

Daily Commentary

Blue Wave, Who Pays the Bill?

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The Democrats win both the House and the Senate.
This was projected by Decision Desk HQ overnight, and Trump, according to the New York Times, has already said he will accept the result.
So far, nothing surprising, because prediction markets had been giving the Democrats a high probability of retaking at least the House for weeks.
So why did futures on the S&P 500 index fall by as much as **1.4**% and those on the Nasdaq 100 by **2.4**%?
What came as a surprise was not the victory, but its scale.
James Talarico defeated Ken Paxton in Texas, the first Democrat to win a statewide election there in about thirty years.
Annie Andrews won South Carolina, one of the reddest states in America.
When strongholds of this kind fall, the message is no longer «alternation».
It is a vote against the cost of living, which an increasingly unpopular war in Iran has made even more burdensome.

One detail matters more than all the others.
By the middle of the night, the reaction had already halved.
Futures on the S&P 500 index were down **0.7**%, those on the Nasdaq **0.8**%, and South Korea's Kospi, which had fallen by as much as 3.7%, limited its losses to −**0.6**%.
This is the hallmark of a market that moves first on positioning and then on fundamentals.
Liquidity is thin overnight and futures are the first instrument used to intervene,

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
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because election hedges had been bought sparingly.
The first blow was mechanical.
The second half will be played out by flows during the cash session.
The starting point is that with the **House**, the Democrats control the spending budget and have the investigative powers of congressional committees, while with the **Senate**, they decide on appointments, including those to the Federal Reserve.
Major legislation, however, remains blocked, because **60 votes** are needed to overcome a filibuster in the Senate and **67 votes** to override a presidential veto.
No legislative revolution, but also no fast track for the White House's agenda.

The first to pay is the **Artificial Intelligence ecosystem**.

More scrutiny of large technology companies, more questions about who should pay for new power plants and new electricity grids, more political support for the moratoriums that states are already introducing.
As a knock-on effect, utilities and REITs (listed real estate investment trusts), which have built their growth plans on demand from data centers, and Asian chip and server manufacturers suffer.
Then there are investment banks, which see the deregulation agenda moving further away, oil and gas, which lose an ally, and to a lesser extent defense, whose budget will pass through a less generous Congress.

On the other side, **solar** is celebrating.
Enphase and SolarEdge gained as much

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as **12**% in overnight trading, First Solar **11**%, South Korea's Hanwha Solutions **10**%, because a Democratic Congress can slow down the administration's anti-solar policy.
There is also a less noble reason: the money flowing out of AI has to go somewhere.
Alongside solar, healthcare (hospitals and insurers linked to Obamacare) and consumer staples are also benefiting, favored by an agenda focused on the cost of living.
The dollar, Treasuries and bitcoin are three sides of the same paralysis.
The dollar lost ground against all G10 currencies (Swiss franc +**0.5**%, yen +**0.4**%, euro +**0.3**%).
The most elegant explanation is that the dollar's Achilles' heel is its link to the Artificial Intelligence boom.
Foreign capital, which has flowed into the United States in recent years, came mainly to buy into that story.
If Congress slows it down, demand for dollars also slows.
Added to this is the fact that fewer tax cuts and less spending mean lower growth and lower interest rates, and therefore less yield to support the currency.

Treasuries are the other side of the same coin.
The 5-year yield fell by as much as **9** basis points, to **4.68**%, while the 10-year yield fell by **2** basis points to **4.96**%.
The market's reasoning is that with a divided Congress, new deficit-financed legislation becomes unlikely, meaning

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fewer issuances and less pressure on yields.
It is no coincidence that the movement is driven by the intermediate part of the curve, because that is where the trajectory of Fed interest rates is priced in.
Less fiscal stimulus means less future inflation.
Be careful, however, not to get ahead of ourselves.
The debt ceiling is set at USD **41.1** trillion, and by the end of September we were already at USD **40.2** trillion.
According to the Bipartisan Policy Center, the available headroom will be exhausted in the first half of 2027.
With a Democratic House, that deadline becomes a chess match.
Historically, **divided governments have often ended up spending more, not less, because every compromise comes at a price**.
Tonight's rally makes sense for the 5-year Treasury, while at the long end, the issue of the term premium remains entirely unresolved.

Bitcoin fell by as much as **2.8**% before narrowing its decline to −**0.7**%, around **76,000** dollars, well below the record of approximately 126,000 reached in October 2025.
There are two reasons.
The law on the structure of the crypto market, blocked in the Senate after the failed vote in September, risks lapsing with this Congress.
Furthermore, less fiscal stimulus means less fuel for the most speculative assets.
There is, however, one consolation.

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After the 2018 and 2022 midterm elections, Bitcoin had fallen sharply, only to rise again the following year, following its own cycle, not the electoral one.

What should we expect?

A major American asset manager points out that **since 1970, the S&P 500 index has gained an average of 14.1% in the six months following midterm elections**, compared with 5.7% over the same periods in other years.

Historically, legislative gridlock has often been good for markets, because it freezes the status quo and removes uncertainty.

Furthermore, let us not forget that overnight AMD issued sales forecasts well above expectations and Super Micro raised its annual estimates, meaning that the fundamentals of Artificial Intelligence did not vote.

The real risk for Artificial Intelligence is not in Washington, but in electricity bills and state permits.

This risk was already there before yesterday, and Congress is now amplifying it.

Today, we expect a weak opening for technology stocks, with the rotation towards solar, healthcare and defensive stocks continuing at least in the early hours.

We need to look at those who are selling Artificial Intelligence out of fear rather than conviction, because that is where, once the night has passed, the opportunities are hidden.

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