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Democrats’ midterms victory hits tech sector

Last Week in the City provides a round-up of market movements and the global investing outlook. This covers the week to 6 November 2026.

60 second market summary

The main event impacting markets over the week was the US midterm elections, which delivered a clear victory for the Democratic Party, which regained control of both chambers of Congress. While this reduces the likelihood of major tax, spending and deregulation initiatives from Donald Trump's administration, investors generally welcomed the prospect of greater legislative gridlock, which tends to reduce policy uncertainty. However, the result also contributed to a sharp sell-off in AI-related technology shares as investors worried that increased political scrutiny and potential opposition to new data centre projects could slow the pace of AI infrastructure investment. The resulting reassessment of future AI spending expectations hit companies such as Nvidia, AMD and Broadcom, helping push the Nasdaq Composite into correction territory and ensured equity markets worldwide lost ground over the week.

Back in the UK, the Bank of England raised interest rates by 0.25 percentage points to 4.0%, citing renewed inflation concerns linked to higher energy prices and stronger-than-expected economic activity. The move reinforced the view that interest rates could remain higher for longer, creating headwinds for interest rate-sensitive sectors such as housebuilders and consumer stocks while benefiting financial companies. Meanwhile, US labour market data pointed to a gradual cooling rather than a sharp deterioration, with job openings unexpectedly firm ahead of the latest Non-Farm Payrolls data.

Oil prices provided a rare positive for inflation expectations, falling below $100 a barrel after signs of progress towards a diplomatic agreement between the US and Iran encouraged investors to reduce the geopolitical risk premium that had been built into crude markets.

Corporate results generally remained supportive. Apple delivered record quarterly revenue and earnings, driven by strong iPhone demand and continued growth in services, while Novo Nordisk benefited from robust demand for obesity treatment Wegovy and raised guidance. International Airlines Group reported resilient profitability despite high fuel costs, while NEXT continued to outperform expectations thanks to strong international growth.

Overall, the week highlighted an economic backdrop that remains resilient but increasingly mixed, with investors balancing slowing growth, persistent inflation risks and questions over whether enthusiasm for AI investment has moved ahead of fundamentals

FTSE 100	-1.0%
FTSE 250	+0.3%
S&P 500	-4.8%
Brent Oil	-17.5%
Gold	+5.0%
GBP/USD	-0.04%

Geopolitics

Israel's The US midterm elections delivered a decisive victory for the Democratic Party, which regained control of both the US House of Representatives and the US Senate, dealing a significant setback to Donald Trump and Republicans just two years after their return to power. Democrats made substantial gains in traditionally Republican states, flipping Senate seats in Texas, Kansas, Ohio, South Carolina, North Carolina and Iowa, while also picking up more than 40 House seats. Current projections suggest Democrats will hold around 54 Senate seats and close to 250 House seats, giving them comfortable control of Congress.

While Donald Trump remains in the White House, his legislative agenda will face much greater opposition, making major tax cuts, spending measures and deregulation initiatives harder to pass. Gridlock is often welcomed by financial markets because it reduces policy uncertainty and the risk of abrupt legislative changes. The outcome could temper expectations for further fiscal stimulus, potentially limiting upward pressure on inflation and bond yields.

At the same time, Democrats are likely to increase scrutiny of sectors such as energy, healthcare and large technology companies through congressional investigations and oversight hearings. Indeed, there was a sharp sell-off in AI-related technology shares at the end of the week driven by concerns that the massive spending boom underpinning the AI sector may slow. Investors became worried that the election results could lead to greater opposition to data centre construction, particularly in states that are central to the expansion of AI infrastructure. This raised fears that growth in demand for AI chips, servers, networking equipment and power infrastructure could moderate in the coming years.

The heaviest losses were concentrated in companies most exposed to AI capital expenditure. Nvidia, AMD and Broadcom shares were hit hard, while data centre and AI infrastructure suppliers also sold off heavily. Investors are increasingly questioning whether the enormous sums being spent on AI infrastructure will generate sufficient returns, particularly after several years of exceptional share price gains that left valuations demanding.

The move was amplified by profit-taking and a rotation out of some of the market's most crowded trades. The so-called Magnificent Seven technology stocks collectively lost more than $1tn in market value in a single session on Thursday, helping to drive the Nasdaq Composite into correction territory. Concerns over future AI demand were also heightened by mixed signals from parts of the semiconductor industry and growing scrutiny of whether the current pace of data centre construction is sustainable.

There falls reflected a reassessment of future AI spending expectations rather than evidence that the AI revolution is stalling. The largest technology companies continue to invest heavily in AI, but the market is becoming more sensitive to any suggestion that the pace of data centre expansion, power infrastructure development or chip demand could slow from the exceptionally high levels currently being forecast.

While the election result raises the prospect of a more constrained presidency, this should not be confused with political predictability. The White House retains considerable influence over trade policy, tariffs and foreign affairs, all of which can have meaningful implications for markets.

