Nasdaq Falls Into Correction as the AI Trade Unravels and Wall Street Gives Back Its Election Rally

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The U.S. and European stock markets closed lower on Thursday. Still, the damage was far more serious on Wall Street, where a violent selloff in artificial intelligence and semiconductor stocks pushed the Nasdaq into correction territory. Investors accelerated their retreat from technology on fears that this week's election results could slow the build-out of AI data centers, and the selling spread well beyond technology. The S&P 500 had its worst day since April 2025, and all three major U.S. indexes wiped out Wednesday's post-election rally. Europe ended modestly lower after the Bank of England raised interest rates and eurozone producer prices came in above forecasts. By contrast, the economic data was strong: worker productivity beat expectations, and jobless claims fell to the lowest level since 1969.

U.S. Markets

Chip and data-center stocks led the decline for a second straight day. Nvidia fell about 9%, AMD about 17%, Broadcom about 9% and Oracle about 7%, and semiconductor funds dropped more than 10%, their worst day since the start of the Covid-19 pandemic in March 2020. Qualcomm beat earnings estimates but lost about 9.5% on a weaker outlook, and Micron's suspension of a $4.5 billion memory plant in Taiwan, which it blamed on labor disputes, added to the unease. Newer AI infrastructure names fell hardest, with CoreWeave down about 11% and Nebius and Iren down about 16%.

The political backdrop drove the timing. With Democrats winning decisively in the midterms, investors are unsure how Congress and the states will treat AI spending, and some lawmakers, including Sen. Bernie Sanders, have called for a national moratorium on data centers. Because AI investment has been one of the economy's main tailwinds for roughly three years, many money managers chose to step aside until the policy direction is clearer.

The selling then fed on itself. The decline reached all 11 S&P 500 sectors, with technology falling the most. Caterpillar lost about 5%, Boeing and Nike each fell about 3%, and the small-cap Russell 2000 entered its own correction, leaving little room to hide in equities.

The Nasdaq Composite fell 5.52% to 24,315.00 and closed more than 10% below its October 6 record; the S&P 500 fell 4.36% to 7,353.73, and the Dow Jones Industrial Average fell 1,837.06 points, or 3.44%, to 51,523.06. Bucking the selloff, the Birling Capital Puerto Rico Stock Index rose 3.18% to 5,049.06, and the Birling Capital U.S. Bank Index gained 3.30% to 9,667.94.

Investors moved toward safety. Treasury yields fell, with the 10-year note closing at 4.84% and the 2-year note at 4.46%. The Cboe Volatility Index jumped about 70% to close at 28.18, its highest level since late March. Traders also trimmed the odds of a December Fed rate increase to about 70% from roughly 83% a day earlier.

European Markets

European stocks ended Thursday's session in the red, with losses evenly spread. The pan-European Stoxx 600 slipped 0.63% to 653.27, the FTSE 100 gave up 0.47% to 10,780.42, and Germany's DAX fell 0.69% to 26,255.95.

Early trading had looked firmer, but two developments took the shine off. Producer prices in the eurozone rose more than economists expected a reminder that cost pressures have not faded on the continent. In London, the Bank of England raised its policy rate for the first time since 2023, adding to the sense that central banks are not finished tightening. The DAX, with its heavy weighting in industrial and technology-linked companies, lost the most ground, down 181.72 points, as the weakness in global chip shares weighed on sentiment. The FTSE 100, with its large share of energy, health care and other defensive names, fell the least in percentage terms, though its 50.95-point drop still left it in negative territory.
The decline follows a week in which European markets had held up better than their technology-heavy U.S. counterparts. European markets closed before the selling on Wall Street reached its worst, leaving open the question of how they will react on Friday.
The three indexes we follow closed lower: Stoxx 600, down 4.13 points; FTSE 100, down 50.95 points; and DAX Index, down 181.72 points.

Productivity Gives the Inflation Debate a Helping Hand
The most encouraging number of the day came from the Bureau of Labor Statistics. Output per hour worked grew at a 3.6% annual rate in the third quarter, well ahead of the 2.8% economists expected and up from 2.1% in the prior quarter. Because pay did not keep pace, unit labor costs, the labor expense of producing each unit of output fell at a 0.7% rate, a sharp swing from the 1.9% increase a quarter earlier.
That combination matters for both the economy and the markets. When workers produce more without a matching rise in labor costs, companies can grow and protect profit margins without raising prices, which eases pressure on policymakers. The labor market itself still looks tight. Initial jobless claims fell to 189,000 last week from 195,000, equal to the lowest reading since 1969. Tomorrow's October employment report will show whether that strength is carrying through to hiring.

