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In This Issue

INDIA

Economists now expect another rate rise in December A2

Record motorcycle sales, thinner margins A3

Vodafone Idea's loss widens as it raises more money; Tata Power's profit jumps A3

OPINION

Raise rates in December, and say why A5

WORLD

An inflation report with no year in it B1

Poorer by the hour, richer by the payroll B1

The AI boom now runs on borrowed money B1

Retail inflation breaks through the RBI's ceiling

Consumer prices rose 6.09 per cent in the year to October, above the 6 per cent top of the central bank's band. Food drove it, but 11 of the index's 12 divisions sped up.

BY ARNAV GOEL



A vegetable shop at Tolichowki, Hyderabad. AJAYDAS / CC BY-SA 4.0

India's consumer prices rose 6.09 per cent in the year to October, the Ministry of Statistics said on Thursday, up from 5.54 per cent in September. The figure is above 6 per cent, the upper edge of the band the Reserve Bank of India is required to keep inflation within, and it is the highest reading this year. Economists had expected about 5.9 per cent.

Food was the main driver. The consumer food price index rose 8.94 per cent on a year earlier, up from 7.74 per cent. Rural inflation, at 6.63 per cent, ran well ahead of urban inflation at 5.41 per cent, because food takes a bigger share of village budgets.

THE KITCHEN BASKET

Onions remained the fastest-rising item in the index, 116.22 per cent dearer than a year earlier, after 108.13 per cent in September. Garlic was up 60.74 per cent, ginger 48.32 per cent and lemons 47.30 per cent. A handful of vegetables got cheaper: potatoes fell 14.24 per cent and cauliflower 10.57 per cent.

The retail figures show what that means at the shop. On November 12 a kilogram of onions cost an average of Rs 53.81, against Rs 26.91 a year earlier. Sugar cost Rs 60.40 a kilogram, against Rs 46.59.

SPREADING BEYOND FOOD

The more worrying detail is outside the vegetable market. Prices at restaurants and hotels rose 10.06 per cent on a year earlier. Transport was up 5.84 per cent. Aditi Nayar, chief economist at ICRA, a ratings agency, said the rise in inflation was broad-based, with 11 of the index's 12 divisions accelerating. The exception was personal care, which includes gold and silver ornaments, where inflation of 10.14 per cent eased as silver cooled. Health was the mildest division, at 2.05 per cent.

Madan Sabnavis, chief economist at Bank of Baroda, said businesses raised prices when cooking gas and other fuels became dearer during the war in West Asia, and rarely cut them when energy costs fall. He expects transport inflation to stay high because oil marketing companies are unlikely to lower pump prices even if crude falls to $80 a barrel.

WHERE PRICES ARE RISING FASTEST

Seven states had inflation above 7 per cent. Among the larger ones, Tamil Nadu had the highest rate at 7.29 per cent, followed by Telangana at 7.26 per cent, Andhra Pradesh at 7.25 per cent, Madhya Pradesh at 7.19 per cent and Odisha at 7.17 per cent. Food inflation exceeded 10 per cent in Kerala, Telangana, Karnataka, Tamil Nadu and Andhra Pradesh.

The jump came on an index that gives food less weight than before. In the new series, which uses 2024 as its base year, food and beverages make up 36.75 per cent of the basket, down from 45.86 per cent in the old one. A food shock now has to be bigger, or spread further, to lift the headline rate past 6 per cent.

The figures for November are due on December 14, ten days after the RBI's next policy decision.

Foreign buyers keep coming as banks lead and software slips

The Nifty rose for a third week, helped by ten straight sessions of foreign buying. Bank shares climbed while information-technology stocks fell 3.2 per cent.

BY ARNAV GOEL

Indian shares rose for a third straight week in a holiday-shortened week, even though they fell on Friday. The Nifty 50 ended at 25,144.30, up 114 points or about 0.5 per cent on the week, and the Sensex closed at 81,592.45, up about 0.7 per cent. Exchanges were shut on Tuesday for Diwali Balipratipada.

The gains followed the strongest weekly rise in more than five years, when the Nifty jumped 8.58 per cent in the week to November 6. Smaller companies, which had lagged that rally, caught up. The Nifty Smallcap index rose 3.6 per cent and the Midcap index 2.1 per cent, and 13 of 16 major sector indices ended the week higher.

THE FOREIGN BID

Foreign institutional investors were the main force. They bought ₹7,830.60 crore of shares on Thursday and ₹5,736.55 crore on Friday, according to provisional exchange data, their tenth straight session of net purchases. Over the week they bought about ₹33,342 crore, while domestic institutions sold about ₹24,892 crore. Foreign purchases of Indian equities in November have passed $8 billion, the most in any month since December 2020.

Banks took most of the money. The Bank Nifty closed at 61,034.10 on Friday, up about 3.3 per cent on the week by our calculation from closing levels, with buying in State Bank of India leading the move.

SOFTWARE OUT OF FAVOUR

Information technology went the other way. The Nifty IT index fell 3.2 per cent to 31,931.15, ending a six-week run in which it had gained 17.1 per cent, as investors moved away from trades linked to artificial intelligence. The turmoil at Nvidia, where chief executive Jensen Huang is stepping down, weighed on Wall Street.

Friday's fall showed what worries the market. The Nifty lost 0.61 per cent and the Sensex 0.39 per cent after the inflation figures and a rebound in oil prices. Every sector index except consumer goods ended lower, with realty, autos and metals down about 1 per cent each. Shriram Finance was the biggest loser in the Nifty, falling 3.37 per cent, followed by Tata Motors Passenger Vehicles at 3.31 per cent. The market value of NSE-listed companies stood at ₹505.7 lakh crore at Friday's close.

Analysts say rate-sensitive sectors such as banks, property and cars could come under pressure if higher inflation pushes up bond yields. The test of the foreign buying will be whether it survives the RBI's December meeting and Nvidia's results on November 17.

Attacks on Saudi oil sites push crude back up and the rupee down

Brent climbed back towards $96 a barrel after strikes on Saudi energy infrastructure and tanker attacks near Hormuz. The rupee ended the week at 94.24 to the dollar.

BY ARNAV GOEL

Oil's slide ended this week. Brent crude, which had fallen sharply on hopes that the war in West Asia was winding down, climbed back towards $96 a barrel, and the rupee weakened with it.

On Monday, Brent closed at about $92.57 after President Donald Trump suggested the Iran war was effectively over. The mood changed on Thursday. Yemen's Iran-aligned Houthis said they had attacked a pumping station on Saudi Arabia's East-West pipeline, an oil facility in the Red Sea city of Yanbu and an Aramco building in Riyadh, Reuters reported. Iran's military said four tankers had been hit by explosions in the Strait of Hormuz; Reuters could not immediately verify that account. Brent settled at $95.82, up $3.06 or 3.3 per cent on the day.

