GLOBAL
Insight
WEEKLY

RBC Wealth Management

Perspectives from the Global Portfolio Advisory Committee

November 5, 2026

Election reflections: The midterms and what really matters for markets

Kelly Bogdanova – Scottsdale

The midterm elections upended American politics, but when it comes to the stock market, it's important to remember that elections come and go. We look at what could change and what may not for the investment landscape, and four factors that we believe matter more to the U.S. equity market's medium- and long-term performance than elections.

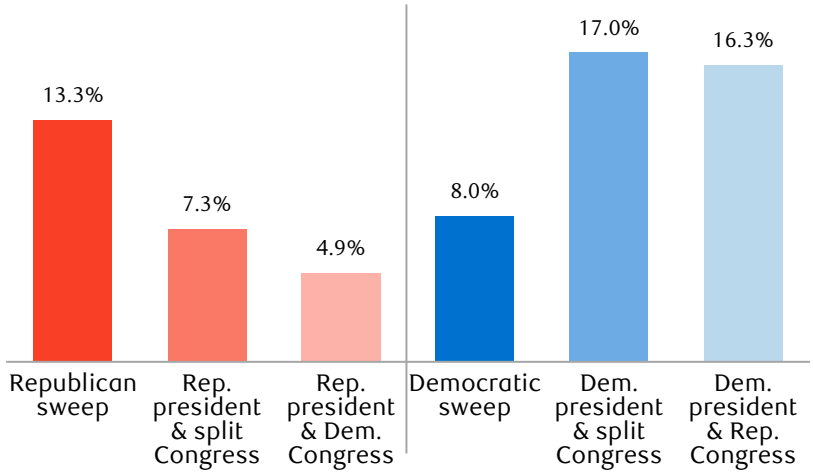
The post-mortem of the midterm elections—what went spectacularly right for Democrats and what went horrendously wrong for Republicans—will likely go on until the run-up to the presidential election primaries in early 2028, if not longer.

There are already major disagreements within both political parties and inside the Trump administration about why the Democratic Blue Tsunami occurred and how to proceed.

Regardless of how we got here, the historical performance data debunks the adage repeated by many on Wall Street the day after the election that "the market always loves gridlock in Washington."

Divided government has indeed coincided with well above-average returns in some scenarios, but not the one the market is facing. The chart at right shows that the stock market lagged the most when a Republican president and Democratic Congress have shared the levers of power.

Average annual S&P 500 returns since 1953 by party control



Source - RBC Wealth Management, Bloomberg; data through 12/31/25; data based on price returns and does not include dividends

For perspectives on the week from our regional analysts, please see pages 5–6.

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For important disclosures, required non-U.S. analyst disclosures, and authors' contact information, see page 8.

Priced (in USD) as of 11/4/26 market close (unless otherwise stated). Produced: 11/5/26, 15:29 ET; Disseminated: 11/5/26 15:35 ET

Is U.S. stock market underperformance in this scenario a fait accompli for the next two years?

The good news is that the sample size of the above data is too small to be predictive or "statistically significant," and there is wide variation in returns in the categories.

While it's prudent for investors to consider the historical track record, we think it's most relevant to focus on:

- Potential policy and legislative changes—if any—that could impact the U.S. stock market in the next two years;
- How RBC Capital Markets industry analysts view the new political party configuration; and
- What matters more to stock market performance than elections.

What could change and what may not

RBC Global Asset Management Inc.'s Chief Economist Eric Lascelles views the election outcome as slightly negative for U.S. economic growth and the stock market. But he points out the results may modestly constrain inflation and bond yields.

Lascelles also notes the following:

- The White House retains firm control of tariffs, foreign policy, and immigration through executive authority. These policies will not be significantly altered by the new Congress.
- In the next two years, there is diminished scope for fiscal stimulus—which normally boosts economic growth.
- But there could be limited scope for fiscal measures to support lower- and middle-income households, though this is merely an upside risk rather than a forecast.
- While the Democrats have historically been the less business-friendly political party, concerns about the risk of major Democrat-led tax hikes seem overblown.
- Congressional Democrats and President Donald Trump could partner to lower prescription drug prices as both have supported this in the past.
- Republican deregulation efforts—of greatest benefit to the financial and energy sectors—may be slowed but not necessarily halted altogether. Thus far during the Trump administration, much of this has been happening through executive orders rather than legislative actions.