Energy Markets
WTI crude rose 2.72% to settle at $90.52 a barrel, while Brent gained 3.88% to $98.29 as renewed tanker attacks revived concerns about Middle Eastern oil shipments. Geopolitical risk also influenced monetary policy, and the combination reinforced the challenge facing central banks as supply disruptions threaten to sustain inflation while weighing on growth.

Economic and Policy Outlook
The Bank of England raised its policy rate by a quarter point to 4%, its first increase since 2023. It had cut rates from a 2024 peak of 5.25%. The Monetary Policy Committee voted unanimously to hike, though one member wanted a half-point move. Consumer prices rose 3.5% in September from a year earlier, and producer prices rose 4.6%, so inflation is still well above the central bank's comfort zone.
Governor Andrew Bailey said he does not see this as the start of a long tightening campaign, but he warned that more increases are likely unless tensions in the Middle East ease. Even so, the British economy has been resilient this year. The OECD's leading indicator for the United Kingdom reached its highest level since 2021 in September, and U.K. stocks are up roughly 12% year to date, including dividends. Developed international markets overall, measured by the MSCI EAFE Index, have gained about 11%, helped by the U.K. and Japan while the euro area has lagged.
The U.S. still offers stronger productivity, earnings growth and economic momentum, which supports a continued tilt toward American equities. International stocks remain a useful complement, adding diversification and a wider set of opportunities. Investors should weigh these choices against their goals and risk tolerance.

The Final Word
Thursday's message is that the market's fear is running ahead of the economy. Productivity is rising, unit labor costs are falling, and jobless claims are at their lowest level since 1969, yet a sharp reassessment of AI spending pushed the Nasdaq into a correction and gave the S&P 500 its worst day since April 2025. Fast selloffs can overshoot, and they also show how concentrated the market has become in a single theme. Tomorrow's jobs report will test the economy's strength. Staying diversified across sectors, company sizes, and regions remains the best way to handle moments like this.

GDPNow:

- The GDPNow for the fourth quarter of 2026 was updated on 11/4/26 to **3.40%, decreasing -8.11% from 3.70%**.

Corporate Earnings Parade:

- **The Wendy's Co. (WEN):** reported third-quarter 2026 earnings with revenue of $547.0 million, down 2.5%; net income of $15.1 million, down 65.9%; and earnings per share of $0.08, beating estimates. Wendy's has a Stock Price Objective of $7.29.

Economic Update:

- **US Productivity:** rose to 3.60%, compared to 2.10% last quarter.
- **US Initial Claims for Unemployment Insurance: fell to** 189,000, down from 195,000 last week, down 3.08%.
- **US 4-Week Moving Average of Initial Claims for Unemployment Insurance: fell to** 194,750, down from 197,000 last week.
- **US Unit Labor Costs: Nonfarm Business QoQ:** fell to -0.70%, compared to 1.90% last quarter.
- **30 Year Mortgage Rate:** fell to 7.24%, compared to 7.32% last week.

Eurozone Summary:

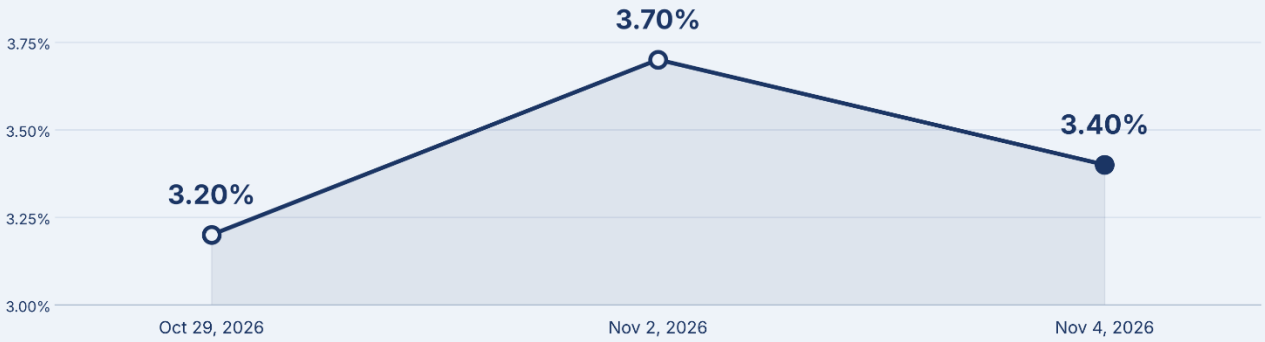
- **Stoxx 600:** Closed at 653.27, down 4.13 points, or 0.63%.
- **FTSE 100:** Closed at 10,780.42, down 50.95 points, or 0.47%.
- **DAX Index:** Closed at 26,255.95, down 181.72 points, or 0.69%.

