Chief Investment Office

Market Review and Outlook

November 2026

When the Noise Gets Louder

Separating the signals that matter from the headlines that don't.

Executive Summary

The noise got louder in October, and November has already turned up the volume. Bond yields moved sharply, technology stocks stumbled, voters reshuffled Washington and investors began asking harder questions about the enormous sums being invested in artificial intelligence. Add persistent inflation, geopolitical uncertainty and a Federal Reserve whose next move is anything but certain, and investors have no shortage of headlines competing for their attention.

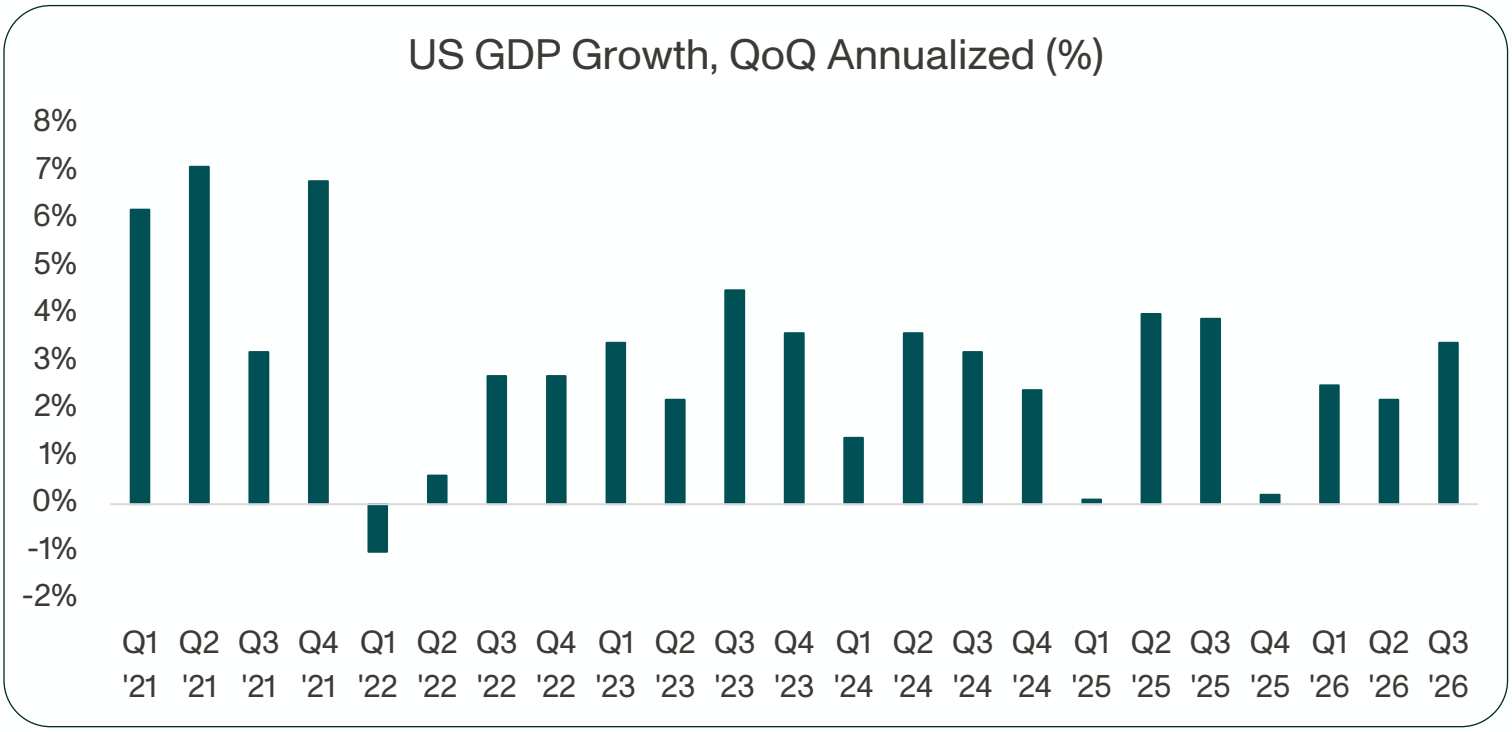
Yet beneath all that noise, the signals that matter most to long-term investors remain surprisingly steady. The U.S. economy continues to expand. The labor market remains stable. Consumers continue to spend despite telling survey takers how unhappy they are. Market participation has broadened beyond a handful of mega-cap technology companies, with small caps, equal-weighted U.S. equities and emerging markets all outperforming the S&P 500 through October.

