UOB PRIVATE BANK

CIO Insights: Market Perspectives

Blue Congress, divided government

4 November 2026

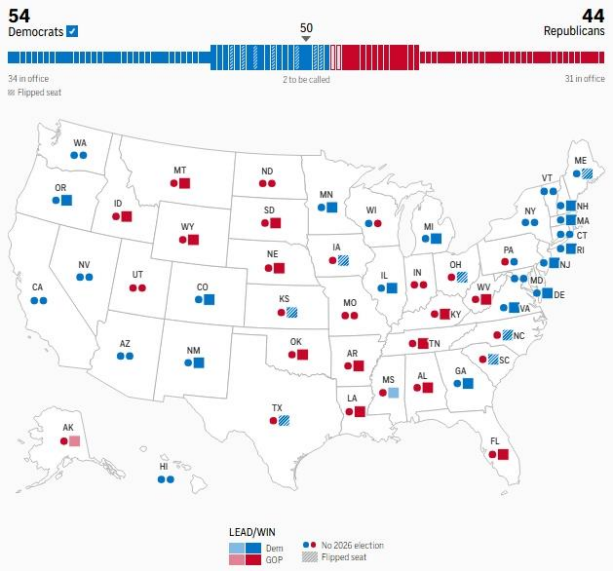
Key Takeaways:

- The US midterm elections have delivered Democratic control of both the House of Representatives and the Senate.
- President Donald Trump remains in the White House, leaving the US under a divided government rather than a full Democratic sweep.
- Prediction markets had already priced in a high probability of a Democratic win. This may limit the immediate market reaction, while highlighting prediction markets' growing role as a real-time measure of political expectations.
- The election remains secondary to broader market drivers. Interest rates, economic growth, AI spending and corporate earnings matter more, supporting UOB's tactically cautious but Neutral equity stance.

The US midterm elections have given the Democratic Party control of both chambers of Congress, although many races remained uncalled at the time of writing.

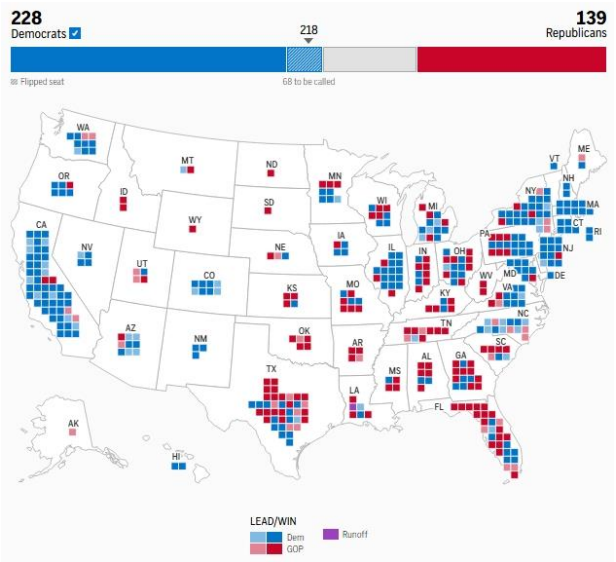
As at 5:21pm Singapore time on 4 November 2026, Democrats had secured a blue sweep of Congress by winning control of both the Senate and the House of Representatives. Democrats had secured at least 54 Senate seats and 228 House seats, compared with 44 and 139 seats for Republicans, respectively. Two Senate races and 68 House contests remained uncalled, meaning the size of the Democratic majorities was not yet final.

Figure 1: 2026 US Senate election results



Source: AP News. Results as at 5:21pm Singapore time on 4 November 2026. Figures represent races called by the Associated Press and are subject to official certification.

Figure 2: 2026 US House of Representatives election results



Source: AP News. Results as at 5:21pm Singapore time on 4 November 2026. Figures represent races called by the Associated Press and are subject to official certification.

Financial markets initially turned risk-off as the scale of the Democratic gains became apparent, particularly after the Texas result raised concerns about tighter scrutiny of AI and data-centre development.

