# INVESTMENT NAVIGATOR
## Asia Edition



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## INVESTMENT NAVIGATOR ASIA

# Trump "Blue" It

The 2026 US midterm elections have resulted in a historic "Blue Wave", with Democrats reclaiming control of both the House and the Senate. While this shift promises a new era of legislative priorities, the prospect of a divided government under President Trump introduces a complex landscape of potential policy deadlocks and regulatory uncertainty.

In this *Investment Navigator – November 2026 Edition*, we address three key questions:

1. What's next? What can/will the Democrats do?
2. Is the "Blue Wave" a headwind for AI?
3. How should investors navigate the current volatility and position their portfolios?


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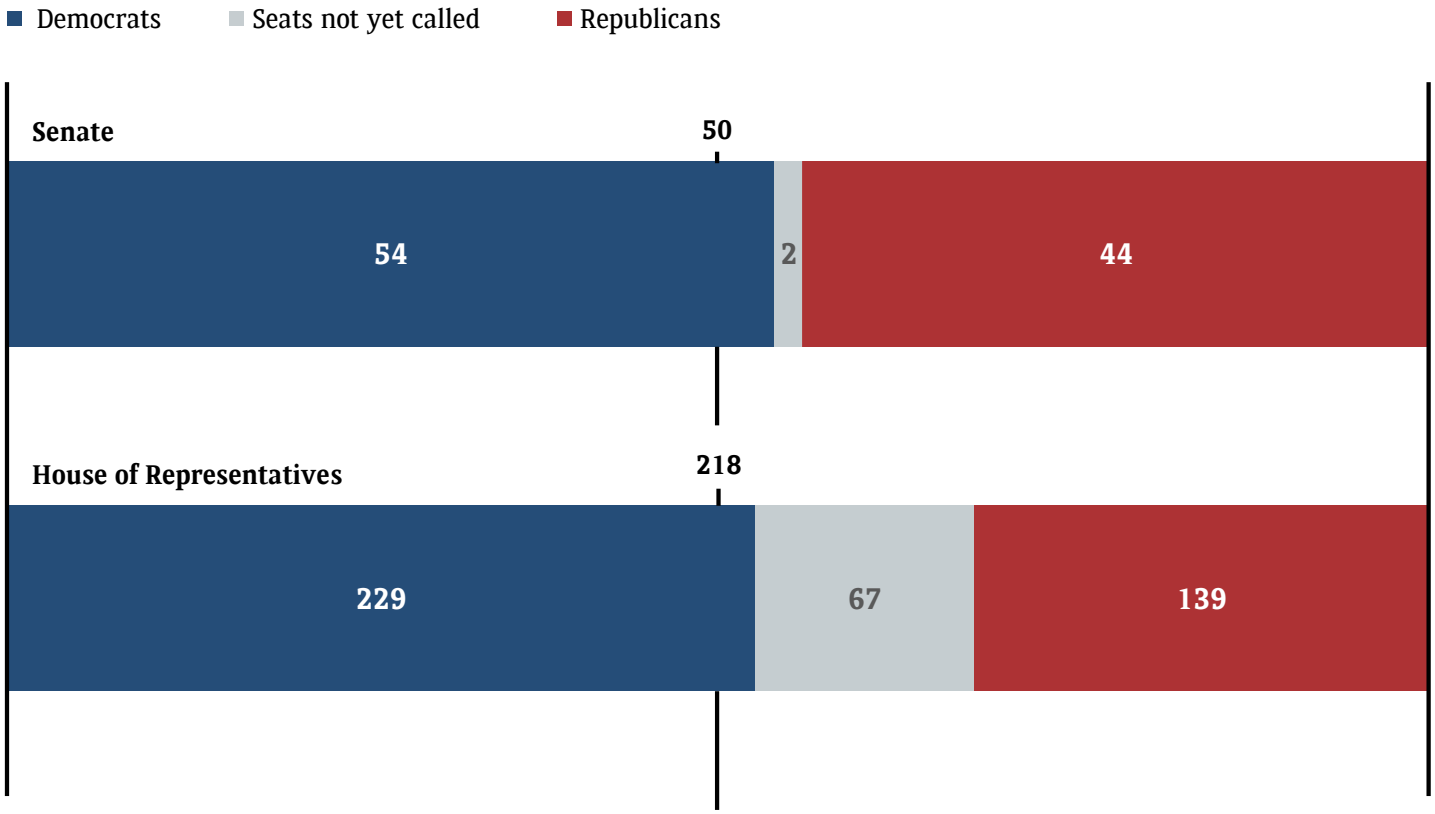


## Historical Democrat win

The Democrats won the 2026 US midterm elections by a landslide, taking back control of both the House and the Senate simultaneously. Reclaiming both chambers of Congress during a single midterm is an outcome that has occurred only a handful of times since World War II.

The performance is being characterised as their most historic structural midterm gain in 68 years (since 1958), including flips in traditionally deep-red states like Texas, Ohio, Iowa, Kansas, and South Carolina.

