Six Minute Strategy

Blue wave, silver linings: markets and the midterms

November 2026



Marketing communication

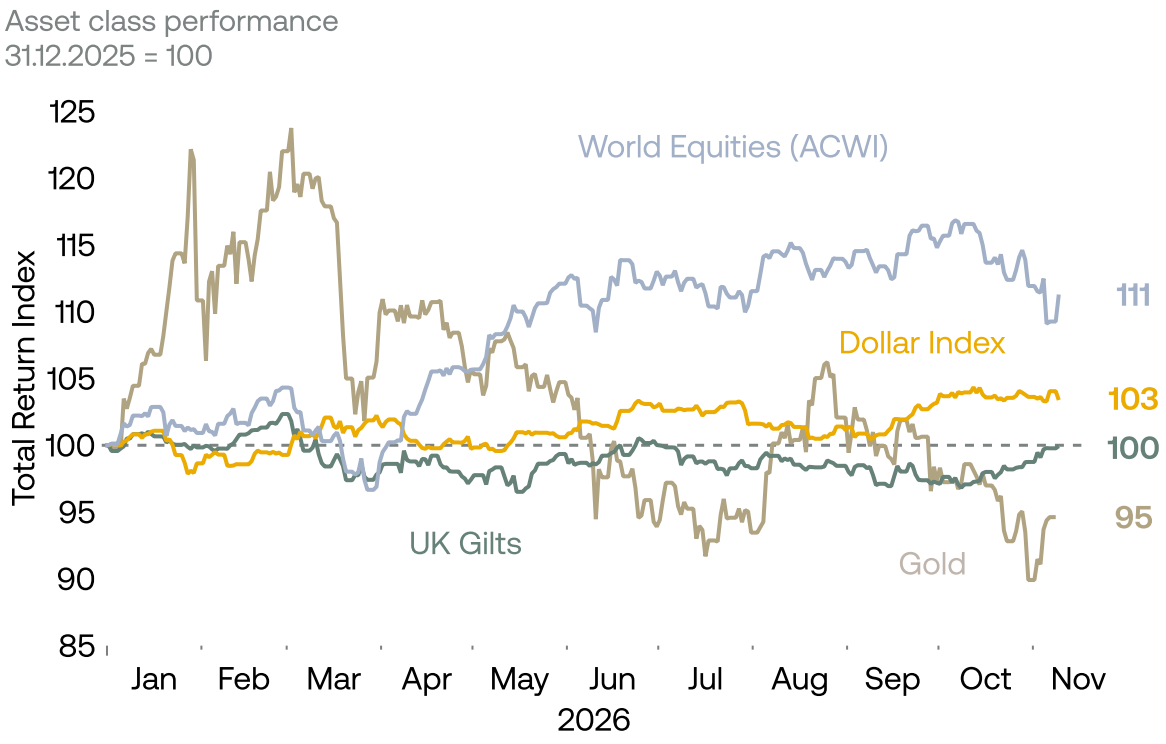
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Global equity and asset class performance

Equities still lead returns in 2026 as markets stabilise

Equities still lead asset class returns despite the recent sell-off



Source: Macrobond, 10.11.26

Past performance is not a reliable indicator of future results and may not be repeated.

Implications of the midterms for markets:

— The recent equity drop post midterms had the hallmarks of a short, disorderly unwind

— Equity volatility (VIX) rose sharply post the results but has normalised in the past few days

— The electoral result was a rebuke of President Trump rather than a vote for the Democrats' progressive policies

