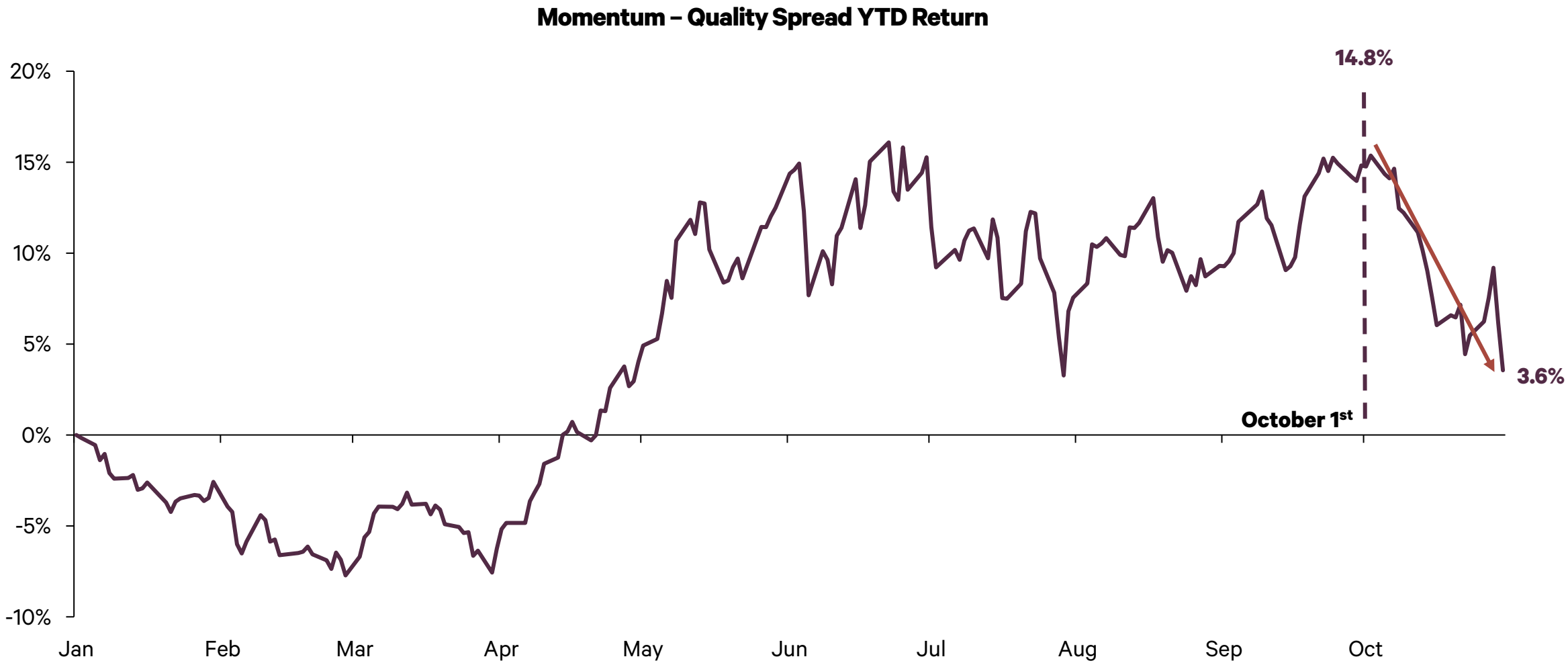


Sources: Pathstone with data from FactSet as of 10/30/2026



Sources: Pathstone with data from FactSet

Momentum has cooled off, while Quality has held up

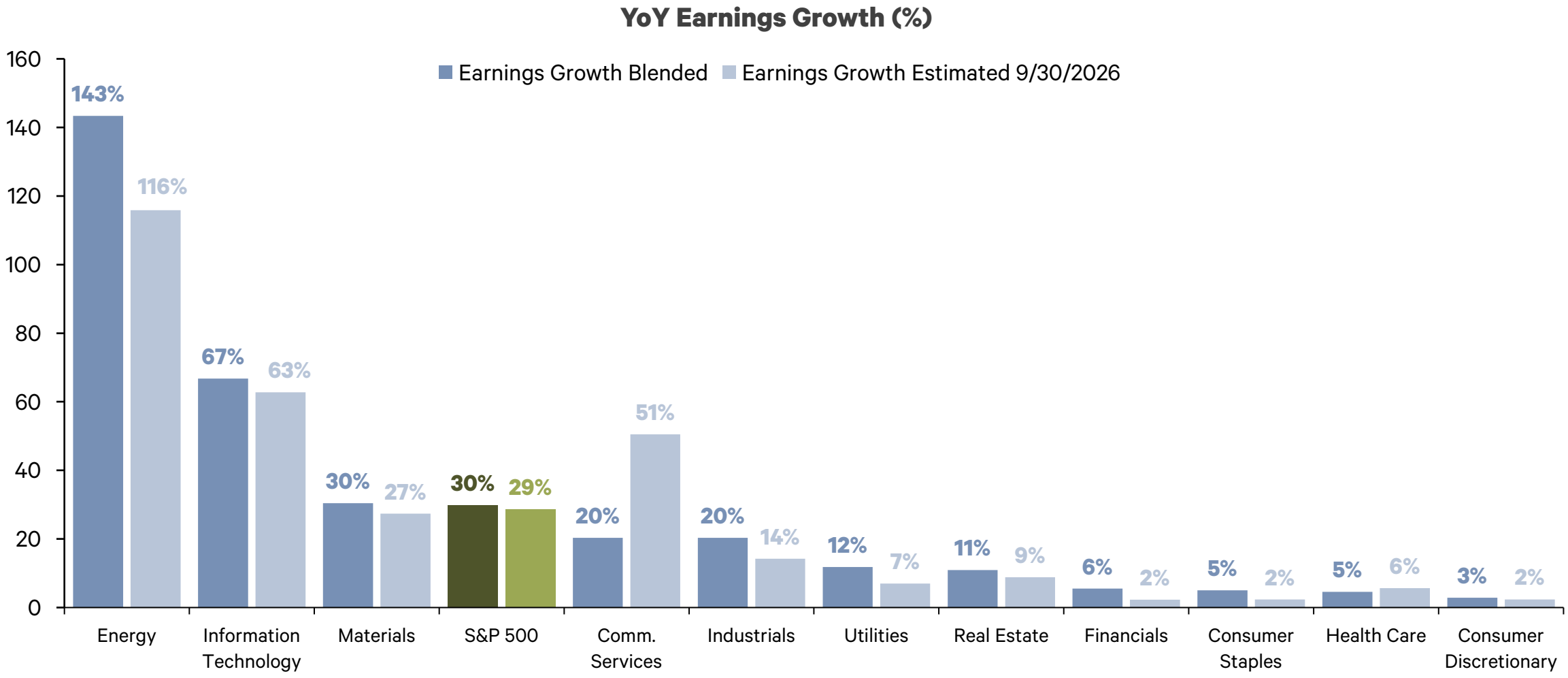


Sources: Pathstone with data from Bloomberg as of 10/30/2026

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S&P 500 Momentum Index: The S&P 500 Momentum Index (US Dollar) is designed to measure the performance of securities in the S&P 500 universe that exhibit persistence in their relative performance, selecting approximately 100 constituents with the highest risk-adjusted momentum scores and weighting them by a combination of float-adjusted market capitalization and momentum score, with semiannual rebalancing. S&P 500 Quality Index: The S&P 500 Quality Index (US Dollar) is designed to measure the performance of securities in the S&P 500 universe that exhibit strong quality characteristics, selecting approximately 100 constituents based on a composite quality score derived from return on equity, balance sheet accruals ratio, and financial leverage ratio, and weighting them by a combination of float-adjusted market capitalization and quality score, with semiannual rebalancing.