### Figure 1. Balance of power in the US Congress

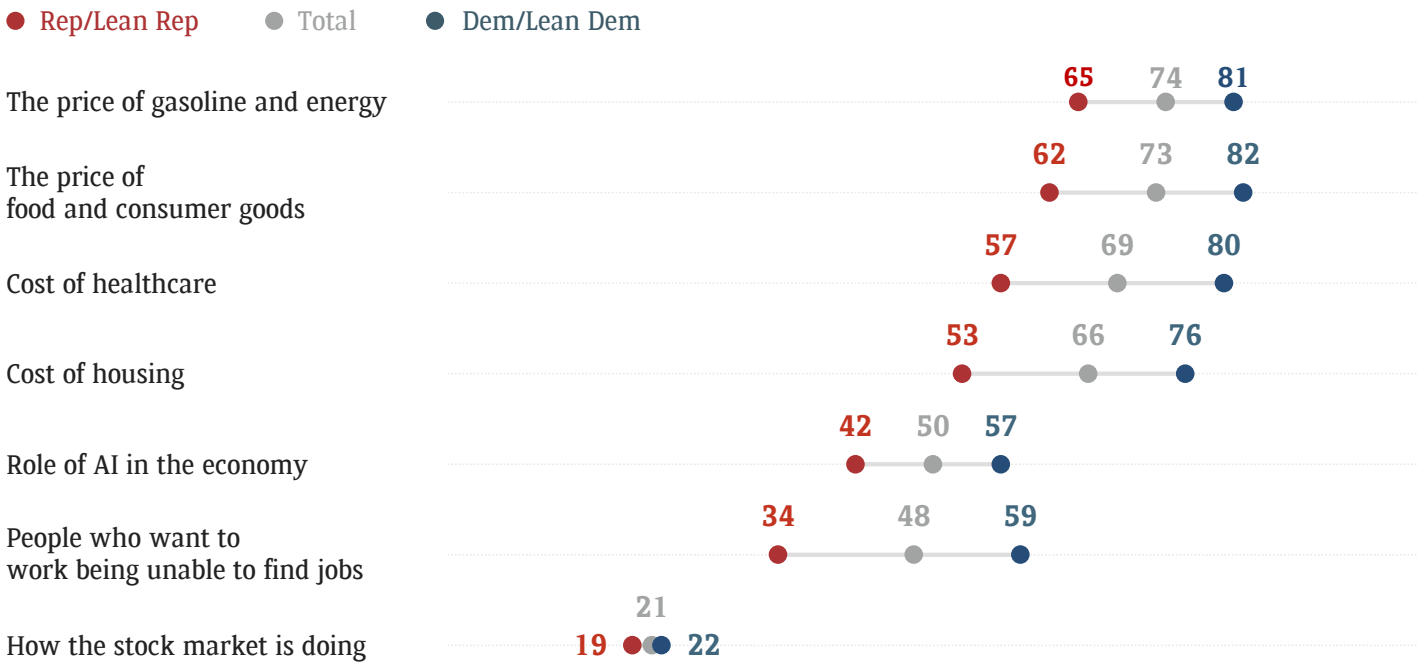



*Sources: Associated Press, BNP Paribas as of 12:58 ET on 4 November 2026*

The sitting President's party typically loses seats in the Congress during the midterms (by design), but the lowest-ever approval rating going into a midterm, as well as the poorest midterm elections since 1958, suggests that the US-Iran war may have been the ultimate catalyst. This clearly reflected a deep-rooted frustration among voters regarding issues mainly around oil prices and the cost of living.

The Democrats now control both chambers (House and Senate) with a comfortable majority. There is an urgency for them to start tackling these pressing issues. Nonetheless, the return of a divided government (Democrats gaining control of Congress and President Donald Trump in the White House) fundamentally shifts how policies will be shaped in the next two years. With President Trump dubbing himself "Mr. Veto", it remains to be seen whether he will become a lame duck President.

**Figure 2.**
**% of who say they are very concerned about the following economic issues in the country today**




*Sources: PEW Research, Deutsche Bank, BNP Paribas WM. Survey of US adults conducted 28 September – 4 October 2026*

## What's next? What can/will the Democrats do?

### 1. Lawmaking & Legislation

Democrats have Congress, but Republican President Donald Trump still has the power to reject legislation via veto. If passing laws in the last two years with a Republican-controlled Congress and President has been challenging,.. American politics may face even more deadlock going forward with a Republican in the White House and Democrats running Congress.

### 2. Oversight

Committees in both the US Senate and House have investigative powers, which they could use to delve into alleged conflicts of interest and other actions by the President and those close to him. The House also has the power to impeach any federal official. Interestingly, the Democrats impeached Trump twice during his first term, though the US Senate eventually voted to acquit him in both cases. It takes a two-thirds majority in the US Senate, or 67 votes, to convict a president in an impeachment case, hence this remains an unlikely outcome even with the blue wave.

## 3. Financial & Fiscal Purse

From a fiscal perspective, a Democratic sweep could foster expansionary tendencies. The risk of stand-offs over the government's borrowing limit increases with the Blue Tsunami. The government is unlikely to hit the debt ceiling until late next year, but the Democrats, with their massive majority in Congress, hold the leverage when it comes to negotiations over the next round of the government's debt limit. Failure to raise the debt ceiling would threaten the ability of the Treasury to pay the government's debts, albeit any defaults are highly unlikely.

Negotiated settlements to avoid government shutdowns or to raise the debt ceiling may likely involve increased spending on healthcare, domestic safety nets (Supplemental Nutrition Assistance Program or SNAP, healthcare subsidies), and green infrastructure.