WHY IT MATTERS FOR INDIA

India imports most of its crude, so the oil price feeds directly into the trade deficit, the rupee and inflation. Before the war with Iran began, the Strait of Hormuz carried nearly a fifth of the world's crude. On Friday, Mr Trump said he would not hesitate to resume military strikes on Iran, and Brent touched $96.76 during the day.

There were forces pulling the other way. Data from OPEC+ showed crude output rose in October, led by Saudi Arabia, and American inventories of crude, petrol and diesel increased last week, according to the Energy Information Administration.

THE RUPEE

The rupee closed at 94.24 to the dollar on Friday, down 21 paise from Thursday's 94.03. Higher crude prices and rising American Treasury yields weighed on it, offsetting record foreign buying of Indian shares. Overseas investors bought more than $8 billion of Indian equities in November and around $800 million of domestic debt, but expectations of a more hawkish Federal Reserve limited the currency's gains.

For the RBI, a weaker rupee and dearer oil arrive at an awkward moment: retail inflation has just crossed 6 per cent, and both feed into the prices of imported fuel and goods.

MARKETS

Sensex	81,592	+2.9%
Nifty 50	25,144	+2.5%
₹ per $	94.03	-0.5%
Brent	95.84	-2.5%
Gold	3,886	-4.6%

India

India in brief

Mahanadi Coalfields. Coal India has filed the red herring prospectus for the listing of its wholly owned subsidiary Mahanadi Coalfields with the Registrar of Companies, SEBI and the two exchanges. The issue will be an offer for sale by Coal India of up to 66.18 crore shares.

Paytm. The Reserve Bank of India has given in-principle approval for Paytm to operate a wallet. The shares hit a 52-week high and are up 49 per cent this year.

Bharat Electronics. The defence company has received orders worth ₹619 crore since its previous disclosure on November 6.

Hindalco. Its subsidiary Novelis has agreed to sell its China-based aluminium products and trading businesses to Shenzhen Hongzhi Industrial Investment for about $265 million. The deal is expected to close within 12 months, subject to approvals.

VA Tech Wabag. The Saudi Water Authority has cancelled the company's 300 million litre a day seawater desalination project, awarded in July 2025 and valued at about $272 million, for reasons the company attributes to the customer.

Kaynes Technology. Consolidated profit fell 61.9 per cent to ₹45 crore in the July to September quarter, against an estimate of ₹72 crore. Revenue rose 4.4 per cent to ₹952.5 crore, and the operating margin narrowed to 13.3 per cent from 16.5 per cent.

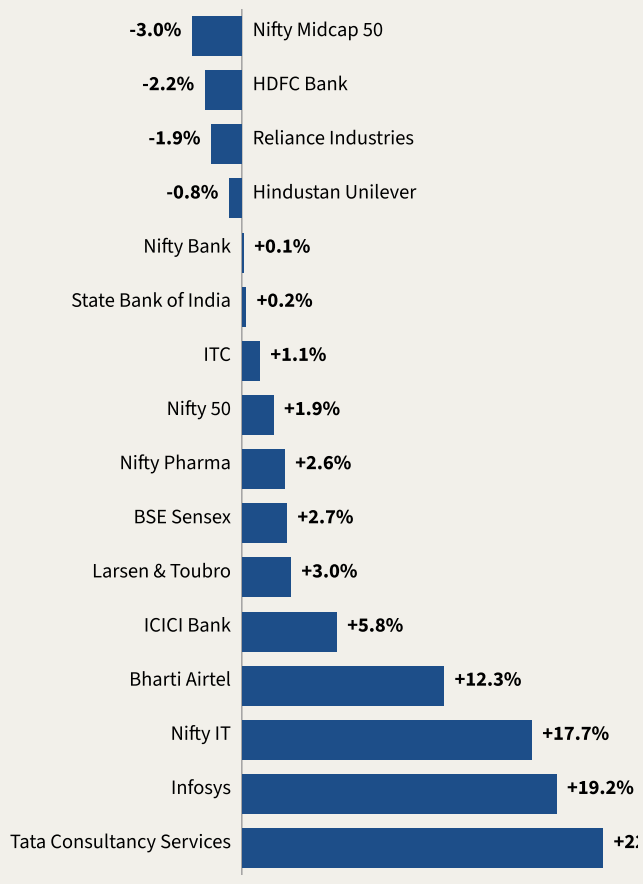
Texmaco Rail. The wagon maker won an order worth ₹362.85 crore from IVC Logistics for 464 wagons. Its order book stood at ₹10,940 crore at the end of September.

Max Estates. The developer has launched The Bungalows, a project in Sector 59 near Golf Course Extension Road in Gurugram, with an estimated gross development value of ₹4,000 crore.

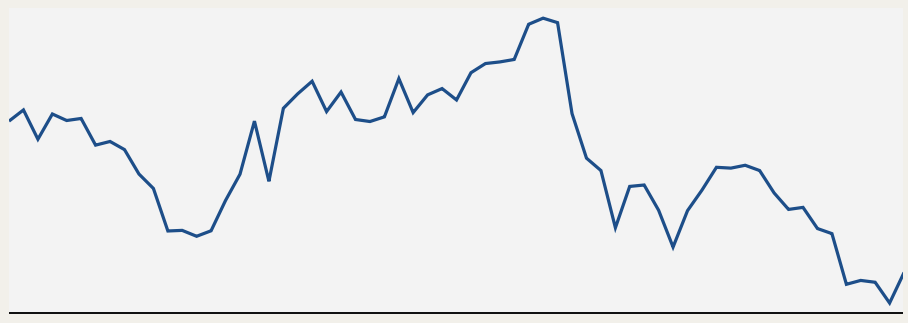
Easy Trip Planners. Revenue rose 33.9 per cent to ₹158 crore in the quarter, but the travel company swung to an operating loss of ₹1 crore and its net loss widened to ₹57 crore from ₹36 crore.

October in charts

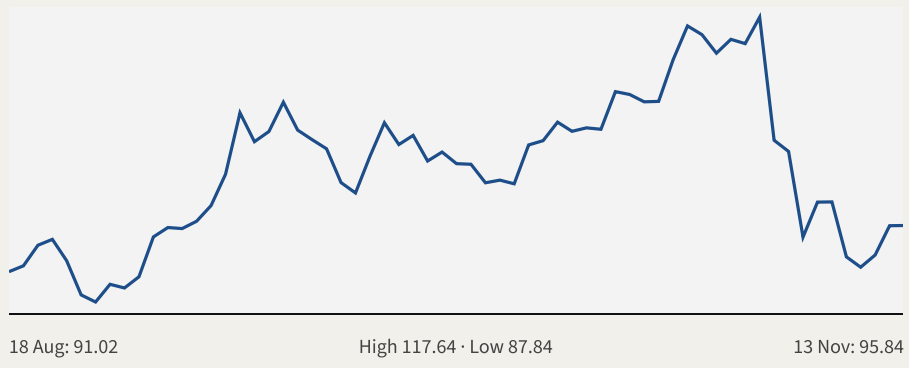
How Indian indices and leading shares moved over the month, and the rupee and oil prices behind them.