Earnings strength and broadening leadership offer a counterweight



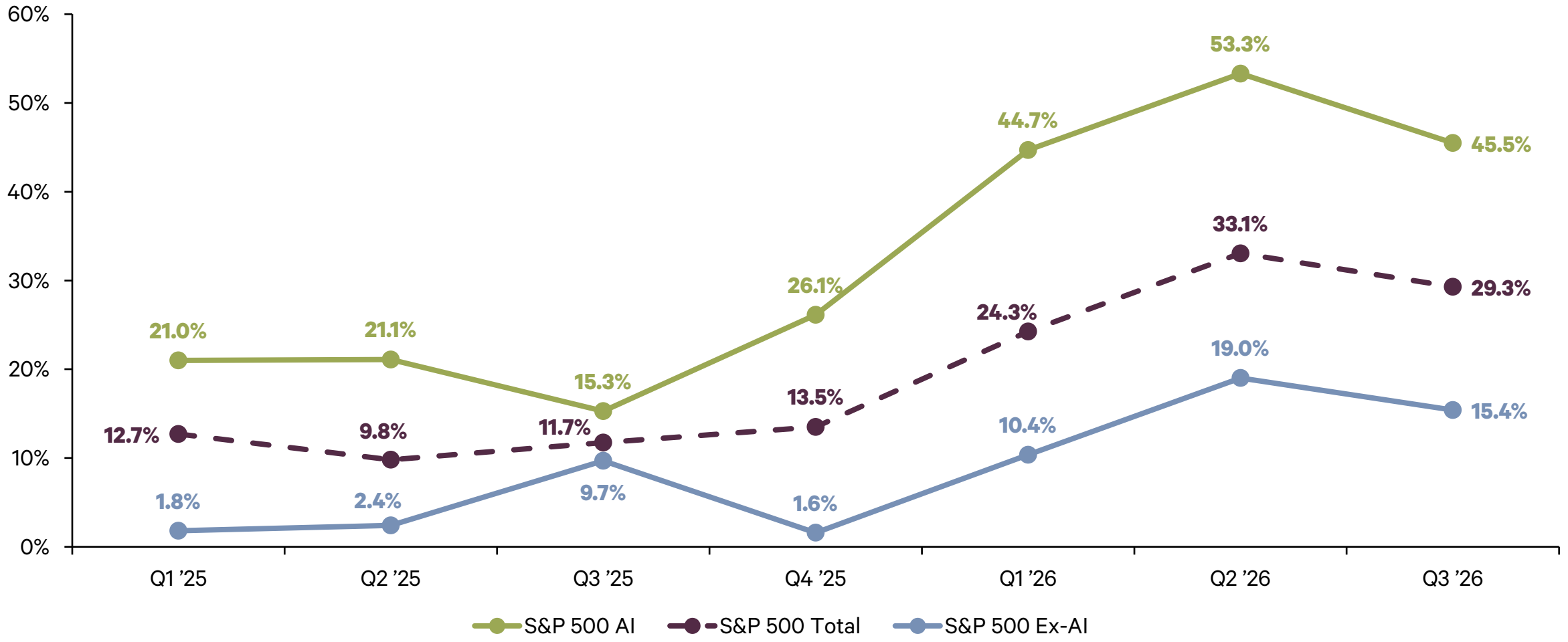
Sources: Pathstone with data from FactSet as of 10/29/2026

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Based on ~52% of S&P 500 companies (263 of 503) that have reported actual earnings as of 10/29/2026. Blended earnings growth represents actual reported results so far plus analysts' consensus estimates for the remaining companies that have yet to report.

