23 November 2026

Market Ethos

The latest market insights from Richardson Wealth

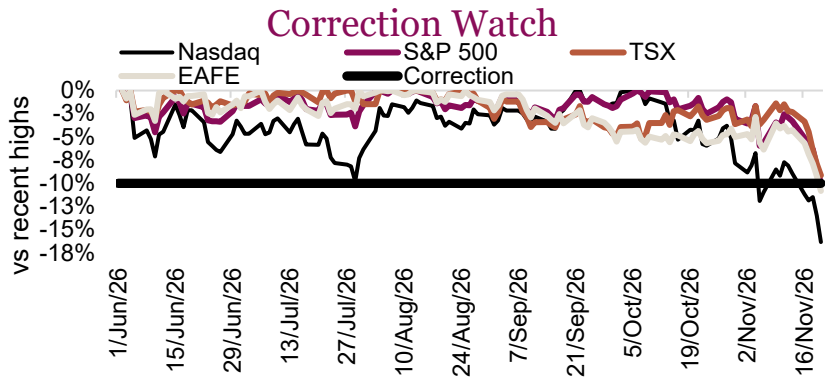


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Bubble trouble

Sometimes it's hard to come up with a topic for Market Ethos that resonates with our readers, but that hasn't been the case lately. At the end of last week, the S&P 500, TSX, and international developed indices are sitting around the -10% line from their recent highs, while the NASDAQ, often an overachiever, is down over -15%. Obviously, the epicentre of the weakness is the AI trade. Weakness started in October, though some of it was partially offset by a rotation into more defensive sectors like health care or consumer staples. This trend accelerated following the mid-term elections, then partially recovered before accelerating lower again. Last week, this weakness became broader based. And at the epicentre, not even strong Nvidia earnings or the Anthropic IPO were enough to stem the selling pressure. Fortunately, offsetting this weakness are some familiar diversifiers, namely bonds and the U.S. dollar. Both have been moving higher since market weakness began in early October.

