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FRIDAY – NOVEMBER 6, 2026

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Hello and welcome to The Dividend Cafe. I am your host David Bahnsen, and I think you may have heard that we had an election this week. And today we are gonna devote our time in The Dividend Cafe to unpacking the election. It was a historical election. It was an election that will be written about in history books and certainly talked about in political circles for decades to come.

But our focus today is not in doing what so many have done the last three days, and that is exacerbating the political handicapping of it all. We want to get into the economic and investment implications of what happened out of the midterms, and just lay out a couple ideas, thoughts about where we are, where we may be going as a byproduct of the election in the shorter term, and ultimately giving a longer-term perspective.

And by the way, that perspective we're gonna get into today is not only forward-looking, but we're gonna delve into a little history on some of these [00:01:00] things, too, which I think is a very good idea to help inform our understanding of the future, to have a cogent understanding of the past. Before we get started, I wanna say that there's a link in Dividend Cafe today to an hour-long interview I did yesterday with Mark Halperin of Two Way, Mark being one of the most famous and, I think, competent political commentators, prognosticators, and pundits in the country.

We- Mark did a pretty extensive interview with me about the economic ramifications of the election and opened it up to Q&A from the audience, and that allowed us to go into a lot of different subjects. So you may find that YouTube interesting. The link is there in Dividend Cafe. So in terms of what we're gonna cover here today, let me just start with the drama that was the day after the election.

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And this was drama to the upside. The DOW was up [00:02:00] 1,569 points on Wednesday over 3%. And so a lot of people immediately saying, "That's surprising." you would think it was a market unfriendly and a little bit more left-wing response it wasn't a little bit of a left-wing response to the election.

It was the biggest electoral tsunami that we've seen in modern history in favor of the Democrats, and so wouldn't markets have not liked that? And it's a reasonable prima facie view. But the problem is that no matter what direction things go, I am of the opinion, the, and I think I've been validated on this already, that the first day after an election is almost like it doesn't count because so much of the action is technical in nature.

What I mean by that is that there is a significant amount of people that go into election event having to hedge various exposures, and therefore they get caught offsides. They're worried that perhaps there's a tail risk event, perhaps there'd be uncertainty there would be a lot of controversy that has to go to courts.

There's just various elements of what people may be fearful of, some of it re-rational, some of it unhinged, but it works its way into financial markets, and then the immediate aftermath of the election is to unwind a lot of that, particularly those who are offsides. The parallel I use here is something I talk about a lot and have written about a lot for, oh, at least six, seven years now, how the same dynamic plays out in a smaller scale after all of our FOMC meetings.

When the Federal Open Market Committee meets, you always see this enhanced volatility and oftentimes in the final 20, 60, 90 minutes of trading on those days, some kind of incoherent activity, but it's very pronounced one way or the other, and then the next day a sort of normalization in financial markets.

And so I not only would argue that's what happened on Wednesday this week, but I would argue it what-- it's what basically happens all the time in elections now. So I looked back to November 6, 2024, the day after President Trump won election d- what is now two years ago. The DOW the day after was up 1,508

points, just within a whisker of the exact same point movement that we had on the day after the election two days ago.

One of the differences is back then 1,500 points was three and a half percent. This week, 1,500 points was only 3% 'cause markets are higher now, but you get the idea. Almost identical move up, the reason being you had resolution, you had this unwinding of these hedges, but we needed to get a little bit more time for some of the fundamental things to work their way through markets.

Now, let me ask you a question. Was the bloodbath that took place in the NASDAQ on Thursday a byproduct of the election? That seems to be an odd thing to say. Maybe exacerbated by it, maybe people had more time to think through things, maybe there was some additional development or consideration. Th- but there was really no new news Thursday from Wednesday, and it seems strange to think that things rallied so much Wednesday and then two days later people decided the election was provoking it.

And what I think you have here is a classic case of an event taking place in markets, and it's also coincident with a major calendar event, in this case, a historical landslide tsunami-type election, and people may be misreading what some of the connections may be. Because what was most vulnerable in markets Thursday were things that have been vulnerable in markets for several weeks now.

