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Increasing signs of a bottom

There is an increasing sign of equity market bottom after US Democratic sweep drags down stocks and oil.

US policy gridlock to curb fiscal stimulus, tariffs and AI data centres. Cheaper oil should ease inflation and rate expectations. Adding US IT sector equities and favour 3-7-year bonds; expect modest equity returns and a softer USD in 12 months.

Gridlock returns

Democrats' thumping win in the US mid-term elections, which gave them control of both the House and the Senate, has three key implications: i) policy gridlock is back in Washington, likely stalling fiscal expansion and new tariffs; ii) the chance of a prolonged Middle East conflict is curtailed, lowering oil prices and inflation expectations; and iii) the pace of AI data-centre buildout is at risk, curbing AI-linked bond supply.

Tactically adding US IT sector equities

As the S&P500 volatility index (VIX) surpasses 25, there are rising signs of equity market bottoming.

In bonds, the 3-7-year part of the Developed Market bond yield curve and BBB-to-BB-rated corporate bonds to earn attractive income as AI supply eases.

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