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ADVANCED ECONOMIES

In brief. The week was dominated by large market swings triggered by the US midterms results. In the end, energy prices end the week much lower, bond yields somewhat lower and stock prices down in tech-heavy markets and slightly up elsewhere, notably in Europe. Incoming data confirmed a picture of resilient growth overall. The Bank of England hiked its policy rate by 25 bps and signaled it could do more. Market pressure on France eased somewhat.

EUROZONE

Energy pushes inflation up, but underlying pressures remain relatively contained. Headline inflation rose to 4.0% y/y in October, its highest in three years, strengthening the case for another ECB rate increase in December. Energy remained the main driver, while core inflation rose by 2.6%. The ECB wage tracker points to negotiated wage growth slowing to 2.3% by September 2027. Meanwhile, retail sales fell 0.7% m/m in September and the average interest rate on new business loans increased 13bp to 3.90%.

To watch next week: September trade balance, Q3 GDP second estimate and employment (Friday).

France

EVs boost activity, market pressure eases somewhat. After already bolstering household consumption in Q3, new car registrations rose 7% y/y in October (+4% y/y YTD), driven by another surge in electric car sales (+81% y/y in October; +78% y/y YTD). In parallel, manufacturing output rebounded by 0.5% m/m in September, supported by the automotive sector (+7.5% m/m but -5.5% y/y) and capital goods (+2.6% m/m and +4.8% y/y). However, industrial production fell by 0.5% m/m (and 1.3% y/y), as a result of a decline in electricity production (-4.2% m/m). The composite October PMI was revised down by 1.8 points from the flash estimate to 46.6 (-4.5 m/m), dragged down by services. This sharp downgrade likely reflects the hit to sentiment from the October 17 riots; however, precedents suggest activity itself should not be visibly impacted. Appropriately indifferent to the meandering journey of the draft budget through Parliament, the OAT-bund spread narrowed to 155 bps (-10 bps in one week) amid a broad-based decline in government bond yields across advanced economies; Thursday's long-term debt auction, the last of the year, was well-subscribed. Striving to meet its deficit target of 5.4% of GDP in 2026, the government announced EUR3.8bn of spending cuts to offset EUR3.7bn in additional expenditure. The High Council for Public Finance nevertheless sees the deficit reaching 5.5%. The 2027 budget will start being discussed by the Senate from next week, in its original version, after the national Assembly unanimously rejected its amended version that would have led to a 5.9% deficit.

To watch next week: Q3 unemployment rate and the Banque de France monthly business survey (Tuesday).

Germany

Industrial activity picks up. New orders rebounded 4.4% m/m in September and industrial production increased 0.7%, with the auto sector delivering particularly striking gains of 10.5% in orders and 17.1% in production. Mechanical-engineering orders also recovered (+8.3%), while pharmaceutical production increased by 8.0%. By contrast, large orders in aerospace, shipbuilding, rail and defence fell by 10.4%, while machinery and equipment production declined by 6.5%. October's composite PMI was revised up to 53.4, signaling continued strong expansion.

Italy

Services keep the economy above water as manufacturing slips back. The composite PMI eased to 50.8 in October, its lowest since May. Manufacturing returned to contraction at 49.4, its weakest reading since January, while services strengthened to 52.0 and recorded a fifth consecutive month of growth. Both sectors reported increasing input-cost and output-price inflation.

UNITED KINGDOM

The BoE hikes and leaves the door open to more. The Bank of England raised Bank Rate by 25bp to 4%, its first increase since August 2023, in a more hawkish than expected 8-1 vote, with Catherine Mann favouring a 50bp hike. The November Monetary Policy Report sees CPI inflation peaking around 5% y/y by mid-2027 and upgraded Q4 2026 growth to 2.2%, while cutting the 2027 and 2028 growth projections. The composite PMI meanwhile improved to 52.9, its highest since February, with new business growing at its strongest pace in nine months and private-sector employment increasing for the first time in 25 months.

To watch next week: Q3 GDP, business investment, industrial production (Thursday).

UNITED STATES

Post election market jitters and a hot jobs report. The Democrats' unexpectedly sweeping victory in the midterms (the largest wave since 1974) initially led markets to rally on (i) relief that the President recognised the results, and (ii) hopes of a swift end to the Iran war (oil prices and bond yields down, stock prices up). But this was soon followed by a sharp equity sell-off on 5 November, with the S&P 500 down 4.4% and the Nasdaq down 5.0%, erasing USD2.7 Trillion of market capitalization in one day. Why? Because of the realization that voters strongly supported AI-restrictive measures on the ballot (46 out of 47) and candidates — for Congress and Governor seats — in favour of curtailing data centers buildout. By the week-end, however, sentiment had turned around again, helped in part by a much stronger than expected jobs report: payrolls increased by 165,000 in October against a 70,000 consensus, while the previous two months were revised higher and unemployment edged down to 4.1%. Average hourly earnings rose 0.4% m/m, their strongest monthly pace since November 2025. Manufacturing activity also strengthened, with the ISM rising to 55.5, and the non-manufacturing index easing to a still buoyant 54.5.