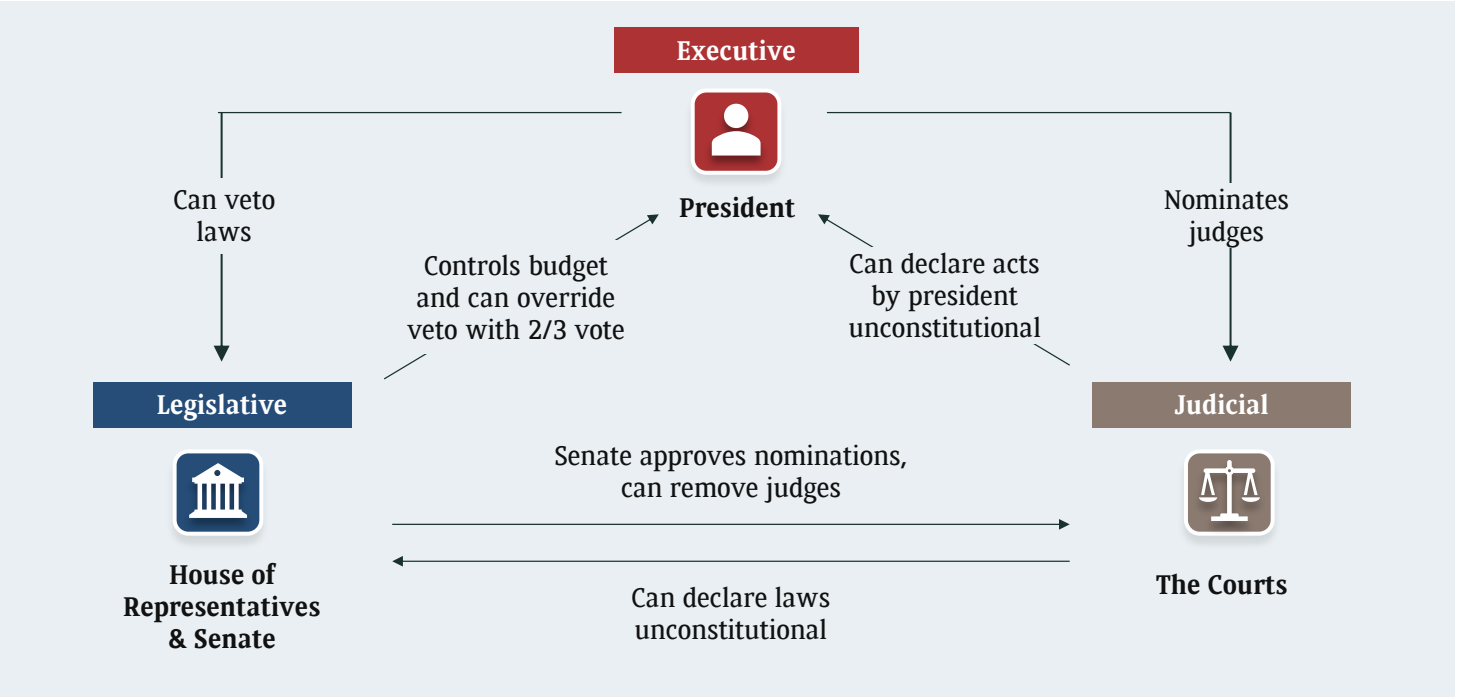
Tax policy could also face a gridlock, with a Democratic Congress likely to prevent any further tax cuts. Conversely, presidential veto power ensures that any sweeping Democratic proposals to raise corporate or high-earner tax rates will face an executive block.

## 4. Appointments

The Senate also has the power to confirm or block the President's cabinet and judicial nominations. This is likely to give the Democrats leverage when it comes to negotiations on crucial issues.

For markets, the electoral outcome should also help ease concerns over the Fed's independence going forward.

### Figure 3. Checks and balances on the US government




*Sources: BBC, BNP Paribas WM*
*Arrows indicate the constitutional powers each office has over other branches of government.*

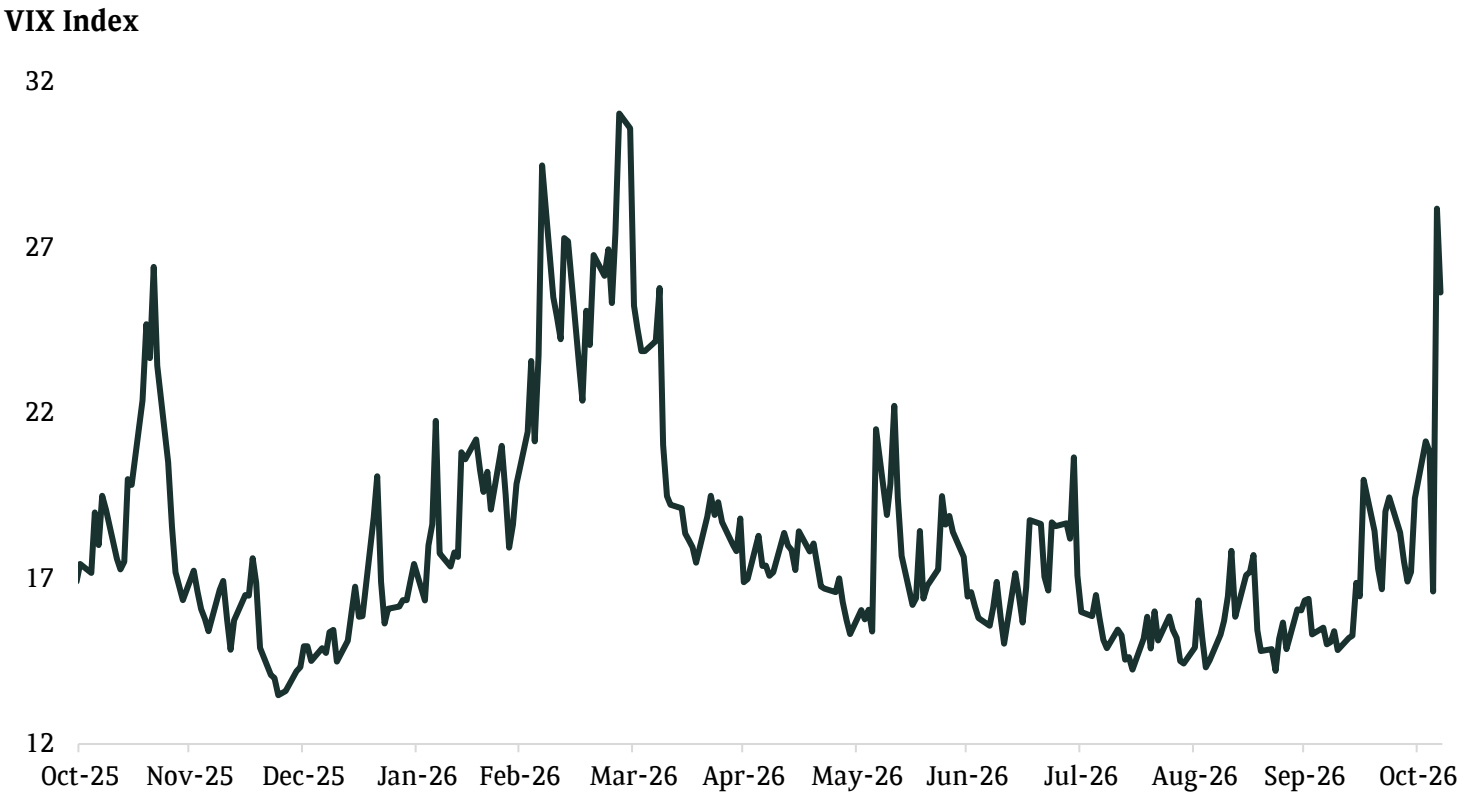
# Is the "Blue Wave" a headwind for AI?

