



CARSON

Charts of the Week

Carson Investment Research

October 19 – 23, 2026

Chart of the Week

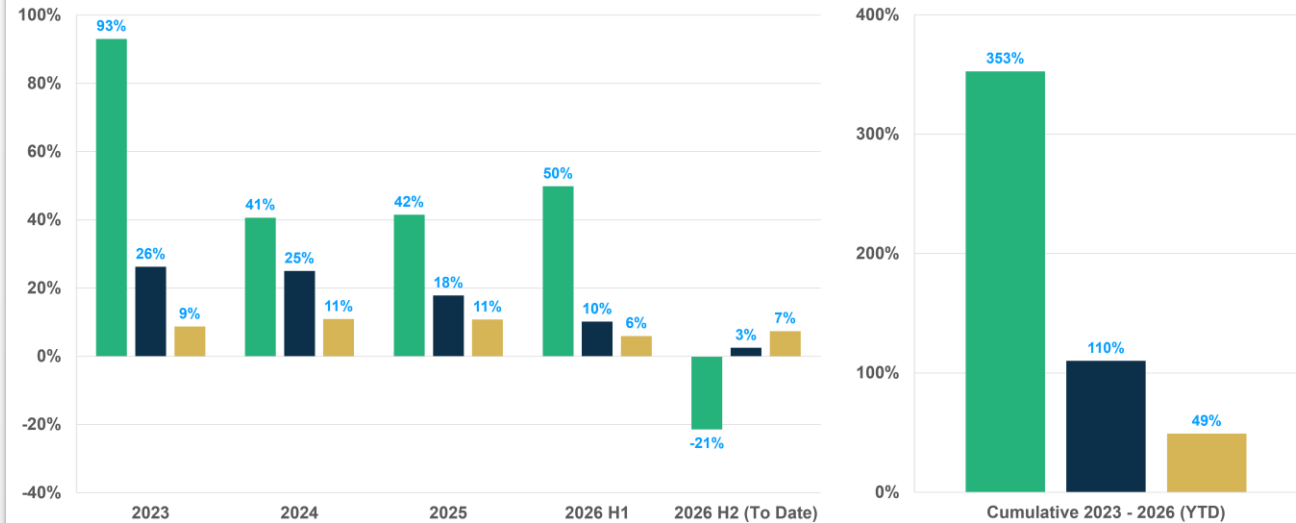
AI's Four-Year Lead Faces It's First Serious Test

- AI stocks beat the rest of the S&P 500 by at least 30 points in every period from 2023 through June. Since July, the Broad AI index is down 21% while the S&P 500 excluding AI enablers is up 7%.
- The reversal has barely dented the long-run gap. AI stocks are up 353% since the end of 2022 against 49% for everything else, and that 49% still works out to about 11% a year.

It's been AI vs everything else for a few years, and AI has been winning by wide margins. But is it over?

Total Returns

■ Broad AI ■ S&P 500 ■ S&P 500 Ex AI Enablers



Data source: Carson Investment Research, Bloomberg 10/22/2026

Broad AI: Goldman Sachs Broad AI Index
S&P 500 Ex AI Enablers: Goldman Sachs US 500 Excluding AI Enablers Index

