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THE BIG PICTURE OF GLOBAL ECONOMICS

GLOBAL CIO WEEKLY BY GARY DUGAN



Sanctum View

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GCIO Weekly I - The Week Markets Ran for the Exit

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- **Nowhere to hide. World shares fell 8.1% last week, and the Nasdaq has lost all its gains for 2026. Gold, oil and bitcoin fell too. This was forced selling, not a calm rethink of value.**
- **Three triggers at once. Nvidia's leadership crisis, a cool start for the Anthropic listing, and a Fed under Kevin Warsh that is still raising rates.**
- **Bonds and diversification worked. US 10-year yields fell 19 basis points, and Switzerland, India, the Gulf and defensive sectors held up.**

- **A correction, not a bear market. Markets are deeply oversold and profit forecasts outside technology are holding up. But the December Fed meeting is the next test, and we would not rush back into the crowded AI names.**

Last week was one of the worst for global equities in years. Global Equities fell 8.1% in five days. The S&P 500 lost 8.6%, its worst week since the tariff shock of April 2025. The Nasdaq fell 10% and has now given up all of its gains for the year. The Dow fell 8%, its worst week since March 2020. Friday alone took 3.7% off the S&P 500 and 5.3% off the Nasdaq.
What made the week unusual was that there was almost nowhere to hide. Shares, gold, silver, copper, oil and bitcoin all fell together. Only government bonds, the dollar and a few defensive markets held up. That pattern tells us this was forced selling of whatever could be sold, not a calm rethink of value.

What drove it
Three stories came together. **The first was Nvidia.** The company that has carried the AI trade lost its founder and chief executive, Jensen Huang, who resigned on 12 November after revelations about his personal conduct. Days later the Wall Street Journal reported that the SEC had opened a civil probe into whether Nvidia's disclosures misled investors. The company then reported very strong results and raised its growth forecast, but warned that profit margins would slip. The shares fell anyway, by around 23% over the week. When excellent numbers cannot lift the market leader, investors start to question the whole story.

The second was the Anthropic listing. The AI company floated on the Nasdaq on 19 November at $83 a share and opened at $111.50. Rather than reviving the AI trade, it gave investors a chance to take profits, and the shares fell 8.5% on Friday, closing at $88.9. Reports that its revenue growth had slowed sharply added to the doubts.

The third was the Federal Reserve under Kevin Warsh. Last week's data showed both strong growth and sticky inflation: retail sales beat forecasts and import prices kept rising. The minutes of the October Fed meeting were more hawkish than expected. Almost all members saw further rate rises as appropriate, and a couple were open to more than a quarter-point in December. Markets now see a December hike as close to certain, and some banks expect two more by March. An AI sell-off with the Fed still tightening is a much harder setting than the AI wobbles of the past, which came while rates were falling.

Behind all three sits a market crowded into the same trades. The damage began earlier in the month, when fears that Democrats' midterm gains could slow the AI build-out sent the Nasdaq into correction on 5 November. Last week finished the job!

Equities

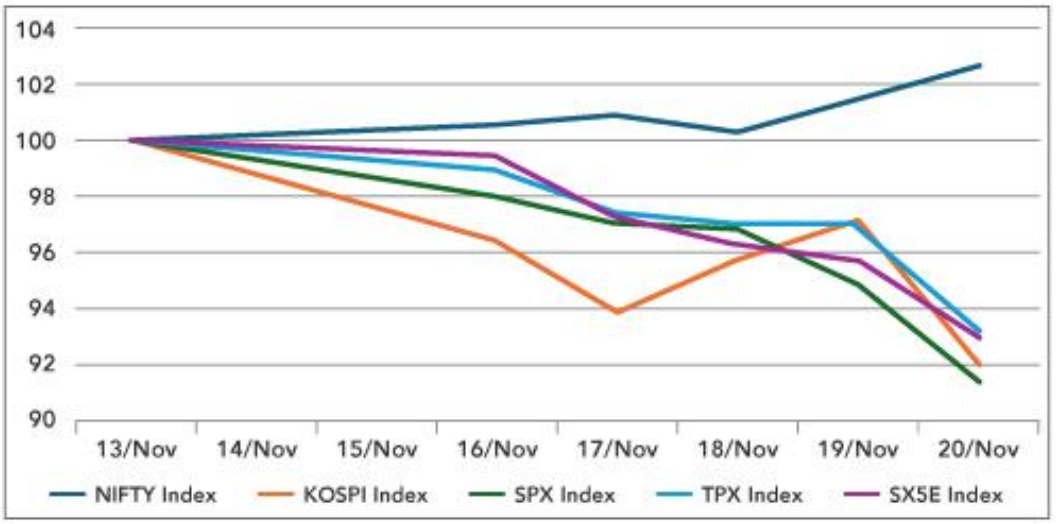
The selling was led by technology and by markets that are, in effect, AI supply chains. US technology fell 12.2% on the week and is down 18% in a month. Communications and media fell close to 10%. Banks lost 9.4%, which shows the selling spread well beyond tech. Defensive sectors held up well: US consumer staples and insurers fell only 2%, and utilities 3%.

Asia took the heaviest blows. Taiwan fell 17.5%, its worst week since 1990. With TSMC over 40% of the market, Taiwan is a pure play on AI chips. Korea fell 8% and is down almost 30% in three months. Japan's TOPIX lost 6.8%. Europe fared better: the Euro Stoxx fell 7%, the FTSE 100 5.1% and Switzerland's SMI only 3.5%. The Swiss market is the only major market still up over the past month.

Two regions went the other way. India rose 2.9% and is up almost 15% in a month, helped by being seen as a market with little AI exposure. Dubai and Abu Dhabi also edged higher. US small caps fell 7.5%, a little less than the large caps.

