November 2026

Monthly Market Outlook

US Midterm Blue Wave Impact

Summary

- **The global composite PMI dropped 1.1pts in Oct-26, from 54.3 to 53.2. Manufacturing eased slightly** on softer core demand indicators, while services declined more sharply, from 54.5 to 53.2. In Asia, the manufacturing cycle remains resilient but uneven: growth in North Asia's AI-driven economies is slowing, and ASEAN momentum is mixed.
- **APAC market review – Asia Pacific equities fell sharply in Oct-26, with the MSCI Asia Pacific Index declining 6%, as investors turned more cautious** following the rise in global bond yields since Sep-26. The higher-rate environment also renewed concerns over the sustainability of the technology rally, as rising AI investment weighed on free cash flow among some US hyperscalers. Technology-heavy markets such as Korea, Taiwan and Japan bore the brunt of the sell-off, while Indonesia also ranked among the worst performers amid concerns over a potential downgrade by global index provider MSCI.
- **Local equity review – Oct-26 was a month of relative resilience for Malaysian equities.** The FBMKLCI's -0.70% total return was the best in the region against a backdrop of broad EM weakness, driven by Malaysia's oil-exporter advantage, a supportive Budget 2027, and a stable MYR. The key risk to watch is whether BNM moves on rates if energy-driven inflation persists, and whether the late-month EM risk-off — centered on Middle East escalation — extends into Nov-26.
- **Bond market review – Malaysian government bonds rallied in Oct-26.** The 10Y MGS yield fell about 20bps, from 4.10% at end-September to about 3.90% at end-October. That reversed most of September's sell-off. Corporate bonds did not rally with them, so credit spreads widened sharply. Meanwhile, global yields fell MoM as flight-to-quality demand returned to US Treasuries amid the sell-off in AI-related bonds and steep equity losses, notably in Korea.
- **Macro – Democrats have won both chambers of Congress in the US midterms. For markets, this means policy gridlock rather than a shift in the macro regime.** The main risk is tighter state-level scrutiny of data centres, particularly in Texas, which could unsettle AI-linked stocks and Asian tech supply chains in the near term, although the broader AI capex cycle should remain intact. Energy prices, Fed policy and AI investment will matter more for 2027 than the election. With the Fed possibly joining other developed-market central banks in tightening, and with geopolitical risks persisting in the Persian Gulf, investors should expect greater volatility ahead.

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- **Local equity outlook – In the near term, equity markets may remain volatile following the US mid-term elections,** as the Democrats' control of Congress has raised concerns over greater scrutiny of artificial intelligence and data centre development, key drivers of market returns in recent years. Over the medium term, Malaysia could benefit from a potential shift in data centre investment beyond the US, with Google and SoftBank recently announcing significant investments in Malaysia. Against this backdrop, market volatility, together with historically favourable fourth-quarter seasonality, could present attractive investment opportunities.
- **APAC equity outlook – Equity markets may remain volatile following the US mid-term elections. This is particularly relevant for Asia's technology supply chains,** which have been important contributors to the region's recent outperformance. Over the longer term, however, we remain constructive on the structural growth of artificial intelligence, with potential constraints in the US creating opportunities for investment to diversify into other markets, including Asia Pacific.
- **Fixed Income outlook – For Nov-26, we expect local yields to be downward bias with narrowing credit spread expected** as the net supply of govvies is favourable largely due to a RM23bn maturity vs gross supply of RM15bn. Besides, the near-term backdrop is cautiously constructive as higher yields have acted as traditional income generators, creating opportunities for investors willing to remain selective on credit quality and disciplined on duration. However, the medium-term bias is for yields to drift higher as a 1Q27 OPR hike becomes increasingly priced in.

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