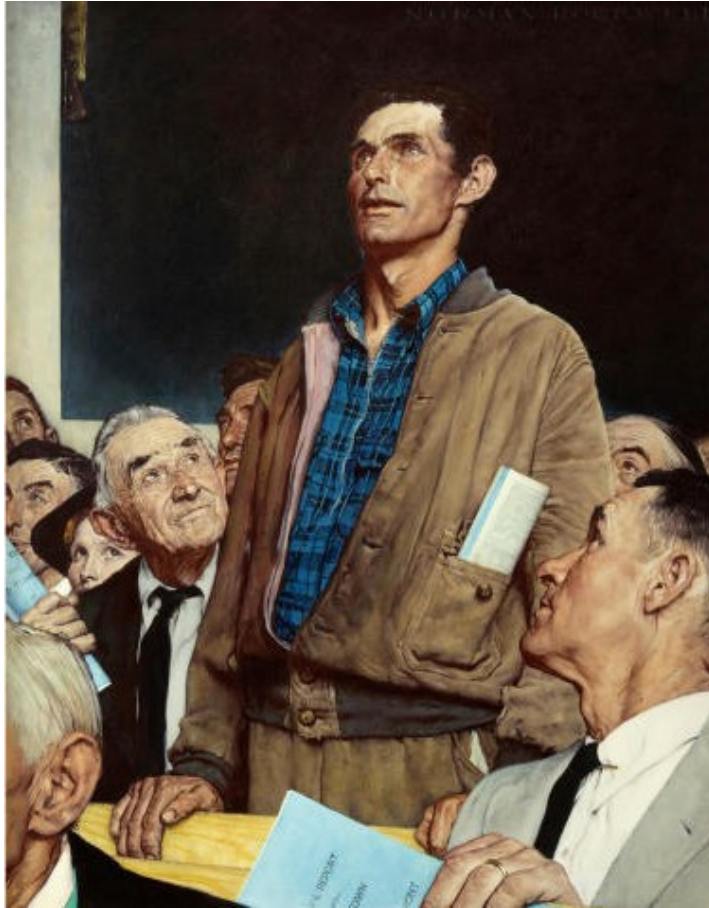


Market Update



“Freedom of Speech” by Norman Rockwell (1943)¹

By Bruce VonCannon

On the Cusp of Mandate for Change in the U.S.

October 31, 2026

¹ This painting appeared on the cover of popular bi-weekly magazine The Saturday Evening Post on February 20, 1943

The Voice for Reason

Comments and Views for the Individual Investor

(October 31, 2026) The 1943 painting “Freedom of Speech” by Norman Rockwell which appeared on the cover of Saturday Evening Post is considered among Rockwell’s most famous works. It was part of his famous Four Freedom Series² which was inspired by President Franklin Roosevelt’s State of the Union Speech in 1941. The U.S. was inching closer to becoming actively embroiled in military action in global conflict that had started in Asia in 1937 and in Europe in late 1939. Franklin Roosevelt, considered by historians to be one of the greatest of the U.S. presidents, was a globalist yet also possessed great skillfulness as a pragmatist. A fluent speaker of German who allegedly listened to Hitler’s vitriolic speeches in German, he understood the global threat posed by a predatory Nazi Germany and a militarised Japanese leadership. A consummate politician, he also understood the importance of keeping American voters united in regard to promoting liberal democratic values and the rule of law as a cornerstone of U.S. foreign policy. The United States had not formally entered the war, but that would happen within 12 months after Roosevelt’s speech following the Japanese sneak attack on Pearl Harbour in December of that year.

Today we are witnessing a much more divided time within United States society as the country heads into the mid-term elections on November 3rd. The current state of U.S. global leadership has been called into question by the extreme populist and inwardly focused leadership of the Trump Administration. The 80-year legacy dating from the end of World War II in 1945 which oversaw a rules-based order led by the United States appears to be increasingly fragmented by a series of actions and decisions which has seen the U.S. abandon its role as leader of the free, democratic world.

However, with the upcoming U.S. mid-term elections in early November, the country’s populace has the opportunity to engage in collective self-reflection and

² The speech delivered by President Franklin Roosevelt proposed four fundamental freedoms: 1) Freedom of Speech and Expression, 2) Freedom of Worship, 3) Freedom from Want, and 4) Freedom from Fear

decide whether or not to overturn the extreme direction toward which the Trump Administration has been leading the country. As we head into the final days before the election, most opinion polls indicate that the Trump Administration has very, very low popularity. In fact, President Trump's approval rating has dropped below 30% in several recent polls. Although he is not personally on the ballot in the mid-terms, his policies are on public trial as well as the fate of those Senators and members of the House of Representatives of the Republican Party who are facing election and who have supported his policies.