Corporate earnings may be the most important signal of all. According to FactSet Research, with 88% of S&P 500 companies having reported third-quarter results, as of November 6, blended earnings growth stands at 31.4%, ahead of the 29.1% expected at the end of the quarter. Revenue growth is running at 14.3%, while 84% of reporting companies have exceeded consensus earnings expectations.

Those are impressive numbers. But strong results have also raised the bar. While a large percentage of companies are beating expectations, aggregate earnings are coming in only 2.7% above estimates, considerably less than investors have grown accustomed to. That distinction matters in a market where valuations remain elevated in places and expectations, particularly surrounding artificial intelligence, have become demanding.

Our outlook remains constructive, but not complacent. There is an important difference between believing the foundation remains sound and believing markets will move higher without interruption.

When the noise gets louder, the answer is not to stop listening. It is to get better at determining which signals matter.



Data as of 10/31/2026; Source: Bureau of Economic Analysis

The Economy: Still Showing Up for Work

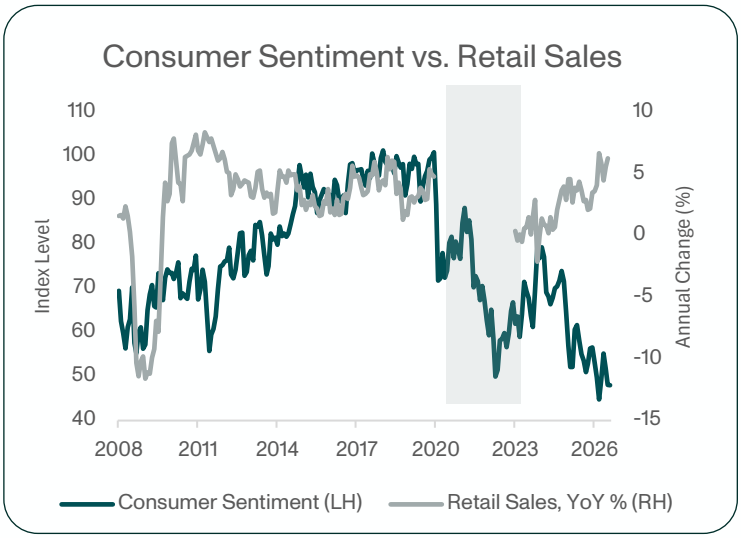
The U.S. economy continues to do something it has become surprisingly good at: disappointing the pessimists. Growth remains solid heading toward 2027 despite higher interest rates and cumulative inflation that has made everything more expensive. The labor market has softened without breaking, financial conditions remain relatively accommodative and consumers continue to spend. The economic backdrop is slowing in places, but it does not currently resemble a recessionary environment.

Perhaps nothing illustrates the unusual nature of this expansion better than the American consumer. Consumer sentiment remains subdued, suggesting households are hardly enthusiastic about economic conditions. Yet spending continues to hold up. Put differently, consumers are complaining with one hand and reaching for their wallets with the other.

We do not dismiss the concerns behind that pessimism. Affordability remains a genuine issue. The cumulative effect of inflation matters more to most households than the fact that the rate of inflation has fallen from its peak. Higher borrowing costs are also affecting housing, autos and other interest-sensitive parts of the economy.

The labor market deserves similar nuance. Conditions have slowed, but unemployment remains relatively stable. Some moderation in employment and wage growth could actually be constructive if it helps relieve inflationary pressure without producing the widespread job losses typically associated with recession.

In other words, the economy is bending in places. It is not breaking.



