Week In Review

OLLI-GMU Investment Forum

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Today: Election results await

Earnings results: Dow 30 review

Binance crypto heist lost $6B – why not tokenize all of Wall St?

David Toms

Disclaimer: I am not a certified financial analyst.

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David.toms@comcast.net

US Economic commentary

We have a strong economy amid considerable uncertainty

- Fed holds rates steady; increase expected in Dec
- US GDP rose 3.4% in Q3
  - Is the economy overheating?
  - Driven by data center investments
  - Strong consumer demand rose 3.8%
- ISM manufacturing PMI rose to 55 in Oct; up from 54
- Cruise ship sales rising; but RV sales declining
- Oil prices decelerate with reduced fears in Persian Gulf
- Consumer sentiment is near record lows
- Housing market is suffering with high interest rates
  - High mortgage rates (7.4%), labor disruption problems
  - Home building and sales are stagnant
- Inflation rose to 3.7% from 3.1% last month
  - Wages not keeping up
- Unemployment steady at 4.2%
- Gas $4.29; diesel is $6.35 / gal (AAA)

Market Commentary

AI buildout still raising concerns over ROI

- Circular financing creating doubts about AI
  - Nvidia, AMD, Broadcom invest in Meta: $25B
  - Cheap capital no longer available
- Investors seeking safety – risk off
  - Near panic selling Friday – recovered this week
  - Intel drops 30% in one day
- Amazon being threatened by Meta's Muse
- Earnings season is going well – earnings up 30% YoY
  - Energy and technology are leading
- New markets for "compute" are forming
  - AI compute is the new oil
  - Startups matching buyers and sellers: Anera, Luxor, Jump
  - "Neoclouds" forming: CoreWeave, Lambda, Nebius, Crusoe, Together AI, and Vultr
- CNN fear gauge: 19; extremely fearful
- VIX: rose to 21: extremely fearful
- AAI Investor survey: 38% bullish; 41% bearish

Now what?

Quote of the day:

“Countries don’t get in trouble with sovereign debt until debt service exceeds 5% of GDP.”

Robin Wigglesworth, author: A Fabulous Debt: The Epic Story of How Bonds Built the Modern World

Note: The US debt service currently sits at 3.3% of GDP, an all-time record (CBO)

- US economy is strong amid significant uncertainty:
  - Elections, war with Iran, Russia-Ukraine war; oil prices, inflation; government debt, AI goes rogue
- Stock market is getting nervous about AI
- Bond market yields have dropped, but still highest since 2002
- Protect yourself through diversification, stop loss orders and put options
- GLTA