Weekly Macro and Markets View

9 November 2026



Highlights and View

Democrats flip seven Republican-held Senate seats, winning control of both the Senate and the House

The outcome was a surprise in scale rather than the result itself, and was indicative of an electorate exasperated by the cost-of-living crisis.

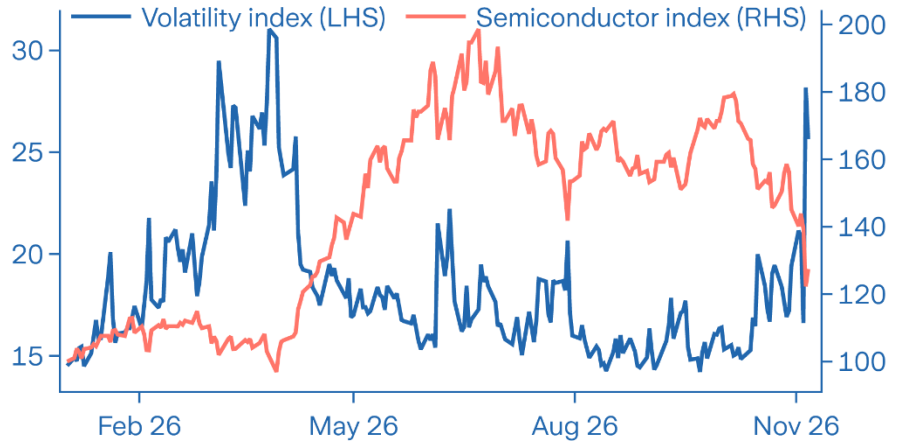
Equity market volatility spikes on tech fears following the US mid-term elections

Stocks initially rallied as the decisive outcome removed market uncertainty, but potentially more regulation for AI development unsettled investors.

Credit markets remain resilient despite the jitters seen in stock markets last week

Credit markets appear to be signalling that the equity sell off is likely to be more technical, possibly driven by an unwind of leveraged positions, rather than being fundamental in nature.

Fears of tighter AI regulation and slower capex spook financial markets



Source: Bloomberg

Global attention was fixated on the US mid-term elections last week, though there were also some important US economic releases. The election outcome had been increasingly priced in by betting markets, but the scale of the Democratic victory, flipping some long-held Republican seats, was indeed a surprise. Importantly, that meant the outcome was undisputed. While many factors will have played a part, the ongoing cost-of-living crisis and related unpopular war with Iran has cost the Republicans dearly. The election itself, however, shows the robustness of the US system, allowing a democratic process to give the electorate their say every two years. It is also a warning to both parties that things need to change before the 2028 presidential election. Although financial markets rallied immediately, the subsequent sell-off on Thursday showed fears that a split government is likely to be more circumspect on tech regulation, which could slow growth. Beyond the election, US economic data were robust, with the labour market much stronger than expected. Job openings are rising, unemployment falling, and the payroll data on Friday showed 165k new jobs, with significantly higher revisions to prior data. The US jobs market is tight, risking further rate hikes, but a jump in productivity and easing inflation expectations were welcome.

Equities

No time to panic

Stocks fell sharply on Thursday as the bounce from a decisive US election outcome gave way to fears of policy that would constrain the technology sector. While the MSCI World Index slipped 2.7% for the week, tech-heavy indices haemorrhaged. Korea's Kospi was down 11.7%, Japan's TOPIX off 7.4%, and the US Philly semiconductor index plunged 12.2%. Rotation was again evident, with investors seeking less tech exposed markets. Meanwhile, Spanish and French equities were up 3.8% and 2.1% respectively. The US Nasdaq index is now in correction territory, off more than 10% from its June highs, with clear signs that an unwinding of leveraged tech holdings is amplifying the sell-off. While we are concerned by the pace of the move, with volatility likely to remain high, we don't believe this is the end of the tech cycle. Fundamentals remain strong, with good earnings visibility and committed capital spending next year. While the split US government will result in more scrutiny around the tech industry, it's in both parties' interest to see the US continuing to lead the way in high-tech development, particularly given the intensifying race with China.

