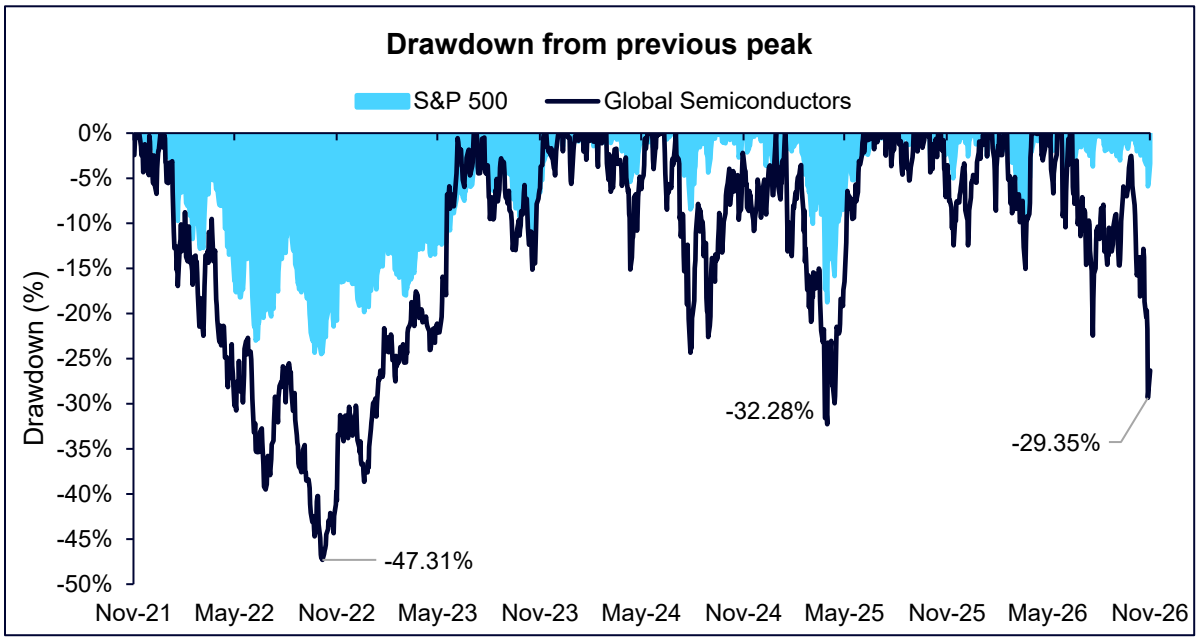
STATE STREET INVESTMENT MANAGEMENT

COMMENTARY
November 12, 2026

Mind on the Market

Chart of the Week



Source: FactSet, S&P, MSCI. Data from 11/9/2021 through 11/9/2026. Gross returns for the S&P 500 and MSCI ACWI Semiconductors & Semiconductor Equipment Index. Drawdowns measured as the percentage decline from the previous peak; 0% indicates recovery to that peak.

The recent semiconductor correction has been severe, but not unprecedented. Global semiconductors were nearly 30% below their previous peak on November 6, approaching the magnitude of the sector's 2025 drawdown. That decline ultimately recovered in just 65 days, highlighting how quickly sentiment can reverse following sharp semiconductor selloffs. What sets the current episode apart is the resilience of the broader market. While previous semiconductor corrections coincided with meaningful S&P 500 drawdowns, the index has remained relatively close to its peak.

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Weekly Highlights

Latest Global Semiconductor Drawdown (Trough on November 5th)	S&P 500 Drawdown During the Semi Sell-Off (Trough on November 5th)	S&P 500 Drawdowns Greater Than 3% in 2026
~30%	~6%	4
Source: FactSet. Data as of 11/9/2026.	Source: FactSet. Data as of 11/9/2026.	Source: FactSet. Data as of 11/9/2026.

