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US elections and US payrolls – what to watch for



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US mid-terms: AI and corporate taxes in focus

As the results of the November 3 US mid-term election emerge on Thursday morning in Asia, we will focus on two key issues:

1) The extent of voter support for candidates and local ballot initiatives that would restrict data center development. The US AI infrastructure boom is crucial for the outlook for Asian export and earnings growth over the next several years.

Although much of the recent financial market anxiety about US AI capex spending has focused on profitability and financing costs, we think political constraints on development are increasingly important. A recent Politico opinion poll conducted by PF Global found that over 50% of respondents oppose data center development within three miles of their homes. An ABC News/Ipsos Poll in October found that 66% of respondents oppose building new data centers in the US and 72% oppose having one in their local community.

Against this background, we highlight below several key races to follow.

Ohio: Sherrod Brown, the Democratic challenger to Senator Jon Husted, has made data center regulation and restriction a core part of his campaign. Ohio also has 21 proposals to regulate data centers up for local votes across over a dozen jurisdictions. In the race of governor, Democratic candidate Amy Acton proposes greater control over data centers and AI than Republican Vivek Ramaswamy.

Michigan: In Michigan's 7th district, Will Lawrence, the progressive Democrat challenger to Republican Congressman Tom Barrett, has called for restrictions on data center development, a pause on AI development, mandatory AI safety requirements, and a national jobs program for AI-related job losses. At the same time, while the outcome of the Senate race between Democrat Abdul El-Sayed and Republican Mike Rodgers will be clouded by issues of religion and positions relating to Israel and Palestine, El-Sayed has taken a tougher line against data centers.

Texas: For the Senate, Democratic challenger James Talarico argues for data centers to cover their utilities costs and has attacked incumbent Republican Senator Ken Paxton for his ties to the data center industry. For governor, Democrat challenger Gina Hinojosa is pushing for binding legislation that gives local governments direct approval/veto power over data center placement before state permits are issued. This would be a more restrictive stance than what incumbent Greg Abbott has advocated.

Georgia: For the Senate, incumbent Jon Ossoff has taken an aggressive stance on requiring data centers to pay for utilities costs whereas Republican challenger Mike Collins has taken a more pro-AI stance.

Arizona: The 1st Congressional district election is being fought in large part over Republican Jay Feely's Trump-aligned pro-data center stance vs. Democrat Amish

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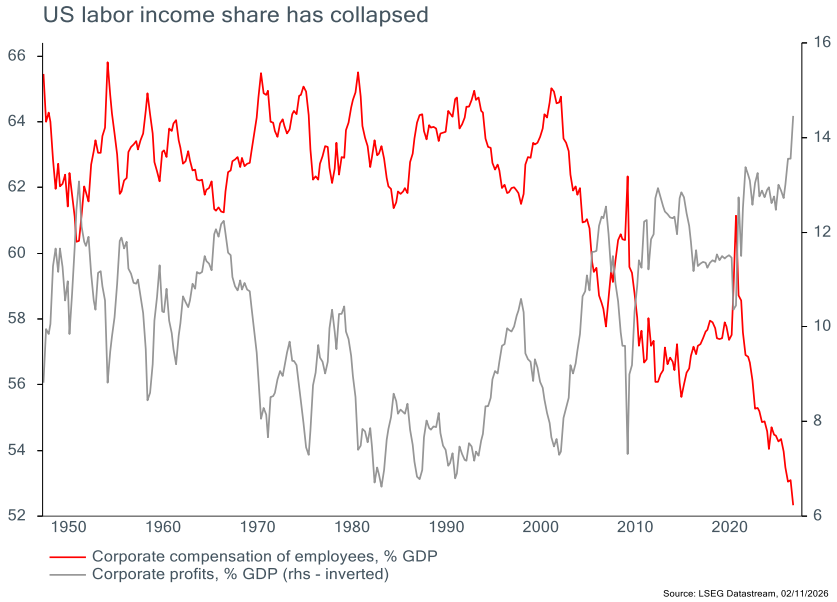
Shah who proposes pausing new facility approvals.

