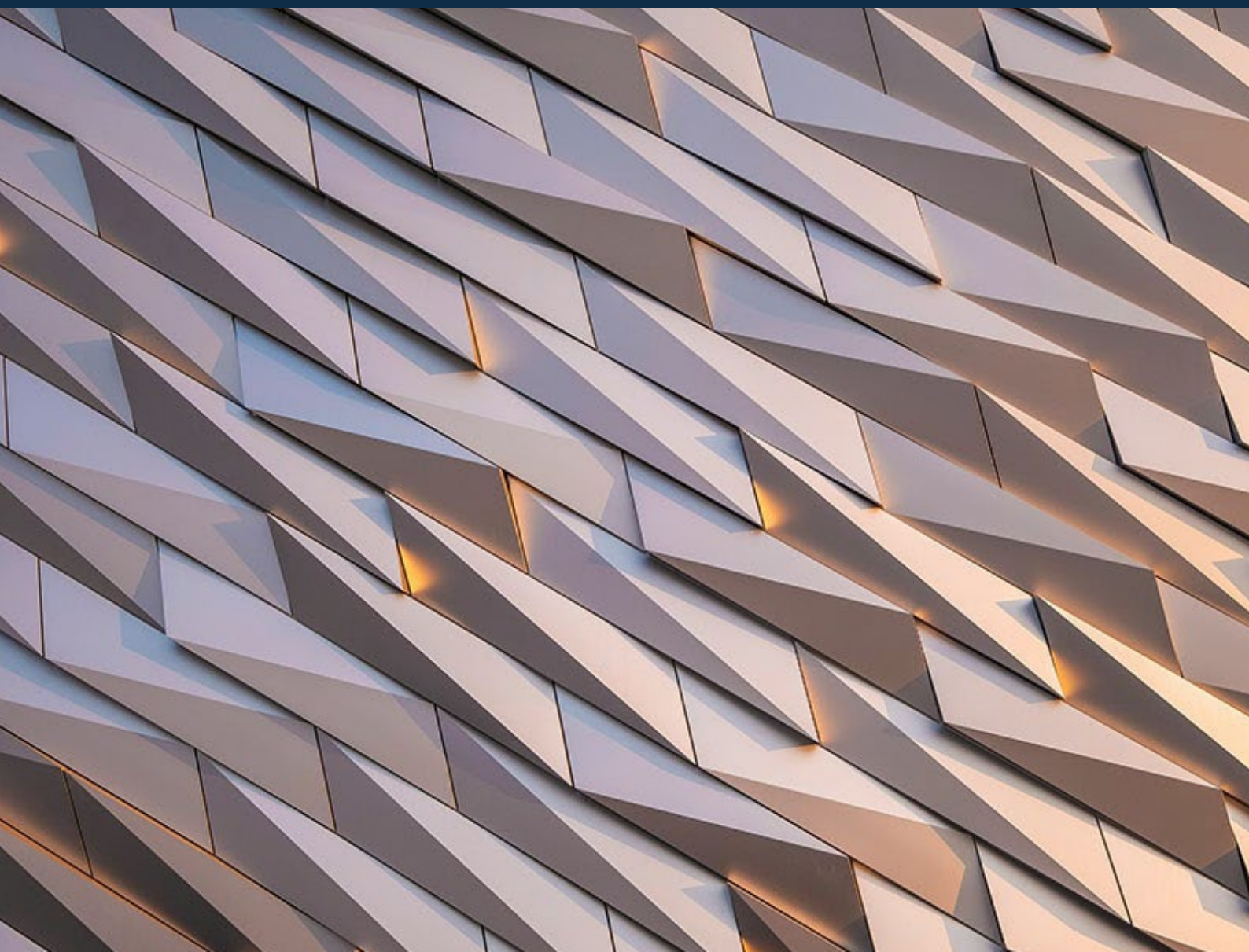
EVLI

Atlas Monthly Equity Navigator

NOVEMBER 2026



Hammered, Not Broken

October and early November put the AI trade to its sternest test of the year. AI infrastructure stocks and other AI-linked themes sold off hard as worries about the scale of datacenter spending, hyperscaler debt levels and a mixed earnings season came to a head. In euro terms, global equities ended October flat, but the surface calm hid violent dispersion: the Nasdaq Composite fell 5.3% in dollar terms, while the equal-weighted S&P 500 gained 5.0%, its widest monthly outperformance over the headline index since 2009. The selling intensified at the turn of the month: Intel fell roughly 29% after weak guidance on 30 October, and on 5 November the Philadelphia Semiconductor Index dropped 12.3%, its worst day since March 2020, leaving chip stocks around 30% below their recent highs.

Beneath the market turbulence, the global economy remains surprisingly strong. US GDP grew at an annualized 3.4% in the third quarter, powered by the AI investment boom, and Taiwan's 14.4% growth, its fastest in 48 years, shows how far the AI capex cycle reaches. Global manufacturing is recovering too: the J.P. Morgan Global Manufacturing PMI has signalled expansion for 15 consecutive months, and the US ISM manufacturing index rose to 55.5 in October. The price of this strength is sticky inflation and higher rates. US consumer prices rose faster than expected in October and the US 10-year yield climbed to 4.88%, a headwind for equity valuations.

Despite the setback, we don't think the AI boom is over. Demand for compute is still growing, adoption remains at an early stage and valuations have already corrected meaningfully, discounting higher rates and greater uncertainty over the coming years' datacenter investment outlook. We remain positive in the short term and believe AI and Electrification themes have room to rebound. But the next phase of the AI cycle will be about winners and losers, overall risk has grown, and a slowdown in datacenter investment over the next one to three years is possible. Investors should weigh these risks and, where possible, diversify into non-AI themes as well.

1. AI Infrastructure Under Pressure