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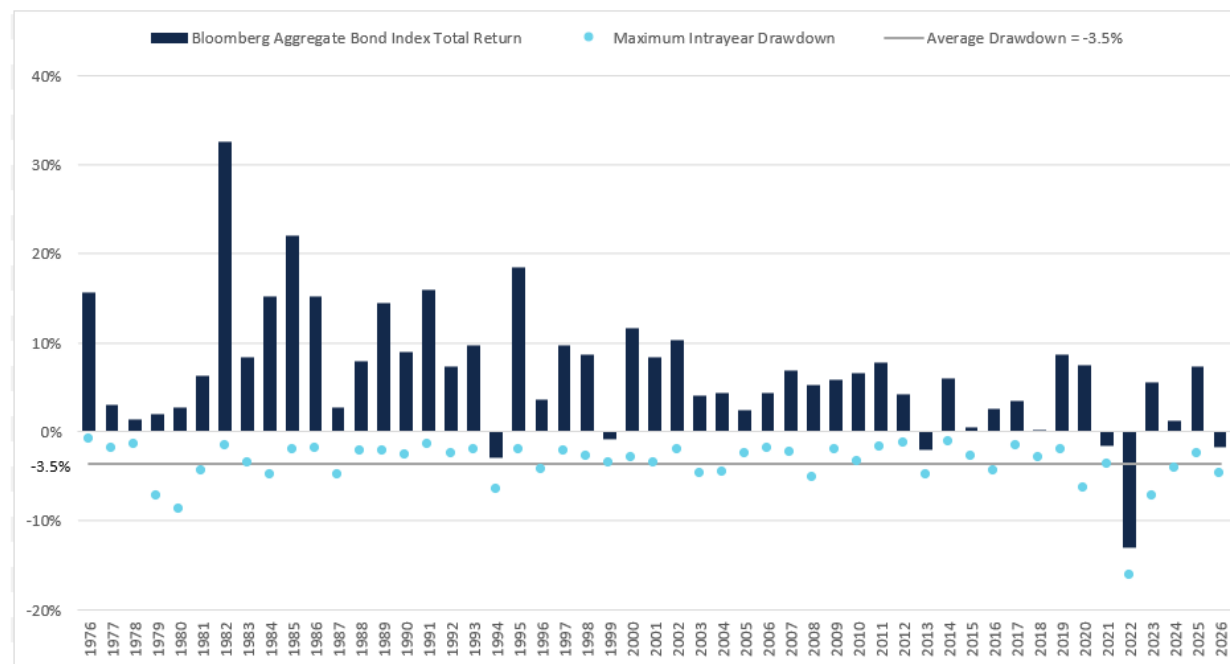


Bonds

Bond Losses This Year Are Fairly Close to Normal

- Q3 was the Agg's worst quarter since 2022, but its deepest decline this year, 4.6%, is only about a point worse than the 3.5% average since 1976.
- Bonds have had a decline at some point in every year since 1976, yet only five calendar years ended negative. 2026 could be the sixth, with the Agg down 1.7% through Oct. 20.
- The worst bond year on record, 2022's 13% loss, is roughly the size of the average intra-year decline for stocks.

2026 Max Bond Drawdown Is Slightly Deeper than Average
But We May See the Sixth Losing Year Since 1976



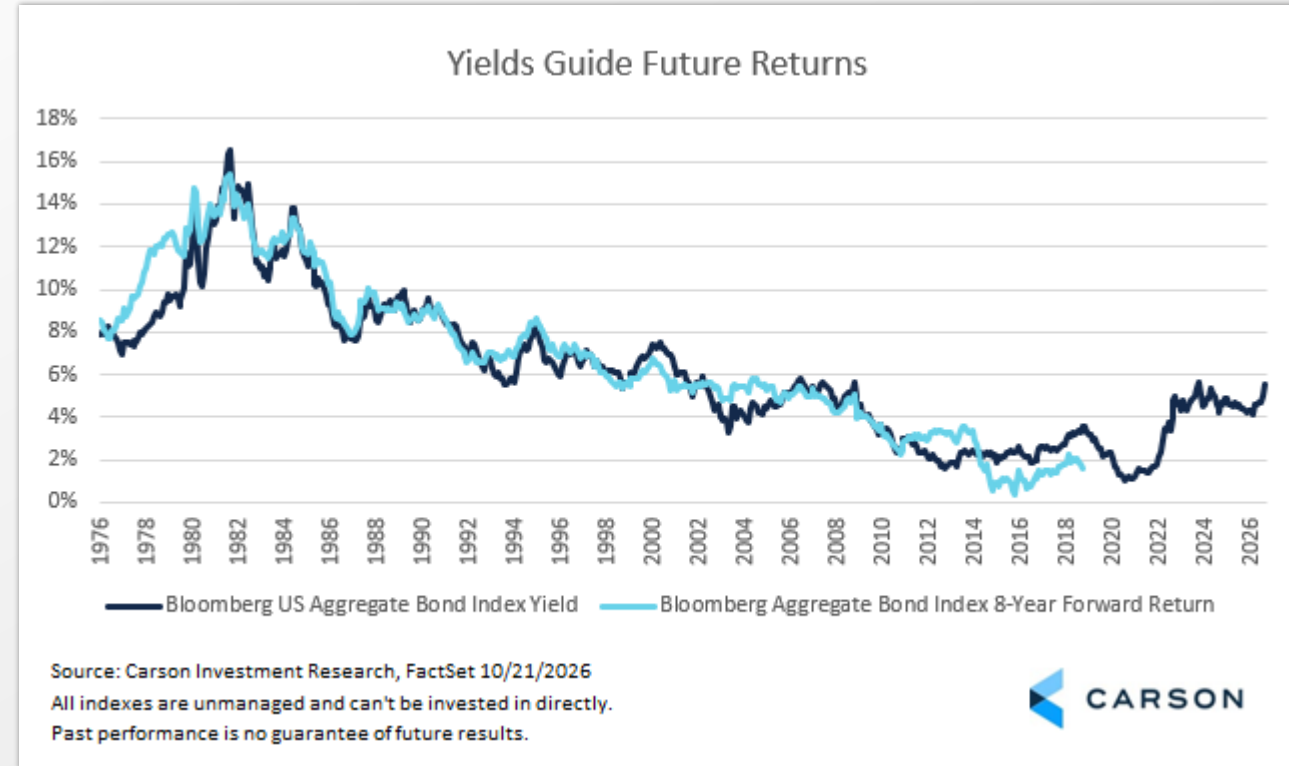
Source: Carson Investment Research, FactSet 10/21/2026
Drawdowns are based on monthly data for 1976-1988. 2026 is through October 10.



