Weekly Market Brief

AIB Treasury Economic Research Unit

9th – 13th November 2026

The Times They Are A-Changin'

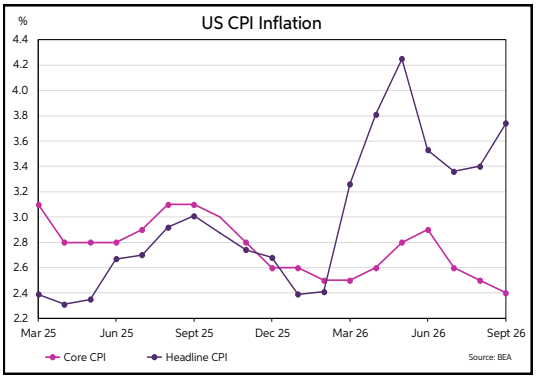
- **The US midterms have precipitated a sharp correction in US equity markets, driven by fears of a policy lurch towards increased regulation of AI and related infrastructure.** Most notably, several state-level ballot measures and candidates seeking to curtail data centre construction were successful. This has triggered a re-assessment of the AI trade, with firms most exposed to the build-out seeing the sharpest hit to valuations.

- **Given the lofty valuations of AI-driven stocks, a price correction was a distinct possibility in recent months.** Indeed, the tech-heavy NASDAQ essentially hit a peak in May of this year, and has tread water since then, struggling to sustain the exceptional upward momentum of the previous 12-18 months. The index and others are now close to correction territory, with the NASDAQ Composite down 4.4% in the week to Thursday, and nearly 10% lower since the beginning of the quarter. While the AI trade has seemed impervious to fundamentals over the past few years, the rising cost of capital is also a factor in the current slump. US swap rates have risen sharply since the war in the Middle East began, while long-run yields have surged on both inflationary and fiscal sustainability concerns.

- **Ultimately, predictions that a blue wave (which followed the red wave of 2024), will fundamentally change the prospects for the US economy are probably overblown.** History suggests that a divided government in the US has been a boon to markets as both sides maintain the checks and balances of the US political system. However, the likely policy direction will be drift and deadlock in Congress, as has been the case over the past decade. Investors can also expect some brinksmanship around budgetary decisions, debt ceilings and government shutdowns, as have become commonplace in recent years.

- **As referenced above, almost completely absent from the political debate in the US midterms was the sustainability of the US fiscal deficit and debt pile, which are now among the highest in the G7.** This has come into sharper focus with the rise in US treasury yields to 20-to-25-year highs in recent months. At a federal level the deficit was nearly 6% of GDP last year and is set to surpass 7% in the coming years. Adding in the state-level budgetary shortfalls, expands the national deficit to over 8% of GDP, with debt set to surpass 100% of GDP next year, according to IMF forecasts. A deficit in the low-to-mid single digit range is manageable, particularly in an economy which is experiencing rapid nominal GDP growth at present. However, the US economy would need to maintain this exceptional momentum just to stand still in terms of debt sustainability in the coming years. **Both Republican and Democratic administrations have failed to grasp the nettle on deficit reduction,** relying on the reserve currency status of the dollar and the heretofore insatiable appetite for US treasuries. The recent tantrums in the bond market suggest this cannot be taken for granted.

- **Turning to the week ahead, the main release of note will be US CPI data for October.** Following the surge in energy prices, headline inflation jumped, peaking at 4.2% in May, up from just 2.4% in January/February. It printed at 3.4-3.5% in the three months to August before re-accelerating to 3.7% in September. Meanwhile, the core rate also increased, albeit at a slower pace. It rose to 2.9% in May, but eased to 2.4% in August, before climbing to 2.6% in September. **However, the Bureau for Labour Statistics has stated that it will not be publishing inflation figures for October, as there wasn't any data collected for October last year, due to the protracted government shutdown.** As a result, the focus will be on the monthly price rises. The headline and core metrics are forecast to increase by 0.3% and 0.2%, respectively.



- **In the UK, the preliminary reading of GDP for Q3 is due.** Overall, the UK economy was more resilient than anticipated in the first half of the year. GDP rose by 0.6% q/q in Q1 and by 0.5% q/q in Q2, the fastest pace of consecutive quarterly growth since the rebound in the first half of 2024, following a technical recession at the end of 2023. Furthermore, the available monthly readings of GDP indicate growth of 0.4% m/m and 0.1% m/m in July and August. A modest 0.1% decrease is pencilled in for September, which would result in a 0.7% quarterly growth figure. Elsewhere in the UK, industrial production is expected to contract by 0.3% in September, following a 0.8% increase in August.