To watch next week: October CPI (Tuesday); October PPI (Friday).

JAPAN

Wage growth accelerates. Scheduled contractual earnings increased 3.7% y/y in September and total wage growth accelerated to 4.6%, helped by strong bonus payments. Real wage growth remained positive at 2.2% y/y.

EMERGING ECONOMIES

Portfolio outflows. According to IIF data, non-resident portfolio investment flows recorded USD33.8bn of outflows in October, the largest monthly outflow since March and up from USD19.3bn in September. Equities accounted for USD31.7bn, led by USD28.3bn from emerging Asia, as doubts over AI-investment returns and profit-taking hit North Asian markets particularly hard. Taiwan and South Korea suffered a further sharp market correction in the first week of November.

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ASIA

PMI: expanding except for the Philippines. The ASEAN PMI rose to 53.1 in October from 52.1, pointing to faster expansion. India remained robust despite a slight decline (54.7). In Taiwan and South Korea, the manufacturing PMIs declined but remained expansionary, at 54.9 and 51.3, respectively. Indonesia's real GDP growth accelerated to 5.5% y/y in Q3 2026 from 5.3% in Q2 marking its fastest pace since 2013.

China

The PBOC steps in as equity correction deepens. The central bank increased its use of liquidity tools designed to support equity purchases, including the special relending facility for share buybacks and stake increases and a third round of the Securities, Funds and Insurance Companies Swap Facility, for which 31 institutions applied for more than RMB100bn. The measures follow heavy stock-market losses between June and October. The PBOC also raised the reserve-requirement ratio on foreign-currency deposits to 6% from 4%, effective 15 November, in an effort to slow the renminbi's appreciation.

Weak domestic inflation pressure: In October, CPI inflation slowed to 0.7% y/y from 0.9% in September. Fuel prices increased by 20.2% y/y, food prices fell -2.9% and core inflation slowed to 0.8% y/y from 1.0%. Producer price inflation continued to rise (reaching 5.7% *vs.* 5.0% in September), principally driven by higher energy and electronics prices.

To watch next week: External-trade data (Tuesday).

EMEA

Central Europe

PMIs expansionary except in Romania. Poland's PMI hit the 50-mark for the first time since April 2025 thanks to export orders. PMI was also higher in Czech Rep. (55), supported by new orders, output and employment. Hungary's PMI fell marginally to 53.1.

Poland and Czech Republic central banks hold and hike respectively, as expected.

Gulf

PMIs resilient except Qatar (deteriorating further to 46.3).

Saudi Arabia: Massive budget deficit in sight. Saudi Arabia recorded a budget deficit of USD22.5bn in Q3, narrowing by 5% y/y. But over the first nine months of 2026, budget deficit reached USD65.1bn, up from USD48bn in 2025, despite a rather good revenue performance (+2.8% total; +7.8% for non-oil revenues; -1.3% for oil revenues). The 8% rise in spending in Q1-Q3 partly due to the war will make it difficult to meet the 2026 revised target (deficit of 4.9% of GDP).

LATIN AMERICA

PMIs remain weak across the region, with only Colombia in expansion.

Brazil's central bank pauses rate cuts, whereas Mexico's central bank cuts rates whilst signalling an upcoming pause. On 4 November, Brazil's central bank held its Selic rate at 13.75%, interrupting a series of five consecutive cuts, amid rising inflation (4.6% y/y in September, up from 4.2%), a sharp post-election real depreciation on fiscal concerns, and higher energy prices. The central bank also revised up its 2027 inflation forecast to 4.7% (from 3.9%) and removed forward guidance hinting at further cuts. Mexico's central bank unexpectedly cut its policy rate by 25bp to 6.25% on 5 November. This decision came despite above-target inflation (3.5% against a 3% target), a peso depreciation of more than 9% against USD since September, and relatively strong Q3 GDP growth (3.2% y/y). The central bank signaled that rates would now remain on hold for an extended period.

COMMODITIES

Geopolitical relief delivers a dramatic energy-price reversal. Markets have priced in the reduced risk of short-term conflict escalation through a sharp decline in prices. Beyond this, however, they lack direction, wavering between positive signals (the resumption of indirect negotiations between the belligerents) and less favorable ones (increased vessel damage in the strait). Brent dropped 7.6% over the week to USD96.8/bbl as markets priced a reduced risk of near-term conflict escalation. European gas prices fell almost in lockstep, declining 7.7% to EUR87.6/MWh. US commercial crude inventories continued to decline, although more modestly than over the preceding four weeks. Diesel crack spread's reaction to US elections has been much more limited than for crude. EU gas storage ended the refilling season at 75% of capacity (*vs.* 80% goal).

y/y = year-on-year
m/m = month-on-month
bp = basis point
pp = percentage point
mb = million barrels
MBtu = Million British Thermal Units