Bonds

Bond Returns Have Followed Their Starting Yield

- Historically, the Agg's return over the next eight years has landed within about one point of its starting yield 75% of the time. That starting yield is now 5.45%.
- Rate moves drive bond returns in the short run, but their effect fades as bonds approach maturity and repay full face value. Over eight years, the yield does most of the work.
- If rates held, eight years at the Agg's yield would compound to about 52%, versus 39% in Treasury bills at 4.2%.



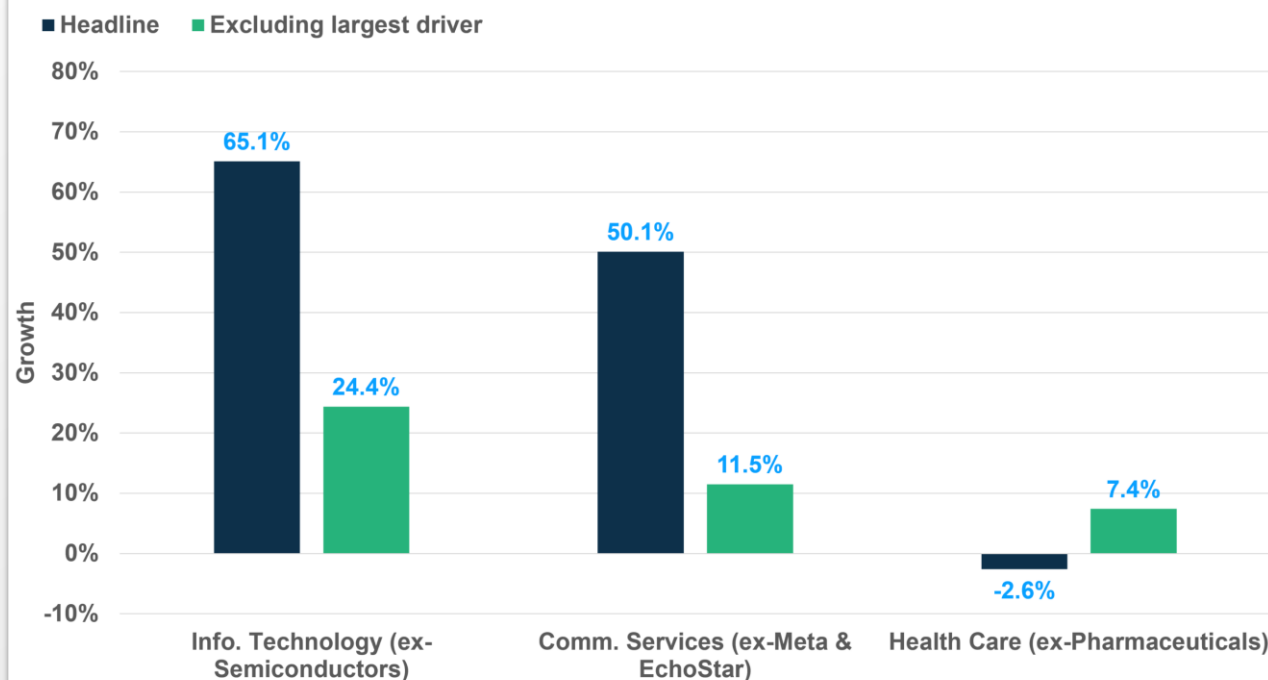
Markets

Q3's Headline Growth Rests on a Handful of Names

- Removing Micron and NVIDIA alone cuts S&P 500 Q3 earnings growth from 29.0% to 20.0%, which would still be a strong quarter.
- Tech outside semiconductors is growing 24.4%. Communication Services' 50.1% shrinks to 11.5% without Meta and EchoStar, both up against huge one-time charges a year ago.
