Asset Management Market Flash: Swinging from euphoria to vertigo, we need to take a nuanced approach

4 November 2026

- **The US mid-term elections have given the Democrats a majority in Congress and in several key states, which could limit Donald Trump's agenda whilst preserving his powers in trade and foreign policy.**
- **The markets have reacted with a fall in government bond yields, a drop in oil prices and a rise in the price of gold back above $4,050 an ounce, against a backdrop of expectations of de-escalation in the Middle East and political deadlock in the United States.**
- **Post-election optimism, however, quickly faded: technology stocks and semiconductors triggered a sharp correction in US markets, despite generally solid economic indicators.**

The Democrats swept to victory in the US midterms, winning 237 seats out of 435 in the House of Representatives and 54 seats out of 100 in the Senate. They also took control of a number of state legislatures like Texas, Georgia and Ohio. The results could put the brakes on some of Donald Trump's initiatives even if his presidential veto will limit changes and necessitate compromise. The president also retained control of trade and foreign policies.

For markets, the big issue focused on the Texas governor election because of the number of data centres in the state. Republican Greg Abbott, who favoured data centre expansion, lost to Democrat Gina Hinojosa who wants to see increased tech giant regulation. Stock market volatility led to falls in government bond yields on expectations of a political stalemate and reduced inflationary pressure. The dollar stabilised and the gold ounce moved back above $4,050/4,100. Oil plunged to close to $95 on hopes for a Middle East diplomatic solution after a draft agreement at the Doha talks fuelled de-escalation hopes. The midterm results and talk of the secretary of defence resigning also reinforced the chances of Washington changing its Middle East approach.

However, post-election optimism quickly evaporated, especially after Bernie Sanders called for a moratorium on data centres. On Thursday, US equities had their worst day since April 2025 as tech and semiconductor stocks sold off. The Nasdaq entered correction territory after losing more than 10 % from its recent highs. Other indices were dragged down in its wake.

Amid all the political noise, economic indicators took a back seat. US manufacturing ISM rose to a better-than-expected 55.5 in October while the prices paid index fell to 75.2. JOLTS job openings rose to 7.523 million and layoffs fell. In Europe, production prices rose by 11.1 % over a year in September due to energy costs. Elsewhere, the Bank of England raised interest rates by 25bp following a rebound in inflation and an improvement in the jobs market. The decision was approved by 8 votes against 1 and the door was left open for further hikes.

Global economic growth is still robust and company results continue to trend higher so we remain keen on equities. Nevertheless, this tech stock correction underlines the need to be more selective and stay fully aware of the risks from the AI infrastructure rollout. We are therefore still upbeat on equities but

have not raised global portfolio risk to excessive levels. Instead, we have opted for more geographical and sector diversification, looking beyond AI. We have also reinforced fixed income exposure: carry and diversification now look interesting again but we are not assuming bonds will decouple lastingly from equities. We are still negative on the US dollar even if risk aversion phases may temporarily boost the greenback. In moments like this, risk diversification is essential.

European equities

Europe's equity markets swung between optimism when oil prices retreated and a marked return to risk aversion driven by an AI stock sell-off. Hopes for de-escalation in the Middle East sent crude oil prices tumbling, boosting cyclicals and helping bond yields fall back. But a rebound in oil prices towards the end of the week and accelerating production prices in the eurozone served as a reminder that the energy shock was still fuelling inflation. The Democrat victory in the US midterms ended up rekindling worries that the AI sector might be subject to a stricter regulatory framework. This added to existing doubts over the sustainability of AI investments and weighed on AI stocks, and semiconductor plays in particular. Investors reacted by moving into government bonds and defensive sectors. European equities actually showed some resilience as they are less exposed to technology -and commodities also offered support- but they are still sensitive to oil prices and the ECB's monetary policy decisions.

