Financial HARTbeat

Democratic win.
Nov 4th 2026



Good Morning,

Democrats take Congress: Democrats are projected to control both the House and Senate, creating **divided government** with President Trump and making major new tax, spending and legislative initiatives more difficult.

Potential positive for Canada: Democratic control could create more resistance to further **U.S. tariffs on Canadian steel, aluminum, autos and other exports**, although the President retains significant executive authority over trade policy.

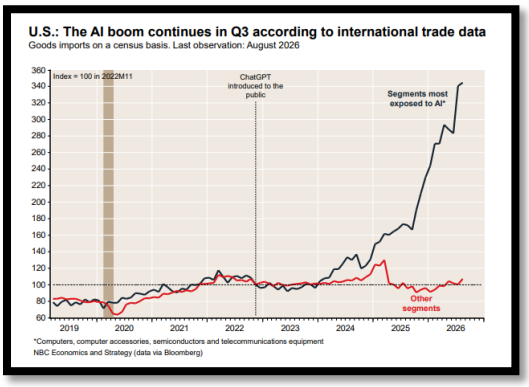
Markets may welcome gridlock: Less scope for large fiscal packages could mean **less upward pressure on U.S. deficits, inflation and long-term bond yields**, potentially supportive for bonds and interest-rate-sensitive equities.

Positive for global trade sentiment: Reduced risk of further tariff escalation could improve business confidence and supply-chain visibility, although **U.S. protectionism remains bipartisan**.

Catch the playback of our Weekly Roundup ***Click here***

Also, catch the playback of our Annual Outlook ***Click here***

Chart of the Day: Will AI be allowed to continue at this pace with new leadership?





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Top News

Markets moved higher on Wednesday as a decisive victory by Democrats in the U.S. midterm elections and President Donald Trump's acceptance of the results removed political uncertainty risk hanging over Wall Street. Democrats won majorities in both the House of Representatives and Senate and scored victories in key gubernatorial races like Texas. The Democrats will now be a check on the policies of Trump, who's enacted business-friendly tax cuts, while also pursuing tariffs and a war in Iran that's boosted inflation. Trump told the New York Times he was "absolutely willing" to accept the results and told the Wall Street Journal he and Republicans would work with Democrats.

Oil prices fell on Wednesday in volatile trading as investors awaited Washington's next move in the US-Israeli war with Iran, after the Democrats captured control of Congress from President Donald Trump's Republicans in the midterm elections. European shares rose on Wednesday, lifted by banks and clean-energy stocks after U.S. midterms, while Wegovy maker Novo Nordisk surged on an upgraded annual forecast. Euro zone inflation rose to a three-year high last month on surging food and energy costs and was set to rise further in the coming months, firming up the case for another European Central Bank rate hike in December.

Inflation in the 21 nations sharing the euro currency rose to 4.0% in October from 3.8% a month earlier, in line with expectations in a Reuters poll of economists, as energy inflation hit 20%, data from Eurostat, the EU's statistics agency, showed on Wednesday. The euro zone's economic expansion slowed sharply but did remain resilient in October as demand, a key gauge of underlying momentum came close to stalling while rising costs squeezed businesses and confidence hit its weakest level in five months, a survey showed on Wednesday.

The S&P Global Eurozone Composite PMI fell to 51.7 in October from September's 53.1, a four-month low, and under a preliminary estimate of 51.9.

China's share benchmark jumped more than 2% in its best day in seven months on Wednesday, as the US midterm results gave Chinese investors an excuse to buy battered shares in an afternoon rally also underpinned by fresh government support. China's services activity in October expanded at its slowest



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pace since July, with business confidence easing as firms grappled with fierce competition and rising costs, a private-sector survey showed on Wednesday. The RatingDog China General Services PMI fell to 50.8 in October from 51.6 in September, remaining above the 50 mark that separates growth from contraction but marking its weakest reading since July.

Japan's Nikkei pared losses and government bond yields rose on Wednesday, as softer than-expected remarks from President Donald Trump on US midterm elections prompted investors to unwind positions held before the vote count.

Stock Valuations Improve (Argus)

We have different ways of looking at market valuations, and most are signaling that stocks are reasonably valued, though not bargains. Our primary asset-allocation model is our Stock/Bond Barometer. This market measure goes back to 1960, and takes into account real time price levels, historical growth rates, and forward-looking forecasts of numerous factors. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading is a modest premium for stocks, of 0.18 sigma, with a standard deviation of 1.06. The current valuation level is a 0.31 sigma premium for stocks. Other valuation measures show reasonable multiples for stocks. The forward P/E ratio for the S&P 500 is 18, within the range of 15-24, as earnings estimates continue to rise. On price/book, dividend yield, and price/sales ratios, it is no surprise that stocks are priced at the high end of historical ranges, given that tech stocks, with low capital bases and generally low yields, are the biggest component of the market. We check other ratios as well. The gap between the S&P 500 earnings yield and the real 10-year government bond yield is 380 basis points, near the historical average and far from nosebleed valuations of 200 basis points during the "dot-com" bubble.

On the Fed's stock valuation model, the earnings yield is back above the 10 year Treasury bond yield, signaling value for stocks. Lastly, the ratio of the S&P 500 price to an ounce of gold is 1.9, within the normal range of 1-3. These valuation measures suggest to us that the stock market -- still up roughly 10% year to date despite last week's sell off -- is not in danger of entering bubble territory at this juncture, but could benefit from lower interest rates.



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Bond Yields (bps (basis points) negative means prices up and positive means prices down)

Figure 1: **Key Interest Rates (Canada & U.S.)**

Canadian Key Rate	Last	Change bps	Canadian Key Rate	Last	Change bps
CDA o/n	2.50%	25.0	CDA 5 year	3.47%	-3.2
CDA Prime	4.70%	25.0	CDA 10 year	3.75%	-3.2
CDA 3 month T-Bill	2.59%	-0.5	CDA 20 year	3.98%	-2.9
CDA 6 month T-Bill	2.80%	0.0	CDA 30 year	4.07%	-2.7
CDA 1 Year	3.05%	-0.5			
CDA 2 year	3.26%	-1.9			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.75-4.00%	0.0	US 5 year	4.71%	-3.2
US Prime	7.00%	0.0	US 10 year	4.92%	-3.3
US 3 month T-Bill	4.03%	-0.3	US 30 year	5.30%	-2.7
US 6 month T-Bill	4.29%	-0.3	5YR Sovereign CDS	46.26	
US 1 Year	4.39%	-0.9	10YR Sovereign CDS	54.49	
US 2 year	4.60%	-1.9			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			696.76	0.00%	0.07%
BMO Laddered Preferred Shares (ETF)			12.74	0.00%	3.33%

Source: LSEG

Keep looking forward! Have a great day!

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