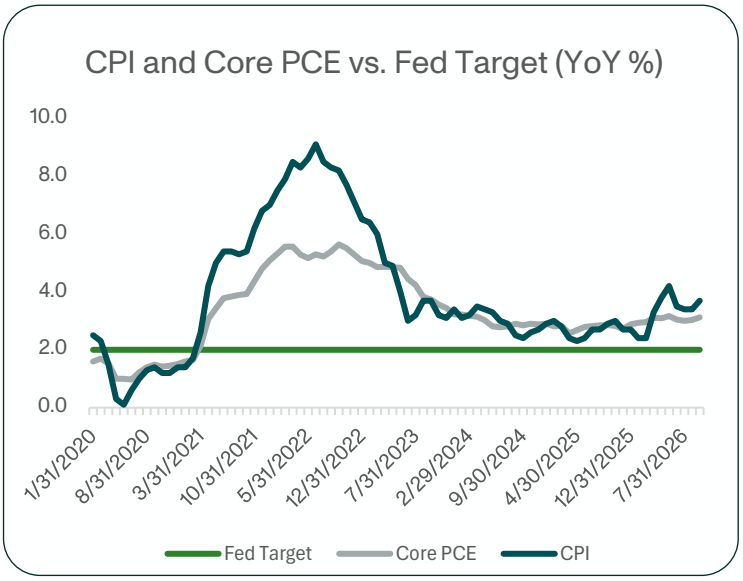
Data as of 10/31/2026; Source: University of Michigan, U.S. Census Bureau
*Excludes COVID era retail sales data

Inflation and the Fed: Progress, With an Asterisk

If the economy has been more resilient than many expected, inflation has been more stubborn. Inflation has fallen considerably from its cycle highs, while longer-term inflation expectations remain relatively anchored. That is meaningful progress. But inflation remains elevated relative to the Federal Reserve's objective, and energy prices and other input pressures continue to complicate the path toward further improvement.

That leaves the Fed with an unenviable assignment. Growth remains healthy enough that policymakers have little reason to rush toward easier policy. Inflation remains high enough that declaring victory would be premature. Interest rate markets have therefore become increasingly open to a wider range of outcomes for monetary policy.

For investors, forecasting every Federal Reserve decision may be less important than understanding what the broader interest rate environment means.



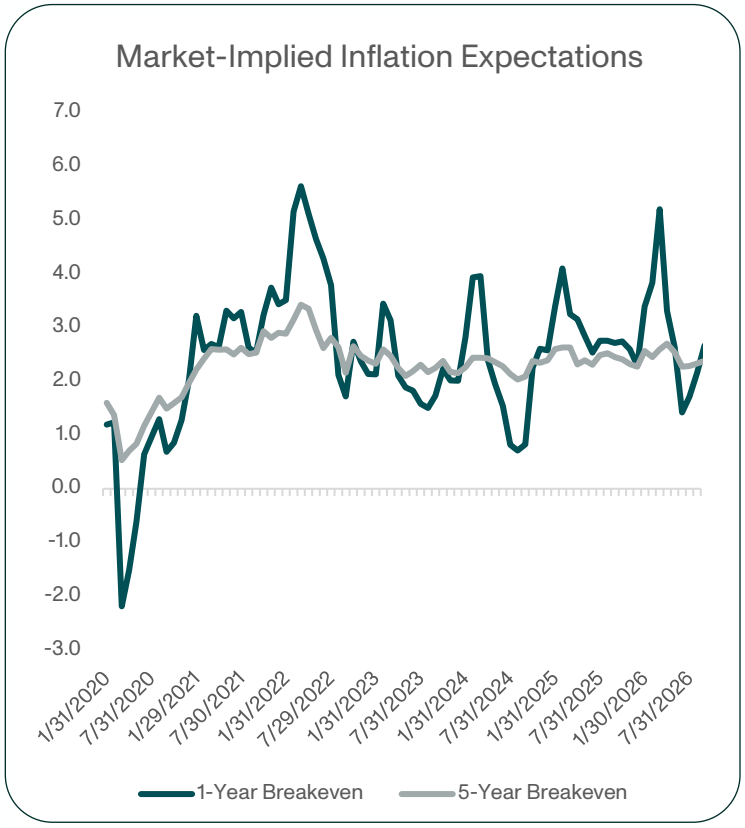
Data as of 10/31/2026; Source: Bloomberg, Bureau of Labor Statistics, Bureau of Economic Analysis