Current polling consensus supports the view that there is 90% chance that Trump's Republican Party (often referred to by its nickname GOP³) will lose its majority in the 435 seat lower House of Representatives. As the lower house of Congress, it is the key body constitutionally endowed to set tariff policy, construct the annual government budget, fund defence and approve extended military engagements, and enforce anti-corruption statutes via the power to issue subpoenas. President Trump's popularity waned so much in the second half of 2026, that pollsters are even projecting the GOP will lose its narrow four seat majority in the 100 seat U.S. Senate. This forebodes badly for President Trump. Loss of both houses most certainly will result in investigations into his family's alleged conflicts of interest involving cryptocurrency, defence contract investments, and personal stock trading. It would likely also foment efforts to impeach at least two of his cabinet officials⁴

What are Financial Markets Reacting to?

Stepping away from politics just for a moment, it is useful to review what are the key forces impacting the behaviour of our current global equity, credit, and foreign exchange markets. Most prominently the spectre of inflation caused by disruption of fossil fuel supply lines in the Persian Gulf is impacting energy supplies and food prices. Such disruption is related to the Trump Administration's decision along with Israel to launch military action against Iran in February this year. This action was never fully authorised by U.S. Congress.

³ The acronym GOP stands for "Grand Ole Party" and dates to the 1870s when it was first appeared in the press.

⁴ The two cabinet members who appear likely to face impeachment proceedings if Democrats seize the majority in U.S. House of Representatives after the mid-terms are Defense Secretary Peter Hegseth and Secretary of Health and Human Services, Robert F. Kennedy Jr.

Geopolitical tensions are further simmering because of the military conflict between Russian and Ukraine now in its 5th year as well as the Israeli occupation of Gaza which has stoked global humanitarian concern.

The impact of an overly aggressivetariff agenda launched in April 2025 by the Trump Administration has also roiled global friendship between traditional allies within the G-20 countries. Oddly the trade spat between the U.S. and Canada appears to be largely a personal vendetta directed by President Trump toward Canadian Prime Minister Carney.

With so much chaos in the world and a worsening domestic economy in the U.S., what will be the impact of an almost certain strategic defeat of the Trumpist agenda? What will a new Congress in 2027 be prioritising?

The U.S. Congressional Mandate for Change in 2027

Should the Democratic Party assume control of both houses of U.S. Congress in 2027 in what will be the 120th Congress, the new set of priorities are likely to bring about the following events:

i) Accelerated “lame duck” status for President Trump-

With a two four-year term limit on Presidential tenure, President Trump will proceed into his final two years with little or no chance to implement major congressional legislation. In the final two years of a second term presidency, the President is often referred to as a “lame duck,” particularly when the party assuming congressional majority power is different from that of the president. President Trump's style of governing over the past two years has notoriously been done through “executive orders”⁵ seeking to circumvent rather than consult with Congress. He was able to do so as long as the GOP remained the majority party and he could bully his GOP representatives through threat of grooming a primary opponent to run against rebellious GOP congresspersons. However, in the new congress which will convene in early 2027, the GOP seems destined to be the minority party and, if Trump’s party loses decisively in the

⁵ An “executive order” is an official directive issued by the U.S. President in order to manage operations of the federal government. They can typically be limited or blocked by the U.S. Judiciary (e.g. Supreme Court) if it violates the U.S. Constitution or by the U.S. Congress who may vote to counteract or defund such “executive order.”

mid-term elections, his hold over the GOP will likely continue to deteriorate. There are a total of 45 committees within U.S. Congress (20 in the House, 15 in the Senate, and 4 joint) and starting in 2027 each will likely be chaired by new Democrat majority party representative. While President Trump, as a lame duck president, will likely test limits of constitutionality in 2027, expect a newly invigorated Congress not fearing President Trump and flexing its muscles in order to exercise its power as a co-equal branch of government.

ii) Congressional Debate on “Citizens United” as an attempt to reign in excessive campaign funding

