The equity market did the widening

The RBA hiked to 4.85% and signalled the end of the cycle, and 90-day BBSW set another record at 4.93%. Then the US midterm result delivered the worst day for the Nasdaq 100 since March 2020, and credit spreads followed equities wider.

AUST 10-YEAR	US 10-YEAR	FRANCE 10-YEAR	ITALY 10-YEAR	JAPAN 10-YEAR	ITRAXX AUST	90-DAY BBSW
5.02%	4.83%	4.79%	4.35%	2.77%	75	4.93%
−16 on week	−15 on week	−9 on week	−14 on week	−7 on week	−2 on week	+4 on week

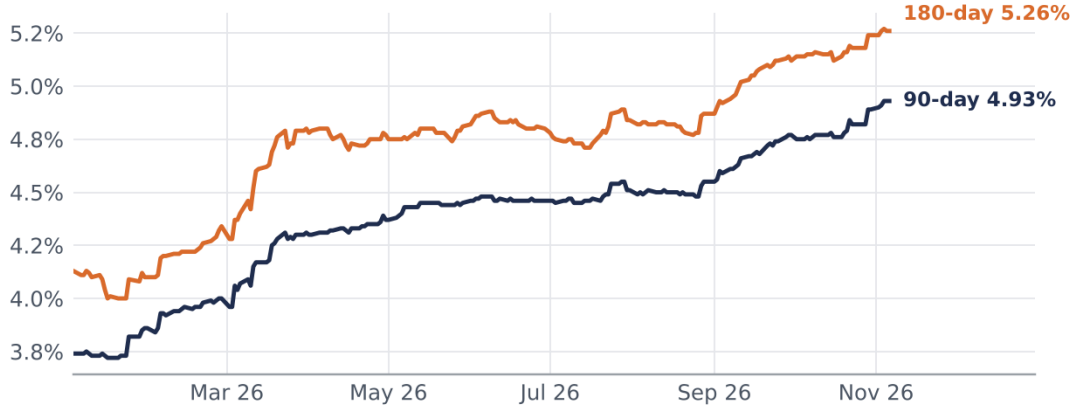
Levels at 5 November 2026 with 90-day BBSW at 6 November, and the change on the week in basis points. US 10-year from Goldman Sachs. Source Refinitiv Datastream, Goldman Sachs, Arculus

THE WEEK IN FOUR POINTS

- The RBA hiked 25 basis points to 4.85% on a six to three vote and dropped its tightening bias. Ninety day BBSW rose 4 basis points on the week to 4.93%, a new record for our data back to 2014, while the Australian 10-year rallied 16 to 5.02%.
- The US midterms delivered a Democratic sweep and the AI infrastructure trade broke. On Thursday the S&P 500 fell 4.36% and the Nasdaq 100 6.36%, its worst day since March 2020, and VIX rose 67% to 27.77.
- Credit spreads widened because equities fell, not because of supply. Tier 2 sold off 5 to 10 basis points into the Friday close and the five year senior point is 4 wider on the week, while more than A$6.5 billion of new senior paper cleared on covered books.
- US October payrolls rose 165,000 against 65,000 expected and unemployment fell to 4.1%. A December Fed hike is back in play, which is the post midterm tightening we flagged on 16 October.

The hike took 90-day BBSW to a new record 4.93%

90-day and 180-day BBSW, per cent, daily, 1 January to 6 November 2026



Source Arculus BBSW data file to 6 November 2026

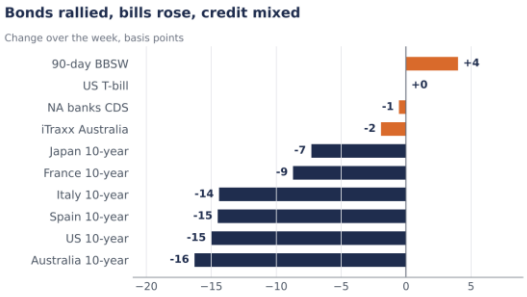
RATES

Interest rates

Australia

The board raised the cash rate 25 basis points to 4.85% on Tuesday, its fifth increase this year, on a six to three vote. The statement acknowledged slowing activity, rising unemployment and the effect of past rises still to reach households, and dropped the line about raising further if needed. Ninety day BBSW rose 4 basis points on the week to 4.93% and 180-day rose 2 to 5.26%, both new records for our data back to 2014. The Australian 10-year rallied 16 basis points to 5.02%.

