Financial HARTbeat

Mid Terms
Oct 16th 2026



Good Morning,

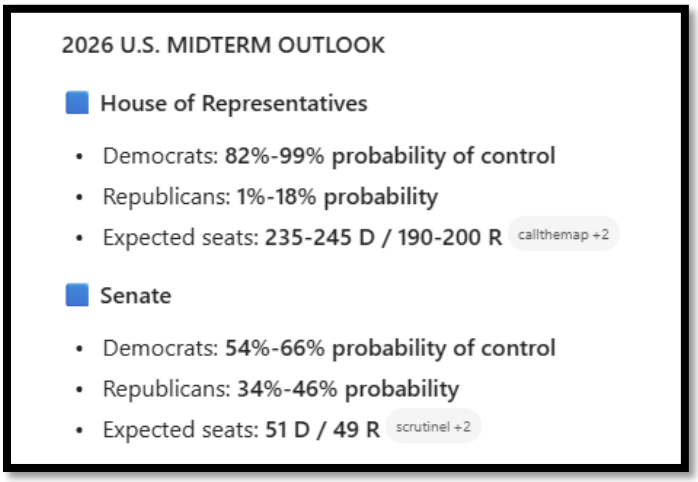
Democrats are favored to win the House of Representatives, with major forecasting models and prediction markets placing their odds between roughly **82% and 99%**. Expected Democratic seat totals cluster around **235-245 seats**, above the 218 needed for control.

The Senate remains much closer, but Democrats currently hold a slight edge. Forecasts generally give Democrats about a **54%-66% chance** of winning Senate control, with projections centered around **51 seats**.

Most likely outcome: Democrats regain the House and have a realistic chance of also taking the Senate, creating the possibility of a Democratic-controlled Congress in the final two years of President Trump's term.

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

Chart of the Day: Current expectations based market expectations…



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Top News

US stock index futures are mixed this morning, as technology stocks came under fresh pressure on worries about cracks building in the AI trade, though a rise in Tesla shares and decline in oil prices offer support. The electric vehicle maker Tesla is up more than 4% in premarket trading after unveiling a redesigned Roadster, powered by rocket-style thrusters, developed in collaboration with SpaceX, whose shares climb about 2%. Cautionary signs persisted in the AI sector as Nvidia-backed CoreWeave slips more than 4%, after yesterday's rebound, on lingering concerns about the data centre operator's debt load.

Still, the S&P 500 and Nasdaq are set to post weekly losses as an AI-led rout, mixed earnings from big banks and inflation data weighted on sentiment through the week. The Dow, however, remains on track for a weekly advance. Markets increasingly expect the Federal Reserve to keep interest rates unchanged this month. Fed Chair Kevin Warsh said the US economy remained resilient and was benefiting from an AI-driven investment boom. He, however, noted the spending surge was boosting inflation.

Futures tied to Canada's resource-heavy main stock index edge higher as rising metals prices help sentiment, while investors weigh Bank of Canada (BoC) Governor Tiff Macklem's warning on persistent energy-price pressures on interest rates. The BoC is not expected to raise interest rates at its next monetary policy decision announcement on October 28, but money markets are pricing in a rate hike of 25 basis points in December. Data showed that Canadian home sales declined 2.3% month-over-month in September following a drop of 0.7% in August, as higher mortgage rates and expectations of a rate hike weighed on demand (see chart). Another report showed Housing Starts in Canada increased to 248.90 thousand units in September from 242.22 thousand units in August of 2026. Oil prices ease but are set for weekly gains on Middle East supply concerns and a larger-than-expected US crude draw, despite weaker diesel margins.

European shares are on track for their biggest weekly gain since late June, as strong earnings reports and signs of stability in battered global technology stocks bolster investor sentiment. The pan-European STOXX 600 index touched a more than three-week high this morning. The benchmark is up more than 1.8% for the week. The eurozone's final HICP inflation reading for September came in at 3.8% year-on-



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year, in line with economists' expectations but well above the European Central Bank's 2% target, showing that price pressures still need to be tamed. Investors are already pricing in another quarter-point rate hike by the ECB at its December meeting.

China stocks rebounded today from the previous session's 14-month lows, after a slew of AI-related companies proposed share buybacks or forecast stellar growth, but the market still registered its worst week in three months. The CSI300 Index dropped 3.4% for the week. In Hong Kong, the Hang Seng Index rose 0.5%.

South Korean shares rebounded from a six-month low on dip buying but still ended the week with their biggest fall in 18 years on worries about the sustainability of the global AI investment boom. For the week, the KOSPI index is down 14.5%, its third straight weekly loss.

Japan's Nikkei share average snapped a 6-session losing streak as AI-related shares rebounded, although gains were limited by caution ahead of corporate earnings reports and US midterm elections.

Gold Prices Down from the Clouds (Argus)

When storms start to brew in the global economy, investors often flock to gold. But when the conditions clear, investors may head in a different direction. This year, gold prices established a high for the century back in January at almost $5,500 per ounce. But as the domestic economy continued to expand and market volatility has waned, the yellow metal drifted 20% off its highs and is now in the red for the year. Back in 2019, gold was fetching about $1,200 per ounce. The current price of gold -- more than three times the average price for this century -- reflects the perceived safety of hard assets amid the global give-and-takes of health scares, trade wars, and concern over the dollar. Our forecast for the average price of gold in 2026 is $4,300. This compares to average prices of $3,455 in 2025 and $2,450 in 2023. Looking to 2027, we anticipate a trading range of $3,500 to $5,000, and an average price of $4,300 again.

Those are the fundamentals. Has this recent gold-price pullback gone too far from an investment standpoint? Taking a look at technical trends, the price of gold had been in a long-term bullish run of higher highs and higher lows that dated to 2016. But momentum stretched prices at the highs. On



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average, the price of gold has traded at a 6% premium to its 12-month moving average this century. The standard deviation is 9%. Earlier this year, the premium almost reached 40%, more than three standard deviations above the norm. Now the price is 4% below the moving average. Is it a bargain? As a fundamental valuation measure, we compare the price of gold to the value of the S&P 500.

Over the past 45 years, the ratio of the S&P to an ounce of gold generally ranged from 3 to 1. A reading above 3 tends to reflect too much confidence in the S&P 500, while a reading below 1 is a nosebleed price for gold. The current ratio is about 1.9, a bit below the midpoint of that long-term range. We use gold as an alternative investment (2% allocation) in our model portfolios.

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	2.25%	0.0	CDA 5 year	3.55%	1.8
CDA Prime	4.45%	0.0	CDA 10 year	3.85%	2.3
CDA 3 month T-Bill	2.39%	-1.0	CDA 20 year	4.08%	1.9
CDA 6 month T-Bill	2.59%	0.0	CDA 30 year	4.20%	1.9
CDA 1 Year	2.92%	0.0			
CDA 2 year	3.21%	0.9			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.75-4.00%	0.0	US 5 year	4.92%	2.3
US Prime	7.00%	0.0	US 10 year	5.12%	3.2
US 3 month T-Bill	4.08%	-1.9	US 30 year	5.46%	3.3
US 6 month T-Bill	4.35%	-1.2	5YR Sovereign CDS	44.23	
US 1 Year	4.46%	0.1	10YR Sovereign CDS	52.42	
US 2 year	4.75%	0.4			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			700.87	0.05%	0.67%
BMO Laddered Preferred Shares (ETF)			12.89	0.35%	4.54%

Source: LSEG

Keep looking forward! Have a great day!

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