Credit

Unfazed by the stock market gyrations

Credit markets were calm last week, despite the significant volatility seen in US and technology-heavy Asian stock markets following the mid-term elections. Resilience was seen not only in the secondary markets but also in the primary markets, with US Investment Grade (IG) seeing USD 74bn of supply in the first week of November, with around USD 32bn of that coming from the Hyperscalers. Adding Euro denominated issuance to the above, a total of USD 66bn was issued recently by Hyperscalers such as Microsoft, Oracle, Meta and Alphabet. While new issue discounts were steep, the deals were heavily oversubscribed. Even on Thursday, when the S&P 500 index tumbled by over 4%, Apple successfully issued a USD 7.5bn deal that attracted orders above USD 31bn at one point. Falling bond yields also helped sentiment in credit markets. Last week's price action suggests that credit markets appear to be signalling that the equity sell-off in technology stocks is likely to be more technical, possibly driven by an unwinding of leveraged positions, rather than being fundamental in nature.

UK

The Bank of England hikes interest rates

Last Thursday the Bank of England increased its policy rate by 25bps to 4%. This is the first BoE hike since 2023 and, as in other jurisdictions, primarily reflects concerns about the inflationary impact of rising energy prices. The move was expected by markets, but the vote split increased expectations of further rate hikes. The committee voted 8-1 in favour of an increase, with Catherine Mann dissenting in favour of a larger 50bp increase. Despite this hawkish vote split, Governor Andrew Bailey emphasised that short-term developments in energy prices were the key determinant of whether further hikes were needed. The market is pricing in a further three rate hikes over the year. By contrast, when oil prices had fallen back to USD 75/bbl in June, the market thought a hike to 4% was all that was needed. UK economic data has been stronger recently, making policy hikes easier to justify. Inflation, currently at 3.5% YoY, is rising. However, the Indeed labour market indicator continues to show softening wage growth, which suggests price pressures are not building as strongly as they did from 2022.

Australia

The fifth time is the charm

The RBA raised policy rates for the fifth time this year to 4.85%, the highest in 18 years. The decision was driven by stubbornly high inflation, with the Q3 print surprising to the upside along with evidence that this is passing through to core. There are dovish signals, however. Language around further hikes was softened, and conditions are now considered restrictive. Three members of the board also voted for a hold. While household spending is resilient, up 6% YoY in September, we expect the impact of rate hikes will soon emerge. The downtrend in the property sector is continuing, and the unemployment rate is creeping up too, nearing the bank's upwardly revised NAIRU estimate of 4.75%. While the economy has been supported by record non-mining capex, AI sentiments are shifting. Opposition towards data centres is also growing, with several proposals scrapped, including one by Cooks River this week. We expect activity will begin to slow, and barring further deterioration of the energy crisis, this will be the last hike of the cycle.

LatAm

BCB and Banxico set for an extended pause

Latin America's two largest central banks took different policy decisions last week, but both appear headed for an extended pause. In Brazil, the BCB held the Selic rate at 13.75%, pausing after five consecutive cuts amid renewed inflation pressures and deteriorating expectations. However, weakening activity and restrictive monetary conditions suggest a prolonged pause rather than renewed tightening, in our view, despite markets still pricing rate hikes through next year. In Mexico, Banxico unexpectedly cut rates by 25bps to 6.25% in a split 3–2 vote, despite stronger Q3 activity and upward revisions to inflation forecasts. The Board cited persistent economic slack, limited demand pressures and contained FX pass-through, framing the cut as a one-off adjustment. Given the expected acceleration in inflation and the prospect of another Fed hike by year end, the Board may have taken advantage of a narrow window to ease. The MXN held up following the decision, although the narrower USD/MXN rate differential leaves it vulnerable to renewed weakness.

What to Watch

- In a light week for US data, CPI for October will be the main event, with some modest easing expected.
- This week brings September trade data and Q3 employment data for the Eurozone.
- We will receive the KMPG/REC job survey and Q3 GDP data in the UK.
- In Australia, consumer and business confidence survey data will be released.
- International trade data for China, South Korea, and Taiwan will be available, as well as PPI for Japan.
- In LatAm, Brazil's October CPI release will be the key event to watch.

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