

After the Close

An Ameriprise Global Asset Allocation Committee publication

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The AI trade loses some air

On the day

U.S. stocks fell on Friday, led lower by the NASDAQ Composite, as another round of Big Tech earnings pushed investors further out of AI-linked shares. Investors want to know whether massive data center spending is producing enough revenue to justify the bill. Amazon and Intel, which reported after Thursday's close, did most of the damage. Amazon's cloud growth met hopes, but its spending came in well above expectations and growth slowed in its online store and advertising businesses. Intel's AI-related sales held up, yet its outlook fell short as high memory chip prices trimmed PC demand.

Selling remained concentrated in tech, while the equal-weighted S&P 500 held up much better and defensive sectors found support. Investors who bought into this year's large tech stock offerings are also sitting on losses, per Bloomberg. The Treasury curve steepened as investors favored shorter maturities in search of investments that could weather the current period of adjustment.

Today's results capped a week with a mixed scorecard. Microsoft gave the clearest answer, with demand for its cloud services still exceeding what it can supply. Alphabet's cloud business more than doubled. Still, slower growth in its core Search business and heavy spending sent the stock to its worst day ever. Across the group, AI demand looks strong. Yet the cost of meeting that demand is rising faster than many investors expected.

On the monetary policy front, the Fed held rates steady but left the door open to another hike; the European Central Bank left its policy stance unchanged and signaled a December increase; and the Bank of Japan held firm, noting that inflation has reached its target. Collectively, financing conditions are becoming more restrictive across the G7 economies.

Committee View

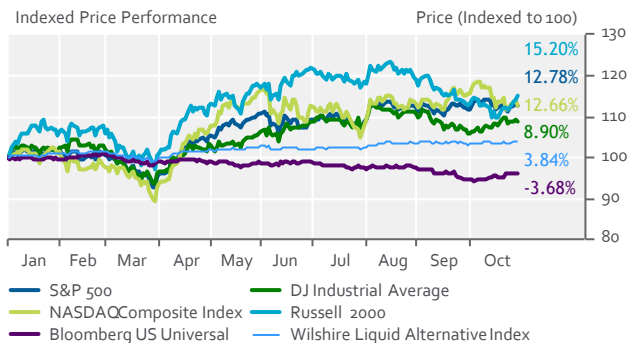
In our view, it's too early to tell whether this pullback in AI stocks will deepen. Next week brings Tuesday's midterm elections, more earnings, and Friday's October jobs report, with the Fed still signaling another hike is possible. Weakness in the largest tech names can weigh on the major indexes given their weight, but the broader market is carrying more of the load: on Thursday alone, more than 400 S&P 500 stocks rose even as the Index fell, according to Bloomberg. The extreme optimism around AI valuations appears to be fading. For now, we would stay diversified across sectors and market caps, manage concentration in the largest technology names, and look through election-week volatility. A market that demands proof gives the AI story a more durable path than one that pays for promises.

Today's Market Action at a Glance

Benchmark	Index Level	Net Change	% Change
S&P 500 Index	7580	-140.32	-1.82
Russell 2000 Index	2812	-47.37	-1.66
NASDAQ Composite	25437	-747.72	-2.86
Best Performing S&P Sector: Health Care			+2.50%
Worst Performing S&P Sector: Comm Services			-6.60%
10-year U.S. Treasury Yield: 4.92%			-1 basis point
West Texas Intermediate (WTI) Oil: \$103.05			+1.06 per barrel
Spot Gold: 3885.67			-136 per troy oz

All data and charts via FactSet as of approximately 4 PM ET. Past performance is not a guarantee of future results.

Year-to-Date Price Performance Through the Prior Day



Source: FactSet Prices

VIX - CBOE Volatility Index



Source: Bloomberg L.P.

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