Rupee per dollar, last three months



Brent crude, $/bbl, last three months



Gold, $/oz, last three months

Economists now expect another rate rise in December

With inflation above 6 per cent and growth strong, a further quarter-point increase in the repo rate looks likely when the RBI meets on December 2 to 4.

BY ARNAV GOEL



The Reserve Bank of India building in Mumbai. SAILKO / CC BY 3.0

October's inflation figure has made a second rate rise in two meetings the most likely outcome when the Reserve Bank of India's monetary policy committee meets on December 2 to 4.

The RBI raised its repo rate, the rate at which it lends to banks, by a quarter of a percentage point to 5.50 per cent at its meeting on October 5 to 7, its first increase since 2023. It also changed its stance from neutral to what it called "calibrated tightening", a signal that more increases were possible.

WHAT ECONOMISTS EXPECT

Aditi Nayar of ICRA calls a quarter-point increase in December almost certain, given inflation above 6 per cent and economic growth likely to stay above 7 per cent in the July to September quarter. ICRA expects inflation to average about 6.2 per cent in the October to December quarter, above the 6 per cent the committee itself projected, with risks "tilted to the upside". She expects food and beverage inflation to stay above 8 per cent in November, with milk, sugar and onions adding pressure, and flags a deficient monsoon and weak reservoir levels as threats to the winter crop.

Madan Sabnavis of Bank of Baroda says the RBI could choose either a quarter or a half point. He notes that consumer-goods companies have begun raising prices and that the cost of mobile phones, televisions, vehicles and health care has risen, and he expects core inflation, which excludes food and fuel, to reach 4.5 per cent by the end of the year.

THE RULE THE RBI ANSWERS TO

Under India's inflation-targeting framework, the RBI must keep consumer inflation at 4 per cent, within a band of 2 to 6 per cent. It is deemed to have failed if inflation averages above 6 per cent for three consecutive quarters, after which it must explain in writing to the government why, and what it will do. One month above the line is far from that. But the committee will decide in December without seeing November's figures, which are due on December 14.

The path after December depends largely on oil, Ms Nayar says. Brent's rebound this week, to about $96 a barrel, is not what the committee would have hoped for.



An Ashok Leyland Ecomet truck. JAN HOFFMANN;CROPPED AND ADJUSTED BY UPLOADER MR.CHOPPERS / CC BY-SA 3.0

Record motorcycle sales, thinner margins

Eicher and Ashok Leyland grew revenue fast but saw margins shrink as costs rose. Tata Motors Passenger Vehicles narrowed its loss as Jaguar Land Rover recovered.

BY ARNAV GOEL

India's vehicle makers reported busy quarters this week, but higher costs ate into the gains.

EICHER MOTORS

Eicher, which makes Royal Enfield motorcycles, said consolidated net profit rose 15 per cent to ₹1,573 crore in the quarter to September, from ₹1,369 crore a year earlier. Revenue rose 20.3 per cent to ₹7,422 crore. Royal Enfield sold a record 376,722 motorcycles, about 15 per cent more than a year before.

The profit still missed analysts' estimate of ₹1,626 crore, as rising raw-material costs weighed. The operating margin slipped to 23.7 per cent from 24.5 per cent. Nomura called the results slightly below expectations and kept a neutral rating; Jefferies called them decent despite cost pressures and kept a buy rating. Nomura noted that capacity is due to reach about 1.8 million motorcycles a year by the January to March quarter.

ASHOK LEYLAND

The truck and bus maker's revenue rose 35.4 per cent to ₹17,030 crore, and its net profit rose 11.5 per cent to ₹843 crore, according to Business Standard. Another report put consolidated net profit at ₹891 crore, up 8.7 per cent. The gap between the two growth rates is the story: its operating margin shrank to 16.3 per cent from 19.4 per cent a year earlier, as employee and other expenses rose faster than sales.

TATA MOTORS PASSENGER VEHICLES

The car maker, which owns Jaguar Land Rover, reported a consolidated net loss from continuing operations of ₹5,451 crore, narrower than ₹6,368 crore a year earlier. Revenue rose 34 per cent to ₹96,920 crore, helped by a recovery in Jaguar Land Rover volumes and growth at home. Exceptional charges of ₹6,738 crore, mostly for employee separation and asset write-downs, pulled the result down. Its shares fell 3.31 per cent on Friday, the second-worst performance in the Nifty.

The pattern across the three is similar: demand is strong, but the costs of labour and materials are rising at a time when retail inflation has just crossed 6 per cent.



A mobile communication tower in Kakinada, Andhra Pradesh. ADITYAMADHAV83 / CC BY-SA 4.0

Vodafone Idea's loss widens as it raises more money; Tata Power's profit jumps

The third-largest telecoms operator raised ₹4,000 crore more and lifted revenue per user by 9.7 per cent, but still lost ₹5,975 crore. Tata Power's profit rose by a third or more.

BY ARNAV GOEL

Two very different balance sheets reported this week.

VODAFONE IDEA

Vodafone Idea, India's third-largest mobile operator, said its net loss widened to ₹5,975 crore in the quarter to September, from ₹5,524 crore a year earlier. Part of that came from a one-off loss of ₹462 crore on revaluing Vodafone Plc shares that the company receives over five years under a 2018 settlement.

The operating figures improved. Revenue rose 6.2 per cent to ₹11,884 crore. Earnings before interest, taxes, depreciation and amortisation rose 6.3 per cent to ₹4,981 crore. Average revenue per user climbed 9.7 per cent to ₹198, which the company said was the fastest growth in the industry.

The problem is the debt. The company raised another ₹4,000 crore during the quarter, taking the total for the first half of the financial year to about ₹10,500 crore, part of the ₹25,000 crore to ₹35,000 crore it is seeking from banks to pay for network expansion. For the first time it also granted 9.5 million stock options to employees, priced at ₹12.88 each. Its shares fell about 3 per cent after the results.

TATA POWER

Reports of Tata Power's profit differ. One put consolidated net profit for the quarter at ₹1,366.11 crore, up 48.6 per cent from ₹919.44 crore a year earlier. Another put consolidated profit after tax at ₹1,652 crore, up 32.7 per cent from ₹1,245 crore; the gap may reflect profit attributable to shareholders against the total. Either way, revenue from operations rose 26.32 per cent to ₹19,636 crore, from ₹15,545 crore.

The contrast is plain. Tata Power is growing revenue by a quarter a year. Vodafone Idea is growing too, but its customers are price-sensitive and its lenders want to see cash before they lend more. Its quarter showed progress that still does not cover its losses.