Economics

The Bank of England raised interest rates by 0.25 percentage points to 4.0%, ending a run of six consecutive holds and marking its first increase in interest rates since August 2023, as policymakers responded to mounting inflation pressures driven largely by higher energy prices. The Monetary Policy Committee voted 8-1 in favour of the move, with one member backing a larger half-point increase, while warning that inflation, currently 3.5%, could climb to around 5% by mid-2027. The Bank cited rising global energy costs linked to ongoing conflict in the Middle East, as well as stronger-than-expected UK economic activity, as reasons for tightening policy. For investors, the decision suggests interest rates may remain higher for longer, which is likely to support sterling and cash savings rates but could weigh on economically sensitive sectors such as housebuilders, consumer discretionary stocks and highly indebted companies. Higher borrowing costs will also increase pressure on variable-rate mortgage holders, although banks and insurers may benefit from an improved interest-rate environment. The Bank stressed that policy is not on a pre-set path, but Governor Andrew Bailey indicated further rate rises remain possible if inflation risks persist.

US labour market data this week painted a picture of a jobs market that is cooling but remains far from recessionary. The latest Job Openings and Labour Turnover (Jolts) report showed job openings continuing to edge higher, suggesting employers are still looking to hire despite slower economic growth and ongoing uncertainty. Attention now turns to Friday’s Non-Farm Payrolls report, where economists expect around 60,000 new jobs to have been created in October, up from September's weak reading but still well below the pace seen earlier in the year. The unemployment rate is expected to remain at 4.2%, while investors will also be watching wage growth closely for clues on inflation pressures and the outlook for Federal Reserve policy. Overall, the combination of rising job openings and expectations for only modest payroll growth suggests a labour market that is slowing gradually rather than deteriorating sharply.

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Oil prices fell sharply below $100 a barrel after signs of progress towards a diplomatic agreement between the US and Iran prompted traders to unwind the geopolitical risk premium that had built up in crude markets over recent months. West Texas Intermediate crude dropped more than 7% to around $96 a barrel, while Brent crude fell to about $105, after comments from Donald Trump, Marco Rubio and Iranian officials suggested both sides were open to a negotiated settlement.

Oil prices had moved sharply higher in the run up to the midterms on fears that the conflict could escalate after the elections were complete, threatening supplies and shipping through the strategically important Strait of Hormuz. As hopes of a diplomatic breakthrough increased, markets began pricing out some of that disruption risk, triggering the biggest one-day fall in oil prices since July. If maintained, this would be positive for inflation and the outlook for interest rates but the situation remains highly unpredictable.

Markets continued to be concerned that France's budget deficit, which remains above 5% of gross domestic product (GDP), and public debt, which is approaching 120% of GDP, are on an unsustainable path without significant spending cuts or tax rises.

Companies

Apple reported a record fiscal fourth quarter, with revenue rising 12% year-on-year to $114.5bn and diluted earnings per share increasing 14% to $2.10, driven by strong demand for iPhones and continued growth in its high-margin services business. iPhone revenue climbed to a September-quarter record of $57.6bn, while services revenue reached an all-time high of $31.6bn. Net income rose to $30.7bn, with management highlighting record revenues across the company and a growing installed base of active devices. The results capped off Apple’s strongest fiscal year on record, with full-year revenue reaching $478.8bn, and management struck an optimistic tone ahead of the crucial holiday shopping season despite ongoing supply constraints in some product categories.

Novo Nordisk reported a stronger-than-expected third quarter, driven by continued demand for its obesity treatments, particularly Wegovy, whose obesity franchise sales grew 22%. The company's obesity business continued to offset weaker diabetes trends, while management highlighted strong uptake of the Wegovy pill, which captured around 80% of new oral obesity prescriptions in the US. Reflecting improved trading, Management raised its full-year guidance, now expecting adjusted sales and operating profit to range from a 2% decline to 2% growth, a notable improvement on previous forecasts, as it continues to defend its market position against growing competition from Eli Lilly.

International Airlines Group reported a resilient third quarter, with revenue rising 4.5% to €9.7bn as strong demand for long-haul travel supported higher ticket prices across its key markets, particularly on North and South Atlantic routes. Operating profit before exceptional items reached €1.73bn, equivalent to a robust 17.7% margin, despite significantly higher jet fuel costs and disruption from air traffic control outages and other one-off events. All of the group's airlines, including British Airways,

Iberia, Vueling and Aer Lingus, remained profitable, while the IAG Loyalty business continued to deliver strong growth.

Smith & Nephew reported an improved third quarter, as strong growth in Sports Medicine & ENT and a better performance from Advanced Wound Management offset ongoing weakness in its US orthopaedics business. Sports medicine continued to be the standout division, delivering double-digit growth in joint repair products, while orthopaedics returned to growth overall despite soft market conditions and continued pressure in US hip and knee implants. Chief executive Deepak Nath said more than half of the quarter's growth came from products launched in the past five years, highlighting the success of the group's innovation strategy. However, management trimmed its full-year outlook, cutting expected underlying revenue growth to around 3% and trading profit growth to around 4%, citing slower-than-anticipated growth in orthopaedics and continued weakness in the US reconstruction market.

