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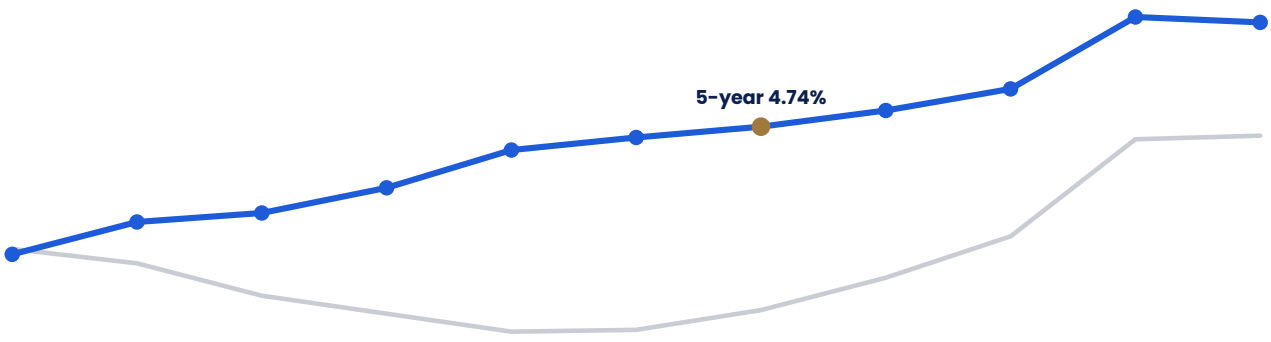
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FINTECH SCB INSIGHT · NOVEMBER 2026

AFTER MID TRUMP

What I Invest In Now

A FINTECH SCB Insight on Markets, Policy and Portfolio Choices After the 2026 Midterms



U.S. Treasury curve · Nov 3, 2025 (grey) and Nov 3, 2026 (blue)

ROBERTO BALBINO

Founder & Chief Executive Officer, FINTECH SCB

FIRST EDITION · NOVEMBER 2026

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A FINTECH SCB Insight on Markets, Policy and Portfolio Choices After the 2026 Midterms

Roberto Balbino

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Charts and tables. Drawn by FINTECH SCB from the primary sources named under each figure. Treasury yields: U.S. Department of the Treasury. Inflation: U.S. Bureau of Labor Statistics. Company figures: earnings releases and filings with the U.S. Securities and Exchange Commission. Probabilities and scenario weights are the author's judgment and are labeled as such.

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Also by Roberto Balbino. *The Capital That Remains* · *The Prince* · *Principles of Political Economy* · *The Price of Standing Still* · *Off the Books* · *Normality, Repriced* (fintechscb.com/books)

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Books

The Capital That Remains · *The Prince* · *Principles of Political Economy* · *The Price of Standing Still* · *Off the Books* · *Normality, Repriced*

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AFTER MID TRUMP

Key Findings

Twelve conclusions from the first morning of divided government, each tied to a number, a source and a decision in the model portfolio.

01 **More than scenario B.** Democrats won the House and the Senate on November 3, 2026. By Wednesday morning the Associated Press had called 218 House seats for Democrats, and NBC News projected about 258, the most for the party since 1993. In the Senate, AP's tracker showed 54 seats on the Democratic side and 44 Republican, with Alaska and Mississippi uncalled. Sunday's note had priced a Democratic House. The Senate is the surprise that changes the portfolio.

02 **The first verdict came from the bond market.** S&P 500 futures fell 1.2% and Nasdaq futures more than 2% in Asian trading, then recovered by the European morning. The 5-year Treasury led the rally, with its yield as low as 4.68% against a 4.74% close, and the dollar index fell 0.37% to 101.34.

03 **The yield that matters is real.** Between October 28, 2025 and October 28, 2026 the 5-year Treasury yield rose 1.25 percentage points. The TIPS real yield accounted for 1.12 of them and breakeven inflation for 0.13. The rule from Sunday stands: read the 5-year real yield before the stock screen.

04 **Gridlock is a filter, not a wall.** With both chambers Democratic, the bills that can reach the President's desk and become law are the overlap between his populism and the Democrats' affordability agenda: swipe fees, drug prices, a congressional stock-trading ban. On November 1 in Salina, Kansas, President Trump endorsed the Credit Card Competition Act again. I put the odds of that bill becoming law by the end of 2027 at 35%.

05 **Visa from 10% to 6%; JPMorgan held at 7%, not added.** Visa grew net revenue 13% in its fiscal fourth quarter and closed November 3 at $420.42, 1.5% below its 52-week high. Its main risk is political, and the Senate made that risk larger.

06 **Healthcare is the one policy option with a measured payoff.** HCA Healthcare estimated a pre-tax hit of about $400 million in the third quarter from patients who lost exchange coverage; uninsured patients rose to 10.5% of equivalent admissions from 8.5%. HCA enters the portfolio at 6%. The lever is the 2027 debt limit, not the January headlines.

07 **A vote is not a law.** Solar stocks rallied and defense stocks fell on Wednesday. Neither move rests on legislation a Democratic Congress can pass over a veto. The tariff structure rebuilt on Sections 232 and 301 after the Supreme Court struck down the IEEPA tariffs on February 20, 2026 survives without a two-thirds majority.

08 **The belly, not the long end.** A 3–7 year Treasury ladder yields about 4.75% at November 3 par rates and takes 25% of the portfolio; T-bills take 20% and short TIPS 15%. Still no 20-year-plus bonds and no high yield: the Fed held at 3.75%–4.00% on October 28 with two votes for a hike, and futures priced a December increase at above 80%.

09 **Microsoft trimmed to 12%, Eaton kept at 6%.** Azure grew 48% in the September quarter, but free cash flow fell 27% to $18.6 billion as cash capital spending doubled to $39.4 billion. Both chambers will scrutinize AI and data centers. The binding constraints are state permits and grid connections, which is why the maker of the electrical gear stays.

10 **This is not an average post-midterm year.** The S&P 500 rose in the 12 months after all 19 midterms since 1950, by 16.6% on average. But 2026 starts 3.5% below its high after a drawdown of about 9%, against a median midterm-year decline of 16%. I expect less than the average, and a 10% setback along the way is closer to the rule than to the exception: it happened in 11 of the 19 windows.

11 **Sell what was bought for the other outcome.** Goldman Sachs goes. ExxonMobil profits are taken with Brent at $103.60, 11% below its October 23 peak. Altcoins are sold. Bitcoin stays at 3% without additions: the crypto market-structure bill failed a Senate cloture vote 49–50 in September and now faces a Democratic Senate.

12 **Execution in thirds, with a stop on the real yield.** The first third this week; the second after the October CPI on November 10 if the 5-year real yield holds at or below about 2.45%; the third after the Fed meeting of December 8–9. If the 5-year real yield closes above 2.64%, additions stop. The dates that decide the trade: December 11 funding deadline, January 3 new Congress, debt-limit contact around May 2027.

> **The portfolio in one line.** On a USD 100,000 reference: Microsoft 12%, JPMorgan 7%, Visa 6%, Eaton 6%, HCA Healthcare 6% (equities 37%); 3–7 year Treasury ladder 25%, T-bills 20%, short TIPS 15% (fixed income 60%); Bitcoin 3%. Illustrative, not personal advice: every situation must be assessed individually.

INTRODUCTION

Sunday's Note, Tuesday's Vote

On Sunday night I published three portfolios for three outcomes. Tuesday delivered the most likely one and then went a step further. This insight explains what that extra step changes, position by position.

At 11:38 p.m. Eastern time on Sunday, November 1, I posted a note on Substack under a plain heading: "If I were you, I'd do this."[00.1] It started from one observation. Trump was not on the ballot; his agenda was. It recorded where markets stood at the end of October: a federal deficit near $2 trillion, a 5-year Treasury yield of 4.78%, a Federal Reserve at 3.75% to 4.00% with two votes on its committee for another hike, consumer prices up 3.7% on the year and Brent crude at $113. Then it wrote down three portfolios, one for each outcome: Republicans keep both chambers, Democrats take the House, or the count drags on.

Prediction markets gave the first outcome about 6% and the second about 95%. Scenario B was the base case, and markets had largely priced it. What the note did not price separately was a Democratic Senate. Seven Republican seats changed hands on Tuesday night.[00.2] In Kansas, the Republican co-sponsor of the most consequential payments bill in Congress lost to a Methodist minister. In Maine, the chair of the Senate Appropriations Committee lost her seat five weeks before the government runs out of money. These are not footnotes for an investor. They move specific stocks.

What the Senate adds

A House majority gives the opposition subpoenas, control of the floor in one chamber and a veto over spending. A Senate majority adds four things that a portfolio has to price. It confirms the President's nominees, including governors of the Federal Reserve and the heads of financial regulators. It chairs the Banking Committee, where Elizabeth Warren is in line for the gavel. It can send bills to the President's desk instead of letting them expire in the other chamber, which forces him to sign or veto measures he has endorsed in public. And it closes the 51-vote reconciliation route that Republicans used in July 2025 to raise the debt limit by $5 trillion, to $41.104 trillion.[00.3] When that limit is reached, most likely around May 2027, the President will need Democratic votes in both chambers.[00.4]

The method

In "Mid Trump," published on Substack the same day as the note, I proposed judging a political program by four prices rather than by its speeches: what goods cost, what energy costs, what money costs and what risk costs.[00.5] This insight applies that method to the morning after. Part I reads the count, the overnight tape and the economic starting line. Part II argues five theses that run against this week's consensus, each built the same way: the consensus in its own words, its best defense, the mechanism it misses, the evidence that would prove me wrong and the decision that follows. Part III turns the theses into a portfolio, with seven position files, a list of sales, execution rules, a calendar and three paths for 2027.

The consensus fits in one sentence: divided government means nothing passes, nothing passing is good for stocks, and the year after a midterm is a good year. Each clause of that sentence hides a mistake worth money. Gridlock filters legislation rather than stopping it, and the filter has corporate casualties (chapter 4). The first

reaction to the result was a bond trade, and the useful part of the curve is its middle, not its long end (chapter 5). The clearest policy payoff sits in hospitals, but the payer is still the White House and the lever is the debt limit (chapter 6). Wednesday's rallies and sell-offs priced votes, not laws (chapter 7). And the average post-midterm year began from drawdowns much deeper than the one this market went through in 2026 (chapter 8).

What changes in the portfolio

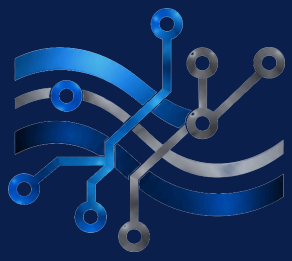
Equities remain 37% of a USD 100,000 reference portfolio, the rule Sunday's note applied to every scenario. Inside that sleeve, Microsoft goes from 14% to 12% and Visa from 10% to 6%. Eaton stays at 6%. JPMorgan stays at 7% without additions. HCA Healthcare enters at 6%. Fixed income keeps its 60%: a 3–7 year Treasury ladder at 25%, T-bills at 20% and short TIPS at 15%. Bitcoin stays at 3% and receives nothing new. Goldman Sachs is sold, ExxonMobil profits are taken and altcoins go. The position files in chapter 10 give every line its ticker, its ISIN, a euro-denominated route where one exists, an entry rule and an exit signal.

> *Sunday's note said I would be wrong if the swipe-fee bill got a floor vote. Seventy-two hours later, that sentence is more likely to be tested. That is why Visa is smaller.*

Who this is written for

FINTECH SCB works with families, entrepreneurs and companies from offices in Milan, Miami, New York and Buenos Aires. The readers I have in mind are a U.S. investor deciding what to buy this week, a European investor who holds dollars and has to decide what to hedge, and a Latin American saver whose reference currency is already the dollar. Chapter 12 deals with what differs among them: the euro hedging cost, the UCITS lines a European retail investor can actually buy, and the U.S. estate-tax exposure that non-U.S. persons take on when they hold U.S. shares and U.S.-listed funds directly.

This is general information, not a personal recommendation. A model portfolio shows how an argument becomes a set of weights; it cannot know a reader's taxes, liabilities, horizon or nerves. Every situation must be assessed individually, and FINTECH SCB is available for that conversation at fintechscb.com/connect. Each chapter closes with the evidence that would make me change my mind. If the evidence arrives, I will say so in public, as I did when I got the dollar wrong.



The Morning After

What was decided on November 3, how markets read it overnight, and where the economy stands on the first day of divided government.

1 · The Count
2 · Wednesday's Tape
3 · The Starting Line

PART I · THE MORNING AFTER

The Count

Democrats will hold both chambers of Congress from January 3, 2027. Sunday's scenario B assumed the House alone. The Senate is the part of Tuesday's result that changes the investment arithmetic.

On Sunday night I wrote that Tuesday had three possible outcomes for a portfolio, and that the most likely one, a Democratic House, was already in the price. By the time Asian markets opened on Wednesday, the result had overshot that scenario. The Associated Press called the Senate for the Democrats at 11:46 p.m. Eastern Time and the House at about 1:30 a.m. on November 4, when its tally passed the 218 seats needed for a majority; NewsNation, using Decision Desk HQ data, had called the House at 9:11 p.m. [01.1]

The seats

Republicans won 220 House seats to the Democrats' 215 in 2024; measured from that result, Democrats needed a net gain of three.[01.2] Democrats crossed 218 AP-called seats early Wednesday. NBC News's Decision Desk projects a final count near 258, a level the party has not reached since 1993, the year Bill Clinton took office; MS NOW's estimate is at least 245.[01.3] At one point in the night, NBC's tally showed 20 Democratic flips and none for Republicans, and the flips included at least three Florida districts that the state's Republican legislature had redrawn to the party's advantage.[01.4]

The Senate math is tighter and more consequential. Republicans held 53 seats; Democrats held 45, plus two independents who caucus with them. A majority required a net gain of four. Democrats flipped seven Republican-held seats, and AP's tracker on Wednesday morning showed 54 seats for the Democratic side and 44 for Republicans, with Mississippi and Alaska still uncalled.[01.5] The arithmetic closes: a caucus of 47 plus seven flips gives 54. The two open races will decide the size of the majority, not who holds it.

Chamber	Before November 3	Count on November 4, morning	Still open
House (435)	R 218 · D 214	D past 218 AP-called seats; projections 245–258	Remaining uncalled districts set the margin
Senate (100)	R 53 · D 45 + 2 independents	D 54 · R 44 (AP tracker)	Mississippi, Alaska

Source: Associated Press tallies as reported by Yahoo News, NBC News and NPR, November 4, 2026. Projections are those of NBC News and MS NOW, not AP calls.

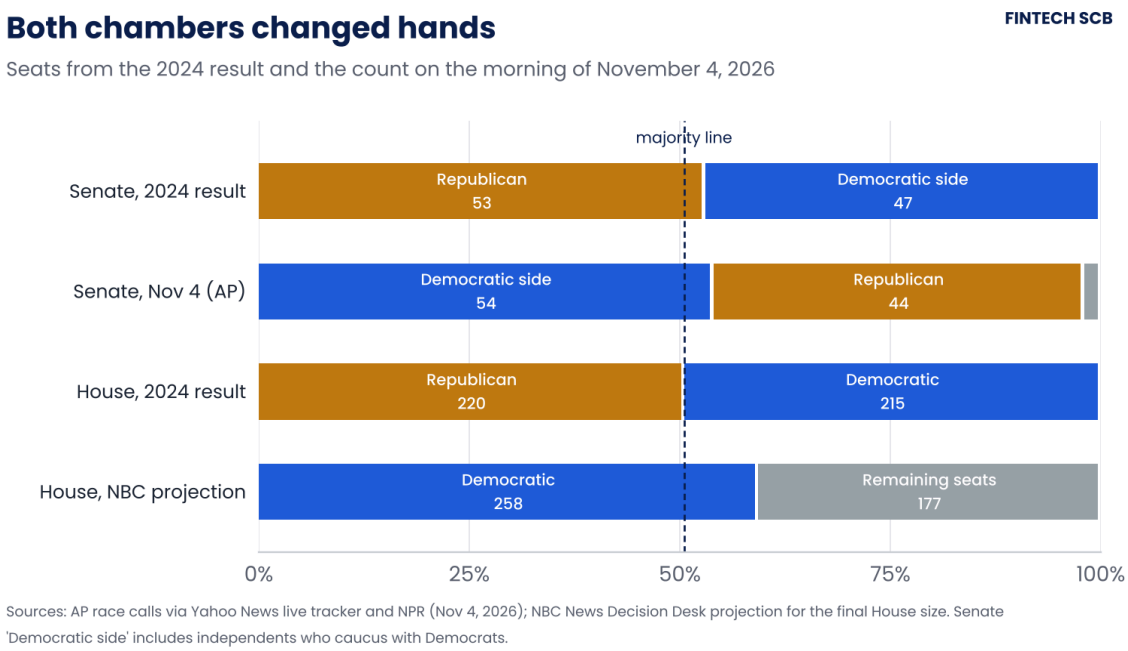


Figure 1.1. Seats from the 2024 result and the count on the morning of November 4, 2026: AP tally for the Senate (Alaska and Mississippi uncalled) and the NBC News projection for the House. Sources: Associated Press via Yahoo News and NPR; NBC News Decision Desk.

One discipline matters here. Every figure above, other than the two thresholds, is either a running count or a projection. The Associated Press does not project House control; it declares it when a party reaches 218 called seats.[01.6] I make portfolio decisions on called seats and use the projections only for context. A 245-seat House and a 258-seat House vote the same way on a bill. They differ on how many defections the Speaker can absorb.

Five races the market should read

Kansas. Adam Hamilton, a Methodist minister, defeated Senator Roger Marshall and becomes the first Democrat elected to the Senate from Kansas since 1932.[01.7] Marshall is the Republican co-author of the Credit Card Competition Act, written with Dick Durbin of Illinois, who is retiring. Both Senate authors of the bill will be gone in January, and American Banker noted on Wednesday that a Democratic sweep gives the party time to find a successor.[01.8] Two days before Marshall lost, President Trump endorsed the same bill again at a rally in Salina, Kansas.[01.9] The bill lost its sponsors and gained a majority that likes it. That is the reason Visa's weight falls in chapter 9.

Texas. James Talarico won the Senate seat, the first Democratic Senate win in the state since 1988, and Gina Hinojosa won the governor's race after campaigning for tougher limits on data-center development.[01.10] AI-linked stocks fell overnight on the governor's result more than on the Senate map.[01.11] A governor does not need Congress to slow a permit. For the portfolio, that is a state-level risk to the data-center buildout that no federal veto can offset.

Maine. Troy Jackson defeated Susan Collins.[01.7] Collins chairs the Senate Appropriations Committee until the new Congress convenes.[01.12] The December 11 government funding deadline will therefore be negotiated, in the lame-duck session, by an appropriations chair who has just lost her seat and by a Republican conference that will be in the minority five weeks later.

Ohio. Sherrod Brown defeated Senator Jon Husted.[01.7] Brown chaired the Senate Banking Committee until January 2025.[01.13] If he returns to that committee, he would add a second senior critic of the large banks to its Democratic side.

Iowa. Josh Turek, a Democratic state representative, flipped the open seat against Representative Ashley Hinson, and NBC News called it as the race that clinched the Democratic majority.[01.14] Kansas and Iowa are both farm states. Two Republican seats in the farm belt fell in a year when tariffs were the administration's signature economic policy. I read that as a vote on input costs.

Who holds the gavels from January 3, 2027

Hakeem Jeffries is expected to become Speaker of the House, the first Black Speaker, and Chuck Schumer is in line to become Senate Majority Leader.[01.15] Elizabeth Warren has been the ranking Democrat on the Senate Banking Committee since 2025 and is next in line for its gavel, although committee chairs are formally set only when the new Congress organizes.[01.13]

The opening agenda has been public for months. Jeffries named four items with uniform Democratic support: reverse the Medicaid cuts, extend the Affordable Care Act tax credits, restore congressional authority over tariffs, and end the Iran war. House Democrats have also set up five cost-of-living working groups: health care, housing, gas and utilities, groceries and goods, and caregiving.[01.16] Schumer's line on election night was "relief is on the way."[01.15] Two days before the vote, the President said, "I'll probably become Mr. Veto."[01.17] Overriding a veto takes two-thirds of both chambers, which no one in this count comes close to.

What the Senate adds to scenario B

Sunday's scenario B was a Democratic House: oversight, subpoenas and funding fights, with every Democratic bill dying in a Republican Senate. Tuesday added four things that a House majority alone does not deliver.

Confirmations. From January, every nomination to the Federal Reserve Board, the Securities and Exchange Commission and the bank regulators passes through a Senate Banking Committee with a Democratic chair (CFTC nominees go through Agriculture). The administration loses the ability to fill those seats on party-line votes. One analyst quoted by Reuters on Wednesday called the result, at the margin, "dollar positive," on the market's perception of "greater Federal Reserve independence."[01.18]

The agenda of the Banking Committee. A chair decides what gets a hearing and a markup. Crypto market-structure legislation, the CLARITY Act, failed a Senate cloture vote, 49 to 50, on September 15, with no Democratic votes.[01.19] Card fees, bank capital and consumer credit move to the top of the list.

Bills that reach the President's desk. With both chambers, Democrats can pass legislation and force Trump to sign or veto. Where he already agrees, as on swipe fees, and as on his January 2026 call for a one-year 10% cap on credit card interest rates, a bill can become law despite divided government.[01.20] That overlap is the subject of chapter 4.

The debt limit. The One Big Beautiful Bill Act raised the statutory limit to $41.104 trillion. The National Taxpayers Union's central projection has the Treasury reaching it in May 2027, within a February to July range, with the X-date around February 2028.[01.21] A Democratic Senate has a vote on the next increase, and chapter 6 explains why that vote is where health-care money gets decided.

PART I · THE MORNING AFTER

Wednesday's Tape

The overnight selloff was an AI and data-center trade wearing an election label. By the European morning, equity futures had recovered, and the bond market had written the more durable verdict: lower yields in the belly of the curve and a weaker dollar.

Election nights are read twice. The first reading happens in Asian hours, on thin volume, as calls arrive one state at a time. The second happens when London opens and the result is known. On November 4 the two readings disagreed on equities and agreed on bonds and the dollar. That asymmetry is the most useful piece of information the night produced.

