UBP Weekly View

9 NOVEMBER 2026



UBP

Union Bancaire Privée

US midterms shake AI trade and spark flight to safe havens

SUMMARY

Global equities fell sharply as the Democratic midterm election sweep raised fears that regulation would slow the AI data centre build-out and hit technology and semiconductors hardest. Bond yields fell on lower oil prices and the equity sell-off, even as the Bank of England raised its interest rates to 4% and signalled that more hikes could follow. The USD gained ground on safe-haven demand and strong US payrolls, while gold also rose.

MARKET RECAP

Asset classes	Last Close (06.11.2026)	1-Week Total Return	1-Month Total Return	Year-to-Date Total Return
S&P 500	7 377	-2.7%	-5.7%	7.8%
NASDAQ Composite	24 579	-3.4%	-10.9%	5.8%
STOXX Europe 600	648	0.2%	1.8%	9.5%
MSCI Japan	2 257	-7.0%	-12.7%	8.0%
MSCI EM	1 502	-4.1%	-13.8%	7.0%
US 10-year Yield	4.86%	-7 bps	-43 bps	70 bps
Gold (USD/oz)	4 068	4.9%	-2.3%	-5.8%
Brent Crude Oil (USD/bbl)	98	-16.4%	-2.2%	61.6%

Source(s): Refinitiv

Beyond the numbers

MACROECONOMICS

Last week, US labour-market data were stronger than expected, with non-farm payrolls (NFP) increasing by 165,000 and the previous two months' figures being revised upwards. Wage growth accelerated slightly, rising by 0.4% m/m and by 3.1% y/y, while the unemployment rate declined from 4.2% to 4.1%. By sector, job creation was strongest in business services and the education/health sectors. Business confidence was mixed in manufacturing and declined from the previous month in services, however, all Purchasing Managers' Index (PMI) and ISM indices remain at very high levels. US factory orders for September were very strong, increasing by 1.8% m/m. Last, consumer confidence improved significantly, with the University of Michigan index rising to 51 from 48 thanks to more positive opinions about personal finances and the economic outlook.

In the eurozone, manufacturing (52.7) and services PMI (51.7) came in below expectations and were weaker than in the previous month. Eurozone retail sales were weaker than expected, declining by 0.7% in September, as energy-related constraints weighed on consumer budgets. The October consumer price index (CPI) estimate increased by 0.4% m/m and rebounded to 4.0% y/y, while core inflation remained stable at 2.5% y/y.

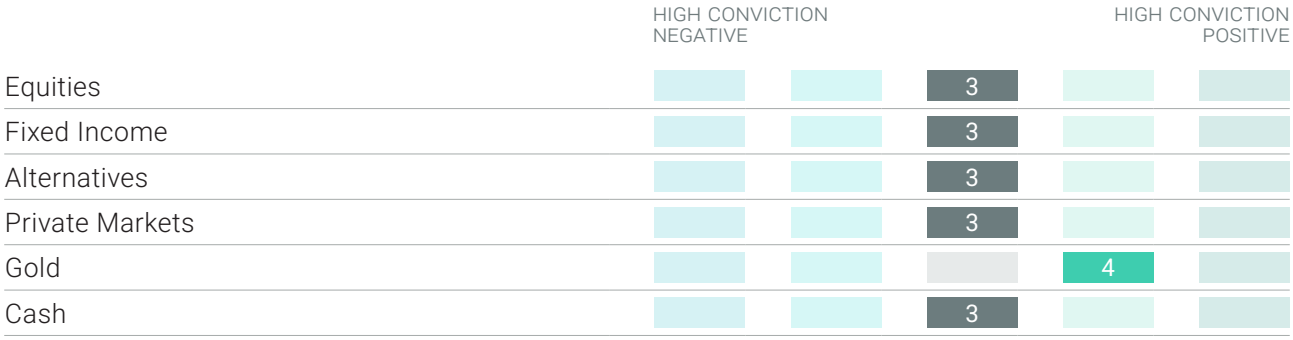
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In the UK, momentum remained positive, with manufacturing and services PMI readings finally coming in above expectations. The Bank of England (BoE) raised its key interest rate by 25 basis points (bps) to 4.0%. The decision was a 'hawkish hike', with Governor Bailey indicating that another rate hike could be necessary.

This week, the focus will be on US inflation data. October CPI is expected to be moderate, rising by 0.3% m/m and by 3.9% y/y and producer prices will also be published; these are expected to increase by 0.4% m/m and by 6.6% y/y up from 6.3% y/y.

Turning to Europe, the UK's Q3 GDP figures will be the main data release: GDP is expected to increase by 0.7% q/q, following growth of 0.5% q/q in Q2.