1. US midterm election results: likely impact

A historic shift in the popular vote for the President's party

Year	President	House vote: president's party margin (pp)
1946	Harry S. Truman	–9.2
1950	Harry S. Truman	0.0
1954	Dwight D. Eisenhower	–5.1
1958	**Dwight D. Eisenhower**	**–11.9**
1962	John F. Kennedy	5.0
1966	Lyndon B. Johnson	2.5
1970	Richard Nixon	–8.5
1974	**Gerald R. Ford**	**–16.6**
1978	Jimmy Carter	8.7
1982	**Ronald Reagan**	**–11.9**
1986	Ronald Reagan	–9.9
1990	George Bush	–7.9
1994	William J. Clinton	–7.0
1998	William J. Clinton	–0.9
2002	George W. Bush	4.6
2006	George W. Bush	–6.4
2010	Barack Obama	–6.6
2014	Barack Obama	–5.1
2018	Donald J. Trump	–8.7
2022	Joseph R. Biden, Jr.	–2.6
2026	**Donald J. Trump**	**–12.0**

Source: The American Presidency Project (University of California, Santa Barbara) and Brookings Institution, 09.11.26

Higher deficit spending

— Gridlock followed by narrow alignment

Blockbuster growth in AI capex to moderate

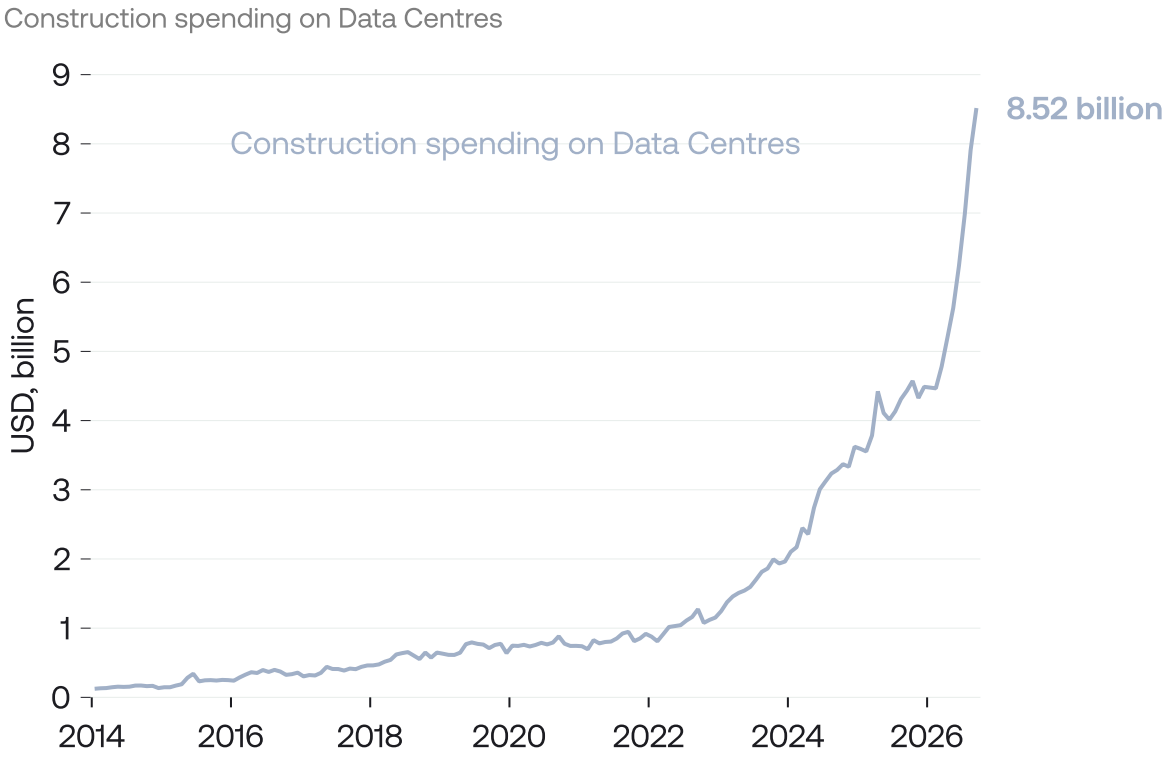
— Federal regulation of AI unlikely

— State and local initiatives to pace AI data centre build-out

2. Implications for the AI economy

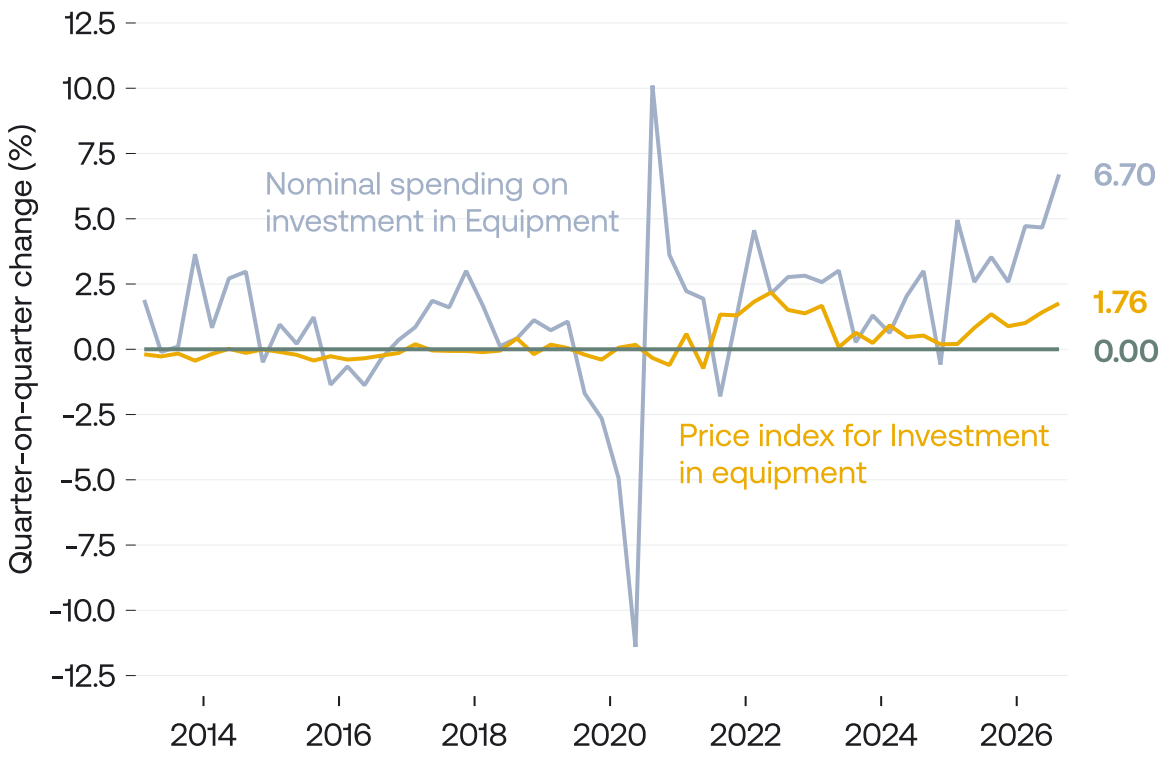
Lower AI capex may be positive if it balances growth and inflation

