FROM THE GLOBAL NETWORK TO THE DIGITAL FACTORY

Financial markets closed November in a climate of composed uncertainty, suspended between conflicting macroeconomic signals, not always complete and clear data on the real economy and a structural transition at the very heart of the Western technological model. On average, the stock markets recovered at the end of November (usually a positive month), after the largest drop since April. The European economy is still struggling to gain momentum. Although the *sentiment* index for the eurozone improved slightly in November, at 97 points it remains below the long-term average of 100. As much economic data was delayed or not released at all due to the *shutdown* in the United States, the Federal Reserve's Beige Book, released on Wednesday, November 26, received more attention from investors. The twelve districts scrutinized by Jerome Powell's institute have recorded little substantial change in economic activity, with a slight decline in employment and moderation in consumption. Tariffs are increasing costs in manufacturing and retail. Nevertheless, the inflation report remained unchanged or moderate.

All this was enough for the market to convince itself that the Fed is ready to cut its benchmark rate by 0.25%, for the third time in a row, at its next meeting on December 10th, with a probability that has risen to 80% after touching 40% during the month. The door to three further cuts in 2026 has reopened after being ajar in the first part of November. In an environment where debt is increasing both at the corporate level, due to investments in artificial intelligence (AI) and at the state level, interest rate developments and liquidity in the markets are crucial for the stability of the entire financial framework. The markets have decided to give more credence to Donald Trump's grievances, for whom the Fed is always late, than to economic data that does not yet outline a clear path. Durable goods orders rose in September more than the previous month

and more than analysts expected. Initial weekly jobless claims were lower than expected and, unlike the Beige Book, do not signal any weakness in the labor market. These indications have not been able to dampen the desire for *the Bull market* that the US president likes so much.

The S&P 500 rose to 6,849 points, closing the month almost unchanged and recovering 3.3% in the last week (+16.45% since the beginning of the year), the Nasdaq was unable to recover all the losses of the month (-1.51%), but in five sessions it has scored +4.91% and since the beginning of the year it still marks a +21%. European indices, precisely because they were less affected by technology, suffered less significant losses during the month and closed essentially at parity. Switzerland performed well, after indications of a lowering of tariffs from 39% to 15%, with the SMI rising by 4.9% in the month (+10.6% since the beginning of the year), thanks also to the consistent gains of heavyweights such as Roche, Novartis, Richemont and Alcon. Technology and geopolitics seem to orient the markets while keeping the United States at the center. It is no coincidence that among the losers in November are the Korean Kospi (-4.4% in the month, +63.6% since the beginning of the year), Taiwan (-2.1%, +19.93% since the beginning of the year), Japan (Nikkei, -4.4%, +26% since the beginning of the year) and China (Hong Kong, -0.18%, +28.9% since the beginning of the year; CSI300, -2.46%, +15% since the beginning of the year), which in addition to suffering tariffs must show the path it intends to take to support its growth promises.

While the surface of the markets seems relatively stable, deep currents tell a more complex story. The first concerns the most debated topic of the month: the risk of a bubble in artificial intelligence. In October, the main technology indices had reached new highs; in the following weeks, profit-taking arrived, especially in technology-intensive lists such as the SOX, the semiconductor index, which gave up 2.8%, despite a recovery of 9.5%. It is in this context that two questions that agitated the markets in the first half of November have resurfaced: to what extent can AI continue to grow without generating imbalances? And what happens if the Federal Reserve decides to delay rate cuts longer than expected?

Both questions have the same root: AI costs are rising much faster than profits. For years, the dominant narrative, summarized by Jeremy Rifkin[1], has been that of the "zero marginal cost society": digital platforms with decreasing costs, scalable businesses, minimal initial investments compared to potential growth. But the new AI infrastructure does not resemble that theoretical promise: the heart of the current revolution is not the lightness of bits, but the weight of megawatts.

