

Wealth Management

Edition 788 | November 2, 2026

The Markets

The bill eventually comes due.

Credit is a powerful tool. It lets families borrow to buy homes, pay for education, and afford medical care. It lets businesses expand operations, develop new products, and purchase inventory and equipment. No matter the reason for the loan, all borrowers have something in common: the money must be repaid whether the investment delivers a return or not.

Some of the biggest borrowers today are technology companies racing to build artificial intelligence (AI) infrastructure. Investors have been concerned about the scale and sustainability of this spending. Last week, earnings reports from several leading tech companies disappointed investors, and stocks in related sectors fell, reported Blake Montgomery of The Guardian. Investors were weighing:

- **AI Spending**. One leading tech firm "disclosed that its free cash flow was negative $42.4 billion for the 12 months to the end of September. That's a huge reversal from the $14.8 billion in cash it generated in the same period a year earlier," reported Adam Clark of Barron's.

- **AI Borrowing**. Companies that deliver computing power designed to support big AI firms also have come under pressure. "These businesses live on debt. Of the ten listed…only two are profitable," reported The Economist. These companies have borrowed $100 billion, which is about nine times their combined annual revenues.

For some, the AI boom echoes the infrastructure build-out of the 1990s.

During the dot-com era, telecommunications companies borrowed and spent billions of dollars on infrastructure to support the rapid growth of the internet. However, expectations that internet traffic would double every 90 days were never realized, reported Johnny Rice via Yahoo! Finance. When the tech bubble burst, the industry had 10 times the capacity it needed. The end result was several high-profile bankruptcies.

Whether today's AI build-out follows a similar path remains to be seen.

A source cited by Clark saw last week's sell-off as a healthy pause to reassess rather than a warning sign. "Investors took a moment to examine whether the recent pace of tech valuations still made sense, given all of the spending on AI development that is hitting cash flows…This is not the first tech and AI correction, and it won't be the last. We are still in the very early stages of AI development, and pullbacks are par for the course."

Last week, the Bureau of Economic Analysis reported that the U.S. economy grew at the fastest pace in 12 months during the third quarter of 2026. Business investment and consumer spending were the growth primary drivers. Major U.S. stock indexes finished the week down, and U.S. Treasury yields declined across most maturities during the week.

Data as of 10/23/26	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.6%	10.7%	11.1%	22.1%	10.4%	13.6%
Dow Jones Global ex-U.S. Index	0.1	7.9	10.3	17.5	5.1	6.4
10-year Treasury Note (yield only)	4.9	N/A	4.1	4.9	1.6	1.8
S&P GSCI Gold Index	-2.7	-10.2	-2.9	24.8	16.8	11.8
Bloomberg Commodity Index	-1.7	28.7	32.2	10.6	6.4	5.2

S&P 500, Dow Jones Global ex-US, S&P GSCI Gold Index, Bloomberg Commodity Index returns exclude reinvested dividends. The three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

THERE'S A NEW NOUN IN TOWN: COMPUTE. In September, the Merriam-Webster Dictionary added a new meaning to an old word. Thanks to the AI boom, "compute" is now a noun as well as a verb. It is defined as "the computational resources (such as memory and processing power) required for a computer or computer program to function."

Compute is what fuels the artificial intelligence (AI) race.

That race is "transforming technology companies from asset-light businesses into more capital-intensive operators," reported Moody's Ratings. The firm estimates the largest technology companies will spend close to $1 trillion on AI expansion in 2027.

Recently, the U.S. State Department's Pax Silica Declaration, which is its initiative addressing AI and supply chain security, stated that "compute and the minerals that feed it" are the oil and steel of the current century.

Take a look at the compute supply chain.

Like oil being refined into gasoline, compute goes through various companies before it reaches the end user. The process typically requires enormous amounts of energy. Here's how it works:

"In the most simple form, chipmakers…sell advanced ai semiconductors to equipment manufacturers…which package the silicon into racks and servers to sell to data-center operators. Besides the hyperscalers, these include a few large "neoclouds"…and hundreds of smaller, less well-known firms. The operators, in turn, rent out access to compute to customers for a fixed period, often several years. Customers range from the hyperscalers (which supplement their in-house compute with rentals) to startups running open-source AI models," explained The Economist.

The language of AI is growing.

As with many new endeavors, new vocabulary terms are being minted to describe AI. The Economist's explanation included two.

- **Hyperscalers** are large technology companies that operate enormous networks of data centers and can rapidly expand computing, storage, and cloud services to meet customers' demand. "You also lean on them dozens of times a day without noticing, every time you stream a show, tap a card at checkout, back up a photo or ask a chatbot a question," reported Robert J. Szczerba in Forbes.

