Weekly Macro and Markets View

2 November 2026



Highlights and View

Tech earnings prove disappointing, with investors seeking to diversify exposure

Stock indices are holding in, with decent inflows, but defensive sectors are back in vogue.

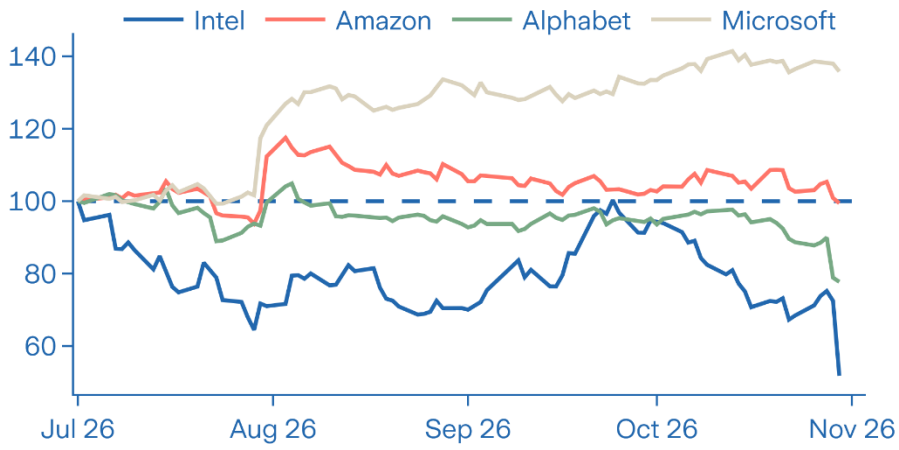
The Fed remains on hold but the door is open for a rate hike in December

Warsh emphasised the strength of the economy and that financial conditions are not tight, indicating that further tightening is needed to keep inflation in check.

The ECB kept policy rates unchanged and signalled a December hike

Eurozone economic activity data is weakening while inflation is rising, putting the ECB in a difficult spot.

Stand and deliver—no room for disappointment



Source: Bloomberg

With key central banks on hold last week as expected, the oil price and corporate earnings set the tone for stocks. Fears of a renewed military campaign against Iran after the US midterm elections pushed Brent crude to USD 118/bbl. Stocks came under pressure, and it was another week of rotation away from tech as investors de-risked. In the US, while the Nasdaq index was off almost 3%, the Russell small-cap index was up 1.3%, and European markets such as the Dax and even the French CAC 40 were up 2.5% and 2.4% respectively. The catalyst for the rotation was mixed earnings from the technology leaders. Posting huge growth numbers is no longer sufficient, with investors becoming increasingly discerning. Free cashflow and 'goldilocks' capital spending—not too hot and not too cold—are now required. In Korea, SK Hynix reported operating profits up sixfold and higher returns to investors while Samsung's spectacular eightfold increase in profits and shareholder return program were less remarkable than hoped for. It was US tech, however, that set the downbeat mood. Concerns around sales and higher spending by Intel, Amazon and Alphabet, with the latter posting negative free cashflow for only the second time ever, were punished. Microsoft managed to hit the sweet spot on growth and spending, with the stock off only marginally. While a positive AI investment theme remains, investors are only going to get more demanding, with greater dispersions likely.

US

A hawkish hold

As expected, the Fed kept rates unchanged at its meeting last week but left the door wide open for another hike in December. Kevin Warsh emphasised the strength of the economy and the labour market but didn't seem to be worried that the economy was running too hot despite too high inflation. Core PCE inflation ticked up to 3.1% YoY in September from 3.0% YoY the month before. Meanwhile, real personal spending stagnated. Nevertheless, GDP grew by a very robust 3.4% QoQ in Q3, up from 2.2% in Q2. Consumer spending rose a solid 3.8% QoQ while investment soared by 19.4%, boosted by information processing equipment. The housing market remains a drag, however. Finally, consumer sentiment has improved to the highest since June according to the Conference Board's latest survey, helped by a better perception of the current situation as well as rising expectations. Importantly, the labour differential has improved to the highest since April but remains subdued.

