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GLOBAL ECONOMICS

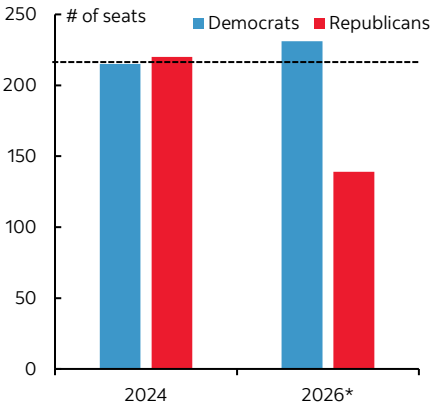
DAILY POINTS

November 4, 2026 @ *7:40 EST*

Contributors

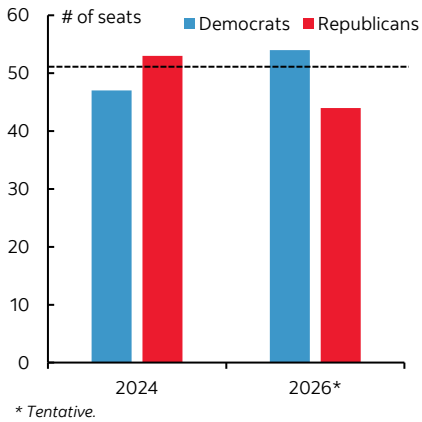
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Chart 1
US Election Change in House Seats



** Tentative.*
Sources: Scotiabank Economics, CNN.

Chart 2
US Election Change in Senate Seats



** Tentative.*
Sources: Scotiabank Economics, CNN.

On Deck for Wednesday, November 4th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	11-04	07:00	MBA Mortgage Applications (w/w)	Oct 30	--	--	3.4
US	11-04	08:15	ADP Employment Report (000s m/m)	Oct	65	67.0	90.0
CA	11-04	08:30	Merchandise Trade Balance (C$ bn)	Sep	--	5.0	4.2
US	11-04	08:30	Trade Balance (US$ bn)	Sep	-103.9	-107.9	-105.6
US	11-04	10:00	ISM Non-Manufacturing Composite	Oct	54.5	54.8	54.9

KEY POINTS:

- **Americans delivered a total shellacking of the Trump administration…**
- **…and why markets are doing just fine**
- **What's next for the 'lame duck' session's priorities?**
- **Canadian vehicle sales up, US sales down**
- **Riksbank hikes as expected and guides there could be more**
- **Eurozone CPI lands on the screws**
- **Canadian trade to further inform Q3 tracking**
- **US ISM-services, ADP, refunding announcement on tap**
- **Kiwi rates outperform after jobs disappointment**
- **BCB expected to hold**

American voters delivered a total shellacking of the Trump administration and its GOP enablers, and markets are doing just fine. Results are still rolling in but a current summary is available **here**. At present, the Democrats will take at least 241 House seats which is 23 more than need for a majority, plus 54 Senate seats which is three more than needed for a majority in that chamber (charts 1, 2). These figures will continue to be refined as close votes are settled and some may be subject to challenges. Still, the breadth of the changes—including booting the GOP in strongholds like Texas and Kansas—is breathtaking.

Stocks are broadly higher with US futures up by between ½% and over 1%, TSX futures up by over 1%, and European cash markets rallying by about 1–2%+. Sovereign bonds are also richer with yields lower by about 3–4bps across US Ts, Canadian yields down by 3–4bps, a curve-wide rally in gilts and EGB spread narrowing over bunds. Currencies are up almost everywhere across the majors relative to the USD. Oil is off by about 1%.

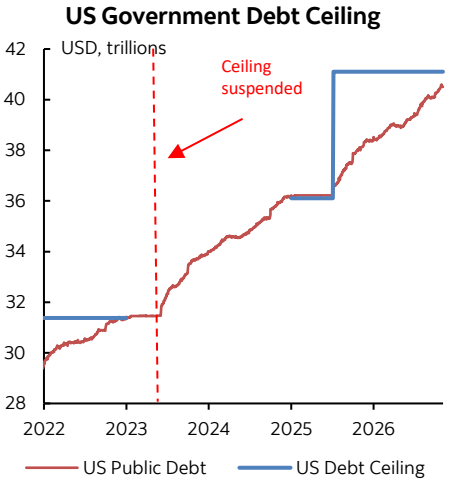
Initial market reactions were negative as the midterm results began to roll, so what gave? Perhaps the magnitude of victory by the Democrats put to rest concern that the results would be challenged by Trump who came out saying he would respect the outcome. Trump also downplayed the risk of escalating the Iran war which we'll see about. I'll also come back to arguing that policy developments over the next two months could possibly turn out to be constructive to market risk appetite independent of other drivers.