    - Capex and election jitters: Investors grew increasingly uneasy about the size of hyperscaler capex, rising debt and the return on these investments, and disappointing guidance from parts of the chip sector added fuel. The Democrats' midterm win then raised fears that local opposition could slow datacenter construction. We see that reaction as overdone: opposition to datacenters predates the vote, and the technology giants financing the buildout remain financially strong.
    - Deeply oversold: Positioning has been washed out. Prime brokerage data show hedge funds underweight AI stocks relative to their market-cap weight for the first time since early 2023, and several measures showed the Nasdaq 100 as oversold in early November as it was at the 30 March low. The first rebound came quickly: on 9 November the semiconductor index rose 6.9% in a broad rally in which all 11 S&P 500 sectors gained.
2. The Case for AI Demand Remains Strong
    - Still early in the buildout: US technology investment has climbed to about USD 1.8 trillion, or 5.4% of GDP, which looks alarming at first sight. But Alpine Macro points out that much of the nominal surge reflects soaring input prices: chip prices are up 22% this year, GPU rental rates around 60% and electricity prices more than 30% since 2022. Measured in real terms, the AI buildout still looks comparable to the internet buildout around 1995, with a long runway ahead.
    - Adoption has only just begun: Spending on AI per employee has only taken off across the broader economy since early 2026, and adoption is roughly where broadband was in 2000, when just 3% of US households were connected. Demand for tokens and AI services, the ultimate driver of compute investment, shows no sign of softening. The earnings season was mixed rather than weak: S&P 500 earnings grew 31.4% in the third quarter and 84% of companies beat estimates, although the beats were smaller than usual.
3. Strong Economy, Sticky Inflation
    - Manufacturing recovery: The global manufacturing PMI stood at 52.6 in October, just below September's highest reading since February 2022, with technology demand driving the expansion. The US labour market is firm as well: the economy added 165,000 jobs in October against a forecast of 65,000, and unemployment fell to 4.1%. No recession is in sight.
    - Perky inflation, elevated yields: October US consumer prices rose 0.4% month-on-month and core prices 0.3%, both faster than expected, and input price inflation in manufacturing is accelerating. The US

two-year yield rose to 4.52% and the ten-year to 4.88%. Higher discount rates weigh most on long-duration growth stocks and remain a key risk for valuations.