New Mexico: In the race for governor, Democratic Deb Haaland has pledged to impose a statewide moratorium on new large-scale data center projects. In contrast, Republican Gregg Hull opposes a statewide moratorium.

More generally, a broad Democratic-leaning Congress would likely prevent the Republican preference for federal pre-emption laws that prevent local or state-level moratoriums on data center development.

2) The success of Progressive candidates and Progressive local initiatives that succeed, not just the number of Democratic Party victories. A wave of Progressive victories could increase the risk of tax increases on both the very wealthy and corporations after the 2028 Presidential elections. The success or failure of California's Proposition 40, otherwise known as the billionaire tax, will be important to watch in this regard.

We view the success of Progressive candidates as important for the US equity outlook because of the collapse in US labour income as a share of GDP since 2000 and the corresponding rise in corporate profit as a share of GDP to new highs. Empirical research has attributed this to a mix of China's entry into the World Trade Organisation, increased automation of the US workforce, M&A leading to dramatically increased corporate concentration in the US, and the decline in labour union membership to historic lows.

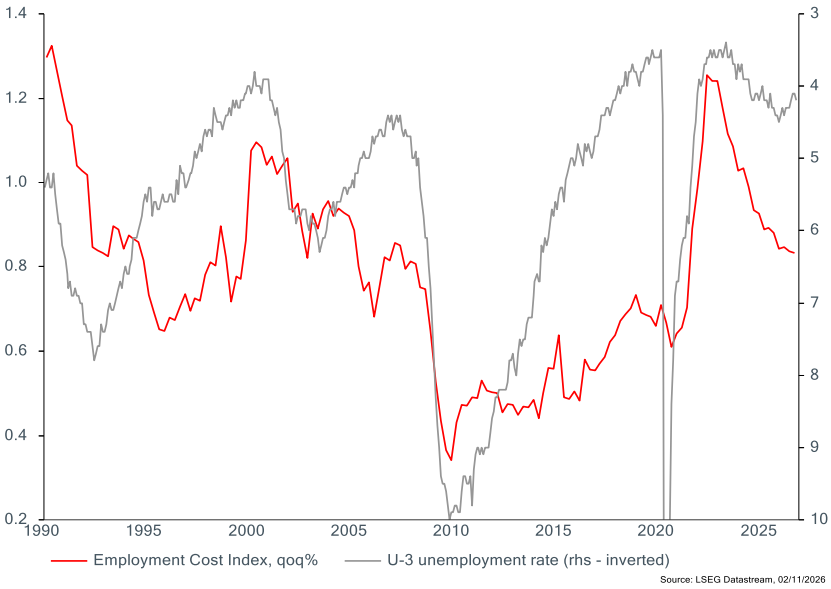


Investors also need to understand that the mid-term results are unlikely to change either the tariff or geopolitical landscape. Congressional restrictions or reversal on US President Trump's ability to impose tariffs or on his ability to deploy US military forces would require Congress to pass new laws. However, realistically, for any new bills that would restrict presidential authority to become law, they would need the support of 2/3 of both houses of Congress to override a presidential veto. While not impossible, no credible polls and no probability markets suggest that the Democrats will win a 2/3 majority in the Senate.

US payrolls: Focus on wage growth more than job growth

Following on from our earlier discussion of the collapse in the US wage share in GDP, we would be focusing more on wage growth rather than job growth in Friday's release of US labour market data. We have noted in past issues that the collapse in immigration into the US this year greatly restricts the potential for job growth by constraining growth in the labour force. This reality shifts the signal value for the Fed of the monthly labour market report from job gains to the main indicators of labour market tightness i.e. the unemployment rate and, most important, wage growth.