- Health Care's decline comes from analysts starting to count a one-time charge for acquired drug rights at Eli Lilly. Excluding drug makers, the sector is growing 7.4%.

Excluding Their Largest Drivers, IT Growth Falls From 65% to 24% and Health Care Turns Positive

Q3 2026 blended year-over-year earnings growth by sector, headline vs. excluding largest driver, as of 10/16/2026



Source: Carson Investment Research, YCharts, FactSet 10/19/26



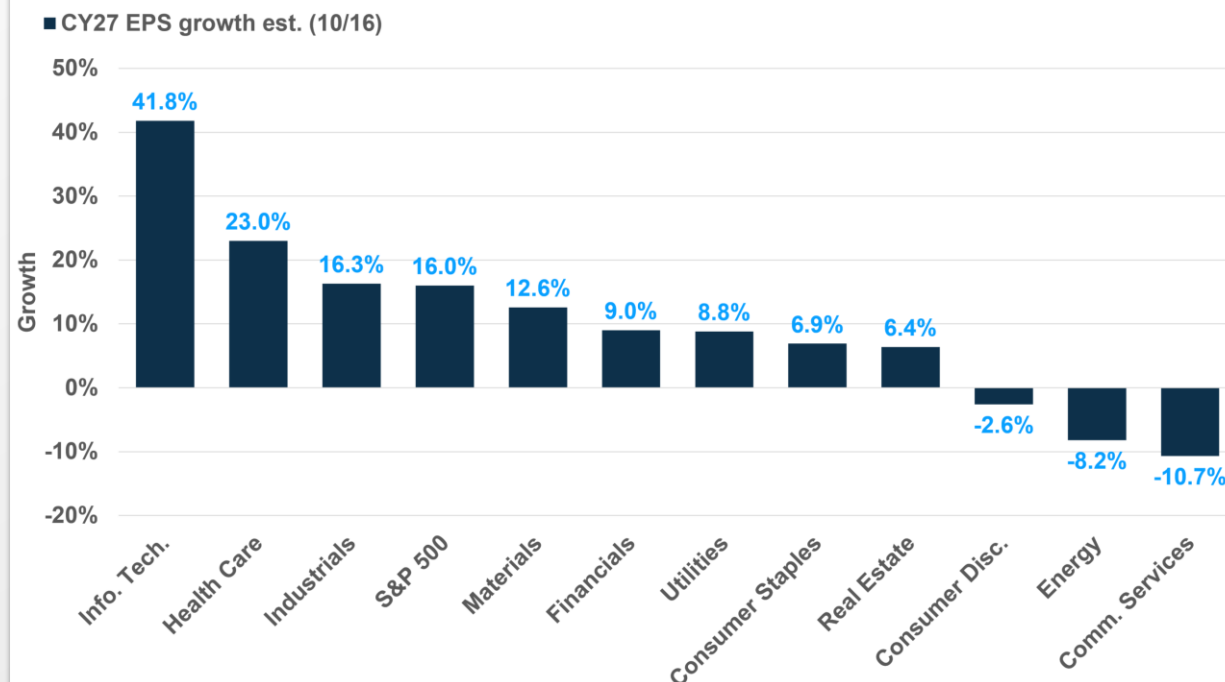
Markets

Analysts See the Chip Boom Outlasting the Oil Windfall

- Consensus has tech earnings growing 41.8% in 2027 and energy earnings falling 8.2%, close to the opposite of how chip and refiner stocks have traded since September.
- Estimates more than a year out tend to start optimistic and drift lower, which leaves the tech figure most exposed to cuts.
- Communication Services and Consumer Discretionary are both expected to shrink, likely reflecting tough comparisons against large one-time investment gains at Alphabet and Amazon in 2026.