Regardless, those who had the courage to stand against the Trump administration's policies were vindicated by the checks and balances of the US political system that ultimately pushed American voters to issue their bold verdict on less than two years of Trump 2.0. Voters saw this period as marked by inflamed deficits, unwise trade policies, overstimulation of growth and capacity pressures that sparked affordability challenges, broken promises about ending forever wars, attacks on public institutions, a revenge agenda and overly harsh immigration policy.

WHAT'S NEXT IN THE 'LAME DUCK' SESSION OF CONGRESS?

Now the issue at hand will be what may be achieved in the lame duck session before the new Congress convenes after January 3rd next year. With so many GOP members of Congress now out of jobs, will they be disengaged in a general state of apathy, or engaged to achieve whatever they can before losing power?

Chart 3



Sources: Scotiabank Economics, Bloomberg.

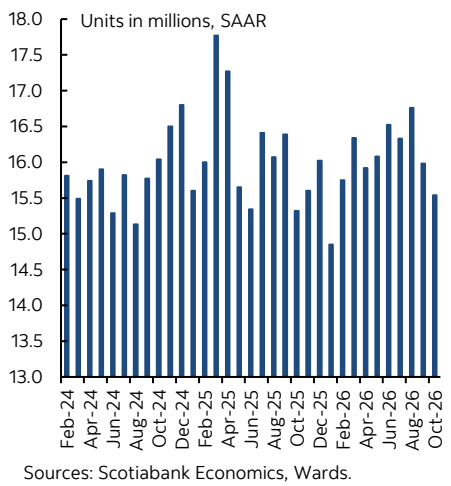
WHAT MAY THEY SEEK TO ACHIEVE?

- USMCA 2.0. I still maintain that this is the window that counts for a potential CUSMA/USMCA 2.0 deal. If the aim is to get DJT's signature on a new comprehensive agreement, then do so before having to put it through a Congress controlled by the Democrats. At that point, the Dems control the issues and may seek greater input over matters like labour controls and the environment. A smaller deal and reversal or watering down of prior executive orders is also a possibility outside of Congress. Overall, I'm cautiously optimistic and don't buy the common narrative that Trump will double down against the agreement. If either he or GOP members read the room last evening, then tariffs, assaults on key trading partners and allies and divisive trade policy were among the factors that cost them the vote.
- Address the December 11th funding deadline. A shutdown would seem unlikely given that failure to achieve a funding deal would then pass control over what shape it takes to the Democrats in the new Congress.
- Address the debt ceiling which is close to becoming binding (chart 3). The GOP may get a jump on the Democrats by raising or suspending the debt ceiling now before the Democrats could apply leverage against the administration.
- Pass a reconciliation bill? This presents the opportunity to pass final priorities for the administration. This could include tax measures. It could also address disaster funding, defence appropriations, and various other policy priorities.
- Farm Bill extension. The massive collection of subsidies to US farmers expired at the end of September and needs to be addressed probably in this window before the new Congress given the importance of the farming base to Trump.
- Trump is likely to issue pardons left, right and centre before the Dems take control. Key figures in his current administration could be included. There may also be changes to his cabinet including rumours that Hegseth may be out.

OTHER US DEVELOPMENTS

- US developments other than midterm results could be impactful and include the following:
- US vehicle sales fell by -2.8% m/m SA in October in yesterday's release after the close. Sales landed at 15.54 million SAAR, matching my estimate and below consensus that was expecting 15.8 after 16.0 the prior month. In weighted terms, the dip will shave under -½% from October retail sales. Sales have fallen for two months (chart 4).
- US ISM-services for October is expected to continue to post moderate growth (10amET).
- US ADP private payrolls could post a gain of about 65k for October but ADP has a habit of revising its weekly profile at the last second which could impact the monthly reading (8:15amET). Still, it offers poor tracking of private nonfarm payrolls.
- The Treasury's quarterly refunding announcement arrives at 8:30amET.

Chart 4



Sources: Scotiabank Economics, Wards.

GLOBAL DEVELOPMENTS

Canada updates trade figures for September that will further inform how trade is holding up and net trade contributions to growth (8:30amET).

Canadian new vehicle sales registered another gain in October with a roughly 4% m/m SA increase. That's the highest level of sales since the strong start to the year in January–February. It's a great start to tracking Q4 given the way Q3 ended and Q4 sales started (chart 5).

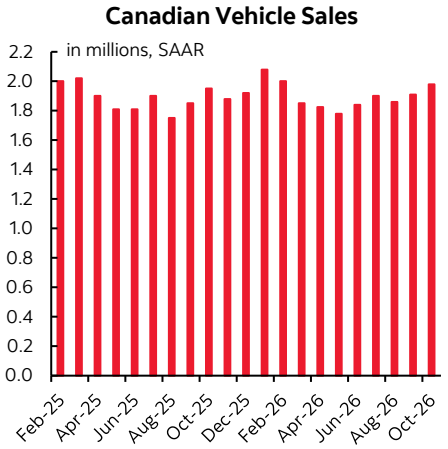
The kiwi rates curve was the biggest outperformer overnight after jobs data disappointed. Q3 employment slipped by -0.1% q/q SA (consensus +0.4%) with a downward revision. It's the first drop since 2025Q2. Pricing for the RBNZ's December decision fell by about 4bps to 16bps of a hike. The unemployment rate continues to creep higher (chart 6).