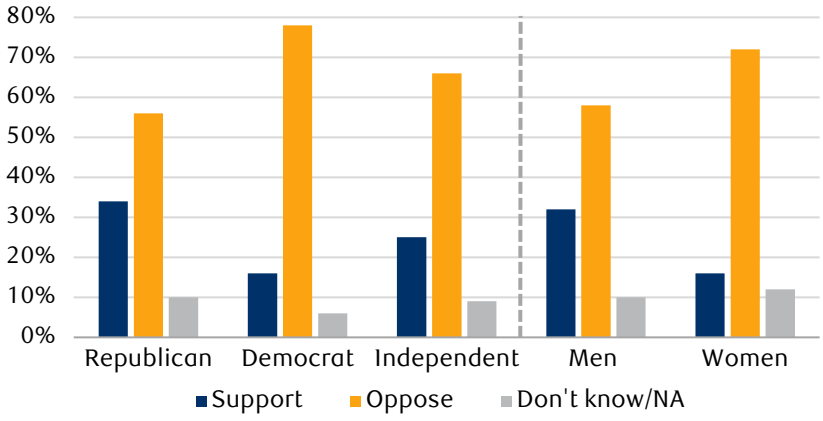
Helima Croft, who covers Washington policy issues closely as RBC Capital Markets, LLC's head of global commodity strategy and Middle East and North Africa (MENA) research, doesn't see much change for energy policy.

She highlights the following:

- President Trump still holds the power of the veto, making wholesale policy reversals unlikely.
- The election outcome probably won't result in major changes to the president's energy dominance agenda.
- But a wave of hearings on energy agreements involving administration insiders is likely. Democrats will seek clarification on the regime change operation in Venezuela and the subsequent energy deals.
- Democrat-led committees will also likely turn their attention to Russia. Lawmakers have already asked several banks and port authorities to provide contracts, shipping and payment records, and communications related to the diesel deal. An effort to challenge the administration's suspension of sanctions provisions within the recently passed Graham Act is also expected.
- Clean energy developers could benefit from heightened oversight of the administration's restrictions on offshore wind and solar approvals, alongside renewed pressure to restore canceled federal funding. However, presidential veto authority and existing executive powers would limit Democrats' ability to reverse the administration's policies.
- Regarding AI data center construction, growing concerns over electricity affordability could shift the emphasis from accelerating development to determining who bears the associated costs.

Strong opposition to AI data centers: One of the issues that impacted election outcomes, especially at state and local levels

Poll question: Would you support or oppose the building of an AI data center in your community?



Source - Quinnipiac University Poll of American adults; data published in March 2026

An important non-consensus view that both Lascelles and Croft share: Trump's policy toward Iran is unlikely to change meaningfully.

Just ahead of the election, Croft wrote, "The direction of travel still seemingly points to a near-term U.S. military escalation, despite regional talks ... Certainly, the risks of a more devastating Iranian retaliatory response would increase if the U.S. opts for a more sweeping military campaign."

After the election, Lascelles noted that "with no further elections ahead during the remainder of President Trump's final term, it is more likely that the White House will continue on his bold course" against Iran.

Therefore, we think it's prudent to take the recent decline in oil prices with a grain of salt. Energy market participants may once again be misjudging the situation in the Middle East, banking on a resolution that might not occur in the near term.

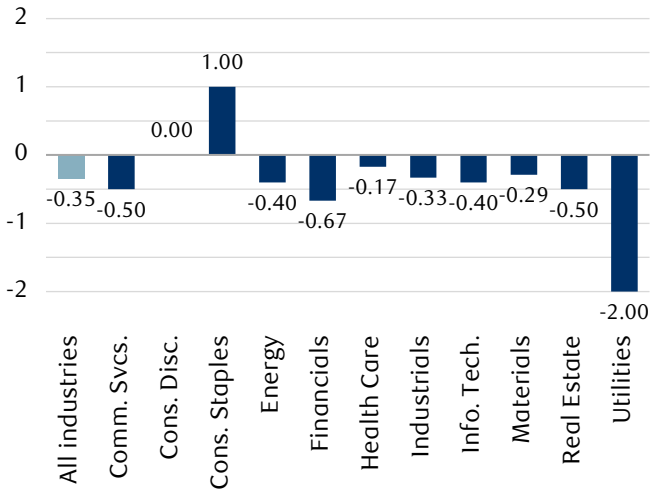
Not much impact on most sectors

A survey during the summer revealed that RBC Capital Markets equity analysts didn't foresee much impact on their industries under coverage in the scenario where Democrats control both the House of Representatives and Senate.

