Scotty C. George
Chief Investment Strategist

November 2, 2026

Market Outlook:

Digestion

As the results from US federal, state, and local elections come in tomorrow we will have a clearer picture of the significant implications for fiscal policy, geopolitical strategies, and, perhaps, monetary policy, thus removing the excuse that inertia was the cause for paralyzing our legislative bodies during the pre-election period. Of course, nothing is written in stone, but a message, nonetheless, is being delivered by each citizen with their vote.

From an investment standpoint, we will gain a better understanding of which political and economic issues are likely to be highlighted, and how those "inferences" affect our ability to quantify specific market cycles and trends. Those things which endure will certainly gain even greater traction going forward, However, we should not take for granted that the economic trends born after the Covid pandemic will endure without interruption. History has shown that a kind of "buyers remorse" develops after a big election, and that some trends might stall or reverse course. Volatility is almost definitely a byproduct of any election during a midterm.

There is no question that this year has proven to be good for most investors. Moving from point A to point B is the objective, and most have achieved at least a modicum of success doing just that. What tends to happen after the election, though, is a culling of securities from one's portfolio both by sector and by security. This is a function of the time of year and of a recognition that nothing lasts forever. Which candidate, which platform, will resonate the strongest is all part of the investment calculus in the coming weeks.

Issues which influence earnings performance (tariffs, supply chains, war and peace, interest rates) are quite complex. Sometimes those factors are specifically targeted towards an industry or sector; sometimes they are more universal in their scope. Indeed, there is a political faction that believes that globalization, in general, is part of the problem. Others, refute that and believe that protectionism diffuses earnings potential. Either way, you can see that elections have consequences and that the immediate future is rife with the potential for conflict and disruption.

On the subject of interest rates, The Federal Reserve last week adjourned its meetings indicating that the threat of inflation has not yet been mitigated. We happen to believe that the threat is quite real, particularly for those who wish to expand capital investment with funds derived from borrowed money. Higher interest rates have the potential to quell growth, but also to create equilibrium amongst market sectors and investment choices based upon *growth from demand* and not just investment hyperbole or promises. An upwards move in interest rates might also provide investors with a suitable alternative for parking money into bonds as a way to diminish the uncertainty of buying stocks at their highs.

Irrespective of which party or candidate wins tomorrow, there is no stopping the tailwind of enthusiasm for a holistic approach regarding specific global demographics, such as *healthcare, biotech and life sciences, energy, agriculture, technology, infrastructure, and military/defense*. Both political parties are intent about maintaining their focus on those issues.

Expectation

The fourth quarter readout is that companies across the investment spectrum have remained earnings-resilient in the face of exogenous headwinds. Consumers are wanting to spend money, but feel restricted by the value of their paycheck: those with means and opportunity are spending while those with lesser financial reserves are more constrained. Amid fears that gasoline prices might go higher, and with food prices already stubbornly high, many observers fear that even a progressive political landslide might not be sufficient to prevent a near-term pullback in profits and share prices. The trick is to avoid all the external noise and to focus, as mentioned above, upon demographic themes with high demand and higher profit potential.

While we anticipate the potential for unsportsmanlike behavior after this week's election, our real focus will be upon how reconciliation and cooperation help to rebuild consumer confidence from within a very contentious population. Our view is that the favorable underpinnings of market conditions that carried the market forward during the first two thirds of the year should be sufficient for a continuation of the hard-won progress in both cycle duration and sector diversification.

Arlington Econometrics is a quantitative market tool. Utilizing proprietary algorithmic equations, AE offers solutions for market-timing, asset allocation, and macro economic analysis. Using historical time-series measurements, Arlington Econometrics optimizes the analytical process and forecasting coefficients to make economic forecasting more objective.

The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. This report is not to be construed as an offer to sell or solicitation to buy any security. It is intended for private information purposes only. Any opinions expressed are subject to change without notice. Alexander Capital and its affiliated companies and/or individuals may from time to time own or have positions in the securities or contrary to the recommendations discussed herein. Neither Alexander Capital, LP nor any of its affiliates (collectively, "Alexander Capital, LP") is responsible for any recommendation, solicitation, offer or agreement or any information about any transaction, security, customer account, or account activity in this communication.