Capital Has a Price Again

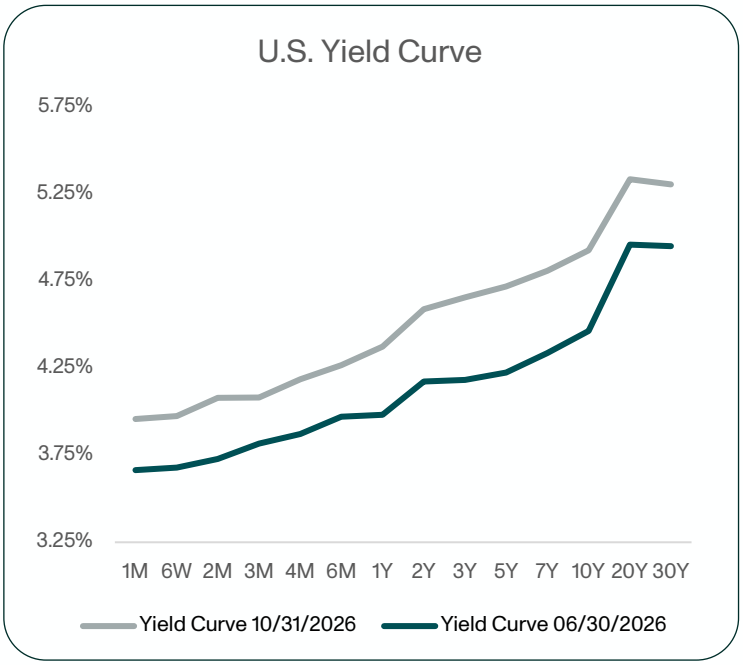
The market determination of the terminal rate destination remains more important than the changing expectations for each upcoming Federal Reserve policy decision. Asset price fluctuations will remain a feature of the market moving forward until this destination is settled.

Higher risk-free rates change the investment math. Stocks trading at elevated multiples face greater competition when investors can earn meaningful income in high-quality bonds. Private investments have to offer sufficient return to justify illiquidity. Corporate projects must clear higher hurdle rates. Highly leveraged businesses face more expensive refinancing.

For much of the post-financial-crisis era, money was extraordinarily cheap. Today, capital has a price again. That does not necessarily make the investment environment worse. But it does make price, valuation and cash flow more important.



Data as of 10/31/2026; Source: Bloomberg



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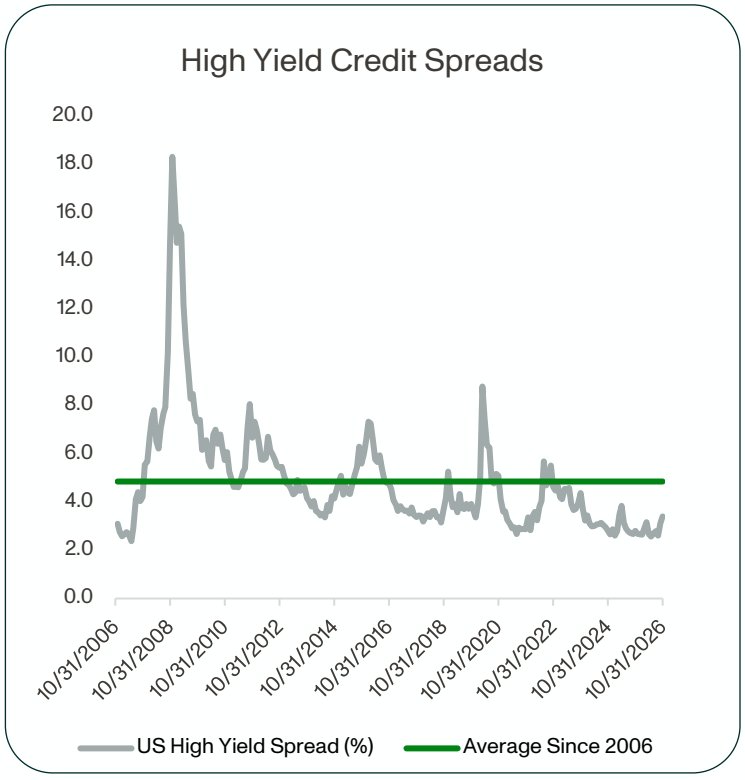


Data as of 10/31/2026; Source: Bloomberg

Fixed Income: Income Is Back in Fixed Income

The bond market has produced its share of noise this year. Yields have moved sharply, rate expectations have changed and the U.S. Aggregate Bond Index remained slightly negative through October. At the same time, credit spreads, although wider recently, remained below longer-term historical averages.