They ranked their views on a scale of +2.0 to -2.0, with +2.0 being the most bullish impact and -2.0 being the most bearish.

RBC equity analysts see full Democratic control of Congress as modestly negative for all industries combined, but there are differences by sector

RBC Capital Markets equity industry analysts' assessment of Democratic control of the House and Senate



Note: A higher number is generally more constructive, a lower number generally more negative. Scale is +2.00 (very bullish) to -2.00 (very bearish).

Source - RBC U.S. Equity Strategy, RBC Capital Markets based on a survey of industry analysts; results published on 8/11/26

For all sectors combined, the survey indicated a mildly negative market performance assessment with a score of -0.35—nowhere near a very bearish score of -2.0. And the scores for most sectors had a similar negative bias.

Scores for only two sectors deviated meaningfully. Consumer Staples ranked somewhat bullish at +1.0, and the Utilities sector ranked very bearish at -2.0.

Consumer Staples and consumer stocks in other sectors could benefit from any Trump administration policy changes and/or bipartisan legislation that could offer financial relief to middle- and lower-income households who have suffered the most from inflation and the overall high cost of living. This is why we think consumer stocks rallied sharply the day after the election. Whether such policy developments actually take place, time will tell.

Regarding Utilities stocks and particularly those most leveraged to the AI data center buildout, we don't anticipate Trump would even consider signing legislation that would restrict data center construction at the federal level. But the Blue Tsunami reached the state and local levels, and this is where powerful regulatory authorities could increase costs associated with data center construction or slow down, cancel, or prohibit some projects. Regulators may make it more difficult for utilities to recover data center-related capital investments from non-AI utility customers (households and businesses) and could increasingly expect large technology firms to bear a greater share of the electricity grid investment costs than they are currently, according to RBC Capital Markets.

However, we think this has already been factored into Utilities sector share prices to at least some degree, as the sector retreated 15 percent from late July through late September partly due to the regulatory pushback that had already begun and election concerns. While the sector has rebounded somewhat since then, it remains almost nine percent below its all-time high reached in February.

What matters more than elections

Elected officials in Washington and in state capitals have the potential to positively or negatively impact the country, or their policy actions can result in a mixed bag (and often do). But when it comes to the stock market's performance over time, they have limited influence, in our assessment.

We firmly believe four factors matter more to the U.S. equity market's medium- and long-term performance than elections:

- **Corporate innovation trends:** Here we're not just referring to the current AI boom or other advancements that have taken place in the Technology sector previously like the advent of the internet and personal computer. Most sectors and industries have experienced innovation spurts at some point. Consider the leaps in medical device and pharmaceutical

technologies decades ago, or advances in oil and shale drilling as just two among many examples. We think innovation will continue to drive profit growth and share prices for many stocks in the future.

- **The Federal Reserve's monetary policy decisions:** This includes good, bad, and so/so interest rate policies and calibrations. When the Fed has been too slow to raise interest rates (think back to the initial post-COVID inflation wave), the economy and households have been negatively impacted. When the Fed has raised rates too much and/or too fast, that has historically exacerbated economic downturns and stock market selloffs. But when the Fed gets it right, the economy and stock market usually benefit from longer expansion cycles.
- **The natural ebb-and-flow of the business cycle and economy:** We don't think the basic lessons in Economics 101 class will be refuted. The business cycle has its own rhythm, moving from expansion phase, to peak growth, to slowdown, to contraction (recession), and then to a trough point—and then back again to expansion and so forth. The U.S. private sector is too large, and free enterprise is too entrenched as a system and in American society for Washington to manage it by pulling various levers.
- **Corporate earnings trends:** The three above factors have had far more influence on corporate profit growth over time than political party control inside the Beltway, in our assessment. And corporate profit growth—often called the "mother's milk" of the market—has historically had a very tight relationship with S&P 500 performance, as the chart above right shows.

Elections come and go: Stay focused on long-term investment plans

We don't think the midterm election results should prompt long-term individual investors to meaningfully alter U.S. equity allocations or sector positions in portfolios.

