Asset Management Market Flash: The Fed changes gear

13 November 2026

- **US inflation, which came in higher than expected, reinforced expectations of monetary tightening and pushed up interest rates, whilst gold fell and the dollar strengthened.**
- **Geopolitical tensions have reignited concerns over energy supplies and contributed to the rebound in Brent crude, despite signs of improvement in exports and maritime freight.**
- **Equity markets recouped some of their losses, with Nvidia's fall having no significant knock-on effect on the technology sector, whilst CoreWeave's results reassured investors about its financial strength.**

Very strong US jobs data failed to elicit much market reaction as the Fed's focus is now on inflation. Investors were therefore anxious to see the CPI reading and its impact was even greater as it delivered a really unpleasant surprise. Consumer prices rose 0.4% in October and by 0.3% ex food and energy. In a particularly hawkish comment, FOMC member Christopher Waller had already warned that this level would warrant a 50bp rate hike in December. His words carry weight as he is an important Fed official. Markets immediately took a December rate hike as given and 10-year US Treasury yields shot back above 5%. Two-year yields, which are more sensitive to Fed moves, jumped even more, reflecting expectations that additional tightening by end 2027 would be close to 85bp. Gold paid the price by falling below $4,000/oz while the dollar rose sharply, pushing the euro's exchange rate to below 1.105. However, the likelihood of a half-point hike in December is still slight. It might be seen as excessive and likely to trigger market turbulence and for the moment no other Fed official has backed the idea. Not even Beth Hammack who is among the most hawkish committee members.

The Fed's shift in tone over inflation is due to persistent inflationary pressure from AI investment and energy prices. Developments on the international scene offer no respite and hopes for detente at the beginning of the week very quickly evaporated. Iran is still refusing to release its enriched uranium, Donald Trump says he does not need an agreement, and Ukraine peace talks in Abu Dhabi only resulted in a prisoner exchange. And comments from Israel's ambassador to the UN that Washington had sent troops to the Middle East to prepare for another attack on Iran hardly helped ease tensions. Oil trading reflected these contradictory signals. Brent crude had fallen to a 10-week low but on Thursday rebounded towards $96. Prices had fallen since early November not only on hopes for a peace settlement but also due to the fact the Gulf crude exports were running at pre-war levels and that maritime freight rates had tumbled. But these encouraging signs are conditional on no fresh military escalation.

Equity markets have largely brushed off this turbulence and recouped a good deal of the losses racked up in the previous week. But markets have not yet fully discounted the consequences of the Nvidia debacle. The group's founder Jensen Huang resigned after revelations that he had had two affairs, one with a woman suspected of spying for China. The Nvidia share sold off but without dragging down the rest of the tech sector. And CoreWeave's results reassured markets on the group's financial strength.

All this reinforces our view that the AI theme will continue to underpin global equity markets, especially as valuations have now fallen back to attractive levels. But we are still diversifying exposure to other geographical zones and to the bond market which now offers the advantage of decorrelation.

European equities

In an up week for European markets, indices hit new highs driven by falling oil prices and solid company earnings. Hopes for de-escalation in the Middle East sent oil prices tumbling, reducing energy bills for companies and boosting cyclicals and financials. Even so, inflationary worries persisted. Investors are now expecting the ECB to raise rates in December. Eurozone finance ministers began talks on who might succeed Christine Lagarde. France declared its support for the Spanish candidate. Elsewhere, eurozone investor confidence remained stable overall and the UK economy surprised on the upside. Tech stocks, however, had a choppy week due to AI uncertainties. European stocks were relatively untouched as they have less tech exposure. The rising trend in bond yields marked a pause, a reminder that markets are still dependent on energy prices and the ECB's direction of travel.