There is another side to that story. Higher yields have caused pain for existing bond prices, but they have also created something fixed-income investors spent much of the last decade searching for: income.

Investors today can earn attractive yields in high-quality bonds without reaching aggressively for credit risk. That improves prospective returns while restoring an important role for fixed income within a diversified portfolio.

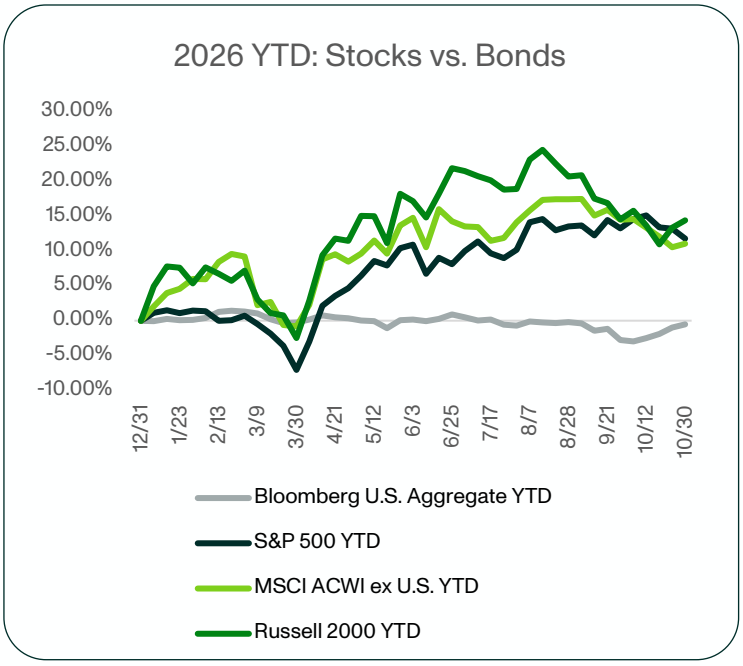
Ballast During Equity Volatility

We were reminded of that role during the early November equity selloff. As stocks declined, Treasury prices rose and yields fell as investors sought safety.

That relationship will not work perfectly every day. Nothing in markets does. But a world in which bonds offer both meaningful income and the potential to provide ballast during equity volatility is very different from the near-zero-rate environment investors navigated for years.

"For long-term investors, that is not noise. That is opportunity."

Marc Dizard, Chief Investment Officer



Data as of 10/31/2026; Source: Bloomberg

Equities: More Players Are Joining the Game

For much of the past several years, investors could be forgiven for thinking there were only a handful of stocks worth owning. That is changing.

Through October, the S&P 500 gained 11.77%. But the S&P 500 Equal Weight Index advanced 15.51%, the Russell 2000 gained 14.37% and the S&P 600 Small Cap Index rose 17.71%. Outside the U.S., the MSCI ACWI ex U.S. returned 11.01%, while emerging markets gained 13.45%.

The message beneath the index numbers is important: market leadership is broadening. This does not require the largest technology companies to suddenly become poor investments. Many remain extraordinarily profitable businesses with powerful competitive advantages. It simply means investors are finding opportunities elsewhere.

Smaller companies are participating. International markets are competing for capital. Sector leadership is rotating. And the equal-weighted market is outperforming the capitalization-weighted S&P 500. We view that as healthy.

S&P 500 Index Returns	YTD	vs. S&P 500
S&P 500	11.77%	—
S&P 500 Equal Weight	15.51%	+3.74
Russell 2000	14.37%	+2.60
S&P 600 Small Cap	17.71%	+5.94
MSCI ACWI ex U.S.	11.01%	-0.76
MSCI Emerging Markets	13.45%	+1.68

Data as of 10/31/2026; Source: Bloomberg. “vs. S&P” is the difference in percentage points.

Why Diversification Still Matters

Diversification can feel frustrating when one narrow part of the market is dramatically outperforming everything else. Yet the purpose of diversification has never been to own only tomorrow’s winner. It is to avoid needing to know in advance who tomorrow’s winner will be.