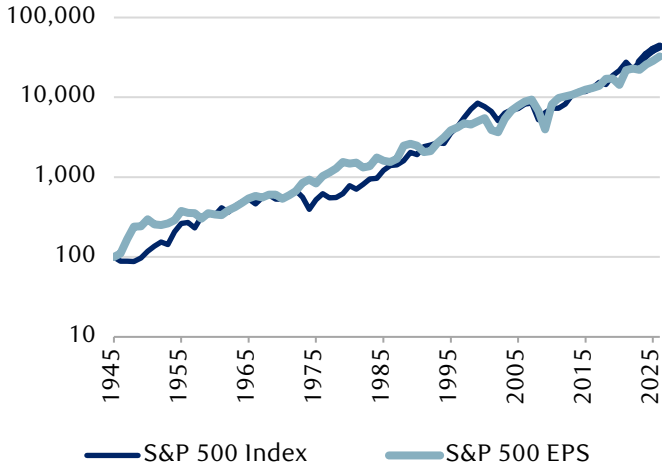
We continue to believe the most prudent approach vis-à-vis elections is to:

- **Give deference to the long-term investment strategy that you already have in place; and**
- **Avoid the temptation of making drastic asset class or sector changes based on the election outcome.**

In other words, if you're enthusiastic about the Democrats retaking Congress and serving as a check on Trump's power or blunting it altogether, don't get out over your skis in terms of stock market exposure or sector positioning.

Almost a dead heat

S&P 500 and S&P 500 earnings per share indexed to 100 at 1945 (logarithmic scale)



Over the long term, the index has appreciated at 7.8% per annum while earnings have grown at 7.4% per annum.

Source - RBC Wealth Management, FactSet, Bloomberg

Conversely, if you're concerned the priorities of the new House and Senate Democratic majorities could take the country in the wrong direction, don't let emotions get in the way of sound investment decisions.

Regarding near-term market performance, we would focus instead on:

- **The potential impact of the Fed's current interest rate policies** (a misstep is possible);
- **Domestic economic and earnings trends** (we expect continued growth for both in 2027); and
- **Corporate innovation, specifically the AI development cycle** (there are a number of uncertainties about the next phase of the cycle and its potential winners and losers).

The biggest threat to the U.S. stock market, in our assessment, would be indications that a recession is on the way. But we see little evidence of that. Regular pullbacks and corrections notwithstanding, we think the prospects favor more new highs for the S&P 500 in the next 12 months. We continue to recommend holding Market Weight exposure in U.S. equities.

UNITED STATES

Atul Bhatia, CFA – Minneapolis

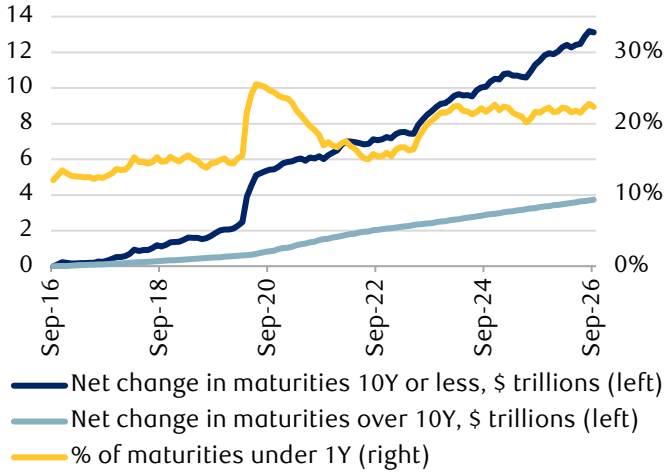
■ **Treasury bond prices rose sharply in the weeks leading up to the Nov. 3 midterm elections and added to those gains in the immediate aftermath.** A divided government is typically seen as good for bonds because it rarely produces massive tax cuts or spending programs that can drive deficits sharply higher. This time around, however, existing legislation has entrenched a deficit of nearly 6% of GDP for at least the next decade, according to the Congressional Budget Office. While Democrat control of Congress may limit deeper deficit creation, the existing level is already a significant factor in bond markets.

■ **One indicator of the deficit's magnitude was the record-setting $839 billion of Treasury debt auctioned last week.** Most of the money was used to pay back maturing debt, although the U.S. government raised just over $100 billion in new borrowing. Separately, the Treasury Department released its quarterly refunding announcement, laying out its borrowing strategy for the months ahead. The government indicated it could accelerate its shift away from longer-term bonds to short-term notes and bills beginning in mid-2027. While that approach can lower interest costs in the short term, it can amplify the pressure on government budgets in a rising interest rate environment.

