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SPECIAL COMMENTARY
November 06, 2026

The following commentary is the opinion of our Portfolio Manager at the time of its writing. Please see important disclosures.

MIDTERM ELECTION RESULTS

MACRO IMPLICATIONS

OVERVIEW

The November 3, 2026 US midterm elections were a major loss for the Republicans as they lost both the House and the Senate. Fiscal Policy is typically an important contributor to the operation of the economy. Accordingly, the change in the political landscape may have an impact on current fiscal policy. Therefore, we need to reassess our current economic outlook for the *Macro Implications* from the midterm elections.

ANALYSIS

Firstly, what is the scope of the Republican's losses? The attached Midterm Election History confirms the incumbent party does indeed lose seats. Trump's losses were slightly more than in his first term, however, unlike the first term, he lost the Senate as opposed to previously expanding his Senate majority. The Republican losses were substantially less than Clinton's and Obama's first terms. However, the most relevant comparison is that Clinton also lost both chambers. The impact was that Clinton pivoted to the center (dropped Hillary Care, passed Welfare Reform, among other changes). Will Trump pivot to the center?

We should remember Trump was a long time Democrat before running as a populist (should we say "progressive") Republican. He was not popular with the Republican establishment. So, what we now have is two progressive wings of their respective party forced to work together. Let's also remember Trump prides himself on making deals. One area where two progressive views may come together is improving the costs of healthcare. Trump didn't beat up the pharmaceutical companies for price discounts and caps, as Biden did with forced price concessions on many drugs under Medicare. Trump beat up foreign countries to effectively pay more so the US could get "most favored nation" pricing on all affected drugs, which are accessible on TrumpRx. This is how Trump can help the Democrats achieve savings for the American public AND keep the healthcare industry profitable AND, thereby, assure the "availability" of healthcare services.

AI must move forward and legislated guardrails need not impede that. Trump has already made clear that data centers (DCs) must cover any increased energy costs to protect the local community. That sure sounds to us like it fits squarely with the populist backlash against DCs. We could see Trump and the House come together to formulize, through legislation, requirements for DCs users to cover certain costs to assure protection to the local community. The free market is already doing this and states or locales that restrict DCs create an incentive for the DCs to offer such benefits and other perks. However, formal legislation is a "no cost" win for bipartisanship! Finally, the panic over an AI slowdown is exaggerating the potential impact on the economy. Our research suggests AI Cap Ex year to date through September 30, 2026 is approximately 7% of total US Cap Ex. Hardly a deal breaker for the economy.

Secondly, regarding Cap Ex, the FDI (Foreign Direct Investment) deals already on the books from Trump's deals are locked in. These cover a much wider range of sectors beyond AI, such as steel (Nippon Steel $3bil US Steel plant update with pledge for a total of $11bil through 2028; $170 bil US Pharma reshoring; publishing,

chemicals, plastics and rubber, transportation and warehousing, automotive). The way we see it, there is nothing on the Democratic or DSA agenda that can negatively impact this trend.
Finally, Trump holds veto proof power against any extreme legislation (Democrats have 54 to 44 majority in the Senate; need 64 votes to override a Presidential veto). Also, the American public holds veto power over extreme policy that hurts the economy, hence jobs and "affordability".

CONCLUSION

We believe the Trump industrial policy agenda will move forward for the next two years unabetted. Trump's pride in making deals could lead to some surprising bipartisan legislation that further helps the American consumer. Finally, Trump wants to rescue his legacy and cement one of his signature achievements with an end to the Iran War with a nuclear solution. If that were to happen, the price of oil will likely collapse from its recent peak of $101 to approximately $60-$70 per bbl. (WTIC). That will be a big down payment on the "affordability" issue. We believe Treasury Bond rates will also drop, bringing mortgage rates to 6% or lower, which will spur more supply of existing homes, which will spur home price declines. Another big down payment on the affordability issue. In that case, Fed rate hikes will be off the table, and rate cuts will be back on the table. This will likely cause the stock market to have an explosive rally. That rally would be supported by the prospect of a Republican Presidential win in 2028, thus assuring a continued safe balance of power. What seemed like a negative, uncertain next two years may prove to be one of the more bullish environments we have seen in some time.

Midterm Election History

Date: November 6, 2026

Question

How do Trump's losses compare with prior midterm election results for previous modern day presidential icons?

Analysis President & Midterm Year	House Seats Net Change	Senate Seats Net Change	Congress/Control Impact	**Total**
Ronald Reagan (1982 –1st Term)	-26	+1	Maintained Senate control; lost House ground	**-25**
Bill Clinton (1994 – 1st Term)	-54	-8	Lost majorities in both chambers (Republican Revolution)	**-62**
Barack Obama (2010 – 1st Term)	-63	-6	Lost House majority; maintained Senate control	**-69**
Donald Trump (2018 – 1st Term)	-41	+2	Lost House majority; expanded Senate majority	**-39**
Donald Trump (2026 – 2nd Term)	–39*	-7	Lost majorities in both chambers to Democrats	**-46***

** 2026 results remain preliminary while outstanding races are resolved.*

Your RPg Investment Team

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We welcome your comments and questions regarding the foregoing.
Please direct them to: support@riskparadigmgroup.com
Please read and refer to important disclosures that follow.

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*This commentary and the information contained herein is the opinion of our Portfolio Manager as of November 06 2026.