- **In the Eurozone, the second reading of GDP is set to confirm the economy expanded by 0.4% in the third quarter.** Meanwhile, the preliminary reading of employment growth is projected to increase by 0.1% for a third consecutive quarter in Q3. This would mean the number of people in employment would have risen by around 10 million (6%), so far this decade. In terms of more timely data, the EU Sentix index is forecast to deteriorate marginally to 2.6 in November from 2.7.

Interest Rate Forecasts

	Current	End Q4 2026	End Q1 2027	End Q2 2027
Fed Funds	3.875	4.125	4.125	4.125
ECB Deposit	2.50	2.75	2.75	2.75
BoE Repo	4.00	4.00	4.25	4.25
BoJ OCR	1.25	1.25	1.50	1.50

Current Rates Reuters, Forecasts AIB's ERU

Exchange Rate Forecasts (Mid-Point of Range)

	Current	End Q4 2026	End Q1 2027	End Q2 2027
EUR/USD	1.1157	1.14	1.16	1.17
EUR/GBP	0.8341	0.86	0.87	0.87
EUR/JPY	176.57	178	180	180
GBP/USD	1.3372	1.33	1.33	1.34
USD/JPY	158.25	156	155	154

Current Rates Reuters, Forecasts AIB's ERU

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ECONOMIC DIARY

Monday 9th - Friday 13th November

Date	*UK & Irish Time (GMT+1)*	*Release*	*Previous*	*Forecast*
This Week:	**ECB Speakers:**	Cipollone (Mon); Cipollone, Lane (Tue); **Lagarde,** Lane, Cipollone (Wed); **Lagarde,** Cipollone (Wed); **Lagarde,** Vujcic (Thu); Schnabel (Fri)		
	BoE Speakers:	**Bailey** (Mon); Lombardelli, Pill (Tue)		
	Fed Speakers:	Bowman, Goolsbee, Barkin (Mon); Waller, Schmid, Bowman, Paulson (Tue); Hammack, Barr, Goolsbee, Daly, Williams (Thu); Bowman, Daly (Fri)		
		European Political Community Meeting (Thu)		
		Informal Meeting of EU Heads of State Government (Fri)		
Mon 9th	**GER:** 07:00	Trade Balance (September)	+€19.5bn	€19.4bn
		- Exports	-0.8%	
	EU-21: 09:30	EU Sentix (November)	2.7	2.6
Tue 10th	***IRE:*** ***01:01***	***AIB Irish Construction PMI (October)***	***50.4***	
	JPN: 05:00	Economy Watchers Poll (October)	47.0	
	US: 13:30	CPI Inflation (October)	+0.6% (+3.7%)	+0.3%
		- Core-CPI	+0.3% (+2.6%)	+0.2%
Wed 11th	***US:***	***Veterans Day (Partial Market Holiday)***		
	GER: 07:00	Final HICP Inflation (October)	-0.1% (+2.8%)	-0.2% (+2.8%)
	ITA: 09:00	Industrial Output (September)	-1.3% (+0.0%)	+0.7% (-1.0%)
Thu 12th	**UK:** 07:00	GDP (Q3: Preliminary Reading)	+0.5% (+1.4%)	+0.7% (+1.9%)
		- September	+0.1% (+2.1%)	-0.1% (+1.9%)
	UK: 07:00	Industrial Output (September)	+0.8% (+1.6%)	-0.3% (+3.0%)
		- Manufacturing Output	+1.2% (+3.0%)	-0.5% (+3.8%)
	IRE: ***11:00***	***CPI Inflation (October)***	***+0.2% (+4.1%)***	***+0.6% (+4.2%)***
		- HICP Inflation	***Flash: +0.5% (+4.0%)***	***+0.5% (+4.0%)***
	US: 13:30	Initial Jobless Claims (w/e 2nd November)	+189,000	+195,000
	US: 15:00	Existing Home Sales (October)	+3.99m / +1.5%	+3.86m / -3.3%
Fri 13th	**FRA:** 07:45	Final HICP Inflation (October)	+0.4% (+3.8%)	+0.4% (+3.8%)
	SPA: 08:00	Final HICP Inflation (October)	+0.5% (+4.9%)	+0.5% (+4.9%)
	EU-21: 10:00	Employment (Q3: Preliminary Reading)	+0.1% (+0.5%)	+0.1% (+0.4%)
	EU-21: 10:00	GDP (Q3: Second Reading)	+0.4% (+1.3%)	+0.4% (+1.3%)
	US: 13:30	PPI Final Demand (October)	+1.3% (+6.3%)	+0.4% (+6.6%)
		- Ex-Food & Energy	+0.7% (+5.0%)	+0.3% (+5.0%)

♦ *Month-on-month changes (year-on-year shown in brackets)*

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