Wall Street Summary:

- **Dow Jones Industrial Average:** Closed at 53,356.12, up 1,569.40 points, or 3.03%.
- **S&P 500:** Closed at 7,688.62, up 119.70 points, or 1.58%.
- **Nasdaq Composite:** Closed at 25,736.51, up 364.50 points, or 1.44%.
- **Birling Capital Puerto Rico Stock Index:** Closed at 5,049.06, up 155.75 points, or 3.18%.
- **Birling Capital US Bank Index:** Closed at 9,667.94, up 308.68 points, or 3.30%.
- **U.S. Treasury 10-year note:** Closed at 4.90%.
- **U.S. Treasury 2-year note:** Closed at 4.58%.

Atlanta Fed GDPNow: 4Q26 Real GDP Growth Estimate

Annualized real GDP growth, percent

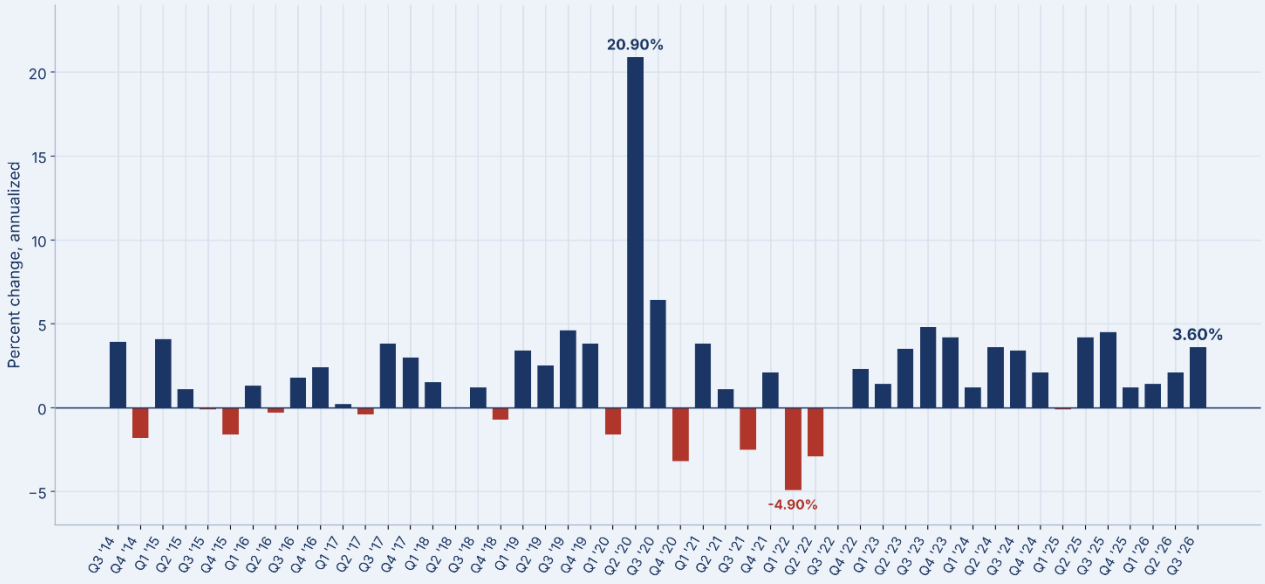


Date	GDPNow 4Q26	Change vs. prior estimate
Oct 29, 2026	**3.20%**	**Initial forecast**
Nov 2, 2026	**3.70%**	**+15.63%**
Nov 4, 2026	**3.40%**	**-8.11%**