Governor Bullock said it was good to wait now and see. RBA staff forecasts imply a December quarter trimmed mean of 0.8% or 0.9% and about 0.8% a quarter through the first half of 2027, with unemployment peaking at 5.1%. We remain cautious on the outlook for both inflation and economic growth. The RBA had much the same inflation forecasts ahead of the September quarter and given the natural lags we see a risk that higher diesel prices over the past two months feed into higher prices in the December quarter and the 1% trimmed mean is once again the result. Credit growth is still too strong and Home spending rose 0.7% in the September quarter and 3.2% on the year, the strongest annual growth since early 2023. This is why 90 day BBSW rose even after Bullock's speech.



Source Refinitiv Datastream, Goldman Sachs, Arculus



Source Arculus BBSW data file to 6 November 2026

United States

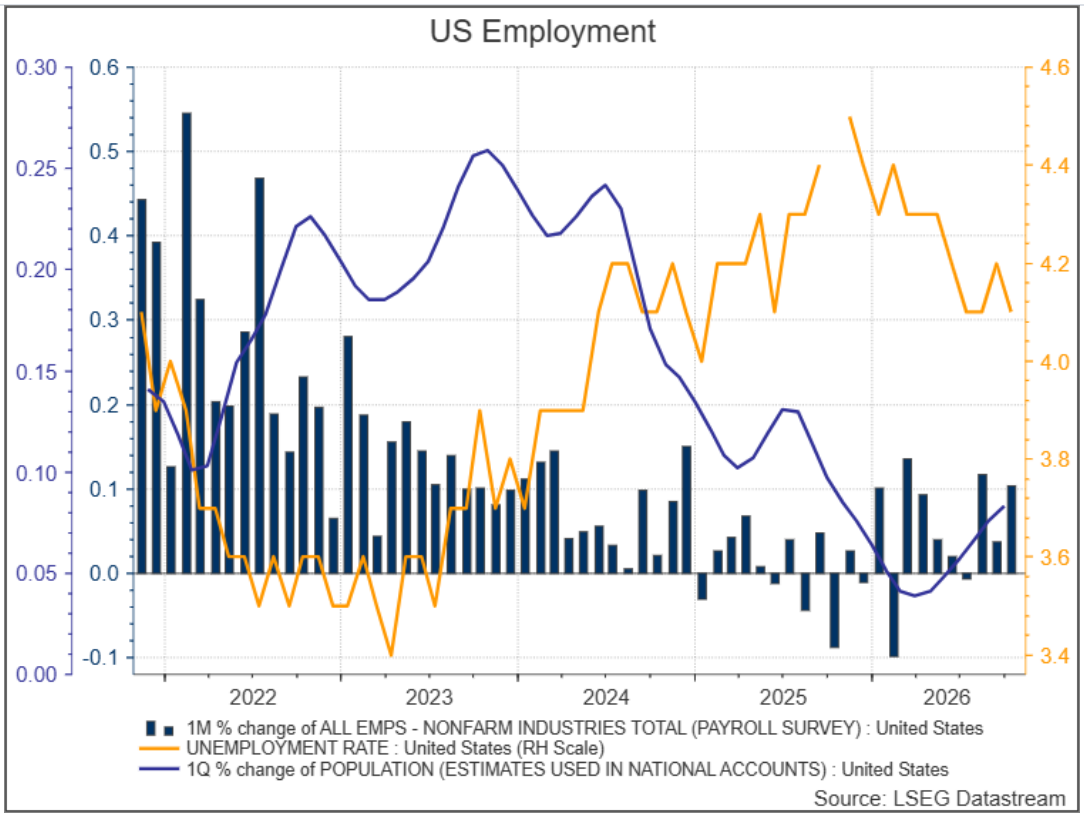
The FOMC held on 28 October. The 10-year fell 15 basis points on the week to 4.83% on Thursday as equities sold off, then jumped as much as 6 to 4.90% after payrolls before settling near 4.86%. The 3-month bill was unchanged at 4.00%.

The data kept pointing to tightening. October payrolls rose 165,000 against 65,000 expected, unemployment fell to 4.1% and average hourly earnings rose 0.4% on the month. Consumer credit rose US$27.8 billion in September after US$8.3 billion in August. With September CPI at 3.7% on the year and core producer prices up 0.7% on the month, a December hike is back in play.

