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Making Sense

Market Update | November 20, 2026

S&P 500 moves into correction territory

US equities declined for the seventh straight session today, closing 11.6% down from the October 6, 2026 all-time high, marking a technical correction. This extends the longest losing streak since 2020 and the sharpest selloff since April 2025's tariff tantrum.

The selloff is acutely concentrated in technology – specifically in semiconductors – an industry with twice the historical volatility of the S&P 500 and an unprecedented level of concentration in the index. But the median S&P 500 stock is barely negative since October 6, with the equal-weighted S&P 500 Index down just 1% as investors rotate into defensives and value.

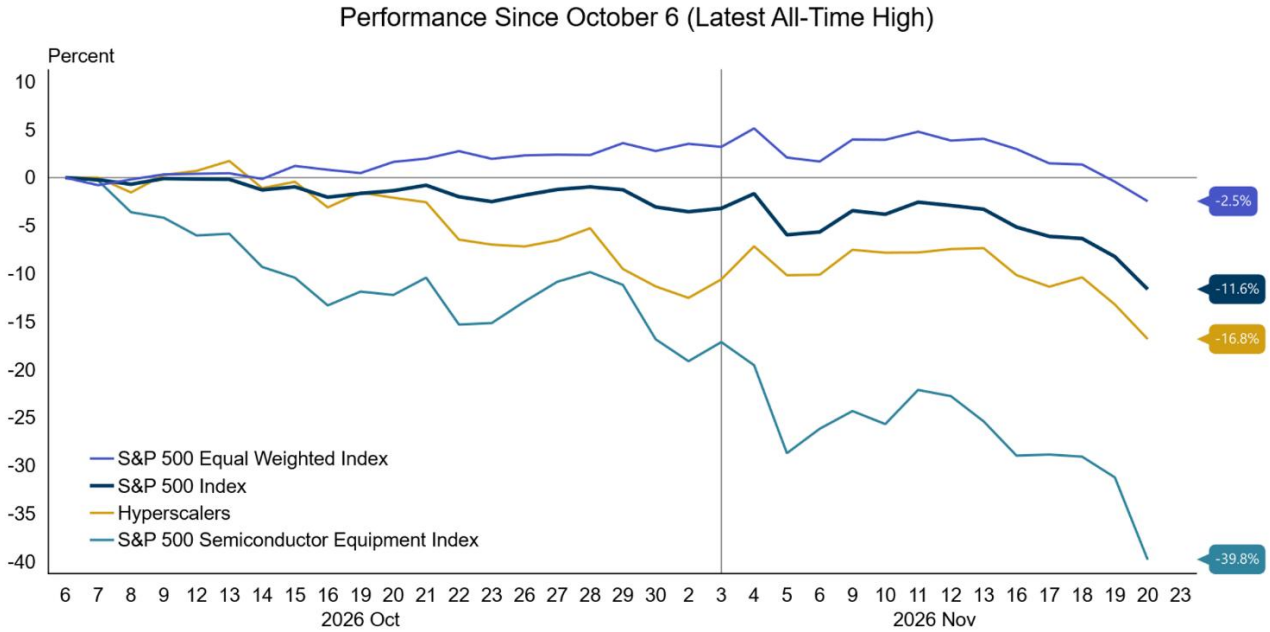
What is driving the selloff? There is no single catalyst, but we see three potential drivers. First, there is tumult and substantial uncertainty within the semiconductors industry. Second, markets had recently priced additional rate hikes into the outlook, which is likely weighing on valuations. Third, markets may have grown more cautious about the broader AI trade in general. While investors have come to terms with $1 trillion of annual capital expenditures, the outlook remains uncertain for the trillions in new revenues that will be necessary to justify the return on these investments.

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Source: Bloomberg
Data as of: 11/20/2026

How should long-term investors assess the current selloff in context? Drawdowns are common occurrences in risk assets such as equities. Since 1950, the average and median drawdowns from a local peak have been 11% and 9% respectively. Despite these intra-year drawdowns, annual returns were positive in 56 out of 76 years with a median of +12%.

Less common are 10% corrections from all-time highs, with today's marking the 27th such occurrence since 1950. Subsequent returns were positive across 1- and 3-year periods about 70% of the time, typically when the correction was due to acute but transient shocks. It was in structural bear markets like the stagflation of the 1970s and dotcom/Global Financial Crisis period of the 2000s where returns remained negative after five years.

As we have highlighted throughout the year, we think the market environment remains favorable with fundamentals solidly intact. That said, we think analysts could revise EPS growth lower in 2027 if AI bullishness continues to moderate or monetary policy turns more restrictive.

We continue to believe maintaining balance in portfolios, broad diversification, and keeping goals and objectives solidly in focus remains the best course of action in times of uncertainty.

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