

THE DANA VIEWPOINT

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The More Things Change...

Every November, right about the time the last Halloween candy disappears, retail stores begin piping in holiday music and putting out tinsel before the Thanksgiving turkey has even thawed. Investors have a similar habit of rushing ahead to price in whatever headline happens to be shouting loudest at that moment. Over the past few weeks, Wall Street has had plenty of news to digest—from the aftermath of the midterm elections to an unexpected leadership shakeup at the market's premier artificial intelligence bellwether, NVIDIA, and the largest IPO in history with Anthropic going public. Yet history reminds us that markets have a remarkable way of looking past the drama of the day. In Washington, voters delivered a divided government, handing control of both the U.S. House of Representatives and the U.S. Senate to the Democratic Party while a Republican administration remains in the White House. As partisan pundits on both sides are busy debating what the results mean for the next two years, investors tend to view gridlock differently; a divided Washington often means fewer sweeping legislative surprises, allowing businesses to plan and allocate capital with greater confidence.

Meanwhile, the technology sector received a stark reminder about the risks of crowd psychology and single-stock concentration. Following the abrupt resignation of CEO Jensen Huang, shares of Nvidia suffered a sharp decline as traders scrambled to recalculate what the artificial intelligence trade is worth without its longtime visionary at the helm. Anthropic, an AI company that is expected to produce revenue of over $100 billion next year, was only founded in 2021. Watching investors simultaneously flee one AI titan while lining up for a blockbuster initial public offering captures the classic emotional pendulum of the market. As we have noted many times over the years, chasing momentum at the top or panicking during a sudden sell-off rarely rewards long-term investors.

We are in the beginning of a technological revolution that will take time to mature. The pathway isn't entirely clear, and it is also unclear where profitability will accrue within the market. Nevertheless, we do believe that the AI revolution will bring great profits and great advancements.

Beneath the daily market movements, the broader American economy continues to demonstrate its resilience, though higher borrowing costs are clearly leaving their mark on rate-sensitive corners of the economy. Real GDP accelerated to a healthy 3.4% annualized pace in the third quarter,

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supported by steady consumer spending and business equipment investment, while the unemployment rate remains near a solid 4.1%. However, elevated crude oil prices amid ongoing Middle East supply constraints, have kept inflation stubbornly above the central bank's 2% target. Under Chairman Kevin Warsh, the Fed raised rates by a quarter point in September before holding the federal funds target range steady at 3.75% to 4.00% at its late-October meeting, leaving the door open for another potential increase in December. Nowhere is the impact of higher rates more visible than in the housing market as data from the National Association of Realtors showed existing-home sales tumbled 5.5% in October to a seasonally adjusted annual rate of 3.75 million, which is the slowest pace in 16 years. With average 30-year fixed mortgage rates hovering back above 7%, buyers have been pushed to the sidelines and homeowners with low pandemic-era mortgage rates remain reluctant to move. Yet from a contrarian standpoint, this freeze is very different from the housing bust of 2008; median home prices are still edging higher at $416,700, distressed sales account for just 2% of transactions, and household balance sheets remain well-cushioned by accumulated home equity, meaning any eventual easing in mortgage rates could unlock substantial pent-up demand.

The lesson through all of this, whether navigating a shifting political landscape, a sudden leadership change in Silicon Valley, or a sluggish housing market, is to stay anchored to fundamentals rather than reacting to the headlines. Markets climb walls of worry, and the ingenuity of American businesses has a long track record of adapting to new rules, new leaders, and higher interest rates. As we gather with family and friends for Thanksgiving, we have much to be grateful for in a country where free enterprise and open debate continue to thrive.

From all of us at Dana Investment Advisors, we wish you and your loved ones a peaceful, joyous, and happy Thanksgiving.

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