ASSET ALLOCATION: STRATEGIC VIEWS AS AT NOVEMBER 2026



High Conviction Negative 1 2 — Baseline Allocation 3 — High Conviction Positive 4 5

Previous view ● (no dot means no change)

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Equities

Global equities experienced a broad-based sell-off last week (MSCI ACWI total return -2.7%, -6.5% below the recent year-to-date high) in a culmination following several weeks of sector rotation that has principally impacted the global technology sector.

The sell-off was largely triggered by the Democratic sweep of US midterm elections and concerns that tighter regulation could delay data centre construction, increase costs, and slow artificial intelligence (AI) infrastructure spending, especially as three key states (Texas, Michigan and Georgia) that represent 45% of planned capacity flipped to Democratic hands.

As a result, the week's sell-off remained centred on AI infrastructure beneficiaries, particularly companies involved in semiconductors, power, networking and cooling equipment, but selling pressure spread across global markets. Technology (-8.3%) and Energy (-10.2%) were the worst-performing sectors, with the latter affected by falling oil prices amid expectations of a potential de-escalation of the Iran conflict.

The magnitude of the technology sell-off was particularly striking: semiconductors plunged 12% over the week, including a nearly 10% single-day decline – their fourth-worst daily performance in 30 years. The Nasdaq fell by 4.9%, bringing its drawdown to 13.6% from its recent peak, while global semiconductors are now 28.6% below their highs. Japan (-7.0%) and South Korea (-11.7%) were particularly badly affected, while Europe (+0.3%) remained relatively resilient.

The market also rapidly priced in the potential benefits of tighter regulation for established operators, with hyperscalers posting gains over the week. Regulation-driven constraints on new computing capacity could favour existing operators, as already permitted capacity is less likely to be affected.

Meanwhile, financing concerns also intensified as Oracle announced USD 20 billion in debt and equity financing, while Amazon disclosed a USD 80 billion supplier financing facility, highlighting the massive capital requirements of the AI investment cycle. Anthropic's amended IPO prospectus that it filed on 2 November revealed approximately USD 895 billion in future infrastructure and computing commitments. The company's IPO could provide an important test of investor appetite for financing AI infrastructure.

Looking ahead, US inflation data and neocloud posterchild CoreWeave's earnings will be closely watched. While market and technology valuations have fallen sharply, we believe markets will increasingly scrutinise the potential negative impact of delays in infrastructure spending on future earnings growth, given that AI-related investments have been a major driver of index earnings growth over the past three years and that peak earnings growth appears to be behind us.

Following the magnitude and speed of the recent turmoil, we have reduced our hedge on the Technology sector while maintaining our neutral stance on global equities. We downgraded Healthcare to 2/5 (from 3/5) following its strong October performance (+11%), as valuations have become increasingly stretched. While fundamentals remain supportive, the recent re-rating has reduced the sector's risk/reward appeal, prompting us to take profits. A continued rotation out of AI-related stocks remains the main upside risk to our cautious stance.

Tech led a global equity sell-off last week as the Democratic midterm sweep raised fears that regulation would slow AI data centre build-out.

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Fixed income

10-year Treasuries rallied 7 bps to 4.86%, Bunds matched the move to end the week at 3.25%, and gilts rallied almost twice as much to 5.15% in the week that the BoE raised rates for the first time since August 2023. Oil drove the early part of the move, falling close to 20% through Wednesday on hopes of a deal with Tehran, although it bounced back later in the week following a spate of tanker incidents near Hormuz.

Thursday brought the worst day for the S&P 500 since the 'Liberation Day' sell-off in April 2025, with the semiconductor index falling by double digits on fears that a Democratic Congress and a Democratic governor-elect in Texas will slow the data centre build-out. Led by the front end, Treasury yields fell by as much as 12 bps to their lowest since early September. Friday saw some of that given back, as strong payrolls and falling unemployment reminded the market that the US economy continues to run hot.

The BoE hiked its interest rates by 25 bps to 4% on an 8–1 vote, the lone dissenter favouring a 50-bp hike. The minutes from the meeting still show limited evidence of second-round inflation effects, and Governor Bailey said as much; however, his case rested on the size of the shock, not on any sign of it spreading, with the BoE now seeing inflation peaking near 4.9% in Q2 27.

The OAT–Bund (France–Germany) 10-year spread tightened through a week that would once have widened it. France's Assemblée Nationale rejected the revenue half of the 2027 budget by 458 votes to none on Wednesday, yet the spread closed the week at 150 bps, down from 165 bps at the end of October. Our view remains that markets will, at some point, turn their attention back to France, and that the OAT–Bund spread has not yet peaked.

On the hyperscalers, which we flagged last week after S&P revised its outlook on Meta's AA- rating to negative, Meta itself tested the market with USD 15 billion bond sale on Tuesday and a EUR 9 billion one on Wednesday (a euro debut). Both saw strong demand, with the euro deal drawing the largest order book ever for a corporate bond in Europe (beating AB InBev's EUR 31 billion in 2016). Meta's USD 30-year bond was priced at 220 bps over Treasuries with a 7.50% coupon, about 100 bps wider than a comparable bond at the beginning of the year. Big Tech bonds are now carrying their widest premium to the broader investment-grade (IG) market since 2003, and we continue to find the debt of the higher-quality hyperscalers attractive.