"Diversification tends to feel least necessary immediately before it becomes most useful."

Marc Dizard, Chief Investment Officer

Earnings: Listen to What Companies Are Saying

If headlines are the noise, earnings may be one of the clearest signals we have. And so far, that signal remains encouraging.

According to FactSet Research, with 88% of S&P 500 companies having reported third-quarter results, as of November 6, blended earnings growth stands at 31.4%, above the 29.1% expected at the end of the quarter. Revenue growth is running at a healthy 14.3%.

The breadth of results has also been impressive. Eighty-four percent of companies have exceeded consensus earnings expectations, above the one-year average of 82% and five-year average of 78%. On the revenue side, 74% have exceeded expectations, below the one-year average of 77%, but above the five-year average of 70%.

Those are strong numbers, particularly against a backdrop that includes elevated interest rates, persistent cost pressures and plenty of economic uncertainty.

But there is an interesting wrinkle beneath the headline. While a lot of companies are beating expectations, they are not beating them by very much.

In aggregate, earnings are coming in 2.7% above estimates, substantially below the one-year average positive surprise of 13.8% and the five-year average of 7.5%. Revenue is exceeding expectations by 2.1%, in line with the one-year average and modestly above the five-year average of 1.8%.

31.4%

Blended Q3 S&P 500 Earnings Growth

14.3%

Q3 Revenue Growth

Companies Are Clearing the Bar, Not Sailing Over It

For investors, that distinction matters. Strong earnings growth is already embedded in expectations. Valuations remain elevated in portions of the market. Investors increasingly want companies to deliver not merely good results, but results that justify the price being paid for them.

That is particularly relevant in technology and artificial intelligence, where expectations for future growth have helped support significant investment and elevated valuations.

Markets can debate elections, Federal Reserve policy, geopolitics and the next move in interest rates. Those issues matter. But over longer periods, stock prices ultimately need earnings to support them. For now, corporate America continues to deliver.

The signal from earnings remains positive. The more interesting question is whether expectations have risen even faster.

84%

Companies Beating EPS Estimates

2.7%

Aggregate Earnings Beat vs. Estimates

Source: FactSet Research, November 6, 2026.

Artificial Intelligence: Now Comes the Hard Part

That distinction between strong results and even stronger expectations brings us directly to one of the market's biggest stories: artificial intelligence (AI). Few investment themes have generated more enthusiasm, capital investment and headlines. We continue to believe AI represents an important long-term technological and economic opportunity. But the nature of the investment debate is changing.

The first phase was largely about capacity. How many chips can be produced? How quickly can data centers be built? How much computing power can companies secure? How much electricity will be required?

The next question is harder: What return will all of that spending generate?

November's early volatility offered a glimpse of that shift. Technology led a broader decline. Large cloud operators were also down, although they generally held up better than semiconductor companies.

14.91%

S&P 500 EPS Growth Expectation, 2026 to 2027

Source: Bloomberg, data as of 10/31/2026.

A Slower Buildout Could Change Where Returns Accrue

Political scrutiny of data center development adds another variable. A slower buildout could defer demand for some semiconductor, power and equipment suppliers while potentially reducing capital requirements for the companies making enormous infrastructure investments.

A slowdown in the pace of AI infrastructure spending would not necessarily undermine the long-term potential of AI. It could, however, change where returns accrue.

As the AI story matures, investors will increasingly need to distinguish among the companies supplying the infrastructure, those spending the capital and those ultimately able to monetize the technology through productivity gains, products and services.

That is healthy. Markets should ask difficult questions when enormous sums of capital are being deployed.

> "This is not necessarily the end of the AI story. It may simply be the beginning of the accounting."

Marc Dizard, Chief Investment Officer

Washington: New Players, Same Scoreboard

The midterm elections changed the political landscape, with Democrats gaining control of both the House and Senate. Beginning in January, a Democratic Congress and Republican White House will create divided government.

That change deserves attention.

It could affect healthcare policy, energy and utilities, AI infrastructure, fiscal spending, government funding and other industry-specific issues. Divided government could also make sweeping legislation more difficult while increasing the importance of negotiation and oversight.

But there is an important difference between saying politics matters and saying politics predicts markets.