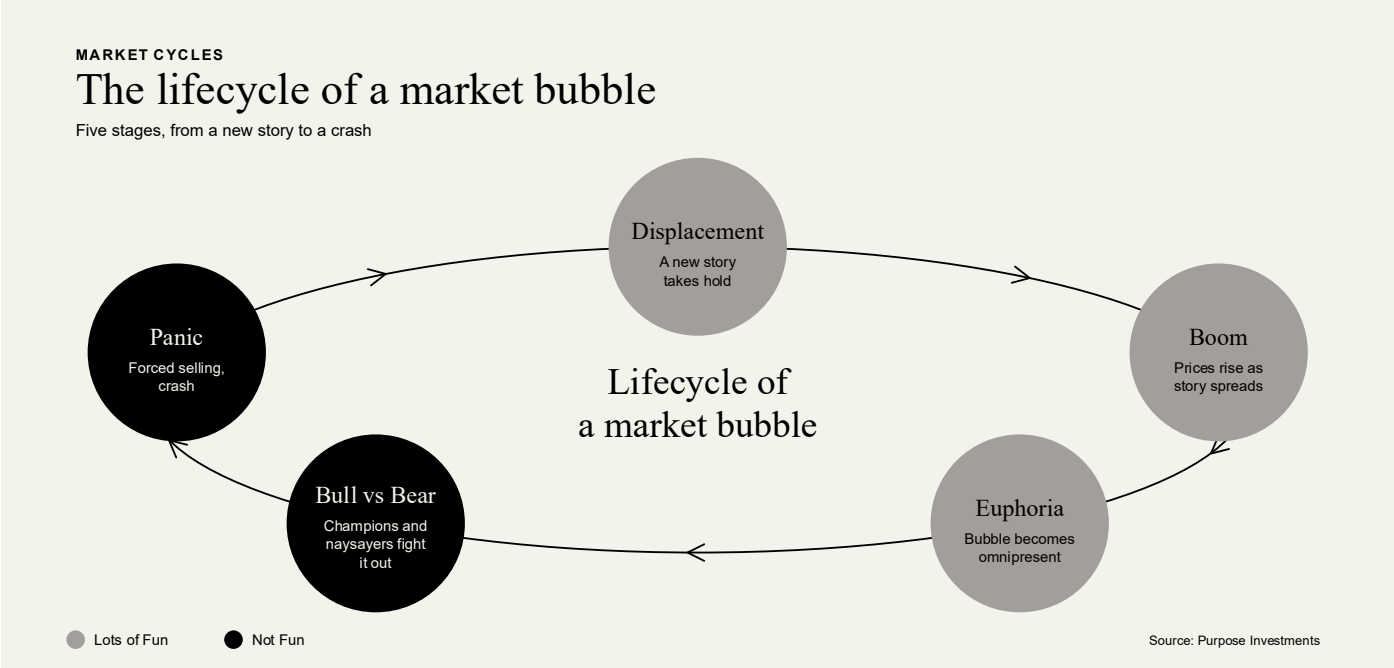


Source: Bloomberg, Purpose Investments, 2pm 20 Nov

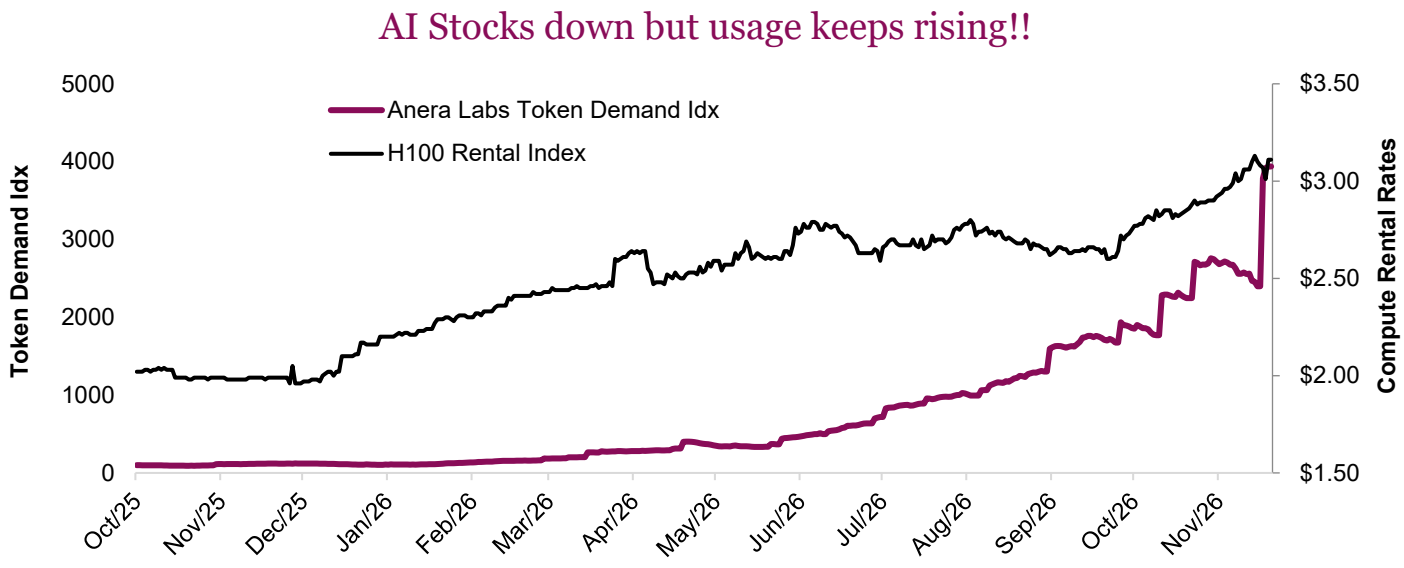
Going forward, the only question that matters is: **What phase is this AI bubble in?** The 'bull vs bear' phase that often lasts a while and sees the bulls vs bears fight it out? Multiple big moves in the market, up and down? Or, are we entering the 'panic' phase, as investors increasingly head for the exit? We are certainly past the 'euphoria' phase as this sure doesn't feel like that.