In dollars, Treasuries and IG returned 0.3% on the week, high yield (HY) and emerging markets (EM) 0.4% and additional tier 1 bonds (AT1s) 0.6%.

Bond yields fell this week on lower oil and a sharp equity sell-off despite the Bank of England's rate hike, while credit returns were modestly positive.

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Forex and Commodities

Last week, the US Dollar Index (DXY) rose by around 1% following the US midterm elections. The USD appreciation reflected the increase in risk aversion and the USD outperformed in line with a typical safe-haven style price action. US NFP data for October also printed well above expectations, giving no reason for the USD to weaken aggressively in the near term. There are few important data releases over the coming week: CPI data for October will not be published, as the base effect was not calculated due to the October 2025 government shutdown. The fundamental backdrop for the USD remains constructive given high levels of front-end carry and positive terms of trade effects from higher energy prices.

The BoE raised its rates by 25 bps last week, taking its key rate to 4%. The rate hike was already priced in; however, the monetary policy committee (MPC) issued hawkish guidance, noting the possibility for further rate hikes in the coming months. Terminal rate expectations of around 4.70% were largely unchanged, showing that the market anticipates another 70 bps in BoE rate hikes over the coming year. We revised our GBP forecasts, as sterling is showing a slightly stronger near-term profile. There are few important UK data releases over the coming week.

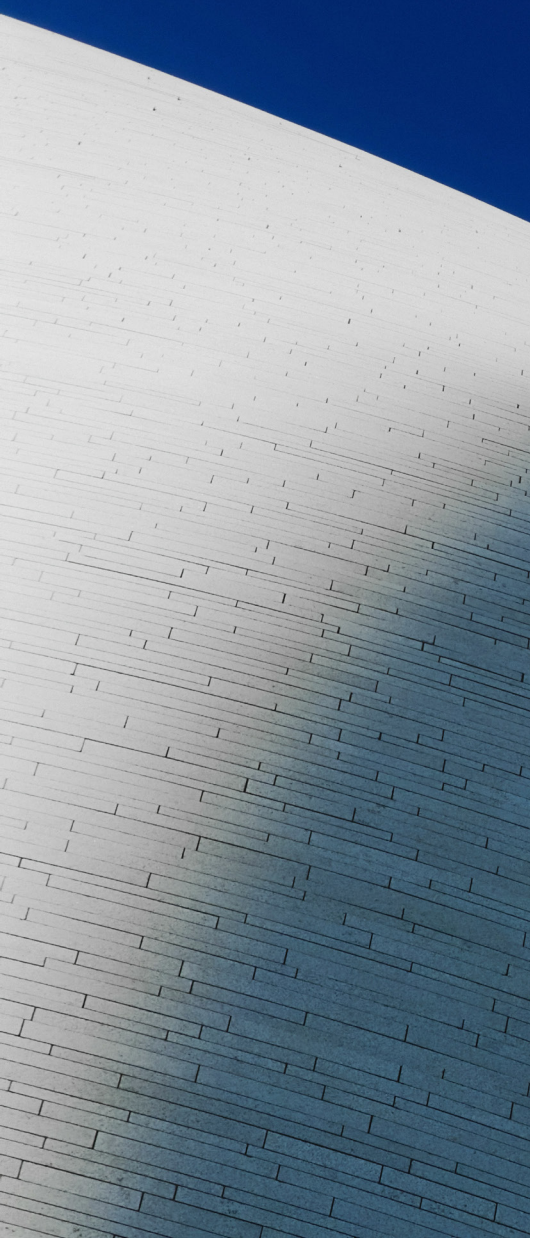
The EUR traded slightly lower last week, despite a modest contraction in OAT–Bund spreads. ECB President Lagarde is set to stand down in Q1 2027 and there are only two potential candidates to replace her – Klaus Knot and Pablo Hernandez de Cos. Knot stated in an interview with the Financial Times that he would not hesitate to act to counter another eurozone debt crisis. There are few important data releases over the coming week and the EUR/USD should trade as a function of USD-led developments.

In a widely anticipated move, the Reserve Bank of Australia (RBA) raised its rates to 4.85%. The AUD underperformed following the decision, as the market moved to price in rate cuts by Q4 2027. We maintain a cautious stance on the AUD in the near term.

Gold rose by around 4% last week, showing an important technical break on the upside. The rise in gold coincided with a fall in energy prices and US 10-year TIPS yields. Gold is likely to trade sideways in the coming weeks until central banks can give clarity on terminal rate expectations, which itself should be a function of oil and energy price developments.

The US dollar rose last week in classic safe-haven fashion after the US midterm elections and on strong October payroll data, high front-end carry and energy-driven terms-of-trade gains.

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