Next delivered a stronger-than-expected third-quarter trading performance, with full-price sales rising 8.1% in the 13 weeks to 31 October, ahead of guidance for 5.8% growth. The outperformance was driven entirely by its international business, where online sales surged 32.2% as increased marketing spend generated better-than-expected returns, while UK sales growth slowed to 2.0% as anticipated amid weaker consumer demand and unseasonably warm weather in September. Despite the sales beat, the retailer left its full-year profit before tax forecast unchanged at £1.255bn, up 8.4% year-on-year, as additional international sales were offset by higher operational costs.

Diageo reported a first-quarter trading performance that was in line with expectations, with net sales rising 1.2% to $4.9bn and organic sales growth of 1.4%, supported by strong performances in Latin America and Caribbean, Asia Pacific, India and Europe, Middle East and Africa. However, the drinks giant continued to face challenges in its key North America market, where organic sales declined by a mid-single-digit percentage amid weak consumer demand and competitive pressures. Recently appointed chief executive Sir Dave Lewis said actions were underway to improve competitiveness in the US.

National Grid reported strong interim results, driven by accelerated investment in electricity networks on both sides of the Atlantic. Capital investment surged 33% to a record £6.7bn as the company steps up spending to expand and modernise energy infrastructure, with at least £70bn earmarked for investment over the next five years. Chief executive Zoë Yujnovich said the group's major projects were progressing well and that first-half performance had strengthened confidence in its long-term growth plans, prompting management to upgrade guidance and forecast underlying earnings per share growth of 15%-16% for the full year.

Associated British Foods reported a resilient but weaker set of full-year results, with revenue edging up 1% to £19.6bn but adjusted operating profit falling 13% to £1.5bn and adjusted earnings per share declining 11% to 156.0p, reflecting a challenging consumer backdrop and weaker sugar markets. George Weston, chief executive, said profits were hit by subdued US consumer demand in parts of the grocery business and lower European sugar prices, although this was partly offset by growth across several brands and businesses. At Primark, sales rose as new store openings offset weaker like-for-like performance, and management confirmed the launch of a UK home delivery service and international expansion through franchise partnerships.

Booking Holdings delivered a solid third-quarter performance as global travel demand remained resilient, with room nights booked rising 7% to 345 million and gross bookings increasing 10% to $54.5bn. While reported revenue fell 1% to $8.9bn, this was largely due to a one-off regulatory issue, with adjusted revenue rising 9% and adjusted earnings per share jumping 17% to $4.66. Chief executive Glenn Fogel highlighted encouraging progress in the group's AI initiatives, which are helping drive higher customer engagement and conversion rates across brands including Booking.com, Priceline and Agoda. However, management struck a more cautious note on the outlook, warning that geopolitical tensions, higher airfares and softer international travel demand could slow growth in the fourth quarter.

Barratt Redrow reported a resilient start to its financial year despite continued pressure on housing affordability, with total home completions falling 12.1% to 3,223 in the 17 weeks to 25 October. The underlying private reservation rate eased to 0.53 from 0.57 a year earlier, reflecting softer demand from individual buyers, although stronger activity from the private rental sector helped lift the total reservation rate to 0.59. Encouragingly, the forward order book increased to 11,086 homes valued at £3.32bn, compared with 10,669 homes worth £3.28bn a year earlier. Chief executive Dean Banks said trading had been resilient in challenging market conditions and welcomed the government's Your First Home scheme, although the company said it was too early to assess its impact on demand.

Vistry Group said trading remained challenging as weakness in its open market housebuilding division continues to be affected by affordability pressures, cautious consumer sentiment and broader economic uncertainty, while growth in its partner-funded affordable housing business is building only gradually. Adam Daniels, chief executive, said the company's immediate priorities are generating cash, reducing debt and improving operational control following a difficult first half. As part of a major restructuring, Vistry is cutting its operating regions from 25 to 12 and reducing headcount, with the new structure due to be fully operational from January and expected to deliver around £50m of annual cost savings from 2027.

Autotrader Group reported a steady set of interim results that were broadly in line with expectations. Excluding its lower-margin vehicle and accessory sales business, revenue was essentially flat at £301.8m, reflecting disruption caused by the rollout of its Deal Builder platform and a temporary loss of some retailer customers. Encouragingly, retailer numbers recovered during the period, car listings increased and the company strengthened its dominant position in the UK online car market, with more than 75% of time spent on automotive marketplaces occurring on Auto Trader.

Zoetis, the world's largest animal health company, reported third-quarter results broadly in line with expectations, as ongoing weakness in its companion animal business was partly offset by stronger livestock and diagnostics sales. Demand for pet treatments remained under pressure from softer veterinary visits, affordability concerns and increased competition, with dermatology sales declining sharply, while livestock revenue grew 7% and diagnostics revenue increased 13%.

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