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WEEKLY INVESTOR RESEARCH

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# Post midterms position clearing at mid-cycle is a buying opportunity

By Gustavo Medeiros and Ben Underhill

- The Democrats took both the House and Senate in the US midterms
- Fears of anti-data-centre regulation led to further downside in US techs – bottom may be close
- The US macro backdrop still points to a mid-cycle economy
- The midterms may prove a geopolitical turning point
- Taiwan's Finance Minister reportedly instructed state-owned banks to support the equity market
- Argentina's peso rate jumped to the highest since the October 2025 midterms
- President Lula convened his economic team and committed to fiscal discipline
- Banxico cut its policy rate by 25bps to 6.25%, in a 3-2 vote
- No outright winner emerged in 126 of South Africa's 213 councils in local elections


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## Last Week Performance and Comments

| EM Debt | Yield | Change (bp) | Spread | 5 day Change |
|---|---|---|---|---|
| GBI-EM GD | 6.42% | -14 | – | 1.0% |
| GBI-EM FX Spot | – | – | – | 0.2% |
| ELMI+ | 5.82% | -24 | – | 0.1% |
| EMBI GD | 7.04% | -7 | 253 bps | 0.4% |
| EMBI GD IG | 6.16% | -6 | 163 bps | 0.5% |
| EMBI GD HY | 8.07% | -8 | 358 bps | 0.3% |
| CEMBI BD | 6.86% | -5 | 241 bps | 0.3% |
| CEMBI BD IG | 6.09% | -7 | 162 bps | 0.4% |
| CEMBI BD HY | 8.39% | 0 | 398 bps | 0.0% |

| EM Equity* | PE 1yr BF | 5 day Change |
|---|---|---|
| MSCI EM | 8.1 | -4.1% |
| MSCI EM ex-China | 7.7 | -6.4% |
| MSCI EMEA | 10.0 | 3.8% |
| MSCI Latam | 9.1 | 0.2% |
| MSCI EM Asia | 8.1 | -5.0% |
| MSCI China | 9.8 | 5.4% |
| MSCI India | 19.7 | 8.8% |
| MSCI EM Small Cap | 12.1 | -3.6% |
| MSCI Frontier | 10.4 | 0.2% |

**Comments**

- EM local currency bonds rose 1.0% led by EM rates
- EM USD sovereign and corporate debt rose 0.4% and 0.3% driven by UST yield declines
- EM equities down 4.1% driven by Korea and Taiwan, while China and India rose 5.4% and 8.8%

| Global Debt | Yield | Change (bp) | Spread | 5 day Change |
|---|---|---|---|---|
| 2yr UST | 4.52% | -8 | – | 0.2% |
| 5yr UST | 4.64% | -7 | – | 0.3% |
| 10yr UST | 4.86% | -6 | – | 0.4% |
| 30yr UST | 5.25% | -3 | – | 0.5% |
| 10yr Germany | 3.25% | -4 | – | 0.9% |
| 10yr Japan | 2.66% | -11 | – | 0.9% |
| Global Agg.*** | 4.18% | -7 | 35 bps | 0.4% |
| US Agg. IG*** | 5.75% | -4 | 85 bps | 0.4% |
| EU Agg. IG*** | 4.16% | -6 | 82 bps | 0.7% |
| US Corp HY*** | 8.21% | -10 | 336 bps | 0.4% |
| EU Corp HY*** | 7.52% | -8 | 381 bps | 0.5% |

| Global Backdrop* | PE 1yr BF | 5 day Change |
|---|---|---|
| MSCI ACWI | 15.1 | -2.7% |
| MSCI World (DM) | 16.8 | -2.5% |
| S&P 500 | 17.8 | -2.7% |
| VIX Fut.** | 22.3 | 1.9% |
| DXY Index** | 101.9 | 0.1% |
| EUR* | 1.119 | 0.0% |
| JPY* | 158.0 | -0.1% |
| CRY Index** | 390.1 | -5.1% |
| Brent** | 96.5 | -7.9% |
| Gold** | 4,099 | 3.9% |
| Bitcoin** | 74,212 | -7.4% |

**Comments**

- The UST curve declined again despite very strong non-farm payrolls data on Friday
- The S&P 500 declined 2.7% driven by technology stocks as systematic investors were forced sellers after the midterm election narrative change
- Oil declined 7.9% and gold rose 3.9% as the midterm result led to hopes of a resolution of the Iran stand-off. Bitcoin sold off in line with negative risk sentiment on tech.