■ **Several key economic reports are scheduled for release this week and next.** The standouts, in our view, are likely to be the Nonfarm Payroll (NFP) report due out Nov. 6 and next week's Consumer Price Index (CPI) measuring inflation. The narrative of solid, if unspectacular, job growth and consistent above-target inflation is helping drive the idea that Federal Reserve rate hikes are a question of when, not if. Any surprise weakness in the job market or a slowdown in the pace of inflation could lead investors to reassess that projection.

The U.S. increasingly borrows for short periods

Short-term interest savings require more frequent issuance



Source - RBC Wealth Management, Bloomberg

CANADA

Nguyen Dang, CFA & Claudia Humbert, CFA – Toronto

■ **Canada's GDP remained unchanged in August for a second consecutive month, falling short of consensus expectations for a 0.2% rise. The data showed higher output from goods-producing sectors offsetting a decline in services.** Retail activity rebounded, suggesting resilient consumer spending amid higher gas prices and borrowing costs, while manufacturing and construction also contributed to growth. Declines in wholesale trade and public administration were drags on growth, though partly explained by the end of census activity and an auto assembly plant shutdown. The advance estimate from Statistics Canada points to a 0.1% GDP decline in September, leaving Q3 growth tracking at roughly 1.3% annualized—below the Bank of Canada's (BoC) projection of 2%, though subject to revision. Still, the evidence points to a modest pace of expansion after a strong rebound in Q2, which came in at 3.3% annualized. Despite the slowdown, we believe the BoC will likely keep its focus on containing inflation risks when deciding whether to raise rates at its Dec. 9 policy meeting.

■ **Canada's latest readings in the S&P Global Purchasing Managers' Index (PMI) point to a broad slowdown in economic activity, with manufacturing and services contracting in October.** The Manufacturing PMI fell to 49.6 from 51.5 in September, slipping below the 50 threshold that demarcates expansion from contraction for the first time this year. Factory output and new orders declined as tariffs, supply chain disruptions, and uncertainty surrounding trade with the U.S. weighed on demand. Meanwhile, the Services Business Activity Index edged down to 48.1 from 48.3, marking a fifth consecutive month of contraction. New business weakened further, while business confidence remained subdued amid trade uncertainty and higher costs. The Composite PMI declined to 48.1 from 48.7, reinforcing broader economic weakness. Although input price pressures intensified in both sectors, persistently weak underlying demand limited the ability of service providers to fully pass higher costs on to customers. While inflation risks remain a consideration for the BoC, the softer growth backdrop could limit the scope for tightening, which suggests the three 25 basis point rate hikes currently priced in by markets will be difficult to deliver.

UK & EUROPE

Rufaro Chiriseri, CFA & Thomas McGarrity, CFA – London

- **The Bank of England (BoE) raised Bank Rate by 25 basis points (bps) to 4%, in line with expectations.** The 8–1 vote was more hawkish than expected, with Catherine Mann dissenting in favour of a 50 bp hike. We grouped the members' stances: three hawks, three conditional hawks, and three doves. BoE Governor Andrew Bailey refrained from committing to a "two and done" path, and the risk of further hikes has increased, in our view. Given the heightened hawkish sentiment and forecasts, we think a further 25 bps hike is likely, albeit below the market pricing of around 70 bps. The past week's Gilt rally initially stalled, with 2-year and 10-year yields rising 3 bps and 2 bps respectively before turning flat by market close.

- **Bailey said the energy shock is dominating monetary policy decisions, with inflation expected to reach around 5% in H1 2027.** Further hikes depend on the timing of the Middle East conflict's resolution. Second-round inflation effects have not yet emerged, but a longer conflict with Iran raises that risk. Bailey stated that recent declines in oil and gas prices would not have changed Thursday's decision, but would shift the outlook if peace progresses.

- **The November Monetary Policy Report showed higher headline inflation and private-sector wages, alongside modestly higher growth, than in July.** Central projection for CPI inflation is 4.0% in Q4 2027, versus 2.1% in July. The adverse scenario reaches 5.5% by year-end 2027 compared to 3.4% in July. The upside revision to forecasts reflected energy prices that are assumed to stay persistently higher than in July, with oil and gas about 30% and 50% respectively higher on average.