Asia: the first reading

Jon Ossoff's re-election in Georgia was among the first Senate races called on the night, after polls in the state closed at 7 p.m. Eastern. At that point S&P 500 futures were down 0.5% and Nasdaq futures 0.9%, while Asian equities were still edging higher on strong results from AMD. [02.1] As Senate seats in North Carolina and then in deep-red states fell to the Democrats, the move accelerated. Reuters reported S&P 500 futures down 1.2%, Nasdaq futures down more than 2%, the 10-year Treasury yield 6 basis points lower at 4.906%, and the dollar index down 0.37% at 101.34. [02.2]

The selling in Asia was concentrated in the AI supply chain. Samsung, SK Hynix and TSMC fell sharply at times; the Kospi lost as much as 3%, Taiwan's Taiex 2.3% and the Nikkei almost 3%, and SoftBank, a major OpenAI investor, was among the losers. [02.3] In U.S. overnight trading, CoreWeave, which borrows to build data centers, was down 7% on Robinhood, and CNBC identified the Texas governor's race, won by a Democrat who campaigned for tougher limits on data-center development, as the biggest single blow to tech shares. [02.4]

Tai Hui of J.P. Morgan Asset Management framed the overnight move better than anyone: "How much is really the election, how much is the AI story that's fermented since three or four weeks ago?" His answer was the AI story. [02.5] The AI trade arrived at the election already damaged. On October 30 the Nasdaq-100 was on course to lose more than $2 trillion of market value in October, down more than 5.8% for the month, and a Goldman Sachs basket of AI stocks was down 15% in October and more than 24% below its peak. [02.6]

Europe: the second reading

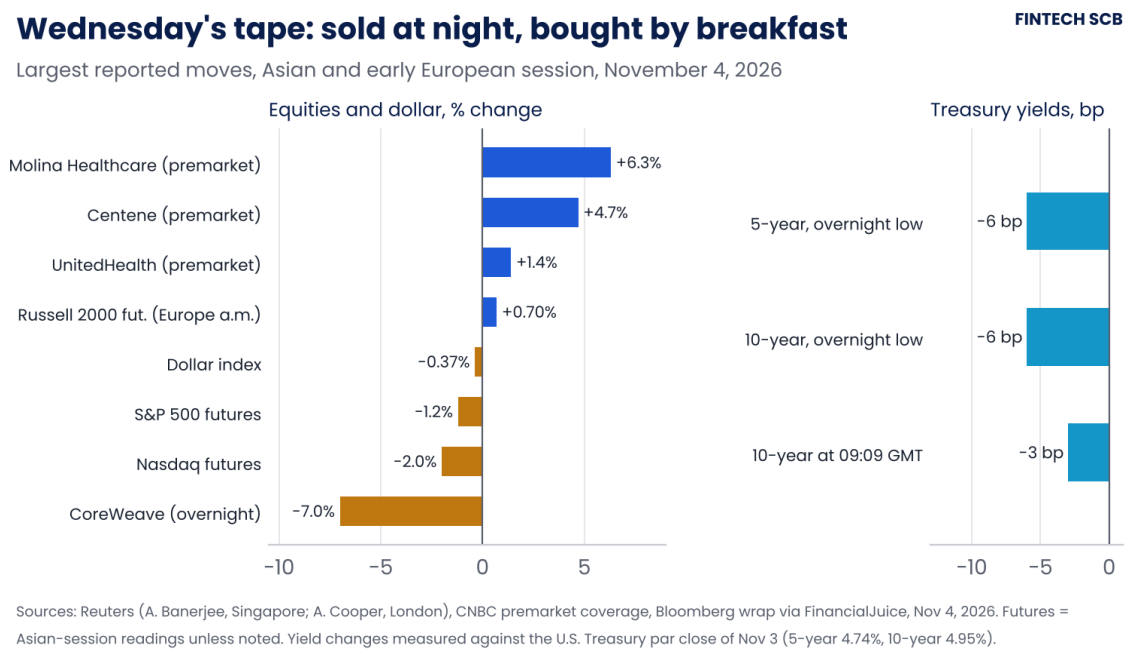
By 09:09 UTC the picture had changed. Reuters reported that global stocks and the dollar had recovered from their overnight lows. U.S. stock futures had edged into positive territory after falling as much as 2%. Futures on the Russell 2000, the index most exposed to the domestic economy, were up 0.7% after losing 1% earlier. The 10-year yield was 3 basis points lower on the day at 4.92%, after touching 4.89%. The Swiss franc was the standout: the dollar was down 0.6% at 0.8163 francs and 0.4% lower against the yen at 158.12. [02.7] Nasdaq futures had trimmed their loss to about 0.5%, and the Kospi had turned positive. [02.3]

The five-year note led the bond rally. Its yield fell as low as 4.68%, 6 basis points under Tuesday's 4.74% Treasury par close, reflecting, in the words of one market wrap, "expectations that political gridlock could constrain fiscal expansion." [02.8] A Congress split against the White House cannot pass another party-line rec-

onciliation bill, and that means a smaller supply of future deficits at the margin. The day before, the five-year had closed at 4.74% and the 10-year at 4.95%. [02.9]

Market	Overnight move	By European morning	Source
S&P 500 futures	-1.2%	Slightly positive	Reuters
Nasdaq futures	more than -2%	about -0.5%	Reuters; Trending Topics
Russell 2000 futures	-1.0%	+0.7%	Reuters
10-year Treasury yield	-6 bp to 4.906%; low 4.89%	-3 bp at 4.92%	Reuters
5-year Treasury yield	-6 bp vs 4.74% close	low 4.68%	Bloomberg via FinancialJuice
Dollar index	-0.37% to 101.34	Weaker vs all G10	Reuters; FinancialJuice
USD/CHF · USD/JPY	—	-0.6% at 0.8163 · -0.4% at 158.12	Reuters
Molina · Centene (premarket)	—	+6.3% · about +5%	CNBC
UnitedHealth (premarket)	—	+1.4% to +1.8%	CNBC
CoreWeave	-7%	—	CNBC
Brent crude	About $104 a barrel, after a $103.60 settlement on November 3		ICE; CNBC

Sources: Reuters (Ankur Banerjee, Singapore; Amanda Cooper, London), November 4, 2026; CNBC premarket live updates, November 4, 2026; FinancialJuice Asia market wrap, November 4, 2026; ICE Brent front-month settlement, November 3, 2026. Premarket figures are indications, not closing prices.



Sources: Reuters (A. Banerjee, Singapore; A. Cooper, London), CNBC premarket coverage, Bloomberg wrap via FinancialJuice, Nov 4, 2026. Futures = Asian-session readings unless noted. Yield changes measured against the U.S. Treasury par close of Nov 3 (5-year 4.74%, 10-year 4.95%).

Figure 2.1. What moved on the night of the count. Equity futures recovered by the European morning; yields and the dollar did not reverse. Source: Reuters, CNBC, FinancialJuice, November 4, 2026.

The sector map

U.S. premarket trading sorted the result into policy buckets within hours. Health insurers and hospital operators rose: UnitedHealth between 1.4% and 1.8% in successive updates, Molina 6.3%, Centene about 5%, with HCA Healthcare also higher.[02.10] These are the companies most exposed to the two items at the top of the Democratic list, the expired Affordable Care Act subsidies and the Medicaid cuts. Renewable-energy stocks rallied sharply. Defense stocks fell.[02.10] Small caps, through the Russell 2000 futures, went from a loss to a gain.

Two markets barely noticed. Brent traded around $104 a barrel early Wednesday, after settling at $103.60 on Tuesday; the 7.6% fall on Monday, November 2, came from signals of U.S.–Iran diplomacy, not from Congress.[02.11] Bitcoin traded near $78,400, about where it stood on Sunday.[02.12]

Charu Chanana, chief investment strategist at Saxo in Singapore, gave the mainstream reading: markets were pricing in a stronger-than-expected Democratic showing, "which could reduce expectations for further fiscal stimulus," and that explained the softer dollar and the pressure on equities. Jake Dollarhide of Longbow Asset Management named the sector risk: a Democratic sweep could "bring regulatory pressure on everything AI."[02.13] Michael Arone of State Street Global Advisors put it in one line: "I don't think the big risk to markets is from the blue wave; it's investors overreacting to a blue wave."[02.13]

My reading: a policy mix, not a recession

A market that feared a recession would have sold small caps, sold cyclicals and bought the front end of the Treasury curve hardest. Wednesday's tape did the opposite on the first two counts, and on the third the move was concentrated in the five-year sector, where expectations for fiscal policy and for the Fed's path meet. The front end stayed anchored by a Federal Reserve that markets still expect to hike in December. What fell was the fiscal premium in the middle of the curve.

Read sector by sector, the night repriced specific policies. Health care rose on coverage. Renewables rose on a vote, which is not the same as a law, a distinction chapter 7 develops. Defense fell on appropriations politics. AI and data-center names fell on state permits and federal scrutiny, on top of a selloff that began in October. The dollar weakened because a Congress that cannot pass another deficit-financed tax bill lowers, at the margin, the path of U.S. rates relative to the rest of the world.

In my experience the first night's equity move is the least reliable number of an election week, and the bond move is the most reliable. Sunday's rule was to watch the five-year real yield before the stock screen. On Monday, November 2, it stood near 2.31%; on Wednesday the nominal five-year traded as low as 4.68%. Nothing in the overnight session gives a reason to change that rule.

The next test arrives on Friday, November 6, when the October jobs report is due at 8:30 a.m. Eastern Time, followed by the October consumer price index on Tuesday, November 10.[02.14]

PART I · THE MORNING AFTER

The Starting Line

The policy rate is exactly where it was a year ago, and the Federal Reserve is moving in the opposite direction. Real yields have doubled, oil carries a war premium, and the deficit is near $2 trillion. Any post-election portfolio starts from here.

Election analysis tends to begin with the winners. Portfolio analysis has to begin with prices. The table below sets the position on the morning of November 4, 2026 against the same point a year earlier. Where data for the exact date do not exist, I use the latest figure that had been published by that date and say so.

Indicator	A year earlier	November 2026	Source
Fed funds target range	3.75%–4.00% (cut, Oct 29, 2025)	3.75%–4.00% (hiked Sep 16; held Oct 28, 10–2)	Federal Reserve
CPI, 12 months (September)	3.0%	3.7%	BLS
Core CPI, 12 months (September)	3.0%	2.6%	BLS
Unemployment rate	4.3% (Aug 2025, last release before the shutdown)	4.2% (Sep 2026)	BLS
Real GDP, Q3, annual rate	4.3% (initial estimate)	3.4% (advance estimate)	BEA
2-year Treasury	3.60%	4.61%	U.S. Treasury, Nov 3
5-year Treasury	3.72%	4.74%	U.S. Treasury, Nov 3
10-year Treasury	4.13%	4.95%	U.S. Treasury, Nov 3
5-year real yield (TIPS)	1.24% (Oct 28)	2.36% (Oct 28); about 2.31% (Nov 2)	U.S. Treasury; FRED
Brent, front month	$64.89	$103.60	ICE, Nov 3 settlements
Bitcoin	$101,468 (Nov 4)	about $78,425 (Nov 4)	Composite spot
ECB deposit rate	2.00%	2.50%	ECB
Federal deficit, fiscal year	$1.78 trillion (FY2025)	about $2.0 trillion (FY2026)	Treasury; CBO

Sources: see notes [03.1]–[03.16]. Treasury yields are par yields at the close of November 3 in each year.

The Fed: same rate, opposite direction

On October 29, 2025, the Federal Reserve cut its target range to 3.75%–4.00%, and in December it cut again, to 3.50%–3.75%, over three dissents. [03.1] On September 16, 2026, it raised the range by a quarter point, back to 3.75%–4.00%, in its first hike since July 2023. On October 28 it held there by a vote of 10 to 2: Governor Lisa Cook and Cleveland Fed President Beth Hammack dissented in favor of another increase. Chair Kevin Warsh's statement said that "inflation remains elevated," and the interest rate on reserve balances stays at 3.90%. [03.2] After the meeting, futures priced an 82.6% probability of a quarter-point hike at the December 8–9 meeting. [03.3]

A year ago the market was asking how far the Fed would cut. Today it is asking whether a second hike is enough. The level of the policy rate is the same; its sign has flipped, and that sign is what a bond ladder and an equity multiple care about.

Inflation: an energy story

September's consumer price index rose 0.6% in the month and 3.7% over twelve months, up from 3.4% in August. Core CPI, which excludes food and energy, rose 0.3% in the month and 2.6% over the year. [03.4] A year earlier the two numbers were identical, at 3.0%. [03.5] Headline inflation is up 0.7 points; core is down 0.4. The gap is oil.

Measured over the third quarter as a whole, the picture is calmer still: the PCE price index rose at a 2.1% annual rate and core PCE at 2.5%, according to the Bureau of Economic Analysis's advance estimate of October 29. [03.6] The bond market agrees. The five-year breakeven inflation rate, the inflation that TIPS and nominal Treasuries jointly price, stood at 2.39% on November 2. [03.7] Investors are treating 3.7% as a war number, not as a regime. The October CPI, due on November 10, is the first test of that view after the election.

Growth and jobs: strong output, thin hiring

Real GDP grew at a 3.4% annual rate in the third quarter of 2026, after 2.2% in the second. [03.6] The labor market tells a different story. Nonfarm payrolls rose by 29,000 in September and the unemployment rate was 4.2%; July was revised from a gain of 21,000 to a loss of 10,000, and July and August together were 60,000 lower than first reported. [03.8] Output growing near 3.4% with hiring close to zero is an economy producing more with the same people, which is consistent with the capital-spending boom in data centers. It is also the combination in which a Fed worried about inflation can keep hiking without seeing unemployment jump. The October jobs report is due on Friday, November 6.

The price of money is real

The five-year Treasury yield rose from 3.72% on November 3, 2025 to 4.74% on November 3, 2026. [03.9] The more important question is what kind of increase that was. Comparing October 28 of each year, the nominal five-year rose 1.25 percentage points; the five-year TIPS real yield rose from 1.24% to 2.36%, or 1.12 points; the breakeven moved by about 0.13 points. [03.7] Roughly 90% of the rise in the five-year yield is real yield. The market is demanding a higher real price for money, and almost no extra compensation for inflation.

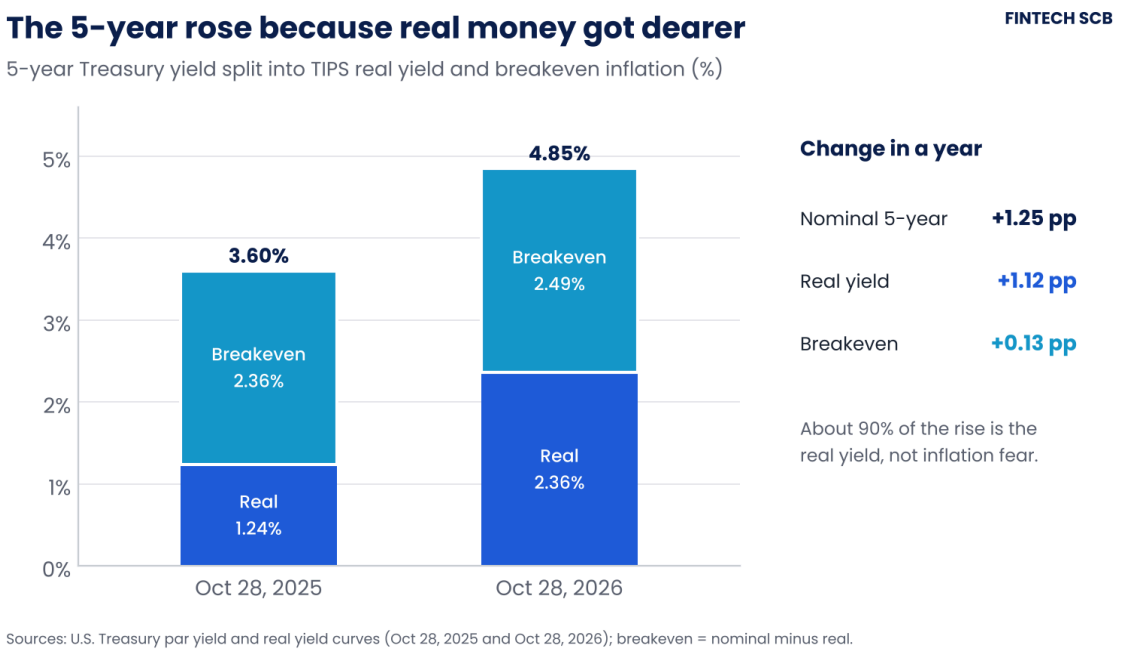


Figure 3.1. The five-year yield, split into real yield and breakeven inflation, on October 28, 2025 and October 28, 2026. Almost all of the increase is real. Source: U.S. Department of the Treasury, Daily Treasury Par Yield and Real Yield Curve Rates; Federal Reserve Bank of St. Louis, FRED (T5YIE).

That is why Sunday's rule put the five-year real yield ahead of the stock screen. A real yield of 2.3% to 2.4% on a five-year government bond is the hurdle every equity has to clear after inflation. On October 22, the Treasury sold $26 billion of new five-year TIPS at a real yield of 2.367%. [03.10] On October 14 the five-year real yield stood at 2.64%; by November 2 it had eased to about 2.31%. The model portfolio in chapter 9 stops adding equities and the bond ladder if it closes back above 2.64%.

The long end is a different market. On November 3 the 20-year yielded 5.35% and the 30-year 5.32%, against 4.67% and 4.69% a year earlier. [03.9] With a Fed that may still be hiking and oil above $100, I see no reason yet to own duration beyond seven years.

Oil: a war premium with a timetable

Brent settled at $64.89 a barrel on November 3, 2025 and at $72.87 on February 27, 2026, the last trading day before the Iran war began on February 28. The closure of the Strait of Hormuz produced what the International Energy Agency called the "largest supply disruption in the history of the global oil market." [03.11] The autumn run took Brent to $116.72 on October 23. On Monday, November 2, it fell 7.6% to $104.77 as Washington and Tehran signaled openness to talks, and on November 3 it settled at $103.60: up 60% on the year, 42% above the pre-war level and 11% below the October peak. [03.12]

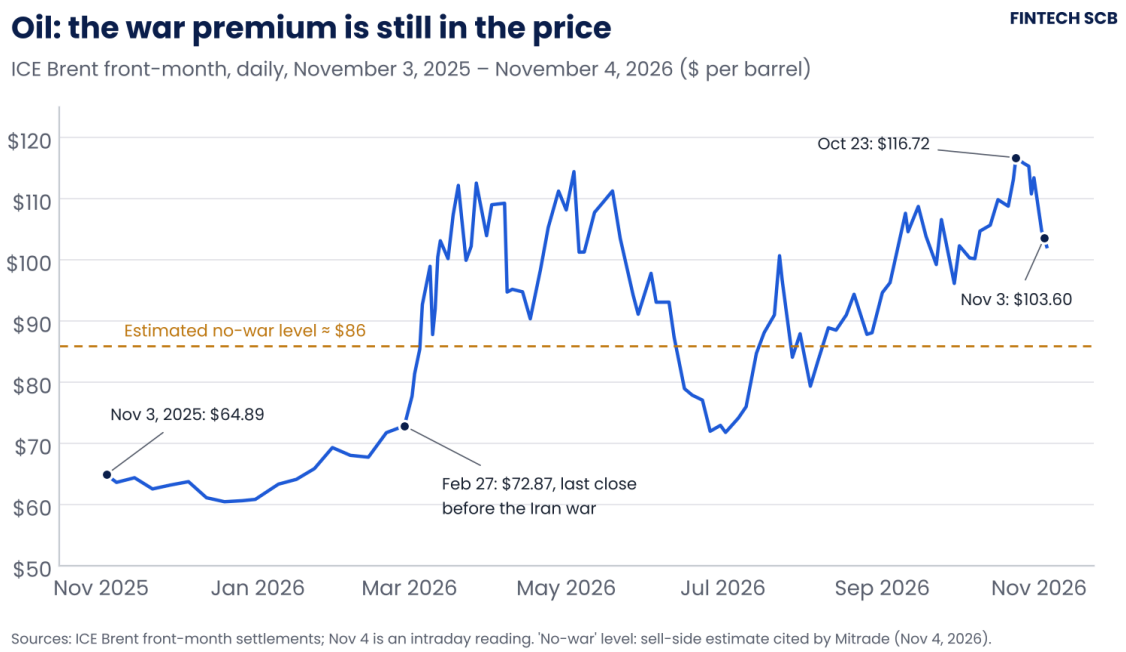


Figure 3.2. Brent front-month, November 3, 2025 to November 4, 2026, with the start of the Iran war (February 28), the October 23 peak ($116.72) and the November 3 settlement ($103.60). Source: ICE Brent front-month settlements.

Sell-side models cited by Mitrade put a no-war Brent price near $86, which leaves about $17.60 of war premium in Tuesday's settlement.[03.12] That premium can disappear in a week on a deal or double on a strike. Russia–Ukraine talks are expected in Abu Dhabi in the first half of November. The election did not move oil on Wednesday. Diplomacy did on Monday, and it will again.

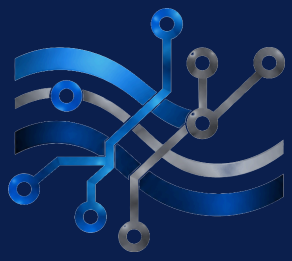
The fiscal baseline, the dollar and the euro investor

The federal deficit for fiscal year 2026 was about $2.0 trillion, according to the Congressional Budget Office, against $1.78 trillion in fiscal 2025.[03.13] The government is funded through December 11 by a stopgap law, and the debt limit, raised to $41.104 trillion, is projected to bind around May 2027. Divided government does not shrink that deficit; it mostly prevents it from growing through new legislation.

For a reader who measures wealth in euros, two facts matter. The ECB held its deposit rate at 2.50% on October 29, the level it has kept since September, against 2.00% a year earlier.[03.14] The three-month Treasury bill yielded 4.21% on November 3. The gap of about 1.7 points is close to the annual cost of hedging short-dated dollar assets back into euros, which is why the model portfolio hedges the TIPS and the bond ladder and leaves only the equity sleeve exposed to the dollar. The ECB also announced that Christine Lagarde will leave office on February 7, 2027, before the end of her term.[03.15]

Bitcoin

Bitcoin traded near $78,425 on November 4, 22.7% below the $101,468 of a year earlier, inside a 52-week range of $57,718 to $107,482. It sits below its 50-day average of about $81,900 and above its 200-day average of about $73,200.[03.16] Its policy path now runs through a Banking Committee whose likely chair is the sector's most persistent critic in Congress,[03.17] which is why the model portfolio holds Bitcoin at 3% without adding.



II

Five Contrarian Theses

Each thesis names the consensus, gives it its best defense, explains the mechanism it misses and states the evidence that would prove me wrong.

4 · Gridlock Is a Filter, Not a Wall
5 · The Blue Wave Is a Bond Trade First
6 · Healthcare: The Payer Is the White House
7 · A Vote Is Not a Law
8 · This Is Not an Average Post-Midterm Year

PART II · THESIS ONE

Gridlock Is a Filter, Not a Wall

A Democratic Congress facing a Republican president will pass fewer laws. The few that do pass will come from the narrow strip where Donald Trump's populism and the Democrats' affordability agenda overlap, and that strip runs straight through a handful of corporate profit pools.

The consensus, in its own words

By the time Asian markets opened on Wednesday, the word on every desk was gridlock. Reuters described the result as "setting the stage for political gridlock for the remainder of Republican President Donald Trump's final term."[04.1] Axios wrote that Democratic control "will open the door to investigations, subpoenas and even more legislative gridlock."[04.2] Michael Arone of State Street Global Advisors gave the market's version: "I don't think the big risk to markets is from the blue wave; it's investors overreacting to a blue wave."[04.3]

The inference behind those lines is rarely spelled out because it feels self-evident. A Congress that cannot legislate cannot hurt earnings. Equities should therefore do what they have done after every midterm since 1950, and the sensible portfolio response is to do nothing in particular.

The best case for the consensus

The gridlock view deserves its strongest form before I argue with it. Three locks hold most legislation in place from January 3, 2027.