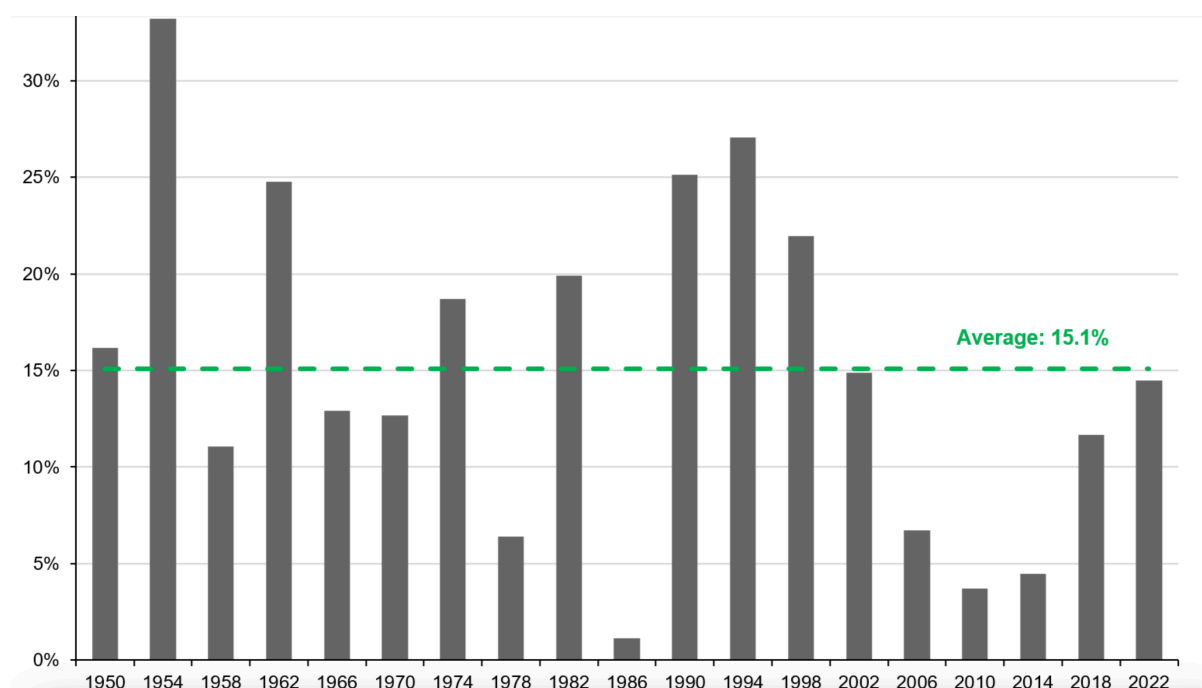
A notable U.S. Supreme Court ruling in 2010 ruled in favour of Citizens United vs The U.S. Federal Election Committee (FEC) and opened the floodgates to unlimited campaign contributions to political campaigns. Under current U.S. campaign funding laws, the U.S. campaign funding laws place a USD 3,500 contribution limit per candidate by a U.S. citizen per election. The Citizens United ruling essentially allowed for “political action committees” (called Super PACs) to be set up for the purposes to allow large amounts of campaign contributions to flow into a candidates’s campaign effort. It has opened an avalanche of campaign funding that has essentially espoused the widespread view that political candidates increasingly represent donors rather than voters in their district. Take one notorious example in the form of entrepreneur tycoon Elon Musk who is currently the wealthiest man in the world and the largest donor of the current mid-term campaign.⁶ As of this date, Musk has donated over USD 400 million mostly to right wing causes espoused by the Trump administration. In fact, to date Musk has donated over USD 140 million to a single U.S. Senate race GOP candidate in Texas (Talarico vs. Paxton) as a desperate attempt to support the highly unpopular GOP candidate, Ken Paxton.

⁶ It is reputed that Musk, the world’s first trillionaire, has donated the staggering figure of over USD 445 million to GOP candidates in the upcoming mid-term election. This amount by a single donor exceeds the entire amount spent by John McCain seeking U.S. Presidency in the election year of 2008 (USD 370 million).

iii) The Historical trend of the market after mid-term elections is encouraging

Regardless the agenda and priorities of the new 120th U.S. Congress, one can look with hopefulness at the historical data of market performances following mid-term elections. A recent J.P. Morgan report noted that the S & P 500 has risen in the ensuing 12 months following every mid-term election since 1950 and the average return has been approximately **+15%** (see attached graph below). The report further notes the average return in the 4th quarter during mid-term election years has been **+6.6%**.

1-Year price return following mid-terms(1950-2022)



Source: J.P. Morgan Bank

As we proceed toward the end of a tumultuous year, the fact that U.S. voters will likely register their strong discontent with the current Trump Administration policies is not surprising. The larger, looming question will be how these policies, reviled by so many, can be adjusted, cancelled, and/or brought in line with deeper, more longstanding American values. Traditional American values

have most often dictated policies that welcomed immigrants. Over most of its 250-year history the United States has been a beacon and proponent for free markets and encouraging fair and balanced trade (not implementing tariffs recklessly on the products of one's closest allies) . Most notably America has achieved much of its prestige globally in the past 80 years not only because of its military might alone, but rather because of such might combined with a myriad of alliances with countries who share these value. A lot of these core values have been cynically disregarded during the past two years by the Executive Branch under the second Trump Administration. If the U.S. Congress re-asserts itself in a style reminiscent of the 1974 Nixon/Watergate scandal era, there is a chance America can re-balance the scales.



About the author:

Bruce VonCannon is a native of North Carolina USA and currently a Managing Director with Vanheel Management Ltd., a Hong Kong SFC and U.S. licensed independent asset management firm founded in 2002. His career spanning 27 years in international banking and wealth management has included assignments in New York, Taiwan, Hong Kong, Singapore and Geneva. He is the author of “A Guidebook for the Asian Investor” (2017) published in hardback and e-book by Palgrave MacMillan and in Chinese language copy “未来博弈”(2021) by Beijing University Press.