

A positioning and valuation week with AI/growth leadership tested

The week was defined by profit-taking in AI/growth, better breadth beneath the surface, and a defensive/value tilt.



Mega-cap weakness weighed on the cap-weighted indices, while equal-weight and value held up far better (MGK -3.1% w/w; Russell 3000 Growth -2.9% vs. Russell 3000 Value -0.1%). Semis were volatile; energy and defensives finished strong. The S&P 500, despite the struggles of the growth stocks, managed yet again to hold key support at its 50-DMA.

Macro & policy

- Manufacturing stayed in contraction: ISM Manufacturing 48.7 (8th straight <50) even as S&P Global Mfg PMI ticked up to 52.5.
- Services re-accelerated: ISM Services 52.4 with the prices-paid index at a 3-yr high—an incremental hurdle for a December rate cut.
- Labor mixed: ADP +42k after a negative prior revision; Challenger job cuts for October were the highest

for any October since 2003.

- Consumers wobbled: prelim Univ. of Michigan sentiment slid to 50.3; non-revolving credit drove a \$13.1B September credit gain.
- Rates were range-bound: 2-yr ~3.57–3.63%, 10-yr ~4.09–4.16%, with safe-haven bids on weak data and growth jitters.
- Trade/politics: the U.S.–China tariff framework eased the average rate by 10% with a 100% hike postponed a year; shutdown headlines ping-ponged but didn't derail the late-week rally.

Sector & factor moves

- Leadership rotation: energy, utilities, materials, staples, and real estate outperformed late week as investors sought defensives and yield.
- Growth under pressure: info tech and consumer discretionary lagged; breadth improved mid-week but leadership remained thin among mega-caps.
- Equal-weight beat cap-weight again as narrow leadership continued to unwind.

Story stocks

- Amazon: rallied on a \$38B, 7-year AWS compute deal with OpenAI, reinforcing cloud/AI demand optionality and sustaining post-earnings momentum.

- NVIDIA: early strength faded; week -7.1% amid AI rotation and reports of rival chip availability; semis swung with HBM pricing chatter and export headlines.
- Palantir: sold off post-beat/raise on valuation concerns (still >200x forward P/E), catalyzing profit-taking across AI/growth.
- AMD: beat-and-raise helped stabilize semi sentiment; group still choppy.
- Micron/Seagate: bid on reports of SK Hynix aiming for 50% HBM price hikes, spotlighting tight high-bandwidth memory supply.
- Tesla: volatile; weakness weighed on discretionary; later rebound couldn't restore weekly leadership as shareholders approved a supersized CEO pay package.
- Alphabet: bucked tech softness on reports its Ironwood AI chip will be widely available soon.
- Kimberly-Clark/Kenvue: \$48.7B cash-and-stock deal drove a sharp Kimberly-Clark slide on price/leverage; Kenvue jumped on a cleaner exit path.
- Health-weight loss: headlines pointed to "most-favored nation" pricing commitments, aiding sector defensiveness.
- e.l.f., Duolingo, DoorDash, Paycom: examples of how outsized post-print drawdowns amplified valuation discipline outside megacaps.

Bottom line

This was a positioning-and-valuation week: AI/growth leadership was tested, defensives rotated in, and indices held crucial support with better (if still fragile) breadth.

- S&P Midcap 400: -0.1% for the week / +3.9% YTD
- DJIA: -1.2% for the week / +10.4% YTD
- S&P 500: -1.6% for the week / +14.4% YTD
- Russell 2000: -1.9% for the week / +9.1% YTD
- Nasdaq: -3.0% for the week / +19.1% YTD

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