As the chart below shows, the US Q3 Employment Cost Index released last Friday indicated that labour compensation growth, including wages and benefits, slowed further in the third quarter. Crucially, this came despite the unemployment and underemployment rates falling to levels historically considered to be characteristic of full employment. Slowing employment cost inflation reduces inflation risk and with it, the pressure for the Federal Reserve (Fed) to increase the Fed Funds rate.



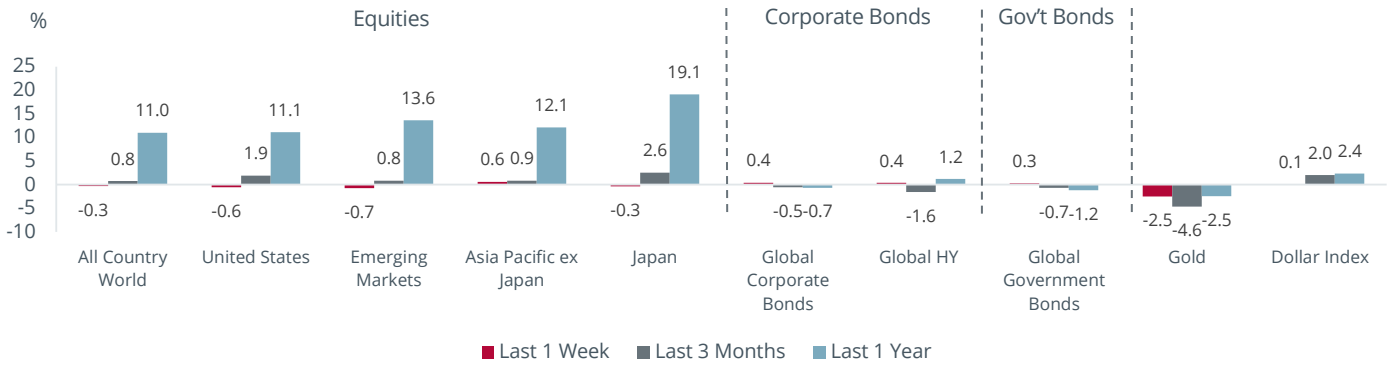
Although we expect the Fed to raise the Fed Funds rate by 25bps in December, the further 25bps rate hike the market is currently pricing in will likely depend heavily on whether wage growth remains non-inflationary. Our analysis suggests that growth in average hourly earnings needs to rise in the coming months from the recent 0.2%mom average rate to at least 0.3%mom and more likely, a 0.4%mom rate to support the current market pricing for Fed hikes.

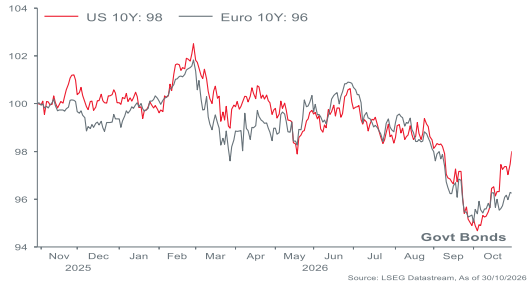
Market Review

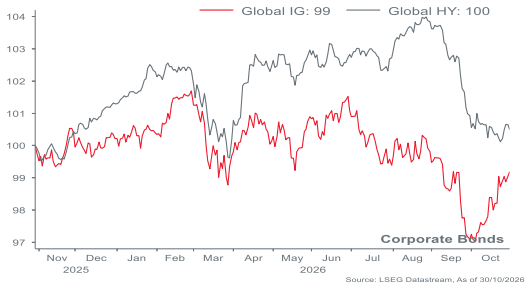
Global equities were broadly weaker over the week, with the MSCI AC World Index declining 0.3%. US equities were also lower, with the S&P 500 and Nasdaq falling 0.6% and 2.0% respectively. Emerging Markets lost 0.7%, while Asia Pacific ex Japan increased 0.6%. Japan was down 0.3% for the week.