Now, there was a violence to the drop Thursday that, again I'm perfectly willing to say is exacerbated by some of the concerns that people have, and we're gonna talk about that in a moment. But I think it's a little silly to conclude that the big move up Wednesday was 'cause of the election and the big move down Thursday was 'cause of the election, when these other explanations seem far more plausible to those willing to look at this through a less partisan lens.

So let's first start with Iran. I think that was part of the narrative we were hearing in the immediate aftermath of the election, was that, well, the Iran war's gonna

be coming to an end. Oil prices dropped about 10% on Wednesday. On Tuesday I was live on set at Fox when all of a sudden we heard the President of the United States say on Fox and Friends that he was going to cut off all aid to Israel, which people took to mean a sort of further move towards ending things in Iran.

And so the idea that one way or the other this thing's coming to an end, oil prices come down and there's certain elements of relief that brings to certain components or sectors in the market, particularly transportation, cargo freight, where they're more impacted by the difficulties in diesel prices right now.

A- and I think that you see the president's posture, and then you hear the vice president basically go, well, it's not basically. He explicitly went the day after the election and said, "This is entirely because of the war." And there's a lot of people that just say, "Okay, the global news out of this is they're gonna end this war, and so what are the sectors that hurt and what are the sectors that are helped by that type of move?"

And logically, it kinda makes sense, but I think the question is not the logic of the argument, it's the accuracy of the argument. I understand that Vice President Vance wants this thing to end. I know the Democrats are not gonna offer any support to continuing it. But the question I guess I have is, A, in the premise that the president will end it all.

I'm not saying he won't, I'm just asking the question how anyone else knows that because the president doesn't know that. And I think that if he were to end it, are we talking about him leaving Hormuz in the hands of Iran? Are we talking about giving them money? Are we talking about a military escalation that really, really takes them out and then we leave?

I think that people are moving from a very geopolitical assumption well, what I should say is a political premise to a very geopolitical assumption. And I'm not sure that that is necessarily easy to do in this case. But then let's just take it for granted and say, "Yeah, it's gonna happen."

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Are we really sure that our stock and bond and currency assumptions around that would go that way some expect? What is already priced in? What is already assumed to be the case? What are other factors that might play in short-term and long-term? I don't think the market narrative is as predictable. I certainly don't think it moves in as linear a fashion as many are assuming here.

And so that part becomes more difficult. What I would suggest i- in the weeks and months ahead is that there are a few options that, of what President Trump may or may not do, and each has a sort of corresponding market outcome that, that is reasonable to think about. But I don't know that anybody has great clarity as to which of these four may end up being the case.

One is certainly that he may very well leave altogether and in that case, the prices fall oil prices fall, the dollar probably falls, and EM stocks would very likely rally, emerging markets. But then again, another possibility is that there is just more of the same, what we're doing now blockade rhetoric continuing and oil staying high but not necessarily moving higher, and in that case it probably benefits the energy sector on a more perpetual sense.

The combination of that with a actual enforcement on other countries to stop transacting with Iran, that is sort of a third option where we continue blockade with Iran and there's much more effort to get some of the Middle Eastern countries and Asian countries to stop transacting with Iran. And in that case you probably do get oil going higher.

You would get more shock and awe out of the Strait of Hormuz and bond yields may go higher for a time in that scenario, and stops, stocks would probably be more volatile. Is that really a longer prolonged policy approach, even if it's gonna end up with a good outcome? Is that a likely scenario with where the President is right now?

And then number four, a full-blown restart to the war, heavy mi- military escalation, real regime change. In that case, certainly oil prices drump jump. I,

although in that case I don't know the bond yields would necessarily follow oil prices. They could very well drop as a sort of flight to safety. So there are these various outcomes on the table.

I'm not willing to say of those four things I think it is most likely to be this or least likely to be that. I think all are on the table, and I do not know and I do not think anyone else knows and I do not think the administration knows. So forming a sort of investment viewpoint right now in the aftermath of the election around expectations in Iran makes about as much sense as it has throughout the last six to eight months of the war itself, in which case people have been confounded time and time again by what has happened in markets relative to what people have predicted may happen on the war side.

So let's bring this back to the States and get out of the Middle East for a bit And point out that with all the talk about seven Senate seats flipping, about the Democrats having a comfortable margin, and by the way, it's seven already. We don't know where Mississippi and Alaska will end up, and it may take a little time to find out.

