

Weekly Macro and Markets View

11 May 2026



Highlights and View

The AI-related debt deluge continues, with 2026 YTD hyperscaler supply already exceeding 2025 full-year supply

The technology sector's capex boom is becoming increasingly debt-funded, and with more supply expected, credit spreads are unlikely to tighten much further from current historically low levels.

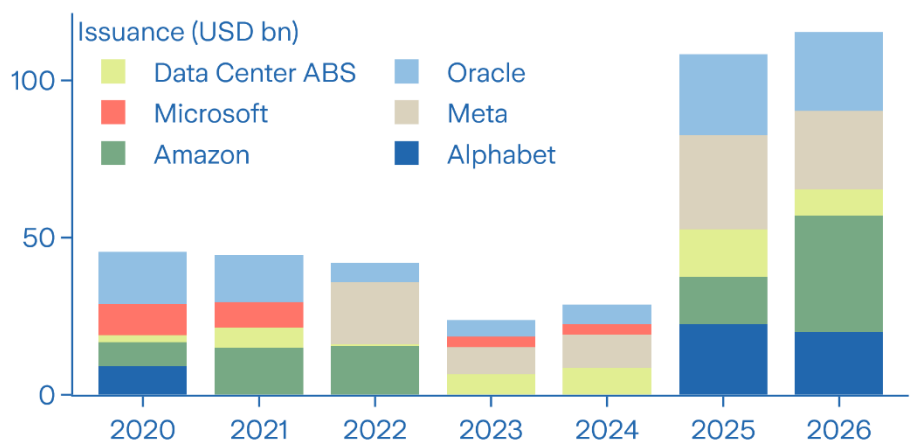
The US labour market remains in good shape

The unemployment rate stayed at 4.3% in April while the number of nonfarm payrolls grew by 115'000.

The RBA raises its policy rate by 25bps to 4.35%, in its third consecutive rate increase

While we think the RBA will pause for the time being to assess the next steps, another 25bp rate hike for this year remains probable.

The AI debt deluge continues



Source: Bloomberg

Spurred by rising optimism around an end to the Middle East conflict, credit spreads were only modestly tighter in most segments last week across Investment Grade (IG) and High Yield (HY) despite the strong risk-on tone in stock markets. US HY Energy spreads widened as oil prices fell. This morning, however, oil prices rose again as the warring parties seemed far apart in their demands.

The modest reaction of credit spreads can be explained by three main factors. Firstly, spreads are close to historic low levels and upside seems limited. Secondly, supply continues unabated, particularly that of AI-related capital expenditures. As the chart shows, the debt that has already been issued by hyperscalers and US data centres YTD in 2026 already eclipses the total debt that was issued in 2025, which was significantly more than in prior years. Higher supply weakens supply-demand technicals despite strong demand, as evidenced in the latest US IG fund flows, which are the highest since 2020. Thirdly, lending conditions remain tight for the weaker borrowers. The latest Senior Loan Officers Survey from the Fed showed a tightening in credit standards, and over the last year, a tightening in loans to Non-Depository Financial Institutions (NDFIs) such as private equity funds, business credit intermediaries, mortgage credit intermediaries, and consumer credit intermediaries.

US

Another month of solid job gains

The labour market remains in good shape, with the number of payrolls rising by 115'000 in April following a pickup of 185'000 in March. The unemployment rate stayed at 4.3%, but the broader underemployment rate rose from 8.0% to 8.2%. JOLTS numbers show that the number of job openings remained at about 6.9 million in March, with both the layoff and the quits rate ticking up by 0.1%. Initial jobless claims are hovering around 200'000. Wage pressure remains modest. Average weekly earnings grew by 0.2% MoM, pushing the annual rate from

3.4% to 3.6%, which was below consensus expectations. Meanwhile, the latest ISM services survey shows that services activity kept expanding in April, though at a slightly lower rate than in March. New orders momentum has slowed considerably, however, while input prices keep rising rapidly, though somewhat less than expected. Stocks enjoyed another solid week. The S&P 500 gained 2.3%, helped by strong momentum in technology stocks, while the Nasdaq was up by 4.5%.