4. Valuations Have Already Reset
    - **Multiples have come down:** The S&P 500's forward P/E has fallen from 22.0 at the start of the year to 17.7, its lowest since November 2023, as earnings estimates have risen 33.6% while the index is up only 7.4%. The technology sector's forward P/E dropped to 17.3, its lowest since March 2020. Much of the higher-rate and capex uncertainty is therefore already priced in.
    - **From growth stocks to infrastructure:** Hyperscaler share prices have gone nowhere for over a year and their multiples have fallen by about a quarter since October 2025. As they build the "AI highways", capital intensity rises and returns on capital will likely fall, making them look increasingly utility-like. Meanwhile, earnings growth is broadening: forward EPS growth for the equal-weighted S&P 500 is accelerating while hyperscaler earnings growth is slowing.

Global Equity Performance

United States

- US equities gained 0.8% in euro terms in October, helped by a stronger dollar, but the flat headline hid a sharp rotation. AI-linked technology sold off, while US Defensives rallied 12.7% and US Financials rose 7.6%; US Cyclicals fell 2.1%. The equal-weighted S&P 500 beat the cap-weighted index by the widest margin since 2009, and Value outperformed Growth by around 10 percentage points, one of the widest monthly spreads on record. The technology sell-off deepened in early November before a broad rebound began.

Europe

- European equities proved a relative safe haven in October, rising 1.9% in euro terms, while the Nordic markets gained 5.0%, the strongest of the regions. The region's lower exposure to AI technology helped, but the rotation was sharp: European Defensives rose 11.5%, while Cyclicals fell 3.5% and Financials 4.3%. Third-quarter earnings were strong, with STOXX 600 earnings growth of 33.8%, although energy alone contributed 19.2 percentage points of it. Concerns over France's fiscal position remained a headwind, widening the French-German government bond spread.

Emerging Markets

- Emerging Markets were the weakest of the major regions, falling 6.4% in euro terms in October, and Japan also declined 2.0%. Technology-heavy Korea and Taiwan bore the brunt of the AI sell-off, while a stronger dollar, elevated oil prices and country-specific risks added pressure: in US dollar terms, China fell 7.0% and Indonesia 13.8%. Earnings momentum remains exceptional, however, with consensus 2026 EM earnings growth revised up from 18.2% in January to 75.7%, and we expect EM equities to take part in a rebound.