Alaska , there's no way we're gonna know by the time you're hearing this, and Mississippi, as of the time I'm recording, after the market is closed on Thursday afternoon, it's possible that by now there's a outcome in Mississippi. But either way, we're looking at seven, eight, or nine seats flipping, and that's gotten a lot of attention, as it should.

There's a lot of coverage on the House. Let's see, my most updated numbers here are that the Democrats have secured 244 House seats. They only needed 218 for majority, so a huge majority already secured, but there's still 36 uncalled seats. There's no question by the time you're listening to this that number will be lower than 36, but because there are more and more getting called each hour.

But you're looking at a net pickup. They've got a margin somewhere between 70 and 90, which is massive, okay? And not gonna be easily undone any time soon.

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So I would argue that as big as a deal of these Senate and House stories, that it is actually understating the significance of what took place on Tuesday because you really have to appreciate what happened statewide.

And of course, the governor side of that is a big deal. Red states like Indiana ... Well, first of all, let's just stick in the governor category. Georgia, Ohio, Iowa, Nevada, and Texas had a Republican governor now be a Democrat. In four of those five states, they were states that President Trump had won two years ago and now went from Republican to Democrat governor.

But the other issue I wanted to get to, because I don't think you're getting a ton of media coverage on this, red states like Indiana, Kansas, Missouri, Ohio, South Carolina, Florida, the Republicans lost super majorities in all of those states in the statewide legislator. And in some states they lost a majority, and in other states, like the ones I mentioned, they lost a super majority.

But in all states, they went backwards and in some cases significantly. And I'm not getting into the granularity of what's happened with city councils around the country, but let's just say I spent a little time researching some of that as well over the last two days and if you get beyond governor mansions and state legislators, looking at the city level, the story it continues .

This narrative was well permeated into all elements of government. So when you talk about a blue tsunami Tuesday outside of DC, into states and into cities and counties, why does this become a market-oriented issue? And I think that the data center controversy is certainly where you'll have most visibility to state and local political relevance, that the fate of new data center builds is more of a state and local issue than senatorial or congressional anyways, and this is all happening at a time where we're already in the midst of a lot of tech vulnerability.

So I can't tell you how much of the Thursday sell-off in semiconductors and in a lot of the tech CapEx story, it was a violent sell-off for sure. But I don't omnisciently know how much was related to the election and how much is a

continuation of some of these other things already in play. But what I can say is that it w- they were, these CapEx issues were not helped by Tuesday night And fundamentally, there are four points that I want you to understand around the current lay of the land, state and local relevance, and what it means to investors through this AI CapEx story.

First of all, the data center build was a problem before the election, and I think it's a bigger problem now. But AI CapEx had funding problems before and some of the things I've written Dividend Cafe is about more recently. None of it got better even throughout the week, but it was a preexisting issue.

And then number two, that campaigning against data centers, as many of these now successful governor candidates and state congressional candidates, city council, county candidates, campaigning against data center is going to prove a lot easier than actually governing against them.

That's not to say that they're gonna become friendly to data center. That's not gonna happen. But I don't know that some of the more draconian suggestions and moratoriums will necessarily play out because particularly if you start to feel some economic pressure and unemployment moving higher, as mad as many people are about the existence of data center, there is very few things that are more politically toxic than higher unemployment, and I think a lot of these elected officials are gonna be dealing with the trade-off of the unpopularity of data center and the economic reality that they're trying to trade off against.

The bold assertions that you get to make on the campaign trail are not really conducive to actually governing sometimes. This may be an example of one of those issues . But number three, it could very well prove to be a blessing in disguise for some of the hyperscalers that maybe need to get sober a little around some of their monumental AI capital expenditures that's not gonna help their suppliers necessarily and that was where a lot of the pain was felt in those pick and shovel companies inside the AI complex on Thursday.

But I think this may very well be a situation where it helps kind of pull back a little bit for some of the companies that might be over their skis in terms of both funding commitments, spending commitments, and ultimately the investment being made in this boom. And then finally, I think you have to understand the difference between believing that this is gonna constrain new data center build and new compute from constraining the projects already in place.

