Ridgetop Wealth Management

Market Update

Bull Market Gut Check

The rally has stalled. The S&P 500 is at the low end of a narrow three-month trading range. The risk that the four-year bull market is coming to an end is elevated, yet the market technicals under the surface are encouraging. Several breadth data points have improved in recent weeks. The percentage of stocks above their 50-day moving average rose from about 20% in September to around 60% on November 9th, 2026 .

From a purely technical perspective, the last few months have bee(n a continuation of the back-and-forth that has defined this Bull market over the last several years. A mega-cap tech-led rally into the summer pushed the S&P 500 to new highs. The problem at that time was that the advance was narrow. Only a handful of companies were advancing while the majority were stagnant or declining. What has happened over the last couple months is the mega cap tech names stalled/declined, while the majority of companies in the S&P 500 have advanced.

So the good news right now is the market actually looks healthier than it did when we were hitting new highs. Even though the broad indices like the S&P 500 have gone sideways to down because the mega techs have gotten beat up, the number of stocks in the S&P now trading above the 50 day moving average is advancing nicely. This is healthy.

What is Going on with Technology Companies?

Semiconductors and the Magnificent 7 have gone from propping the market up to holding it down. Earnings season while still very solid, has failed to live up to sky-high expectations. A little over halfway through earnings season the evidence is growing that year over year earnings growth is approaching a peak. The question from here is whether the deceleration is modest, which would be only a mild headwind for stocks, or a sharper decline which could trigger a steeper correction or bear market. We are watching this closely as investors are becoming increasingly critical of hyperscalers that are investing/spending more than they are generating cash flow.

Getting Washed Out

What is also healthy, yet exponentially more painful to live though are days like last Thursday, November 5th, 2026, when the stock market was completely washed out. November 5th, 2026 was an 8:1 down day, where the total volume of declining stocks was eight times the total volume of advancing stocks. Both the Dow and the Nasdaq were down over one thousand points. The S&P 500 declined 4.3% and the semiconductor index lost over 10% in a day.

The sentiment backdrop coming into midterms was less than ideal to set us up for a meaningful year-end rally. There was still too much optimism or at least complacency. While Thursday, November 5th, price action did not bring extreme pessimism which often coincides with massive rallies, it did push investor sentiment into the pessimistic zone for the first time since September and is a good step towards our Santa Claus rally. We will be watching downside volume and short-term sentiment for signs a rebound can take place. From there, we will look to see if the rebound is broad based enough to produce a breadth thrust signals that have define virtually every market up leg since the financial crisis.

Interesting Phenomena

- Price-to-earnings (P/E) ratios: One year ago, the S&P 500 forward price/earnings ratio was at 23.2, a level only exceeded in the aftermath of COVID in 2020 and the Dot-Com bubble in 2000. As of a few days ago the forward P/E stood at 18.8, a drop of 4.4points. What has made the current situation unprecedented is that the S&P 500 rose about 10% over the past 12 months, making this one of the only periods in history that the "P" or price is going up, while the "E" for earnings was going up even faster. While investors are growing concerned because of perceived high valuations, stocks are getting cheaper as earnings continue to be strong.
- Sector rotation within the market (consumer staples, technology, energy, etc.) this year has been one of the highest on record over the past 50 years. There has been just such a massive push and pull in market leadership in 2026 as dueling narratives unfold between geopolitical risk, oil prices, Fed expectations, AI enthusiasm over productivity gains, and strong long-term earnings growth. While there has been a

pretty clear trend over the last four years of the Bull (technology), this has been a year where the market just cannot figure out a clear theme or trend.

In Summary

It's an understatement to say that there is "just a lot going on right now." It's been a gut wrenching month or so, especially for tech stocks. That said what is happening under the surface remains "healthy enough". The fact that our models have not deteriorated more keeps a year-end rally on the table. We are watching closely and will keep you updated as the data unfolds. For now, the Bulls keep the benefit of the doubt.

Sincerely,

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*All quantitative data sourced derives from Ned Davis Research

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