History Illustrates the Problem

The five most recent midterm elections that changed control of the House produced dramatically different market experiences over the subsequent two years. Four of the five were followed by positive S&P 500 returns, but outcomes ranged from a 31.6% decline to a 70.1% gain. The average was 32.6%, but the dispersion may be more instructive than the average.

70.1%

Best Two-Year S&P 500 Return After a House Flip

–31.6%

Worst Two-Year S&P 500 Return After a House Flip

Same Transition, Different Outcome

The most comparable historical examples are particularly revealing.

Both chambers of Congress changed control following the 1994 and 2006 midterm elections. Over the next two years, the S&P 500 gained roughly 70% following 1994 but declined nearly 32% following 2006. One period coincided with the mid-1990s economic expansion. The other ran into the Global Financial Crisis.

Same basic political transition. Very different economic backdrop.

That is a useful reminder for investors tempted to turn election results directly into portfolio decisions.

Washington can change the rules of the game. Earnings, inflation, interest rates and economic growth still tend to determine the score.

4 of 5

House Flips Followed by Positive S&P 500 Returns

32.6%

Average Two-Year S&P 500 Return After a House Flip

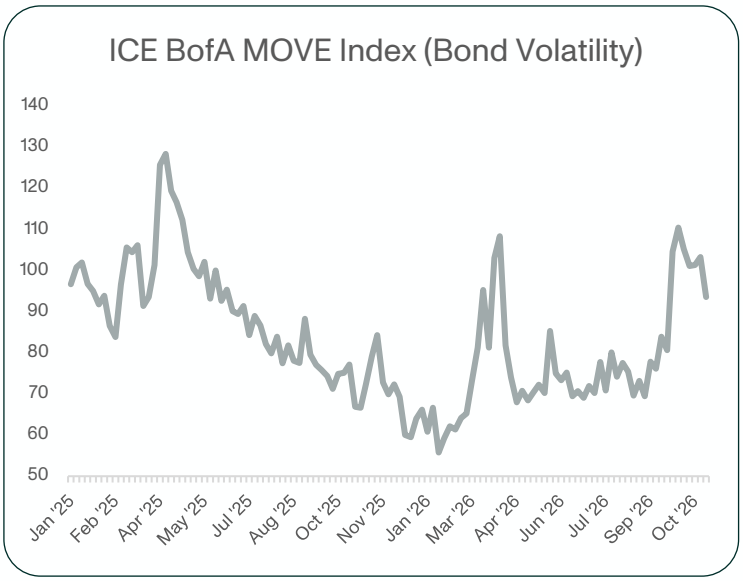
Volatility: Normal Does Not Mean Comfortable

As November began, volatility returned quickly. Technology and semiconductor shares came under pressure, Treasury bonds attracted demand for safety and healthcare held up better than the broader equity market.

None of this is particularly comfortable while it is happening. But discomfort and danger are not the same thing.

Volatility forces markets to reassess assumptions. What price are investors willing to pay for growth? Are earnings expectations realistic? Will capital spending generate adequate returns? Has a position become too large? Has the underlying thesis changed?

Those are useful questions.



Data as of 10/30/2026; Source: Bloomberg

Back to the Investment Process

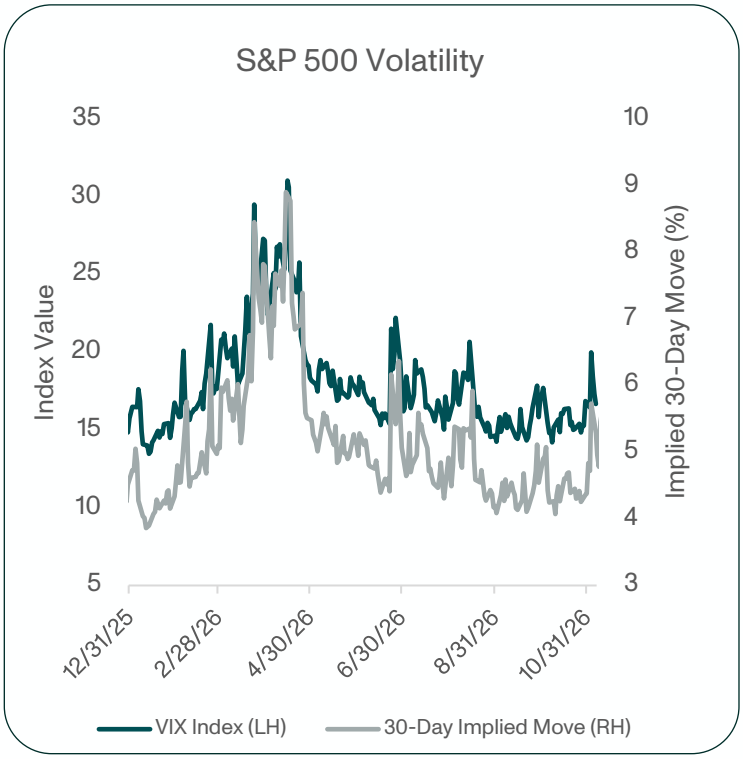
Our response to volatility is therefore neither to dismiss it nor to assume every decline is the beginning of something much worse.