Optimism emanating from the AI theme has been an important driver of US economic growth, and in our base case, that momentum continues. With the incoming Democrat-led Congress, political pushback against AI build-out can be expected and hence potentially greater regulatory uncertainty.

The direction of travel will be more hearings and oversight on antitrust, AI safety, data centres and consumer protection. However, we see minimal prospects of broad anti-AI federal regulation in the next couple of years given President Trump is likely to play hardball via his veto power on topics involving AI.

## AI strikes back – Tech selloff

### Figure 4. Volatility spiked on AI-fears




*Sources: Macrobond, BNP Paribas, as of 8 Nov 2026.*
*Past performance is not indicative of current or future performance.*

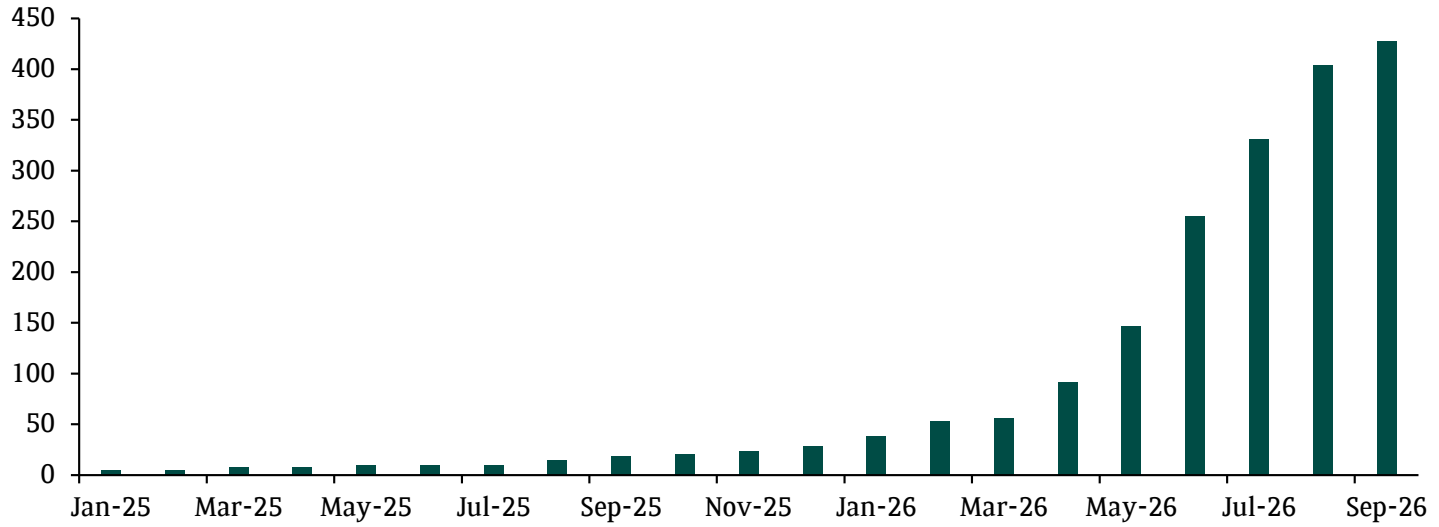
Nonetheless, markets sold off drastically on the second day post the US midterm elections. The panic was triggered by a sudden reassessment of the physical AI supply chain following the Democrats' "Blue Sweep".

The market is concerned that tighter restrictions on land use, permitting, and power grids could prevent enough physical building shells ("data centre shells") from being completed by 2028.

In fact, cancellations of data centers were already occurring over the past few months in advance of this election as the public backlash grew. The vast majority of the proposed "moratoriums" on data centres focus on new projects that have yet to be permitted and will not impact projects currently permitted.