Analysts Expect Tech to Lead 2027 Earnings Growth at 41.8%, While Energy and Comm. Services Decline

CY 2027 estimated year-over-year EPS growth by sector, FactSet consensus as of 10/16/2026



Source: Carson Investment Research, YCharts, FactSet 10/19/26



Macro

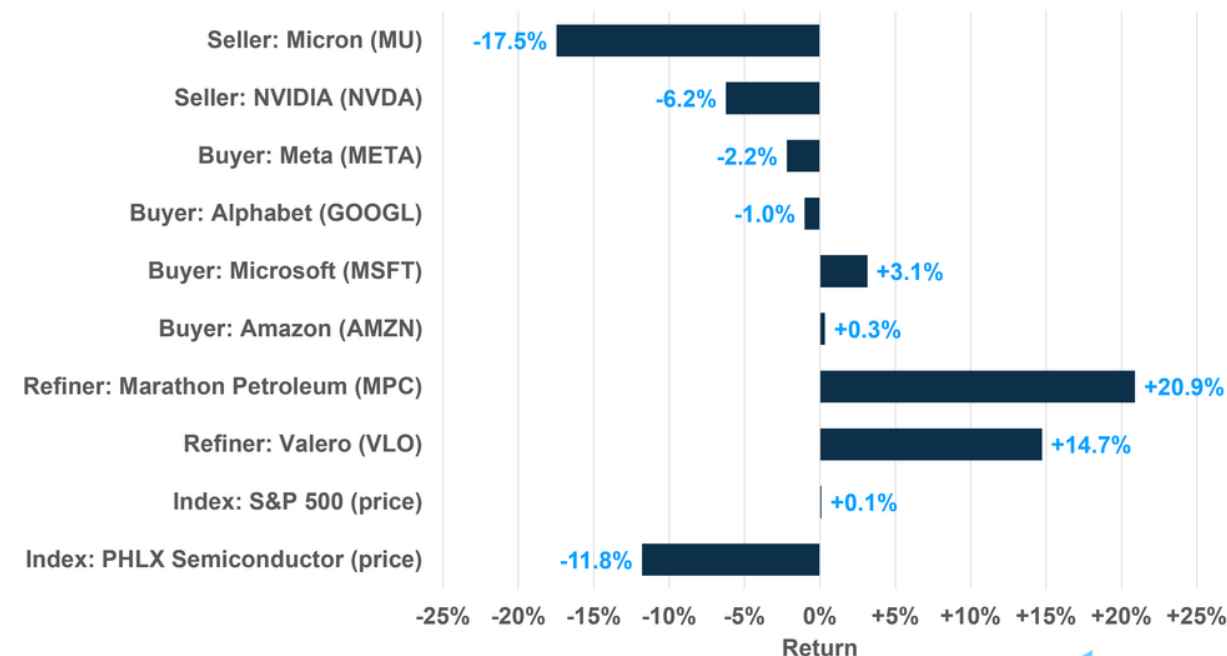
Two Shortage Trades Are Moving in Opposite Directions

- Micron beat estimates and is the largest single contributor to S&P 500 earnings growth this quarter, yet the stock fell 17.5% after the quarter ended.
- Refiners are on track for roughly 482% earnings growth on record diesel margins. The market is paying up for the oil windfall even as analysts expect energy earnings to fall next year.
- The big AI buyers have barely moved. Their 2027 spending plans will go a long way toward deciding how long the chip shortage lasts.