Data centre construction doubles in nine months



Source: Macrobond, 10.11.26

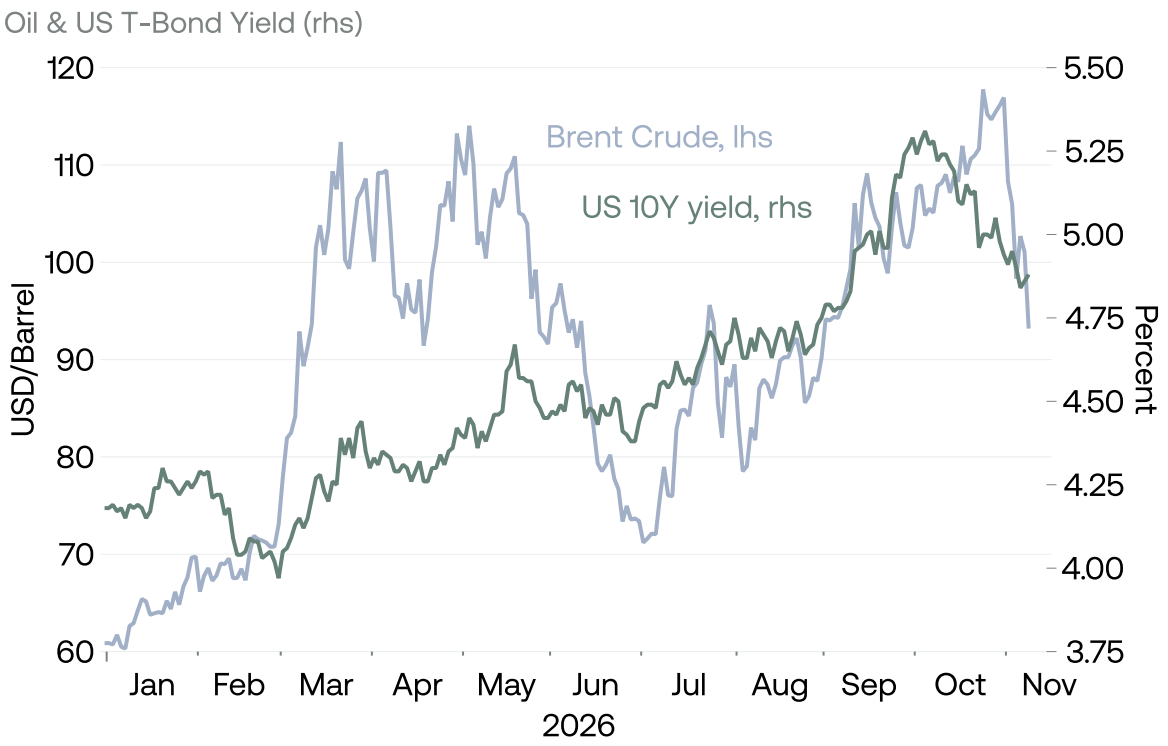
Rapid pace of AI capex has been a key source of inflation – this will likely moderate



Source: Macrobond, 10.11.26

3. Iran risk may already be falling

Sharp decline in oil prices is helping bond markets



Source: Macrobond, 10.11.26

Blue wave reduces the tail risks of a material escalation in Iran:

— The country delivered a resounding message against the war and tariffs – any Republican standing for re-election in 2028 would have to be foolhardy to support a further escalation

— The Democrats are likely to end up with 55/56 seats in the Senate – so could 11 Republicans join them to enforce the War Powers Act? Not impossible arithmetic

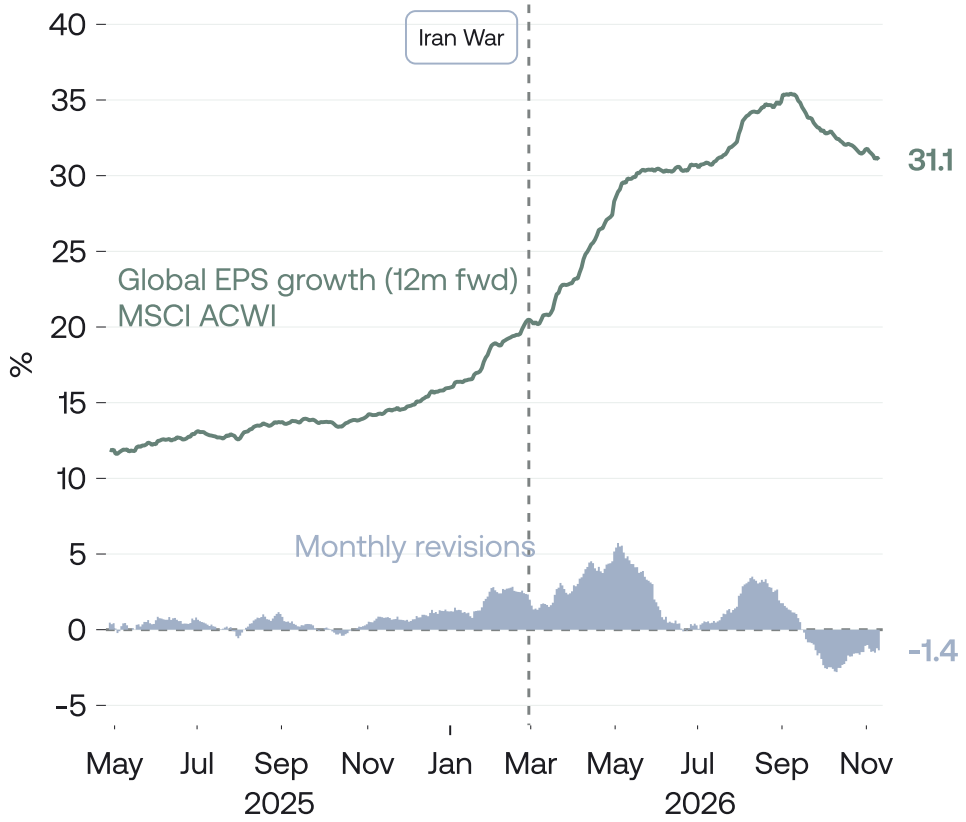
— Bond yields have fallen in lock-step with oil as inflationary fears lessen