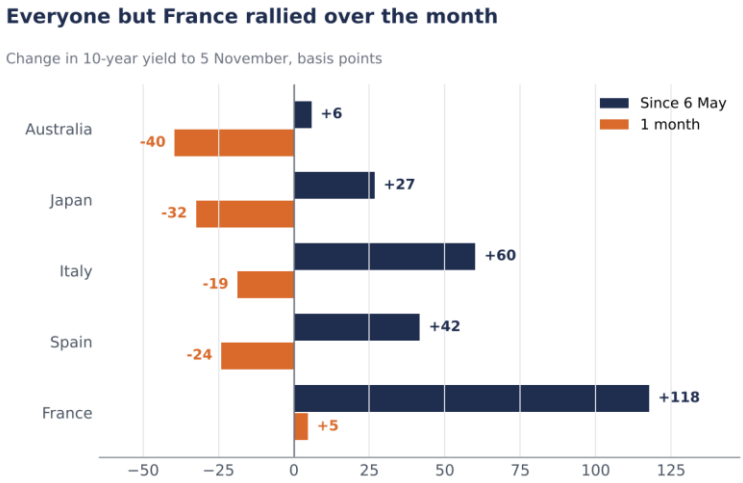
October payrolls

The US economy added 165,000 jobs in October after an upwardly revised 60,000 in September, well above the 65,000 consensus and the average monthly gain of 48,000 over the prior twelve months. August and September were revised higher by a combined 84,000. Private payrolls rose 159,000, the most in seven months, after an upwardly revised 78,000 in September.

It is significant that this increase in non-farm payrolls came almost entirely from the private sector. The increase in private payrolls in October was 159,000. Professional and business services added 70,000, health care 42,000 and transportation and warehousing 25,000. Manufacturing rose a further 19,000 and is up 101,000 since its low in December 2025. Mining, construction, wholesale and retail trade, information, financial activities, leisure and hospitality and government were little changed.



Source LSEG Datastream. One month per cent change in nonfarm payrolls, the unemployment rate on the right scale and the one quarter per cent change in population. Payroll detail from the US Bureau of Labor Statistics



Source Refinitiv Datastream, Arculus. One month is from 6 October 2026

Forward interest indicators

Bank Bill Swap rates set another record. Ninety day BBSW fixed at 4.93% on Friday, 8 basis points above the new 4.85% cash rate, and 180-day at 5.26%. The spread of 180-day over 90-day compressed to 33 basis points from 35 a week earlier and 39 on 9 October. With the hike delivered and the tightening bias gone, what is left in that spread is term premium and the risk of a February move.

Floating rate coupons reset off these levels, so the rise keeps flowing into running yields across bank paper. Ninety day BBSW is up 16 basis points since 9 October while the one year senior FRN margin is up 1.5, so at the front the funding leg is still doing the work.

Front end demand

Demand for short dated paper held up through the sell off. Investors kept looking for the bid in FRNs inside three years across the majors and offshore financials, SSA interest stayed in the front end and the flight to quality bid in ACGBs came from onshore and offshore. The AOFM did not announce the new 30-year bond the market expected, and offers A$1 billion of the 2038s on Wednesday and A$1 billion of the 2031s on Friday.

CREDIT

Credit markets

The index kept falling while cash spreads widened

Five-year CDS indices, basis points, daily, 6 May to 5 November 2026



Source Refinitiv Datastream, Arculus

Global credit

North American bank CDS eased half a basis point on the week to 65 and iTraxx Australia tightened 2 to 75, now 5 below its 23 October peak of 80. The indices held while the equity tape broke. The 72 S&P 500 companies tied to the AI build out fell 13.3% in two days while the five hyperscalers rose 1.7%, and the generic US investment grade 30-year spread widened only 2.2 basis points on Thursday's 4.4% fall in the S&P 500, against 8.2 implied by regression.

Equities drove the cash market

Cash spreads did not follow the indices. They widened with the equity market, and the selling came in the sessions after each leg down. Retail holders sold Tier 2 after the RBA decision, local real money sold the 41-36 and 36-31 lines ahead of the midterm result, and a flurry of selling into the Friday close after the weak US session left Tier 2 5 to 10 basis points wider depending on the line.

Supply was not the driver. UBS, Bank of China Sydney, Westpac and NAB raised more than A$6.5 billion of senior paper and NAB added A$1.25 billion of Tier 2, all of it cleared on covered books with A$18.5 billion of November redemptions coming back to investors. Last week we described the cash widening as technical rather than a credit signal. This week the technical was the equity market.