Source & Notations: See end of document.

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# Global Macro

The Democrats took both the House and the Senate in last week's US midterms, broadly as expected, but the scale of the victory surprised. Historic Senate flips in Republican strongholds Texas and Kansas reflected voters' frustration with US President Donald Trump's policies, which have pushed up goods and energy prices since he took office. Core inflation has eased, but food and energy are the prices voters feel most. After the result, Vice President JD Vance and Trump both pointed to the unpopularity of the Iran war as the main reason for the scale of the defeat.

The vote was also billed as a referendum on AI. Democrats have increasingly campaigned against data centres in recent months, tapping into the unpopularity of the buildout among voters. This matters most in Texas, one of the fastest-growing US data centre markets (Virginia has more capacity, but land and power there are increasingly scarce). Democrat James Talarico won the Senate seat, and Gina Hinojosa unseated Governor Greg Abbott to become the state's first Democratic governor since 1995, after campaigning on a moratorium on new data centres until the Legislature passes laws to protect Texans.

Regulation is likely to reshape the AI buildout rather than derail it. Tighter rules would make it harder for highly leveraged builders (the neoclouds and more speculative developers) and favour hyperscalers funding capex from free cash flow, which should mean steadier capex growth rather than boom and bust. Rules that make data centres work for local communities rather than drain their power and water are also no bad thing. Texas has in effect had a pause in place for months: in August, Abbott told the Electric Reliability Council of Texas (ERCOT) and utility regulators to halt approvals for large new data centres pending an audit of their energy and water use, and in September extended the pause to all state permits.

Meanwhile, AI fundamentals remain very strong, both in hardware demand and in monetisation by frontier model developers and hyperscalers. Anthropic is the clearest example. Its annualised revenue run rate reportedly topped USD 80bn at the end of October, up from USD 65bn at the end of July and around USD 9bn at the end of 2025. Q3 revenue rose about 50% qoq to USD 16.8bn, and the company told investors it was free cash flow positive in the quarter with an 11% adjusted operating margin. Its initial public offering (IPO), with the roadshow reportedly starting this week, will be a key test of sentiment, with valuation talk already down from around USD 2trn in the summer to USD 1.2-1.5trn.

US equities and global tech sold off for three straight sessions after the results as investors repriced regulatory risk, with systematic and hedge fund selling peaking on Thursday. UBS estimates that three systematic strategies alone sold USD 170-210bn that day. Tech valuations now indicate the market is fully pricing an imminent and steep earnings growth downturn that may not materialise, leaving significant asymmetry over the medium term for investors confident in the longevity of AI capex growth against the reality of being only in the early stages of adoption. Importantly, with hedge fund net leverage already at the 18th percentile of the past year, the UBS quant team sees only one more day of strong sell-off (today) before the systematic flows are clean.

Goldman Sachs' risk appetite indicator has dropped to close to -1 standard deviation from +1.8 in early June, a level that has historically marked a buying opportunity outside extreme events such as the Global Financial Crisis (GFC) or COVID. A backtest looking at similar downturns on the Goldman Sachs risk appetite index over the last 30 years shows solid median 12-month forward returns: MSCI EM (+14.7%); S&P 500 (+12.4%); emerging markets (EM) local bonds (+11.7%); EM sovereign USD (+10.2%). The latter had smaller total returns but fewer drawdowns post event (only two). Risk sentiment deteriorated further only in six events: (i) 2000 dot-com; (ii) 2004 bond market sell-off; (iii) 2007 pre-GFC; (iv) 2011 EU debt crisis; (v) 2018 quantitative tightening (QT); and (vi) 2021 Metaverse.

The macro backdrop also still points to a mid-cycle economy. On the labour market, non-farm payrolls rose 165k in October with positive revisions, lifting the three-month average to 137k as the JOLTS was firm, with the quits rate rising. Purchasing managers' indices (PMIs) remain solid, and the Citi Economic Surprise Index shows US data beating expectations. Finally, trailing earnings growth of 32% underlines how strong the profit backdrop remains. All that despite the ongoing shock from higher energy prices.