And that's where I don't think you get to see an immediate impact in the economy negatively because there's already a ton of shovels in the ground. I use the example of Texas alone where there are 26 data centers right now that are already approved and/or under construction. Their data center investment is over $65 billion in the state of Texas this year alone.

That's equal to the all of China. And so I think that you may very well have challenges across the board in this AI compute story, but I think you had those challenges before the election. I do not think the election made any of them better. But the magnitude of how much it makes it worse, I'm not sure of.

What I do know is that sometimes things feed on one another, exacerbate a bad story into a worse story. The other element I wanna discuss quickly is about trade, and certainly the relevance of tariffs. On one hand, you had President Trump saying on Wednesday that his views on trade were identical to that of Bernie Sanders, and he hoped he could make a deal with some of the Democrats on some of the trade things he wants to do.

I kinda paradoxically don't think that's possible, because even where there is a sympathetic or friendly view to a lot of central planning and control and intervention around US trade policy, and a lot of protectionism that has historically been accepted in certain parts of the left, especially the kind of Bernie Sanders left I don't think that they're looking to do any deals with the president at all.

And so I'd be very surprised if any common ground gets forged there. And the reality is that you had something in the range of 67% of voters that, that concluded that tariffs had contributed to inflation, and that the economic policies had made things worse around some of these trade policy prescriptions.

And so I'm not sure that you're gonna see the president doubling down on it, and I'm certainly not sure you're gonna see the Democrats trying to help him do that. So I think my base case is status quo. And what is status quo? It's a heavy degree of sort of, executive branch discretion. A lot of the tariffs were deemed to be illegal by the Supreme Court, and there is various rationales being used for other tariffs, and then they get taken on one week and taken off the next.

And I would imagine you're gonna see more marginal diminishment of some of these tariffs at the president's whims and not see this worsen. I don't think you see it get instantly better but I do think that there will be a marginal movement where there will be less tariffs, not more, at the end of the next two years.

One thing I wanna say, 'cause I've talked about some negative elements here, for those that do hold to a certain constrained view of government and taxation and regulation And understand some of the market impact around a, a punitive relationship with capital in a nation state. I just wanna ask you a question.

If the most progressive left-leaning state in the country, the largest state in the country by both economic size and population, with tens of millions of dollars being spent to do it, in an election that was a blue tsunami of meteoric size and magnitude, if in that context a wealth tax was unable to be passed in the golden state of California, why do people think that a wealth tax is ever gonna happen nationally?

In this moment that was as positive of an election result for the Democrats as we could possibly imagine, and for many on the more further elements of the progressive left this, quote unquote, billionaire wealth tax was so soundly defeated in a very left-wing state. I just think that that notion of, well, are we now

worried with some of the legislative movement in both Congress and the Senate that we're headed closer to a wealth tax, I, I think people need to be realistic about the fact that it is a deeply unpopular idea, and I mean unpopular with a significant portion of the left as well.

So one of the things we're hearing a lot about is that now the midterms are done, and you go into the third year of a presidential term. The year after a midterm and before a presidential election, that 21 out of the last 21 times we've had a third year, so this is going back to the 1940s, 100% of those time periods the market has been up, and that is true.

However, I do wanna be clear, I have the exact data you tell me if you think it's relevant or not. 2015 the market was up 1%. 2011 it was up 2%. 2007 it was up 5%. So, yeah, there's been a lot of years over that time period where the market was up 23%, 28% and you can't argue with the fact that it's been 21 out of 21 times.

But I would say that the, this is a clear correlation lacking causation, and it's subject to heavy alteration. And I would certainly not recommend forming an investment outlook next year around that historical fact. So the questions I'm getting about whether or not this represents a permanent realignment Are we now seeing, because of the, the magnitude of move that took place Tuesday night, the amount of red states that lost Republican senators, Republican governors, is this a, a sort of permanent condition?

It was every bit as politically profound as you're seeing on whatever your news outlet may be. And again, people can debate over what they think caused it. Some people can propose a very convenient theory about what they think caused it. Spin is a part of the political cycle. I just don't do spin here.