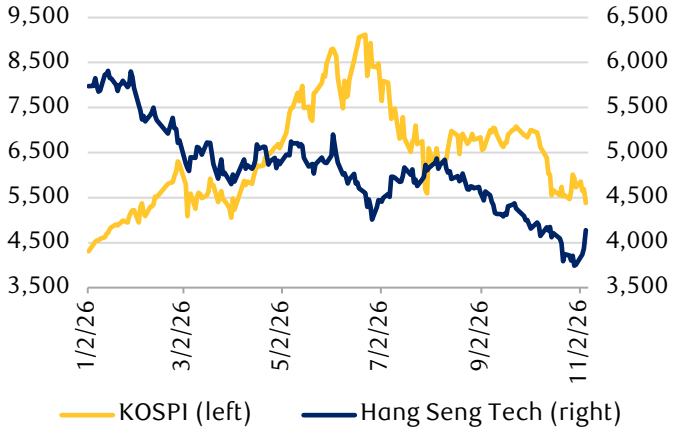
- **The global rotation trade boosted European equity markets, lifting the STOXX Europe 600 Index and the UK's FTSE 100 to all-time highs.** Cyclical sectors such as Consumer Discretionary and Financials outperformed alongside energy-intensive industries such as building materials and construction, buoyed by the sharp drop in oil prices, with Brent crude falling to around $95/barrel from almost $115/barrel earlier this week. Earnings season has been robust, with European earnings growth tracking at 12% y/y excluding commodities.

ASIA-PACIFIC

Belmen Woo – Singapore

- **Asian equities have diverged sharply following the Democratic sweep of the U.S. midterm elections,** as investors rotated from Korean semiconductor bellwethers into relatively undervalued Chinese internet platforms. The South Korean KOSPI fell 5.28% on Thursday, led by declines in Samsung Electronics (7.57%) and SK Hynix (9.46%) respectively, while Hong Kong's Hang Seng Tech Index rallied 5.55%, led by Alibaba and Tencent.

Hang Seng Tech rises, KOSPI slides following U.S. midterm elections



Source - RBC Wealth Management, Bloomberg

- **Notably, the rotation comes despite exceptional earnings momentum among Korean semiconductor leaders.** SK Hynix's recently released Q3 results showed operating profit surging 632% y/y to KRW 83.3 trillion, while long-term customer agreements now cover over half its production capacity for 2027–2028, strengthening earnings visibility. Samsung similarly expects AI-driven memory demand to outpace industry supply in 2027. However, elevated growth expectations and concerns over AI infrastructure spending have overshadowed robust fundamentals. Meanwhile, Tencent and Alibaba shares trade at approximately 12.7x and 16.8x forward earnings, respectively—lower valuations than the Korean stocks, supported by established consumer businesses. We view the rotation as a reassessment of relative valuations rather than evidence of deteriorating AI demand, and we maintain a constructive medium-term outlook on Korean equities.

- **The Bank of Japan (BoJ) maintained its 1.25% policy rate on Nov. 30,** but signaled further tightening after Governor Kazuo Ueda declared that underlying inflation had reached the central bank's 2% target, a goal that had remained elusive since its 2013 introduction. Markets are now pricing in a 78.7% probability of a hike in December. Despite the hawkish stance, Japanese government bond (JGB) yields extended declines to 2.76% and have fallen almost 30 basis points after peaking at 3.12% at the start of October. This came after global yields eased, led by U.S. Treasuries, and there was renewed investor demand.

- Nonetheless, **Thursday's 10-year JGB auction revealed softer-than-expected demand,** with the bid-to-cover ratio declining to 3.21 from 3.76, suggesting to us that investors could be demanding a higher risk premium for future fiscal and monetary uncertainty ahead. We therefore believe the recent yield decline could prove temporary, and maintain our steepening bias on the JGB yield curve.