Oracle and Amazon

The bonds of two of the AI spenders in our data have moved the other way to their shares. Amazon's senior spread has doubled from 51 basis points in early May to 100, and widened 13 on the week alone. Oracle has widened from 254 on 13 October to 305, 12 wider on the week, after peaking at 334 on 20 October. Hyperscaler equities rallied on the midterm result while their bond spreads kept widening. Hyperscalers issued US$67 billion across five bond deals in the past week, taking issuance this year to US$296 billion.

Amazon has doubled since May and Oracle trades three times wider

Senior bond spreads, basis points, daily to 5 November 2026. Oracle shown from 13 October



Source Refinitiv Datastream, Arculus. Oracle readings before 13 October were unchanged at 85 to 88 for five months and are left off as stale

Australian dollar credit

Tier 2 took the brunt. The 37-32 and 36-31 sectors widened 5 to 6 basis points on Thursday as the equity sell off deepened, and NAB set guidance for its new 10NC5 at BBSW+160 to 165 into that weaker market. It priced A$1.05 billion FRN and A$200 million fixed to floating at BBSW+158, 3 wide of our expectations, and Friday's selling took the complex another 5 to 10 wider. Against our 28 October grid non call five is now BBSW+134 and the 36-31 BBSW+144 before Friday's move.

Senior held up better until the end of the week. Westpac priced A$2.5 billion of short five year paper at BBSW+76 with books above A$3.74 billion, and NAB A$2 billion of three year at BBSW+68. Westpac was offered through reoffer on Friday after the weak US session and the long end of the curve steepened 1.5 to 2.5 basis points a day, while the one and two year points held as balance sheets kept buying shorter regional and mutual paper.

Offshore financials found demand on the pick up. UBS priced A$1.2 billion of three year at BBSW+75 and A$550 million of five year at BBSW+85 against books above A$3.0 billion, and Bank of China Sydney priced five year at BBSW+67 and was bid into BBSW+60 by Asian bank balance sheets.

Data centres were the one corporate bright spot. NEXTDC shares closed 50% higher at A$9.85 after Goodman Group and Digital Realty bought a stake, and NXTAU tier 2 bonds rallied from about 92 to 97 in cash price, lifting CDC and GOOGL. GOOGL had widened 5 to 7 basis points on 3 November when a large clip was sold to the street. SCGAU underperformed by about 5 after David Jones entered administration.

Major bank line	Margin (bp)	Since 28 Oct	Running yield
Senior FRN 1 year	43.0	0.0	5.36%
Senior FRN 3 year	63.0	+1.0	5.56%
Senior FRN 5 year	74.5	+4.0	5.68%
Tier 2 FRN 2031-26	76.0	−1.0	5.69%
Tier 2 FRN 2032-27	87.0	−1.0	5.80%
Tier 2 FRN 2035-30	**134.0**	**+5.0**	**6.27%**
Tier 2 FRN 2036-31	144.0	+7.0	6.37%
Tier 2 FRN 2041-36	170.0	+4.0	6.63%

Source ANZ Credit Trading indicative mids over BBSW at 5 November 2026, Arculus. Running yield is 90-day BBSW of 4.93% plus margin. Friday's further 1 to 3 basis point senior and 5 to 10 basis point Tier 2 widening reported by Mizuho is not in the grid

On a spread duration of about 4.5 years the 5 basis point move in non call five is worth roughly 0.23% of price. A week of accrual at 4.93% plus 134 is roughly 0.12%, so the widening took about two weeks of carry before Friday's further move.

Bank capital

Westpac also printed a US$ three year senior and 11NC10 Tier 2. AT1 and Kangaroo activity was limited.

CALENDAR

Week ahead

Housing lending and the NAB business survey land in a week with two RBA speakers, and US CPI arrives on Wednesday morning Sydney time. Times are AEDT.

Day	Australia	United States	Europe and Asia
Monday 9 November	RBA Assistant Governor Hunter at the UBS Australasia Conference, 9.30am.	—	China CPI and PPI for October, 12.30pm.
Tuesday 10 November	ANZ Roy Morgan Consumer Confidence 9.30am, Westpac Consumer Confidence 10.30am and the NAB Business Survey for October 11.30am.	October CPI at 12.30am Wednesday Sydney time.	Japan current account for September, 10.50am.
Wednesday 11 November	Housing lending for the September quarter at 11.30am, ANZ forecasting a 7.0% fall. AOFM tender of A$1 billion of the 2038s.	—	—
Thursday 12 November	RBA Board member Baker at the ARCA Credit Summit, 10.30am.	—	Japan PPI for October 10.50am and UK GDP for the September quarter 6.00pm.
Friday 13 November	AOFM tender of A$1 billion of the 2031s.	October PPI.	—

