Ahead of — the U.S. midterms

BONHÔTE

UNIQUE, JUST LIKE YOU

N°864

2 November 2026

The week was dominated by central bank decisions and a resurgence of volatility in the stock markets, as investors simultaneously reassessed both the inflation outlook and the profitability of investments in artificial intelligence.

Status quo at the Fed

In the United States, the Fed kept its target federal funds rate in a range of 3.75% to 4.00%. The Committee highlighted the strength of economic activity, the resilience of domestic spending, and the robustness of investment, but believes that inflation remains too high to ease monetary policy. U.S. GDP grew by 3.4% in the third quarter, compared with 2.2% in the second quarter and the expected 3.2%. Orders for durable goods also rose by 1.8% in September, while the Conference Board's consumer confidence index reached 91.7 in October, well above expectations of 81. Weekly jobless claims remained low at 194,000. These indicators point to an economy that remains solid. The main concern remains inflation. The PCE index rose 3.6% year-over-year in September, compared with 3.4% in August. Its core component stood at 3.1%. On a month-over-month basis, prices rose 0.5%, or 0.3% excluding food and energy. These persistent inflationary pressures, combined with stronger-than-expected growth, are reducing the Fed's room to maneuver and increasing the risk that interest rates will remain high for an extended period.

Lagarde steps down from the ECB

In the eurozone, the ECB also left its rates unchanged, keeping the deposit rate at 2.50%. The decision comes amid rising energy prices, which are heightening inflationary risks while weighing on the growth outlook. Inflation in the eurozone reached 3.8% in September, up from 3.2% in August, while core inflation stood at 2.3%. Christine Lagarde indicated that the Governing Council had discussed a rate hike but ultimately decided to wait for further data. This has strengthened the prospect of a rate hike in December. Eurozone GDP grew by 0.4% in the third quarter, down from 0.6% in the previous quarter. At the same time, the announcement of Christine Lagarde's early departure on February 7, 2027, introduced new institutional uncertainty.

In the equity markets, the week ended with a sharp correction in technology stocks. In the United States, earnings reports from Alphabet, Intel, and Amazon reignited questions about the scale of spending on AI and its future profitability. The Nasdaq fell 5.3% in October, while the Russell 2000 gained 1.3%: the rotation toward small-cap stocks and those less exposed to AI is continuing.

This week, all eyes will be on the United States, where the midterm elections for the U.S. Congress will take place. As a reminder, the House of Representatives will be completely renewed, while one-third of the Senate is up for (re)election. Finally, Apple and AMD will report their earnings.

Swiss Market Index (SMI)

The 14,655-point mark has been breached, but that doesn't mean the uptrend is over—even though the SMI could pull back to test its previous resistance level before resuming its upward move.



Key data

	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI Emerging Markets
Latest	0.83	0.92	14810.66	6131.31	25818.21	7969.42	10729.78	7580.07	25437.00	63081.86	869.65
% 5 days	-0.50	-0.38	2.41	1.12	2.53	2.40	0.37	-0.56	-1.99	0.95	-0.72
% YTD	3.74	-1.04	15.07	8.71	5.42	0.73	10.93	11.75	9.96	27.68	13.45

(values from the Friday preceding publication)

This document is provided for your information only. It has been compiled from information collected from sources believed to be reliable and up to date, with no warranty as to its accuracy or completeness. By their very nature, markets and financial products are subject to the risk of substantial losses which may be incompatible with your risk tolerance. Any past performance that may be reflected in this document is not a reliable indicator of future results. Nothing contained in this document should be construed as professional or investment advice. This document is not an offer to you to sell or a solicitation of an offer to buy any securities or any other financial product of any nature, and the Bank assumes no liability whatsoever in respect of this document. The Bank reserves the right, where necessary, to depart from the opinions expressed in this document, particularly in connection with the management of its clients' mandates and the management of certain collective investments. The Bank is a Swiss bank subject to regulation and supervision by the Swiss Financial Market Supervisory Authority (FINMA). It is not authorised or supervised by any foreign regulator. Consequently, the publication of this document outside Switzerland, and the sale of certain products to investors resident or domiciled outside Switzerland may be subject to restrictions or prohibitions under foreign law. It is your responsibility to seek information regarding your status in this respect and to comply with all applicable laws and regulations. We strongly advise you to seek independent legal and financial advice from qualified professional advisers before taking any decision based on the contents of this publication.