U.S. Midterms: (Grid)Locked and Loaded

As the November 3rd US midterm elections approach and Donald Trump's Republican Party continues to poll poorly, investors are contemplating whether political gridlock would be good for markets. The logic is appealing. Divide control of Washington, make sweeping legislation harder to pass and give businesses greater certainty about the rules ahead. But before embracing that investment playbook, two qualifications deserve attention. Election results are not a foregone conclusion (looking at you, Brazil and British Columbia). And even if a divided government emerges, legislative paralysis would not necessarily bring policy stability.

For starters, congressional constraints apply unevenly. Major changes to taxes and spending generally require legislation, while the president retains considerable discretion over trade, sanctions and aspects of regulation. A Democratic majority in either chamber could constrain the administration through funding negotiations and oversight. However, investors expecting an automatic retreat from tariffs or a quieter foreign policy agenda could be disappointed. Policy uncertainty may simply migrate from Capitol Hill to executive agencies and courtrooms.

Fiscal policy presents another important distinction. Making new stimulus harder to enact does not immediately remove support already working through the economy. Existing tax provisions, previously approved spending and projects underway do not automatically disappear when congressional leadership changes. Gridlock could limit the next round of fiscal expansion without abruptly reversing the current one.

Conversely, persistent large deficits should not be mistaken for an ever-increasing growth tailwind. The economy responds partly to changes in fiscal support, not simply its absolute size. Spending can remain substantial while providing less additional impetus than before. This makes the timing and implementation of policy far more consequential than a snapshot of government deficit-to-GDP.

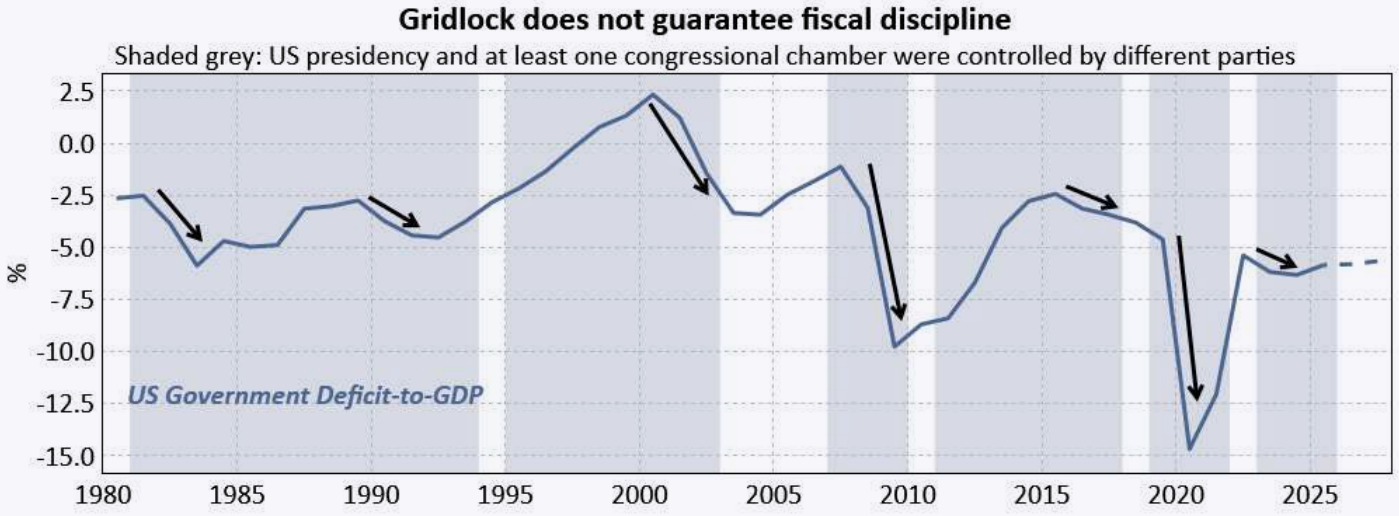
The implications for bonds are similarly nuanced. Constraints on additional stimulus could temper inflation expectations and future borrowing requirements; potentially easing pressure on yields. But a divided government offers no assurance of fiscal discipline. Large structural deficits could persist, while contentious funding and debt-limit negotiations introduce periodic volatility. Gridlock might restrain new commitments without resolving concerns about existing obligations.