Sources ANZ Australian Macro Weekly and FX Strategy Weekly 6 November 2026, Mizuho AUD Closing Commentary 6 November 2026. US PPI date from the BLS schedule cited in our 31 October edition

Where the forecasters stand after Tuesday

Source	Position	As at
ANZ	Expects 4.85% to be the peak, with the risks to the RBA inflation forecasts marginally lower	6 November
Mizuho	The market took the omission of further tightening language as the first signal of the end of the cycle	3 November
Asian investors	Much of the base now views the RBA cycle as complete	5 November
Arculus	**The board should not have raised. We expect no further move and the cash rate on hold into 2028**	**7 November**

Source ANZ Australian Macro Weekly 6 November, Mizuho AUD Closing Commentary 3 November, ANZ AU Credit Trading 5 November, Arculus

Further out, S&P reviews France on 27 November, the Victorian State election is on 28 November and the RBA meets again on 7 and 8 December.

THE VIEW

Macro

The board raised, but the cycle is over.

We did not believe the board should increase the official rate this week and it did. The six to three vote and the removal of the line about raising further if needed tell us the board itself sees this as the last move. Nothing in the week changed our house view that aggregate demand is on the edge of a major and prolonged contraction, and the RBA's own forecast of unemployment rising to 5.1% points the same way.

The rise in 90-day BBSW to 4.93% is the cost of the hike for borrowers, and it lands on a household sector that has now absorbed five increases this year. We expect higher inflation over the next twelve months to keep the RBA on hold into 2028 rather than drive further increases. It is still too early to be adding duration because of offshore factors, with a December Fed hike now back in play.

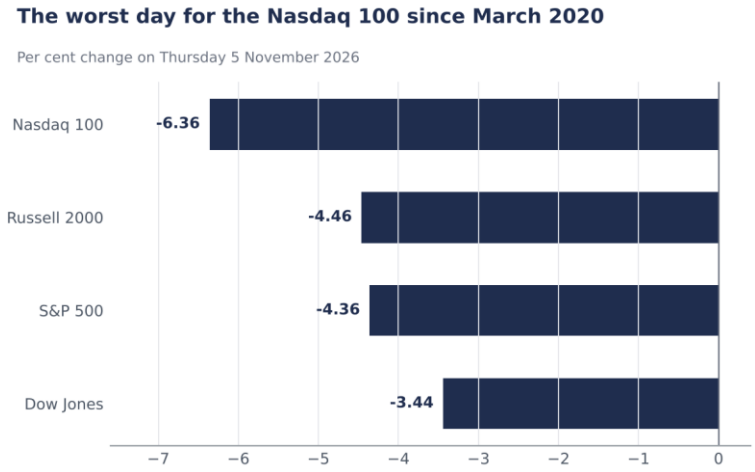
The risks that need acknowledging

- **Victoria.** The likely change of government in a state where the situation is so dire it is jeopardising the entire Australian economy. No matter who is elected there will be a prolonged period of depressed activity until the debt is paid down.
- **Data centres.** While not as advanced as in the United States, the build out is at risk of collapse under a debt burden that is drowning the sector as rates rise. Even without a collapse it is hard to see where an investment will be commercial in a private capacity.
- **Private credit.** Bathla may well prove to be the biggest corporate collapse in Australia's history and it would be foolish to believe there will not be more to follow. The risk is that bad lenders drag good lenders into the same very deep hole.
- **Iron ore.** Australia is highly reliant on the export of iron ore and the fall in the price is a reminder of how vulnerable the economy has become to China.