Volatility Beneath the Surface

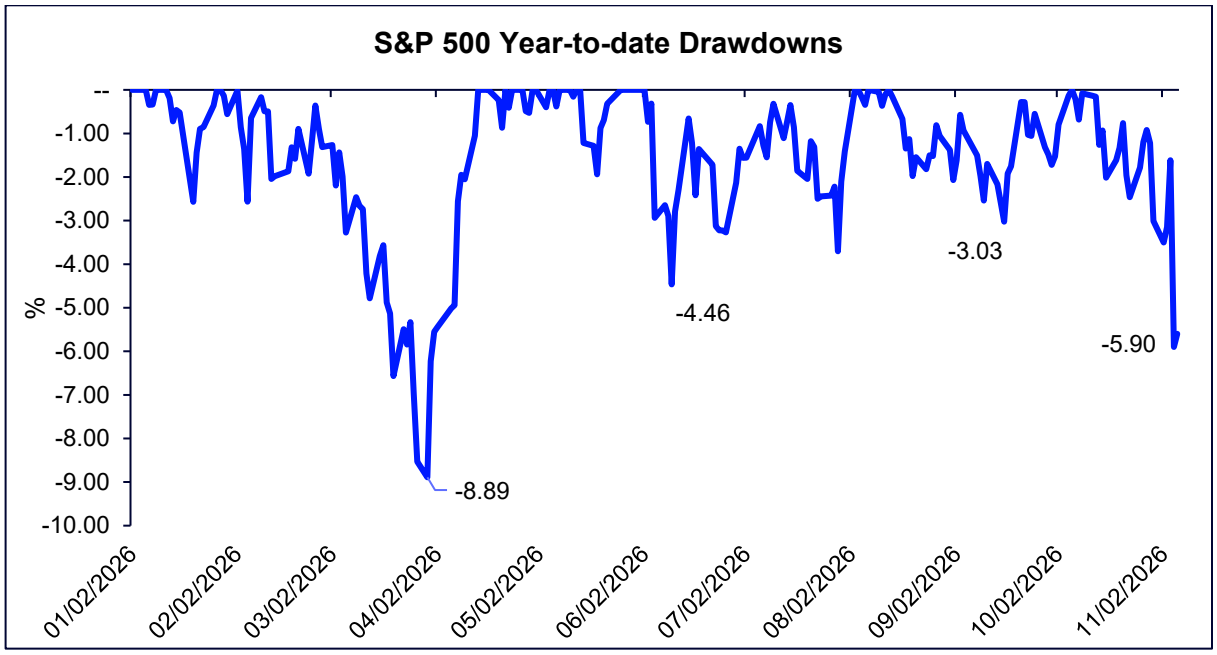
As highlighted in the Chart of the Week, the semiconductor correction has been unusually severe relative to the broader market. Yet the S&P 500's maximum decline has been just ~6%, well below the drawdowns accompanying previous semiconductor corrections. A closer look at this year's selloffs helps explain that resilience.

Examining 2026's S&P 500 Drawdowns

Zooming out, the S&P 500 has experienced an average drawdown of 1.5% and a maximum drawdown of 8.9% this year. We identified four episodes in which the S&P 500 declined more than 3% from its previous peak, including the current drawdown, from which the market is still recovering. Examining each episode reveals how the drivers of volatility and sources of protection have shifted throughout the year.

Drawdowns	Start Date	End Date	Trough Date	Length (Days)	Trough (%)
1	1/28/2026	4/15/2026	3/30/2026	77	-8.89
2	6/3/2026	8/3/2026	6/10/2026	61	-4.46
3	8/14/2026	10/6/2026	9/16/2026	53	-3.03
4	10/7/2026	11/6/2026 (ongoing)	11/5/2026	30	-5.90

Source: FactSet, S&P. Data from 12/31/2025 through 11/6/2026. Includes S&P 500 drawdowns greater than 3%; trough represents the maximum decline during each episode. The current drawdown remains ongoing as of 11/6/2026.



Source: FactSet, S&P. Data from 12/31/2025 through 11/6/2026. Drawdowns calculated using gross total returns and measured relative to the index's previous peak.

The first and most severe drawdown began in late January and lasted 77 days. Escalating conflict with Iran and rising oil prices heightened inflation and growth concerns, contributing to a broad risk-off move. Weakness extended across both regions and sectors, consistent with a global shock rather than a U.S., or sector-specific, event. Energy was the notable exception, benefiting from higher oil prices. Infrastructure and fixed income provided some relative protection, while gold was surprisingly weak.