Crucially, a US Senate seat changing parties does not itself change state-level control. Governors, legislatures, utility commissions and local authorities often have more direct influence over data centre permitting and power prices.

**Figure 5.**
**Number of data-center moratoriums increased sharply in 2026, concentrated in swing states**




| Top 15 states by local moratorium activity | |
|---|---|
| Michigan | 53 |
| Ohio | 42 |
| North Carolina | 35 |
| Georgia | 27 |
| Indiana | 18 |
| Tennessee | 17 |
| Florida | 15 |
| Iowa | 14 |
| Kentucky | 11 |
| New York | 11 |
| California | 10 |

*Sources: Interconnected Capital LLC, SemiAnalysis, BNP Paribas as of October 2026.*
*Past performance is not indicative of current or future performance.*

### Short term pain, long term gain

No doubt, the slowdown in the pace of build-out is negative for semiconductors and AI infrastructure in the near term. However, a lot is already priced into semiconductors with valuations nearing multi-year lows. Longer term, a Democrat-led Congress can benefit data centres, primarily by accelerating clean energy expansion and grid modernisation. Though stricter environmental oversight introduces short-term operational friction, it ultimately establishes a more predictable, sustainable, and reliable foundation for multi-decade capital investments, in turn reducing local regulatory fragmentation and public backlash.

Therefore, we continue to remain overweight on global equities and see the tech sector as favourable after the massive de-rating over the last three months. Volatility may remain elevated near term, and monetising volatility could prove a masterstroke before the dust settles. Our base case is for lower volatility towards the year end with the passage of the risk event. Diversification between sectors will also be key given the increase in concentration risk over the years.

## Diversification remains key

Fiscal worries have loomed over markets this year, weakening confidence in US Treasuries, as the national debt topped US$40 trillion. The potential political brinkmanship revolving around the US debt ceiling negotiation is likely to unsettle markets in the future. Potential further fiscal expansion could also push the 10-year US Treasury yields above 5% again.

Additionally, the outcome of a Democrat-controlled Senate supports our hypothesis of a gradual USD depreciation, driven by both a reassessment of the long-term AI-related productivity boom and an increased fiscal risk premium.

Hence, we remain Overweight on the precious metals space, with our target price for Gold at US$5,000/oz, and Silver at US$80/oz. We also stay Overweight on industrial metals as the longer-term structural factors remain intact. The data centre headwind can and should be offset by the upcoming clean energy push from the Democrats.

# Overview of our CIO Asset Allocation for November 2026

| | Views | | Constituents | We like | Comments |
|---|---|---|---|---|---|
| | Current | Prior | | | |
| **EQUITIES** | + | + | Markets | US, Japan, EM (LATAM, China A-shares, Taiwan, South Korea) | ■ Overweight Equities<br>■ Underweight EU |
| | | | Sectors | Global Technology, Healthcare, Industrials and Mining, EU Utilities | ■ Neutral EU banks |
| | | | Styles/ Themes | Megatrend Themes | ■ Diversification, income, AI, infrastructure, commodities and Asian themes |
| **BONDS** | = | = | Govies | EUR, GBP | ■ Remain Overweight on core Eurozone govies, favouring maturities of 7-10 years<br>■ Remain Neutral on US govies, favouring maturities up to 5 years<br>■ 12-month (12M) US 10Y yield target remains at 4.75% |
| | + | + | Segments | EUR, GBP Investment grade | ■ Remain Neutral on USD Investment Grade (IG)<br>■ Remain Neutral on High Yield and Emerging Markets (EM) bonds |
| **CASH** | = | = | | | |
| **COMMODITIES** | + | + | | Gold<br>Silver<br>Copper<br>Aluminium | **Precious Metals:**<br>■ Silver – Overweight **(12M USD 80/oz)**<br>■ Gold – Overweight **(12M USD 5,000/oz)**<br>**Oil:**<br>■ Brent Oil – Underweight **(12M USD 65/barrel)**<br>**Base Metals:**<br>■ Copper – Overweight **(12M USD 15,000/metric tonne (MT))**<br>■ Aluminium – Overweight **(12M USD 3,800/MT)** |
| **FOREX** | | | EURUSD | | ■ 12M target at 1.20 |
| | | | USDJPY | | ■ 12M target at 155 |
| **ALTERNATIVE** | + | + | | Hedge funds (global macro, event driven) | ■ Remain Neutral on long-short equities and relative value |

Note: + Overweight / = Neutral / - Underweight

# GDP & CPI Forecasts

| | | GDP (YoY%) | | | CPI (YoY%) | | |
|---|---|---|---|---|---|---|---|
| | | 2025 | 2026f | 2027f | 2025 | 2026f | 2027f |
| Developed | US | 2.3 | 2.2 | 2.3 | 2.7 | 3.5 | 2.5 |
| | Japan | 1.2 | 1.0 | 1.2 | 3.1 | 1.9 | 2.6 |
| | Eurozone | 1.3 | 1.1 | 1.5 | 2.1 | 3.1 | 3.0 |
| | UK | 1.2 | 1.3 | 1.3 | 3.4 | 3.2 | 3.5 |
| North Asia | China | 5.0 | 4.6 | 4.5 | 0.0 | 1.0 | 1.2 |
| | Hong Kong* | 3.6 | 3.8 | 2.8 | 1.4 | 1.9 | 1.9 |
| | South Korea | 1.1 | 3.2 | 2.3 | 2.1 | 2.7 | 2.2 |
| | Taiwan | 8.8 | 11.6 | 4.7 | 1.7 | 2.2 | 2.2 |
| South Asia | India | 7.8 | 7.1 | 7.5 | 2.1 | 5.1 | 4.9 |
| | Indonesia* | 5.1 | 5.1 | 5.1 | 1.9 | 3.3 | 2.8 |
| | Malaysia* | 5.2 | 5.2 | 4.6 | 1.4 | 2.2 | 1.9 |
| | Philippines* | 4.4 | 3.4 | 5.1 | 1.7 | 5.6 | 4.1 |
| | Singapore* | 5.0 | 5.0 | 3.0 | 0.9 | 2.3 | 2.2 |
| | Thailand* | 2.4 | 2.1 | 2.1 | -0.1 | 2.1 | 1.7 |