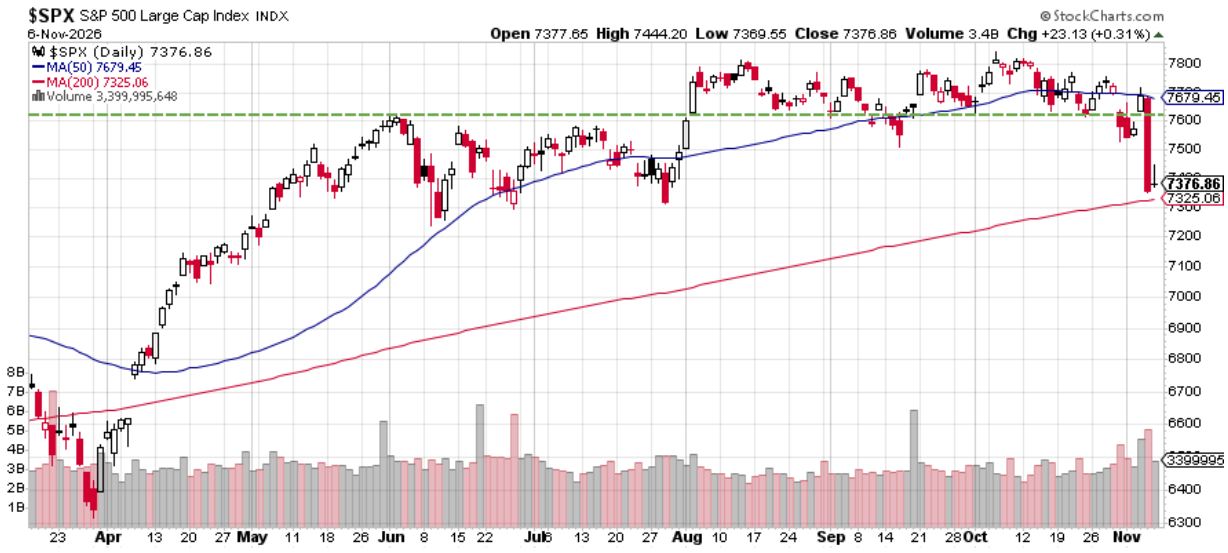
Risks carried forward from Arculus Funds Management, Australian inflation outlook, 31 October 2026

Equities and the bond tape

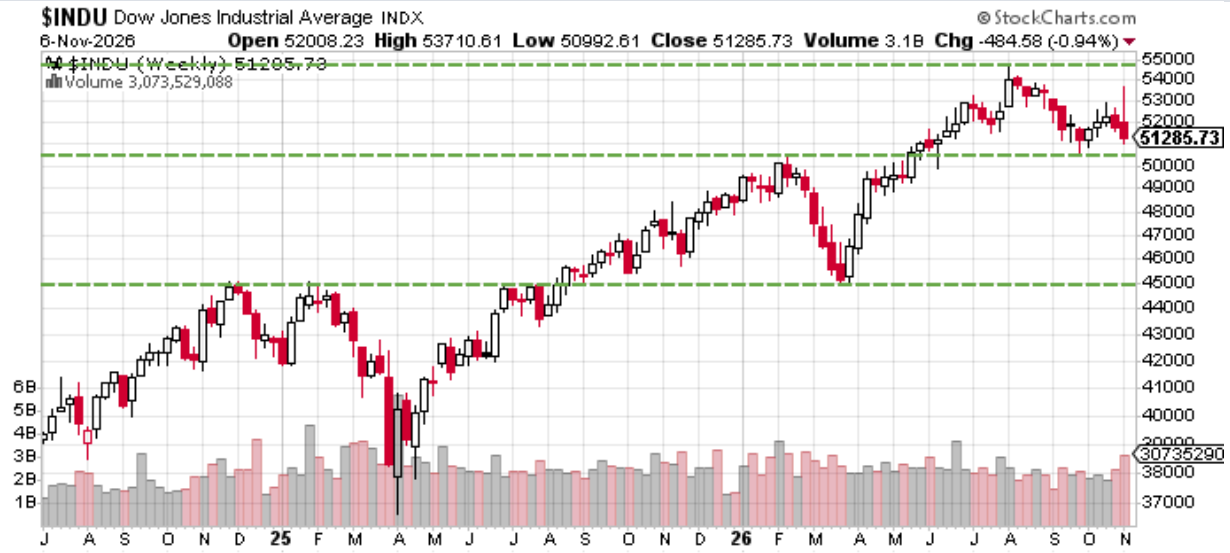
The 200-day average we flagged last week as the next reference underneath held. The S&P 500 fell 4.36% on Thursday to 7,353, its worst day since April 2025, then closed Friday at 7,377, up 0.3% on the day and down 2.7% on the week. It sits 52 points above its 200-day average of 7,325 and 302 below the 50-day of 7,679. The Nasdaq 100 fell 6.36% on Thursday to 26,629 and the Russell 2000 4.46%. The Dow Jones closed the week at 51,286, down 0.9%, still above the 50,500 support and its 50-week average of 50,288.