The first is the veto. Overriding it takes two-thirds of both chambers: 290 votes in a full House and 67 in the Senate. Even NBC News's projection of about 258 Democratic seats falls more than 30 votes short, and the Senate is further away. The second is the filibuster. With 54 seats on the AP tally Wednesday morning, and Alaska and Mississippi still uncalled, Senate Democrats need at least six Republicans to bring most bills to a vote. The third is the loss of reconciliation as a practical tool. Republicans used it to pass the One Big Beautiful Bill Act in July 2025 on party lines; from January, neither party controls both the budget resolution and the signature, so neither can use it alone.

Add the history and the case looks complete. The S&P 500 has risen in the twelve months after each of the 19 midterms since 1950, by 16.6% on average.[04.4] No new tax increases, no new entitlement, no repeal of the 2025 law: for the index, divided government removes the scenarios that have historically hurt multiples.

I accept every element of that argument at the level of the index. It goes wrong on where the risk goes.

The mechanism: what survives three locks

A bill clears all three locks only when three conditions hold at once. Democrats want it. At least six Senate Republicans want it, or fear voting against it. The President wants it, or cannot be seen vetoing it. That combination screens out nearly everything broad: tax rates, spending levels, tariff authority, the structure of Medicare and Medicaid. It lets through, almost by design, the measures that convert a visible corporate margin into a consumer price cut. Populism on the right and affordability on the left share a target. It is a fee or a spread that voters see on a receipt and a small number of companies collect.

The record of 2026 shows the overlap is real and that the President has already signed up to most of it. Trump endorsed the Credit Card Competition Act in January, and again at a rally in Salina, Kansas, on November 1, two days before the vote.[04.5] [04.6] On January 9 and 10 he called for a one-year 10% cap on credit card interest rates and later asked Congress to legislate it.[04.7] In his health-care plan and again in the State of the Union he asked Congress to codify the most-favored-nation drug pricing deals his administration signed with manufacturers.[04.8] On July 22, the Office of Management and Budget stated that the administration "strongly supports" the House's congressional stock trading ban, which passed that day by 232 to 198.[04.9] [04.10]

Every one of those items is also a Democratic priority. Under a Republican Congress each one stalled, and the obstacle was the floor, not the White House: Senate and House leaders aligned with banks, drugmakers and their own members' trading habits decided what came up for a vote. From January, control of the floor passes to the Democrats, with Hakeem Jeffries expected to become Speaker and Chuck Schumer Majority Leader.

The practical result is that gridlock closes the broad channel through which policy usually reaches markets, the fiscal stance, and leaves the narrow channel open. The index will barely register it. A few sectors carry nearly all of it.

> *Divided government does not lower policy risk. It concentrates it in the few profit pools that both parties like to attack.*

The policy matrix

The table maps the overlap as I see it on November 4, 2026. The odds column is my judgment of the probability that each measure becomes law by December 31, 2027. It is not a market price, and I will revise it as votes are scheduled.

Policy	House Democrats	Senate Democrats	President	Odds of law by end-2027	Who pays / who gains	Model-portfolio response
Credit Card Competition Act (S. 3623): second, unaffiliated network on cards of banks above $100bn	For; House version led by Reps. Gooden (R) and Lofgren (D)	For; both Senate sponsors leave in January	Endorsed repeatedly in 2026, most recently November 1	35%	Pays: Visa, Mastercard, large issuers. Gains: merchants	Visa 10% → 6%; JPMorgan held, not added
10% cap on credit card interest (S. 381, Sanders–Hawley)	Split	Progressives for, moderates wary	Called for it, January 2026	10%	Pays: card issuers, consumer lenders. Gains: revolving borrowers, at the cost of credit supply	No card-issuer exposure added
Drug pricing: codify most-favored-nation deals	For, and want wider Medicare negotiation	For	Asked Congress to codify, January 2026	40%	Pays: drugmakers outside the deals, pharmacy-benefit managers. Gains: Medicaid, cash-pay patients	No drugmaker or benefit-manager exposure
Enhanced ACA premium subsidies	Passed 230–196 on January 8, 2026 (17 Republicans)	For; earlier Senate attempts failed	Prefers payments sent directly to patients	30% alone; higher inside a 2027 debt-limit deal	Gains: hospitals, ACA insurers	HCA 6% (new); Centene on watchlist
Delay of the 2025 Medicaid cuts	For	For	Opposed in principle	45% (partial delay)	Gains: hospitals, Medicaid plans	HCA; Molina on watchlist

Policy	House Democrats	Senate Democrats	President	Odds of law by end-2027	Who pays / who gains	Model-portfolio response
Congressional stock trading ban (H.R. 7008)	Passed 232–198, July 22, 2026	Pending	"Strongly supports"	60%	No direct market effect	None; it proves the overlap works
Repeal of Section 232 and 301 tariffs	For (restore congressional authority)	For	Opposed	5%	None as law	No "tariff relief" trade
Binding Iran war powers resolution	For	Likely passes (old Senate rejected it 49–50 on September 24)	Veto	5% as law	Oil risk premium moves on signals	ExxonMobil: take profits
CLARITY Act (crypto market structure)	Passed House 294–134, July 2025	Cloture failed 49–50 on September 15, 2026; Warren in line to chair Banking	Supports	10%	Pays: exchanges, smaller tokens	Bitcoin 3% held, no adds; altcoins sold
Federal preemption of state AI and data-center rules	Against preemption	Against; Congress rejected a state-law moratorium twice	Executive order of December 11, 2025 seeks it	10%	Pays: leveraged data-center builders. Gains: grid-equipment makers	Microsoft 14% → 12%; keep Eaton; avoid leveraged neoclouds

Sources: notes [04.5]–[04.26]. Odds are the author's judgment as of November 4, 2026.

Why Visa goes from 10% to 6%

Visa is the cleanest single expression of the overlap, and the business is in excellent condition, which is the uncomfortable part of the decision. In the quarter to September 30, net revenue rose 13% to $12.1 billion; for fiscal 2026 it rose 15% to $45.9 billion. Data processing revenue grew 16%, service revenue 14%, international transaction revenue 8%, and the "other" line, mostly value-added services, 40%. The board raised the quarterly dividend 16% to $0.780. The same release carried a $469 million litigation provision tied to the interchange multidistrict case. [04.11]

The political number sits on the other side of the receipt. The Merchants Payments Coalition puts U.S. card swipe fees at a record $198.25 billion in 2025, up 80% since the pandemic, with Visa and Mastercard credit cards averaging 2.36% per transaction and the two networks holding 80% of the market. [04.6] A number that size, attached to grocery and gasoline prices, is exactly what an affordability majority looks for.

The bill itself is narrower than the rhetoric. It does not cap fees. It requires banks with more than $100 billion in assets to enable at least two unaffiliated networks on their credit cards, one of them outside Visa and Mastercard, so that merchants can route transactions to the cheaper rail. [04.12] Debit cards have been through a stricter version of this since 2011, when Regulation II capped interchange and required routing choice. [04.13]

Its path has also been poor. Sponsors tried to attach it to the GENIUS Act in 2025 and to the 21st Century ROAD to Housing Act in March 2026; the Senate passed the housing bill without it. [04.14] Both Senate sponsors now leave: Roger Marshall lost his seat on Tuesday to Adam Hamilton, and Dick Durbin retires in January. American Banker's read is that the sweep gives Democrats time to find successors. [04.15]

I raise the risk anyway, because the obstacle between 2025 and 2026 was never the President. He has endorsed it repeatedly in 2026, most recently on November 1 at a rally for Marshall in Salina, where he said he would sign it, and Vice President Vance co-sponsored it as a senator. [04.6] The obstacle was a Senate floor run by leaders who did not want the vote. That changes in January. Fifty-four Democrats need six Republicans, and the bill's Republican support comes from the populist wing that has grown inside the party, not from its leadership.

Why 6% and not zero? The bill covers credit, not the faster-growing cross-border and value-added lines. Routing competition squeezes the fee over time; it does not legislate it down overnight. It still needs 60 Senate votes. And the stock prices none of the risk: Visa closed at $420.42 on November 3, within 1.5% of its 52-week high of $426.78 and about 10% above its 50-day average of $383.16. Selling four points of a position near its high costs little, and it leaves room to act on the signal that matters.

Why JPMorgan is held, not added

JPMorgan sits on two rows of the matrix. The swipe-fee bill reduces the interchange that large issuers collect, and the 10% rate cap aims directly at the card book. Elizabeth Warren, ranking Democrat on the Senate Banking Committee since 2025 and the chamber's most persistent critic of large banks, is in line to take the gavel. [04.16] The deregulation premium that justified a 15% weight in Sunday's Republican scenario has gone.

The other side of the ledger keeps the position. The Treasury curve on November 3 ran from 4.21% at three months to 4.95% at ten years, a positive slope that supports net interest income. [04.17] The bank closed at $337.98, about 8% below its 52-week high of $366.50, so the market has already taken some of the political risk out of the price. I hold 7%, as in Sunday's scenario B, and I do not add.

The other side of the swipe

If routing competition lowers what merchants pay, the gain goes to businesses with high card volumes and thin margins: large-box retailers, grocers, fuel stations. Walmart and Costco are the liquid names. They are on my watchlist, not in the model portfolio, because their prices already carry a defensive premium and a gain that depends on a bill is not one I pay for in advance. For a reader who holds Visa and does not want to sell for tax reasons, a merchant position is the natural offset: if the bill moves, one leg loses what the other gains.

The rest of the matrix in brief

Drug pricing carries the highest odds among the measures that move money. Fourteen manufacturers had signed most-favored-nation agreements by December 19, 2025; the nine that signed that day committed at least $150 billion of U.S. manufacturing investment, and the deals shield signatories from possible tariffs for three years. The TrumpRx site opened on February 5, 2026 with more than 40 medicines. [04.18] [04.19] KFF notes that the deals' terms are largely confidential. [04.8] A Democratic Congress will want to write them into law with more disclosure and wider coverage; a President who asked for codification will find a veto hard to explain. That is why the model holds no drugmaker and no pharmacy-benefit manager.

Health coverage is where the overlap is weakest on its own and strongest inside a bigger deal. The House voted 230 to 196 on January 8, 2026 to extend the enhanced ACA subsidies for three years, with 17 Republicans in favor; the Senate had already blocked earlier attempts, and the subsidies lapsed on December 31, 2025. [04.20] The 2025 law's Medicaid changes start biting next: work requirements from January 1, 2027 and a phase-down of state-directed payments from 2028. [04.21] Jefferies' hospital analyst, Brian Tanquilut, rates a delay of Medicaid cuts as more likely than full restoration of the subsidies, and so do I. [04.22] The lever is the debt limit, which Treasury is projected to reach around May 2027. [04.25] Chapter 6 carries that argument and the HCA position that follows from it.

The stock trading ban has the best odds of all, around 60%, and almost no market consequence. I include it because it is the proof of concept: a measure both parties campaign on, that the President has formally backed, and that a new Senate majority can schedule in its first hundred days. [04.9] [04.10]

Tariff repeal, a binding Iran war powers resolution and the crypto market structure bill fail the filter for opposite reasons. The first two run against the President, so they end in a veto; the third runs against the incoming Banking chair, so it may never reach the floor.[04.23] [04.24] Chapter 7 explains why markets priced some of them on Wednesday as if they were already law.

These are the weights of a model portfolio built around a USD 100,000 reference. Tax position, base currency and liquidity needs change the right size for any individual reader, which is why each case deserves its own review.

> **What would make me wrong.** If the Senate reaches its August 2027 recess without a floor vote on any of the four overlap measures (swipe fees, the card-rate cap, most-favored-nation codification, the stock trading ban), the filter is shut and gridlock is the wall the consensus describes. In that case I restore Visa toward its Sunday weight of 10% and resume adding JPMorgan on weakness. The opposite signal acts faster: a committee markup or floor vote on the Credit Card Competition Act, paired with a White House statement of support, takes Visa to zero.

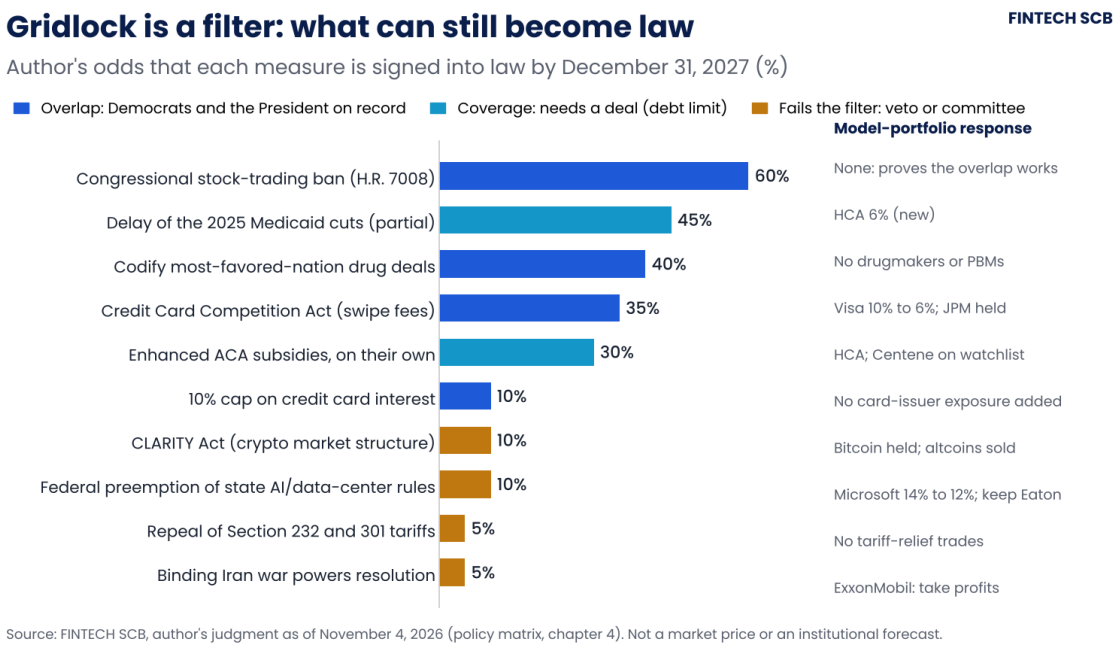


Figure 4.1. Author's odds that each measure is signed into law by December 31, 2027, grouped by how it meets the gridlock filter, with the model portfolio's response. Source: FINTECH SCB, policy matrix in this chapter; professional judgment as of November 4, 2026, not a market price or an institutional forecast.

PART II · THESIS TWO

The Blue Wave Is a Bond Trade First

The first market to read Tuesday's result correctly was the Treasury market, and it read it in the five-year note. A Democratic Congress caps the fiscal path; it does not cap the Fed or the price of oil. That combination points to the belly of the curve and away from the long end.

Before a single U.S. stock traded on Wednesday, the five-year Treasury yield had fallen as low as 4.68%, 6 basis points under its 4.74% par close, and the overnight wrap reported it falling further than any other maturity [05.1]. The ten-year touched 4.89% before settling around 4.92%, and the dollar index slipped 0.37% to 101.34 [05.2]. Equity futures spent the night arguing about artificial intelligence, data-center permits and the Texas governor's race. Bonds spent it doing arithmetic.

That arithmetic is the subject of this chapter. My claim is narrow and testable: the most direct consequence of a Democratic House and Senate for a portfolio is a lower probability of new fiscal expansion in 2027, and the place on the curve where that shows up first is three to seven years. The long end will not get the same relief, because what drives it now has little to do with Congress.

The consensus, at its strongest

The prevailing view on Wednesday morning ran as follows. Divided government means gridlock, gridlock means no new laws, and no new laws means the deficit stays where it is: about $2.0 trillion in fiscal year 2026, according to the Congressional Budget Office [05.3]. A deficit that size, on autopilot, keeps Treasury supply heavy whoever chairs the committees. Inflation ran at 3.7% in September, the Federal Reserve raised rates in September for the first time since July 2023, and two voting members wanted to raise them again on October 28 [05.4]. On this reading, a bond rally on election night is a reflex that will fade by the time the October CPI arrives on November 10.

Every fact in that paragraph is correct, and I take the argument seriously. The deficit does not shrink because the Speaker changes. The Fed is not finished. A rally built on politics alone would fade.

The mechanism the consensus skips

The flaw is in the word "stays." A deficit on autopilot is a known quantity. What markets had to price before Tuesday was the possibility of a second large fiscal bill in 2027, passed the same way the One Big Beautiful Bill Act was passed in 2025: through budget reconciliation, which needs a simple majority in both chambers and a signature. With Democrats holding both chambers from January 3, 2027, a Republican reconciliation bill is off the table, and a Democratic one would meet a veto [05.5]. The right tail of the fiscal distribution, new tax cuts financed by new borrowing, has been removed. The deficit is frozen at a high level instead of being allowed to rise by legislation.

Freezing the fiscal path matters most where the Fed path and the fiscal path meet, and that is the belly of the curve. The front end is pinned by the Fed funds range of 3.75% to 4.00%, with markets pricing about an 82.6% chance of a December hike after the October meeting [05.6]. The long end carries supply, oil and the uncertainty of inflation a decade out. The three-to-seven-year sector is where expectations for the next two years of policy live, and two years is exactly the life of this Congress.

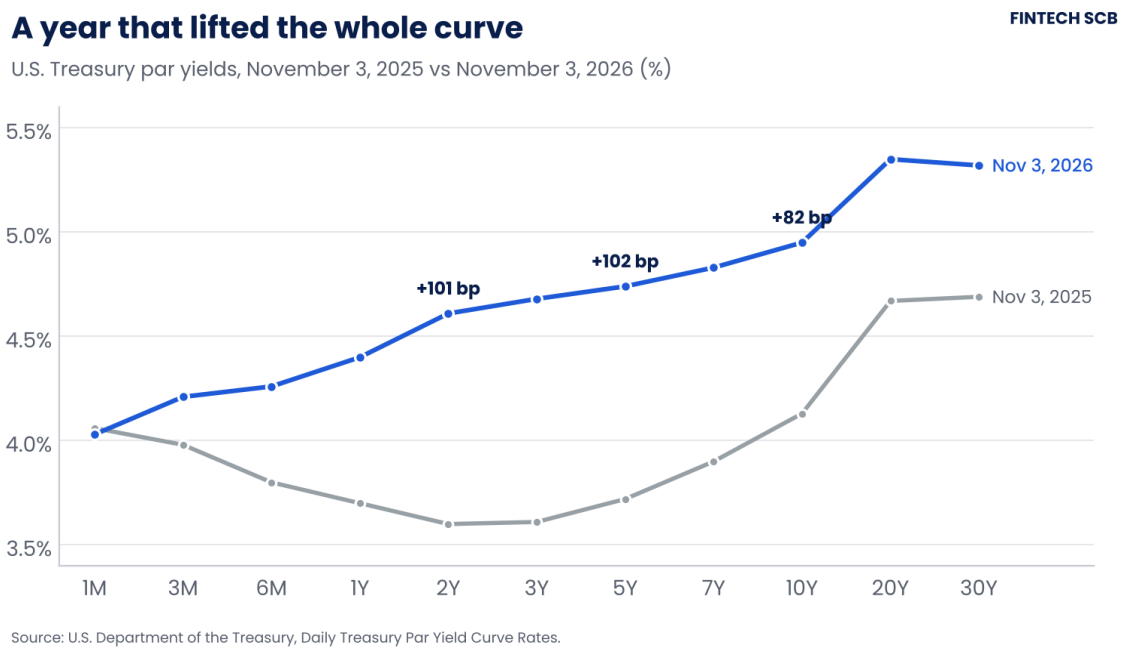


Figure 5.1. The Treasury curve one year apart. The two- to five-year sector absorbed the largest rise. Source: U.S. Department of the Treasury, Daily Treasury Par Yield Curve Rates, November 3, 2025 and November 3, 2026.

Figure 5.1 shows why I want to be in the belly. Between November 3, 2025, and November 3, 2026, the three-month bill rose 23 basis points, from 3.98% to 4.21%. The two-year rose 101 basis points and the five-year 102, from 3.72% to 4.74%. The ten-year rose 82 and the thirty-year 63, from 4.69% to 5.32%[05.7]. The whole repricing of the Fed, from cuts to hikes, landed on two to five years. That sector also has the most to give back if the hiking cycle ends with one more move rather than three.

The composition of the move strengthens the case. From October 28, 2025, to October 28, 2026, the five-year yield rose 1.25 percentage points, and 1.12 of that came from the real yield; the five-year breakeven inflation rate added only 0.13[05.8]. On November 2 the breakeven stood at 2.39%, which put the five-year real yield near 2.31%[05.9]. The market is charging a higher real price for money rather than pricing runaway inflation, and a 2.3% real yield on a five-year Treasury is compensation I am glad to collect while the political path to bigger deficits is closed.

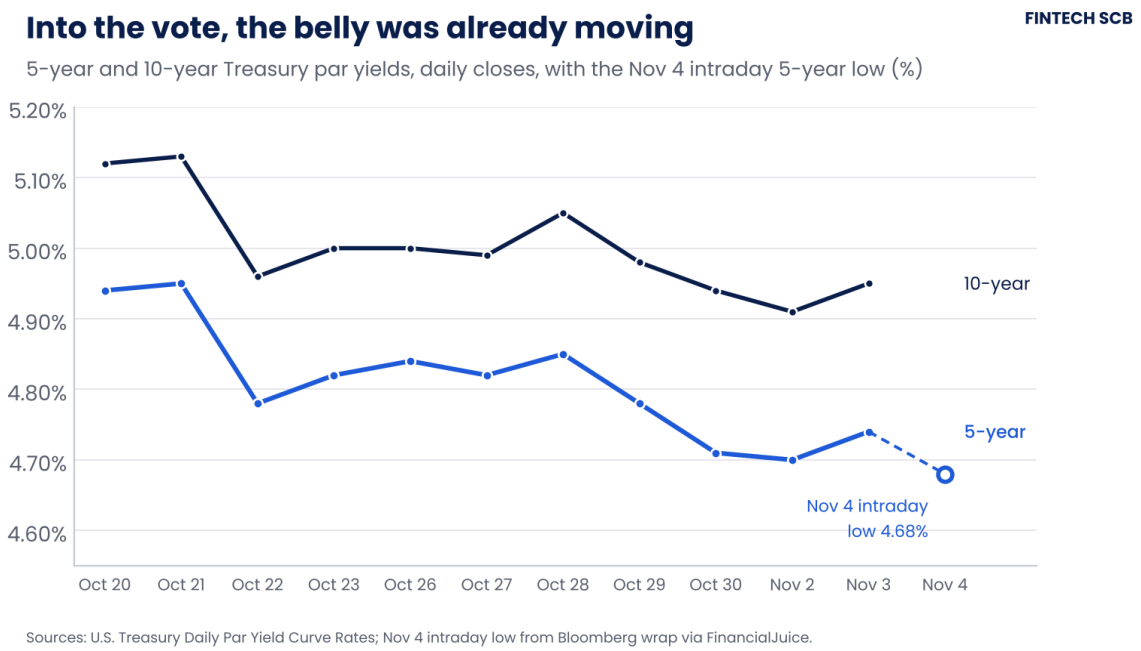


Figure 5.2. Five- and ten-year yields in the two weeks before the vote, with the November 4 intraday five-year low of 4.68%. Sources: U.S. Department of the Treasury, Daily Treasury Par Yield Curve Rates; Bloomberg market wrap via FinancialJuice, November 4, 2026.