In company news, consumption continued to offer a mixed picture. The luxury sector gained as **Burberry** reported better-than-expected sales, a sign that the brand was still recovering. **Richemont**'s report met with less enthusiastic reactions. Strong jewellery sales failed to offset the impact of higher gold prices on margins. Industrials led gains this week on solid demand for data centres and power grids. **Siemens Energy** jumped after the group announced record results and a big increase in its dividend. **Siemens** raised medium term guidance on demand in its railway and digital businesses. Both **Schneider Electric** and **Legrand** gained from the same optimism. Tech was more volatile. **Infineon** reassured markets by focusing on data centre demand for electricity but semiconductor plays like **ASML** continued to suffer from AI doubts. In commodities, **Eramet** launched an increase of capital to bolster its financial structure. In utilities, **RWE** gained on a sharp increase in revenues. In healthcare, **Merck KGaA** raised guidance thanks to its pharma and semiconductor solutions and **Fresenius** cut its stake in **Fresenius Medical Care**. In chemicals, **Brenntag**'s quarterly figures missed analyst expectations. Financials proved resilient this week: **Allianz** gained on a strong showing from its asset management business, especially at **PIMCO,** and **Generali** beat expectations. Bank consolidation continued: **Crédit Agricole** asked **Banco BPM** to open talks on a tie-up with its Italian affiliate.

US equities

Wall Street rebounded from the previous week's sell-off. The S&P 500 gained 2.9%, the Nasdaq 100 4.8% and the Russell 2000 1.7%. Concerns over another Fed hike returned after October inflation rose 0.4 % over a month when analysts were going for 0.3%. WTI shed 2% to $89 after Donald Trump made conciliatory comments on Iran.

Tech jumped 3.8% and the SOX semiconductor index soared 12%. **Nvidia** (-11%) bucked the trend. The group announced the resignation of founder Jensen Huang after revelations about his personal life. Finance director Colette Kress was made interim CEO. Uncertainty is focused on who will replace Huang and the legal risk rather than on the business itself. Sales at **CoreWeave** (+22%) beat consensus expectations by 3%. **Cisco** (+9 %) had a good quarter with adjusted EPS beating expectations by 6% and an upward revision for full-year EPS which is 8% above consensus. Management now expects AI infrastructure revenues to hit $9bn.

Anthropic launched its IPO road show. 825 million shares will be on offer at a price between $70-78 or up to $64bn in total. This values the group at between $1.25 and 1.4 trillion dollars on a diluted basis. The price will be set on November 18 and trading on the Nasdaq will start the day after.

Healthcare gained 1.6% but underperformed the market due to mixed results. At its investor day, **Moderna** (-9%) confirmed that sales this year would rise between 15% and 25% but triggered selling by not giving any forecast for 2027. **Ionis Pharmaceuticals** cratered 31% after cutting forecasts for sales this year of Tryngolza, which treats a rare form of excess triglycerides, from $100m to $50m. The downward revision was due to a slower-than-expected rollout.

Utilities gained 2%. **Constellation Energy** jumped 13% after adjusted EPS came in 31% above consensus expectations and annual EPS guidance 5% better than expectations. Adjusted EBITDA at **Vistra** (+8%) was 11% better than expected thanks to Texas. The group raised full-year guidance and unveiled another $1.5bn in share buybacks.

Emerging markets

The MSCI EM had rebounded by 3.5 % in USD as of Thursday's close. Taiwan and Korea led gains as both recovered more than 9 % following the previous week's tech-led sell-off. India (+1.4 %) continued to benefit from diversification flows while China declined 2.9 % amid persistent concerns over access to AI computing capacity. Brazil also slipped 0.9 %.

China: October inflation data highlighted the continued divergence between consumer demand and industrial pricing. CPI eased to 0.7 % YoY from 0.9 % in September, dragged down by food prices, while PPI accelerated to 5.7 % YoY, driven largely by higher energy and chemical prices. External demand remained resilient, with exports growing 35.2 % YoY (vs. 36.3 % in September), while imports surprised on the upside, accelerating to 41.6 % YoY from 31 %. On the policy front, authorities are reportedly exploring a potential 25 % income tax on government bond interest, raising concerns over bank profitability and bond yields. The controversy surrounding former Nvidia CEO Jensen Huang intensified fears of tighter US restrictions on China's access to advanced AI chips. Elsewhere, the US Department of Defence removed WuXi AppTec from its Chinese Military Companies List following a court ruling. Alibaba also announced plans to spin off its chipmaking subsidiary T-Head, which has confidentially filed for a Hong Kong listing.

Taiwan: authorities in Taiwan stepped up market support, activating the National Stabilisation Fund alongside tighter short-selling restrictions following the sharp correction. Fundamentally, AI demand remained robust, with multiple companies reporting record October sales, including TSMC's October revenue (+15 % MoM, +60 % YoY), reinforcing expectations of strong fourth-quarter sales.