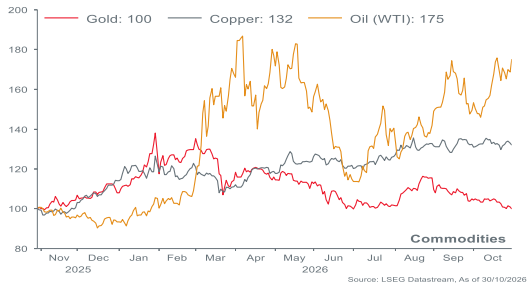
Gold fell 2.5%, while the US dollar index strengthened by 0.1%. Bond markets were positive with Global Corporate Bonds and Global High Yield bonds gaining 0.4% each, and Global Government Bonds rising 0.3%.

Asset Performance

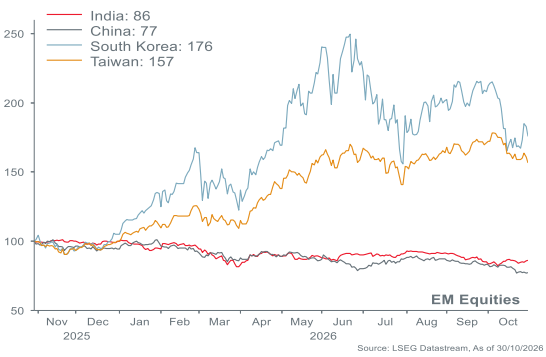


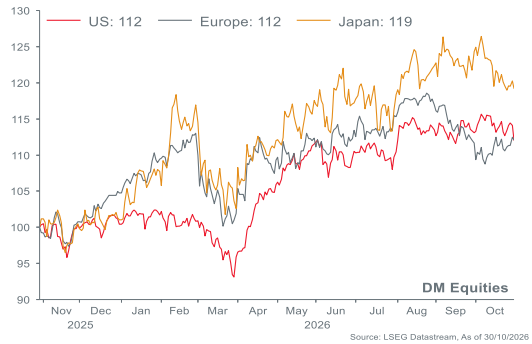












Market Data

Government Bonds	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
US Treasury Yield (%)								
10 Year	4.93	-1.18	-6.88	5.70	20.43	18.69	5.31	3.96
10 Year Bond Yield (%)								
Japan	2.78	-0.82	-9.37	-0.93	68.65	34.11	3.11	1.65
China	1.63	0.99	-3.09	-8.37	-7.43	-12.41	1.89	1.59
Australia	5.13	-0.85	-3.73	2.68	19.17	7.86	5.41	4.31
Singapore	2.24	-3.22	-9.24	-7.78	12.02	0.84	2.62	1.91
Malaysia	3.90	0.23	-3.41	4.71	11.09	11.47	4.19	3.43
Indonesia	7.64	2.65	7.56	4.17	26.14	24.91	7.71	6.06

	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
Bond Indices								
Bloomberg Global Aggregate USD	91.92	0.35	1.43	-0.98	-3.57	-2.88	95.69	90.53
Bloomberg U.S. Aggregate USD	90.90	0.50	2.18	-1.01	-3.55	-3.37	95.21	88.78