A slowdown in data centre construction would also be good news for credit, including EM. Heavy hyperscaler issuance brought US investment grade (IG) issuance to c. USD 1.9trn year to date against c. USD 1.3trn in 2025. This pushed spreads on top-rated tech issuers wider. Last week's new AA-rated 30-year Meta bond priced at 205bps over Treasuries, wide of BB-rated South Africa's 2044s at 201bps and in line with Brazil, Colombia and the Dominican Republic (all BB-rated), with Romania the only investment-grade sovereign in that range. Slower supply would ease that pressure. Importantly, aside from a marginal increase in the cost of funding and signs of distress on the weaker links, credit remains well supported. The

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## Global Macro (continued)

spread between single B-rated and BB-rated bonds in both the US and EM has held up well, a sign that market participants are not expecting a meaningful slowdown in global economic activity.

The midterms may also prove a geopolitical turning point, in our view, having put a number on the political cost of the Iran war. Republican anger is mounting, and Defence Secretary Pete Hegseth looks likely to go, with Axios reporting a growing number of Republicans willing to back his impeachment. Removing Trump himself would require 67 Senate votes, but if Democrats end up with around 56 seats, the 11 Republican defections needed are not out of reach, particularly if oil prices spike towards USD 150.

This helps explain why Trump appears keen to end the war. Vance is pushing for a ceasefire mediated by Qatar, and Trump said further strikes are "highly unlikely" to be necessary. But Secretary of State Marco Rubio said there is no imminent breakthrough and called Tehran's demands "outrageous and ridiculous". Iran has little reason to give major concessions, and with two months left before the new Congress sits, the status quo looks unsustainable. But the odds of a resolution have certainly seemed to increase. Elsewhere, US, Russian and Ukrainian officials meet in Abu Dhabi this week for working-level talks, where an energy or maritime ceasefire or a prisoner exchange would be a marginal positive.

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# EM Asia

## Economic data

Indonesia GDP outperformed, led by manufacturing

| Country | Event | Period | Actual | Survey | Prior/Revised | Comments |
|---|---|---|---|---|---|---|
| Indonesia | Trade Balance (USD) | Sep | 3,357m | 1,793m | 3,552m | |
| | Exports (YoY) | Sep | 11.9% | 6.5% | 6.7% | |
| | CPI (YoY) | Oct | 3.2% | 3.3% | 3.3% | |
| | GDP (YoY) | 3Q | 5.5% | 5.2% | 5.3% | Manufacturing led, realised FDI up 27% yoy. |
| | Foreign Reserves (USD) | Oct | 146.8bn | – | 146.3bn | |
| Malaysia | BNM Overnight Policy Rate | 5-Nov | 2.75% | 2.75% | 2.75% | |
| | Foreign Reserves (USD) | 30-Oct | 132.6bn | – | 132.1bn | |
| South Korea | CPI (MoM) | Oct | 0.2% | 0.3% | 0.3% | |
| | CPI (YoY) | Oct | 2.8% | 2.8% | 2.9% | |
| | Foreign Reserves (USD) | Oct | 443.16bn | – | 440.56bn | |
| | BoP Current Account Balance (USD) | Sep | 61,457.5m | – | 46,113.0m | |
| Taiwan | CPI (YoY) | Oct | 2.3% | 2.6% | 2.7% | |
| Thailand | CPI (YoY) | Oct | 3.9% | 3.3% | 2.8% | Fuel up 29% yoy drove the near four-year high. |
| | CPI NSA (MoM) | Oct | 0.9% | 0.5% | 0.2% | |
| | CPI Core (YoY) | Oct | 1.6% | 1.6% | 1.5% | |
| | Gross International Reserves (USD) | 30-Oct | 272.8bn | – | 274.4bn | |
| Vietnam | CPI (YoY) | Oct | 5.1% | 5.3% | 5.1% | |

Source information is at the end of the document.

## Commentary

**China:** October CPI inflation eased to 0.7% yoy from 0.9% in September, slightly below the 0.8% consensus, with prices flat mom. Food prices fell 1.0% mom on cheaper vegetables and eggs, while tourism and outbound travel prices rose 2.1%, reversing September's 5.3% fall as the extended Golden Week holiday lifted demand. Core inflation slowed to 0.8% yoy from 1.0%. Producer price index (PPI) inflation moved the other way, accelerating to 5.7% yoy from 5.0%, above the 5.3% consensus and the highest since 2022, driven by energy (+35.0%) and chemicals (+16.4%). Price pressure remains concentrated upstream and driven by external factors, and soft domestic demand should limit pass-through to consumer prices.

**Indonesia:** Q3 GDP growth accelerated to 5.47% yoy from 5.29% in Q2, beating the 5.2% consensus, led by manufacturing, which grew 5.87% after 4.52%. Exports picked up to 4.59% while private consumption held steady at around 5.0%. Government spending growth slowed sharply to 8.95% from 15.97%, and fixed investment eased to 6.06% from 6.87%.