Source: Federal Reserve Bank of Atlanta GDPNow — Birling Capital Advisors

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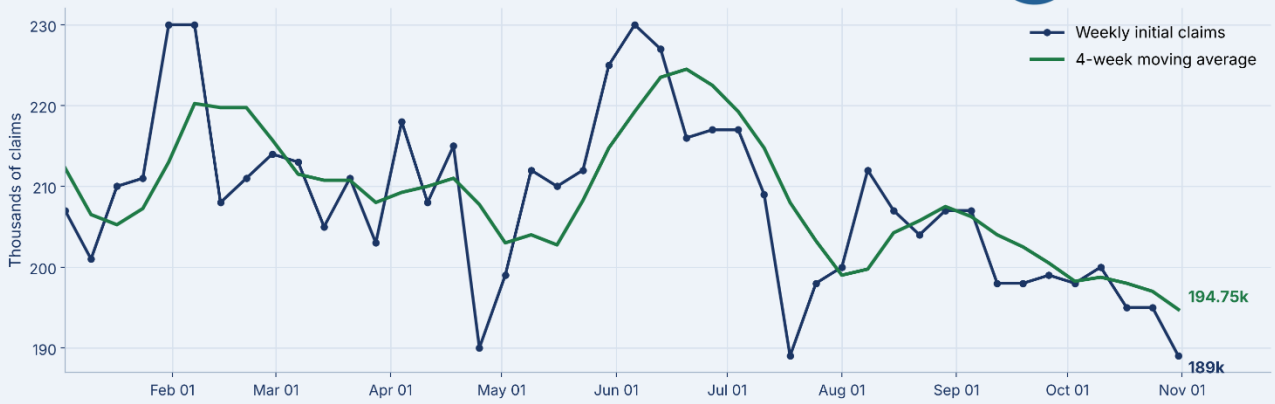
U.S. Nonfarm Business Productivity (Quarter over Quarter)



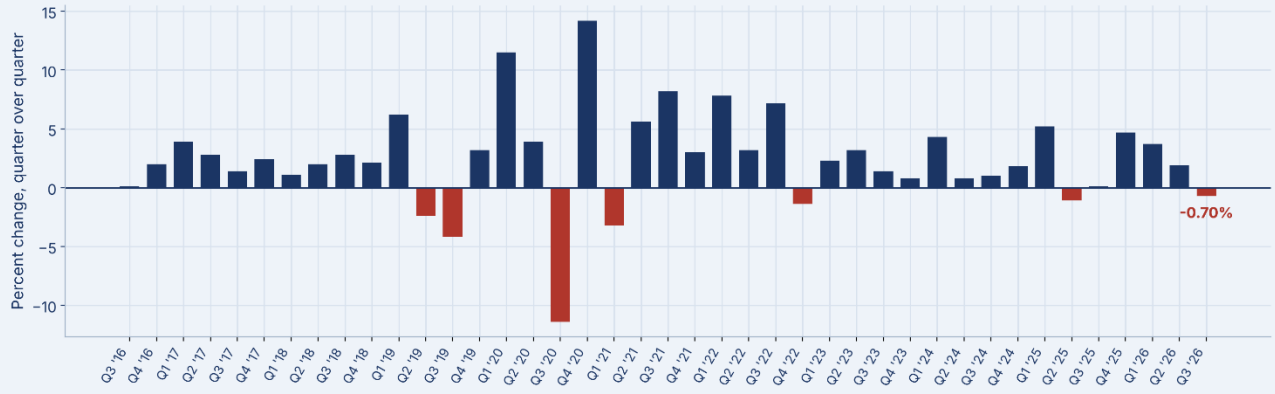
Source: U.S. Department of Labor, U.S. Bureau of Labor Statistics — Birling Capital Advisors

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U.S. Initial Jobless Claims and 4-Week Moving Average, 2026



U.S. Unit Labor Costs, Nonfarm Business (Quarter over Quarter)



Source: U.S. Department of Labor, U.S. Bureau of Labor Statistics — Birling Capital Advisors

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U.S. 30-Year Mortgage Rate, Weekly (2026)



Source: Freddie Mac Primary Mortgage Market Survey — Birling Capital Advisors

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Eurozone Indexes Close Lower