S&P 500 futures fell as much as 1.2%, while Nasdaq futures dropped more than 2%. The move then partly reversed as investors refocused on divided government and limited scope for abrupt policy change. By around 5pm Singapore time, S&P 500 futures were up 0.27% and Nasdaq futures up 0.28%.

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The 10-year US Treasury yield was 6 bps lower at 4.92%, while the US Dollar Index fell 0.40% to 101.34. The reversal suggests the initial response was driven more by positioning and policy uncertainty than by a lasting reassessment of the earnings outlook.

A blue Congress, but gridlock remains

The result changes the balance of power in Washington, but it does not amount to a full Democratic sweep. President Donald Trump remains in the White House, leaving the US under a divided government.

A Democratic Congress can block new Republican legislation, set committee priorities, conduct investigations and negotiate annual spending. It can also use oversight and funding conditions to influence how existing policies are implemented.

However, Democrats cannot readily enact their own programme without presidential support. President Trump retains executive authority and veto power, while overriding a presidential veto requires two-thirds support in both chambers. Many contested measures would also require 60 Senate votes to advance. The practical impact will therefore depend on the size and cohesion of the Democratic majorities. Narrow majorities are more likely to produce negotiation and gridlock than a wholesale policy reset.

Figure 3: Gridlock is likely to remain

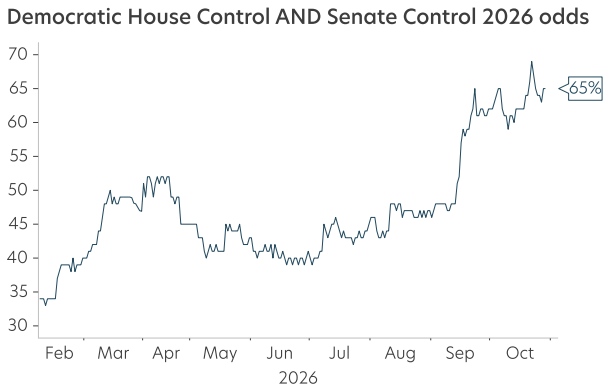
What Changes?	What remains difficult?
Control committees and the legislative agenda	Reverse existing laws without presidential approval
Negotiate government funding	Override vetoes without substantial Republican support
Block further partisan legislation	Enact a broad climate, tax or social-spending agenda
Increase scrutiny of agencies and industries	Remove the adminstration's executive authority

Source: UOB Private Bank.

Prediction markets had already signalled a high probability of a Democratic win

A Democratic Congress had become the most likely outcome across several prediction markets before election day. These markets convert changing views on polls, early voting and political developments into continuously updated probabilities. They complement opinion polls by showing how participants price the likelihood of different outcomes.

Figure 4: Was the result already priced?



Source: Kalshi, Bloomberg, Macrobond, UOB Private Bank.

Why it matters for investors

The result may therefore confirm an existing expectation rather than represent a major surprise. This could limit the immediate market reaction, although the size of the Democratic majority and the final composition of key committees may still affect policy-sensitive sectors.

With the election result largely anticipated, the more relevant question is not whether markets will react, but where the new balance of power could meaningfully affect policy and corporate earnings. The impact is unlikely to be uniform: healthcare has the clearest policy sensitivity, while most other sectors remain more dependent on bipartisan priorities or broader economic forces.

