THE U.S. ECONOMY

TWO PILLS. ONE ECONOMY.

Two lenses. Plenty of facts. A few loose threads.

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RESEARCH + A LITTLE MISCHIEF
RESEARCH SNAPSHOT: NOV. 19, 2026

BLUE PILL: THE GOOD NEWS BOARD

Strong profits. Real demand. Reasons to smile.

Profits have muscle

$4.28T

Record annualized U.S. after-tax profits in Q2. S&P 500 Q3 net margin: **15.0%**, near the record.

[3, 4] Q2 / Q3 2026

Lots of engines are firing

11 out of 11

S&P sectors show earnings growth from a year ago. Energy, technology and materials lead the pack.

[3] Q3 blended results / Nov. 13

The servers are busy

+48%

Azure revenue growth from a year ago. AI demand feeds chips, data centers and power investment.

[6, 14] Quarter ended Sept. 2026

Consumers still show up

+0.5%

September spending rose in dollars. After inflation, it was roughly flat. The checkout lines are still moving.

[5] September 2026



THE ECONOMY KEEPS GROWING

+3.4%

Real GDP growth Q3, annualized

[5] BEA advance estimate

Jobs. Shops. Chips. Power. Services.

A few shelves look cheaper

12.2x / 15.1x

Energy / financials forward P/E. Merrill calls utilities fairly valued. Possible bargains depend on profits holding up.

[3, 8] November reports

A cooler price tag



S&P forward P/E: price paid for expected earnings. The bargain depends on the earnings arriving.

[3] FactSet / Nov. 13

Stocks still have altitude

6.3%

Below the S&P 500's October closing high, as of Nov. 18. Most of the climb remains.

[7] Nov. 18 close

Some breathing room

19¢ less

Per gallon of U.S. regular gas in a week. Banks retain capital cushions; household balance sheets remain solid.

[9, 2] Gas: Nov. 16 / Fed: Nov. 13

Different indicators, one economy. The blue strings connect the good news.

DON'T LOOK BELOW. SPOILERS.

The red-string detective has entered the chat.

RED PILL: NOW FOLLOW THE STRINGS

The risks are connected. The outcome is not prewritten.

Strings connect themes. The arrows describe financial links or possible paths for stress.



Big buildout. Big hurdle.

$45.2B

Microsoft quarterly capital spending, including leases. Real demand is here; durable profits must justify the bill.

[6] Quarter ended Sept. 2026

AI gets cheaper per unit

$20 to $0.07

Per million tokens at GPT-3.5-level performance, **Nov. 2022-Oct. 2024**. Good for users; pricing pressure for providers.

[10] Historical benchmark

Washington's interest tab

$2.0T deficit

$1.14T net interest on public debt in FY2026. Publicly held debt: **100% of GDP**. Less room to absorb shocks.

[12] Fiscal year 2026

Follow the money... around



Some suppliers also invest in their customers. Links can spread stress.

[11, 1] Disclosed relationships

PINNED FROM THE FED

Almost all participants discussed the risk of disappointing AI returns. Complex financing and leverage could amplify a shock.

Bank and household strength provides a buffer.

[1, 2] Oct. meeting / Nov. report

The bills still bite

+0.4% CPI

October prices, month over month. Gas: **$3.81/gallon**, still **74¢ above** a year ago. Inflation complicates rate relief.

[13, 9] CPI seasonally adjusted; gas Nov. 16

Private assets: fuzzy windows

More IOUs?

Some borrowers defer cash interest or extend loans. Leverage can rise even as reported defaults fall. Trouble can surface slowly.

[14, 15] Private-credit vulnerabilities

Borrowed money turns it up

$1.45T

October margin debt, up **22%** from a year ago. Falling prices can trigger cash demands and forced selling.

[16, 1] FINRA customer accounts

Insurance meets bank credit

$1.2T

Private credit held by U.S. insurers at end-2025. Banks also finance funds. Losses could spread through these connections.

[15, 1] Exposure, not estimated loss

IF A SHOCK HITS, STRESS COULD TRAVEL LIKE THIS:

Returns disappoint or bond yields jump → **Prices fall** cash demands rise → **Funds / insurers / banks** absorb losses or pull back → **Credit gets tighter** less investment + hiring

Possible routes, not a timetable. Capital cushions, cash flow and policy can interrupt the chain. [1, 2, 14]

→ Disclosed financing links

⇢ Possible stress transmission

A risk map is not a crash forecast.

THE PAPER TRAIL

Numbers in brackets link to sources in the PDF. Full definitions and links are in the companion source guide.

[1] Fed minutes / Oct. 27-28
[2] Fed stability report / Nov. 13
[3] FactSet / Nov. 13
[4] BEA profits / Q2 2026
[5] BEA GDP + spending
[6] Microsoft / Oct. 28
[7] S&P via FRED / Nov. 18
[8] Merrill CIO / November
[9] EIA gasoline / Nov. 16
[10] Stanford AI Index / 2025
[11] Anthropic partnership / 2025
[12] CBO / fiscal year 2026
[13] BLS CPI / October
[14] IMF stability report / October
[15] NAIC / year-end 2025 data
[16] FINRA margin / October

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