I try my very best to call balls and strikes. I have a lot of opinions on a lot of things, but I don't feel the need to manufacture an opinion to be convenient to another opinion. In this case, the shellacking the Republicans took, the question

as to whether or not it means or parlays into a permanent realignment has to be informed by history.

It was a grand total of two years ago that President Trump won seven out of seven battleground states, that the Republicans won con- Senate majority control, that they picked up House majority control. That was two whole years ago, and then you saw not just a shift two years later the other way, but a violent shift the other way.

You think about how dramatic President Obama's losses were in the midterm of 2010, and he comfortably won re-election in 2012. You think of the historical night of the Newt Gingrich Congress in 1994, and President Clinton comfortably winning re-election two years later. There are a lot of things to think about as to where we are headed into the future, both in two years and thereafter.

But history would suggest that a permanent realignment because of the way one election went is a rather silly notion, and that the Founding Fathers created a system that does not allow that to happen very easily. The Republicans last took it on the chin this badly in the aftermath of Watergate in the mid-1970s.

And not only were those midterms horrific, but then the presidential election saw Jimmy Carter defeat Gerald Ford, and you could start talking about permanent realignment then. And then four years later, you had one of the biggest landslides in American history and the Reagan Revolution beginning.

And so all I can say is that throughout my adult lifetime, and any of you listening to this, your lifetimes too, we have dealt with the back and forth of political alignments, coalitions that do not last. The same group of voting blocks and demographics that made for a President Obama were different than the ones that made for President Clinton.

The ones that made for a President Bush Jr. were different than the ones that made for President Trump. And the way in which these parties have certain

appeal at moments in time to different voting groups, it never holds, so of course this coalition hasn't held. Our Founding Fathers knew that was to be the case, and they entrenched in our system the right safeguards around all of it.

My view is that it would be absolutely shocking to think that political coalitions as we define them today ever would hold for very long. Investor success has to come from profit-making enterprises doing what they do best, not from trying to align a portfolio with the shifting tides of political coalitions.

And I would add the permanent things embedded in the profit motive and self-interest in human action that drive investor results, at the end of the day, that is a far more sustainable and aligned coalition for your portfolio than any voting bloc will ever prove to be. Now, I would just add anecdotally from the political side of it that sometimes changes are needed and big electoral losses can help catalyze certain changes.

I don't know that that's a prediction I would make, but I do know that where this can go in two years, let alone two decades, is not something anybody else can really predict. Before I bring us out of here, let me just say that more than what is gonna happen in a certain AI CapEx order next week or what's gonna happen in the Iran war next month, I would suggest that the midterm election results, if they have a kind of major investment takeaway, it is not in what we saw in the last two days where one day give it, the other day take it away.

It'll be in what it means into the 2028 election. Right now you still have divided government and markets have historically loved divided government and we've talked about that a million times over the years. But is there a scenario in two years where divided government may be lost and you're gonna see one party reign again?

And what will that mean to the filibuster, and what would it mean to some of the other issues in our own political governance people are worried about? You can't make a prediction in November of 2026 about where things will be in November

of 2028. But I do think that one of the things that may come out of the midterm election results is a very different point of view about what needs to happen for both parties in 2028.

And I don't wanna get into the political commentary of this, but the economic and market side of it, I think will be looking very closely to the political side, where the question will be whether or not the Democrats are overplaying their hand, whether or not they do understand what did give them the success this week and what didn't.

Misreading of when you win an election is a very dangerous thing politically, and I think markets will be looking to price that dynamic in, as well as how the Republicans respond and what type of a candidate and platform and overall policy portfolio they want to have going into 2028. So, I'm done with this election.

I hope you are, too. And there's so much of me that year by year gets increasingly done with many of the partisan divides that exist in the country, period. However, I do think that my job is gonna force me to stay very attuned to this into 2028, because I think that there is a bigger impact in markets coming out of what this means into the future.

And that could very well be a positive thing, and it could very well be a negative thing. But the election results of this week are but a short-term moment that now open up various doors that could go in a lot of different directions to the future. I hope that is helpful. I welcome your questions anytime.

Plenty of other links to find and more to chew on inside DividendCafe.com. In the meantime, thank you for listening, thank you for watching, and thank you for reading The Dividend Cafe. We'll look forward to being back with you, as always, on Monday.