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From election result to sector implications

Figure 5: Potential impact on US sectors

Sector	Election Effect	Investment Interpretation
Healthcare	Positive	Healthcare may see the most direct impact from a Democratic Congress. Democrats are likely to prioritise affordability and seek to protect Medicaid and Affordable Care Act coverage.
Clean energy	Mixed	Democrats can protect selected support, but major new climate spending remains difficult under a presidential veto.
Industrials and infrastructure	Neutral	Projects tied to power, manufacturing, transport, defence and AI may retain cross-party support.
Defence	Neutral	Bipartisan national-security priorities should keep the spending cycle intact. Geopolitics and procurement matter more.
Traditional energy	Neutral	Congressional scrutiny may rise, but oil prices, geopolitics and production economics remain dominant.
Financials	Mild Headwind	Oversight may rise, but rates, credit quality, deposits and capital markets remain the key earnings drivers.
AI and data centres	Mild Headwind	Bipartisan strategic importance but data centre developments are increasingly facing local opposition related to power consumption, electricity costs and land use.
Digital assets	Headwind	Crypto-friendly legislation could slow, while the administration retains influence over executive agencies.

Key takeaway: Healthcare remains the clearest beneficiary of a Democratic Congress. Most other sectors are driven primarily by economic and geopolitical factors, while regulatory scrutiny may increase for financials, AI infrastructure and digital assets.

Source: UOB Private Bank.

Healthcare has the clearest link to the election result. Democratic control of Congress could make further reductions in federal healthcare support more difficult, while creating scope for negotiations over funding, coverage and implementation. However, Democrats would face major obstacles in reversing enacted legislation or introducing substantial new programmes without presidential support.

Clean energy may receive some protection from further policy retrenchment, although a presidential veto limits the prospects for substantial new climate spending. Defence continues to enjoy bipartisan support, while financials remain more sensitive to interest rates, credit conditions and capital-market activity.

AI, data centres and supporting infrastructure also remain strategic priorities across both parties. Power generation, grid equipment, cooling, construction and semiconductors could benefit, although elevated valuations and heavy capital expenditure require selectivity. A key risk to monitor is whether power-grid constraints and growing local opposition delay data centre deployment.

Data centres a hot topic at the polls

The US midterms could become an underappreciated risk to the AI theme. Reuters reported on 22 October 2026 that investor attention was shifting towards state and local races, where authorities can restrict data-centre development. The backlash is bipartisan: Democratic candidates have advocated moratoriums, while Republican candidates across at least five states have proposed tighter restrictions. On 16 September, the Republican-controlled House passed the Ratepayer Protection Act by 417 votes to three, reflecting broad concern that data centres could raise household electricity costs.

This political resistance is emerging as execution risks are already visible. Reuters reported on 24 September that Oracle had issued a force-majeure notice over potential power delays at Project Jupiter in New Mexico. The project has also encountered gas-pipeline delays and legal challenges involving water and air-quality permits, although Oracle maintains that it remains on schedule. Separately, infrastructure researcher Aterio reported on 29 September that the transmission approval process for Oracle's Project Lighthouse in Wisconsin had restarted, creating a material risk to its 2027 delivery target.

Turner & Townsend reported on 26 October that 56% of industry respondents viewed power as a major delivery obstacle, 32% faced connection waits exceeding two years and 81% reported skilled-labour constraints.

The risk is shifting from whether AI demand exists to whether infrastructure can be delivered. Politically driven moratoriums could amplify existing bottlenecks, delay revenues and raise financing costs across the AI ecosystem.

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The election reshapes the policy backdrop. However, interest rates, economic growth, AI spending and corporate earnings are still likely to matter more for overall market direction.

UOB House View: Cautious, selective and neutral

The result does not materially change UOB's Neutral view on equities. We recently reduced equities from Overweight to Neutral as higher bond yields, renewed Federal Reserve uncertainty and crowded positioning weakened the near-term risk-reward balance. This was a tactical reduction in risk, not a negative view on the longer-term earnings cycle.

The blue Congress reinforces the case for sector selectivity but does not justify portfolio repositioning. Healthcare, banks and defence may offer resilience and diversification. The AI thesis remains intact, but investors should focus on companies translating AI investment into revenues, productivity gains and cash flow.

Portfolio implications

- Maintain a Neutral allocation to equities.
- Avoid chasing a broad "blue Congress trade".
- Favour profitable, cash-generative companies with durable balance sheets.
- Preserve liquidity and use election-related volatility to rebalance.

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