Ladder arithmetic

A ladder spreads money evenly across maturities so that a slice comes due each year and can be reinvested at whatever rate prevails then. Using the November 3 par curve, with four- and six-year points interpolated, an equal-weight ladder from three to seven years yields about 4.75% before costs.

Maturity	Par yield, Nov 3, 2026	Weight
3 years	4.68%	20%
4 years (interpolated)	4.71%	20%
5 years	4.74%	20%
6 years (interpolated)	4.79%	20%
7 years	4.83%	20%
Ladder	**4.75%**	**100%**

Source: U.S. Department of the Treasury, Daily Treasury Par Yield Curve Rates, November 3, 2026; four- and six-year points are the author's linear interpolation.

Most readers will hold the ladder through a fund rather than individual notes. The iShares 3-7 Year Treasury Bond ETF (IEI) had an effective duration of 4.21 years and a weighted average maturity of 4.71 years on October 22, 2026, across 82 holdings and about $17.0 billion of net assets, with a 0.15% expense ratio [05.10]. Net of costs, the fund's forward yield is close to 4.60%. Duration of 4.21 means that an immediate, parallel 50-basis-point move changes the price by roughly 2.1%. Over twelve months, the approximate total return under four outcomes looks like this:

Immediate change in 3–7 year yields	Price effect (≈ −4.21 × Δy)	12-month total return, approx.
−100 bp	+4.2%	+8.8%
−50 bp	+2.1%	+6.7%
Unchanged	0.0%	+4.6%
+50 bp	−2.1%	+2.5%
+100 bp	−4.2%	+0.4%

Source: author's calculation from IEI effective duration (BlackRock, October 22, 2026) and the November 3, 2026 par curve; ignores convexity and roll-down, net of the 0.15% expense ratio.

The comparison with cash deserves honesty. The three-month bill yielded 4.21% on November 3, and the iShares 0-3 Month Treasury Bond ETF (SGOV) charges 0.09%[05.11]. The ladder's advantage in carry is therefore about half a percentage point, plus a little roll-down. Divided by a duration of 4.21, that cushion absorbs only about 12 to 15 basis points of rising yields before cash wins. If the Fed hikes in December and bill yields follow, the bar rises further. The ladder earns its place on direction, with carry covering part of the wait. I accept that trade because the asymmetry favors it: the sector that took the full brunt of a hiking cycle now faces a Congress that has closed the fiscal door, a breakeven that has barely moved, and a Fed whose next hike is already priced. That is why I buy it in thirds, and why the third purchase waits for the December 8–9 meeting.

Why still no long bonds

The thirty-year yield ended November 3 at 5.32% and the twenty-year at 5.35%[05.7]. Those are tempting levels, and I still do not own the iShares 20+ Year Treasury Bond ETF (TLT) or its UCITS sibling IDTL. The long end answers to forces Tuesday did not change. Supply comes from a $2.0 trillion deficit that gridlock freezes but does not reduce. Brent settled at $103.60 on November 3, against $64.89 a year earlier, and still carries a war premium that sell-side estimates put near $17.60 a barrel[05.12]. Headline inflation of 3.7% sits well above the 2.39% the market expects over five years. A long-bond fund carries close to four times the duration of IEI, so a 50-basis-point rise costs roughly 8% in price. While the Fed is still leaning toward a hike, that is an asymmetry I decline.

Why still no high yield

The same logic keeps me out of the iShares iBoxx $ High Yield Corporate Bond ETF (HYG) and IHYU. High-yield bonds pay a spread for growth risk, and a Fed hike into an oil shock is the classic setting in which spreads widen. The credit market also carries more of the artificial-intelligence build-out than the equity market admits: CoreWeave, which borrows to build data centers for clients, fell 7% overnight on Wednesday[05.13]. The equity sleeve of the model portfolio already carries growth risk. I do not want to own it a second time through bonds that cap the upside and keep the downside.

> **What would make me wrong.** If the five-year real yield closes above 2.64%, its mid-October level, the market is telling me the Fed has more to do than one hike; I stop adding to the ladder and leave the unspent thirds in T-bills. If the October CPI on November 10 pushes the five-year breakeven above about 2.6%, the problem has become inflation rather than real rates; in that case the short-TIPS sleeve does the work and the ladder waits. A December dot plot that shows two more hikes in 2027 would pause the third purchase.

What I do

The model portfolio keeps 25% in a three-to-seven-year Treasury ladder through IEI, or, for euro-based investors, the iShares $ Treasury Bond 3-7yr UCITS ETF EUR Hedged (CBUE, Xetra, IE00BGPP6473). I buy it in thirds: the first now that the result is clear, the second after the November 10 CPI if the five-year real yield holds at or below about 2.45%, the third after the December 8–9 FOMC. The 20% in T-bills and the 15% in short TIPS stay where they are. The position file for the whole fixed-income sleeve is in Chapter 10. The order of operations is the same rule I gave on Sunday: watch the five-year real yield before the stock screen.

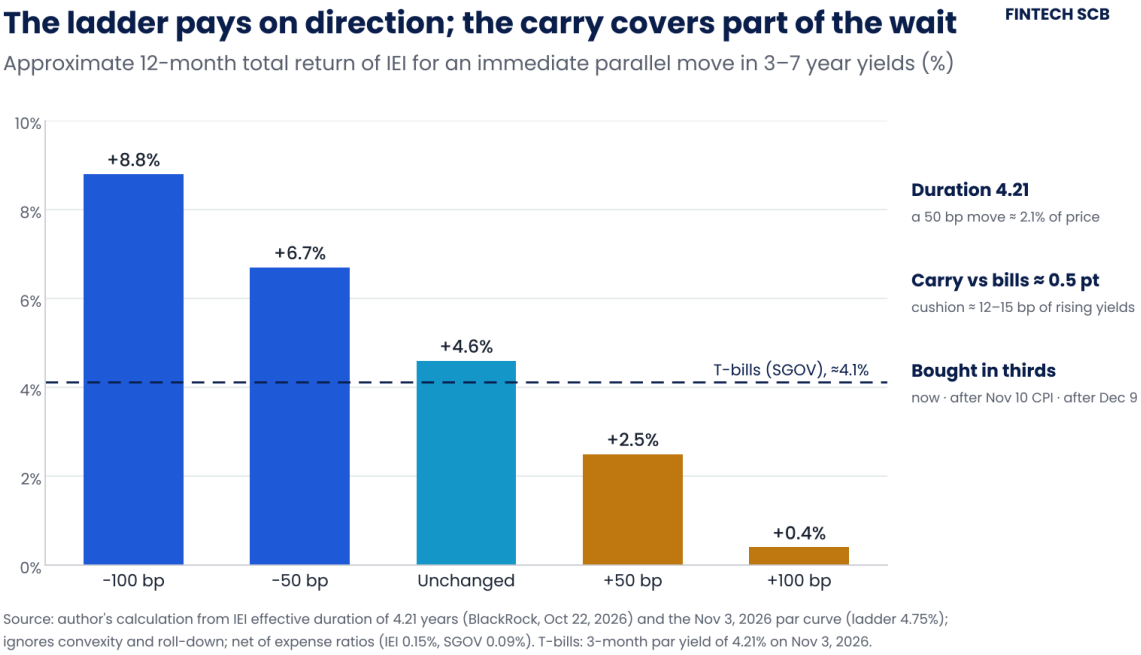


Figure 5.3. Approximate 12-month total return of IEI for an immediate parallel move in three- to seven-year yields, against T-bills. Source: author's calculation from IEI's effective duration (BlackRock) and the U.S. Treasury par curve of November 3, 2026; ignores convexity and roll-down; net of expense ratios.

PART II · THESIS THREE

Healthcare: The Payer Is the White House

The cleanest policy option in the market is health coverage, because its cost to hospitals has been measured quarter by quarter and would reverse if coverage returns. The mistake is to price it for January. The payer is the President, and the deadline that gives Democrats real leverage is the debt limit in 2027.

Wall Street did not wait for the Senate to be called before it bought healthcare. In premarket trading on Wednesday, Molina Healthcare rose 6.3%, Centene about 5%, UnitedHealth between 1.4% and 1.8%, and hospital operators moved higher with them [06.1]. The S&P 500 health care sector had already risen more than 19% in 2026 to record highs before the vote [06.2], and hospital stocks led: Tenet gained 42.9%, Universal Health Services 24.5% and HCA Healthcare 17.7% between June 30 and October 16 [06.3].

I own healthcare after Tuesday. I own it differently from the way the premarket bought it, and the difference comes down to who signs the check and when.

The consensus, at its strongest

The case for a healthcare rally is better than most election trades. Hakeem Jeffries, now in line to become Speaker, named his first legislative items months ago: reverse the Medicaid cuts in the 2025 reconciliation law and extend the Affordable Care Act tax credits [06.4]. This is a priority with votes behind it. On January 8, 2026, the House passed a three-year extension of the enhanced credits by 230 to 196, with 17 Republicans voting yes [06.5]. Voters punished the majority party over the cost of living on Tuesday. From January 3, 2027, Democrats control both chambers, so a coverage bill can reach the President's desk instead of dying in a committee.

What losing coverage has cost, in numbers

The enhanced premium tax credits expired at the end of 2025. The effect is no longer a forecast. Effectuated Marketplace enrollment in February 2026 was 19.2 million, down 12%, or 2.6 million people; by June 2026 the individual market had shrunk 18%, from 25.2 million to 20.5 million [06.6]. The Congressional Budget Office projects Marketplace enrollment falling from its 2025 peak of 22.4 million to 13.1 million in 2027 [06.6]. Benchmark silver premiums rose 26% for 2026 and another 13% for 2027, and open enrollment for 2027 plans began on November 1, 2026 [06.6]. Separately, CBO estimated that the 2025 reconciliation law would add about 10 million uninsured by 2034 [06.7].

Hospitals have reported the bill. HCA Healthcare's third quarter, released October 27, shows it plainly. Revenue was $19.849 billion and adjusted earnings per share $7.22, both ahead of the prior year. Underneath, exchange equivalent admissions fell about 19%, the uninsured share of equivalent admissions rose to about 10.5% from 8.5%, and management estimated the shift cost about $400 million of pre-tax income in the quarter alone. The full-year exchange headwind is now expected at or slightly above the top of a $1.0 billion to $1.2 billion range [06.8]. Patients who lost exchange coverage migrated almost one-for-one to uninsured, and that migration accounts for about 80% of HCA's uninsured growth [06.9]. Tenet reported exchange admissions and exchange revenue each down 18% year over year [06.10].

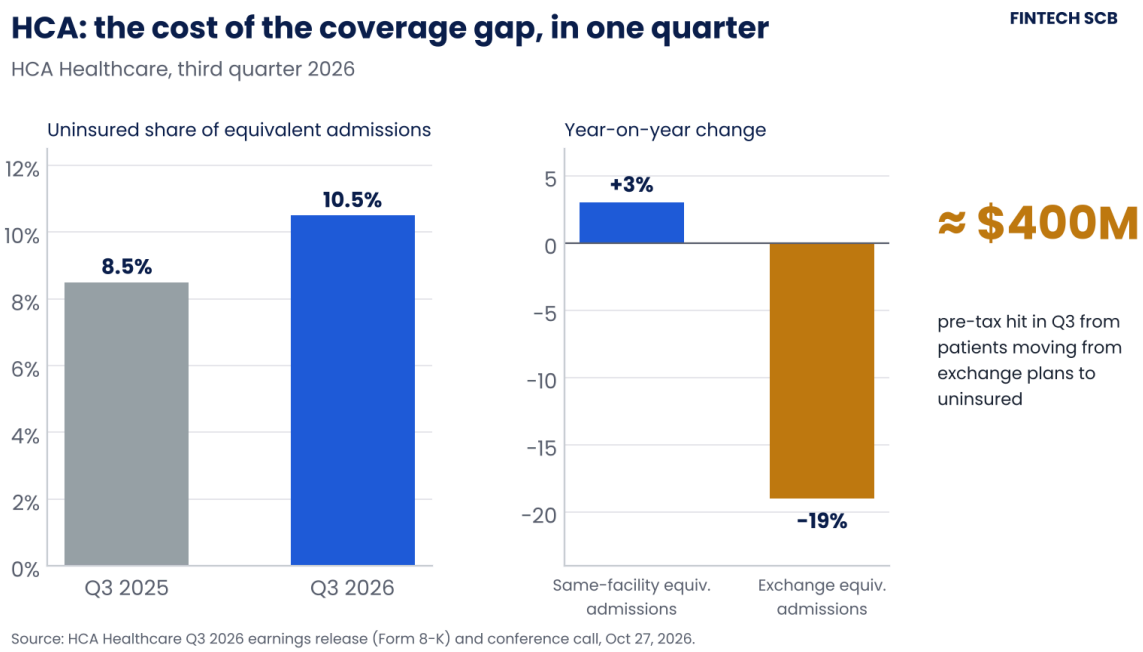


Figure 6.1. What the end of enhanced subsidies cost one hospital system in one quarter. Source: HCA Healthcare, third-quarter 2026 earnings release (Form 8-K, October 27, 2026) and earnings call.

This is why I prefer coverage to most other Washington trades. The damage is reported in dollars, by the companies, every quarter. A law that restores even part of the coverage reverses a line item that already sits in the income statement. That is a rare thing in policy investing.

The payer is the White House

The consensus misses a simple point: a Democratic Congress can pass a coverage bill, and President Trump can veto it. Overriding a veto takes two-thirds of both chambers, which Democrats do not have. The President has resisted extending the enhanced credits and has said he prefers to send money to patients directly [06.11]. Analysts who cover the hospitals reached the same conclusion before the vote. Jefferies' Brian Tanquilut judged a delay of the Medicaid payment cuts more likely than a full return of the enhanced ACA subsidies [06.12].

So the question for an investor is what the President will trade coverage for, and on what date. Democrats wanting it is already priced. The calendar gives three moments, and only one carries serious leverage.

Date	Vehicle	Who holds the gavel	Leverage for coverage
December 11, 2026	Continuing resolution (H.R. 6500) expires; FY2027 funding needed	Outgoing Republican majorities (lame duck)	Low. Senate Democrats can block a bill at 60 votes, but a shutdown fought over subsidies failed in 2025.
December 31, 2026	Community Health Center Fund authorization expires	Same lame-duck Congress	Low to moderate. A health vehicle that must move, usually as a short extension.
Spring–summer 2027	Debt limit reached (central projection May 2027; range February to July); X-date about February 2028	Democratic House and Senate	High. The President needs Democratic votes to raise a $41.104 trillion limit.

Sources: Congressional Research Service, R49353; Holland & Knight, "Beyond the Midterms," October 2026; National Taxpayers Union, "Projecting the Debt Limit." Leverage assessments are the author's.

The 2025 shutdown lasted 43 days, from October 1 to November 12, and ended without an extension of the credits [06.13]. That history is why I put little weight on December. The debt limit is a different instrument. The One Big Beautiful Bill Act raised it to $41.104 trillion, and the National Taxpayers Union's central projection has the Treasury reaching it around May 2027, with an X-date near February 2028 [06.14]. A President who needs Democratic votes on the debt limit is a President who can be asked for coverage. Even then, the result is more likely a hybrid than a clean restoration: a narrower credit, a delayed Medicaid cut, perhaps payments routed through accounts that carry the President's preferred design. Hospitals benefit from any of these, provided people end up insured. Insurers depend on the details.

Two cross-currents run the other way in 2027, and they belong in the model. The reconciliation law requires 43 states and the District of Columbia to implement Medicaid work requirements by January 1, 2027, and people who lose Medicaid for that reason become ineligible for premium tax credits [06.6]. HCA also expects about $550 million to $650 million less in net benefit from Medicaid supplemental payment programs in 2027 than in 2026 [06.9]. A hospital investor in 2027 starts the year with headwinds of its own before any coverage deal arrives.

Why hospitals, not insurers

Insurers rallied hardest on Wednesday, and I understand why. Molina drew 75% of its 2025 premium revenue from Medicaid [06.15], and Centene's Marketplace membership fell about 39% this year, to 3.4 million [06.16]. If coverage comes back, their membership comes back. The problem is everything else a Democratic Congress brings to insurers: oversight of Medicare Advantage and Medicaid managed care, and a healthcare working group whose September memo promised to rein in corporate monopolies [06.17]. An insurer's margin also depends on who returns. When subsidies shrink, the healthiest enrollees leave first and the pool left behind costs more per member; when subsidies return, pricing lags the change. Hospitals have their own exposure to oversight of consolidation, but their economics are simpler: an insured patient pays and an uninsured one often does not.

HCA is the hospital I want, for scale and for transparency. It has quantified the coverage loss more precisely than its peers, it guided full-year 2026 results to the upper half of its ranges (diluted earnings per share guidance of $28.70 to $30.50, so $29.60 to $30.50 for the upper half), and it repurchased about $3 billion of stock in the third quarter [06.9]. At the November 3 close of $462.86, the shares traded at about 15.4 times the midpoint of the upper half and about 17% below their 52-week high of $556.52 [06.18].

A rough sizing shows what is at stake. If a 2027 compromise reversed half of the roughly $1.2 billion annual exchange headwind, HCA would recover about $600 million of pre-tax income, worth something over $2 a share after tax, or about 7% of the 2026 guidance midpoint. That is my arithmetic, it ignores noncontrolling interests and timing, and it assumes the deal happens. It is still a meaningful option for a stock that already earns its valuation without one.

> **What would make me wrong.** If the December 11 funding deal excludes any coverage extension and HCA's fourth-quarter exchange admissions fall more than 15% again, the loss is still deepening and the policy option is further away; I stop at the first third. If the President publicly commits to signing a straight extension before the debt-limit talks, the option becomes the consensus and is priced; I hold and do not add.

What I do

The model portfolio adds HCA Healthcare at 6%, bought in thirds: the first now, without chasing above about $490; the second after the December 11 funding outcome; the third after HCA's guidance for 2027 in January. Centene and Molina stay on the watchlist. I would buy them only after a signed law, because their earnings move with the details of the formula, and the details are still unwritten. Every portfolio is different, and a position like this has to be sized against what the reader already owns; that is a conversation to have case by case. The position file is in Chapter 10.

PART II · THESIS FOUR

A Vote Is Not a Law

On Wednesday morning, solar stocks rose and defense stocks fell as if Tuesday's count had rewritten the statute book. It changed who writes the bills. The binding constraints on those sectors sit in laws already passed, in a veto pen, and in state capitals.

Wednesday's two trades

The overnight session produced two clean sector moves. Renewable-energy shares rallied sharply in U.S. premarket trading, and Bloomberg reported solar stocks jumping worldwide as the Democratic lead held.[07.1] [07.2] Defense went the other way. Before the U.S. open RTX was down 2.9%, Lockheed Martin 2.7% and L3Harris 2.1%.[07.3] In Europe, BAE Systems lost about 4%, Leonardo about 2%, and Thales, Babcock, Saab and Rheinmetall between 2% and 3.5%, pulling the STOXX aerospace and defense index down about 0.7%.[07.4]

The consensus logic behind both moves is easy to state: Democrats wrote the Inflation Reduction Act in 2022, Democrats scrutinize the Pentagon, so a Democratic Congress is good for clean energy and bad for contractors.

The best version of that view is better than it sounds. Votes signal direction, and direction has value before any law moves. A Democratic House chairs the committees that summon defense officials. Contractors have signed multibillion-dollar contracts to replenish stockpiles that Congress has not yet funded, and a full-year budget vote is unlikely before 2027.[07.4] Solar shares, for their part, fell hard into the election: First Solar lost 28.9% and Enphase 25.9% between August 11 and October 22.[07.5] After a fall of that size, a change in the political weather is enough for a bounce.

The flaw is in the mechanism. Each of these sectors is governed today by a statute or an executive authority that already exists. Changing it takes a new law. A new law takes the President's signature, or two-thirds of both chambers, 290 House votes and 67 Senate votes, which the new majority does not have.

Solar: the window already closed

The One Big Beautiful Bill Act, signed on July 4, 2025, ended the technology-neutral credits for wind and solar on a fixed calendar. Projects that begin construction after July 4, 2026, and are placed in service after December 31, 2027, cannot claim the Section 45Y production credit or the Section 48E investment credit. The residential Section 25D credit ended on December 31, 2025, and the consumer electric-vehicle credits on September 30, 2025. New foreign-entity rules deny credits unless at least 40% of component cost in 2026, rising to 60% from 2030, comes from suppliers that are not prohibited foreign entities.[07.6] Treasury's August 2025 guidance on what counts as "beginning construction" narrowed the safe harbors developers had relied on.[07.7]

The July 4, 2026 start-of-construction deadline passed four months ago. Reopening it means writing a new credit into the tax code and getting it signed by the President who campaigned on ending it. A Democratic Congress can hold hearings on rising electricity bills. It cannot restore a tax credit over a veto.

Two parts of the 2025 law matter more for my portfolio than the solar headlines. Battery storage kept its credits, at 100% for projects that begin construction by the end of 2033, phasing down to zero from 2036.[07.6] And the grid that has to carry both the remaining renewable build and the data-center load still needs transformers, switchgear and power distribution, whichever party controls Congress. Eaton reported on November 3 that twelve-month rolling organic orders rose 39% in Electrical Americas and 51% in Electrical Global, with the electrical backlog up 46%.[07.8] That is the energy-transition exposure I want: equipment the 2025 law left untouched, with demand that does not depend on a vote.

Defense: the authorization always passes, and the war has not ended

The FY2027 National Defense Authorization Act is late but alive. The House passed H.R. 8800 on July 22, 2026 by 216 to 212; in the Senate, cloture on the motion to proceed to S. 4784 failed 50 to 46 on July 14, and as of September 1 the bill had not been enacted.[07.9] [07.10] Agencies, including the Pentagon, run at fiscal 2026 levels under a continuing resolution that expires on December 11, 2026.[07.11] Congress has enacted a defense authorization every year for more than six decades. The new majority's leverage is over composition: the balance between defense and non-defense spending, oversight of the Iran campaign, conditions on specific programs. It is not over whether the United States funds its military while it is fighting a war that began on February 28, 2026.

The European reaction is the clearest case of a vote priced as a law. BAE, Leonardo and Rheinmetall sell mostly to governments whose budgets are set in London, Rome and Berlin under the NATO commitment agreed at The Hague in June 2025 to raise defense and security spending toward 5% of GDP by 2035.[07.12] A House committee in Washington does not change those orders.

I do not own defense in the model portfolio. The rally that followed the proposed $1.5 trillion military budget in January has mostly been given back, and appropriations risk at the margin is real.[07.4] Shorting the sector on Wednesday's count, however, means paying for a law that is not going to exist.