In **Korea**, semiconductor exports surged 33 1 % YoY to $16.6bn during November 1–10, accounting for nearly half of total exports, while passenger car shipments declined 4.3 %, highlighting the increasingly concentrated contribution of the semiconductor cycle to export growth.

India: on the corporate front, ICICI Prudential Life reported robust October new business premium growth of 37.5 % YoY, one of the best results across major private insurers. Elsewhere, Adani Group unveiled plans to invest over $120bn over the next five years, with approximately 70 % allocated to energy infrastructure.

Indonesia: the rupiah weakened to a record low against the US dollar, prompting central bank intervention in the FX market. Political uncertainty intensified following Vice President Gibran Rakabuming Raka's resignation, adding further pressure to investor sentiment.

Brazil: the government unveiled a spending-restraint package targeting a fiscal adjustment of BRL 70–80 billion (~0.5 % of GDP) in 2027.

Peru raised its benchmark interest rate by 25bp to 4.50 %, its first hike in nearly four years. The move was designed to curb an inflation spike driven by rising food and energy prices.

Corporate debt

Bond volatility remained high, especially in the US due to hawkish comments[1] from Fed officials who consider inflation to be too high. Yields on 10-year US Treasuries jumped 27bp over the week to 5.12%. The 2-year Treasury even gained 37bp. 10-year German Bund yields rose 9bp. Despite the rise, risk assets in Europe gained ground thanks to a 20bp tightening in spreads. High yield returned 0.60% and the CoCo index 0.35%. The Xover also tightened by 20bp over the period. Investment grade tightened by 4bp but ended the period 0.14% lower due to rising bond yields. Corporate hybrids tightened by 13bp but slipped 0.03% due to rising US yields.

In High Yield, UK utility **Drax Finco** raised €1bn at 5.875% due 2032. Italy's **Amplifon**, a hearing healthcare specialist, raised €600m at 4.875% due 2031 and Dutch telecoms group **Odido** €500m at 6.5% due 2032. 500 millions. There were three AT1 deals in financial subordinated debt: **BBVA** raised €1bn at 6.50%, **BPER Banca** €500m at 6.625% and Slovenian bank **NLB** €350m at 7.40%.

[1] Hawkish comments are statements considered to be in favour of a more restrictive monetary policy.

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.

DISCLAIMER

This is a marketing communication.

This document is issued by the Edmond de Rothschild Group. It is not legally binding and is intended solely for information purposes. This document may not be communicated to persons located in jurisdictions in which it would be considered as a recommendation, an offer of products or services or a solicitation, and in which case its communication could be in breach of applicable laws and regulations. This document has not been reviewed or approved by a regulator of any jurisdiction. The figures, comments, opinions and/or analyses contained herein reflect the sentiment of the Edmond de Rothschild Group with respect to market trends based on its expertise, economic analyses and the information in its possession at the date on which this document was drawn up and may change at any time without notice. They may no longer be accurate or relevant at the time of reading, owing notably to the publication date of the document or to changes on the market. This document is intended solely to provide general and introductory information to the readers and notably should not be used as a basis for any decision to buy, sell or hold an investment. Under no circumstances may the Edmond de Rothschild Group be held liable for any decision to invest, divest or hold an investment taken on the basis of these comments and analyses. The Edmond de Rothschild Group therefore recommends that investors obtain the various regulatory descriptions of each financial product before investing, to analyse the risks involved and form their own opinion independently of the Edmond de Rothschild Group. Investors are advised to seek independent advice from specialist advisors before concluding any transactions based on the information contained in this document, notably in order to ensure the suitability of the investment with their financial and tax situation. Past performance and volatility are not a reliable indicator of future performance and volatility and may vary over time, and may be independently affected by exchange rate fluctuations.
Source of the information: unless otherwise stated, the sources used in the present document are those of the Edmond de Rothschild Group. This document and its content may not be reproduced or used in whole or in part without the permission of the Edmond de Rothschild Group.

Copyright © Edmond de Rothschild Group – All rights reserved

EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)
47, rue du Faubourg Saint-Honoré 75401 Paris Cedex 08
Société anonyme governed by an executive board and a supervisory board with capital of 11.033.769 euros
AMF Registration number GP 04000015
332.652.536 R.C.S. Paris