LIBELLA

CLIENT LOGIN

SPECIAL REPORT

Post-Midterm Outlook

THURSDAY 5 NOVEMBER 2026 · LONDON 13:00

FOR PROFESSIONAL INVESTORS ONLY

US POLITICS / SPECIAL REPORT

Volatility eases and the rally broadens after the vote

The Democratic gains resolved the uncertainty over the election, and oil fell as investors reassessed the prospects for an end to the Iran war. History supports a rally into the new year, and the broader market is leading it, not AI. We expect modest gains into January, with the Fed and Iran as the main risks, while inflation, high real yields and credit spreads remain near-term concerns.

Libella Insights • 4-minute read • Full report: 2 pages

THE VOTE IN NUMBERS · DATA TO 4 NOVEMBER

+2.0%	16.6	$95	+9.7%	7,550–8,100
S&P 500 since election eve (7,689)	VIX, −4.5 pts since election eve (21.1)	Brent (Jan), −9.7% since election eve	Libella Midterm L/S Basket since election eve	Libella S&P 500 range to late January

KEY TAKEAWAYS

Political gridlock. Democrats are projected to control both chambers from January but would generally need Republican votes to override a presidential veto, and the President can block their bills. Major partisan legislation is unlikely to pass in either direction, which lowers the risk of a new fiscal expansion and of the Treasury sell-off that could follow it, although funding deadlines and shutdown risk remain.

Lower implied volatility. The VIX fell from 21.1 on election eve to 16.6 and its curve returned to a normal upward slope. Treasury (MOVE) and Nasdaq-100 (VXN) implied volatility also fell, and currency volatility is low by historical standards.

History favours the next three to five months. In Libella data on 19 midterms since 1950, the S&P 500 was higher 63 trading sessions (three months) later in 17 (average +7.8%) and 100 sessions later in 18. 2018 is the warning.

Rotation, not retreat. Since 2 Oct the S&P 500 is −0.4%, but +6.5% without its AI names, which fell 12.0%. Healthcare, staples and consumer stocks have led.

Libella view: we update the Libella range. We expect modest gains into late January and raise our central S&P 500 range to **7,550–8,100**, from 7,400–7,950 in the 27 October Monthly Outlook. Overweight healthcare and consumer; positive on mid caps; neutral small caps, financials and utilities; underweight AI infrastructure and energy.

What the vote changed

Congress gains oversight and funding leverage; the President keeps substantial executive authority over trade and foreign policy. Democrats will use war-powers votes and spending bills to press for an end to the war. A fiscal-expansion surprise is now less likely, but existing deficits and the risk of funding disputes remain.

History is supportive, not uniform

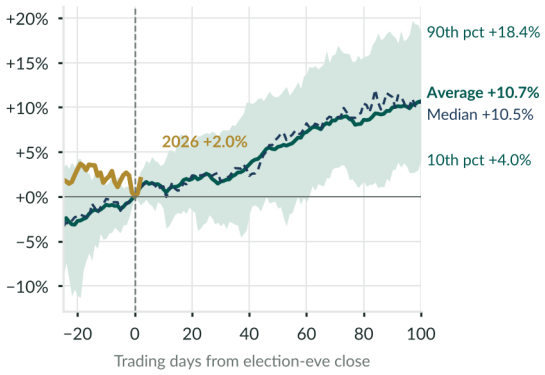
In Libella data the S&P 500 was higher 63 trading sessions after 17 of 19 midterms (median +8.2%); the exceptions were 2002 (−7.1%) and 2018 (−1.2%). After 100 sessions 18 of 19 were higher, with 2002 the only fall. The sample is small and spans very different economies, so we treat it as a tailwind, not a forecast.

The outliers: 2016 or 2018?

Over the same 100 sessions, 2016 (a presidential year) rose 10.7%, while 2018 fell 14.1% by Christmas Eve as the Fed kept tightening and ended only 4.7% higher. **Our conclusion: 2026 is closer to 2016 for now.** Oil is falling, implied volatility is lower and the rally is broadening. Fed tightening is the main 2018 parallel: a policy path tighter than markets expect at the 9 Dec meeting would change our view.