Hyperscalers – Microsoft, Google, Amazon, Meta, etc. – are in fact investing in *cloud infrastructure* and computational capacity at levels never seen in the history of the sector. The most recent data show aggregate fixed capital expenditures (*CapEx*) towards $400 billion in 2025, set to rise to over $500 billion in 2026, with total investment projections of $3 trillion by the end of the decade. It is an industrial spiral with classic contours: building, financing, amortizing and hoping that final demand will be able to sustain the cycle. NVIDIA's rising inventory days – on the rise, but still at non-worrisome levels – and the continued expansion of the *CapEx*/revenue ratio of *hyperscalers* have become the most watched signals by investors, because they show that "perpetual motion machine" AI may not be so perpetual after all if monetization does not accelerate.

In many ways we are entering an industrial revolution closer to that of the nineteenth century than to the age of the internet. AI is not an intangible application: it requires physical infrastructure, rare earths, advanced semiconductors, power grid, cooling, billion-dollar *data centres*, and an increasing amount of energy. All this must be financed and amortized. Until a few years ago, large tech companies had abundant cash and did not need to plan amortization cycles. Today they must do so, and the markets are starting to demand an account of this more "material" transformation than expected.

It is precisely this fear – the idea that we have moved from a model of diminishing marginal costs to one that requires heavy and constant investment – that triggered

[1] Jeremy Rifkin, *The Zero Marginal Cost Society, The Internet of Things, the Rise of the* Collaborative Commons *and the Eclipse of Capitalism*, Mondadori, Milan 2014.

the market correction in the early part of November.

The other concern came from the monetary front: the fear that the Fed could postpone the start of the cutting cycle. Ten-year Treasury yields have also fallen below 4%, signalling that the market no longer wants to believe in the possibility of further hikes, but uncertainty remains high. The Fed's minutes did not provide clear guidance, and to further complicate the picture, a full month of macroeconomic data, skipped during the government shutdown, is missing. The central bank is therefore navigating more visually than usual, in an economy where productivity is accelerating, but employment is slowing down precisely because of AI. The risks that liquidity, while still at its highest (M2), could decrease, increased in the month. Bank reserves in the United States have fallen below the $3 trillion mark. It is an early sign of shrinking conditions. However, the Fed is clearly aware of these pressures and is preparing to pause *Quantitative Tightening* (*QT*) in December. In other words, November works as a transition month, and liquidity should start to ease once QT is stopped.

This is the contradiction that will accompany 2026: deglobalization continues to exert inflationary pressures, while artificial intelligence pushes in the opposite direction. The first increases costs, the second reduces them. The former requires more labor and more regulatory capital, the latter requires less. The former fragments value chains, the latter compresses them. It is their interaction that determines interest rate expectations: investors are betting that the deflationary effect of AI will prevail, allowing the Fed to continue cutting in 2026. But, this same dynamic puts pressure on the labor market, fuelling a fragility that the central bank cannot ignore.

In this scenario, the markets continue to rise more due to the lack of bad news than the presence of good news. Europe slows down, the United States fluctuates, China remains weak, but none of the indicators observed by large investors point to an imminent risk: the semiconductor cycle remains expanding; US productivity surprises to the upside; global liquidity still appears ample, neither the dollar nor the yen behave as safe-haven currencies. Everything suggests that the real inflection

point has not yet arrived. And that, barring some tactical corrections - especially if there is no discounted rate cut on December 10 or if the Fed is cautious about future steps - at least until the first and perhaps second quarter of next year, the markets should continue their course. Then, the path could get complicated.

Against the light, we can see a profound transformation: we are moving from the light internet to the heaviness of AI, from rising margins to *capital intensive* costs, from the spirit of Rifkin to the concreteness of a new industrial cycle. The markets have understood this, but they have not yet fully priced it in. 2026 could be the year in which the two logics – that of the global network and that of the digital factory – really meet. And it will be in that meeting that it will be decided whether this decade will continue to be "roaring", as the famous Wall *Street strategist* Ed Yardeni has long written, or if it will begin to resemble something else.