- **Neoclouds** are a more specialized type of company. While hyperscalers offer general-purpose services like databases, web hosting, and email storage, neoclouds are built to support the massive demands of generative AI and large language model training. They offer raw compute at a competitive price.

Compute may be a new noun, but it's quickly becoming a valued commodity in the global economy. Knowing who makes it, packages it, and rents it can help investors better understand the AI race.

WEEKLY FOCUS – THINK ABOUT IT
"Politicians are like bad horsemen who are so preoccupied with staying in the saddle that they can't bother about where they're going."
— *Joseph Alois Schumpeter, Political economist*

Best regards,



Ann Marie Etergino, CIMA®
Managing Director – Financial Advisor

The Etergino Group at
RBC Wealth Management
5425 Wisconsin Avenue, Suite 301
Chevy Chase, MD 20815
Tel: (301) 907-2772 | Toll: (800) 368-3880
Website: www.etergino group.com



Our mission:

To build long-term relationships with a select group of clients to inspire them to connect their wealth with purpose.

Visit our website: www.etergino group.com

Securities offered through RBC Wealth Management, Member FINRA/SIPC.

- Neither RBC Wealth Management, a division of RBC Capital Markets, LLC ("RBC WM"), nor its affiliates or employees provide legal, accounting or tax advice. All legal, accounting or tax decisions regarding your accounts and any transactions or investments entered into in relation to such accounts, should be made in consultation with your independent advisors. No information, including but not limited to written materials, provided by RBC WM or its affiliates or employees should be construed as legal, accounting or tax advice.
- These views are those of Carson Coaching, not the presenting Representative, the Representative's Broker/Dealer, or Registered Investment Advisor, and should not be construed as investment advice.
- This newsletter was prepared by Carson Coaching. Carson Coaching is not affiliated with the named firm or broker/dealer.
- Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
- The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
- Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
- Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
- Past performance does not guarantee future results. Investing involves risk, including loss of principal.
- The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
- There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
- Asset allocation does not ensure a profit or protect against a loss.
- Consult your financial professional before making any investment decision.
- To unsubscribe from our weekly commentary please reply to this email with "Please remove me from your weekly commentary" in the subject line.

Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail address and we will ask for their permission to be added.

Sources:
https://finance.yahoo.com/technology/ai/articles/investors-worried-too-much-ai-180300219.html
https://www.theguardian.com/technology/2026/oct/30/tech-stocks-drop-earnings-report
https://www.barrons.com/articles/amazon-stock-intel-tech-earnings-ai-spending-d0c03d3d?mod=hp_LEDE_C_1 *or go to*
https://resources.carsongroup.com/hubfs/WMC-Source/2026/11-2-26-Barrons-Amazon-And-Intel-Tank%20-%203.pdf
https://www.economist.com/business/2026/10/18/the-ai-industrys-gigantic-debts-are-making-investors-nervous *or go to*
https://resources.carsongroup.com/hubfs/WMC-Source/2026/11-2-26-Economist-AI-Industrys-Gigantic-Debts%20-%204.pdf
https://finance.yahoo.com/technology/ai/articles/billionaire-mark-cuban-compares-ai-133000879.html
https://www.bea.gov/news/2026/gdp-advance-estimate-3rd-quarter-2026
https://www.barrons.com/market-data?mod=BOL_TOPNAV *or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2026/11-2-26-Barrons-DJIA-S&P-Nasdaq%20-%207.pdf
https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=2026
https://www.merriam-webster.com/wordplay/new-words-in-the-dictionary
https://www.merriam-webster.com/dictionary/compute
https://www.moodys.com/web/en/us/insights/podcasts/credit-currents/ai-s-infrastructure-boom--how-trillion-dollar-spending-is-changi.html
https://www.state.gov/pax-silica/
https://www.iea.org/news/ai-is-set-to-drive-surging-electricity-demand-from-data-centres-while-offering-the-potential-to-transform-how-the-energy-sector-works
https://www.economist.com/finance-and-economics/2026/10/22/ai-compute-is-the-new-oil-and-needs-a-new-market *or go to*
https://resources.carsongroup.com/hubfs/WMC-Source/2026/11-2-26-Economist-AI-Compute-Is-New-Oil-%2014.pdf
https://www.forbes.com/sites/technology/article/what-is-a-hyperscaler/ *or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2026/11-2-26-Forbes-What-are-Hyperscalers%20-%2015.pdf
https://www.microsoft.com/en-us/startups/what-is-a-neocloud
https://www.goodreads.com/author/quotes/77916.Joseph_A_Schumpeter