Since Q3 Ended, Refiners Have Rallied as Much as 21% While Micron Has Fallen 17%

Total return, 9/30/2026 to 10/16/2026 (stocks dividend-adjusted; indexes price return), daily closes

■ Return 9/30-10/16



Source: Carson Investment Research, YCharts, FactSet 10/19/26



Markets

This AI Pullback Is Already Deep

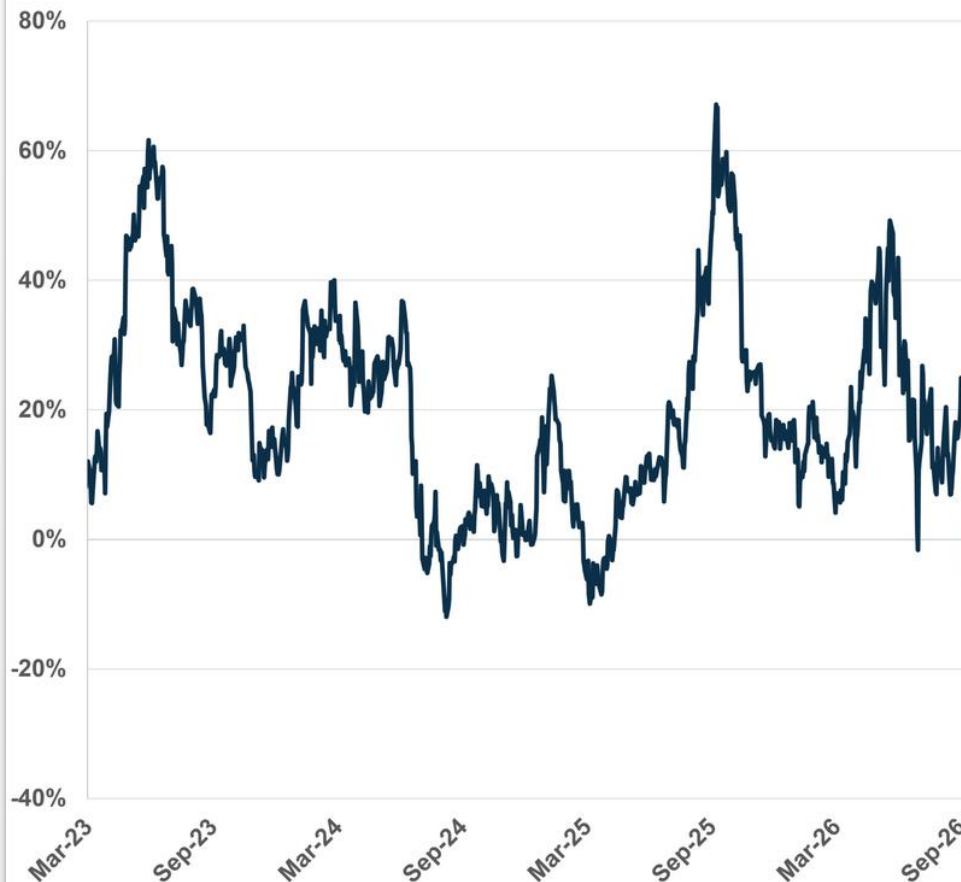
- AI stocks now trail non-AI stocks by about 18 points over the past six months. The dips in fall 2024 and spring 2025 bottomed near 10.
- On June 22, AI stocks led the rest of the market by 49 points for the year. That lead is now under 5.
- Both earlier dips were followed by AI taking the lead again within months, so a weak reading alone hasn't ended the trend in this cycle.

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A big shift: AI's 6-month edge over non-AI stocks is at its weakest of this bull market

6-Month Excess Return: Broad AI vs. S&P 500 Ex AI

Trailing 6-month price return difference, percentage points



Data source: Carson Investment Research, Bloomberg 10/22/2026

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Broad AI: Goldman Sachs Broad AI Index
S&P 500 Ex AI: Goldman Sachs US 500 Excluding AI Enablers Index



Markets

Ai's Weight in the Index Keeps Rising as Returns Fade

- Since 2024, 47 AI stocks averaging about a third of the index have produced 60% of the S&P 500's gain. In the first half of 2026, that share was 75%.
- Their weight has climbed to 39%, which is how the index can fall when most stocks rise. On Oct. 22, 324 of 500 stocks gained and the median stock rose 1.1%, but the S&P 500 lost 1.4%.