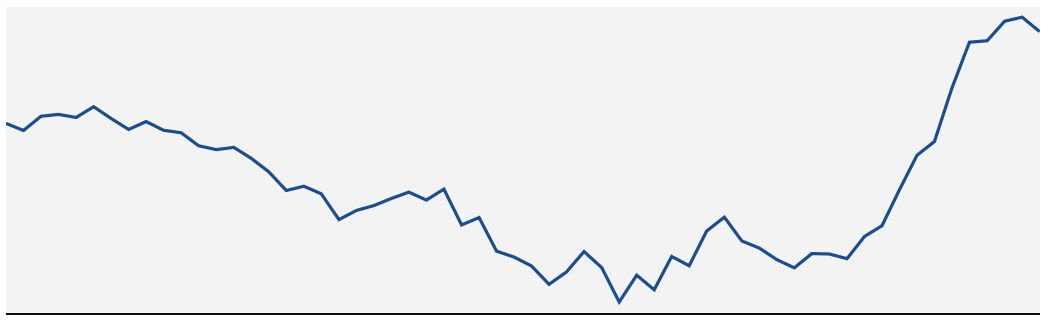
Indian Markets

Closing levels to Friday, November 13, 2026. Changes over five and 21 trading sessions. Source: Yahoo Finance.

	Last	Week	Month
INDICES			
BSE Sensex	81,592	+2.9%	+11.7%
Nifty 50	25,144	+2.5%	+10.7%
Nifty Bank	61,034	+5.6%	+10.0%
India VIX	15.50	-0.5%	+9.8%
SECTORS			
Nifty IT	31,931	-2.8%	+7.0%
Nifty Pharma	28,536	+3.4%	+9.4%
Nifty Midcap 50	17,877	+2.6%	+5.3%
RUPEE			
Rupee per dollar	94.03	-0.5%	-1.2%
Rupee per euro	103.85	-2.0%	-2.4%
Rupee per pound	124.42	-2.1%	-1.1%

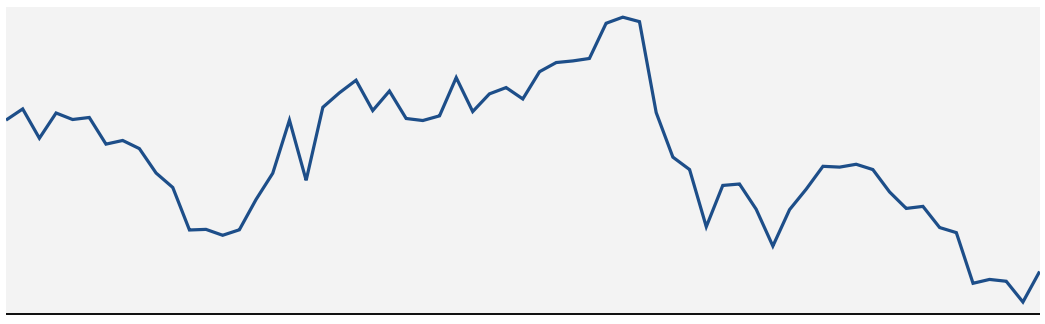
	Last	Week	Month
LEADING SHARES, ₹			
Reliance Industries	1,340	+2.0%	+14.8%
HDFC Bank	804.00	+5.8%	+12.6%
ICICI Bank	1,584	+5.6%	+16.4%
Bharti Airtel	2,106	+2.4%	+16.6%
Tata Consultancy Services	2,408	-3.5%	+6.1%
Infosys	1,142	-2.2%	+7.5%
State Bank of India	1,080	+7.3%	+12.9%
ITC	285.00	+2.2%	+9.2%
Larsen & Toubro	4,144	+2.3%	+12.8%
Hindustan Unilever	1,993	+0.5%	+6.3%

Nifty 50, last three months



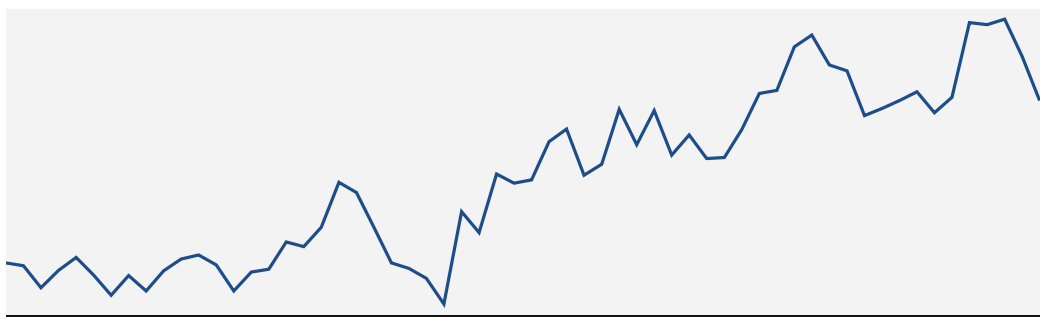
18 Aug: 24,155 High 25,299 · Low 22,232 13 Nov: 25,144

Rupee per dollar, last three months



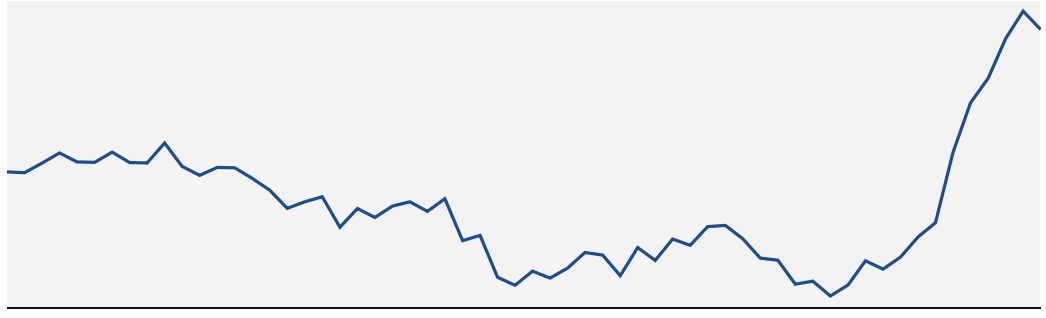
18 Aug: 95.69 High 96.82 · Low 93.70 13 Nov: 94.03

India VIX, last three months



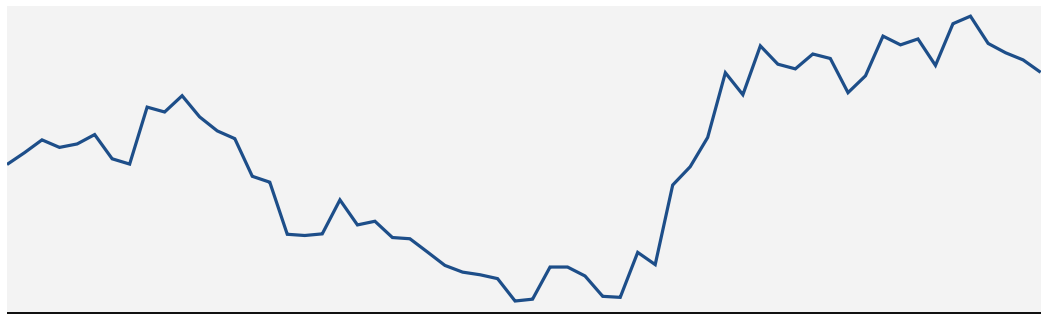
18 Aug: 11.39 High 17.56 · Low 10.35 13 Nov: 15.50