In company news, consumption still provided a mixed picture. Jewellery continued to underpin the luxury sector. **Richemont** continued to benefit but soft Chinese demand hit more accessible segments. Sales at **Diageo** were practically flat as trading remained constrained by the Middle East conflict. The autos sector stayed under pressure: **BMW** cut its outlook due to persistent difficulties for premium manufacturers in China. Industrials were also mixed. Activity in the defence sector stalled. **Rheinmetall** cut guidance due to delays in certain contracts being executed. Infrastructure, in contrast, benefited from more favourable catalysts: **Legrand** is benefiting from data centre demand and **Heidelberg Materials** is continuing with efforts to boost operating efficiency. Tech had a much choppier week as AI worries hit semiconductor companies like **ASML** and **STMicroelectronics**. In energy and utilities, **TotalEnergies** reinforced its presence in Asia with a long-term contract to provide LNG in China and **Engie** benefited from the contribution of its UK electricity grid. In healthcare, **Novo Nordisk** raised full-year guidance thanks to momentum in its GLP-1 treatments. The group also appointed a new finance director. Financials continued to trade on governance and consolidation themes. Plans to merge **UniCredit** and **Commerzbank** advanced and Stéphane Boujnah decided to step down from **Euronext** in May 2027.

US equities

The **S&P 500** tumbled 3 %, the **Nasdaq 100** 4.4 % and the **Russell 2000** 2.9 %. Democrats scored resounding victories in the midterms and took control of the House of Representatives and the Senate. Oil prices tanked on hopes the election results would lead to Middle East talks resuming. **WTI** plunged 13.1% to $90 and **Brent** 13.4% to $98.

Tech plummeted 8.1 %. The **SOX** semiconductor index tumbled 15.7 %. Companies providing infrastructure for data centres sold off with **Vertiv** down 24 % and **Vistra** off 18.4%. **Nvidia** shed 11.3 % and **Broadcom** 10.6 % AMD cratered 19.9 % in spite of a 45 % jump in sales to $13.4bn, or more than expected, and guidance which was also higher than consensus expectations. EPS at **Qualcomm** (-4.9 %) was in line but guidance fell short of expectations due to rising wafer and memory costs. Sales at **Palantir** (-15.8 %) beat expectations by almost doubling to $2.3bn and commercial revenue surpassed US government revenue for the first time.

Healthcare bucked the trend by proving resilient. Medicaid-exposed companies like **Centene** (+8.4 %) and **HCA** (+7.3 %) rose on indications that planned cuts would be put back and Affordable Care Act (ACA) subsidies extended. Adjusted EPS at **CVS** (-9.9 %) beat expectations by 27 % and the group raised annual guidance. Management also announced plans to spin off its insurance and pharma divisions by 2028. **Pfizer** edged 0.7 % lower despite beating EPS expectations by 19 % and raising full-year sales guidance from $62bn to $64bn.

Consumption (+2.6 %) outperformed. **Uber** (+5.4 %) saw a 20 % rise in gross bookings thanks to delivery services. Sales were better than expected. Adjusted EPS at **McDonald's** (+7.7 %) beat expectations although like-for like sales dipped 0.2 %in the US; the drop was offset by higher average tickets. Sales at **Airbnb** (+3.5 %) rose 19 % to $4.9bn and the group raised annual guidance.

Emerging markets

The MSCI EM was down 1.4 % in USD as of Thursday's close, tracking weakness in US equities as the tech-led sell-off accelerated and market volatility approached its March highs. Korea and Taiwan were the worst performers, falling 9.1 % and 8.7 %, respectively, while Brazil extended its correction, down another 2.6 %. By contrast, China, India and Mexico showed resilience amid the global AI-driven sell-off, gaining 7.1 % 6.8 % and 1.73 %, respectively.

China: October's RatingDog PMI[1] edged down to 52.0 from 52.4 in September but remained in expansionary territory. Factory output grew at its fastest pace in six months, while export order growth moderated, suggesting continued resilience in manufacturing activity despite external uncertainties. On the policy front, the PBoC cut the relending rate for share buyback financing from 1.25 % to 1.00 %, reinforcing its commitment to stabilising the equity market. The bank also raised the foreign exchange reserve requirement ratio to curb the renminbi's recent rapid appreciation. Memory chipmaker YMTC reportedly put its planned IPO on hold. Oracle was reported to have cancelled a multibillion-dollar AI chip leasing agreement with Tencent amid US regulatory pressure, while China blocked SoftBank's proposed $5.4bn acquisition of ABB's robotics business, highlighting growing scrutiny of cross-border transactions involving strategic technologies. Macau's October GGR declined 10% YoY, or broadly in line with expectations.

South Korea's government waived margin loan collateral requirements for 3 months to curb forced liquidations.

Taiwan: regulatory developments came into focus as the Financial Supervisory Commission (FSC) signalled potential market-stabilisation measures, including tighter short-selling and collateral requirements, in response to heightened market volatility. Elsewhere, Micron reportedly paused construction at its Taiwan facility.