A small group of AI stocks have powered S&P 500 returns, until recently

Group	Jan 2024 – Sep 2026			2026 H1			2026 H2 (through Oct 22)		
	Avg weight	Contribution to return	Share of index return	Avg weight	Contribution to return	Share of index return	Avg weight	Contribution to return	Share of index return
S&P 500	100.0%	66.0%	100%	100.0%	10.2%	100%	100.0%	2.5%	100%
AI basket	32.7%	39.6%	60%	37.1%	7.6%	75%	39.2%	-1.7%	-67%
Ex-AI	67.3%	26.4%	40%	62.9%	2.6%	25%	60.8%	4.2%	167%
Magnificent 7	32.2%	30.1%	46%	33.4%	0.1%	1%	33.6%	3.3%	133%

Data: Factset 10/22/2026
Average index weight, contribution to return and share of index return, by period. S&P 500 proxied by SPY ETF.
AI basket contains 47 stocks; The AI basket and "Magnificent 7" includes both Alphabet share classes.

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Markets

What Held Up When the Last Tech Boom Unwound

- In the nine months after the March 2000 peak, tech fell 48% while utilities, staples, and health care each gained more than 35%. The S&P 500 lost only 11%, which hid how violent the rotation underneath was.
- The rotation didn't protect against the bear market that followed. Every sector fell from 2001 to the March 2003 low, and utilities lost more than they had gained in 2000.
- Over the full stretch, an equal mix of health care, financials, and energy gained 15% while the S&P 500 lost 6%.

The dot-com bubble ended with rotation, before collapse

Sector	January 1998 - March 2000	April 2000 - December 2000	January 2001 - March 2003	January 1998 - March 2003
S&P 500	59.2%	-11.1%	-33.5%	-6.0%
Technology	261.6%	-48.0%	-53.8%	-13.0%
Comm. Services	79.1%	-38.0%	-50.5%	-45.0%
Cons. Disc.	70.1%	-16.9%	-22.8%	9.1%
Industrials	33.2%	7.1%	-34.1%	-5.9%
Health Care	28.7%	36.8%	-27.7%	27.4%
Energy	22.3%	13.0%	-19.8%	10.8%
Financials	18.8%	22.8%	-26.3%	7.5%
Utilities	12.1%	46.3%	-52.8%	-22.7%
Materials	3.1%	-3.9%	-9.2%	-10.1%
Cons. Staples	-18.5%	40.8%	-16.2%	-3.8%
Momentum	158.2%	-28.6%	-39.8%	11.0%
Low Volatility	-5.9%	32.4%	-5.8%	17.5%
Average of Health Care, Financials, Energy	23.3%	24.2%	-24.6%	15.2%

Data source: Carson Investment Research, Factset, Bloomberg 06/23/2026

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Sectors proxied by S&P 500 sector indices. Momentum proxied by the S&P 500 Momentum Total Return Index and Low Volatility proxied by the S&P 500 Low Volatility Total Return Index



Markets

A 1987-Sized Point Drop Barely Registers Today

- The Dow's 508-point drop on Oct. 19, 1987, was a 22.6% loss. It now ranks 151st by points, and the Dow has had 19 bigger point drops this year alone.
- The Dow still finished 1987 up about 2%, bottomed for good in early December, and went on to one of the strongest bull markets on record in the 1990s.

The Crash of 1987 Is Still The Worst Day Ever For Stocks

10 Largest % Drops Ever For The Dow (1896 - Current)

Date	% Drop	Rank For % Drop	Point Drop	Rank For Point Drop
10/19/1987	-22.6%	1	-508.00	151
12/14/1914	-20.5%	2	-14.66	3820
10/28/1929	-13.5%	3	-40.58	2589
3/16/2020	-12.9%	4	-2997.10	1
10/29/1929	-11.7%	5	-30.57	2932
10/5/1931	-10.7%	6	-10.40	4370
3/12/2020	-10.0%	7	-2352.60	2
11/6/1929	-9.9%	8	-25.55	3138
8/12/1932	-8.4%	9	-5.79	5622
3/14/1907	-8.3%	10	-6.89	5203

Source: Carson Investment Research, FactSet 10/20/2026
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