MARKET
Scorecard

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	7,688.62	1.4%	12.3%	13.5%	34.6%
Dow Industrials (DJIA)	53,356.12	3.1%	11.0%	13.3%	27.7%
Nasdaq	25,736.51	1.2%	10.7%	10.2%	41.6%
Russell 2000	2,856.95	1.6%	15.1%	17.7%	28.7%
S&P/TSX Comp	36,341.40	2.0%	14.6%	22.0%	49.8%
FTSE All-Share	5,843.90	1.0%	9.2%	11.7%	30.8%
STOXX Europe 600	657.40	1.6%	11.0%	15.2%	29.1%
EURO STOXX 50	6,265.71	2.2%	8.2%	10.7%	29.1%
Hang Seng	23,919.50	2.7%	-6.7%	-7.8%	16.3%
Shanghai Comp	3,686.17	2.4%	-7.1%	-6.9%	11.4%
Nikkei 225	62,188.63	-1.7%	23.5%	20.8%	63.4%
India Sensex	77,301.40	3.8%	-9.3%	-7.4%	-1.9%
Singapore Straits Times	5,268.63	-2.0%	13.4%	19.1%	47.5%
Brazil Ibovespa	167,563.47	-0.2%	4.0%	11.2%	28.4%
Mexican Bolsa IPC	70,819.80	1.5%	10.1%	13.5%	39.2%
Gov't bonds (bps change)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. 10-Yr Treasury	4.892%	-3.7	72.5	80.7	60.7
Canada 10-Yr	3.700%	-9.9	26.7	57.5	46.5
UK 10-Yr	5.129%	-15.5	65.0	70.4	67.1
Germany 10-Yr	3.272%	-5.0	41.7	61.8	87.7
Fixed income (returns)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Aggregate	5.28%	-0.2%	-0.7%	-0.3%	5.9%
U.S. Investment-Grade Corp	5.85%	-0.2%	-1.2%	-0.7%	5.7%
U.S. High-Yield Corp	8.30%	0.1%	0.5%	2.0%	9.8%
Commodities (USD)	**Price**	**MTD**	**YTD**	**1 yr**	**2 yr**
Gold (spot $/oz)	4,059.88	4.8%	-6.0%	3.2%	48.3%
Silver (spot $/oz)	52.22	6.4%	-27.1%	10.7%	60.9%
Copper ($/metric ton)	14,154.10	-1.2%	13.7%	33.1%	47.9%
Oil (WTI spot $/bbl)	88.18	-15.3%	53.6%	45.6%	23.4%
Oil (Brent spot $/bbl)	94.76	-19.4%	55.7%	47.1%	26.2%
Natural Gas ($/mmBtu)	2.95	1.8%	-20.0%	-32.1%	6.1%
Currencies	**Rate**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Dollar Index	101.5270	-0.3%	3.3%	1.3%	-2.3%
CAD/USD	0.7154	0.0%	-1.8%	0.9%	-0.5%
USD/CAD	1.3978	0.0%	1.9%	-0.9%	0.5%
EUR/USD	1.1229	0.6%	-4.4%	-2.2%	3.2%
GBP/USD	1.3472	0.6%	0.0%	3.5%	4.0%
AUD/USD	0.7006	-0.4%	5.0%	8.0%	6.4%
USD/JPY	158.4200	0.5%	1.1%	3.1%	4.1%
EUR/JPY	177.9000	1.2%	-3.3%	0.8%	7.5%
EUR/GBP	0.8335	0.0%	-4.4%	-5.5%	-0.7%
EUR/CHF	0.9176	-0.3%	-1.4%	-1.4%	-2.4%
USD/SGD	1.2789	0.1%	-0.5%	-2.2%	-3.1%
USD/CNY	6.6750	0.3%	-4.5%	-6.4%	-6.0%
USD/MXN	18.6175	-0.9%	3.4%	-0.4%	-7.4%
USD/BRL	5.4583	0.4%	-0.3%	1.1%	-5.6%

Equity returns do not include dividends, except for the Brazilian Ibovespa. Bond yields in local currencies. Copper Index data and U.S. fixed income returns as of Tuesday's close. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing.

Examples of how to interpret currency data: CAD/USD 0.71 means 1 Canadian dollar will buy 0.71 U.S. dollar. CAD/USD -1.8% return means the Canadian dollar has fallen 1.8% vs. the U.S. dollar year to date. USD/JPY 158.42 means 1 U.S. dollar will buy 158.42 yen. USD/JPY 1.1% return means the U.S. dollar has risen 1.1% vs. the yen year to date.

Source - Bloomberg; data as of 11/4/26

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As of September 30, 2026

			Investment Banking Services Provided During Past 12 Months	
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