Macro Monthly

Economics
Global

Robust growth supports further tightening

- Despite big moves in equity markets and election results…
- …economic activity data remain resilient…
- …and energy prices have dropped back, with inflation pressures still yet to broaden out

AI worries led to a tech sell-off despite hardware demand

Global uncertainty remains elevated, driven by geopolitics, elevated energy prices, a sell-off in tech shares, and a busy election calendar. While tech-related indices have fallen back, **the hard data on AI investment remain encouraging**. Manufacturing production is still robust, with PMIs for electronic equipment and industrial production in both Korea and Taiwan continuing to expand strongly.

In the US, AI-related investment rose by around 30% y-o-y in Q3 (source: Macrobond), suggesting **the build-out phase still has momentum for now**, even if there are questions about the return on investment that the hyperscalers will get and the pace of this build out in the coming quarters.

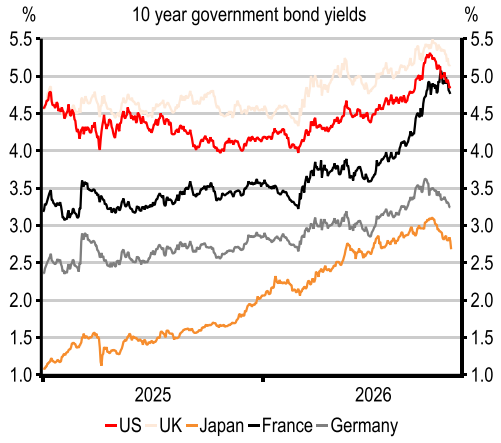
Sovereign bond yields have moved lower

Lower bond yields

Meanwhile, **government bond yields have edged lower** as markets reprice hiking cycles, especially with the Federal Reserve (Fed) 'skipping' a rate hike at its October meeting. However, we remain more dovish than markets on a number of key central banks – the Fed, Bank of England, Bank of Japan, European Central Bank.

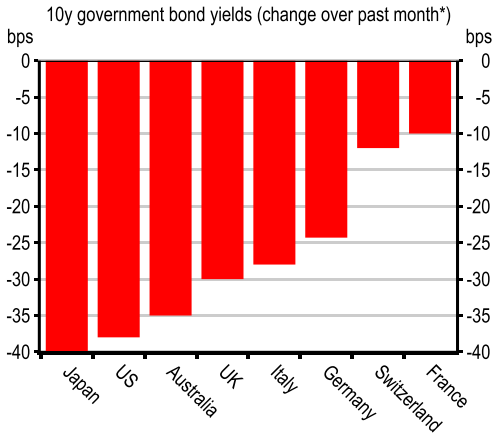
We still expect all of those central banks to deliver further tightening in the coming months – but given that we continue to see limited signs of inflation broadening out beyond the energy shock, **we see lower rates at the end of 2027 than markets are still pricing in**. The turn lower in the oil price is playing a role, too.

1. Concerns in the tech sector have played a role in lower sovereign yields…



Source: Macrobond Latest data 9 November

2. …though France remains a standout



Source: Macrobond Latest data 9 November

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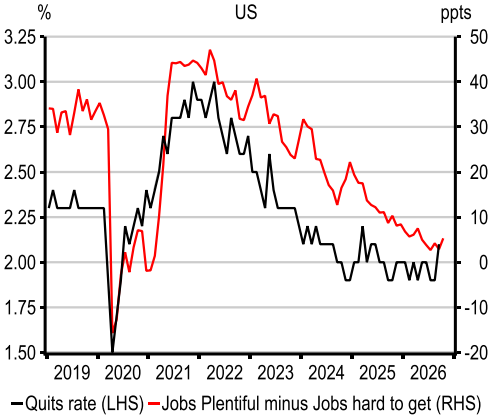
Robust data supports December Fed rate hike

Weaker fiscal impulse

In the US midterms, the Democratic Party won both the House and the Senate. **This could mean a smaller fiscal impulse in 2027**. In addition, while less talked about in the aftermath, Democrat victories at the state level – especially in Texas – could prove more impactful than at the Federal level as far as data centre regulation is concerned.