**Philippines:** Q3 GDP grew just 0.1% qoq, well below the 0.8% consensus and the lowest forecast of 0.3%. Annual growth slowed to 2.1% yoy, a full percentage point below the 3.1% consensus.

**South Korea:** MSCI Chief Executive Officer (CEO) Henry Fernandez said Korea's market reforms must be seen working in practice before a developed market upgrade, though he acknowledged progress, including the 24-hour FX trading introduced in July. Regulators are also considering broader English-language disclosure, incentives for higher dividends and naming companies with very low price-to-book ratios. Separately, Korean battery makers continued to gain share in North

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# EM Asia (continued)

America's energy storage market, helped by tighter restrictions on Chinese competitors. LG Energy Solution and Samsung SDI lifted their combined share to 20.9% in January-September from 13.4% a year earlier, according to SNE Research.

**Taiwan:** The Taiex fell as much as 9% on Friday, entering a bear market amid continued foreign selling. The Financial Supervisory Commission responded by capping intraday short-sale orders for borrowed securities at 3% of a stock's 30-day average daily volume, down from 30%, and raising the minimum short-selling margin to 130% from 90%. The Finance Ministry said the National Financial Stabilization Fund would deploy funds as needed, and Reuters reported that state-owned banks had been told to support the market. Chip stocks rebounded on Monday, with MediaTek up nearly 10%, Hon Hai around 8% and TSMC around 6%, despite reports that Nvidia CEO Jensen Huang had a close relationship with a businesswoman suspected of passing information to Beijing, which Nvidia denies.

**Thailand:** S&P affirmed Thailand at 'BBB+' with a stable outlook, citing a sound external balance sheet, moderate net government debt and a record of conventional policy, against moderate per capita income, high household debt and a history of political instability. It forecasts GDP growth of 2.3% this year and 2.4% in 2027, with CPI inflation of 1.8% and 1.4%. S&P expects net government debt to rise to 47.2% of GDP by 2029 from 40.1% in 2025, and said a longer record of political stability could support an upgrade.

**Vietnam:** Finance Minister Ngo Van Tuan told the National Assembly that Vietnam needs USD 30-40bn of disbursed foreign direct investment (FDI) a year to meet its growth target of 10% or higher, with total investment needing to rise to around 2.2 times its 2021-2025 level. He warned that the Philippines, Malaysia and India are offering incentives to the same sectors, including electronics and semiconductors. Draft amendments to the Law on Investment would tie special incentives to measurable outcomes in priority sectors such as high technology and digital transformation.

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# Latin America

## Economic data

Banxico cuts unexpectedly as Brazil's fiscal plans stay vague

| Country | Event | Period | Actual | Survey | Prior/Revised | Comments |
|---|---|---|---|---|---|---|
| Argentina | Government Tax Revenue (ARS) | Oct | 21,608.2bn | – | 21,358.9bn | |
| | Vehicle Domestic Sales Adefa | Oct | 39,333 | – | 43,214 | |
| Brazil | FGV CPI IPC-S | 31-Oct | 0.3% | – | 0.5% | |
| | Selic Rate | 4-Nov | 13.75% | 13.75% | 13.75% | Pause after five cuts as inflation expectations rose, with the 2027 IPCA forecast raised to 4.7%. |
| | Industrial Production (MoM) | Sep | -0.8% | -0.4% | -0.7% | |
| | Industrial Production (YoY) | Sep | -2.5% | -2.0% | -1.2% | |
| | Trade Balance Monthly (USD) | Oct | 9,318m | 9,150m | 7,270m | |
| Chile | Economic Activity (MoM) | Sep | 1.9% | 1.9% | -0.6% | |
| | Economic Activity (YoY) | Sep | 0.2% | -0.1% | -1.0% | |
| | CPI YoY Chained | Oct | 4.5% | 4.6% | 4.1% | |
| | CPI (MoM) | Oct | 0.5% | 0.6% | 0.4% | |
| Mexico | Remittances Total (USD) | Sep | 5,362.2m | 5,375.0m | 5,452.3m | |
| | International Reserves Weekly (USD) | 30-Oct | 257,166m | – | 257,016m | |
| | Gross Fixed Investment NSA (YoY) | Aug | 5.7% | 6.5% | 6.8% | |
| | Overnight Rate | 5-Nov | 6.25% | 6.50% | 6.50% | 3-2 surprise cut, rate seen on hold for long period. |

Source information is at the end of the document.