Source Goldman Sachs US Equities Color 5 November 2026, Arculus

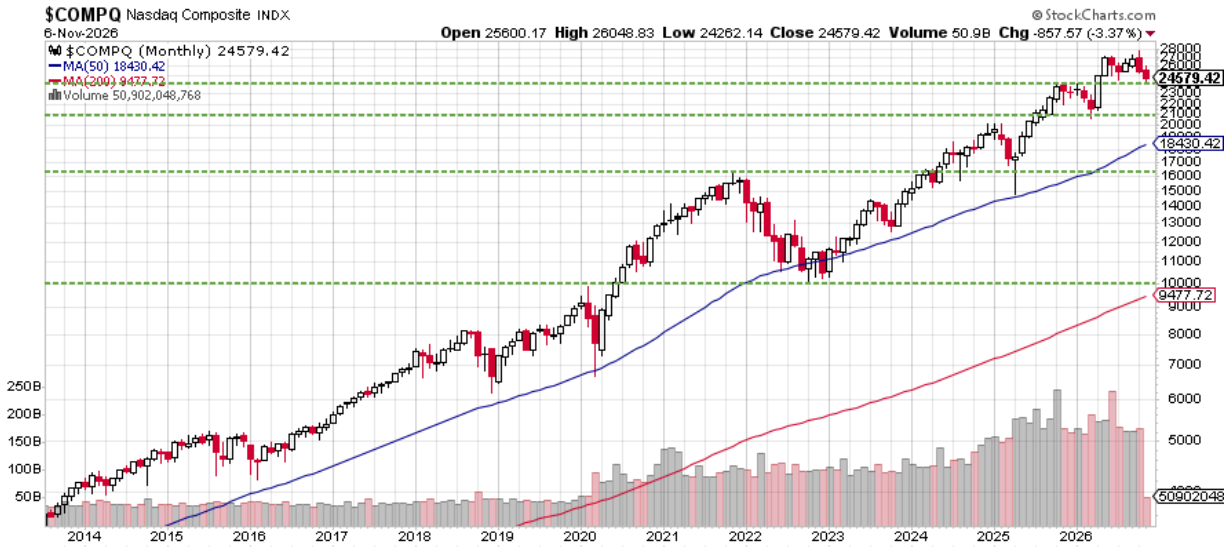


S&P 500, daily. Source StockCharts.com, Arculus



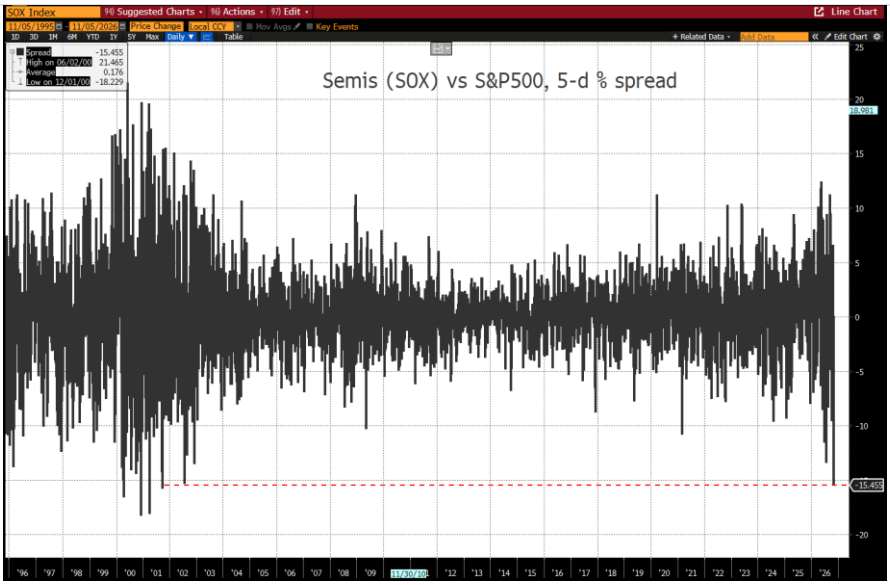
Dow Jones Industrial Average, weekly. Source StockCharts.com, Arculus

The selling came from macro instruments rather than fundamental investors. Exchange traded funds made up about 32% of a near record 26.8 billion shares, VIX rose 67% to 27.77 and a record number of index puts traded. Goldman Sachs estimates up to US$7.5 billion of S&P 500 supply from CTAs over the following week after futures closed below 7,549. Bottom up the numbers stayed strong, with S&P 500 earnings for the September quarter tracking 33% growth with 60% of companies reported.