Eurozone

Looking ahead

Current economic data continue to disappoint in the Eurozone. The Eurozone PMI was confirmed at a contractionary 48.8. Spain's composite number fell sharply to 48.7, below 50 for the first time since 2023. This likely reflects broad confidence concerns around the geopolitical and energy situation, but we do not expect a Spanish economic downturn. German March industrial production disappointed too, falling 2.8% YoY, notably dragged down by chemicals and metals. Yet the future looks brighter. The Manufacturing PMI, at 52.2, is the highest in

four years, as is the important underlying New Orders component. German March factory orders rose 6.3% YoY and are displaying a clear upward trend. Structural manufacturing difficulties remain, but there is clear evidence of much-needed rebalancing. Bond markets have proven highly sensitive to ongoing US-Iran negotiations. Hopes of a deal led to European yields falling last week, as market expectations of ECB rate hikes were tempered. Any flare-up would likely reverse this, but we continue to expect fewer policy moves than the three hikes priced this year.

Switzerland

Inflation bounces on higher energy prices while activity is resilient

Annual CPI inflation rose from 0.3% to 0.6% in April, in line with expectations and driven by higher energy prices in petrol, diesel, and heating oil, as well as higher air transport costs. Excluding energy and food, prices were flat on the month, leaving core CPI at a soft 0.3% YoY. While headline CPI is tracking slightly above the SNB's latest forecast, underlying inflation is benign, and we continue to expect the SNB to leave rates unchanged this year. Elsewhere, economic activity is holding up, with both the PMIs and the KOF economic barometer confirming

resilience in April. This is consistent with global trends, which show stable new orders in the industrial sector, helped by front-loading of demand to build buffer stocks. The PMIs experienced a snap higher in input price pressures, which should be expected given the oil price shock. What is potentially more concerning is the reported lengthening in supplier delivery times, indicating some disruptions to supply chains. We expect this to fade in coming months, but it highlights the risk of a prolonged Middle East crisis.

Australia

The central bank raises rates to combat inflation

As widely expected, the Reserve Bank of Australia (RBA) raised its policy rate by 25bps to 4.35%, marking the third consecutive rate increase. This was not reflective of the energy cost supply shock of the Middle East on local liquid fuel prices, but rather the already high level of prices in the economy since H2 2025. In commentary supporting the 8-1 decision, the RBA flagged an expectation that inflation will remain above the 2-3% target for longer, aided by the recent surge in fuel and commodity prices. In the RBA's inflation forecast, headline CPI is expected

to peak at 4.8% in June and the trimmed mean at 3.8%, with inflation returning to targets only in H2 2027. In commentary surrounding the decision, RBA Governor Bullock suggested that policymakers would now pause to assess their next steps, and that the increase in interest rates has created space to stay open minded about how the Middle East will impact economic growth. While we think the RBA will pause for the time being, when looking ahead another 25bp rate hike for this year seems probable.

Mexico

Banxico signals an extended hold after final rate cut

In Mexico, Banxico delivered a 25bp rate cut to 6.50%, in line with expectations, while signalling the conclusion of the easing cycle initiated in March 2024. The Board justified the move by citing weak domestic activity, particularly after the preliminary Q1 2026 GDP print showed a sharper than anticipated contraction. Meanwhile, April inflation dynamics were broadly supportive of the decision. Headline inflation eased from 4.6% in March to 4.5%, helped by improved core goods behaviour, benign seasonality, and fuel subsidy measures. That said, Banxico

revised its near-term headline inflation forecast higher, reflecting expected increases in non-core inflation amid elevated energy prices, though medium-term inflation expectations remained relatively stable. While the balance of risks to the inflation outlook stays skewed to the upside, we continue to see a high bar for hikes in the near term given Banxico's tolerance for above-target inflation amid persistent economic weakness. Against this backdrop, we expect the policy rate to remain unchanged throughout the rest of the year.

What to Watch

- In the US, investors' focus will be on the latest set of inflation numbers as Kevin Warsh is expected to take over his position as the new Fed chair.
- Next week brings Germany's ZEW investor survey as well as Eurozone industrial production numbers and Q1 employment data across the bloc.
- China's credit data, Japan's Eco Watcher Survey, Australia's budget and wage data, Malaysia's GDP, India's CPI are all key data releases for this week. Meanwhile, the Trump-Xi summit scheduled for this Thursday in Beijing will be the centre of attention.
- In Brazil, attention will be focused on the release of April inflation data.

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