Nifty Bank, last three months



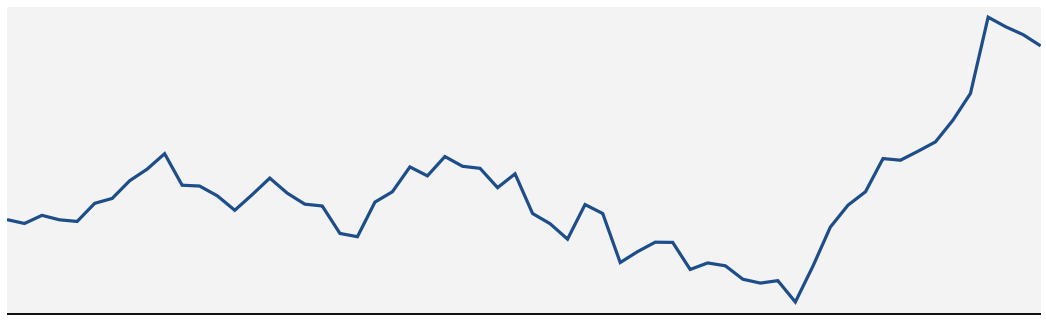
18 Aug: 57,262 High 61,518 · Low 53,975 13 Nov: 61,034

Nifty IT, last three months



18 Aug: 30,213 High 32,978 · Low 27,670 13 Nov: 31,931

Nifty Pharma, last three months



18 Aug: 26,362 High 28,896 · Low 25,329 13 Nov: 28,536

Opinion

Raise rates in December, and say why

October's inflation figure is not a vegetable story any more. The RBI should act before the shock settles into wages and menus.

It is tempting to read India's 6.09 per cent inflation rate as a story about onions. Onion prices have more than doubled in a year, and a bad harvest is not something a central bank can fix. That reading is comforting, and it is wrong.

Look past the vegetable stall. Eleven of the twelve divisions in the consumer price index sped up in October. Restaurant and hotel prices rose 10.06 per cent on a year earlier. Transport costs were up 5.84 per cent, and oil companies have little reason to cut pump prices soon. Consumer-goods companies have started raising their own prices. These are the signs of a shock that is spreading, not one that is passing.

The index also makes the case stronger than it looks. The new series gives food a weight of 36.75 per cent, down from 45.86 per cent in the old one. A food shock now has to be broad to push the headline rate past 6 per cent. This one was.

The Reserve Bank of India has already started. It raised the repo rate by a quarter-point to 5.50 per cent in October and said it would tighten in a "calibrated" way. The question for December 2 to 4 is not whether to continue but how clearly to say what comes next.

The arguments for waiting are real. The committee will not see November's figures until December 14. Oil could fall again. A strong rupee would help, and foreign investors are buying Indian shares at the fastest pace in nearly six years. But each of those is a hope, and the rupee has weakened this month, not strengthened. Brent crude ended the week back near $96 a barrel after attacks on Saudi oil sites.

A quarter-point rise in December is the minimum. The more important thing is what the RBI says alongside it. Households in rural India, where inflation is already 6.63 per cent, set their expectations by what they pay. If the central bank sounds relaxed about the first breach of its ceiling, those expectations will move, and they are harder to bring back than they are to anchor.

The committee should raise the rate, say plainly that it will keep raising it until the spread to restaurant prices, transport and consumer goods reverses, and stop treating onions as the whole story.

The week ahead

Tuesday, November 17. Nvidia reports quarterly results, its first since the announcement that Jensen Huang is stepping down as chief executive. Indian technology shares, which fell 3.2 per cent last week, will be watching.

Tuesday, November 24. Indian stock exchanges are closed for Guru Nanak Jayanti.

Looking further out. The RBI's monetary policy committee meets on December 2 to 4, and the US Federal Reserve on December 8 and 9. India's consumer price figures for November are due on December 14.

World

World in brief

American inflation. Core consumer prices in the United States rose 0.3 per cent in October. The report carried no annual rate because prices were not collected in October 2025 during the government shutdown. Fed governor Christopher Waller had said hours earlier that a core reading around 0.3 per cent or higher would mean a half-point rise "should be considered" in December. Dallas Fed president Lorie Logan said the Fed needs at least two more quarter-point increases. The two-year Treasury yield jumped 19.28 basis points to 4.74 per cent, on course for its biggest one-day rise since April 2025.

Gold and the dollar. Spot gold fell 2.3 per cent to $4,043.73 an ounce after the inflation data, while the dollar index rose 0.6 per cent to 102.29.

Anthropic. The artificial-intelligence company's share sale is set to value it at up to $1.4 trillion, slightly below some investors' expectations after a cooling of appetite for AI stocks.

Nvidia. Jensen Huang is stepping down as chief executive of the chipmaker. Brokers including Bernstein cut their price targets, and the turmoil weighed on Wall Street on Thursday.

Russia. Ukraine said its drones hit the port area of Ust-Luga on the Baltic Sea, starting a fire and damaging fuel tanks. The port is a major export outlet for Russian oil, oil products and grain.

An inflation report with no year in it

America's consumer prices rose 0.4 per cent in October and core prices 0.3 per cent, a third month at that pace. Because no index was compiled for October 2025, the report had no annual rate.

BY ARNAV GOEL · PUBLISHED ONLINE NOVEMBER 13



Parsley at 99 cents a bunch in a supermarket in Clearwater, Florida. MATTHEWHOOBIN / CC0

America's consumer prices rose 0.4 per cent in October, the Bureau of Labor Statistics reported on Tuesday. Economists polled by Dow Jones had expected 0.3 per cent. Core prices, which exclude food and energy, rose 0.3 per cent against a forecast of 0.2 per cent, the third month in a row at that pace. What the report did not contain was the number most people look for first. There was no annual inflation rate.

The gap is a leftover from last year. During the 43-day government shutdown, which ran from October 1 to November 12, 2025, the agency did not collect prices, and it never published a consumer price index for October 2025. Without a year-ago index there is nothing to compare October 2026 with, so the bureau published no 12-month change for either the headline or the core measure. The last official reading, for September, was 3.7 per cent overall and 2.6 per cent for core.