S&P 500 AFTER MIDTERMS • % FROM ELECTION-EVE CLOSE

Average of 19 midterms is +3.6% after 40 trading days and +10.7% after 100; 2026 is +2.0% so far



Source: S&P 500 daily closes 1950–2026 (Yahoo Finance), to 4 Nov 2026. Shaded: 10th–90th percentile. History, not a forecast · Libella

Options, Oil and Macro: What Has Changed Since the Vote

LIBELLA VIEW

We update the Libella range: modest gains, led by stocks outside AI. We expect the S&P 500 to edge higher into late January, and raise our central range to **7,550–8,100** (−1.8% to +5.4% from the 4 Nov close), from 7,400–7,950 in the 27 October Monthly Outlook. A move above 8,100 would be supported by Brent staying below $100, Nvidia results and guidance on 17 Nov that support AI demand, and no hawkish surprise on 9 Dec. A break below 7,550, and our previous 7,400 floor, would point to a 2018-style mix: a tighter Fed path for 2027, renewed escalation in the Gulf or further AI de-rating. Sectors: overweight healthcare and consumer (staples and lower-income retail); positive on mid caps; neutral small caps, financials and utilities; underweight AI infrastructure and energy.

Implied volatility falls after the vote

The front of the VIX curve inverted into the vote (9-day 22.5 over 30-day 21.1) and normalised a day later (15.2 v 16.6). SPY 25-delta skew narrowed from −6.2 to −4.4 vol points, so puts cheapened against calls, while Cboe SKEW is still 151. **Implied one-month range: 7,396–7,981 (±3.8%)**, from SPY at-the-money volatility of 13.2%. Lower implied volatility makes hedges cheaper than before the vote.

Rates calmer, curve flatter

Futures price an 82% chance of a 25bp hike on 9 Dec, from about 85% before the Fed held on 28 Oct, and about 50bp of tightening by mid-2027. The 10-year yield fell 6bp on 4 Nov to 4.89%, MOVE fell to 94, and the 10y−2y curve is 32bp, unchanged since election eve but 13bp flatter than on 2 Oct.

Oil: lower, Iran risk not over

January Brent fell from $104.77 to $94.62, after the President linked the defeat to fuel prices and said he has no immediate plans to strike Iran. Iran has played down talk of progress and shipping is still disrupted: Iran reported tankers hitting mines near Hormuz on 4–5 Nov.

Dollar: lower and calmer

The dollar index (DXY) is 101.5, −0.4% since 2 Oct and −0.2% since election eve. Currency markets are unusually calm: average one-month realised volatility across the G10 is 5.4%, lower than 95% of readings since 2012; DXY volatility eased to 4.0% from 4.3%.

GDP firm, hiring weak

Q3 GDP grew 3.4% annualised (Q2 2.2%), but September payrolls rose only 29,000; October's are due Friday. The Libella Macro Score (+1) puts the 12-month recession chance at 12%, similar to the New York Fed's curve model.

Data-centre approvals remain a risk

AI regulatory risk is higher, and local opposition to data-centre power use and permits is growing in Texas and Georgia. BofA and Morgan Stanley expect a slower, dearer build-out. AI performance remains weak overall: AI names are down 12% in a month, against +6.5% for the rest of the index.

Mid and small caps: the next step for breadth

So far the rally has broadened within large caps: since 2 Oct the equal-weight S&P 500 is +6.5%, the S&P MidCap 400 +1.6% and the Russell 2000 +0.8%. Mid caps lean to consumer, financial and industrial stocks with less refinancing risk than small caps, so a consumer recovery and lower oil should help them next. Positive on mid caps; small caps neutral until funding costs fall.