*Source: BNP Paribas Group Economic Research, BNP Paribas Global Markets forecasts as of 30 October 2026.*
*Note: India's forecasts are for the fiscal year (April–March).*
** IMF data and forecasts as of 30 October 2026.*

## GROWTH

- The AI theme has been an important driver of US economic growth, and in our base case, that momentum continues. Political pushback appears tailored to be responsive to voters' concerns, rather than to indefinitely halt the build-out.
- Meanwhile, the US economy continues to be resilient. The October non-farm payroll print was strong on all dimensions. The headline job gains significantly beat consensus expectations and the unemployment rate fell to 4.1%.

## INFLATION

- In energy markets, given the results of the US midterm elections, we see the risk of an immediate escalation in the Middle East as unlikely. While it remains unclear what the US administration's next moves will be, the situation is far from resolved, and energy prices are likely to be supported in the near term.
- Hotter than expected US Consumer Price Index (CPI) data in October kept expectations for tighter monetary policy firmly in place. We still see the Fed hiking in December as high probability.

## OVERALL GLOBAL: OVERWEIGHT

| | | |
|---|---|---|
| **COUNTRY** | | |
| Japan<br>EM<br>US | - | EU |
| **SECTOR** | | |
| Healthcare<br>Industrials<br>Technology | Comms.<br>Materials<br>Consum. Discre.<br>Financials<br>Utilities<br>Real Estate | Consumer Staples<br>Energy |

## OVERALL ASIA: OVERWEIGHT

| | | |
|---|---|---|
| **COUNTRY** | | |
| China A-shares<br>South Korea<br>Taiwan | China H-shares<br>India<br>Southeast Asia | - |
| **SECTOR** | | |
| Comms.<br>Consum. Discre.<br>Technology<br>Healthcare | Materials<br>Real Estate<br>Financials<br>Industrials<br>Energy | Utilities<br>Consumer Staples |

- **Not the end of the AI investment boom:** A dramatic volatility event occurred on 5 November following the US mid-term elections. Retail favourite stocks were particularly hard-hit in the rotation out of high momentum names. We think risks to the AI investment boom in data centres from the Democrats are exaggerated.
- Despite this, most stock indices remain in solid medium-term uptrends, including the S&P 500 equal-weight index. Short-term sector rotation towards low volatility and defensives is to be expected, but we continue to favour balancing technology exposure with value.
- The 5 November spike in the VIX index is the third-largest daily percentage gain in the VIX since 1990. We expect a reversion to the mean (lower) in the VIX index and positive returns for US stocks over the next few months.
- Fewer Fed rate hikes for next year are now expected and long-term bond yields are lower, indicating some ease in financial conditions. We think the near-term risk is a potential re-escalation of the Iran conflict.
- Even if near-term stock volatility persists, we think now is a good entry point for long-term investors into global stocks.

| | | 1-month (%) | YTD (%) | 2025 (%) | Dividend Yield (%) | 12M Fwd PE (x) | Trailing PB (x) | 12M Forward ROE (%) | EPS Growth Past 12M (%) | EPS Growth 12M Fwd (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| Developed | US | -1.8 | 9.4 | 16.9 | 1.1 | 21.1 | 4.9 | 41.0 | 45.8 | 36.2 |
| | Japan | -5.1 | 14.4 | 24.3 | 2.2 | 17.8 | 1.8 | 13.6 | 31.2 | 23.7 |
| | Eurozone | -3.3 | 7.6 | 36.2 | 2.6 | 15.5 | 2.1 | 19.0 | 28.6 | 17.9 |
| | UK | 1.9 | 10.6 | 35.6 | 3.1 | 12.1 | 2.1 | 25.1 | 38.0 | 33.9 |
| North Asia | China | -12.3 | -14.0 | 26.6 | 1.8 | 15.9 | 2.2 | 19.1 | 39.7 | 51.3 |
| | Hong Kong | -7.1 | -13.0 | 33.5 | 3.5 | 10.1 | 1.2 | 14.8 | 15.8 | 25.7 |
| | South Korea | -13.8 | 44.7 | 80.9 | 1.9 | 5.8 | 1.9 | 25.1 | 341.0 | 396.8 |
| | Taiwan | -9.2 | 49.9 | 36.8 | 1.6 | 20.8 | 4.2 | 34.7 | 70.9 | 62.2 |
| South Asia | India | 1.4 | -11.0 | 2.0 | 1.3 | 18.5 | 3.0 | 19.9 | 13.1 | 23.3 |
| | Indonesia | -19.4 | -55.0 | 8.8 | 3.3 | 8.4 | 1.8 | 17.2 | 9.2 | 10.0 |
| | Malaysia | -1.2 | 1.2 | 15.8 | 3.6 | 14.9 | 1.5 | 12.7 | 22.2 | 9.0 |
| | Philippines | -1.2 | -13.7 | -2.1 | 4.1 | 9.5 | 1.0 | 20.5 | 14.9 | 3.9 |
| | Singapore | -6.7 | 12.4 | 37.2 | 4.2 | 16.2 | 1.5 | 13.1 | 11.5 | 4.3 |
| | Thailand | -4.3 | 18.0 | 2.9 | 3.4 | 15.1 | 1.6 | 17.8 | 46.1 | 11.0 |