AI companies out-earning, but uncertainty weighs on the stocks

AI vs. Ex-AI Contribution to Earnings Growth

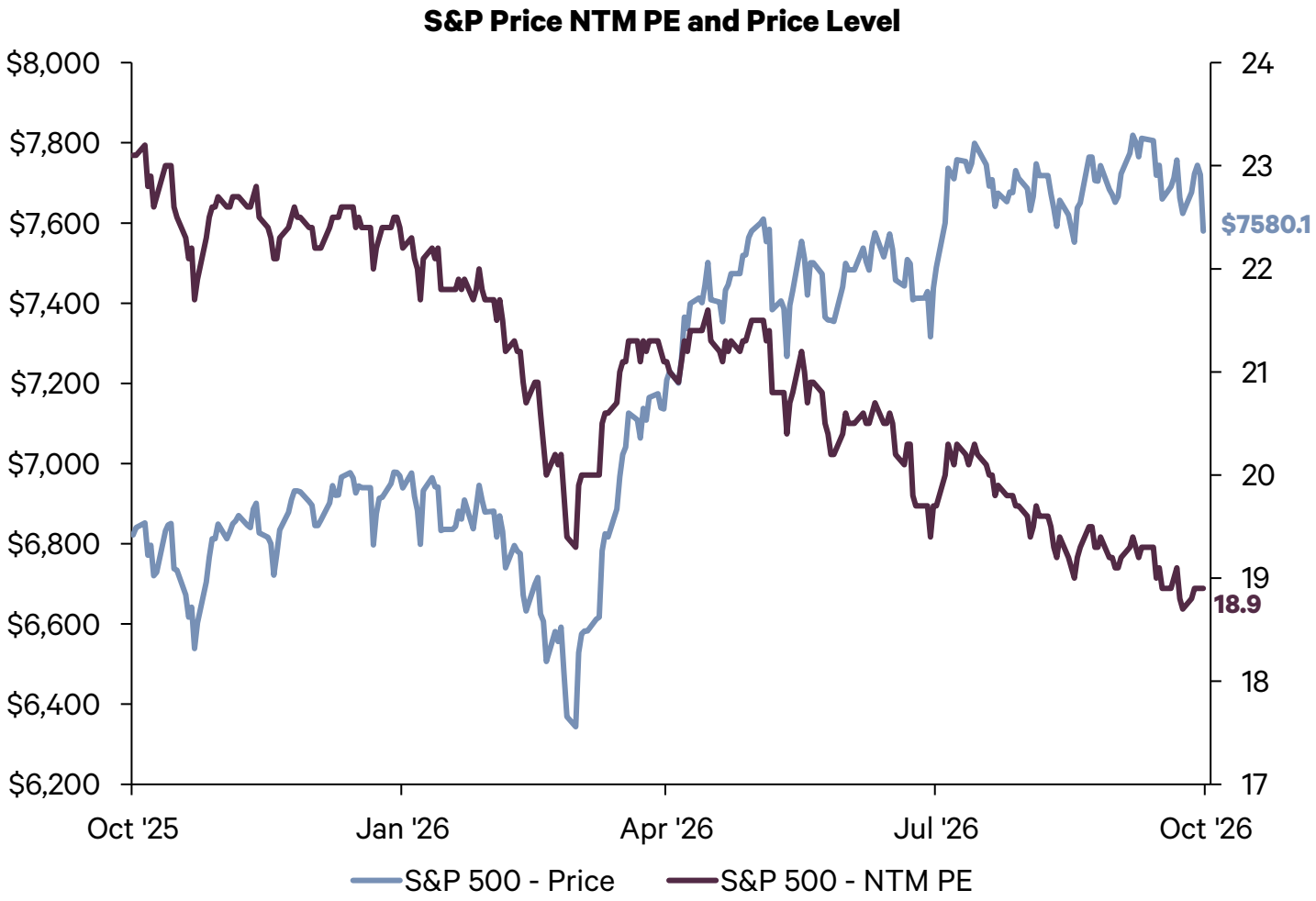


Sources: Pathstone with data from FactSet as of 10/29/2026

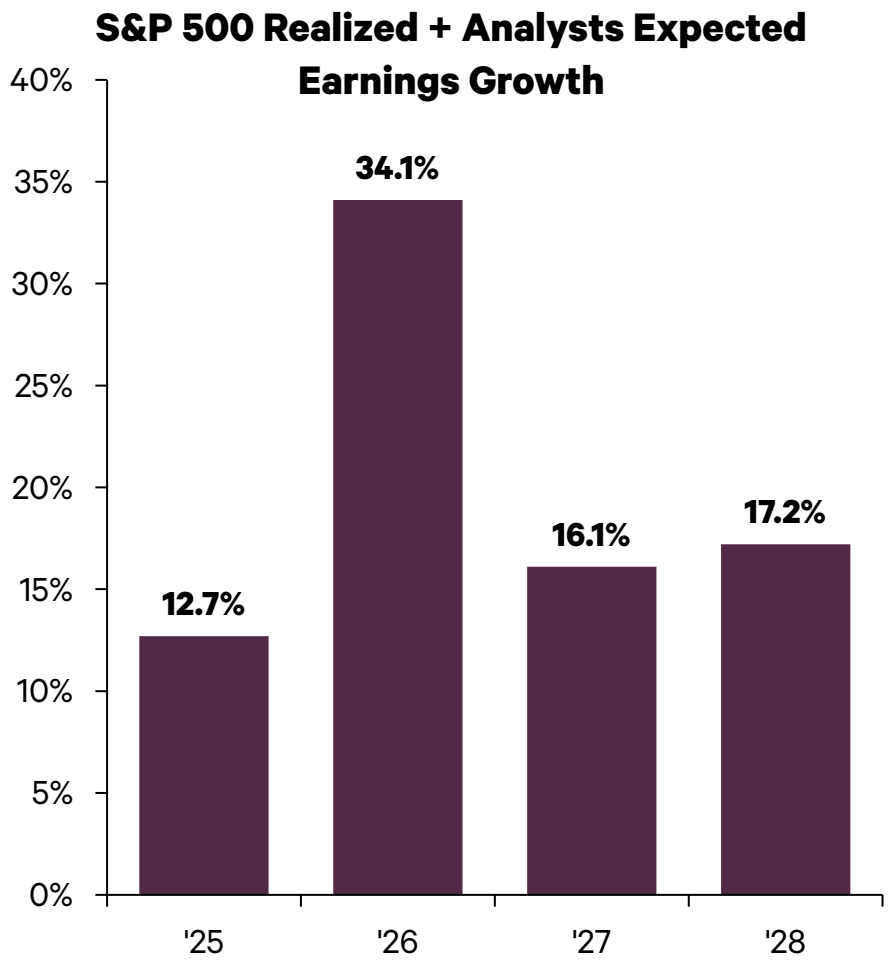
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Earnings growing faster than price in 2026 = lower valuations



Sources: Pathstone with data from FactSet as of 10/30/2026



Sources: Pathstone with data from FactSet as of 10/30/2026

NTM P/E Ratio: Aggregate market cap of its constituent companies divided by their collective estimated earnings over the next twelve months, reflecting how richly the broader market is valued relative to near-term profit expectations. NTM PEG Ratio: The market's forward price-to-earnings ratio divided by its expected earnings growth rate over the next twelve months, reflecting how expensive the market is relative to how fast it's projected to grow.