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4. Profit outlook

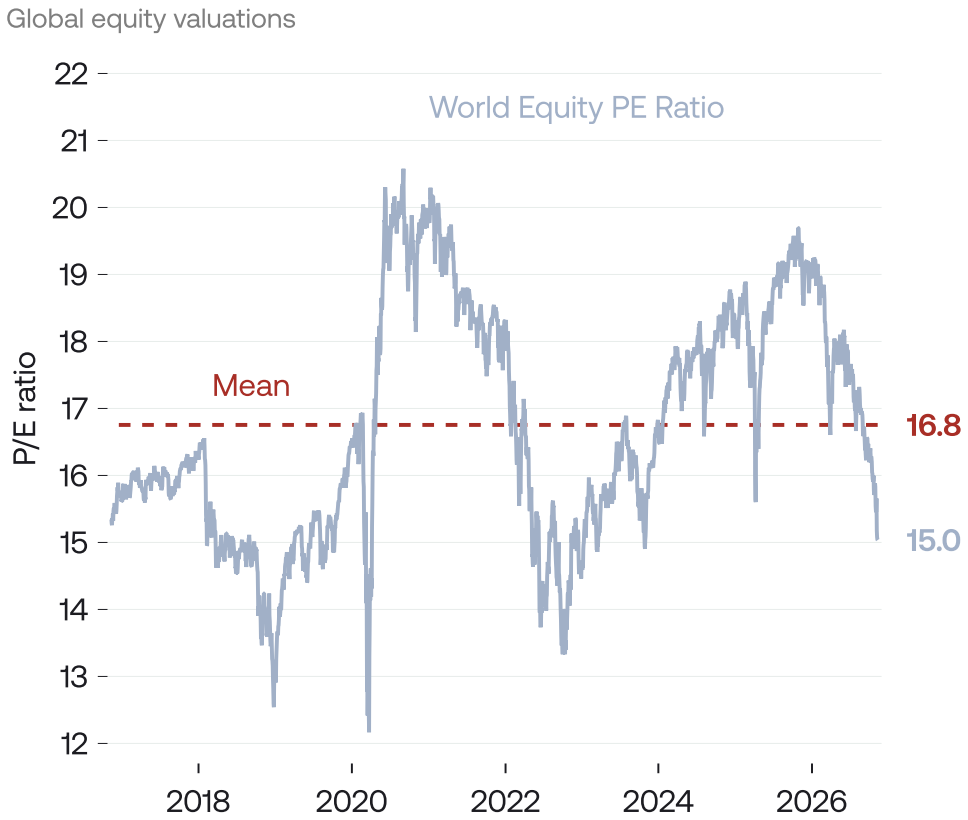
Still overweight: robust earnings – valuations less challenging

Earnings strong despite revisions turning modestly lower



Source: Macrobond, 10.11.26

Equity market valuations decline as profits surge



Source: Macrobond, 10.11.26

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