The subsequent drawdowns were smaller but increasingly concentrated in technology. Renewed tensions with Iran, inflation concerns and a repricing of technology valuations contributed to the June selloff, while investors rotated toward more defensive areas. Infrastructure again provided protection, while higher-quality bonds remained relatively stable.

The August-to-September drawdown came amid rising Treasury yields, expectations for a Fed rate hike and concerns around the sustainability and financing of AI-related investment. Unlike earlier episodes, higher yields reduced the diversification benefit from bonds. Infrastructure remained resilient, while defensive equity sectors generally held up better as technology, industrials and AI-related stocks came under pressure.

The latest drawdown has been driven in large part by a sharp unwind in AI-related trades. Following the midterm elections, investors reassessed the outlook for data-center development amid the potential for greater regulatory and political constraints. The decline was amplified by positioning, as crowded AI

exposures were unwound and leveraged and systematic investors reduced risk. Over the broader S&P 500 drawdown period, information technology and communication services fell 16.9% and 14.4%, respectively, through the market trough, with considerably steeper losses across parts of the AI ecosystem.

Yet the weakness remained relatively contained. Consumer staples rose 12.2%, health care 9.5%, real estate 8.7% and financials 7.1%, while several other sectors also advanced. These gains helped offset weakness within the AI complex, contributing to the S&P 500's comparatively modest decline. Diversification extended beyond equities as well, with bonds, TIPS and infrastructure providing protection.

Total returns during four S&P 500 drawdowns in 2026				
S&P 500 Sector	Drawdown 1	Drawdown 3	Drawdown 3	Current
Information Technology	-14.2%	-9.6%	-2.4%	-16.9%
Communication Services	-13.5%	-2.1%	2.0%	-14.4%
Industrials	-4.3%	-2.5%	-9.6%	-3.2%
Energy	24.7%	-0.8%	3.7%	-2.4%
Consumer Discretionary	-14.2%	-3.5%	-6.2%	3.4%
Utilities	6.8%	0.8%	-6.7%	5.2%
Materials	-2.6%	-4.0%	-3.5%	5.8%
Financials	-8.3%	2.7%	-3.9%	7.1%
Real Estate	-0.2%	3.4%	-5.3%	8.7%
Health Care	-6.4%	3.7%	0.2%	9.5%
Consumer Staples	1.3%	4.1%	-2.8%	12.2%

Source: FactSet. Data from 12/31/2025 through 11/6/2026. Total returns measured from the start of each S&P 500 drawdown through its respective trough. Drawdown periods identified in table above.

Diversification Matters, but So Does the Source of Volatility

Taken together, these episodes reinforce the value of diversification, but also show that the sources of protection can shift with the nature of the selloff. Different shocks have rewarded different exposures across sectors, regions and asset classes.

Additionally, volatility can create opportunity. Each of the completed drawdowns this year ultimately recovered, while the latest correction has unwound some crowded positioning and reset valuations across parts of the AI ecosystem. Importantly, we remain constructive on the longer-term AI demand story.

Although the post-midterm environment could moderate the pace of data-center development, a more measured buildout may not necessarily be negative for the AI theme. Greater scrutiny could encourage hyperscalers to prioritize their highest-return projects, improve utilization of existing infrastructure and demonstrate clearer paths to monetization, strengthening the capital-efficiency narrative.

Questions remain around the pace of investment further out, but the recent correction appears to reflect greater uncertainty around the timing and economics of the buildout rather than a collapse in underlying demand. For long-term investors, periods of volatility can create opportunities to add where fundamental conviction remains intact, while underscoring the value of maintaining exposure to multiple sources of return.

Source: FactSet, S&P, MSCI, State Street Investment Management. Data as of 11/6/2026 unless otherwise stated.

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Generally, among asset classes, stocks are more volatile than bonds or short-term instruments. Government bonds and corporate bonds generally have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. US Treasury Bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate.

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