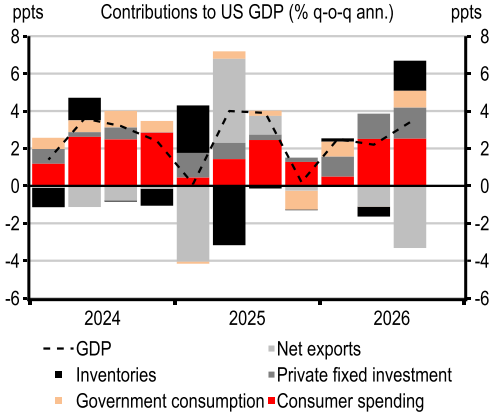
For now, though, AI capex helped US Q3 GDP surprise on the upside, while the labour market added a punchy 165k jobs in October, pushing the unemployment rate down to 4.1% – **adding to the likelihood of a December Fed hike**.

3. Confidence in the US labour market has seen a tentative pick-up



Source: TCB, BLS Latest data: September 2026 (JOLTS)

4. …and consumption volumes remain resilient



Source: BEA

Election uncertainty

In Brazil, President Lula da Silva was elected for a fourth term, defeating Flávio Bolsonaro. Markets reacted sharply to the unexpected result, with the BRL weakening and yields rising, as promises of higher spending could further **undermine an already fragile fiscal position**.

In Israel, exit polls suggest that neither the Likud-led bloc under Netanyahu, nor the Jewish opposition bloc has secured a majority, pointing to another round of coalition talks. In France, Marine Le Pen has widened her lead in the polls (Ifop, 29 October) as Mélenchon closes in on a run-off spot, while in Spain the governing coalition could fall short of a majority.

Broader prices pressures remain limited

Resilient data

However, despite the ongoing geopolitical news flow and high and volatile energy prices, economic data continue to come in stronger than we might have expected – with higher-frequency surveys such as the PMIs more than holding up and there still **being little evidence of inflation broadening out**. Whether this trend holds into year end will be the key factor driving policy setting into 2027.

Key recent releases

Date	Market	Release	Period	Actual	Consensus expectation	Prior	Actual vs. Consensus
14 Oct	Mainland China	CPI (% y-o-y)	Sep	0.9	1.0	0.8	↓
14 Oct	US	CPI (% y-o-y)	Sep	3.7	3.6	3.4	↑
15 Oct	UK	Monthly GDP (% 3M-3M)	Aug	0.7	0.5	0.5	↑
19 Oct	Mainland China	GDP (% y-o-y)	Q3	4.5	4.4	4.3	↑
19 Oct	Mainland China	Retail sales (% y-o-y)	Sep	1.1	0.5	0.4	↑
5 Nov	UK	Bank of England bank rate (%)	-	4.00	4.00	3.75	→
6 Nov	US	Unemployment rate (%)	Oct	4.1	4.2	4.2	↓
6 Nov	US	Nonfarm payrolls, monthly change (000s)	Oct	165	70	29	↑

Source: Bloomberg, HSBC
↑ Positive surprise – actual is higher than consensus, ↓ Negative surprise – actual is lower than consensus, → Actual is in line with consensus

Key upcoming events

Date	Market	Release	Period
12 Nov	UK	GDP	Q3
13 Nov	Eurozone	GDP	Q3
16 Nov	Mainland China	Retail sales	Oct
17 Nov	US	Retail sales	Oct
18 Nov	UK	CPI	Oct
20 Nov	Mainland China	People's Bank of China	-
20 Nov	UK	Retail sales	Oct
23 Nov	Eurozone	PMIs	Nov
1 Dec	Eurozone	HICP	Nov
4 Dec	US	Nonfarm payrolls	Nov

Source: LSEG Eikon, HSBC

Disclosure appendix

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