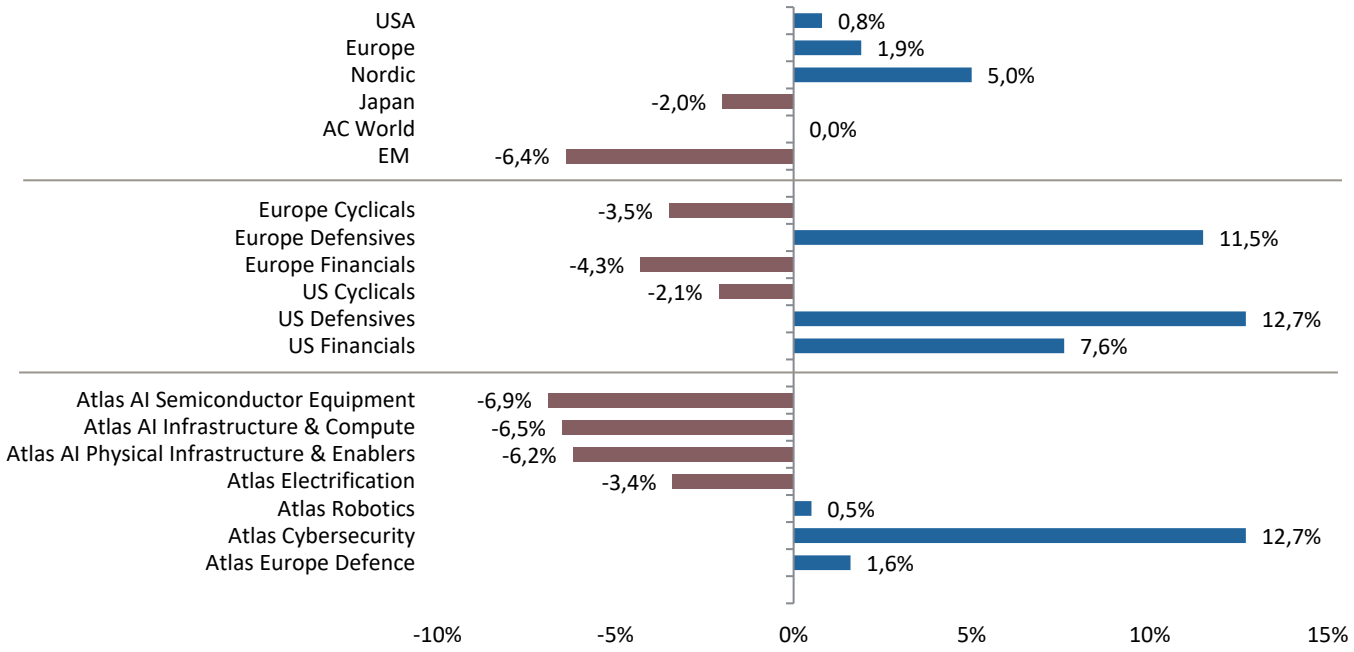
Themes & Styles

October's theme returns showed the dispersion clearly. The AI-related Atlas themes fell hardest, with AI Semiconductor Equipment down 6.9%, AI Infrastructure & Compute 6.5% and AI Physical Infrastructure & Enablers 6.2%, while Electrification lost 3.4%. Robotics held flat at +0.5%, and Cybersecurity was the standout with a 12.7% gain, alongside Europe Defence at +1.6%. After the sharp sell-off, positioning is light, valuations have reset and the economic backdrop remains supportive, so we stay positive in the short term and see room for AI and Electrification themes to rebound. Still, the AI cycle is entering a more selective phase, and investors should consider diversifying into non-AI themes where possible. We continue to favour AI-related themes with tangible demand, alongside more defensive dividend, quality and value-focused themes.

- Thematic opportunities:
    - **AI Physical Infrastructure:** The picks and shovels of the AI buildout, from datacenter construction and cooling to networking and power equipment, are backed by tangible order books and long-dated contracts. After the sell-off, valuations offer a better entry point, and we see room for a rebound.

- **Electrification:** Datacenter power demand, grid investment and the manufacturing recovery all support the theme. Electricity prices up more than 30% since 2022 show how tight supply has become, and demand for grid capacity does not rest on AI alone.
- **Robotics & Automation:** Industrials are likely to be among the biggest winners as AI moves from the datacenter onto the factory floor. Faster automation and the optimisation of manufacturing processes could lift productivity and profits for years.
- **Dividend Themes:** Companies with steady cash flows and reliable payouts add defensive ballast. October showed their value: in euro terms, US Defensives rose 12.7% and European Defensives 11.5% while technology fell.
- **Quality:** As uncertainty rises, investors increasingly reward strong balance sheets, high returns on capital and earnings visibility. Quality companies at reasonable valuations offer a sound way to stay invested.
- **Value:** Value outperformed Growth sharply in October, and profit growth is broadening beyond the largest technology companies. Value themes, including European value, diversify portfolios away from AI concentration.

Atlas Equity Chart of the Month: Equity market returns, euro returns, October 2026



Source: Evli Atlas Portfolio Technologies; Total returns in euros.

Key Risks & Considerations

AI Investment Slowdown: We don't think the AI boom is over, but a slowdown in datacenter investment over the next one to three years is possible. Several hyperscalers are competing to build similar capacity, which raises the risk of overinvestment and falling returns on capital, while local opposition, power constraints and funding costs could delay projects. The first warning sign would be a sustained softening in spending on AI services.