## Commentary

**Argentina:** The one-day peso repo rate jumped to 190% annualised from 26% a day earlier, the highest since the October 2025 midterms. The spike followed a surge in demand for local bonds on Wednesday, when the 2029 and 2030 notes rallied more than 4% on volume above ARS 3trn, around three times normal, fuelling speculation that the government was intervening ahead of key Treasury auctions. The rally reversed on Thursday, with USD bonds down about two points and the main equity index falling 4.6%.

**Brazil:** President Lula da Silva convened his economic team to discuss fiscal policy after the market reaction to his re-election led the central bank to pause its easing cycle. Finance Minister Dario Durigan said proposals will follow Lula's return from the United Nations Climate Change Conference (COP31) and possibly the ASEAN summit, pushing the timing to late November. Measures floated in local media include targeting the midpoint of the fiscal target, cutting tax incentives and lowering the real spending growth cap to 1.5% from 2.5%. In his first national address since the election on Sunday, Lula pledged fiscal responsibility within the existing fiscal rules and said he was concerned about the debt trajectory, but announced no specific measures and ruled out cuts to social programmes.

**Chile:** Cochilco cut its copper output forecast for 2026 to 4.94m tonnes, an 8.4% yoy contraction, against a 2.6% decline projected in August. It also lowered its 2027 forecast to 5.08m tonnes, implying a recovery of only c. 3.0%. Lower ore grades, maintenance and stoppages after fatal mine accidents weighed on output this year, and the large investment pipeline will take time to offset falling productivity. High copper prices should still support exports and fiscal revenues.

**Colombia:** Minutes of the October meeting showed a 4-3 vote to hold rates, with the minority favouring a 25bps hike. The majority cited easing core inflation and slowing domestic demand and wanted to assess the effect of El Niño on food and regulated prices, while hike advocates stressed the credibility of the 3% inflation target for 2028. The next move is data-dependent, with a hold the base case but a non-trivial risk of a hike, and very high real rates remain a drag on growth.

# Latin America (continued)

Separately, the Finance Ministry said its Economic Rescue Bill would stabilise net debt at around 64% of GDP through 2030, against 82.1% without it, though it admitted the adjustment would barely be enough. Lawmakers across parties have rejected new taxes, and negotiations, due to conclude by 16 December, look contentious.

**Mexico:** Banco de México (Banxico) cut its policy rate by 25bps to 6.25% in a 3-2 vote, against consensus for a hold, describing the move as a "one-off adjustment" and signalling a hold at the new level for a "prolonged period". The majority argued that economic slack should limit FX pass-through, allowing it to look through a weaker peso, headline inflation of 3.62% and modest upward revisions to its Q4 forecasts. The board ranked further peso depreciation as the second-largest upside risk to inflation, though the peso barely sold off. Separately, Economy Minister Marcelo Ebrard played down the impact of the US midterms on US-Mexico-Canada Agreement (USMCA) talks, noting that tariffs on Mexican exports are set by the US executive without congressional approval.

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# Central and Eastern Europe

## Economic data

S&P puts Poland on negative outlook

| Country | Event | Period | Actual | Survey | Prior/Revised | Comments |
|---|---|---|---|---|---|---|
| Czechia | CPI (MoM) | Oct P | 0.4% | 0.5% | 0.0% | |
| | CPI (YoY) | Oct P | 2.4% | 2.5% | 2.5% | |
| | Repurchase Rate | 5-Nov | 4.00% | 4.00% | 3.75% | 4-3 vote on wage and credit risks, 2027 CPI at 3.2%. |
| | Industrial Output NSA (YoY) | Sep | 3.0% | 2.0% | 2.7% | |
| Hungary | Industrial Production WDA (YoY) | Sep | 8.2% | 6.0% | 8.8% | |
| | Retail Sales (YoY) | Sep | 4.3% | 3.5% | 2.4% | |
| Poland | Poland Base Rate Announcement | 4-Nov | 3.75% | 3.75% | 3.75% | Eighth hold, Glapinski open to a January hike. |
| Romania | PPI (YoY) | Sep | 13.8% | – | 11.8% | |
| | Retail Sales (YoY) | Sep | -2.6% | – | -0.2% | |
| Russia | Gold and Forex Reserve (USD) | 30-Oct | 721.6bn | – | 729.6bn | |
| | CPI (WoW) | 2-Nov | – | – | 0.08% | |
| | CPI Weekly YTD | 2-Nov | – | – | 6.24% | |

Source information is at the end of the document.