Sweden's Riksbank raised its policy rate by 25bps as widely expected. A mildly hawkish tone included statement guidance that "If the outlook for inflation and economic activity holds, it is likely that the policy rate will be raised further in the coming year, in line with the policy rate forecast in September." The next formal forecast update with explicit forward rate guidance will be delivered at the December 16th decision.

Eurozone CPI landed on the screws at 0.4% m/m SA and 4% y/y with core at 2.5% y/y. The release hardly surprised markets given that we already had the major countries that released at the end of last week.

Brazil's central bank is expected to hold its Selic rate unchanged at 13.75% (4:30pmET).

Chart 5



Sources: Scotiabank Economics, DesRosiers Automotive Consultants Inc.

Chart 6



Sources: Scotiabank Economics, Stats NZ.

Fixed Income	Government Yield Curves (%):											
	2-YEAR			5-YEAR			10-YEAR			30-YEAR		
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk
U.S.	4.60	4.63	4.70	4.72	4.76	4.84	4.92	4.97	5.02	5.29	5.33	5.35
CANADA	3.25	3.28	3.40	3.47	3.50	3.60	3.74	3.78	3.86	4.07	4.10	4.14
GERMANY	3.07	3.06	3.13	3.14	3.14	3.21	3.32	3.33	3.37	3.68	3.70	3.69
JAPAN	1.90	1.89	1.91	2.27	2.24	2.27	2.82	2.78	2.83	3.94	3.89	3.89
U.K.	4.82	4.85	4.95	4.86	4.90	5.00	5.21	5.26	5.32	5.66	5.70	5.71
	Spreads vs. U.S. (bps):											
CANADA	-135	-136	-130	-125	-126	-124	-117	-119	-116	-123	-123	-120
GERMANY	-153	-157	-157	-158	-162	-163	-160	-164	-165	-161	-163	-166
JAPAN	-270	-274	-279	-245	-253	-257	-210	-218	-219	-136	-144	-146
U.K.	21	22	25	15	14	16	29	30	30	36	37	36

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	35532	-268.8	-0.8	-1.8	0.1	19.3
Dow 30	51787	-197.3	-0.4	-1.1	1.2	10.0
S&P 500	7569	27.5	0.4	-2.0	-2.0	11.8
Nasdaq	25372	207.6	0.8	-4.2	-6.7	8.7
DAX	26254	389.0	1.5	2.1	4.1	9.6
FTSE	10791	152.2	1.4	0.9	3.1	11.1
Nikkei	62189	-893.2	-1.4	-1.7	-9.0	20.8
Hang Seng	23920	393.5	1.7	3.6	-0.2	-7.8
CAC	8154	133.2	1.7	3.4	3.2	1.1
Commodities	Level		% change:			
WTI Crude	94.58	-1.51	-1.6	-8.0	3.8	56.2
Natural Gas	2.89	-0.00	-0.1	2.7	-4.7	-33.4
Gold	4039.27	109.59	2.8	-0.7	-2.4	2.7
Silver	52.05	2.25	4.5	-3.6	-14.8	10.4
CRB Index	398.30	-2.75	-0.7	-3.3	-2.9	30.9
Currencies	Level		% change:			
USDCAD	1.3947	-0.0063	-0.4	-0.3	-2.2	-1.1
EURUSD	1.1260	0.0067	0.6	1.0	0.3	-1.9
USDJPY	158.34	-0.3500	-0.2	0.3	0.3	3.0
AUDUSD	0.7012	0.0045	0.6	-0.6	0.6	8.0
GBPUSD	1.3488	0.0073	0.5	1.2	2.0	3.6
USDCHF	0.8158	-0.0050	-0.6	-1.5	-1.8	0.7

Central Banks	
Current Rate	
Canada - BoC	2.50
US - Fed	4.00
England - BoE	3.75
Euro zone - ECB	2.65
Japan - BoJ	1.25
Mexico - Banxico	6.50
Australia - RBA	4.85
New Zealand - RBNZ	2.75
Next Meeting Date	
Canada - BoC	Dec 09, 2026
US - Fed	Dec 09, 2026
England - BoE	Nov 05, 2026
Euro zone - ECB	Dec 17, 2026
Japan - BoJ	Dec 18, 2026
Mexico - Banxico	Nov 05, 2026
Australia - RBA	Dec 07, 2026
New Zealand - RBNZ	Dec 08, 2026

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