Instead, we return to the investment process. Have earnings changed? Has cash flow deteriorated? Has valuation improved? Has the long-term investment thesis changed? Has portfolio risk drifted away from its intended level?

From our perspective, portfolios with balanced exposures and sensible position sizes, while using changes in earnings, cash flow and valuation to guide rebalancing within the long-term plan remains optimal.

Sometimes the market changes its price much faster than a company changes its value.

Volatility should prompt a review of the plan. It should not automatically prompt an abandonment of it.



Data as of 11/6/2026; Source: Bloomberg

Outlook: Turning Down the Volume

Markets rarely suffer from a shortage of opinions. On any given day, investors can find a persuasive argument explaining why stocks are about to rally, why recession is imminent, why inflation is returning, why interest rates must fall, why interest rates cannot fall, why AI will change everything or why AI enthusiasm has gone too far.

The volume can be overwhelming, but today, the most important signals remain reasonably constructive.

Economic growth continues. Consumers continue to spend. The labor market has cooled without collapsing. Corporate earnings remain strong. Market participation has broadened. Higher bond yields also provide investors with more attractive income opportunities than they had for much of the past decade.

Legitimate Risks, Thoughtful Choices

There are legitimate risks. Inflation remains too high. Interest rates are elevated. Valuations are demanding in portions of the market. Expectations surrounding AI are enormous. Politics can influence individual industries. And volatility can rise quickly when investor expectations become stretched.

That combination does not argue for abandoning risk. It argues for being thoughtful about which risks investors are being paid to take.

Equities

For equities, we continue to emphasize earnings, cash flow, valuation and diversification across market capitalizations, styles and geographies.

Fixed Income

For fixed income, higher yields have improved the prospective return opportunity, particularly in higher-quality securities where investors can earn meaningful income without unnecessarily stretching for credit risk.

Across Portfolios

Across portfolios, we continue to believe diversification is important precisely because the next market leader is rarely obvious beforehand.

> “It argues for being thoughtful about which risks investors are being paid to take.”

Marc Dizard, Chief Investment Officer

Closing Perspective: When the Noise Gets Louder

Investing would be considerably easier if markets came with a mute button. They do not.

There will always be another election, another Fed meeting, another geopolitical concern, another earnings disappointment and another investment theme that suddenly feels impossible to ignore. Some of those developments will matter enormously. Others will be forgotten remarkably quickly.

The challenge for long-term investors is not to ignore the noise. Doing so would mean ignoring risk. The challenge is to distinguish the noise that changes the story from the noise that merely changes the price.

That is why we continue to come back to the same questions. Is the economy growing? Are companies increasing earnings and generating cash? What price are we paying for that growth? Are investors being adequately compensated for the risks they are taking? And is the portfolio diversified enough that being wrong about one forecast does not derail the long-term plan?

Today, we remain constructive, but selective. We respect the risks posed by inflation, elevated yields, demanding valuations and geopolitical uncertainty. We are watching carefully as markets demand greater evidence that AI investment can translate into sustainable economic returns. And we recognize that Washington's new balance of power could create winners and losers beneath the market's surface.

But we also see an economy that remains resilient, earnings that remain supportive, broader participation across markets and a fixed-income environment that once again provides investors with meaningful income.

The noise has gotten louder.

Our investment process has not changed.

Listen to the headlines. Invest in the fundamentals.

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