Eurozone

The devil is in the detail

Eurozone GDP grew quicker than market expectations in Q3, at 0.4% QoQ. The details, however, are more downbeat. Half of the growth is from multi-national activity based in Ireland. While growth in Spain continued to surge at 0.6% QoQ and Germany recorded a reasonable 0.2%, Italy failed to grow at all. Worse still, France slipped into contraction for the second time this year. Early inflation data has come in hot, with October HICP likely to print at 4% YoY. Inflation rose to 5.6% in Italy, a full 1% higher than anticipated, due to energy prices. Consumer confidence plummeted in Germany, France, and Italy. Unemployment ticked up to 6.5% across the bloc, rising slowly from 2024 lows of 6.2%, and likely to rise further. The ECB held policy at 2.50% but signalled a hike to come while President Christine Lagarde announced her early departure by next February. The Bank Lending survey showed a tightening of credit standards, as well as falling demand for credit. This was most notable in mortgage demand and is directly linked to higher rates.

Brazil

Sharp repricing as fiscal concerns resurface

Following Lula's surprise runoff victory, the MSCI Brazil plunged 22.5% in USD terms last week, returning to mid-August levels when Lula was the clear favourite to win. Despite the selloff, positioning and fiscal risks warrant caution. ETF data suggest that foreign investors have unwound only a limited portion of the exposure accumulated between Bolsonaro's first-round lead and the runoff. Meanwhile, sovereign real yields remain below mid-August levels, suggesting that some fiscal restraint under Lula may already be priced in. Recent fiscal signals have been somewhat more constructive, with discussions around a higher primary surplus target and measures to contain mandatory spending. However, these remain less ambitious than Bolsonaro's proposed adjustment. Monetary policy uncertainty has also increased. Market pricing suggests renewed BCB tightening next year, which appears excessive in our view. A pause in the easing cycle looks more likely, with less scope for subsequent rate cuts than previously anticipated, potentially delaying a rotation from fixed income into equities.

Credit

Spreads widen, but strong Hyperscalers see robust demand despite AI jitters

Corporate credit markets ended October on a weak note, led by European High Yield (HY), which posted its biggest monthly spread widening since 2022, with the CCC rating bucket hit the hardest. In US Investment Grade (IG), the AA bucket, home to the large Hyperscalers, lagged as AI funding concerns grew over the month. Early last week, credit markets had reacted positively to both Meta's equity raise, as it strengthened the company's equity cushion, and to recent AI chip financings, which indicate issuers are diversifying funding away from corporate credit markets. Sentiment weakened, however, following lacklustre results from Alphabet and Amazon and a subsequent downgrade of S&P Global Ratings' outlook for Meta to negative. Encouragingly, despite weakness in secondary markets, demand for strong Hyperscalers in the primary market remains robust, as seen by Microsoft's USD 25bn deal, which attracted USD 115bn worth of orders. Even though AI sentiment has lately been jittery, we see investors continuing to fund the AI build-out, albeit more selectively.

US CMBS

Spreads gap wider in October

US non-Agency CMBS spreads widened for a sixth consecutive week, reaching 123bps. Spreads widened by 14bps in October and are now approaching levels last seen in late 2025. Data centre CMBS spreads reached their widest levels since tracking began in 2025 as investors' concerns about the sustainability of AI capex came to the fore. Notably, CMBS spreads rose in October despite a marked decline in supply, suggesting weaker investor demand. Refinancing at higher yields remains a key pressure point, with loan maturity defaults a main driver of distress. Although property prices have stabilised since their 2024–25 lows, fundamentals remain uneven across sectors. Industrial properties show strength, but office delinquencies are at record levels and the multifamily segment faces rising operating and financing costs. While our base case remains that Treasury yields will trend lower, supporting CMBS and the broader CRE market, elevated yields and weakening investor demand are the key near-term risks, though most of it is already priced in after the recent widening.

What to Watch

- US investors will focus on the outcome of the midterm elections as well as a whole range of important economic data including the ISM surveys and labour market data.
- This week brings October Eurozone HICP inflation, which is likely to rise at a pace of 4% YoY.
- Policy rate decisions are due this week in Australia and Malaysia. There will also be CPI releases for Indonesia, South Korea, and Taiwan, as well as PMIs for China, Malaysia, South Korea, Singapore and Taiwan.
- In LatAm, BCB and Banxico policy rate decisions will be in the spotlight.

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