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# Daily Commentary

## And Now What to Do?

23rd November 2026

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Seven consecutive declines for the S&P500 index, a streak not seen since February 2020, and a week closed with a loss of more than **8.0**%, the worst since the Liberation Day of April 2025, with the index slipping below the 200-day moving average and officially entering correction.
Just above 6,900 points, **the S&P500 index is back almost to its levels at the start of the year**.
The Nasdaq 100 lost **10.4**% in five days, the worst week since March 2020, and is one step away from a bear market, about **20**% below its peak of 6 October.
Semiconductors did worse than everything else, −**17.0**% on the week and −**33.0**% since the beginning of October.
**There was nowhere to hide.**
Gold lost **9.5**%, Bitcoin more than **14**%, copper more than **9**%.
Only Treasuries worked, with the ten-year yield back below **5.0**%.
On Thursday, even utilities and consumer staples were sold.
**When even the hiding places are sold, rotation becomes liquidation.**

We recounted the causes day by day.
Nvidia did with its results everything one could ask for, but it lost its founder, will be more selective in financing customers, and on Friday received a new SEC investigation.
Nvidia's stock posted −**20**% on the week, the worst result since October 2008.
The Anthropic IPO, the largest in history, drained liquidity everywhere and is back close to the **83** dollars of the placement, and above all a Fed that keeps talking about rate hikes, while bonds and



Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
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commodities price in a slowdown.

The VIX (the implied volatility index on the S&P500 index, also known as the "fear index") rose by more than **16 points** in a week, the fifth largest jump since 1990, closing above **37**.
The panic index of the derivatives desk of a leading American investment bank touched **9.8** out of 10, the highest value ever recorded.
We are in full fear, the question everyone is asking is just one, now what to do?

In the short term, the investment houses agree.
Hedge funds are depleted as they have not been in years, with net exposure at its lowest in more than five years, technology sold at the fastest pace of the decade and weighted at around **18**% against **29**% for the index.
With positioning this light, an American bank calculates, the S&P500 index has gained on average **6.3**% over the following three months.
**The bad news is that it was mostly fast operators who sold, the others did not**.
Investors, other than dealers, remain long Nasdaq 100 futures for USD **53** billion, against a ten-year average of USD **6.5** billion.
Managers hold just **3.6**% in cash, only **3**% fear a hard landing and over the last four weeks equity funds have raised the record amount of USD **310** billion.
Finally, CTAs (systematic trend-following funds), already short USD **19** billion, will remain sellers this week too.
**Prices have capitulated, but portfolios**


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**have not.**
The verdict is almost unanimous, **there is room for a rebound yes, but until the Fed changes its tone it will not be a bottom**.

Before this week, the VIX had made a larger weekly jump only four times: October 2008, May 2010, February 2020 and April 2025.
The script is almost identical, market higher after one week in all four cases, lower again after two weeks in three out of four and, one year later, an average gain of **26.5**%.
Rebound, trapdoor and then wealth.
There is, however, a detail: **in all four cases, within a few weeks, someone intervened**.
The bank recapitalizations of 2008, the European rescue of 2010, the Fed's emergency cut in 2020, the tariff pause in 2025.
Today, whoever should intervene, the Fed, is still raising rates.
For this reason, on every desk the comparison with **2018** is circulating, with a Fed that was tightening in a market already under stress, a brief rebound at the end of November and then a December to forget, down to the Christmas Eve low and J. Powell's U-turn.
A full replica would take the S&P 500 to **6,294 points**.
Other desks look at **2000**, when the problem was not positioning, but earnings, and the Nasdaq posted twelve rebounds of more than **10**% within a two-year bear market.
Positioning accident or end of the investment cycle?


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**Everything is decided here.**

In support of this report, Zeygos Research ran an analysis of **61** US tech stocks, breaking the decline into two parts, how far the price has fallen and how much estimates have been cut.
In thirty days, the median stock lost **17.5**%, while the median twelve-month earnings estimate rose by **3.3**%, with **50** stocks revised up and **9** down.
**The market pays less for the same earnings**.
From here, valuations emerge that have not been seen in years, with **48** stocks out of **55** trading below the average of their own forward P/E (price/expected earnings ratio) of the last five years, at a median discount of **30**% and with **13** stocks that are even below the low of the period.
Nvidia is the extreme case at **8.1** times expected earnings, against a record low of **14.4** and an average of **33.6**, with estimates raised by **5.8**% in two weeks.

Valuations look attractive, **provided earnings hold**.
Indeed, estimates arrive late and the risks the market is pricing in (data center financing, rates, export rules to China) are not yet in the models.
Hyperscalers (large cloud operators) forecast USD **1,300** billion of investment in 2027 with negative free cash flow of USD **283** billion.
That hole has to be financed, and the ecosystem's main financier, Nvidia, has just closed the window.
The charts seem to anticipate earnings



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cuts.
Intel, which has already revised its estimates, is starting to do better than the others.
Some cracks are already visible.
On Alphabet and Broadcom, analysts' opinion began to deteriorate even before average estimates moved.
Micron and Super Micro at **3** times earnings say the market considers those earnings a cycle peak.
**A low multiple on peak earnings is not a discount, it is often a trap.**

However, **the engines of a rebound are there**.
On Friday, monthly options expired, and with them the dealers' record negative gamma (a position that forced them to sell on declines and buy on rallies, amplifying every move), because with the expiry, the accelerator switches off.
Underweight hedge funds only need the market to stop falling to be forced to buy back.
Moreover, before Friday's crash, **68**% of world stock markets were below the 50 and 200-day averages, and at **88**% a classic contrarian buy signal is triggered.
Finally, the Fed could get the message: for one strategist the quickest way to stop rate hikes is the S&P500 index below **6,845** points, that is, the wiping out of the 2026 gains, a little over **1.0**% from here.
Meanwhile, something is moving, because the December hike is no longer priced at **100**%, consumer inflation expectations have fallen from 4.7% to **3.7**% and oil is below **85** dollars a barrel.
Then, the events to watch, the new CEO


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of Nvidia, expected within days, and Anthropic's entry into the Nasdaq 100 in December, with about USD **19** billion of passive purchases.

**For a more lasting rally, however, several conditions are still missing**, the 10-year Treasury yield below **4.5**% (now at 4.91%), oil (WTI) below **70** dollars a barrel (now, at 83.4), the dollar having peaked (now at the highs since April 2025) and, above all, a **Fed that stops wanting to "shock" the market**.
Unfortunately, the calendar does not help, a short week for the Thanksgiving holiday, liquidity at the lows, on Wednesday, PCE inflation (the personal consumption index preferred by the Fed), then in December employment, consumer prices and finally the Fed meeting of 9 December.

And now what to do?
Those with a short horizon can ride the rebound, knowing that precedents signal a second leg down within two weeks.
Those who look further ahead have in front of them valuations that are rarely seen, but must keep ammunition for December and choose where estimates are really rising, leaving aside low multiples on peak earnings.
**The market has set the price.**
**Now earnings must speak.**


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