


## A Monumental Election May Bring Big Changes
**November 5, 2026**

I have often called Chris Roth, our Chief Investment Officer, brilliant. He's also insightful and succinct. He wrote the following comments yesterday morning, the day after the election, for our weekly Investment Committee Meeting. You'll see that they are more informal and shorter than you're used to seeing from him. This was meant to be an internal debrief for the team. We hope you like the sneak peek behind the scenes at 5T!

We work with clients who are pro-Trump and others who are anti-Trump. They all perceive themselves as pro-America. They all love this country and so do we. The election was monumental, and consequential. Our job is to analyze it as objectively as we can, gleaning what we can to protect your assets, protect you, and understand the trends and factors that will make you money. Therefore, we ask you to read this objectively, as Chris wrote it, for your benefit!

What follows is Chris's internal comments following the mid-term elections:

**Quick story:** This is a sea change vote and a stunning rebuke of Trump. The key impact for investors is as follows:

1. Fiscal support is likely gone for the two years which will slightly reduce economic growth forecasts.

2. The Fed is now potentially one-and-done for rate hikes. The environment might support rate cuts in 2027 which would be positive for markets.
3. Early signs point to Trump understanding the war in Iran is highly unpopular and expectations for a deal are higher. If a deal happens, that's good news for markets.

**Understanding the election:** Absolutely dominate performance for the Democrats. Dems took back the House and Senate, and not by small margins either. Even more remarkable is where they won. North Carolina is now blue head to toe. Georgia too. Texas has a Democratic Governor. They also won in the districts the Republicans created by the Trump-backed gerrymandering process in key states! That was a shocking miscalculation.

It's hard to underestimate how big these results are across the country. However, make no mistake of the fact that this was a vote against Trump and his unpopular agenda and tactics. Republican turnout was very low, even in historically Red states.

**What to expect from a split Government:** First, expect the 2028 campaigning to start today. It's going to be two long years of 2028 Presidential-hopefuls jockeying for position, wins, and donations. Second, don't expect a cohesive Democratic party. This is more like when the tea party came to Washington and the Republican party was forced to confront material issues within itself to get things done. Third, expect the Democrats to launch a thousand investigations and force a lot of votes. Investigations will center around issues that resonated with voters, specifically corruption, abuses of power, and the Epstein files. The Dems will also push through legislation, even if they know Trump will veto it, to force votes that will be critical to the 2028 campaign. Expect Republicans (and some Democrats) to be put in tough positions with votes on Presidential powers, affordability, immigration, and other hot topics.

**Say goodbye to fiscal stimulus**: There is almost zero hope that we get any fiscal stimulus beyond some Medicare supplement support. The issue won't be that Dems are unwilling to support fiscal stimulus, the dividing issue will likely be how to pay for that fiscal stimulus. Dems will demand taxes on the rich and that is unlikely to win enough Republican support to override a

veto. Fiscal stimulus has been a key tailwind for the economy and the stock market. I believe it can survive at this point without the tailwind, but it's important to realize it's not there. Economic growth forecasts likely should be reduced as a result. Not by much though. Not enough to change investment direction.

**Fed might be one and done**: The Fed was expected to push through one more raise, but that might not happen now. Without fiscal support and with oil prices coming in on the hopes of a deal with Iran, the Fed might decide they've done enough. I wouldn't be surprised if cuts are back on the table by mid-2027. Certainly, this is one area where Trump can potentially exert influence without needing Congressional support. If the Fed is one and done, that's good news for equities and bonds. The bond market has already rallied nicely (as we expected) in October.

**Key topics that are likely to come up in the next two years:**

1. **Debt Ceiling**: At the current deficit ($2T-ish), we are likely to hit the debt limit in mid-2027. The Fed can play accounting games to get us to late-2027 or even early 2028. However, at some point in the next two years, we will hit the debt ceiling again. The most likely outcome here is a clean bill to fund the debt ceiling. Gamesmanship around the debt ceiling has proven to be a political loser and so the pundits almost all think the Dems will avoid it. The debt ceiling is not expected to be a key issue for Dems either.
2. **Immigration**: There is unlikely to be any change in immigration overall, but there may be some softening in terms of practices. The OBBBA funded ICE through 2029, so there is no real lever for Congress to pull easily to defund them. Trump's veto power will likely protect ICE funding because Republicans know their constituents still value border protection.
3. **Tariffs:** This is where Trump's grand policy design is likely to unwind and potentially quickly. Tariffs are wildly unpopular and not a traditional Republican issue anyway. Republicans typically leaned free-market. Trump swayed the votes here, but I would suspect Dems and Republicans to lean on him to rollback tariffs.
4. **AI:** Almost no chance now of a Federal policy on AI. States may step in, which would be a headache for AI companies, but manageable. Data centers will be interesting. They were a hot topic in election campaigns, but I believe that may cool down post-election. Data centers are needed and can provide a lot of revenue to municipalities. I would expect them

to find a way to build them with big changes to where they are located, how they pay for water and electricity, and how much taxes they pay to local governments. Bottomline is the demand for them is too high for them not to get built. Or Elon will put them in space. Either way, the compute power is coming.

5. **Iran:** Trump is already softening on Iran and Vance said it was the main issue behind the Republicans poor showing. Vance and Rubio will likely try to distance themselves from it. Iran is empowered with Trump's weakening, but they are still losing money every day due to the war. I'm hopeful a deal will be done. Remember, even a politically-imperfect deal will be a win for the markets. Anything that lets oil flow freely again will be treated as good news.
6. **Ukraine and Israel:** More money is likely for Ukraine, less money is likely for Israel. Neither likely matters for the markets.
7. **Dollar:** Downward pressure likely resumes for the dollar. The outlook for lower economic growth, lower inflation, and lower rates means the dollar should decline again. That will be good for international exposures, which we've built up steadily during 2025 and 2026 from the lows of 2024. It will also be good for large caps (think multi-national companies) where we have a strategic overweight still in all strategies.
8. **Social security:** Potentially a place where bipartisanship can take place. Lots of potential solutions and apparently the urgency to fix it is rising in DC.

**Two wild card predictions:**

1. **Trump may seek his legacy via deal making:** The easy prediction is that Trump will dig his heels in and utilize his veto power to shut down the Dems. In fact, one of his first tweets last night was a picture of his classic MAGA red hat with the word "VETO" on it. However, I would not be surprised if he tries to cement his legacy as a deal-maker by trying to work with the Dems. His tweet this morning said he accepts the midterm results and expressed that he wants to work with the Dems. It wouldn't surprise me at all if he meant it. Remember, his signature book was called the "Art of the Deal." Will the Dems be willing to work with him? Maybe. Maybe not. However, I could see them finding compromises on a very select set of issues.
2. **Stacking the court:** Will any of the Supreme Court Justices try to retire now in hopes that Trump can force a vote on a replacement before January 3rd? It's certainly something aggressive that we've seen from them in the past. Otherwise, any replacements in the next two years will have to be moderates. Expect fireworks from an emboldened Dem party

if the Trump Administration tries to rush a new Justice vote. I think this is a lower probability outcome, but the Republicans know exactly how valuable it is to have a Supreme Court stacked in your favor.

Sincerely,



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