Thursday, November 5, 2026

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Stoxx 600	FTSE 100	DAX Index
Closing price	Closing price	Closing price
653.27	10,780.42	26,255.95
▼ 4.13 points	▼ 50.95 points	▼ 181.72 points
-0.63%	-0.47%	-0.69%

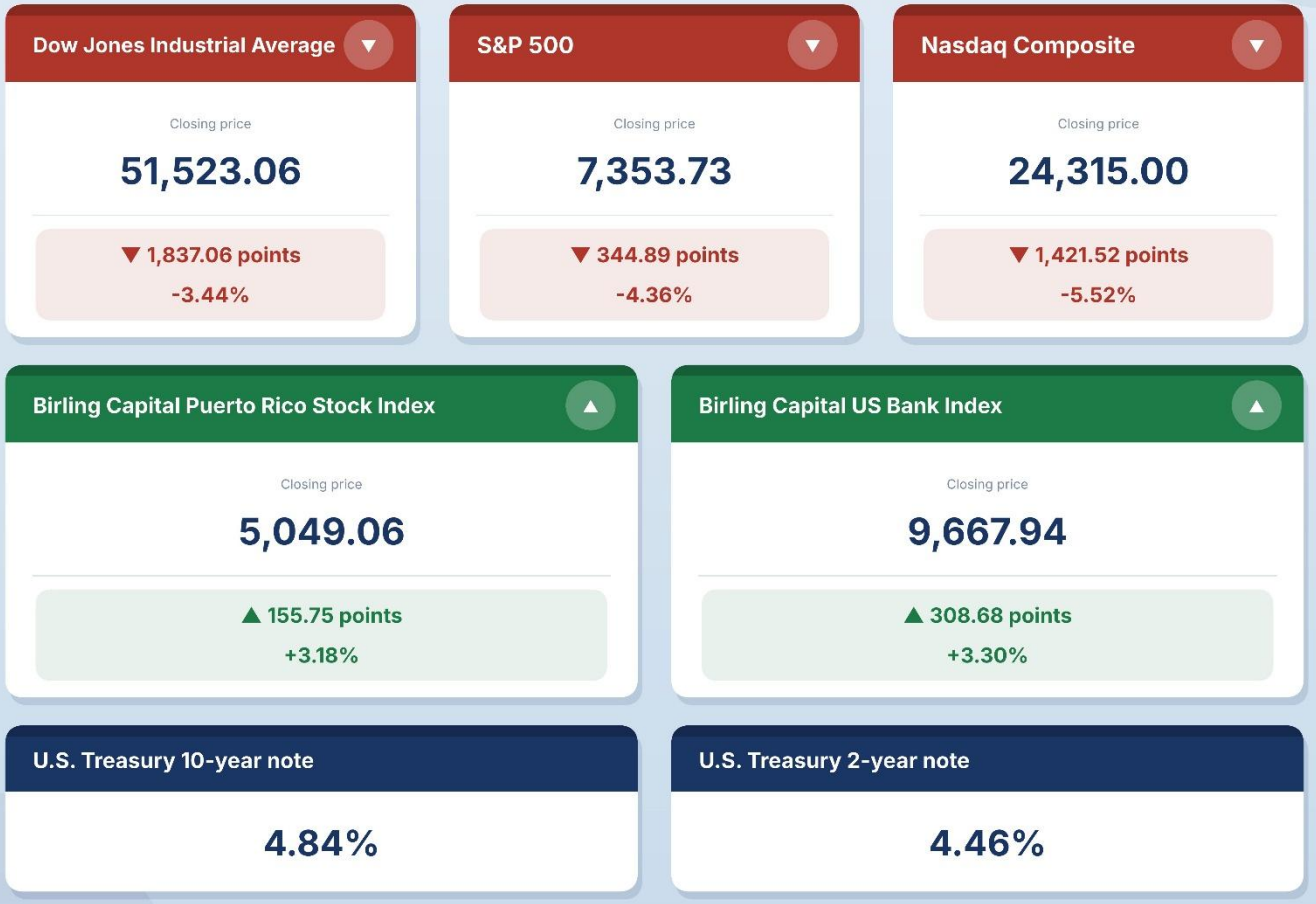
Source: Bloomberg, LSEG — Birling Capital Advisors

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Wall Street and Birling Capital Indexes Close

Thursday, November 5, 2026

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Source: Bloomberg, LSEG — Birling Capital Advisors

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