## Commentary

**Hungary:** Minutes of the October meeting showed the Monetary Council voted unanimously to hold the base rate at 5.50%, with the draft 2027 budget not yet factored in. Members said domestic risk premia and the inflation outlook were favourable and that exchange rate moves remained disinflationary, but flagged high global energy and food prices and rising long-end yields in developed markets (DM) as key risks given Hungary's energy dependence. The Monetary Council stressed the need for FX market stability, signalling a cautious, data-driven approach in the coming months.

**Poland:** S&P revised its outlook on Poland to negative from stable while affirming the 'A-' rating it has held since 2018, warning that elevated deficits and rising debt could constrain policy flexibility in future shocks and expose Poland to shifts in investor sentiment. The move follows Moody's downgrade in September, its first in a decade, which cited a sustained deterioration in fiscal strength.

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# Central Asia, Middle East & Africa

## Economic data

ANC loses ground in South African local elections

| Country | Event | Period | Actual | Survey | Prior/Revised | Comments |
|---|---|---|---|---|---|---|
| Egypt | Net Reserves (USD) | Oct | 57.5bn | – | 57.3bn | |
| Qatar | CPI (YoY) | Aug | 4.1% | – | 4.0% | |
| | CPI (YoY) | Sep | – | – | 4.1% | |
| | GDP Constant Prices (YoY) | 1Q | – | – | 2.0% | |
| Türkiye | CPI (YoY) | Oct | 29.8% | 29.5% | 29.7% | |
| | CPI (MoM) | Oct | 2.6% | 2.4% | 1.8% | Clothing up 12.6% mom and food 3.5% drove the beat. |
| | CPI Core Index (YoY) | Oct | 28.3% | 28.5% | 28.7% | |
| | PPI (MoM) | Oct | 1.7% | – | 2.1% | |
| | PPI (YoY) | Oct | 27.4% | – | 27.4% | |

Source information is at the end of the document.

## Commentary

**Egypt:** The government signed a USD 1bn World Bank financing agreement under the second phase of its Development Policy Financing programme, supporting state-owned enterprise reform, private investment and domestic revenue mobilisation. Prime Minister Mostafa Madbouly announced precautionary measures against the regional crisis, including cutting government fuel and energy use and building strategic reserves, which the supply minister said cover around six months of major commodities. Separately, Saudi developer Adeer is considering USD 250-300m of investment in three to five hotel projects.

**Kenya:** Central bank governor Kamau Thugge urged the Treasury to cut its fiscal deficit and domestic borrowing, saying monetary easing alone cannot deliver lower lending rates while government borrowing crowds out the private sector. The FY2026/27 domestic borrowing target stands at around KES 987bn, after last year's was raised to KES 995bn through a supplementary budget. The comments come ahead of this month's first supplementary budget, with the Q1 deficit at KES 329bn against a KES 175bn target.

**South Africa:** With 99% of votes counted in the local government elections, the African National Congress (ANC) won the popular vote with only 30.9%, down 14.7pp from 2021. The Democratic Alliance (DA) came second with 24.6%, up about 3pp, but finished first in five of the eight metros, including Johannesburg, Tshwane and Cape Town, where it kept its majority. Former President Jacob Zuma's uMkhonto weSizwe Party (MKP) won eThekwini, while the ANC came first in Mangaung and Buffalo City but lost its majority in both. No party won outright in 126 of 213 councils, and ActionSA has emerged as a potential kingmaker as coalition talks begin. The ANC's urban losses weaken its negotiating hand, while the DA has options in most metros.

**Zambia:** Moody's upgraded Zambia to 'Caa1' from 'Caa2', keeping a positive outlook, citing an improving debt trajectory, fiscal discipline and easing liquidity risks. Government debt fell to 88% of GDP in 2025 from 130% in 2023, while the June Eurobond buyback and October staff-level agreement on a new IMF programme should cut gross financing needs to 10.6% of GDP in 2027-28 from 16.5% this year. Moody's expects debt to fall to around 70% of GDP by 2028, though El Niño and currency risks remain.

