Weekly Macro and Markets View

16 November 2026



Highlights and View

US consumer price inflation rises 0.4% on the month as Federal Reserve speakers open the door to a 50bp hike in December

While US Treasury yields moved significantly higher, they remain below their early-October peak.

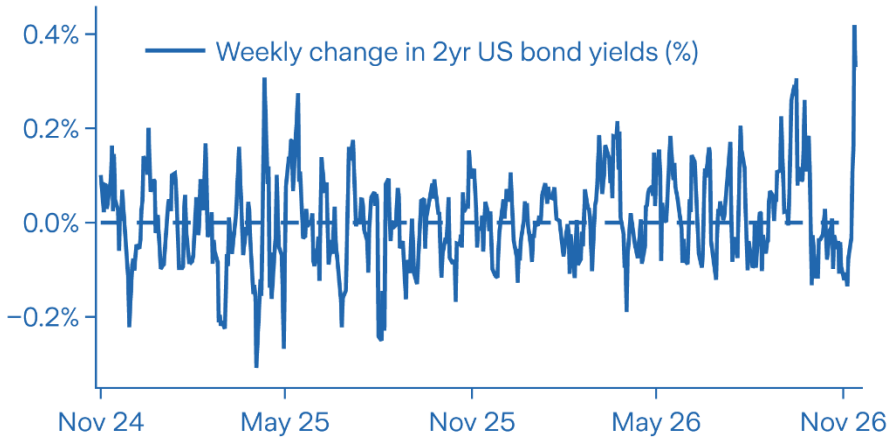
Stocks rebound following the sharp falls seen after the US elections while credit remains well supported

It seems that the equity sell-off was technically driven. With fundamentals still solid, prospects for stocks seem constructive while corporate credit offers limited upside due to tight spreads.

China sees a widening growth divide; high-tech investment and exports boom while non-tech capex and consumption weaken

This widening gap strengthens the case for greater fiscal stimulus in 2027, particularly through accelerated Six Networks infrastructure spending.

US yields surge higher again



Source: Bloomberg

Last week brought a significant move higher in US Treasury yields. 10yr yields rose back above 5% while the weekly rise in 2yr yields was the largest in over 2 years. The proximate cause was Consumer Price Inflation for October, which rose at a pace of 0.4% on the month when the market had been expecting 0.3%. Core inflation rose slightly faster too, at a pace of 0.3% compared to expectations of 0.2%. While the magnitude of the miss was not enormous, this is the third upside surprise in as many CPI prints. Although rising energy prices have boosted inflation, underlying inflation measures such as core services and goods are also picking up slightly. New Fed Chair Kevin Warsh's preference for less communication increases the volatility of the market's response to incoming economic data. But this style doesn't stop other Fed voting members from offering their own views. Governor Christopher Waller spoke about the possibility of a 50bp hike in December, double the standard size. Financial markets are currently pricing in three further rate hikes between December and next June. Compared to the beginning of November, this is one additional hike over the period. As bond yields rose, the US dollar strengthened. The DXY index rose to its highest level since April 2025.

Markets

Stocks regain ground after a sharp sell off while credit holds in

Following a sharp sell-off in stocks that looks to have been technically driven, risk assets recovered last week, with gains seen across most sectors. That said, semiconductors in the US and Korea gave back some ground on Friday amid Nvidia-related uncertainty. Encouragingly, credit markets continued to perform well despite not having sold off the week before. Led by High Yield (HY), corporate credit spreads tighten across ratings on both sides of the Atlantic. Investor demand remained strong, with US HY funds receiving inflows while new deals were oversubscribed in the US Investment Grade (IG) space, taking monthly volume to USD 117bn. Notably, however, US HY supply came to a near halt later in the week as US Treasuries sold off after a stronger-than-expected CPI print, and the 10yr yield rose above 5%. All in all, with fundamentals still solid, prospects for stocks seem constructive while corporate credit offers limited upside given that spreads remain historically tight.