India: the HSBC services PMI rose to a four-month high of 55.8 in October from 55.2 in September, supported by stronger domestic new orders, particularly in financial and insurance services. Reliance Industries reported record 2Q FY27 earnings, driven by exceptionally strong profitability in its Oil-to-Chemicals segment, while its telecom business maintained steady growth. Apollo Hospital, Mahindra & Mahindra, Titan and Bharti Airtel all beat earnings expectations, showing EBITDA margin resilience. Sai Life beat expectations across the board. On a more cautious note, Britannia's second-quarter performance was a mixed bag with strong volumes but gross margin pressure. In general, earnings for the September quarter were a positive surprise. India benefited from foreign inflows this week.

[1] A monthly indicator of economic activity in China, based on surveys of purchasing managers at companies.

In **Brazil**, the central bank kept its interest rate unchanged at 13.75%. Itau reported strong results, in line with the consensus, but limited growth and cautious guidance. Axia Energia reported better-than-feared results, driven by higher transmission revenues. Renner and Meli's results were disappointing, confirming weak consumer trends.

In **Mexico**, the central bank's surprise interest rate cut was the highlight on the macro front. Banorte reported upbeat figures, with loan growth improvement and an ROE of 26 %.

Corporate debt

The Democrat blue sweep in the US midterms dominated headlines. The news initially sent oil tumbling below $100 while boosting equity and bond markets but eventually triggered a global risk-off movement. Thursday was particularly bad for tech stocks exposed to AI as investors anticipated tougher regulations for the sector. The S&P 500 tumbled 4.75 %, falling from 7,720 to 7,353 and the Nasdaq plunged 7.14 % (24,315, down from 26,185). The EuroStoxx 50 bucked the trend by edging 0.39 % higher to 6,232 thanks to limited exposure to cloud giants. The rush into safe havens helped government bond yields fall. Yields on 10-year US Treasuries fell 10bp to 4.8 4% and by 11bp to 3.24 % for the equivalent German Bund. In credit news, the **iTraxx Xover** was unchanged at 310 but traded between 300 and 330bp over the period.

The new issues market remained busy. In high yield, **Recordati** (B1/B+/BB) raised €2bn in three tranches and SAUR/HIME (BB+/BB) €400m due 2032. In hybrids, **VW** raised close to €2bn in two tranches, one at 6.875 % callable in 2032 and the other at 7.25 % callable in 2034. In a sign of strong investor appetite, the order book totalled more than €16bn. It was also an active week in financial debt with **AXA** raising €750m with a T2 bond, **Unicaja** €300m (T2), **HSBC** selling a dollar-denominated AT1 and **ASN Bank** an AT1 in euros.

Euro high yield returned 0.77 % over the week and euro IG 0.45 %. Eurozone government bonds returned 0.8 %.

GLOSSARY

• Investment Grade: bonds rated as high quality by rating agencies.

• High Yield: corporate bonds with a higher default risk than investment grade bonds but which pay out higher coupons.

• Senior debt benefits from specific guarantees. Its repayment takes priority over other debts, known as subordinated debt.

• Debt is considered to be subordinated when its redemption depends on the earlier payment of other creditors. To offset the higher risk, subordinated Senior debt has priority over other debt instruments.

• Tier 2 / Tier 3: subordinated debt segment.

• Duration: the average life of a bond discounted for all interest and capital flows.

• The spread is the difference between the actuarial rate of return on a bond and the rate of return on a risk-free loan with the same maturity.

• The so-called "Value" stocks are considered to be undervalued.

• EBITDA: Earnings before Interest, Taxes, Depreciation, and Amortization.

• CTA: quantitative strategy which uses futures to invest in a wide range of financial assets, including equity indices, short-term and long-term interest rates, currencies, and commodities.

• The PMI, for "Purchasing Manager's Index", is an indicator of the economic state of a sector.

• AT1s belong to a family of bank capital securities known as contingent convertibles or “Cocos”. Convertible because they can be converted from bonds to shares (or depreciated entirely) and contingent because this conversion only occurs if certain conditions are met, such as the issuing bank's capital strength falling below a predetermined trigger level.

• RT1s: perpetual bond issues with early redemption possible after 10 years. Coupon payments are discretionary and non-cumulative.

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