Tariffs: the authority moved, and Congress cannot pull it back alone

The most common claim I heard on Wednesday was that a Democratic Congress would "undo" the tariffs. The legal map says otherwise. On February 20, 2026, in *Learning Resources, Inc. v. Trump*, the Supreme Court ruled 6 to 3 that the International Emergency Economic Powers Act does not authorize tariffs.[07.13] The administration replaced those duties with a 10% global surcharge under Section 122 of the Trade Act of 1974 from February 24; the Court of International Trade found it unlawful on May 7, and it expired on July 24 under the statute's 150-day limit.[07.14] What remains is built on delegated authorities that need no new vote: Section 301 duties of 10% or 12.5% on 60 economies from July 24, 2026, and Section 232 tariffs on steel, aluminum and copper, restructured in April 2026, plus a 25% duty on certain advanced computing chips from January and further Section 232 investigations.[07.15] [07.16]

Hakeem Jeffries has promised to "restore congressional authority as it relates to tariffs."[07.17] Amending Section 232 or Section 301 is a change in law, and a change in law reaches the same veto. In my judgment, the tariff path through 2028 will be set by the White House, the Commerce Department and the courts. I hold no position whose case depends on tariff relief, and I do not expect the January Congress to supply it.

Iran: votes move oil, laws do not

Congress has already voted on the war twice this year and changed nothing in practice. Earlier in June the House approved a war powers resolution, and on June 23 the Senate followed, 50 to 48, with four Republicans in favor: Bill Cassidy, Susan Collins, Rand Paul and Lisa Murkowski. The measure was not sent to the President and the White House ignored it. [07.18] On September 24 the Senate rejected a binding version 49 to 50. [07.19] Collins lost her seat on Tuesday to Troy Jackson, so one of those four Republican votes becomes a Democratic one. From January a binding joint resolution should pass both chambers. It will then meet a veto that neither chamber can override.

The oil market is pricing the war on news from Doha and the Gulf, not from the Capitol. Brent fell 7.6% to $104.77 on November 2 when Washington and Tehran both signaled openness to talks, and settled at $103.60 on November 3, down from $116.72 on October 23. [07.20] [07.21] Against a sell-side estimate of about $86 for a no-war price, roughly $17.60 of war premium remains. A Democratic Congress adds friction to any escalation through hearings and funding conditions, which trims the upper tail at the margin. It does not set the price. That is one reason I take profits on ExxonMobil (Chapter 11) rather than add energy on a premium that is being negotiated away.

AI and data centers: the binding constraint is in Albany, Austin and the substation

Nasdaq futures fell more than 2% overnight on fears of tighter federal scrutiny of artificial intelligence and Big Tech. Washington, however, has not claimed the power that matters most for data centers. Congress twice rejected a moratorium on state AI laws, and even the White House's December 11, 2025 executive order on AI preemption proposes a federal framework that leaves AI compute and data-center infrastructure, apart from general permitting reform, to the states. [07.22] On data-center siting, neither branch in Washington is asking for the pen.

The states already hold it. On July 14, 2026, New York Governor Kathy Hochul signed Executive Order No. 62, which puts discretionary state approvals for new or expanded data centers of 50 megawatts or more on hold until a statewide environmental review is complete. [07.23] In Texas, Gina Hinojosa asked Governor Greg Abbott on July 23 to issue an emergency order pausing new data-center development until the Legislature sets rules, and proposed stopping subsidies for data centers and shielding ratepayers from the grid costs they create. [07.24] She won on Tuesday. Democrats also took the lieutenant governor's office, which presides over the Texas Senate, and led early in the races for attorney general and a seat on the Railroad Commission, the state's oil and gas regulator. [07.25] CNBC tied the overnight slide in AI shares, including a 7% drop in CoreWeave, more to the Texas result than to Congress. [07.26]

Power was the constraint before any of this. The Financial Times, citing RegLayer, counted at least 47 large U.S. data-center projects delayed, withdrawn or blocked in 2026 as local opposition over power, water and tax breaks spread. [07.27] The investment consequence runs in two directions. Developers that borrow to build and need projects energized on schedule to service their debt carry the state-level risk. Suppliers of the scarce equipment benefit from the same scarcity. Microsoft sits between the two: it funded $39.4 billion of capital spending in its September quarter out of $58.0 billion of operating cash flow. [07.28] I trimmed it from 14% to 12%: both chambers will now examine AI and data centers, and the company's capital spending is growing faster than its cash flow (position file 1).

Crypto: the bill just lost its committee

The CLARITY Act passed the House 294 to 134 in July 2025 and cleared the Senate Banking Committee 15 to 9 on May 14, 2026. On September 15 it failed a cloture vote on the Senate floor, 49 to 50, with no Democratic votes, and prediction markets cut its 2026 odds to about 6.5%. [07.29] From January, Elizabeth Warren is in line to chair the committee it has to clear again. Stablecoins already have their statute, the GENIUS Act, signed on July 18, 2025. [07.30] Market structure now moves through SEC and CFTC rulemaking, which a Democratic Senate can slow through confirmations and oversight. Bitcoin stays at 3%, with no additions; smaller tokens, whose case leaned most on a friendly statute, are sold.

What I do

I do not chase solar on the count. I do not short defense on it either. I hold nothing whose thesis is tariff relief. I avoid leveraged data-center developers, the "neoclouds," whose financing depends on projects being energized on schedule in the states that are now writing new rules. I keep Eaton at 6%, buying only the first third after Tuesday's 7% results-day gain and the rest on a pullback toward the $366 pre-results close or after the December 9 Federal Reserve decision. I take profits on ExxonMobil, hold Bitcoin without adding, and sell the smaller tokens. Every one of these choices depends on circumstances that differ from reader to reader, which is why each portfolio deserves its own review.

> **What would make me wrong.** If, before the end of 2027, the President signs a bill that reopens any wind or solar credit, narrows Section 232 or 301 authority, or binds the Iran campaign, then votes were laws after all and Wednesday's sector moves were early rather than mistaken. A nearer test comes on December 11: if the funding bill cuts defense below fiscal 2026 levels, I revisit the case against shorting defense.

PART II · THESIS FIVE

This Is Not an Average Post-Midterm Year

The S&P 500 has never fallen in the 12 months after a midterm since 1950. The statistic is true. The conclusion most people draw from it this week is not.

The consensus, in its own words

Few numbers circulate as widely in an American election week as this one. The S&P 500 rose in the 12 months after all 19 midterms since 1950, by 16.6% on average, according to BNY's Investment Strategy and Research Group.[08.1] Measured from October 31 to October 31, The Trading Tools finds the same 16.6%. Capital Group measures from Election Day and finds an average of 15.4% with no negative year in its sample; Fidelity extends the series to 1938 and finds gains about 95% of the time.[08.2] The same window in non-midterm years averaged 6.9%.[08.3] A widely syndicated column put the conclusion in its headline: the index "has never been lower 12 months after a midterm election. Not once in 19 tries."[08.4]

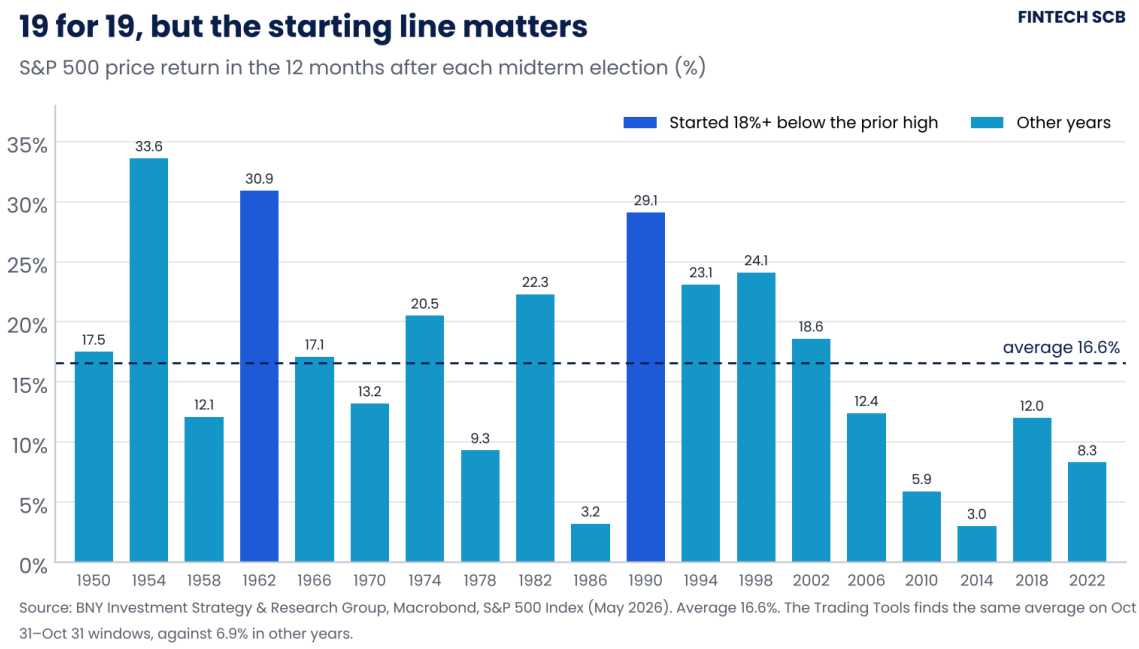


Figure 8.1. S&P 500 price return in the 12 months after each midterm election. The two highlighted years began 18% or more below the prior high. Source: BNY Investment Strategy & Research Group, Macrobond, S&P 500 Index (May 2026).

The best case for the consensus

The pattern has a logic, and it deserves to be stated at full strength. A midterm removes the largest scheduled source of political uncertainty for two years. Divided government, the most common result, lowers the odds of sweeping tax or regulatory change in either direction, which reduces the range of outcomes analysts must model. The year after a midterm is also the third year of a presidential term, the year in which administra-

tions historically lean hardest on growth before their own re-election campaign. And the sample is not tiny for a calendar effect: 19 observations across wars, oil shocks, inflation and disinflation, with not one loss. Anyone who sold after a midterm since 1950 regretted it.

The mechanism the average hides

The post-midterm year is strong mostly because the midterm year is weak. The median worst peak-to-trough decline inside a midterm year since 1950 was 16.0%, so the October 31 starting line often sits near a low. [08.3] In other words, the typical midterm year hands the next one a discount. The years that lift the average confirm the point. Of the three best post-midterm windows, 1962 (+30.9%) began about 22% below the prior high and 1990 (+29.1%) about 18% below it; only 1954 (+33.6%) started near a peak. [08.3] A rebound is easier to measure from a deep hole.

2026 did not dig that hole. The S&P 500 fell about 9% from its late-January peak to its March 30 low and was up about 14% for the year by mid-August. [08.2] On November 3 the SPDR S&P 500 ETF closed at $754.35, 3.5% below its 52-week high of $781.62, below its 50-day average of $767.04 and above its 200-day average of $729.47. [08.5] This is a market that starts the post-midterm window near its highs, with the Federal Reserve still debating a hike rather than a cut, oil carrying a war premium and the AI investment cycle under its first serious test: by October 30 the Nasdaq-100 was down more than 5.8% for the month. [08.6]

Post-midterm window (Oct 31 to Oct 31), 1950–2023	Value
Windows with a positive 12-month return	19 of 19
Average 12-month price return	16.6%
Same window in non-midterm years, average	6.9%
Average return after 3 months / after 6 months	+7.5% / +15.0%
Windows with a decline of 10% or more along the way	11 of 19
Median worst decline inside the window	-10.3%
Worst decline inside a window (1986–87, including the 1987 crash)	-33.2%
Median worst decline inside the midterm year itself	-16.0%
2026: peak-to-trough decline inside the year (Jan–Mar)	about -9%
2026: distance from the 52-week high, November 3 (SPY)	-3.5%

Sources: BNY Investment Strategy & Research Group (May 2026); The Trading Tools, "Stocks Rose in the Year After Every Midterm Since 1950," October 3, 2026; Fidelity, August 12, 2026; NYSE Arca closing prices, November 3, 2026.

Two more details from the same record matter for anyone deploying cash this week. Most of the post-midterm gain arrived early: an average of 7.5% in the first three months and 15.0% after six, with only about 1.6 points more in the second half. [08.3] And the road was rarely smooth. In 11 of the 19 windows the index fell 10% or more from a high before the following October 31, and the median worst decline was 10.3%. The record before 1950 is shorter and less flattering: the 12 months after the 1930 and 1938 midterms both ended lower, in years of policy shocks and recession. [08.3]

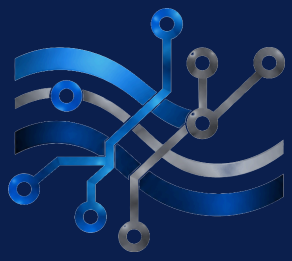
> *The post-midterm year is strong mostly because the midterm year is weak. This one was not weak enough to pay the usual rebound.*

What I expect, and what would prove me wrong

My judgment is that a positive 12 months remains more likely than not. I do not treat 16.6% as the central case. With the index near its high, real yields around 2.3% on five years and a Fed that may still raise rates on December 9, I plan for a return in single digits to low double digits, and for at least one setback of 10% along the way. That expectation is the reason equities stay at 37% and enter in thirds, rather than going to 50% on the strength of a calendar statistic.

> **What would make me wrong.** If, before the December 8–9 Federal Reserve meeting, the S&P 500 closes above its 52-week high with small caps confirming (the Russell 2000 outperforming the large-cap index) and the 5-year real yield falls below 2.3%, the market would be telling me that the rebound does not need a deep starting point. I would accelerate the second and third thirds of the equity purchases. I would not raise the 37% ceiling: that rule is about how much risk the portfolio carries, not about how confident I feel.

The practical consequence is narrow and concrete. Do not use the average as a reason to put everything to work on Wednesday morning. Use the calendar in chapter 13 and the real-yield rule in chapter 12, and let the market show whether 2027 resembles 1954, which started near a high and still rose by a third, or 2014, which started near a high and rose 3%.



III

What I Invest In

The model portfolio, seven position files, what I sell, how I execute, the dates that decide the trade and three paths for 2027.

9 · The Model Portfolio After Mid Trump
10 · Position Files
11 · What I Sell, What I Avoid
12 · Execution Rules
13 · Calendar and Signposts
14 · Three Paths for 2027

PART III · WHAT I INVEST IN

The Model Portfolio After Mid Trump

Equities stay at 37%. What changes is which companies carry the political risk of a Democratic Congress, and which ones get paid by it.

Sunday's note fixed one rule for every scenario: equities at 37% of a USD 100,000 reference portfolio, bought in thirds.[09.1] The rule survives Tuesday. The 5-year Treasury pays about 2.3% above inflation; with a real yield that high, a portfolio does not need to stretch for equity risk to earn a return, and the 60% held in Treasuries is paid to wait. What the election changes is the composition of the 37%, and the reasons for each change come from Part II.

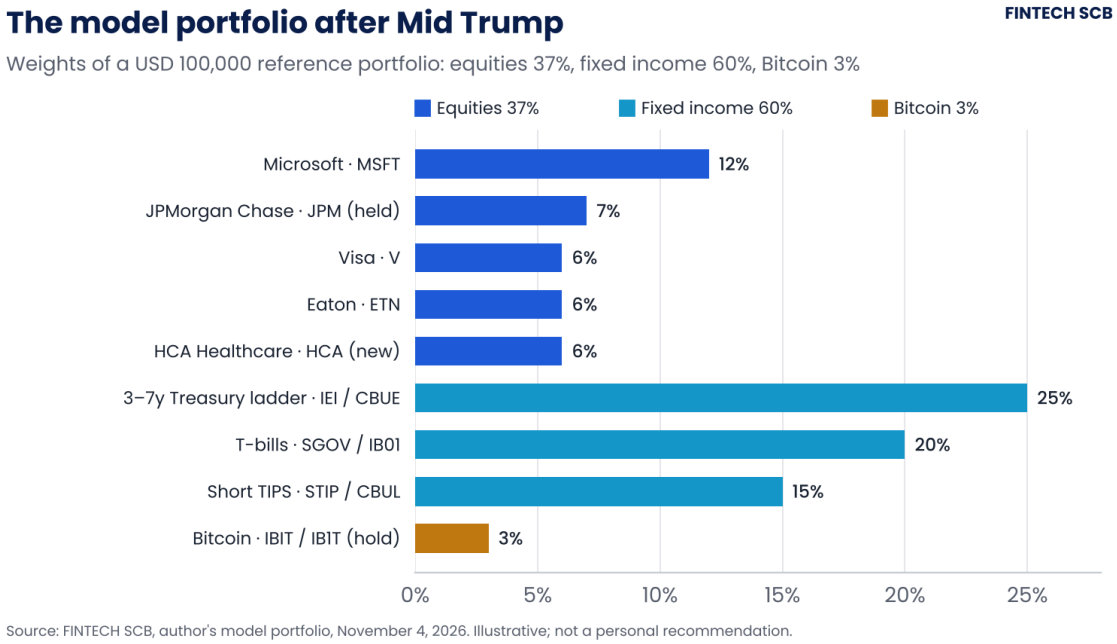


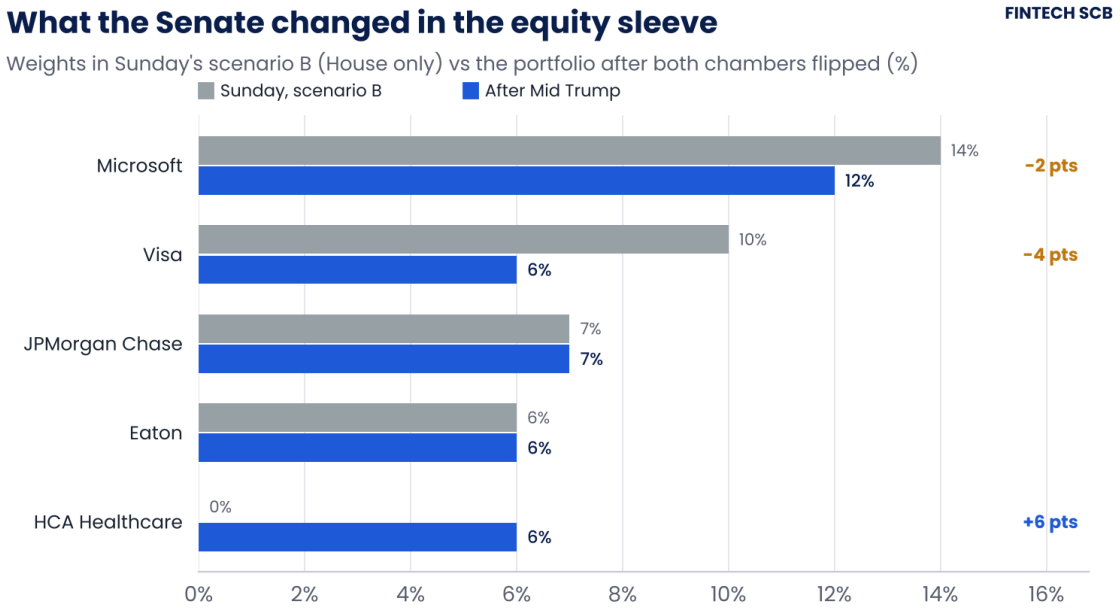
Figure 9.1. The model portfolio after Mid Trump. Source: FINTECH SCB, author's model portfolio, November 4, 2026. Illustrative; not a personal recommendation.

Sleeve	Instrument	U.S. line · ISIN	UCITS / euro route	Weight	vs Sunday's B
Equity	Microsoft	MSFT · Nasdaq · US5949181045	Same share, European venues	12%	-2
Equity	JPMorgan Chase	JPM · NYSE · US46625H1005	Same share	7%	0 (held, not added)
Equity	Visa	V · NYSE · US92826C8394	Same share	6%	-4
Equity	Eaton	ETN · NYSE · IE00B8KQN827	Same share	6%	0
Equity	HCA Healthcare	HCA · NYSE · US40412C1018	Same share	6%	+6 (new)
Fixed income	3–7 year Treasury ladder	iShares 3-7 Year Treasury Bond ETF · IEI · Nasdaq	iShares $ Treasury Bond 3-7yr UCITS ETF EUR Hedged · CBUE · Xetra · IE00BGPP6473	25%	0

Sleeve	Instrument	U.S. line · ISIN	UCITS / euro route	Weight	vs Sunday's B
Fixed income	T-bills, 0–12 months	iShares 0-3 Month Treasury Bond ETF · SGOV	iShares $ Treasury Bond 0-1yr UCITS ETF · IB01 · LSE · IE00BGSF1X88	20%	0
Fixed income	Short TIPS	iShares 0-5 Year TIPS Bond ETF · STIP · NYSE Arca	iShares $ TIPS 0-5 UCITS ETF EUR Hedged · CBUL · IE000WIQIPT2	15%	0
Crypto	Bitcoin	iShares Bitcoin Trust ETF · IBIT · Nasdaq	iShares Bitcoin ETP · IB1T · Xetra · XS2940466316	3%	hold, no adds
Total (equities 37% · fixed income 60% · Bitcoin 3%)				**100%**	

Source: FINTECH SCB, author's model portfolio, November 4, 2026. Sunday's scenario B: note of November 1, 2026. ISINs from issuer documentation; verify the trading line and currency with your broker before ordering.

Five changes and their reasons



Source: FINTECH SCB, author's model portfolio; Sunday's note published Nov 1, 2026, 11:38 p.m. ET.

Figure 9.2. Equity weights in Sunday's scenario B and after both chambers changed hands. Source: FINTECH SCB.

Visa, 10% to 6%. Sunday's note named the risk to Visa in one line: the swipe-fee bill. On Tuesday that bill lost both of its Senate sponsors, one to defeat and one to retirement, and gained something more useful: a Senate majority from the party that wrote it, with a President who endorsed it again in Kansas two days before the vote. [09.2] The business is excellent; the stock closed November 3 within 1.5% of its 52-week high. Four points come out into that strength (chapter 4 and position file 2).

Microsoft, 14% to 12%. The quarter was strong: revenue up 19%, Azure up 48%. Free cash flow fell 27% because cash capital spending doubled, and the company has guided to more than $50 billion in the current quarter. [09.3] A Congress controlled by Democrats will hold hearings on AI and data centers, and the market showed overnight into Wednesday how quickly it prices that risk. Two points come out; the position stays the largest single stock in the portfolio (position file 1).

HCA Healthcare, 0% to 6%. The cost of expired exchange subsidies is visible in HCA's own numbers: about $400 million of pre-tax income in one quarter, uninsured patients at 10.5% of equivalent admissions.[09.4] A Democratic House alone could pass coverage bills that die in the Senate. A Democratic Congress can attach them to the debt limit in 2027 (chapter 6 and position file 5).

JPMorgan, held at 7% without additions. The bank earned $15.3 billion in the third quarter.[09.5] It is also an issuer exposed to the swipe-fee bill, to the President's call for a 10% cap on card interest and to a Banking Committee chaired by its most persistent critic. Quality earns the hold; politics denies the add (position file 4).

Eaton, unchanged at 6%. Data-center risk moved to state capitals on Tuesday, but the shortage that Eaton sells into is electrical: transformers, switchgear, grid connections. Its backlog in electrical products grew 46% in a year.[09.6] Only the first third is bought after the 7% jump of November 3 (position file 3).

What the portfolio earns before it does anything

Sixty percent of the portfolio sits in Treasuries, and that sleeve has a measurable income. At November 3 levels, the three fixed-income lines earn roughly 2.7% of the whole portfolio a year after fund expenses, about $2,700 on $100,000, before any price change and before taxes.