Nasdaq Composite, monthly. Source StockCharts.com, Arculus

Last week's outside month in the Nasdaq Composite was the shape that usually marks a change of trend, and November has followed through. The Composite closed the week at 24,579, down 3.4%, after opening the month at 25,600 and trading as low as 24,262. Semiconductors fell 12% on Thursday and underperformed the S&P 500 by more than 15 points over five days, the largest gap since 2002.



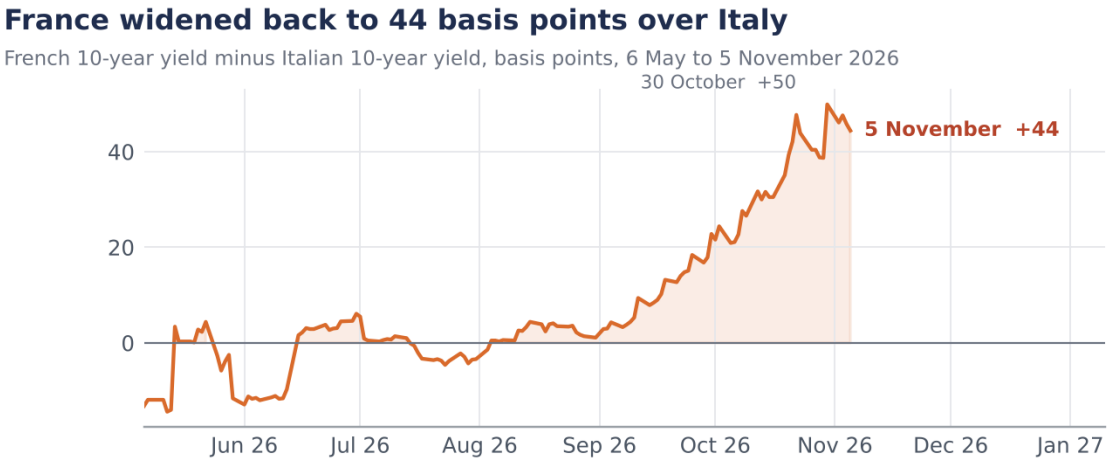
Philadelphia semiconductor index against the S&P 500, five day spread. Source Goldman Sachs, Bloomberg

The bond rally ran on the equity tape again. The US 10-year fell to 4.83% on Thursday as stocks broke, then reversed to about 4.86% on Friday as payrolls beat and equities steadied, which is the caution we have set out over the past two weeks.

Gold

Gold recovered part of last week's break, closing Thursday at US$4,084 an ounce, up 0.6% on the day and about 5% above the US$3,874 close of 30 October. It remains below the 50-day average of US$4,259 and the 200-day of US$4,499 we noted last week. WTI rose 2.8% on Thursday to US$90.58.

Europe and Japan



Source Refinitiv Datastream, Arculus

France gave back 9 basis points on the week to 4.79% but Italy rallied 14 to 4.35%, so the spread widened back to 44 from 39. The budget was rejected in the Assembly, Fitch has the outlook on negative and S&P reviews the rating on 27 November. The OAT Bund spread is about 152 basis points.

The Bank of England raised Bank Rate 25 basis points to 4.00% on an eight to one vote, with Mann voting for 50. The Bank projects inflation peaking at 4.9% in the June quarter of 2027, and Governor Bailey said the increase is unlikely to be the last unless the Middle East conflict is resolved.



Japan 10-year government bond yield, weekly. Source StockCharts.com, Arculus

The 10-year JGB fell 13 basis points on the week to 2.64% on Friday and now sits 49 below its 1 October high of 3.13%. Lower JGB yields keep one channel of pressure off Australian duration, leaving US yields and domestic inflation as the drivers.

MONITOR

- **The RBA after the hike.** Six to three with the tightening bias dropped. ANZ sees 4.85% as the peak and the December quarter CPI is the test for February.
- **90-day BBSW at 4.93%,** a new record for our data back to 2014, and the 180 less 90 spread at 33 basis points against 35 last week.
- **Tier 2 non call five at BBSW+134** before Friday's 5 to 10 basis point sell off, and 10 wider than on 8 October.
- **iTraxx Australia at 75** after peaking at 80 on 23 October, while the cash market widened with equities.
- **Amazon at 100 and Oracle at 305.** Amazon has doubled since May while hyperscaler equities rallied.
- **The S&P 500 at 7,377,** 52 points above the 200-day average of 7,325.
- **US CPI on Wednesday morning.** Payrolls beat and a December Fed hike is back in play.
- **France 44 basis points over Italy** with the S&P review on 27 November.

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