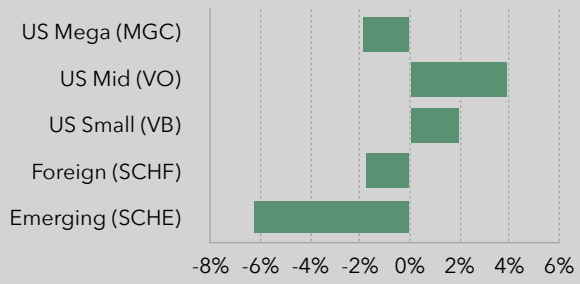
October 2026

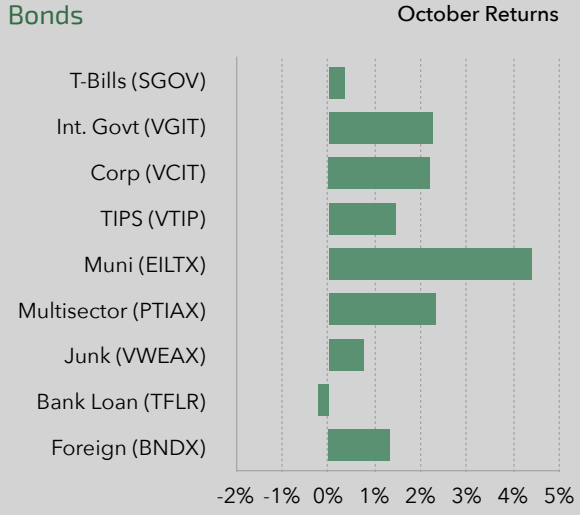
Economic Data

- Payrolls were higher than expected, up by 165,000 in October, and the unemployment rate edged down to 4.1%
- Retail sales were up 0.8% in September, with higher gas prices increasing gas station sales 6.4%
- Y/y inflation (CPI) was up in September to a 3.7% growth rate; the core rate (less food and energy) rose to 2.6%
- Existing-home sales were up 1.5% in September but down 2.2% y/y; the median existing home sales price fell month over month to $417,500

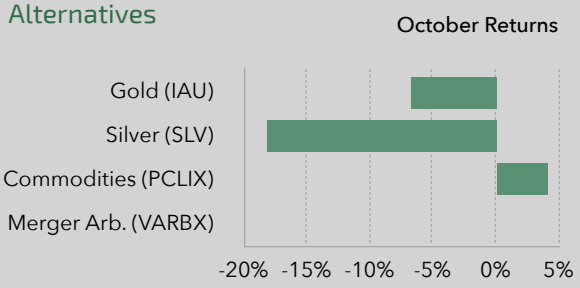
Stocks



Bonds



Alternatives



Performance data provided by Morningstar

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

AI Stocks Caught in the Washing Machine of the Blue Wave

When surfing, you may find yourself caught in the washing machine. This is when you get rolled around underwater by a breaking wave. And just as you fight your way to the surface, another wave is right there ready to toss you around again. And the next, and the next, until the wave set is finished and the ocean gives you a welcome spell of calm. I went through this unpleasant experience eight years ago, at a surf camp in Santa Teresa, Costa Rica, and decided to take up scuba diving instead.

Last week, voters sent a clear message that they were upset about the tariffs and the war in Iran, and the higher consumer prices that both have caused. There were many other things, as well, but the war and cost of living were at the top of the list. And so the blue wave was quite big, and to stick to the metaphor, most stocks caught the wave, but AI stocks got tossed around in the washing machine.

An interesting dichotomy was seen between hyperscalers and the companies that build the components they need. Hyperscalers are companies that build and operate AI datacenters, including Microsoft, Amazon, Alphabet, Meta Platforms, and Oracle.. These stock did really well immediately after the election. The thinking there is that if it becomes harder to build datacenters following Democratic gains in Congress and state governments, the value of the compute already in place goes up and the planned capital spending by these companies goes down.

The losers were the so-called “picks and shovels” of the AI buildout. This list includes chipmakers like NVIDIA, Broadcom, and Marvell, as well as memory companies like Micron and South Korea’s SK Hynix and Samsung. But it also included companies that make other kinds of key components that power, cool, and connect that infrastructure such as Caterpillar, GE Vernova, Vertiv, Eaton, and Amphenol. Most of these stocks have partially rebounded since, but NVIDIA has other problems.



AI depiction of how co-founder and CEO of NVIDIA Jensen Huang’s week is going.

For better or worse, the AI buildout can't be stopped altogether. Data centers will still be built; they just will be built in places like Louisiana, Mississippi, and West Virginia, and not in places like California, New York, and Texas. That is the reality when you have 50 states with different beliefs and priorities either shunning business or competing for it. But it can be slowed down, and the market is trying to price that in.

Portfolio Positioning

In the precious metals space, we are swapping ETFs for lower-cost options in tax-advantaged and tax-free accounts, as well as some—but not all—taxable accounts depending on the relative size of any unrealized capital gains in the positions.

- The iShares Gold Trust (IAU) with an expense ratio of 0.25% is being replaced by the iShares Gold Trust Micro (IAUM) with an expense ratio of 0.09%
- The iShares Silver Trust (SLV) with an expense ratio of 0.50% is being replaced by the abrdn Physical Silver Shares (SIVR) with an expense ratio of 0.30%

In both cases the ETFs hold physical bullion. The replacement ETFs offer clients a lower cost, but they are not as heavily traded as their more expensive counterparts. That's not to say they aren't liquid, though. As of November 6, IAU had a 30-day median bid/ask spread of 0.01%, compared with 0.02% for IAUM. IAU's tighter spread is the better choice for those that trade frequently, but IAUM's lower cost wins out for long-term holders. Some taxable accounts will continue to hold IAU and SLV. Despite the recent declines in both, they are still up substantially long-term and the lower costs of the new ETFs would not necessarily outweigh the tax bill that would come from selling the old ones.

We have been at a heavy under-weight in foreign bonds for some time. In fact, they have had a 0% target weighting in portfolios with Growth investment objectives. However, we have now moved that to 0% across all investment objectives. Our friends across the pond look like they may be heading into another European debt crisis, similar to the one that came to a head in the summer of 2012. The main culprit of the first one was Greece, but this time France is at the center of the trouble. France has debt-to-GDP of 119%, a large budget deficit, deteriorating fiscal credibility, political paralysis, and rapidly rising

Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income			●		
Duration		●			
Inflation			●		
Credit	●				
Foreign	●				
Equities		●			
Large Cap		●			
Mid Cap			●		
Small Cap				●	
Developed Intl.			●		
Emerging				●	
Alternatives				●	
Commodities				●	
Merger Arbitrage					●

borrowing costs. A fair bit of rioting, too, you might have noticed. With more attractive yields in US Treasurys, the money was moved into the Vanguard Short-Term Treasury Index Fund (VGSH), which tracks 1-3-year bonds. That's not to say we don't have our own fiscal problems over here, but if there is another eurozone debt crisis, I'd rather watch from our sidelines, so to speak.

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Binge Box

Four Seasons (Netflix)

Netflix's The *Four Seasons* is a comedy that follows a group of middle-aged friends on their four seasonal trips together. An excellent ensemble including Tina Fey, Will Forte, and Steve Carell brings relatable friction to the group. The show does a good job of capturing how longtime friends can offer comfort while also trapping one another in roles forged back in college. Not all of the jokes landed for me, and a lot of the drama seems unearned, but the appealing cast kept me engaged.

About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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