Equity Indices	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
World								
MSCI AC World Index (USD)	1,115.55	-0.31	-1.69	0.77	10.98	9.95	1,160.81	960.87
North America								
US S&P 500 Index	7,580.07	-0.57	-0.93	1.92	11.11	10.73	7,844.52	6,316.91
US Nasdaq Composite Index	25,437.00	-2.00	-5.30	1.25	7.87	9.44	27,722.75	20,690.25
Europe								
MSCI Europe	2,752.08	1.31	0.29	-3.29	8.77	4.14	2,917.43	2,461.79
Asia Pacific								
MSCI Asia Pacific ex Japan	818.59	0.60	-6.91	0.86	12.10	13.35	925.80	684.96
Japan Nikkei 225	63,290.11	0.95	-5.19	2.30	23.31	25.73	72,831.75	48,235.30
Shanghai Stock Exchange Composite	3,599.02	-2.48	-6.33	-5.41	-9.73	-9.32	4,258.86	3,574.27
Hong Kong Hang Seng	23,294.42	0.87	-5.36	-9.92	-11.37	-9.11	28,056.10	22,518.00
Taiwan TAIEX	45,211.83	-1.80	-5.69	13.22	59.83	56.10	49,968.92	26,395.98
Korea KOSPI	5,730.74	3.25	-16.19	2.45	40.22	35.99	9,385.59	3,833.35
India NIFTY 50	23,053.10	2.00	1.91	-5.20	-10.92	-11.77	26,373.20	22,179.90
Australia Stock Exchange 200	8,908.10	1.28	1.35	-0.67	0.25	2.22	9,296.70	8,262.40
Indonesia Jakarta Composite	5,057.05	-7.03	-16.70	-18.26	-38.21	-41.52	9,174.47	4,907.37
Thailand SET	1,518.59	-2.82	-2.59	-4.98	15.51	20.55	1,657.55	1,232.40
Malaysia FTSE Bursa KLSE	1,615.60	0.25	-2.15	-6.09	0.09	-3.84	1,771.25	1,592.57
Philippines Stock Exchange PSE	5,680.35	-0.84	0.02	-9.92	-4.21	-6.16	6,673.61	5,564.47
Singapore FTSE Straits Times Index	5,376.74	-0.84	-5.27	-5.23	21.17	15.72	5,828.50	4,372.64

Currencies (vs USD)	Latest	1 week Change	1 Month Ago	3 Months ago	1 Year Ago	YTD	52 week high	52 week low
Developed Markets								
EUR	-0.18	-0.39	-1.50	-3.20	-3.52	-5.00	1.20	1.11
GBP	0.12	0.14	0.95	-0.54	1.83	-0.61	1.38	1.30
CHF	0.10	0.01	-1.28	2.48	2.91	4.13	0.84	0.76
JPY	-0.10	0.43	0.09	-1.24	2.21	0.56	163.85	152.19
Asia								
CNY	-0.11	-0.25	-0.76	-1.50	-6.41	-4.85	7.13	6.65
HKD	-0.02	0.04	-0.02	0.02	0.97	0.80	7.85	7.77
INR	-0.35	-0.09	-1.17	-0.86	7.05	5.57	96.82	88.44
MYR	-0.07	-0.71	-0.49	-0.52	-3.36	-0.05	4.20	3.88
KRW	-0.43	0.74	-1.71	-6.30	-6.70	-7.43	1,559.08	1,323.60
SGD	-0.16	-0.02	0.01	-0.24	-1.75	-0.61	1.31	1.26
TWD	0.04	0.10	2.32	0.67	6.25	4.06	32.62	30.69
IDR	-0.03	0.44	1.40	0.25	8.93	8.70	18,175.00	16,615.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as of 30 October 2026. Equities: using MSCI indices in USD, United States is using the S&P 500. Corporate Bonds: using ICE BofA indices in USD. Government Bonds: using the FTSE Global Sovereign Bond index, in USD. Gold is London Bullion Market US Dollar per Metric Tonne. DXY is US Dollar Index. **(line charts**) Eastspring Investments, Refinitiv, as at the end of the prior week, rebased to 100 as at 1 year ago. Equities: MSCI indices, in USD. Corporate Bonds: using Bloomberg indices in USD. Government Bonds: using ICE BofA US 10 Year US Treasury and ICE BofA 7-10 Year Euro Government indices. Commodities: Gold is London Bullion Market US Dollar per Metric Tonne Ounce. Copper is LME Copper Grade A Cash US Dollar per Metric Tonne. Oil is Crude Oil WTI Spot Cushing US Dollar per Barrel. US Dollar is US Dollar Index.

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