*Source: Macrobond Indices in USD terms, BNP Paribas (WM), as of 30 October 2026.*

## OVERALL GLOBAL: NEUTRAL

| | | |
|---|---|---|
| Eurozone Govies<br>EUR IG<br>GBP Govies & IG | US Treasuries<br>US IG<br>EMD (HC)<br>EMD (LC)<br>High Yield | - |

## OVERALL ASIA (USD): NEUTRAL

| | | |
|---|---|---|
| Japan<br>Singapore<br>Australia | South Korea<br>Hong Kong<br>India<br>China | Philippines<br>Indonesia |

| | | Total Return (%) | | | Yield-to-Worst (%) |
|---|---|---|---|---|---|
| | | 1-month | YTD | 2025 | |
| Asia | Asia USD Bond | 1.3 | -0.2 | 8.1 | 5.7 |
| | Asia Local Currency Bond | 1.3 | -4.0 | 9.7 | 4.5 |
| | China | 1.0 | 0.4 | 7.3 | 5.7 |
| | Hong Kong | 1.5 | 0.0 | 8.4 | 5.5 |
| | India | 0.9 | 0.8 | 9.6 | 6.2 |
| | Indonesia | 1.3 | -2.9 | 8.9 | 6.2 |
| | Singapore | 1.4 | 0.2 | 6.6 | 5.2 |
| | South Korea | 1.3 | 1.1 | 7.1 | 5.1 |
| | Philippines | 1.5 | -2.5 | 9.1 | 6.0 |
| Other Regions | US 10-year Treasuries | 2.7 | -1.7 | 7.8 | 4.8 |
| | US Investment Grades (IG) | 2.4 | -0.5 | 7.3 | 5.2 |
| | US High Yield (HY) | 0.3 | 0.4 | 8.6 | 8.3 |
| | Emerging Market USD Bond | 1.1 | -0.1 | 8.3 | 6.0 |

*Source: Barclays indices, Bloomberg, BNP Paribas (WM) as of 30 October 2026.*

| US Treasury 12-month Yield Targets (%) | 2Y | 5Y | 10Y | 30Y |
|---|---|---|---|---|
| | 4.35 | 4.50 | 4.75 | 5.10 |

- The market recently has been dominated by a continued global sell-off in tech stocks, leading to safe-haven flows into US Treasuries, Japanese government bonds and German bunds. French bonds were under rising pressure, but Moody's unexpected decision to maintain its France rating unchanged could, at the margin, help stabilise the spread.
- **Central banks' rate forecasts:** We expect two more rate hikes from the Fed, one in December 2026 and another in January 2027. We expect another rate hike from the European Central Bank (ECB) in December.
- **Govies:** We keep a Neutral stance on US govies, with a preference for maturities up to 5 years. Our 12-month US Treasury 10-year yield target remains at 4.75%.
- **Corporate Investment Grade (IG) bonds:** We prefer EUR and GBP (Overweight view) to USD IG bonds (Neutral view) given the supply dynamics and the level of yields/spreads. We focus on quality.
- **Corporate High Yield (HY) bonds**: We keep a Neutral stance on Corporate HY. Spreads are still close to historic lows and expected returns do not reflect the underlying risk.
- **Emerging Market (EM) bonds:** We are Neutral on EM bonds (both USD and local currency) despite the strong performance. EM central banks have less potential to cut rates and the USD has limited upside in the coming months. Valuations are not favourable.

## 12-MONTH FOREX VIEW

| | | |
|---|---|---|
| EUR GBP<br>AUD NZD<br>CAD KRW<br>TWD MYR | JPY CNY<br>INR IDR<br>PHP SGD<br>THB | USD |

## COMMODITIES

| | | |
|---|---|---|
| Gold<br>Silver<br>Base Metals | - | Oil |

- **EUR:** The global FX market is currently dominated by a strong US Dollar, fuelled by a hawkish Fed, high yields, and a robust US economy. We expect two more Fed rate hikes (in December 2026 and January 2027) and one more ECB hike in December 2026. The EUR faces downside risks from the political and economic instability, particularly the French presidential election (held in April 2027), even though it is unusual for the FX market to focus on France this far in advance of an election.
- Nonetheless, we remain bearish on the Dollar over the coming year, given structural headwinds such as expanding fiscal deficits and a gradual de-dollarisation trend. The Dollar remains highly overvalued compared to the EUR base on a fair value estimate, such as Purchasing Power Parity (1.43). Accordingly, our 3-month EUR/USD target is 1.12 and our 12-month target is 1.20.

- **PRECIOUS METALS:** We maintain **our 12M target of USD 5,000/ounce for Gold and USD 80/ounce for Silver** and confirm our Overweight view on precious metals. High real yields are keeping both precious metals in a consolidation phase. A new leg higher for gold seems conditional on a decrease in energy prices and inflation expectations.
- **OIL:** We maintain our bearish view, as looking beyond the Iran conflicts, we see a structurally oversupplied market. **Our 12M target is USD 65/barrel for Brent**.
- **BASE METALS:** We maintain our Overweight view on industrial metals and hold **our 12M target at USD 15,000/MT for LME copper and at USD 3,800/MT for LME aluminium.** Higher real yields will continue to be a headwind for copper and aluminium., but the longer-term structural factors remain intact.