ESTIMATES IN PLACE OF A FIGURE

Forecasters filled the hole themselves, and they did not agree. Before the release, the median of estimates compiled by FactSet implied annual headline inflation of about 4 per cent and core of about 2.8 per cent. The Cleveland Fed's nowcasting model pointed to 3.7 per cent and 2.5 per cent. Both rest on guesses about what prices did in a month nobody measured. Any annual rate quoted this week is an estimate, and different firms reached different ones.

That shifts the weight onto the monthly figures, which are noisier and more easily distorted. October's headline gain is a case in point. Petrol got cheaper at the pump during the month, and before seasonal adjustment the gasoline index fell 0.7 per cent. Because prices normally fall further in October, the adjusted index rose 1.0 per cent. Shelter, up 0.3 per cent, accounted for more than 30 per cent of the overall increase.

The core number is less noisy, and it is the one that worried investors. Three consecutive monthly rises of 0.3 per cent, if sustained for a year, would compound to an annual rate of about 3.7 per cent, well above the Fed's 2 per cent target. "The oil shock has seeped into core," said Brian Jacobsen of Annex Wealth Management, quoted by Reuters.

A BIGGER REACTION TO A SMALLER NUMBER

Markets responded as if the monthly print carried the full weight of the missing annual one. Hours before the release, Fed Governor Christopher Waller had said in London that a core reading of around 0.3 per cent or higher would mean a half-point rise in interest rates "should be considered" at the Fed's meeting on December 8 and 9. When the figure landed exactly on his threshold, the two-year Treasury yield, which tracks expectations for the Fed, rose 19 basis points to 4.74 per cent, its biggest one-day jump since April 2025. Traders briefly priced a 10 to 15 per cent chance of a half-point move before the odds eased later in the day. The S&P 500 fell 0.71 per cent to 7,496.63.

Other officials pushed in the same direction. Lorie Logan, president of the Dallas Fed, said the central bank needs at least two more quarter-point increases. The Fed's policy rate now stands at 3.75 to 4.00 per cent, after it raised rates in September and held them in October.

Some of this sensitivity is rational. When the annual figure is unavailable, the Fed and investors have only the monthly flow to judge whether inflation is speeding up, and the flow says it is not slowing. But it means a single month, with its seasonal adjustments and quirks, now moves expectations more than it normally would. October's report did not tell markets much that September's had not. It arrived in a vacuum, and it filled it.

NEXT MONTH'S DISTORTION

The problem will not end with this release. The annual rate returns next month, when November 2026 can be compared with November 2025. But that base is itself suspect. Research published in February by economists at the New York Fed concluded that the November 2025 figures were unusual: many October prices were never gathered, and delayed collection meant some November prices were recorded late in the month, during heavy holiday discounting. That probably made the index artificially low.

An artificially low base makes the year-on-year change look larger than the underlying trend. So the annual rate published for November could overstate inflation, just as the disrupted data appeared to understate it a year ago. That figure is due on December 10, the day after the Fed's decision.

The Fed will therefore set policy in December on monthly data, estimated annual rates and a known distortion still to come. Oil, which fell to two-month lows this week, with Brent at $90.69 a barrel on Tuesday, offers some relief for headline prices. It does little for the core measure that the Fed is now watching month by month. With the usual yardstick missing, each of those monthly readings will matter more than it should.



The main entrance of the Federal Reserve Board building in Washington. TIM EVANSON / CC BY-SA 2.0

Poorer by the hour, richer by the payroll

Employers added 165,000 jobs in October, far more than forecast, while hourly pay fell behind prices for a sixth month. The two facts point the Fed the same way.

BY ARNAV GOEL · PUBLISHED ONLINE NOVEMBER 10

American employers added 165,000 jobs in October, the Bureau of Labor Statistics reported on Friday. Economists had expected about 62,000, and the figure beat all 79 forecasts in Bloomberg's survey. Hiring in August and September was revised up by a combined 84,000. The unemployment rate fell to 4.1 per cent from 4.2 per cent, even though 421,000 people joined the labour force. On Tuesday morning the government publishes consumer prices for October, and the two releases need to be read together, because they tell a story that looks contradictory and is not.

The contradiction is this. American workers are, on average, getting poorer by the hour. Average hourly earnings rose 3.1 per cent in the year to October. Consumer prices rose 3.7 per cent in the year to September, the latest figure available. After inflation, the Associated Press noted, hourly pay fell 0.7 per cent in September, the sixth straight month of decline on that measure. Voters said as much on Tuesday, when they handed both houses of Congress to the Democrats. Yet the Federal Reserve, which is supposed to worry about weak demand as well as high prices, is more likely to raise interest rates in December after this report than before it.

PAYCHECKS AND PAYROLLS

The answer lies in the difference between a wage and a wage bill. A household's spending depends not only on what each worker earns per hour but on how many people in it are working and for how many hours. On that measure the picture is different. Total take-home pay of private-sector workers, which multiplies jobs by hours by pay, rose 0.47 per cent in October and 4.46 per cent from a year earlier, the fastest since January, according to an analysis of the report on TheStreet. That is still only about 0.7 per cent ahead of inflation, but it is ahead.

So the economy is generating more income in total even as each hour of work buys less. More people are working, which offsets thinner pay per hour. The household survey, a separate and noisier count, showed 463,000 more people in work in October, its third large gain in a row. Over the past three months payrolls have risen by an average of 137,000, against 48,000 a month over the previous 12.

For the Fed, aggregate income is what matters. Spending is financed by total pay, not by the average hourly rate, and spending is what pushes prices up. An economy in which real wages per hour are falling but employment is rising can keep demand strong enough to sustain inflation. That is consistent with the economy the Fed described on October 28, when it upgraded its assessment of growth and two of its officials voted to raise rates rather than hold them.

THE CRACKS IN THE REPORT

The report was not uniformly strong. The number of people working part time because they could not find full-time work jumped by 339,000, pushing the broadest measure of underemployment up to 7.9 per cent from 7.6 per cent. The median spell of unemployment was the longest since November 2021. Hotels, restaurants and bars cut 10,600 jobs, which is what one would expect when customers are squeezed. Economists have described a "low-fire, low-hire" market in which those with jobs keep them and those without struggle to find one.

It is also true that America needs fewer new jobs than it used to. Retirements and lower immigration mean slower growth in the number of people looking for work, so a smaller monthly gain is enough to stop unemployment rising. That makes 165,000 more impressive, not less.

WHAT TUESDAY HAS TO SHOW

Economists expect consumer prices to have risen 0.3 per cent in October, after 0.6 per cent in September, leaving the annual rate around 3.7 per cent. Core prices, which exclude food and energy, are expected to rise 0.2 per cent. Oil fell sharply last week, but most of that came in November and will

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The Nasdaq MarketSite in Times Square, New York. AJAY_SURESH / CC BY 2.0

The AI boom now runs on borrowed money

The Nasdaq had its worst day since April 2025 as chipmakers slumped. The bigger change is in how the build-out is paid for: from profits to borrowing.