UK

More good news

The UK economy has been an often-underappreciated outperformer throughout this year. Q3 GDP rose at 0.7% QoQ following strong numbers in Q1 and Q2. The details were solid. Private consumption (+0.6%) and business investment (+1.7% QoQ) both grew at a robust pace. Government spending bounced back following a volatile Q2. Lastly, net exports dragged the overall measure down slightly. The positive interpretation here is that surging imports reflect investment in new technology. The UK is highly sensitive to imported energy prices. Inflation is rising and is highly likely to continue to do so. As such, the Bank of England has adopted a more restrictive monetary policy stance. The KPMG/REC Jobs Report showed a slowdown in permanent hiring in October, bucking recent trends, as redundancies also rose modestly. High rates and ongoing energy concerns are likely to weigh somewhat on the economy as we head into 2027. Nevertheless, the overall picture has been one of resilience.

China

Weak data should prompt stronger stimulus ahead

China's October data marked a clear setback after September's stronger quarter-end readings. Retail sales rose just 0.4% YoY, dragged by a 21.4% plunge in auto sales, while fixed-asset investment fell 8.1% YTD, with infrastructure, manufacturing and property investment all contracting. Pockets of strength remain in high-tech investment while tech exports helped drive exports up 35.2% YoY in USD terms as weak domestic demand and excess capacity continue to push manufacturers overseas. China's two-speed economy is becoming more pronounced. Export-led high-tech manufacturing is powering ahead while weak consumption and a contracting investment cycle weigh on domestic activity. This strengthens the case for bolder fiscal support in 2027, particularly a faster rollout of the 'Six Networks' programme spanning next-generation infrastructure including communication networks, data centres, power grids, renewables and logistics.

Brazil

The new fiscal package leaves more to be done

Brazil's government unveiled a fiscal package targeting BRL 50-60bn (around 0.5% of GDP) in savings for 2027, which is below earlier press reports suggesting BRL 70-80bn. The proposal combines additional expenditure safeguards, with lower tax benefits and limits on the use of tax credits. However, much of the adjustment relies on revenue measures while spending restraints remain conditional rather than structural. The market reaction in local rates was relatively muted, suggesting limited improvement in fiscal confidence. Brazil will likely need further measures to address their debt trajectory, although the scope and timing of any additional adjustment remain unclear. Meanwhile, October CPI surprised to the downside at 0.1% MoM, with underlying services inflation also easing, providing some relief despite annual inflation edging up to 4.6% YoY, above the 4.5% upper limit. The latest BCB minutes were broadly consistent with our expectation of an extended pause, balancing renewed inflation pressures and deteriorating expectations against weaker activity and already restrictive monetary conditions.

Climate

Changes to US energy infrastructure are on the horizon

On November 9, US Senators voted 73-25 to open debate on the bipartisan American Affordability and Jobs Act, clearing the first 60-vote filibuster hurdle. The Senate is expected to take up amendments and vote again this week. If the bill is passed, which looks likely, it would speed up energy and infrastructure permitting by streamlining reviews under the National Environmental Policy Act. It would also amend the Federal Power Act, the law governing US electricity grids and transmission, to support the energy buildout and ease connection bottlenecks. Through the Ratepayer Protection Act, the bill would require large-scale data centre developers to cover their own energy infrastructure costs, easing the consumer burden. Energy demand remains a near-term theme in the US, and this bill reflects it. While the legislation supports both renewable and non-renewable energy, faster permitting and grid connections would address bottlenecks in renewable integration and can be seen as a positive development for the clean energy sector.

What to Watch

- Housing market data will be released on Wednesday in the US, alongside October FOMC minutes and a variety of regional survey data.
- UK labour market data will be available on Tuesday, followed by inflation data on Wednesday. In the Eurozone, September industrial production will be released, along with negotiated wage and consumer confidence while GDP, trade, and industrial production data will be published in Switzerland.
- Japan's core machine orders, exports and CPIs are key to watch, as are Australia's labour data, Malaysia's GDP and exports in Taiwan, Singapore and Malaysia. Bank Indonesia is expected to keep rates unchanged.
- In LatAm, Brazil's September activity indicator and Chile's Q3 GDP data will be in the spotlight.

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