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# Developed Markets

## Economic data

Japanese wage growth hits highest since 1997

| Country | Event | Period | Actual | Survey | Prior/Revised | Comments |
|---|---|---|---|---|---|---|
| Eurozone | CPI Estimate (YoY) | Oct P | 4.0% | 4.0% | 3.8% | |
| | CPI (YoY) | Oct P | 4.0% | 4.0% | 3.8% | |
| | CPI (MoM) | Oct P | 0.4% | 0.4% | 0.6% | |
| | CPI Core (YoY) | Oct P | 2.5% | 2.5% | 2.5% | |
| Japan | Monetary Base (YoY) | Oct | -13.6% | – | -15.2% | |
| UK | Bank of England Bank Rate | 5-Nov | 4.00% | 4.00% | 3.75% | 8-1 vote, Mann backed 50bp, CPI seen near 5% in 2027. |
| United States | ISM Manufacturing | Oct | 55.5 | 54.5 | 54.5 | |
| | ISM Prices Paid | Oct | 75.2 | 77.2 | 77.9 | |
| | Construction Spending (MoM) | Sep | -1.9% | 0.3% | 2.0% | |
| | JOLTS Job Openings | Sep | 7,523k | 7,164k | 7,190k | |
| | Factory Orders | Sep | 1.8% | 1.2% | 0.3% | |
| | Durable Goods Orders | Sep F | 1.9% | 1.8% | 1.8% | |
| | Durables Ex Transportation | Sep F | 0.5% | 0.5% | 0.5% | |
| | MBA Mortgage Applications | 30-Oct | -1.2% | – | 3.4% | |
| | ADP Employment Change | Oct | 86k | 67k | 86k | |
| | Trade Balance (USD) | Sep | -105.0bn | -107.9bn | -105.7bn | |
| | ISM Services Index | Oct | 54.5 | 54.8 | 54.9 | |
| | Initial Jobless Claims | 31-Oct | 189k | 196k | 195k | |
| | Continuing Claims | 24-Oct | 1,718k | 1,710k | 1,695k | |
| | Change in Nonfarm Payrolls | Oct | 165k | 70k | 60k | Beat all 79 forecasts, with 84k of upward revisions, lifting December hike odds to 74%. |
| | Change in Manufact. Payrolls | Oct | 19k | 7k | 13k | |
| | Unemployment Rate | Oct | 4.1% | 4.2% | 4.2% | |
| | U. of Mich. Sentiment | Nov P | 51.0 | 48.0 | 48.0 | |

Source information is at the end of the document.

## Commentary

**Eurozone:** Pablo Hernández de Cos, a candidate for European Central Bank (ECB) president, said second-round effects from higher energy costs have yet to appear, but that hopes of a quick end to the Iran war and lower energy prices have not materialised, so the ECB must remain vigilant on inflation.

**Japan:** Nominal cash earnings rose 4.6% yoy in September, the fastest since January 1997, beating the 3.8% consensus after 3.9% in August, while real wages rose 2.2% yoy. The data support market expectations of a Bank of Japan (BoJ) hike in December and add to the risk of yen strength for carry-funded positions.

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# Benchmark Performance

| Emerging Markets | Month to date | Quarter to date | Year to date | 1 year | 3 years | 5 years |
|---|---|---|---|---|---|---|
| MSCI EM | -4.1% | -11.8% | 8.8% | 10.0% | 18.3% | 6.0% |
| MSCI EM ex-China | -6.4% | -14.2% | 17.5% | 21.8% | 21.8% | 9.7% |
| MSCI EMEA | 3.8% | -0.6% | 4.7% | 8.6% | 15.7% | 1.2% |
| MSCI Latam | 0.2% | -7.4% | 6.2% | 12.1% | 11.6% | 11.9% |
| MSCI Asia | -5.0% | -12.8% | 9.7% | 9.9% | 19.3% | 6.2% |
| MSCI China | 5.4% | -2.0% | -13.6% | -18.1% | 8.9% | -2.7% |
| MSCI India | 8.8% | 10.2% | -6.3% | -5.5% | 6.5% | 3.2% |
| MSCI EM Growth | -4.2% | -14.0% | 3.4% | 3.2% | 17.2% | 3.5% |
| MSCI EM Value | -4.0% | -9.6% | 14.6% | 17.4% | 19.3% | 8.7% |
| MSCI EM Small Cap | -3.6% | -11.8% | -0.2% | 0.0% | 10.3% | 4.7% |
| MSCI Frontier | 0.2% | -0.8% | 9.0% | 15.9% | 23.2% | 7.0% |
| GBI-EM-GD | 1.0% | 0.3% | 0.9% | 3.7% | 7.3% | 2.8% |
| GBI-EM China | -0.1% | 1.1% | 8.3% | 9.9% | 7.3% | 3.1% |
| EM FX spot | 0.2% | -1.0% | -2.6% | -0.9% | -0.2% | -1.6% |
| ELMI+ (1-3m NDF) | 0.1% | -0.5% | 2.8% | 4.8% | 5.8% | 2.7% |
| EMBI GD | 0.4% | 1.7% | 1.0% | 2.5% | 10.0% | 2.1% |
| EMBI GD IG | 0.5% | 2.6% | -0.9% | -0.6% | 5.9% | -1.1% |
| EMBI GD HY | 0.3% | 0.9% | 2.9% | 5.6% | 14.1% | 5.5% |
| CEMBI BD | 0.3% | 0.8% | 1.1% | 1.9% | 7.7% | 2.5% |
| CEMBI BD IG | 0.4% | 1.6% | 0.2% | 0.8% | 6.4% | 1.0% |
| CEMBI BD HY | 0.0% | -0.3% | 2.5% | 3.6% | 9.6% | 4.5% |

