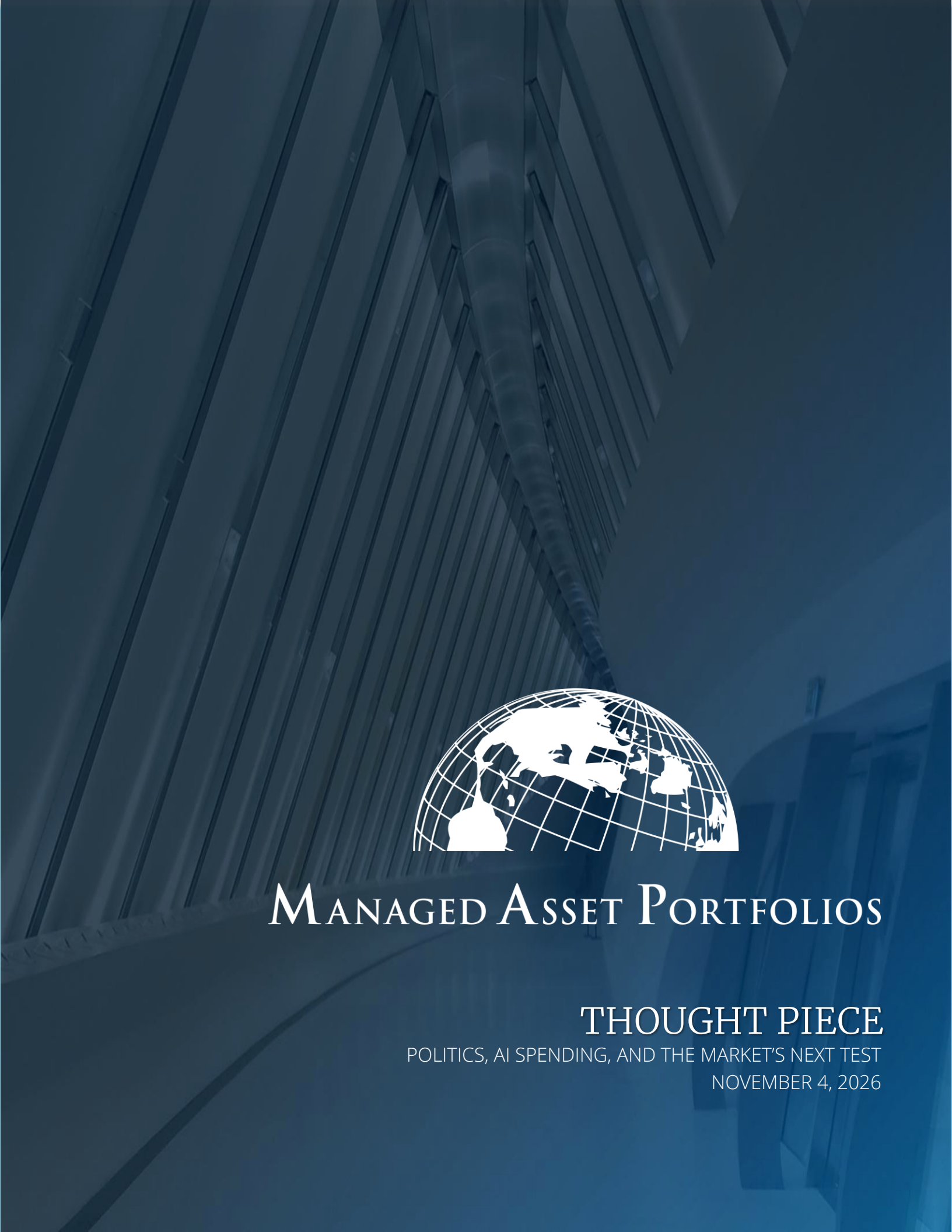


MANAGED ASSET PORTFOLIOS

THOUGHT PIECE

POLITICS, AI SPENDING, AND THE MARKET'S NEXT TEST

NOVEMBER 4, 2026

Politics, AI Spending and the Market's Next Test



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With a costly and contentious election behind us, investors are turning from the campaign to its consequences. Democrats have taken control of the House and Senate.

For investors, the more useful question is not which party won, but what the outcome could mean for corporate earnings, investments, and valuations. Political headlines can move markets in the short term; their lasting importance depends on how they change the economic outlook.

One development worth watching is the success of ballot measures opposing data centers. Voters in at least 33 U.S. communities backed restrictions on data centers in Tuesday's midterm elections. Only one local measure in North Dakota went the way of those supporting construction, according to the tracker Data Centers on the Ballot, as reported by Stateline. The restrictions that passed or were leading late on Tuesday ranged from outright bans and temporary moratoriums to energy-use caps and requirements for a public vote before construction. If those results translate into tighter restrictions or project delays, they could complicate the Artificial Intelligence (AI) infrastructure buildout. That would create a potential headwind for neocloud companies and could give the largest cloud providers a reason to reassess the pace of their aggressive spending plans.

The economic implications cut both ways. A slowdown in AI-related investment could weaken an important source of growth. At the same time, a less intense construction cycle could ease some of the spending pressures associated with the buildout. The key question is whether any relief on inflation would outweigh the loss of investment momentum.

The combination of rising stocks, stronger gold and silver, and a weaker dollar is consistent with investors anticipating less pressure on interest rates. But one market session cannot establish that explanation, and the election is unlikely to be the only influence on prices. Whether a slower AI spending cycle would materially change the Federal Reserve's outlook remains an open question.

There is also a tension in the market's response: investors may welcome the prospect of lower inflation while still relying on AI investment to support growth and earnings. Less spending is not automatically good news. Its effect will depend on where investment slows and whether the projects that proceed generate attractive returns.

If the longer-term political balance favors Democrats, tax policy could become a more important consideration for investors. Past Democratic proposals have included higher corporate taxes and higher capital-gains taxes for high-income households. Renewed efforts in that direction could put pressure on after-tax earnings and investment returns, although any changes would depend on the legislation ultimately enacted. The practical response is to review tax efficiency.

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Our message to clients remains straightforward: do not let political preferences dictate portfolio decisions. Historically, U.S. stocks as measured by the S&P 500 have risen during every November-April period following a midterm election since 1950. The investment question is how businesses adapt to changing conditions - and what investors are paying for their future earnings.

The election may change the backdrop, but it does not replace the discipline of investing. Watch how policy affects spending, how spending translates into earnings, and whether prices leave room for disappointment. Above all, valuations still matter.

We encourage you to contact your MAP representative with any questions or concerns.

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