Chart 1: Major Equity Market Sell off … but not in India

Rebased to Dec '26=100



Source: Bloomberg

Bonds and credit

Government bonds did what they are meant to do. US 10-year yields fell 19 basis points to 4.94% and 2-year yields 20 basis points to 4.65%, despite a hawkish Fed. The global aggregate bond index rose 0.7%. Credit showed strain but not panic. US high-yield spreads widened by about 50 basis points to 367, their widest in a year, and high-yield bonds lost 1.1%. That is still short of the 450 level we would treat as real stress. The weak spot to watch is lower-quality borrowing. Much of the money for data centres and AI chips now comes from short-term private credit, which suffers more when rates rise. A large wall of high-yield bonds and loans also falls due in 2028.

Chart 2: US 10-year Bond Yield Down 19bps on the Week



Source: Bloomberg

Chart 3: Global High Yield Spread Meaningfully Higher



Source: Bloomberg

Commodities and currencies

This is where the forced selling was clearest. Gold fell 8.9% to around $3,540 an ounce and is now down 18% this year. Silver fell 15.6% and copper almost 10%. Gold usually rises in a scare. This time it was sold to raise cash and hurt by a strong dollar and higher expected rates. On some measures it has now fallen further than the move in rates alone would justify. In 2008 and 2020 gold was also sold early in the crisis, then led the recovery once markets calmed. Copper's fall is not only about AI: tariffs, softer Chinese demand and the strong dollar all played a part. Brent oil eased 3.4% to $92.6 as worries about a supply surplus replaced fears over Iran. Bitcoin fell 8.2% to around $59,000 and is down a third this year.

The dollar was firm, close to a one-year high. The yen and Swiss franc gained a little, while sterling fell 1% and the Indian rupee 1.7%.

What the momentum signals tell us

The trends have turned, but they have not broken. Most major equity markets are now 5–10% below their 200-day averages. On Friday the S&P 500 broke both that line and the 7,000 level. Our trend monitor reads them as uptrends rolling over, not new downtrends. The short-term trend is still above the long-term trend for the S&P 500, the Nasdaq and Europe. Asia ex Japan is the exception, where the trend has turned down.

Chart 4: The S&P 500 has Largely Rebounded after Breaking the 200-day Moving-average in Recent Years

S&P Index and 200-day moving average



Source: Bloomberg

In the short term, markets are deeply oversold. The RSI, a common gauge of whether a market has fallen too far too fast, reads 23 for world equities and 25 for the S&P 500. Readings this low have usually been followed by a bounce. The VIX jumped 17 points to 36 in a week. India is the opposite case, with an RSI above 80 that looks stretched.

The most important number may be the quietest. Earnings forecasts for the S&P 500 have not fallen over the past month. The cuts are in the Nasdaq, where estimates are down about 4%. So far this is a fall in what investors will pay for profits, not in the profits themselves.

How deep could this go?

History says the fall so far is ordinary. The S&P 500 is about 12% below its peak, and corrections of that size come along most years. Technical Analysts point out that the 200-day average, the line the index broke on Friday, has given about half a dozen false alarms in the past ten years and only one true signal, in 2022. Many of those false alarms ended in a final burst of panic selling and then a rebound.

They also makes the uncomfortable point. In the past, the market has very rarely fallen this far without going further. Three things make this time riskier than most. Investors hold more of their wealth in shares than ever. Valuations started from a very high point. And the wealth effect can now work in reverse: when share prices fall, people feel poorer and spend less, which hurts profits and pushes prices lower again. That loop helped markets on the way up. It can hurt them on the way down.

The closest parallel may be 2018. Then, too, sentiment had run hot, the Fed was raising rates and the market weakened into the fourth quarter. Measures of investor euphoria have now fallen back to about neutral, but in 2018 they went lower before the market found a floor. Chip stocks are already down around 40% in five months. In 1998, the chip sell-off often used as the hopeful comparison, the fall was 53% over fourteen months before the recovery. If that pattern holds, we should expect sharp rallies along the way, but also a longer grind before the turn.

The Fed is the swing factor. In 2015 Janet Yellen held back after a rate rise unsettled world markets. In 2018 Jerome Powell changed course after the fourth-quarter fall. Kevin Warsh has staked his name on beating inflation, and the Fed meets on 8th and 9th December. Whether he presses on or pauses to let markets steady will decide much of what happens next. Nor is this only a US story: around the world, 2026 has seen central banks swing from cutting rates to raising them.

Our view

This was a sentiment-driven sell-off, sharpened by forced selling, sitting on top of a real problem. Some of the big houses call it an AI de-leveraging event and keep their faith in the AI super-cycle. We agree the selling ran ahead of the fundamentals. But that view underplays two things. The market had priced the AI build-out as a certainty at a time when the Fed is still raising rates. And Nvidia's leadership crisis and the cool reception for the year's biggest listing are not problems that clear in a few weeks.

Our judgement is that this is a correction, not the start of a bear market. Profit forecasts outside technology are holding up, and while they do, the case for a long bear market is weak. That is where we part company with the gloomier chart readers. But we would not rush to buy the dip in the most crowded AI names. The oversold readings argue for a bounce, and history warns against calling the low too early. The next tests are close: the December Fed meeting and the inflation data before it. For balanced portfolios, the week was a reminder of why we hold government bonds and spread risk across regions. Switzerland, India, the Gulf and defensive sectors all held up.

Our longer-term view is unchanged. This is not only an AI story. It is part of a generational shift in the cycle, and weeks like this are how markets adjust to it. Markets ran for the exit last week. The exit was crowded, but the building is still standing.

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