DATE: November 20th, 2026
TITLE: **A Reset, Not a Rout**

TRANSCRIPT:

Host: Eric, last week we ended on Nvidia. It delivered, with revenue up more than 100%, yet the S&P 500 has now fallen six days in a row. What is going on?

Eric: Good news is no longer enough.

Nvidia's quarterly revenue rose 103% to almost 116 billion dollars. A year ago that would have lifted the whole market. This time the shares fell nearly 3% the next day.

The S&P 500 is now about 8% below its October record, and on Thursday more than 90% of its stocks fell. That's a correction, not a crash. But it tells you the market's question has changed.

Host: Changed how?

Eric: From "is AI demand real?" to "who earns a return on all this spending, and at what cost of money?"

Our economist Gary Dugan put a striking number on it. Expectations for S&P 500 earnings have risen around 36%, yet the index is up only about 5% this year. Profits are growing. Investors are simply paying less for them.

That's what a de-rating looks like. It's driven by the price of money, not by a collapse in profits.

Host: And the price of money is still rising?

Eric: In the short term, yes.

The minutes of the Fed's October meeting showed almost all policymakers expect further rate rises, and some discussed a half-point move. Markets treat a December hike as near certain.

Yet the economy is cooling at the edges. Retail sales rose just 0.2% in October, industrial production fell, and the Philadelphia Fed survey dropped to 6.3 from almost 21. Layoffs haven't started, but people who lose jobs are finding it harder to get new ones.

Here's the interesting part. Even with a hike priced in, the 10-year Treasury yield fell about 10 basis points this week to around 5%. Government bonds are starting to protect portfolios again, something we haven't been able to say for a while.

Host: Central banks also raised concerns about how AI is being financed.

Eric: That may be the most important story of the week.

Both the Fed and the ECB flagged the rapid build-up of debt behind AI infrastructure: complex

structures, concentrated exposures and uncertain returns. Some banks have started selling data-centre loans, and spreads on the weakest US borrowers have widened sharply.

It's not a credit crisis. But capital is becoming more selective. Anthropic's record 81 billion dollar listing shows money is still there for perceived leaders. Weaker borrowers will find it harder.

On the high street, Walmart told a similar story. It raised its sales forecast, but the growth is coming from cheaper goods and own-label products. Consumers are still spending, just more carefully.

Host: What about the rest of the world?

Eric: Asia has felt it most.

The regional index is down about 7% this week, heading for its worst week since March 2020. Japan and Korea are tied closely to the chip cycle, and this morning the Nikkei fell around 4% and the KOSPI nearly 5%. Japan also has a yen near 160 and inflation above target, so the Bank of Japan may have to tighten into falling markets.

India stands apart. Foreign investors have bought nearly 12 billion dollars of Indian shares this month, and the rupee is Asia's best-performing currency. China held rates for an eighteenth month and still needs a recovery in household demand.

In Europe, inflation is around 4%, but it's narrower than in America and more concentrated in energy. That gives the ECB and the Bank of England a different problem from the Fed.

Host: And oil?

Eric: It's looking through the headlines.

Despite attacks around Hormuz and in the Gulf, Brent is around 92 dollars and heading for another weekly fall as shipments recover. Gold, interestingly, hasn't been a safe haven. It's at a 14-month low, because rising real rates matter more than fear.

Host: So what's the takeaway for investors?

Eric: Keep perspective.

This has the feel of a mini panic, but the economy isn't collapsing. Consumers are spending and capital is still available for strong companies. What we're seeing is a reset to a world of persistently higher rates, and Gary sees it as part of a much longer cycle of change in technology and geopolitics.

That calls for patience, quality and diversification, not panic. I'd favour businesses that turn growth into cash over those that rely on borrowing, give high-quality government bonds a fuller role again, and diversify across economic drivers, not just geographies.

Good results, lower prices. That's what a reset looks like.

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