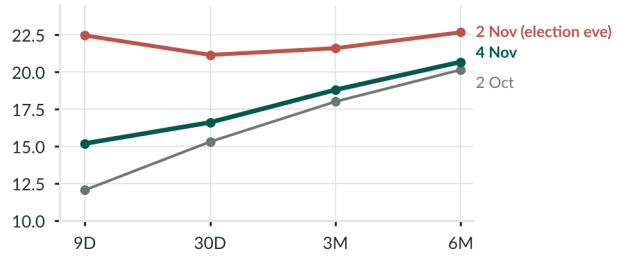
Libella Midterm L/S Basket

Set up on 27 Oct, before the vote (equal-weight, price return, hypothetical), the basket is +9.7% since election eve and +21.4% since 2 Oct. Healthcare and consumer longs led; investment banks and brokers (+9.8%) hurt the shorts.

Sectors: breadth beyond AI

Since 2 Oct healthcare (+14.1%), staples (+14.2%), consumer discretionary (+11.2%) and financials (+10.7%) led; technology fell 11.7%. Utilities (+9.5%, flat since the vote) are defensive but tied to data-centre power demand: neutral.

IMPLIED VOLATILITY ACROSS MATURITIES • ANNUALISED, %
Inverted at the front on election eve; back to a normal upward slope a day after the vote



Source: Cboe VIX9D, VIX, VIX3M and VIX6M closes via Yahoo Finance · Libella

BEFORE / AFTER	2 OCT	2 NOV	4 NOV	2–4 NOV
S&P 500	7,723	7,541	7,689	+2.0%
VIX (30-day)	15.3	21.1	16.6	−4.5 pts
VIX 9D / 30D ratio	0.79	1.06	0.91	−0.15
SPY 1M ATM vol, %	–	16.3	13.2	−3.1 pts
SPY 25D skew	–	-6.2	-4.4	+1.8 pts
Brent (Jan), $	102.25	104.77	94.62	−9.7%
10y − 2y, bp	45	32	32	0 bp
DXY	101.93	101.75	101.51	−0.2%
MOVE	107	100	94	−6.5 pts

Notes. Post-midterm paths: S&P 500 price index, 19 midterms 1950–2022, measured from the last close before Election Day (pre-1957 values use S&P back-history); three months = 63 trading sessions; history, not a forecast. S&P 500 ex AI: Libella approximation removing the 49 index members of Libella AI baskets (33% of index value on 4 Nov). SPY 25-delta skew = call minus put implied volatility. Option ranges: SPY one-month at-the-money implied volatility × √(1/12); illustrative, not forecasts. SPY option history starts 20 Oct, so 2 Oct is blank. Central range and positioning are Libella judgement. **Sources:** Libella Market Monitor (Macro Score v2.1, option chains via EODHD, macro board via YFDP); Cboe indices, S&P 500, sector ETFs and 10-year yield via Yahoo Finance; NVIDIA results date: company announcement, 28 Oct; Reuters via Yahoo Finance and Investing.com, 3–4 Nov (BofA; Texas and Georgia data-centre risk); Morgan Stanley via Devdiscourse, 29 Oct; OilPrice.com and CBS News, 4–5 Nov (Iran, Brent, Gulf exports); CME FedWatch via CoinDesk and Kitco, 4–5 Nov; Central Bank Watch (rate path), 3 Nov; Libella Monthly Outlook, 27 Oct (December hike odds a week earlier); BEA (Q3 GDP, 29 Oct); BLS (September payrolls, 2 Oct). Currency volatility is realised, not implied: G10 average one-month and DXY 20-day (Libella Library FX derivatives, 5 Nov).

Important information. For professional investors only; not for retail clients (in the UK, investment professionals under Article 19 of the FSMA (Financial Promotion) Order 2005). For information only; not investment advice, a personal recommendation or an offer. Views are Libella's at the date of publication and may change; forward-looking statements and scenarios are opinions and may not occur. Data are unaudited. Options carry a high degree of risk. Past performance is not a reliable indicator of future results; capital is at risk. © 2026 Libella Group Limited.