Ever Higher Interest Rates: A strong economy comes with sticky inflation, and rising input costs across the AI supply chain add to price pressures. If inflation stays perky and the US 10-year yield keeps grinding higher from current levels near 4.9%, equity valuations would come under renewed pressure, especially for long-duration growth companies and capital-intensive AI names.

Geopolitical and Macro Shocks: Oil fell sharply in early November on hopes of an end to the Iran war, but the conflict, fiscal strains in countries such as France and upcoming US funding deadlines can still trigger sudden risk-off moves. The jump in volatility during the sell-off showed how little tolerance markets currently have for bad news.

A Market of Winners and Losers: The AI trade will no longer lift all boats. Hyperscalers are becoming more capital-intensive and utility-like, consumer-related sectors could lose out if AI widens income gaps, and portfolios concentrated in a handful of AI names carry more risk than a year ago. Stock and theme selection matter more than ever.

Final Thoughts

The October shake-out hammered AI stocks, but it did not break the investment case. Demand for compute is still growing, adoption is only beginning to spread across the economy, and the companies financing the buildout remain financially strong. In real terms, the AI investment cycle still looks early rather than late.

In the short term, the setup looks constructive. Valuations have reset and already discount higher rates and greater uncertainty over datacenter investment, positioning is light, and the economy is strong, supported by the AI investment boom in the US and a recovery in global manufacturing. We believe AI and Electrification themes have room to rebound into year-end.

Looking further ahead, the overall level of risk has grown. A slowdown in datacenter investment over the next one to three years is possible, inflation and bond yields could keep rising, and geopolitical shocks remain a constant threat. The next phase of the AI cycle will separate winners from losers rather than reward the whole theme.

Our advice is to stay invested but broaden the base. Keep exposure to AI themes with tangible demand, such as Physical Infrastructure, Electrification and Robotics, and balance them with dividend, quality and value-focused themes. Investors who weigh the risks now and diversify beyond AI will be better prepared for a market of winners and losers.

What is Atlas?

Atlas is an intelligent platform empowering investors to build and manage highly personalized equity portfolios. Leveraging data and AI, we craft strategies aligned with your precise investment style, objectives, and sustainability goals—from classic value to emerging themes like AI.

- **True Personalization:** Go beyond generic models. Our AI helps craft strategies that perfectly reflect your vision.
- **Unprecedented Flexibility:** Don't get locked in. Shift from value to growth, or adjust thematic tilts, as your outlook evolves.
- **Powered Customization:** If our expert-designed, ready-made portfolios don't fit, our Atlas team of seasoned portfolio managers with the help of our proprietary AI engine will build a unique strategy for you.

Invest intelligently. Adapt instantly. That's Atlas.

Find out more about Atlas on https://www.evli.com/en/atlas or contact us at Atlas@evli.com.

EVLI

LinkedIn – Evli

Facebook – Evli

Message Service X – Evli Funds

evli.com

This report is intended only for the client's personal and private use. This report is based on sources that Evli Plc considers correct and reliable. However, neither Evli Plc nor its employees give any guarantee concerning the correctness, accuracy or completeness of any information, views, opinions, estimates, or forecasts presented in this review, nor are they liable for any damage caused by the use of this publication. Evli is not responsible for any material or information produced or published by a third party that may be contained in this review. The information provided in the review is not intended as investment advice, or as a solicitation to buy or sell financial instruments. Past performance is not a guarantee of future returns. This publication may not be copied, distributed, or published in the USA, and it is not intended for citizens of the USA. This material is not intended for persons resident in countries where the activities carried out by Evli Plc have not been authorized by law. This publication, or any part thereof, may not be copied, distributed, or published in any form without Evli Plc's written, advance consent. All rights reserved.

Evli Plc | Aleksanterinkatu 19 | P.O. Box 1081 | FI-00100 Helsinki, Finland | Tel. +358 (0)9 476 690 | evli.com