Line	Weight	Yield used	Expense ratio	Contribution
T-bills (SGOV)	20%	4.21% (3-month par)	0.09%	0.82%
3–7 year ladder (IEI)	25%	4.75% (3–7 year par average)	0.15%	1.15%
Short TIPS (STIP)	15%	2.54% real + 2.39% breakeven	0.03%	0.74%
Fixed-income sleeve	**60%**			**≈ 2.7%**

Sources: U.S. Treasury par yields, November 3, 2026; BlackRock/iShares fund pages (IEI and STIP data as of October 22–23, 2026); FRED 5-year breakeven, November 2, 2026. Short TIPS income assumes inflation runs at the 5-year breakeven; at September's 3.7% CPI it would be higher. Author's arithmetic.

Scaling the weights

The weights are the decision; the amounts follow. The table below translates them for three portfolio sizes. Above roughly $250,000, a direct Treasury ladder built from individual notes can replace the IEI line and remove its expense ratio; below that, the fund is simpler and cheaper to rebalance.

Line	Weight	USD 100,000	USD 250,000	USD 1,000,000
Microsoft	12%	12,000	30,000	120,000
JPMorgan Chase	7%	7,000	17,500	70,000
Visa	6%	6,000	15,000	60,000
Eaton	6%	6,000	15,000	60,000
HCA Healthcare	6%	6,000	15,000	60,000
3–7 year Treasury ladder	25%	25,000	62,500	250,000
T-bills	20%	20,000	50,000	200,000
Short TIPS	15%	15,000	37,500	150,000
Bitcoin	3%	3,000	7,500	30,000

Source: FINTECH SCB, author's arithmetic.

How the sleeves divide the work

Each sleeve has one job. T-bills are the reserve: they pay about 4.2% while the second and third purchase windows open, and they absorb the cash if the real-yield rule stops the buying. Short TIPS protect against the scenario that hurt portfolios most in 2026, an energy shock that lifts headline inflation; their duration is about two years, so they do not carry much rate risk. The ladder is the portfolio's view on the fiscal consequence of Tuesday's result: with reconciliation closed and a Fed close to the end of its hikes, the middle of the curve has the better ratio of income to risk (chapter 5). The five stocks carry the political view. Bitcoin is a small option, held without conviction to add.

I rebalance when a line drifts by more than a quarter of its target, so a 6% position is trimmed above 7.5% and topped up below 4.5%, and a 25% line is reset outside 18.75% to 31.25%. The rule matters more than the precise band: it stops a winning stock from quietly becoming a political bet twice its intended size. Everything here is illustrative. Every situation must be assessed individually, and the weights that suit one family's taxes and horizon will not suit another's.

PART III · WHAT I INVEST IN

Position Files

Seven files cover the nine lines of the model portfolio; the three Treasury lines share one. Each one says what I own, at what weight, why the Senate result changed or did not change the weight, and the single observation that would make me sell.

A position file is the shortest honest document I know how to write about an investment. It has a factbox at the top, with the ticker, the exchange, the ISIN, the euro route where one exists, the weight in a USD 100,000 reference portfolio, the closing price on November 3, 2026, and, where available, the 52-week range. Below the factbox come four questions, always in the same order: why the position is in the portfolio, what Tuesday's vote changed, what the latest reported numbers say, and what would make me wrong.

The last question matters most. Every file ends with an exit signal written before the fact, in terms that can be checked against a public number or a public event. If the signal fires, the position is cut by the amount stated. I do not reopen the argument afterward. The discipline is borrowed from credit committees, where the covenant is set at signing and not renegotiated when the borrower is already in trouble.

Weights refer to the model portfolio described in Chapter 9: 37% equities, 60% Treasury instruments, 3% Bitcoin. Entries are made in thirds, on the calendar set out in Chapter 12. Prices are closing prices from the primary listing; ranges are intraday highs and lows over the 52 weeks to November 3, 2026.

These files describe what I do with a reference portfolio. They are not a recommendation for any reader's own money. A family in Milan with euro liabilities, an entrepreneur in Buenos Aires with dollar savings and a retiree in Miami with a pension do not share a tax position, a time horizon or a currency of account, and each situation has to be assessed on its own terms.

POSITION FILE · 1 OF 7

Microsoft

Ticker / exchange	MSFT · Nasdaq
ISIN	US5949181045
Euro route	Same share, traded on Xetra and Tradegate
Model weight	12% (Sunday's scenario B: 14%)
Close, Nov 3, 2026	$520.99 (+2.74% on the day)
52-week range	$349.20 – $551.15
Entry	In thirds: week of November 4; after the November 10 CPI if the 5-year real yield holds at or below about 2.45%; after the December 8–9 FOMC
Exit signal	A quarter in which cash capital spending exceeds operating cash flow (negative free cash flow): cut to 6%

Why it is in the portfolio

Microsoft is one of the few large AI spenders still paying for the build-out from its own cash. In the quarter to September 30, 2026, the first of fiscal 2027, revenue rose 19% to $92.3 billion and operating income rose 21% to $45.9 billion [10.1]. Azure revenue reached $33.17 billion, up 48%. Management guided Azure growth of 49% to 50% for the December quarter [10.2].

The comparison that matters is with its neighbors. On the same day, October 28, Alphabet reported negative free cash flow of $9.07 billion on $51.4 billion of quarterly capital spending [10.3]. Microsoft produced $18.6 billion of free cash flow, roughly $10 billion more than analysts expected, according to Reuters [10.4]. In a market that spent October asking who pays for the data centers, the answer for Microsoft is still: its customers, through operating cash flow.

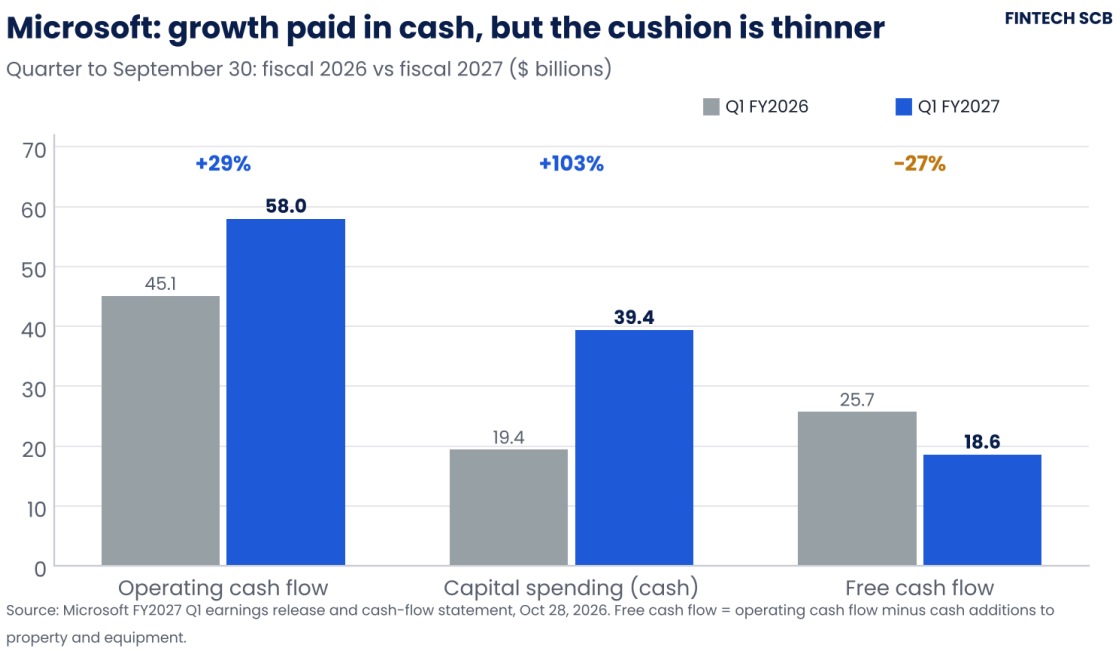


Figure 10.1. Microsoft, quarter to September 30: operating cash flow, cash additions to property and equipment, and free cash flow, fiscal 2026 versus fiscal 2027, in $ billions. Free cash flow is operating cash flow minus cash additions to property and equipment. Source: Microsoft Corporation, fiscal Q1 2027 earnings release and cash-flow statement, October 28, 2026.

What Tuesday changed

Sunday's note gave Microsoft 14% in scenario B. I now hold the target at 12%, for two reasons that both come from the Senate.

The first is scrutiny. A Democratic House alone could hold hearings. A Democratic Senate adds committee gavels, subpoenas in both chambers and the ability to pass bills that reach the President's desk. Overnight on November 4, Nasdaq futures fell more than 2% while S&P 500 futures fell 1.2%, and Jake Dollarhide of Longbow Asset Management warned that a sweep could "bring regulatory pressure on everything AI" [10.5]. The more direct pressure is local. Gina Hinojosa won the Texas governorship after campaigning for tighter limits on data-center development, and AI-linked names sold off overnight on that result [10.6].

The second is the capital bill. Cash additions to property and equipment doubled, from $19.4 billion to $39.4 billion, in one year. Capex absorbed 68% of operating cash flow in the quarter, against 43% a year earlier. CFO Amy Hood guided capex above $50 billion in the December quarter and about $170 billion for calendar 2026, with more third-party capacity arriving in the second half, and said Microsoft expects to remain free-cash-flow positive for fiscal 2027 [10.2]. Third-party capacity is exactly what a permitting fight delays. The Financial Times, citing RegLayer, counted at least 47 large U.S. data-center projects delayed, withdrawn or blocked in 2026, and in England Microsoft withdrew as anchor customer of a planned site in Loughton, Essex, after grid officials said power might not arrive until the 2030s [10.7].

The contrarian reading is that Microsoft is the AI position a Democratic Congress can touch least. It sells software and cloud capacity to companies and governments, it does not depend on bond markets to finance its buildings, and its earnings are not a subsidy line in the budget. The risk Congress can add is physical: power, permits and timing. That is the reason Eaton sits next to Microsoft in the portfolio.

The numbers I watch

Quarter to Sept. 30	FY2026 Q1	FY2027 Q1	Change
Operating cash flow ($bn)	45.1	58.0	+29%
Cash capex ($bn)	19.4	39.4	+103%
Free cash flow ($bn)	25.7	18.6	-27%
Capex as % of operating cash flow	43%	68%	+25 pts

Source: Microsoft Corporation, fiscal Q1 2027 cash-flow statement, October 28, 2026; ratios are the author's calculation.

> **What would make me wrong.** Sunday's falsifier stands: capex that keeps outrunning cash flow. I make it precise. The first quarter in which cash additions to property and equipment exceed operating cash flow, I cut the position from 12% to 6%. On the current guidance, the December quarter is the one to watch.

POSITION FILE · 2 OF 7

Visa

Ticker / exchange	V · NYSE
ISIN	US92826C8394
Euro route	Same share
Model weight	6% (Sunday's scenario B: 10%)
Close, Nov 3, 2026	$420.42 (-1.20% on the day)
52-week range	$293.89 – $426.78
Entry	No new buying. Sell 4 points of weight into strength near the $426.78 high
Exit signal	Committee markup or floor vote on a Credit Card Competition Act with a White House statement of support: cut to zero

Why it is still in the portfolio

Visa closed its fiscal year on September 30, 2026 with net revenue of $45.9 billion, up 15%, the fastest growth in more than fifteen years outside the post-pandemic rebound and acquisitions [10.8]. Fourth-quarter net revenue was $12.1 billion, up 13%; GAAP earnings per share rose 22% to $3.19 and non-GAAP earnings per share rose 17% to $3.48. The board raised the quarterly dividend 16% to $0.780, and buybacks plus dividends reached $25.6 billion for the year.

The growth is not concentrated in the line Congress is aiming at. Other revenue, which carries much of the value-added services business, rose 40% to $1.6 billion. Data processing rose 16% to $6.2 billion. International transaction revenue, driven by cross-border volume, rose 8% to $4.1 billion.

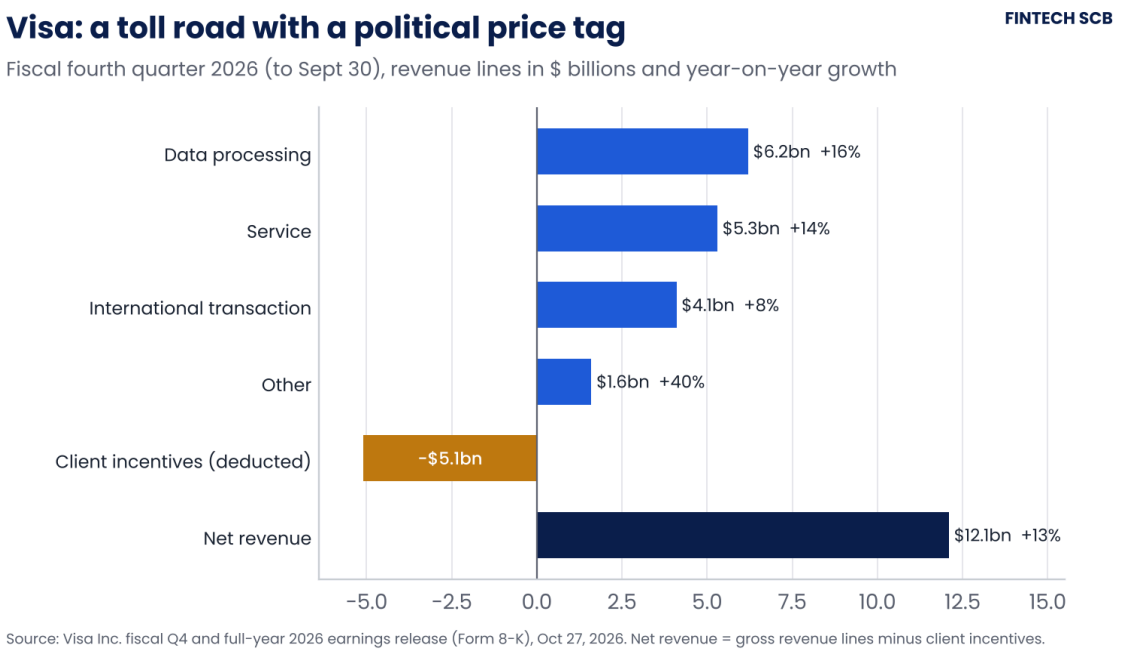


Figure 10.2. Visa, fiscal Q4 2026: revenue lines before client incentives of $5.1 billion, in $ billions, with year-over-year growth. Source: Visa Inc., fiscal Q4 2026 earnings release and earnings presentation, October 27, 2026.

What Tuesday changed

On Sunday I wrote that the risk to Visa was the swipe-fee bill. Tuesday made that risk larger, because it put the bill inside the narrow space where Donald Trump and a Democratic Congress agree.

The Credit Card Competition Act, reintroduced on January 13, 2026 as S.3623, would require banks with more than $100 billion in assets to enable at least two unaffiliated networks on their credit cards, at least one of them outside Visa and Mastercard [10.9]. It does not cap interchange. The 2010 Durbin Amendment did two things for debit cards: it capped interchange for large issuers and it required routing choice. The credit bill does only the second. The mechanism is competition at the checkout: the merchant chooses the cheaper network, and the network that loses the transaction loses its processing fee on it.

Trump endorsed the bill in January and endorsed it again at a rally in Salina, Kansas, on November 1, two days before the vote [10.10]. Merchants frame it as an affordability measure, which is the vocabulary of the incoming majority: the Merchants Payments Coalition puts 2025 card swipe fees at a record $198.25 billion, up 80% since the pandemic [10.11].

The same night removed the bill's two sponsors. Senator Roger Marshall lost his Kansas seat, and Senator Dick Durbin is retiring [10.12]. Every bill not enacted dies when the 119th Congress ends on January 3, 2027. A new sponsor, a new number and a new committee path are needed. That gap in time is why I trim to 6% instead of selling all of it.

There is also a cost already on the income statement. The fourth quarter carried a $469 million provision for the interchange multidistrict litigation [10.8]. Litigation and legislation now point the same way.

Price and execution

Visa closed November 3 at $420.42, 1.5% below its 52-week high and almost 10% above its 50-day average of $383.16. At 31.7 times fiscal 2026 non-GAAP earnings of $13.27, the price leaves little room for a policy shock. The four points I remove are sold into strength, close to the high, and not into a down day.

> **What would make me wrong.** Sunday's line was "the swipe-fee bill gets a floor vote." I tighten it: a committee markup or a floor vote on a reintroduced Credit Card Competition Act, accompanied by a White House statement of administration policy in support, and I cut Visa to zero. In the other direction, if no sponsor reintroduces the bill by the end of March 2027, I would consider restoring two points.

POSITION FILE · 3 OF 7

Eaton

Ticker / exchange	ETN · NYSE
ISIN	IE00B8KQN827
Euro route	Same share
Model weight	6% (unchanged from Sunday's scenario B)
Close, Nov 3, 2026	$391.70 (+7.00% on results day; prior close $366.07)
Reference level	$366.07, the close before the November 3 results
Entry	Only the first third (2% of the portfolio) after the +7% day; the other two on a pullback toward $366 or after the December 8–9 FOMC
Exit signal	Twelve-month rolling organic orders in Electrical Americas turn negative in the next quarterly report: stop at the first third

Why it is in the portfolio

Eaton sells the equipment that sits between the grid and the server: switchgear, transformers, power distribution, backup power and, since the Boyd Thermal acquisition, liquid cooling. On November 3 it reported a record third quarter [10.13]. Sales rose 28%, organic sales 19%, above the high end of guidance. Twelve-month rolling organic orders rose 39% in Electrical Americas, 51% in Electrical Global and 20% in Aerospace. Backlog grew 46% in Electrical and 33% in Aerospace. Segment margins reached a record 25.3%. The company raised its adjusted earnings guidance for 2026 to $13.70–$13.80 per share, from the $13.40–$13.60 range issued on July 31, and announced an agreement to acquire COL Group, which adds manufacturing capacity for data-center and utility customers in Europe.

The market answered with a 7.0% gain in one session, from $366.07 to $391.70. At the midpoint of the new guidance, the shares trade at about 28.5 times 2026 adjusted earnings.

What Tuesday changed

Not the weight. It changed the argument for holding it.

The bear case is visible. Data-center opposition is becoming a state-level issue. On election night an analyst at Mirae Asset Securities in Seoul asked whether Texas, under its new Democratic governor, would impose "a data center moratorium like New York" [10.14]. If hyperscalers build fewer sites, Eaton books fewer orders.

I read the same facts the other way. Power, not politics, was the first constraint: grid connections that are years away, equipment that is back-ordered, substations that do not exist yet. In England, Microsoft walked away from a planned Essex site after grid officials said power might not arrive until the 2030s [10.7]. A moratorium on new campuses does not reduce the need to upgrade the grid that already serves existing ones, and utilities, another large group of Eaton's electrical customers, are the companies a Democratic affordability agenda wants to see investing in transmission. On its November 3 call, management put the U.S. data-center pipeline at 366 gigawatts, up from 307 at its previous update [10.15]. The binding constraint on that pipeline is electrical equipment, and Eaton is on the scarce side of it. The 20% order growth in Aerospace adds a stream that does not depend on any server.

Execution

A 7% day on record numbers is when buyers pay the most for good news. I take only the first third now. The rest waits for either a pullback toward the $366 pre-results close or the passage of the December 8–9 Fed meeting, whichever comes first. If neither arrives, the position stays at one-third of target, and I accept that cost.

> **What would make me wrong.** If Electrical Americas' twelve-month rolling organic orders turn negative in the fourth-quarter report, normally published in early February, the order cycle has turned before the backlog shows it. I stop at the first third and do not add.

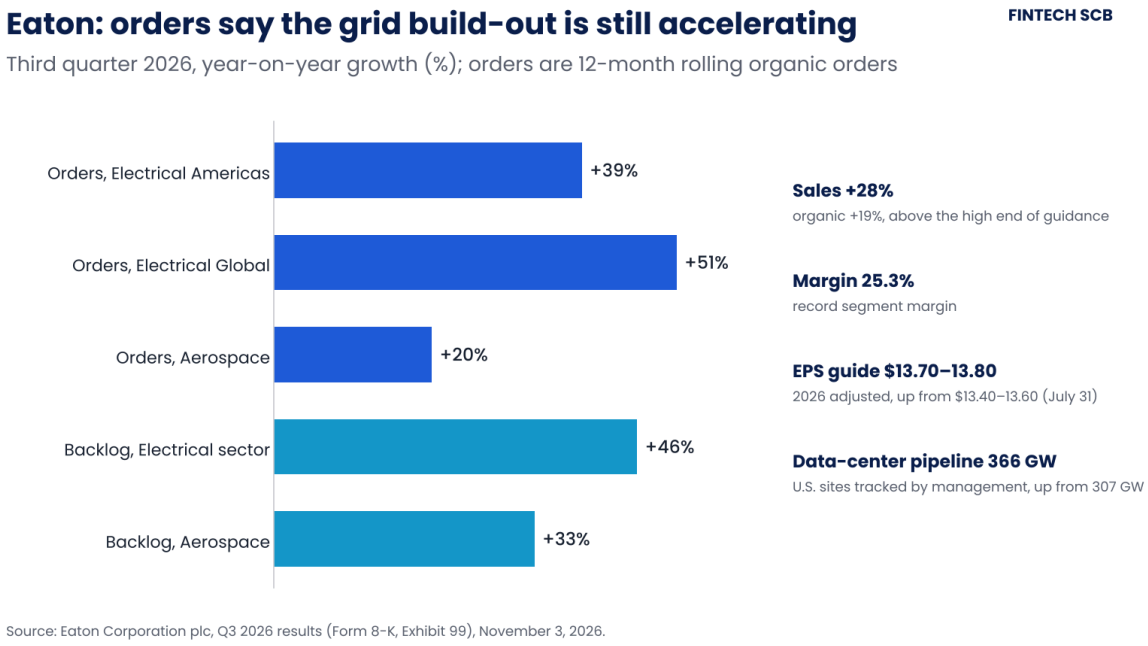


Figure 10.3. Eaton, third quarter 2026: growth in twelve-month rolling organic orders and in backlog by segment. Source: Eaton Corporation plc, Form 8-K, Exhibit 99, November 3, 2026; data-center pipeline from the third-quarter earnings call.

POSITION FILE · 4 OF 7

JPMorgan Chase

Ticker / exchange	JPM · NYSE
ISIN	US46625H1005
Euro route	Same share
Model weight	7%, held, not added (unchanged from Sunday's scenario B)
Close, Nov 3, 2026	$337.98 (-0.76% on the day)
52-week range	$279.10 – $366.50
Entry	None. Hold the existing weight
Exit signal	A statutory cap on credit-card interest rates or a credit-card routing mandate signed into law: cut to 3.5%

Why it is in the portfolio

JPMorgan is the balance sheet that benefits most from the rate path the Fed is on. On October 13 it reported third-quarter net income of $15.3 billion, or $5.57 per share; excluding a $658 million loss on investment securities, net income was $15.8 billion, or $5.75 per share[10.16]. Managed revenue rose 8% to $50.9 billion. Net interest income rose 13% to $27.1 billion. The standardized CET1 ratio was an estimated 13.9%.

Management guided 2026 managed net interest income to about $106.2 billion, about $97.2 billion excluding Markets, and raised its adjusted expense outlook to about $108.6 billion[10.17]. The card book is healthier than the headlines on consumer stress suggest: the Card Services net charge-off rate was 2.91% in the quarter, down from 3.15% a year earlier and 3.34% in the second quarter, against a full-year expectation near 3.2%. Return on tangible common equity was 20%.