Most past bubbles, like dot-com, marijuana, housing, fracking, 3D printing, and cloud go through a phase when it is questioned or challenged in the markets. Not so much the technology or disruption in how things are changing, but in how much has been priced in and the path forward. They all pop for different reasons. Sometimes it's rates, sometimes it's the economy, or it has gone too far, become too big, or results start to miss elevated expectations, or the mob moves on to something shinier. We are unconvinced it is one of these and believe we are in the bull and bear fight phase.

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This does look to be more the 'bull vs bear' phase and not the start of 'panic'. The economy is healthy, yields are up but not too much, and company results remain very strong. We are now seeing a balance between those saying 'it's all over' and those saying, 'buy the dip'. Perhaps more importantly, demand growth and adoption remain strong. The Morgan Stanley research team tracks the percentage of companies quantifying AI adoption benefits, which has steadily risen and continues to do so in 2026. You can also look at token demand, the measurement of usage for AI. That recent spike appears to be partially due to some providers switching platforms that are included in this index. Nonetheless, the demand is real and it's rising. The rental compute cost is also rising.



Source: Bloomberg, Purpose Investments, Anera Labs

It is getting more interesting out there. But the challenge is twofold. This bubble is so big that even if you agree this is more a checkback phase, its size could make that really bad. The other factor is the momentum. More and more of this market has become momentum driven, whether it's retail trading, algos, hedge funds, gamma traders or other participants. Which likely means that mean reversion or valuation motivated investors are just not as plentiful. So, anything can keep going from rational to irrational to extreme to crazy. Truthfully, we all participated in that during the inflating phase of this bubble. It's just not that many folks complained about it.

We developed a correction monitor to help gauge a correction and when it might be getting oversold. The big caveat is that if this is the start of a bear, which usually has a recession nearby, all bets are off. But we don't think that is the case at this point. So, is this correction oversold enough to warrant some more attention or capital? The correction monitor looks at a large number of indicators for markets being oversold. We outlined them with their current reading below:

Correction Model	**Measurement**	**Signal**
VIX / RSI	Volatility index (VIX) over 30 and relative strength (RSI) below 30: yep	
Investor sentiment	AAII survey has bears outnumber bulls by 20: 33 bulls, 42 bears	
Spreads	Credit spreads have spiked higher: up a bit	
Correlations	Equity / bond correlations turn negative: yep	
Market breadth	Low % trading above 50-day moving average: currently 50%	
Skew / put call	Skew measures market tail risk, put / call measures demand for insurance: mixed	
Currency	Performance of risk-off currencies vs risk-on: yep	
Sectors	Strong outperformance of defensive sectors: yep	
Valuations	Cheap enough to start attracting value investors: yep	

We wouldn't call this a slam dunk, but there are more signals suggesting this correction is getting long in the tooth. If you are in the camp that this cycle isn't done just yet, or have some opportunistic capital, it's certainly getting more interesting. Now valuations have never signaled market bottoms but the S&P at 17x is noteworthy. Obviously, the valuation of Nvidia at 8.9x and still carrying a 5.7% weight is a contributor to this fall PE for the S&P 500.

S&P 500 at 16.8x is starting to look a bit more attractive



Source: Bloomberg, Purpose Investments

Final thoughts

Bottoms for market corrections are unknown, until they have formed. All we really know is that the bottom was not in last week. Very true words. But with oversold indicators piling up and bears getting all the media attention, this is getting interesting.

Source: Charts are sourced to Bloomberg L.P., Purpose Investments Inc., and Richardson Wealth unless otherwise noted.

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*This report is authored by Craig Basinger, Chief Market Strategist at Purpose Investments Inc. Effective September 1, 2021, Craig Basinger has transitioned to Purpose Investments Inc.

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