BY ARNAV GOEL · PUBLISHED ONLINE NOVEMBER 8

The Nasdaq Composite fell 5.52 per cent on Thursday, to 24,315, its worst day since April 2025. The S&P 500 lost 4.36 per cent and the Dow more than 1,800 points. Chipmakers led the rout: Nvidia fell 9.3 per cent, a loss of almost $450bn in market value, AMD 17.3 per cent and Micron about 17.5 per cent. An exchange-traded fund of semiconductor shares dropped 12 per cent, its worst day since March 2020. The Nasdaq ended the day 11.9 per cent below its record close of October 6, which puts it in what traders call a correction.

The trigger was mundane. Qualcomm gave a weaker forecast than expected. But a disappointing outlook from one phone-chip maker does not normally take $3trn off the S&P 500, as Reuters estimated. Something larger changed in how investors price the build-out of artificial intelligence, and it is visible in the accounts of the companies doing the building.

FROM CASH TO CREDIT

For most of this boom the biggest spenders paid for data centres out of their own profits. That made the question for investors a simple one: would the spending earn a decent return? It did not much matter what interest rates were, or who controlled Congress, because no one needed to borrow.

That is no longer true everywhere. Alphabet spent $51.3bn on capital projects in July to September, up from $44.9bn three months earlier, according to its results on October 28. Its free cash flow, the cash left after that spending, was minus $9.1bn, the second negative quarter in a row. To fill the gap it issued $28.7bn of senior unsecured debt and raised $12.4bn by selling shares into the market. It expects capital spending of up to $205bn this year and a significant increase in 2027. Meta, which reported on October 21, also had negative free cash flow, of $2.12bn.

Microsoft shows the other path. It spent $45.2bn in its latest quarter and expects more than $50bn in the next, yet still generated $18.6bn of free cash flow. Its backlog of signed commercial contracts rose 73 per cent to $677bn. It is building capacity that customers have already agreed to pay for.

The difference matters because a boom financed by borrowing behaves differently from one financed by profits. Once the spending depends on debt and new shares, it depends on the price of debt and shares. The ten-year Treasury yielded 4.95 per cent on November 3, close to levels last seen in 2007. The Federal Reserve raised rates in September and markets now put the chance of another rise in December at about three in four. Every point on the cost of capital is a point off the return on a data centre that will take years to fill.

WHY THE ELECTION MATTERED

Tuesday's vote added a second risk. Democrats won both houses of Congress, and in Texas, Gina Hinojosa, who campaigned for a pause on new data centres, won the governor's race. Data centres need land, power and water, and local opposition to all three has been growing. Investors began to ask whether permits and grid connections would arrive as quickly as the spending plans assume.

That explains the pattern of the losses. The biggest falls were not at the companies with the largest AI revenues but at their suppliers: makers of chips, memory and chip-making equipment, and GE Vernova, which sells power equipment to data centres and fell 7.5 per cent. A supplier's sales depend on the timing of its customers' capital spending. If a project slips by a year, the customer's revenue barely changes, but the supplier loses a year of orders. Intel showed how little good news helps: its data-centre revenue rose 78 per cent, yet its shares fell on a weak forecast.

Continued

Poorer by the hour, richer by the payroll

Continued

not appear until next month's figures.

After Friday's report, market pricing put the chance of a rate rise at the Fed's meeting on December 8 and 9 at between 74 and 80 per cent. A soft inflation figure on Tuesday would lower those odds, but probably not by much, because the jobs data have removed the Fed's main reason to wait. A strong one would make the rise close to certain.

The uncomfortable conclusion is that the Fed may tighten into an economy where most workers feel poorer. That is not a paradox. Rising employment with falling real hourly pay is what an inflationary economy looks like from the inside: there is enough demand to hire, not enough productivity to pay more per hour, and prices absorb the difference. Raising rates will not make paychecks bigger. It is meant to stop prices running further ahead of them.

The AI boom now runs on borrowed money

Continued

NOT A COLLAPSE IN DEMAND

None of this means AI demand is fading. Google Cloud's revenue rose 103 per cent to $30.71bn in the quarter. Microsoft's Azure grew 48 per cent. Customers are buying. The question the market has started to ask is narrower and more financial: whether revenue will arrive fast enough to service the debt that now funds part of the build-out, at interest rates that are higher than when the plans were drawn up.

That is a question about duration. A company that borrows today to build capacity that pays off in five years is making a long-dated bet, and long-dated bets lose value when rates rise or the payoff is delayed. Shares of chip suppliers had been priced as if the spending path were fixed. Thursday was the market admitting that it is not.

Prices recovered a little on Friday, when the Nasdaq rose 1.1 per cent. The next tests come quickly. CoreWeave, which rents out AI computing capacity, reports on Tuesday. Cisco and Applied Materials report on Thursday. Investors should watch less what these companies say about AI demand and more what they say about free cash flow, financing and delivery dates. The boom's biggest risk is no longer that nobody wants the product. It is that the bill for building it arrives before the revenue does.

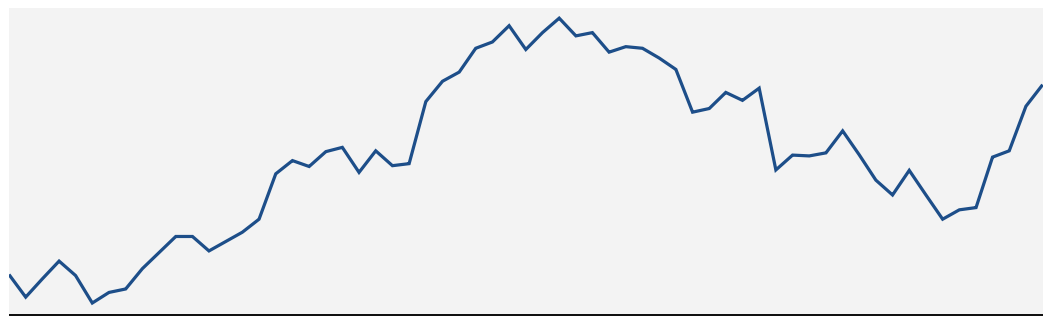
World Markets

Closing levels to Friday, November 13, 2026. Changes over five and 21 trading sessions. Source: Yahoo Finance.