What Tuesday changed

In Sunday's scenario A, a Republican sweep, JPMorgan was the largest equity weight at 15%. In scenario B it was 7%, held, not added. The Senate result confirms scenario B and adds three reasons not to add.

First, the Banking Committee. Elizabeth Warren has been the committee's ranking Democrat since January 2025 and is in line for the gavel when the new Congress convenes[10.18]. The chair sets hearings, subpoena priorities and the pace of every nomination to the bank regulators. Whatever capital and supervisory relief large banks expected from a Republican committee now has a chair who has spent her Senate career arguing for the opposite.

Second, the interest-rate cap. In January 2026 the President called for a one-year 10% cap on credit-card interest rates and asked Congress to enact it[10.19]. A Republican Congress did not. A Democratic Congress that campaigned on affordability has every incentive to send him the bill he asked for. The probability is still low, but it is no longer zero, and JPMorgan is the largest card issuer in the country.

Third, the routing bill discussed in the Visa file applies to issuers with more than $100 billion in assets. Interchange earned by the issuing bank is part of the card economics that a second network would compress.

None of this touches the 13% growth in net interest income or the 2.91% charge-off rate. That is why I hold rather than sell.

> **What would make me wrong.** If Congress passes either a statutory cap on credit-card interest rates or a credit-card routing mandate, and the President signs it, I halve the position to 3.5%. If instead the shares return toward the $279 low with the charge-off rate still below 3.2% and CET1 near 14%, the politics would be in the price and I would reconsider adding.

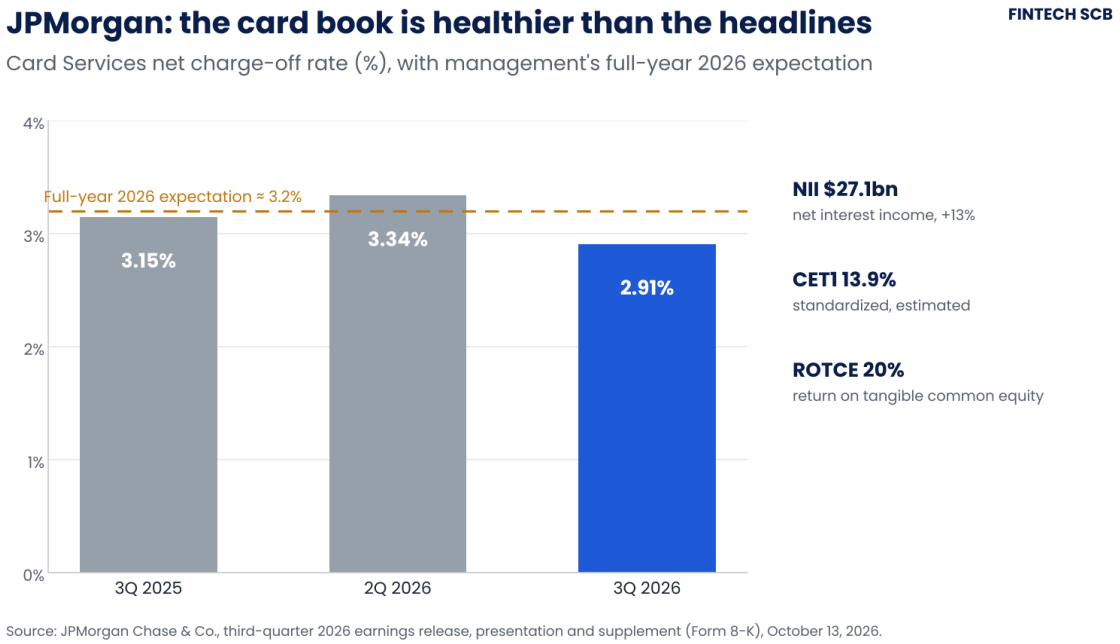


Figure 10.4. JPMorgan Chase, Card Services net charge-off rate by quarter, against management's full-year 2026 expectation of about 3.2%. Source: JPMorgan Chase & Co., third-quarter 2026 earnings release, presentation and supplement (Form 8-K), October 13, 2026.

POSITION FILE · 5 OF 7

HCA Healthcare

Ticker / exchange	HCA · NYSE
ISIN	US40412C1018
Model weight	6%, new (Sunday's scenario B: 0%)
Close, Nov 3, 2026	$462.86 (-1.04% on the day)
52-week range	$353.99 – $556.52
Market value	about $96.7 billion
2026 guidance	Diluted EPS $28.70 – $30.50; upper half ($29.60 – $30.50) now expected; about 15.4× its midpoint
Entry	Thirds: now (no chasing above about $490); after the December 11 funding outcome; after January 2027 guidance
Exit signal	December 11 deal excludes any coverage extension and Q4 exchange admissions fall more than 15% again → stop at the first third

Why it is in

HCA is the one position in the model portfolio that exists because the Senate changed hands. Sunday's scenario B, which assumed a Democratic House only, had no healthcare at all. A House alone can pass a coverage bill and watch it stop in the Senate. A Democratic House and Senate can put that bill, or a debt-limit package that contains a version of it, in front of the President. The full argument is in Chapter 6. The short version: the cost of lost coverage to hospitals is measured and reported every quarter, and it would reverse if coverage returns, which makes it the cleanest policy option I can find in U.S. equities.

The numbers that matter

Third-quarter 2026 results, released October 27, showed revenue of $19.849 billion against $19.161 billion a year earlier, adjusted earnings per share of $7.22 against $6.96, and adjusted EBITDA of $3.918 billion[10.30]. Same-facility admissions rose 2.7% and equivalent admissions 3.0%. The damage sat underneath: exchange equivalent admissions down about 19%, the uninsured share of equivalent admissions up to about 10.5% from 8.5%, and a payer-mix cost of about $400 million in the quarter[10.31]. Management expects the full-year exchange headwind at or slightly above the top of a $1.0 billion to $1.2 billion range, and it still guided to the upper half of its 2026 ranges[10.31]. That is a company absorbing a policy shock with volume growth, cost control and about $3 billion of buybacks in a single quarter.

My rough sensitivity: if a 2027 compromise reversed half of the annual exchange headwind, pre-tax income would rise by about $600 million, something over $2 a share after tax, or about 7% of the 2026 guidance midpoint. That excludes noncontrolling interests and assumes a deal happens; it is an estimate of what the option is worth, not a forecast.

The risks I am paid to take

The first is the veto. The President has resisted extending the enhanced credits and prefers direct payments to patients [10.32], and Democrats lack a two-thirds majority. The second is that 2027 starts with headwinds unrelated to Washington's next deal: HCA expects about $550 million to $650 million less in net benefit from Medicaid supplemental payment programs [10.31], and the 2025 reconciliation law requires Medicaid work requirements in 43 states and the District of Columbia by January 1, 2027 [10.33]. The third is that the market has already moved: HCA rose 17.7% between June 30 and October 16, and hospital stocks rose again in premarket trading on Wednesday [10.34]. Buying in thirds, with a price ceiling for the first one, is my answer to that third risk.

Entry, sizing and exit

On a $100,000 reference portfolio the position is $6,000, or three purchases of about $2,000, roughly four shares each at the November 3 price. The first third goes in now, provided the price is below about $490, some 6% above the November 3 close. The second waits for the December 11 funding outcome, because a deal that includes even a partial extension changes the 2027 base case. The third waits for HCA's 2027 guidance in January, when management will put its own number on payer mix [10.35]. If the December deal excludes coverage and fourth-quarter exchange admissions fall more than 15% again, I stop at the first third and wait for the debt-limit talks. If the President commits publicly to a straight extension before those talks, the option is priced and I hold without adding.

Euro route

There is no UCITS wrapper for a single stock. Euro-based investors buy the NYSE line through a broker that converts currency, and in doing so take dollar risk on this position. That is acceptable at 6% of the portfolio if it is a conscious choice; it is a mistake if it is an accident. Each reader's tax position and existing exposure to healthcare determine whether this weight fits, and that requires an individual review.

POSITION FILE · 6 OF 7

The Fixed-Income Sleeve: T-Bills, Short TIPS, the 3–7 Year Ladder

Total weight	60% of the model portfolio (unchanged from Sunday's scenario B)
T-bills, 0–12 months	20% · iShares 0-3 Month Treasury Bond ETF (SGOV, NYSE) · euro route: iShares $ Treasury Bond 0-1yr UCITS ETF (IB01, LSE, IE00BGSF1X88)
Short TIPS	15% · iShares 0-5 Year TIPS Bond ETF (STIP, NYSE Arca) · euro route: iShares $ TIPS 0-5 UCITS ETF EUR Hedged (CBUL, Xetra, IE000WIQIPT2)
3–7 year ladder	25% · iShares 3-7 Year Treasury Bond ETF (IEI, Nasdaq) · euro route: iShares $ Treasury Bond 3-7yr UCITS ETF EUR Hedged (CBUE, Xetra, IE00BGPP6473)
Entry	T-bills and TIPS: hold. Ladder: thirds, now; after the Nov 10 CPI if the 5-year real yield is at or below about 2.45%; after the Dec 8–9 FOMC
Pause signal	5-year real yield closes above 2.64% → unspent ladder thirds stay in T-bills

Why 60% sits in Treasuries

The fixed-income sleeve is the part of the portfolio that does not depend on being right about Washington. It pays a real return while the equity sleeve takes the political risk, and it holds the cash that the equity thirds will be bought with. Sunday's rule still governs it: equities at 37%, everything else waiting in instruments that the U.S. Treasury guarantees.

Line	Weight	Expense ratio	Key metric	Currency
SGOV	20%	0.09%	3-month bill 4.21% (Nov 3)	USD
IB01 (euro route)	—	0.07%	Accumulating, unhedged	USD
STIP	15%	0.03%	Real yield 2.54%, duration 2.24 (Oct 23)	USD
CBUL (euro route)	—	0.12%	Distributing, EUR-hedged	EUR
IEI	25%	0.15%	Duration 4.21, maturity 4.71 years (Oct 22)	USD
CBUE (euro route)	—	0.10%	Distributing, EUR-hedged	EUR

Sources: BlackRock/iShares product pages for IEI and STIP; StockAnalysis for SGOV; justETF and extraETF for IB01, CBUE and CBUL; U.S. Treasury par curve. Data as of the dates shown.

T-bills: the waiting room

On November 3 the three-month bill yielded 4.21%, the six-month 4.26% and the one-year 4.40%[10.36]. SGOV, which holds bills of three months or less, charges 0.09% and had about $117 billion in assets at the end of October[10.37]. Bills do two jobs. They earn a positive real return at a time when the Fed's next move is more likely up than down, and they fund every third I have not yet bought. If the Fed hikes on December 9, bill yields follow within weeks, which is one of the outcomes in which cash beats the ladder.

Short TIPS: inflation insurance priced below inflation

The five-year breakeven inflation rate stood at 2.39% on November 2, while September's CPI ran at 3.7%[10.38]. The market is pricing a sharp fall in inflation, and a short TIPS fund pays off if it is wrong. STIP had a real yield of 2.54% and an effective duration of 2.24 years on October 23, with a 0.03% expense ratio[10.39]. If CPI averages the breakeven, the position earns roughly 5% in nominal terms over a year; if it averages September's 3.7%, closer to 6.3%. Short duration keeps the price risk small if real yields rise. The October CPI on November 10 is the first test of this sleeve.

The ladder: the political trade inside the bond sleeve

Chapter 5 sets out why the three-to-seven-year sector is where a Democratic Congress shows up first. An equal-weight ladder from three to seven years yields about 4.75% at the November 3 curve. IEI carries an effective duration of 4.21 years and a weighted average maturity of 4.71 years across 82 holdings, with a 0.15% expense ratio[10.40]. A 50-basis-point move changes its price by about 2.1%. The carry advantage over bills is only about half a point, so this is a position on direction: it pays if the hiking cycle ends with one more move and the fiscal path stays frozen.

What the sleeve earns, approximately

At unchanged yields, with CPI at the market's breakeven, the 60% sleeve earns about 4.5% a year: roughly 4.1% on bills after costs, 5% on short TIPS and 4.6% on the ladder. On the $60,000 it represents in the reference portfolio, that is about $2,700 a year. If inflation stays near 3.7%, the TIPS lift the sleeve toward 4.9%. These are my approximations, not projections of fund returns.

For euro-based investors

Euro investors should hedge the duration lines, because a five-year Treasury position should not become a currency bet by accident. CBUE, launched February 25, 2019, holds about €1.19 billion, charges 0.10%, hedges to the euro and pays income semi-annually[10.41]. CBUL, launched April 6, 2022, charges 0.12%, is euro-hedged and distributes in May and November[10.42]. Hedging is not free: the cost of rolling a dollar-euro hedge is roughly the gap between dollar and euro short-term rates, which I estimated on Sunday at about 1.7 points a year. On a ladder yielding 4.75%, that leaves a euro investor close to 3% after the hedge and fees. IB01, the euro route for the bill sleeve, charges 0.07% but is unhedged and accumulating, so it carries full dollar exposure[10.43]. A euro investor who does not want that exposure in the waiting room can hold a euro money-market fund instead and accept the lower euro rate. Either choice is defensible. Making it without noticing is the error. How much currency risk belongs in any one portfolio depends on where the investor lives, spends and pays tax, and that needs a case-by-case assessment.

POSITION FILE · 7 OF 7

Bitcoin

US line	iShares Bitcoin Trust ETF · IBIT · Nasdaq
Euro route	iShares Bitcoin ETP · IB1T · Xetra · XS2940466316
Model weight	3%, held, do not add (Sunday's scenario B: hold, do not add)
Price, Nov 4, 2026	About $78,425
52-week range	$57,718 – $107,482
Moving averages	50-day $81,913 · 200-day $73,157
Entry	None. The weight is allowed to drift with the price
Exit signal	A close below the $57,718 52-week low: cut to 1.5%

Why it stays at 3%

Bitcoin is in the model portfolio as a small, deliberate position in an asset that has no issuer, no coupon and no Congress that can tax its cash flows, because it has none. Three percent is the size at which a 50% drawdown costs the portfolio 1.5 points, less than one year of income on a 5-year Treasury yielding 4.74%. That arithmetic is the whole case for the size, and it has not changed since Sunday.

The price on the morning of November 4 was about $78,425[10.60]. That is 27% below the 52-week high of $107,482 and 36% above the 52-week low of $57,718. It sits 4% below the 50-day average and 7% above the 200-day average. The chart says the asset is in a downtrend inside a long-term uptrend. Neither half of that sentence argues for adding.

What Tuesday changed

The election result made the legislative path for the industry longer.

The CLARITY Act, the market-structure bill that would divide oversight of digital assets between the SEC and the CFTC, passed the House on July 17, 2025 by 294 to 134[10.61]. The Senate Banking Committee advanced its version on May 14, 2026 by 15 to 9[10.62]. Majority Leader John Thune filed cloture in August to bring it to the floor after the recess[10.63], and on September 15 the motion to proceed failed 49 to 50, with no Democratic votes. Prediction markets then cut the odds of enactment in 2026 to about 6.5%[10.64].

Two dates now frame the bill. The lame-duck session, which runs from now until the 119th Congress ends on January 3, 2027, is the last window in which a Republican Senate controls the floor. After that the bill dies, and any successor starts again in a Senate Banking Committee whose likely chair, Elizabeth Warren, is the most persistent critic of the crypto industry in Congress[10.65]. The market has not had to price that sequence until this week.

There is a second channel. Bitcoin trades against real yields like any asset without income. With the 5-year real yield around 2.3%, against 1.24% a year earlier, and futures pricing a better than four-in-five chance of a December hike, the opportunity cost of holding a zero-yield asset is more than a full point higher than it was

twelve months ago [10.66]. A Democratic Congress reduces the odds of new fiscal expansion, which lowers the risk premium in Treasuries but does little to bring real yields down while the Fed is still tightening. That is good for the Treasury ladder and neutral to negative for Bitcoin.

What would change the stance

Two conditions together would let me add up to one more point, to 4%: the CLARITY Act, or an equivalent market-structure law, signed during the lame duck; and the 5-year real yield closing below 2.0%. One without the other is not enough.

The sell discipline is simpler. A close below the 52-week low of $57,718 would mean the downtrend has broken the range that has held for a year, and I would halve the position to 1.5%. Altcoins are a separate matter and are covered in Chapter 11: in the model portfolio they are sold, not held.

> **What would make me wrong.** If Bitcoin rallies through the $107,482 high without either a market-structure law or lower real yields, the asset is telling me its drivers are elsewhere, most likely in global liquidity or in reserve-diversification demand outside the United States. I would hold the 3% and stop writing about it as a policy trade.

PART III · WHAT I INVEST IN

What I Sell, What I Avoid

A portfolio is defined as much by what leaves it as by what enters. Tuesday's result makes three positions built for a different outcome redundant, keeps two old prohibitions in force, and creates three trades that look obvious on Wednesday morning and that I will not make.

Sunday's note had a sell list for each scenario. Scenario A, a Republican sweep, would have sold long Treasuries, high-yield credit and altcoins. Scenario B, a Democratic House, would have trimmed Goldman Sachs first, taken profits on Exxon and sold altcoins. What happened is scenario B with a Democratic Senate on top. The sell list follows B and becomes firmer, because the Senate removes the residual chance that a Republican upper chamber would have kept parts of the deregulation agenda alive.

Sell: Goldman Sachs

Goldman Sachs entered Sunday's scenario A at 7% as the cleanest expression of a deregulated capital-markets cycle. That cycle has been good to the firm. Third-quarter 2026 net revenues were $18.68 billion, up 23%; net earnings $5.29 billion; diluted earnings per share $17.01, up 39%; annualized return on equity 18.7%[11.1]. Investment banking fees rose 21% to $3.22 billion. Equities trading revenue rose 72% to $6.44 billion.

The last number is the one I would not capitalize. Equities revenue that rises 72% in a year is a volatility windfall, and windfalls do not repeat on schedule. The policy tailwind that would have extended the cycle, lighter capital rules and faster merger approvals under a Republican Senate Banking Committee, is gone. Bank and merger oversight in 2027 will be set by committee chairs from the other party.

The market has partly done the arithmetic. Goldman closed November 3 at $896.09, 22% below its 52-week high of $1,153.99 and below both its 50-day ($942.06) and 200-day ($957.14) averages[11.2]. Selling after a fall is uncomfortable. The reason to sell is that the thesis for owning it belonged to an outcome that did not occur, and a position whose reason has expired should not survive on the hope of a rebound. In the model portfolio Goldman goes to zero. On annualized third-quarter earnings the shares trade near 13 times, so the reversal condition is valuation, not politics: a return to the $754 low with return on equity still above 15% would make it a candidate again.

Take profits: ExxonMobil

In scenario A, Exxon was a 5% position on one condition, "only at a price that works with $69 Brent." The condition was never met, and the oil price has started to move against the stock.

Exxon's third quarter was strong. Earnings were $15.4 billion, or $17.5 billion excluding identified items; reported EPS $3.72, adjusted $4.23; operating cash flow $25.7 billion; free cash flow $19.1 billion; shareholder distributions $9.4 billion, with $20 billion of buybacks announced for 2027[11.3]. Upstream earnings fell from the second quarter, partly on lower prices, and production slipped to 4,496 thousand barrels of oil equivalent a day.

Brent settled at $116.72 on October 23 and at $103.60 on November 3, a fall of 11.2% in seven trading sessions, including a 7.6% drop on November 2 when Washington and Tehran both signaled openness to talks [11.4]. Sell-side models cited by Mitrade put a no-war Brent price near $86, which leaves about $17.60 of war premium in the barrel [11.5]. The incoming majority has promised votes to end the Iran war. Those votes can be vetoed, but each one is a headline that pushes on the premium. Exxon closed November 3 at $177.46, 6% below its 52-week high and 58% above its 52-week low [11.2]. The stock prices a world that the oil market has started to doubt.

One practical point for holders outside the United States: since July 2026 the listed company is ExxonMobil Holdings Corporation, and the ISIN changed from US30231G1022 to US30233Q1085 on July 2, 2026 [11.6]. Orders and tax records should use the new code.

Sell: altcoins

Bitcoin stays at 3%, for the reasons set out in its position file. Altcoins leave. Their case rested on a federal market-structure law and an accommodating regulator. The law is stalled, the lame duck is its last Republican-controlled window, and the Senate committee that would write its successor is likely to be chaired by its most determined opponent. Tokens without cash flows and without a legal framework are the first assets to lose bids when the policy path lengthens.

Still no: long Treasuries and high yield

The election did lower yields. It lowered them most in the middle of the curve. On November 4 the 5-year yield fell as low as 4.68%, 6 basis points under its par close, while the 10-year fell 3 to 6 basis points [11.7]. The 20-year closed November 3 at 5.35% and the 30-year at 5.32% [11.8]. Twenty-year paper carries the most exposure to the two forces the election did not touch: an inflation rate of 3.7% and a Federal Reserve that held at 3.75%–4.00% on October 28 with two votes for a hike, and that futures price at 82.6% for a December increase [11.9]. The iShares 20+ Year Treasury Bond ETF (TLT) and its UCITS version IDTL stay out of the portfolio. The market itself chose the belly of the curve on Wednesday. I follow it there with the 3–7 year ladder.

High yield stays out for a different reason: price. The ICE BofA US High Yield option-adjusted spread was 331 basis points on October 16, up from 266 on September 21 and still well below its long-run median of about 450 [11.10]. Spreads are widening from tight levels while the weakest borrowers in the AI build-out are paying equity-like coupons. CoreWeave's 9.625% notes due 2032 yielded about 15% in mid-October, according to Barron's [11.11]. HYG and IHYU pay a spread that does not yet compensate for that tail.

Avoid: three trades that look obvious this morning

Chasing solar

Renewable-energy shares rallied in premarket trading on November 4 [11.12]. The rally starts from a deep hole: between August 11 and October 22, First Solar fell 28.9% and Enphase 25.9% [11.13]. The legislation that would change their economics, restoring the clean-energy credits shortened by the 2025 tax law, needs the President's signature or a two-thirds override. Neither is in sight. A vote changes sentiment for a day. Earnings change on a law, and there is no law.

Shorting defense

Defense stocks fell on the result [11.12], extending a slide that began in the summer: the iShares U.S. Aerospace & Defense ETF fell about 18% from August 14 to October 19 [11.14]. Selling short now is a bet that a Democratic Congress cuts the order books. Lockheed Martin reported a record backlog of $292.0 billion at the end of the third quarter, Northrop Grumman $109.6 billion [11.14]. Appropriations need both parties, munitions and missile defense have bipartisan support, and the companies are paid on contracts already signed. Congress can trim the increase in the fiscal 2027 request. It is unlikely to cancel the backlog.

Buying the dip in levered AI landlords

CoreWeave fell about 7% overnight as the Texas result came in [11.12]. On October 14 it had closed at $65.78 after a 15% drop, with roughly $52 billion of debt and lease obligations as of June, a revenue backlog of about $104 billion and net interest expense of $640 million in the second quarter [11.11]. A business that borrows at 15% to build capacity whose delivery dates now depend on state permitting is the most fragile point in the AI chain. Microsoft, which pays for its build-out from cash, is how I keep AI exposure.