| Global Backdrop | Month to date | Quarter to date | Year to date | 1 year | 3 years | 5 years |
|---|---|---|---|---|---|---|
| MSCI ACWI | -2.7% | -4.3% | 8.2% | 10.9% | 19.4% | 9.1% |
| MSCI World (DM) | -2.5% | -3.3% | 8.1% | 11.0% | 19.5% | 9.5% |
| S&P 500 | -2.7% | -3.5% | 8.8% | 11.1% | 20.6% | 11.0% |
| DXY Index** | 0.0% | 0.4% | 3.6% | 2.2% | -1.3% | 1.6% |
| EUR* | 0.3% | -1.4% | -6.0% | -4.7% | -0.1% | -2.4% |
| JPY* | -0.3% | -0.6% | -3.3% | -5.3% | -5.4% | -10.1% |
| CRY Index** | -5.1% | -4.9% | 30.5% | 29.6% | 12.6% | 10.5% |
| Brent** | -19.6% | -8.6% | 55.4% | 48.6% | 5.7% | 2.2% |
| Gold** | 6.5% | -0.8% | -4.5% | 0.2% | 28.2% | 17.6% |
| Bitcoin** | -3.6% | -10.7% | -14.8% | -29.0% | 26.9% | 2.0% |
| 1-3yr UST | 0.2% | 1.1% | 1.6% | 2.3% | 4.2% | 2.1% |
| 3-5yr UST | 0.3% | 2.0% | 0.0% | 0.6% | 4.2% | 0.8% |
| 7-10yr UST | 0.4% | 3.5% | -1.3% | -1.0% | 4.2% | -1.4% |
| 10yr+ UST | 0.5% | 5.7% | -2.4% | -3.5% | 3.2% | -6.8% |
| 10yr+ Germany | 0.9% | 5.0% | -0.2% | -3.2% | 0.0% | -8.7% |
| 10yr+ Japan | 0.9% | 4.5% | -6.2% | -10.3% | -7.6% | -7.6% |
| Global Agg.*** | 0.4% | 1.8% | -1.0% | -0.4% | 4.1% | -1.6% |
| US Agg. IG*** | 0.4% | 2.8% | -0.1% | 0.3% | 4.9% | -0.2% |
| EU Agg. IG*** | 0.7% | 1.7% | -0.9% | -1.3% | 2.8% | -2.0% |
| US Corp HY*** | 0.4% | 0.7% | 0.8% | 2.2% | 7.8% | 3.7% |
| EU Corp HY*** | 0.5% | -0.6% | -0.3% | 0.5% | 6.2% | 2.8% |

**Source and notations for all tables in this document:** Source: Bloomberg, JP Morgan, Barclays, Merrill Lynch, Chicago Board Options Exchange, Thomson Reuters, MSCI. As at latest data available on publication date. *EMBI GD and EMBI GD HY Yield/Spread ex-default yields and spreads calculated by Ashmore. Defaulted EMBI securities includes: Ethiopia, Ghana, Lebanon, Sri Lanka, and Venezuela. **Price only. Does not include carry. ***Global Indices from Bloomberg. Price to Earnings: 12 months blended-forward. **Index Definitions:** VIX Index: Chicago Board Options Exchange SPX Volatility Index. DXY Index: The Dollar Index. CRY Index: Thomson Reuters/CoreCommodity CRM Commodity Index. Figures for more than one year are annualised other than in the case of currencies, commodities and the VIX, DXY and CRY which are shown as percentage change.

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8 October 2026

By Gustavo Medeiros and Ben Underhill



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