Should Republicans retain both chambers, the legislative path to further tax and spending measures would be clearer. That could support corporate earnings and domestic investment. Yet the same policies could also sustain inflationary pressure and increase Treasury issuance, complicating the outlook for interest rates. There are thus important trade-offs for financial markets, irrespective of the election outcome.

The midterms matter, but translating the result into portfolio decisions requires more than identifying the winning party. We remain focused on corporate earnings, investment spending and the rising financing costs affecting governments, businesses and consumers alike. The election could alter their trajectory at the margin, but it is just one of many factors to consider.

For global investors, the opportunity set extends well beyond Washington. European defence and

infrastructure initiatives, Asian manufacturing investment and corporate capital expenditures have their own drivers and timelines. A more constrained US fiscal agenda could increase the relative importance of these growth sources. But global diversification need not depend on a particular American political outcome.



Dashed line represents current CBO projections
Sources: Macrobond, CBO, Forstrong Global Asset Management

Global Strategy Overview

Cash

The yield on our preferred cash and equivalents exposure (a high interest savings account (HISA) ETF) has recently begun to trail behind money market ETF exposures, despite having a similar risk profile. We have modified our cash and equivalents composition this quarter; liquidating HISA exposure and initiating a money market exposure.

Bonds

In an environment of robust growth and sticky inflation, we expect the "path of least resistance" for long-term bond yields to be higher, even after a period of acute upwards pressure. Short-term bond yields are also grinding higher alongside central bank rate hikes, making the added interest rate risk at the long end of the curve even less attractive. We have maintained our underweight and short duration fixed income positioning this quarter.

Equities

The Chinese government's priorities have become more skewed toward technological self-sufficiency rather than domestic demand reflation, raising the bar for the large, decisive stimulus that would typically help re-rate the onshore equity market. We have liquidated our exposure to onshore Chinese "A share" equities and invested the proceeds into a "core" broad emerging markets equity position in balanced and growth-oriented strategies this quarter.

Opportunities

Elevated gold prices are translating into wider margins and stronger free cash flow for major gold mining companies, supporting dividends, buybacks and balance sheet improvement. Constrained mine supply and improved capital discipline also support the gold majors, which provide a higher beta exposure to our structural gold investment thesis. We have initiated a position in gold mining equities in growth-oriented strategies this quarter.

FORSTRONG
GLOBAL ASSET MANAGEMENT INC

Strategy Dashboard: Q4 - October 2026

Forstrong Strategies	Inception Date	1 Month	YTD	1 Year	3 Year	5 Year	10 Years	Since Inception
Balanced								
Global Income	30/06/08	-1.09%	4.76%	5.65%	10.28%	5.26%	5.05%	7.31%
Global Balanced	30/06/03	-0.86%	7.04%	8.72%	13.10%	6.87%	7.22%	7.41%
Global Growth	30/06/03	-1.44%	8.87%	11.48%	16.80%	9.00%	9.50%	8.82%
Canadian Income	30/06/08	-1.10%	4.90%	6.57%	10.45%	5.41%	5.10%	6.47%
Canadian Balanced	30/06/03	-1.10%	7.57%	10.20%	13.80%	7.83%	7.43%	7.56%
Canadian Growth	30/06/03	-1.74%	9.68%	13.58%	18.07%	10.12%	9.57%	8.85%
Equity								
Global Equity	30/06/25	-1.54%	10.23%	13.05%	NA	NA	NA	18.83%
Global Ex-North America Equity	31/12/19	0.27%	18.01%	22.17%	20.80%	10.85%	NA	10.16%
Income								
Global Bond	03/06/25	-0.49%	1.12%	1.17%	NA	NA	NA	3.09%
High Income Opportunities	30/06/22	-0.55%	7.50%	10.72%	13.71%	NA	NA	12.68%

* Performance as of September 30th, 2026
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