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US Equities by Size and Style

US Large Cap	Russell 1000 TR USD	The Russell 1000 Index consists of the largest 1000 companies in the Russell 3000 Index.
US Large Cap Growth	Russell 1000 Growth TR USD	Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
US Large Cap Value	Russell 1000 Value TR USD	Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
US Small Cap	Russell 2000 TR USD	The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.
US Small Cap Growth	Russell 2000 Growth TR USD	Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.
US Small Cap Value	Russell 2000 Value TR USD	Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.
US Mid Cap	Russell Mid Cap TR USD	Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.
US Mid Cap Growth	Russell Mid Cap Growth TR USD	Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.
US Mid Cap Value	Russell Mid Cap Value TR USD	Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

Global Equities

US Large Cap	S&P 500 TR USD	The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.
US Large Cap Tech	NASDAQ	The NASDAQ-100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ.
European Large Cap	MSCI Europe Large GR USD	The MSCI Europe Large Cap Index is a free-float weighted equity index.
European Small Cap	MSCI Europe Small Cap GR USD	Europe Small Cap - Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland and UKMSCI's Developed Market Indices are based on the share prices of approximately 1.60
Japan	MSCI Japan GR USD	The MSCI Japan Index is a free-float weighted equity index. This index prices in real time in USD.
Taiwan	MSCI Taiwan USD	The MSCI Taiwan Index is a free float weighted equity index. This index prices in real time in USD
Korea	MSCI Korea USD	The MSCI Korea Index is a free float weighted equity index. This index prices in real time in USD
India	MSCI India USD	The MSCI India Index is a free float weighted equity index. This index prices in real time in USD
Asia ex-Japan	MSCI AC Asia Ex Japan GR USD	The MSCI AC Asia ex Japan Index is a free-float weighted equity index. This index is priced in USD.
China	MSCI China USD	The MSCI China Index is a free-float weighted equity index. This index is priced in USD.
EM Latin America	MSCI EM Latin America GR USD	The MSCI EM Latin America Index is a free-float weighted equity index. This index is priced in USD.
EM Europe	MSCI EM Europe GR USD	The MSCI EM Europe Index is a free-float weighted equity index. This index is priced in USD.
Magnificent 7	Magnificent 7 Index	The Mag 7 index tracks the performance of the seven largest US-listed technology and communication companies: Apple, Tesla, Nvidia, Meta, Amazon, Google, and Microsoft
Expanded Tech Software	iShares Expanded Tech Software Sector ETF	An exchanged-traded fund that tracks U.S.-listed companies in the software industry, including application, systems, and interactive home entertainment software.
Semiconductors	iShares Semiconductor ETF (SOXX)	An exchanged-traded fund that tracks U.S.-listed companies engaged in the design, manufacture, and distribution of semiconductors.
Memory	Roundhill Memory ETF (DRAM)	An exchanged-traded fund that provides exposure to companies manufacturing dynamic random access memory chips and related semiconductor suppliers serving data center and computing industries

Fixed Income

Short-term Treasuries	Bloomberg 1-3 Yr US Treasury TR USD	The Bloomberg US Treasury 1-3 Yr Index measures the performance of US Treasuries with a maturity of between 1-3 years.
Long-term Treasuries	Bloomberg US Treasury 10+ Yr TR USD	The Bloomberg US Treasury 10+ Yr Index measures the performance of US Treasuries with a maturity of at least 10 years.
Inflation-Linked Bonds	Bloomberg US Treasury US TIPS TR USD	The Bloomberg US Treasury Inflation-Linked Bond Index (Series-L) measures the performance of the US Treasury Inflation Protected Securities (TIPS) market. Federal Reserve holdings of US TIPS are not index eligible and are excluded from the face amount outstanding of each bond in the index.
Municipal Bonds	Bloomberg Managed Money Short/	Bloomberg Managed Money Short/Intermediate Total Return Index Unhedged USD
Mortgage-Backed Securities	Bloomberg US MBS TR USD	The Bloomberg US Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.
Short-term Investment Grade	Bloomberg USD Corp Bd 1-5 Yr TR USD	Bloomberg US Corporate 1-5 years Total Return Index Value Unhedged USD.
Long-term Investment Grade	Bloomberg US Corp Bond TR USD	The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.
High Yield	Bloomberg US Corporate High Yield TR USD	The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.
EM Aggregate Bonds	Bloomberg Emerging Markets Hard Currency Aggregate Index	The Bloomberg Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.