## Forex Forecasts

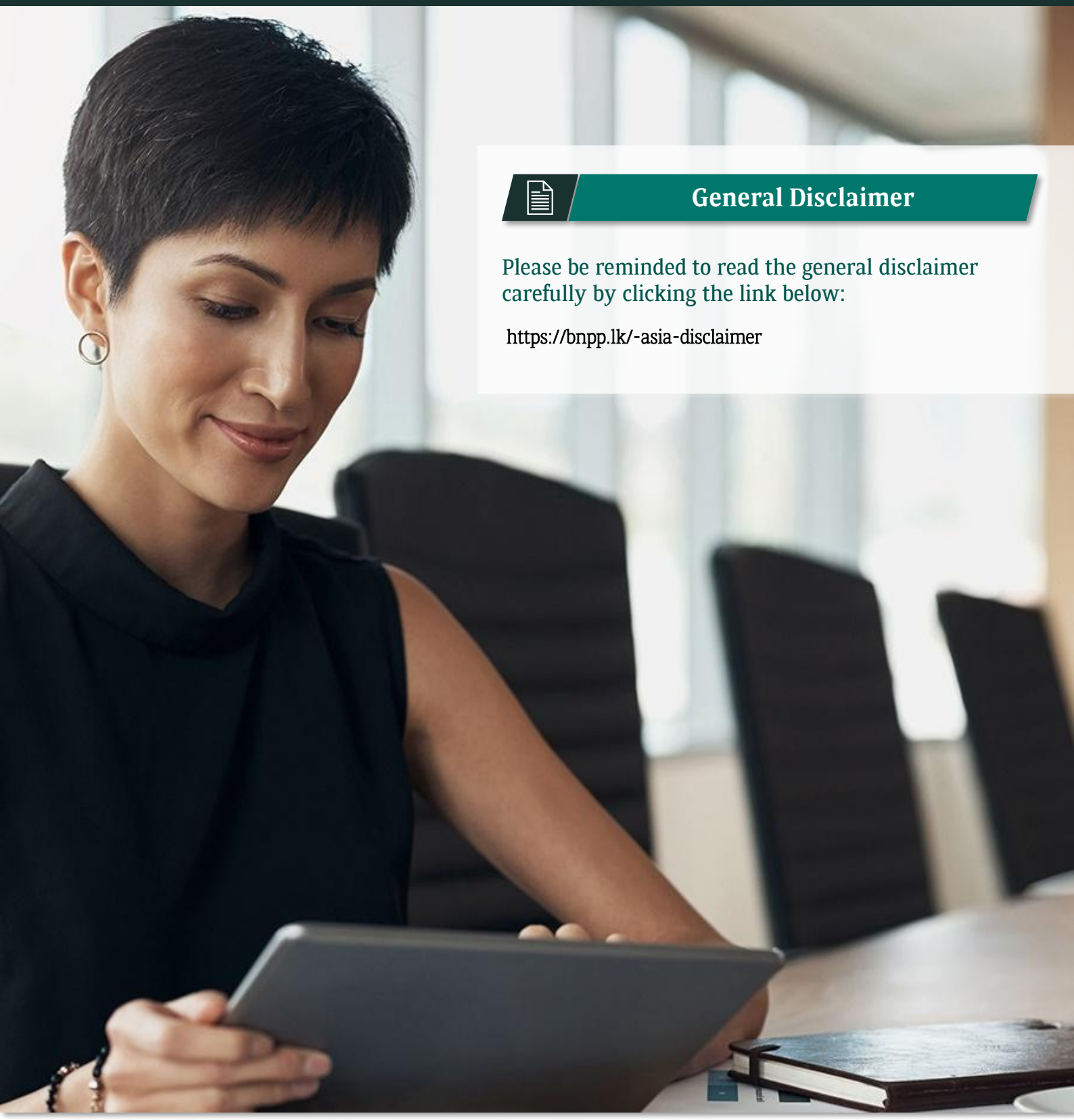
| | | Spot | 3-month | | 12-month | |
|---|---|---|---|---|---|---|
| | | As of 30 Oct 2026 | View | Target | View | Target |
| Developed | USD Index | 101.88 | = | 101.9 | - | 96.3 |
| | Japan | 157.6 | = | 158 | = | 155 |
| | Eurozone | 1.116 | = | 1.12 | + | 1.20 |
| | UK | 1.339 | = | 1.33 | + | 1.38 |
| | Australia | 0.703 | = | 0.70 | + | 0.73 |
| | New Zealand | 0.563 | = | 0.57 | + | 0.60 |
| | Canada | 1.397 | = | 1.40 | + | 1.35 |
| Asia Ex-Japan | China | 6.653 | = | 6.70 | = | 6.60 |
| | South Korea* | 1,334 | = | 1,320 | + | 1,290 |
| | Taiwan* | 32.52 | + | 31.5 | + | 31.2 |
| | India | 94.96 | = | 95.0 | = | 95.0 |
| | Indonesia* | 18,127 | = | 17,900 | = | 18,400 |
| | Malaysia* | 4.058 | = | 3.97 | + | 3.87 |
| | Philippines* | 63.84 | = | 63.1 | = | 63.4 |
| | Singapore* | 1.278 | = | 1.27 | = | 1.25 |
| | Thailand* | 33.68 | = | 33.3 | = | 32.8 |

*Source: BNP Paribas (WM) as of 30 October 2026.*
**BNP Paribas Global Markets forecast as of 30 October 2026.*

Note: + Overweight / = Neutral / - Underweight

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