Watchlist: not bought, not ignored

Four names are on the list because the election improved their case without making it bankable. Centene and Molina are the higher-beta expressions of the healthcare thesis in Chapter 6. Centene's marketplace membership fell about 39% this year, to 3.4 million [11.15]; Molina drew 75% of its 2025 premium revenue from Medicaid and rose 6.3% before the open on November 4 [11.16]. Both depend on legislation that still needs a signature. HCA, which gains from coverage without carrying the medical-cost risk of an insurer, is the version I own. Walmart and Costco are the other side of the Visa trade. If a routing bill advances, large merchants keep part of the $198.25 billion paid in card fees in 2025 [11.17]. Until a sponsor reintroduces the bill, they stay on the list.

Instrument	Ticker / ISIN	Action	Reason	What would reverse it
Goldman Sachs	GS · US38141G1040	Sell to zero	Thesis tied to a Republican sweep; deregulation premium gone	Price back near $754 with ROE above 15%
ExxonMobil Holdings	XOM · US30233Q1085	Take profits	About $17.60 of war premium in Brent; stock near its high	A price that works with $69 Brent
Altcoins	Various	Sell	No market-structure law; longer policy path	A signed market-structure law
iShares 20+ Year Treasury	TLT · IDTL IE00BSKRJZ44	Still no	CPI 3.7%; Fed tightening; the rally favored the 5-year	Fed ends hikes and 5Y real yield below 2.0%
iShares High Yield Corporate	HYG · IHYU IE00B4PY7Y77	Still no	Spread 331 bp vs ~450 bp median	Spread near 450 bp with defaults contained
Solar equities	FSLR, ENPH	Avoid chasing	Credits need a signature or an override	A signed restoration of the credits
Defense equities	LMT, NOC, ITA	Avoid shorting	Record backlogs; bipartisan appropriations	Enacted cuts to procurement accounts
Levered AI landlords	CRWV	Avoid	15% debt cost; permitting risk	Refinancing below 10%
Centene, Molina	CNC, MOH	Watchlist	Coverage upside needs a signature	Coverage extension in a funding or debt-limit deal
Walmart, Costco	WMT, COST	Watchlist	Swipe-fee relief if routing bill moves	Bill reintroduced with a sponsor

Source: author's model portfolio, November 4, 2026; prices and data as cited in the notes to this chapter.

PART III · WHAT I INVEST IN

Execution Rules

A good portfolio bought badly is a worse portfolio. These are the rules for when to buy, how much, through which line, and when to stop.

Three thirds, three dates

Every new purchase in this insight, equity or ladder, is split into three equal parts. The first goes in now that the result is clear. The second waits for the October consumer price index on Tuesday, November 10, and goes in only if the 5-year real yield is still at or below about 2.45% after the release. The third waits for the Federal Reserve's decision on December 9. The schedule follows Sunday's note, with one refinement: the second window is tied to a data release rather than to "a week," because the CPI is the event most likely to move real yields before the Fed meets. [12.1]

Window	Date	Condition	What is bought
First third	Week of November 4, 2026	Result known (met)	One-third of HCA, of the ladder and of any equity being topped up; Visa and Microsoft trims executed in full
Second third	After the October CPI, November 10	5-year real yield ≤ about 2.45%	Second third of each line; Eaton only on a pullback toward $366 (see below)
Third third	After the FOMC decision, December 9	5-year real yield ≤ about 2.45%; no shutdown under way	Final third; HCA's second third waits for the December 11 funding outcome

Sources: BLS release calendar (CPI for October 2026: November 10, 8:30 a.m. ET); Federal Reserve FOMC calendar (December 8–9, 2026); author's rules.

The master rule: the 5-year real yield

Sunday's note ended with one instruction: watch the 5-year real yield before the stock screen. The reason is in chapter 3. Over the past year about 90% of the rise in the 5-year Treasury yield came from the real component, so the price of money in real terms, not inflation fear, has been setting the pace for valuations. The number is published every business day by the U.S. Treasury in its Daily Treasury Par Real Yield Curve, and the Federal Reserve Bank of St. Louis carries the market series as DFII5. [12.2] It stood near 2.31% on November 2, at 2.36% on October 28 and at 2.64% in mid-October. [12.3]

The thresholds are deliberately simple. At or below 2.45%, the schedule runs. Between 2.45% and 2.64%, the next third waits one week and is checked again. A close above 2.64%, its October 14 level, stops all additions to equities and to the ladder; new cash goes to T-bills until the real yield falls back below 2.45%. The rule never forces a sale. It only stops the buying.

Price guards

Three lines carry a price condition on top of the calendar. **Eaton** rose 7.0% on its results day to $391.70; only the first third is bought at that level, and the rest waits for a pullback toward the $366.07 close before results or for the December 9 window, whichever comes first. **HCA Healthcare** closed at $462.86 on November 3 and traded higher before Wednesday's open; I do not chase above about $490, roughly 6% over Tuesday's close.

Visa is a sale, not a purchase: the four points come out into strength, near the 52-week high of $426.78 (the stock closed 1.5% below it on November 3), and not on a down day; I expect to complete the sale within the first window.

Orders and trading hours

Use limit orders, not market orders, on days after political news, and avoid the first fifteen minutes of the U.S. session, when spreads on individual stocks are widest. Investors who buy the UCITS lines in Europe should trade them when the U.S. market is open, from 15:30 to 22:00 Central European Time, and preferably before European exchanges close: a European ETF that holds U.S. Treasuries or U.S. stocks is priced most tightly while its underlying market is trading. For the ladder, the fund line is a convenience. Above roughly $250,000, buying individual Treasury notes maturing in 2029, 2030, 2031, 2032 and 2033 at auction or in the secondary market removes the expense ratio and lets the investor hold each note to maturity.

Rebalancing

A line is reset to its target when it drifts more than a quarter of the target away from it: a 6% stock outside 4.5% to 7.5%, a 12% stock outside 9% to 15%, the 25% ladder outside 18.75% to 31.25%. The check is monthly and after any day on which a holding moves more than 8%. Rebalancing is where the political view stays honest. A stock that doubles under a favorable bill becomes a larger bet on the next vote, and the band takes the excess off the table.

Euro investors

Three facts decide what a European investor should hold. First, most retail investors resident in the European Union cannot buy U.S.-domiciled ETFs such as IEI, STIP or SGOV, because those funds do not publish the key information document required under the PRIIPs regulation; the UCITS lines in chapter 9 are the practical route.[12.4] Second, hedging dollars into euros costs roughly the gap between short-term rates: the 3-month Treasury bill pays 4.21%, and the European Central Bank held its deposit rate at 2.50% on October 29, so the cost is about 1.7 percentage points a year, the figure Sunday's note used.[12.5] Third, the dollar fell against every major currency on Wednesday morning, and a Democratic Congress removes one source of fiscal support for it.

My resulting rule: hedge the bonds, decide on the stocks. The ladder (CBUE) and the short TIPS (CBUL) are held in their euro-hedged versions, because a bond position that pays 4.75% should not carry a currency risk larger than its yield. The T-bill line IB01 is a dollar position by design: it is the reserve for dollar purchases and should not be confused with a euro cash holding. Equity positions are held unhedged only if the investor accepts dollar risk knowingly; an investor who does not should reduce the equity sleeve rather than pay 1.7 points a year to hedge a 37% allocation.

Latin American and other non-U.S. investors

For a saver in Buenos Aires or São Paulo whose reference currency is already the dollar, the currency question disappears and a different one appears. A nonresident who is not a U.S. citizen and dies holding U.S.-situs assets, which include shares of U.S. companies and U.S.-domiciled funds, can owe U.S. estate tax on the value above $60,000, unless a treaty provides otherwise.[12.6] Irish-domiciled UCITS funds are generally not U.S.-situs assets. Dividends paid to nonresidents by U.S. companies are subject to 30% withholding unless a treaty

rate applies through a Form W-8BEN.[12.7] Holding structure, domicile of the fund and treaty position can matter as much as the choice of stock. This is precisely the kind of question that has to be assessed case by case, and it is the core of FINTECH SCB's cross-border practice.

U.S. taxpayers

Two details change where each line should sit. Interest on Treasury bills and notes is exempt from state and local income tax, which favors the T-bill and ladder lines in a taxable account for residents of high-tax states.[12.8] The inflation adjustment to TIPS principal is taxable in the year it occurs, even though it is not paid in cash until maturity; short TIPS belong in a tax-deferred account where possible.[12.9] None of this replaces advice from a tax professional.

> **What would make me change the rules.** If the Federal Reserve hikes on December 9 and signals more, the third window still opens, but the equity third goes to T-bills until the January CPI. If the government shuts down on December 12, the third window waits until it reopens: the 2025 shutdown lasted 43 days and delayed the inflation data on which the second window depends.

PART III · WHAT I INVEST IN

Calendar and Signposts

The election set the players. The next fifteen months of data, deadlines and votes will decide whether the portfolio is right. These are the dates and the thresholds I will act on.



Figure 13.1. Scheduled data, policy and political deadlines, November 2026 to February 2028. Spacing is not to scale. Sources: BLS and BEA release calendars; Federal Reserve; CRS R49353; National Taxpayers Union.

The next ninety days

Date	Event	What I watch	What it changes
Fri, Nov 6	October employment report	Payrolls after September's +29,000; unemployment after 4.2%	A negative print lowers December hike odds and helps the ladder
Tue, Nov 10	October CPI	Headline after 3.7%, core after 2.6%; energy share	Opens the second third if the 5-year real yield is ≤ about 2.45%
By mid-Nov	Russia–Ukraine talks, Abu Dhabi; U.S.–Iran contacts via Qatar	Brent versus the $86 no-war estimate	Sets the TIPS weight (see dashboard)
Wed, Nov 25	October PCE prices	Core PCE after 2.5% annualized in Q3	Confirms or contradicts the CPI signal
Dec 8–9	FOMC decision and projections	Hike priced above 80%; the dots for 2027	Opens the third third
Thu, Dec 10	November CPI	Whether the oil decline reaches the headline	First read of the post-war-premium trend
Fri, Dec 11	Continuing resolution expires (P.L. 119-103)	Lame-duck funding deal; any coverage extension	HCA second third; shutdown pauses the schedule

Date	Event	What I watch	What it changes
Thu, Dec 31	Community Health Center Fund authorization expires	Whether health extenders ride with funding	Signal for the 2027 coverage negotiation
Sun, Jan 3, 2027	120th Congress convenes	Committee chairs; Banking Committee; reintroduction of the swipe-fee bill	Visa falsifier goes live
Late January 2027	HCA and Microsoft quarterly results	HCA 2027 guidance; Microsoft capex above $50 billion	HCA third third; Microsoft falsifier check

Sources: BLS, BEA and Federal Reserve calendars; CRS R49353; Holland & Knight, "Beyond the Midterms," October 2026; company investor calendars (late-January timing indicative); oil and diplomacy calendar as reported by BigGo Finance and CNBC, November 3, 2026.

The rest of 2027

After January the calendar thins and the stakes rise. The debt limit, raised to $41.104 trillion in July 2025, is most likely to be reached around May 2027, with a range from February to July, and Treasury's extraordinary measures should carry payments to an X-date around February 2028.[13.1] That window is where a Democratic Congress has its strongest lever over health coverage and spending, and where the risk of a market accident is highest. History offers a guide to behavior, not to outcome: in past standoffs investors sold the Treasury bills maturing around the projected X-date and bought those maturing well before or after it.[13.2] The T-bill sleeve will be rolled with that in mind.

The falsification dashboard

Every position in this insight carries a signal that would change it. The table collects them in one place, with the level on the morning of November 4. I will check it after each date in the calendar above. The thresholds were set before the result was known or on the morning after it; when one is crossed, I will act on it and say so publicly.

Signal	Threshold	Now	Action
5-year real yield	At or below about 2.45% after the Nov 10 CPI; close above 2.64%	≈ 2.31%	Second third proceeds; above 2.64%, stop additions and send new cash to T-bills
Swipe-fee bill	Committee markup or floor vote with White House support	Not reintroduced	Visa to zero
Microsoft free cash flow	Negative in any quarter	$18.6bn	Cut Microsoft to half
HCA coverage path	Dec 11 deal with no coverage measure and Q4 exchange admissions down 15%+ again	-19% (Q3)	Stop HCA at the first third
Brent, front month	Above $117 (new high)	$103.60	Move 5 points from T-bills to short TIPS
Brent, front month	Below $86 for a month	$103.60	Move 5 points from short TIPS to the ladder
S&P 500 (SPY)	Above $781.62 before Dec 8–9, small caps leading, 5-year real < 2.3%	$754.35	Accelerate remaining thirds; 37% cap stays
Fed, December 9	Hike plus guidance for more	Hike priced >80%	Third equity third to T-bills until the January CPI
Shutdown	Funding lapses on December 12	Funded to Dec 11	Pause the schedule until reopening

Sources: U.S. Treasury; FRED; company filings; ICE Brent; NYSE Arca; CME FedWatch via Fox Business (Oct 28, 2026); author's thresholds.

PART III · WHAT I INVEST IN

Three Paths for 2027

A portfolio built for one forecast breaks when the forecast does. This one is built to survive three paths, and the probabilities I assign to them are my own judgment, not a market price.

Scenarios are useful only if they are different enough to change behavior. The three below differ on the four prices of the "Mid Trump" method: what goods cost, what energy costs, what money costs and what risk costs. The probabilities are mine, set on November 4, 2026, and I will revise them in public as the calendar in chapter 13 unfolds.

Path	Probability	Politics	Fed and inflation	Brent	5-year real yield	S&P 500, 12 months
1. Functional gridlock	55%	Funding extended past December 11; a handful of overlap bills; a debt-limit deal in mid-2027 with a partial coverage measure	One more hike in December, then a hold; CPI drifts toward 3% as the war premium fades	$88–100	2.0%–2.5%	Single digits to low double digits, with a 10% setback along the way
2. Standoff	25%	Shutdown in December or at the next deadline; debt-limit brinkmanship into the X-date window; veto fights on war powers	Two or more hikes; CPI stays near 4% on energy	Above $117	Above 2.64%	Drawdown of 10%–20% before any recovery
3. Peace and pause	20%	U.S.–Iran deal reopens Hormuz; bipartisan bills on swipe fees and drug prices	Fed holds after December; CPI toward 2.5%–3%	Toward $86	Toward 2.0%	Broad rally led by small caps and rate-sensitive sectors

Source: author's scenarios and probabilities, November 4, 2026. Reference levels: Brent $103.60 (Nov 3); 5-year real yield about 2.31% (Nov 2); S&P 500 ETF $754.35 (Nov 3).

Path 1: functional gridlock (55%)

This is the base case because it is the one both sides can afford. The lame-duck Congress funds the government past December 11, probably with another continuing resolution. The Federal Reserve hikes once, as the market expects, and then waits for oil to do the rest. The war premium in Brent, about $17.60 above a sell-side "no-war" level of $86, erodes rather than collapses, and headline inflation moves from 3.7% toward 3% over the year.[14.1] The new Congress spends its first hundred days on hearings and on bills designed to put the President on the record: some he signs, like a ban on congressional stock trading, which his administration has already said it "strongly supports"; most he vetoes. The real negotiation arrives with the debt limit around May 2027, and it ends, as these usually do, with a deal that gives the opposition something on coverage.

What the portfolio does. It runs as built. The thirds complete. HCA earns its place on the debt-limit deal. The ladder earns its 4.75% and a modest price gain as the Fed stops. Visa underperforms the market if the swipe-fee bill advances and matches it if it does not. Microsoft and Eaton follow the AI investment cycle, which survives Congress but not necessarily its own financing costs.

Path 2: standoff (25%)

Divided governments do not always divide calmly. In 2025 the government shut down for 43 days, the longest full shutdown on record, under a single-party Congress.[14.2] A Democratic Congress facing a President who campaigned against it, with an unresolved war in the Gulf and a debt limit approaching, has more reasons to fight, not fewer. Add an escalation that takes Brent above its October high, and the Fed would face 4%

inflation with a weakening labor market: September payrolls rose only 29,000.[14.3] Real yields would rise, equity multiples would compress, and the 10%–20% drawdown that history says is common in post-midterm years would arrive early.

What the portfolio does. The real-yield rule stops the buying before the damage is complete; that is what it is for. Sixty percent in Treasuries, a third of it in bills and a quarter of it in inflation-protected notes, carries the portfolio. Brent above $117 moves five points from T-bills into short TIPS. The T-bill line avoids maturities around the projected X-date. Nothing is sold in panic: the portfolio was sized at 37% equities so that it would not have to be.

Path 3: peace and pause (20%)

The least likely path is also the one the market is least prepared for. Diplomacy between Washington and Tehran was already moving oil in the week of the vote: Brent fell 7.6% on November 2 when both presidents signaled openness to a settlement.[14.4] A deal that reopens the Strait of Hormuz would remove most of the war premium within weeks. Inflation would fall faster than the Fed projects, the December hike would be the last, and the 5-year real yield would drift toward 2%. In that world the bills that both sides want, on swipe fees and drug prices, pass in a cooperative mood, and the market broadens beyond its largest names.

What the portfolio does. The ladder gains: a 50-basis-point fall in 3–7 year yields adds about 2.1% to its price. Brent below $86 for a month moves five points from short TIPS to the ladder. The remaining equity thirds are bought without waiting. The swipe-fee bill becomes more likely, not less, which is why Visa stays at 6% even in the best case. And ExxonMobil, sold this week, is not bought back.

> *The portfolio does not need to know which path arrives. It needs to know what it will do on each one, before it happens.*

What all three paths share

In each path, the 37% equity ceiling holds, the 60% in Treasuries earns about 2.7% of the portfolio a year before price changes, and the political risk is concentrated where I can measure it: in a payments company exposed to one bill, a hospital operator exposed to one negotiation and a software company exposed to one investment cycle. That is the point of the exercise. After Mid Trump, the useful question for an investor is which prices the result will move, in what order, and what the portfolio does when they move.

Every situation must be assessed individually. A family with liabilities in euros, a business owner in Buenos Aires and a retiree in Florida should not hold the same weights, even if they agree with every thesis in this insight. That conversation starts at fintechscb.com/connect.

BACK MATTER

Methodology and Data

How the numbers in this insight were collected, what they mean and where they stop.

Cutoff and timing

The research cutoff is the U.S. morning of Wednesday, November 4, 2026. Market prices are closing prices of Tuesday, November 3, 2026, unless the text gives another time. Overnight and premarket moves on November 4 are those reported by Reuters, CNBC and Bloomberg at the times cited in the notes; they are snapshots of a moving market, not settlements. Election results are those called by the Associated Press, or projected by the networks named in the text, on the morning of November 4. House projections and two Senate races (Alaska and Mississippi) were still open at the cutoff and may change the margins, though not control of either chamber.

Rates and inflation

Nominal Treasury yields are the U.S. Treasury's Daily Treasury Par Yield Curve Rates. Real yields are the Treasury's Daily Par Real Yield Curve Rates, cross-checked with the Federal Reserve Bank of St. Louis series DFII5. Breakeven inflation is the nominal par yield minus the real yield at the same maturity, or the FRED series T5YIE where cited. The ladder yield in chapters 5 and 9 is the simple average of 3-, 4-, 5-, 6- and 7-year par yields, with the 4- and 6-year points interpolated. Consumer price data are from the Bureau of Labor Statistics; GDP and PCE from the Bureau of Economic Analysis.

Companies and funds

Company figures come from earnings releases and filings with the U.S. Securities and Exchange Commission (Forms 8-K, 10-Q). Free cash flow is operating cash flow minus cash additions to property and equipment, calculated by the author where the company does not report it. Fund characteristics (duration, expense ratio, yield) come from the issuer's fund pages on the dates shown. ISINs come from issuer and exchange documentation; ExxonMobil's line reflects the July 2, 2026 change of the listed entity to ExxonMobil Holdings Corporation. Readers should confirm the exact trading line, currency and share class with their broker.

Commodities and history

Brent prices are ICE Brent front-month settlements; the November 4 value is an intraday reading. The "no-war" level of $86 is a sell-side estimate reported in the press and is used only as a reference line. Post-midterm equity returns are S&P 500 price returns, excluding dividends, in the 12 months after each midterm, as published by BNY's Investment Strategy and Research Group; window statistics measured from October 31 to October 31 (including the 6.9% comparison with other years) come from The Trading Tools. Averages from 19 observations carry wide uncertainty and say nothing certain about any single year.

Judgment

Probabilities of legislation (chapter 4), scenario weights (chapter 14), thresholds (chapters 12 and 13) and the model portfolio (chapter 9) are the author's judgment as of the cutoff. They are not market prices and not forecasts by any institution. The model portfolio is an illustration of reasoning on a USD 100,000 reference amount. It has not been back-tested, it ignores taxes and transaction costs except where stated, and it is not suitable for every investor.

Charts

All charts were drawn by FINTECH SCB from the sources named beneath them. No proprietary index series is reproduced as a series; where proprietary values are mentioned, they appear as single figures with attribution. Colors were chosen to remain distinguishable for readers with common forms of color-vision deficiency, and every chart carries direct labels.

BACK MATTER

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Every figure in this insight can be traced to the source listed here. Market prices are closing prices of November 3, 2026, unless the text says otherwise.

Introduction

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BACK MATTER

Working With FINTECH SCB

An insight can explain a market. Only a conversation can fit it to a family, a company or a balance sheet.

Everything in this document is written for a reader I have not met. The weights are reasoned, not personal. Before any of them becomes a decision, three questions have to be answered for the person who will live with the result: what the money is for and when it will be needed, which currency the liabilities are in, and which tax and legal regime applies to the holder, to the account and to the estate. The answers change the instruments, the domicile of the funds, the hedging and sometimes the structure that should hold the assets.

FINTECH SCB leads a network of partners, lawyers and private bankers advising families, entrepreneurs and companies on international wealth management and asset protection. Its practice covers private banking, wealth management, trust and holding structures, corporate finance, international bank accounts, liquidity regularization and cross-border tax management, for clients in the United States, Europe and Latin America.

Readers who want to discuss how the ideas in *After Mid Trump* apply to their own situation can reach the firm through the channels below. Every situation is assessed individually.

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After Mid Trump

What I Invest In Now

On November 3, 2026, American voters gave Democrats the House and the Senate. Markets sold the result overnight and bought it back by breakfast. The bond market moved first: the 5-year Treasury led the rally while the dollar slipped.

This insight turns that night into decisions. It names the policies that can still become law under divided government, and the companies that pay for them. It explains why healthcare is the one policy option with a measurable payoff, why the middle of the Treasury curve beats the long end, and why the average post-midterm year is the wrong benchmark for 2027. Then it shows the model portfolio, position by position, with tickers, ISINs, euro routes, entry rules and the signals that would prove the author wrong.

> *Gridlock does not stop legislation. It filters it. What passes is the overlap between a populist president and an affordability Congress, and that overlap has names.*

ROBERTO BALBINO

Founder & Chief Executive Officer of Fintech SCB. Before founding Fintech SCB, Roberto Balbino served as Financial Director and board member of leading multinational corporations, gaining deep expertise in corporate finance, governance and strategic planning. As CEO of Fintech SCB, Roberto Balbino leads a network of partners, lawyers and private bankers advising families, entrepreneurs and companies on international wealth management and asset protection.

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