	Last	Week	Month
GLOBAL STOCKS			
S&P 500	7,562	+2.5%	-2.4%
Dow Jones Industrials	52,348	+2.1%	+0.3%
Nasdaq Composite	25,136	+2.3%	-5.9%
FTSE 100	10,903	+2.1%	+0.6%
Nikkei 225	61,142	+6.5%	-9.7%
Hang Seng	23,638	-3.4%	-2.8%
COMMODITIES			
Brent crude, $/bbl	95.84	-2.5%	-9.5%
WTI crude, $/bbl	88.56	-2.5%	-9.6%
Gold, $/oz	3,886	-4.6%	-6.8%

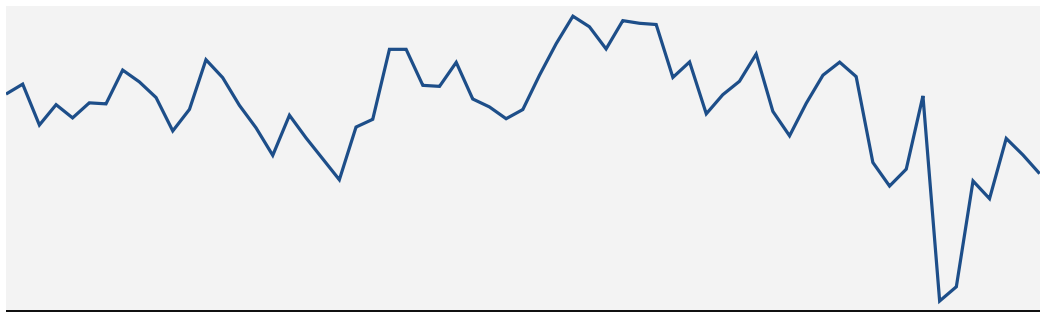
	Last	Week	Month
US RATES			
US 3-month bill, %	4.12	+12bp	+3bp
US 5-year Treasury, %	4.98	+33bp	+8bp
US 10-year Treasury, %	5.15	+29bp	+6bp
US 30-year Treasury, %	5.48	+22bp	+5bp

US 10-year Treasury, %, last three months



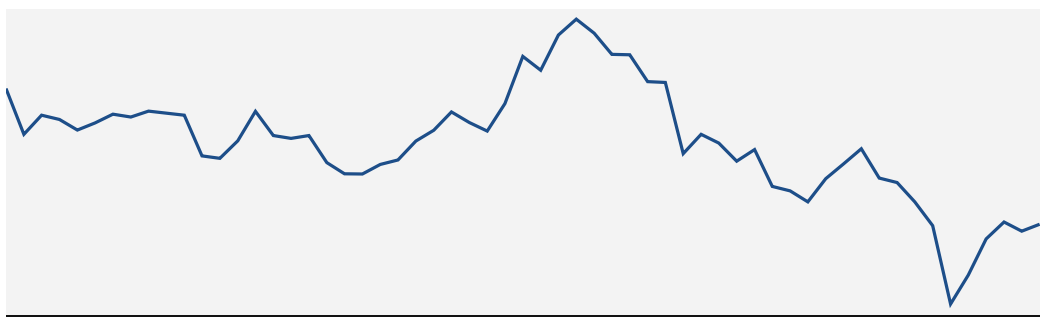
18 Aug: 4.71 High 5.31 · Low 4.64 13 Nov: 5.15

S&P 500, last three months



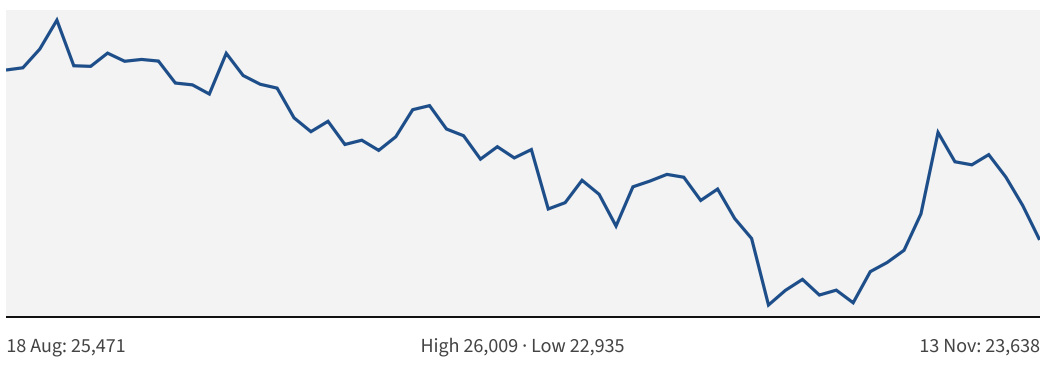
18 Aug: 7,692 High 7,819 · Low 7,354 13 Nov: 7,562

Nikkei 225, last three months



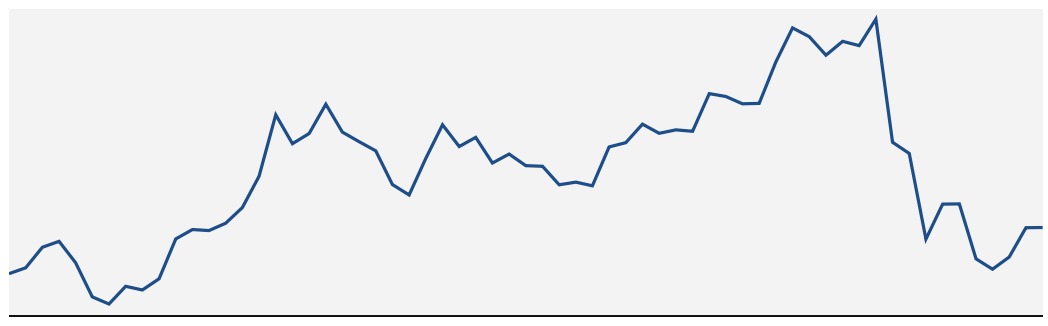
18 Aug: 67,461 High 70,684 · Low 57,435 13 Nov: 61,142

Hang Seng, last three months



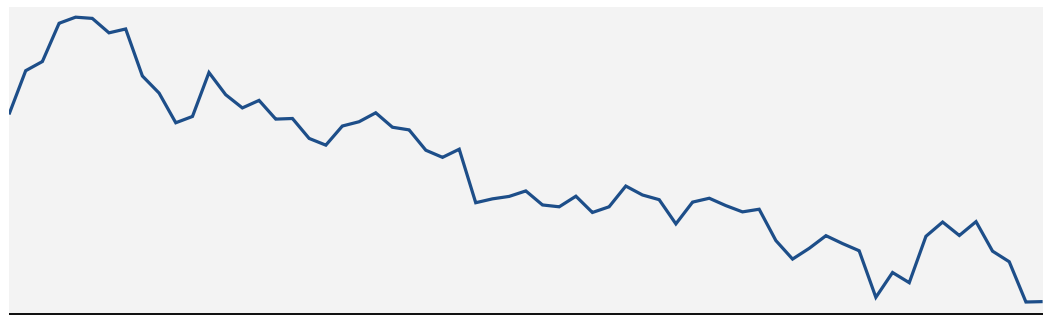
18 Aug: 25,471 High 26,009 · Low 22,935 13 Nov: 23,638

Brent crude, $/bbl, last three months



18 Aug: 91.02 High 117.64 · Low 87.84 13 Nov: 95.84

Gold, $/oz, last three months



18 Aug: 4,421 High 4,698 · Low 3,885 13 Nov: 3,886