DATE: November 6th, 2026
TITLE: **Blue Wave, Red Screens**

TRANSCRIPT:

Host: Eric, last week you told us to respect the calendar, with the midterms on the 3rd of November. Well, the vote came, the Democrats swept Congress, and by Thursday the Nasdaq had its worst day since April last year. What happened?

Eric: Politics walked into a room where the market was already nervous.

For weeks the worry has been the bill for artificial intelligence: who pays for all those data centres, and whether the returns will justify the spending. This week the election added a political question to that financial one. And when both questions arrive together, investors ask for a much higher price.

Host: Take us through the week, because it didn't start badly.

Eric: No, Wednesday was a relief rally. Democrats took both the House and the Senate, flipping seven Republican Senate seats, including Texas, Ohio and Maine. Markets liked the idea of gridlock, and of more pressure to end the Iran war.

Oil fell almost 9% in a day, Brent dropped to around 95 dollars, and the Dow had its best session since April 2025.

Then Thursday flipped it. The Nasdaq fell five and a half per cent, the S&P 500 more than 4%, and the chip index lost 12%. Nvidia alone shed over 400 billion dollars of market value. This morning Korea's market fell so fast it triggered a circuit breaker.

Host: Why did the election hit AI so hard?

Eric: Because data centres were on the ballot.

The new Democratic governor of Texas campaigned on a pause in data-centre building, and Texas holds a huge share of US capacity. Investors suddenly had to price friction on power, permits and planning, on top of the existing doubts about the money.

And the money is the real story. Gary's team estimates the four biggest cloud companies are on track for around 735 billion dollars of capital spending this year. Of those four, only Microsoft is still producing positive free cash flow. The others increasingly need outside financing. The cost of insuring CoreWeave's debt hit a record this week.

Host: You wrote a note this week comparing the data-centre backlash to fracking. Why fracking?

Eric: Because we've seen this film before.

Fifteen years ago fracking was one of the most controversial industries in America. There were

protests, threatened bans and fears about drinking water. Today America is the world's largest producer of oil and gas, and fracking barely makes the news.

Fracking didn't win the argument. It changed the terms of the deal. The industry recycled water, disclosed its chemicals, agreed noise limits and setbacks, and its taxes paid for local schools and roads. Communities came to share in the benefits.

Data centres face the same test. Polls show most voters now oppose new construction, and the concerns are very practical: power bills, water and noise. But every one of those has an engineering answer, from cooling that uses no water to sites that generate their own power.

So I think the backlash changes how and where data centres are built, and who profits, more than whether they're built. Developers may face higher costs and delays. The companies that solve those problems, in cooling, power management and grid resilience, could see stronger demand.

The analogy has limits. Fracking worked because the economics were compelling. AI still has to prove its returns justify the capital. Politics alone is unlikely to decide that.

Host: Can the central banks help?

Eric: Not much. Most are still tightening.

The US economy is firm, with jobless claims at just 189,000, but prices are sticky, and markets still see roughly an 80% chance of a Fed rate rise in December. The 10-year Treasury yield fell to around 4.9%, which is useful protection, but I wouldn't read it as cheap money coming back.

The Bank of England raised rates to 4%, and euro area inflation hit 4%, a three-year high, so the ECB is expected to move in December too.

In Asia, the dividing line is technology. Korea and Japan carry the most AI hardware exposure and took the biggest hit. India has much less, and benefits most when oil falls.

Host: And oil? Last week it was everything.

Eric: It still is, just with more twists.

After Wednesday's slide, Brent bounced back to around 98 dollars on Thursday after fresh attacks on tankers. Falling shares and rising oil on the same day is an uncomfortable mix for portfolios. And there's no peace deal yet. The risk is that markets priced peace before there was any peace.

Host: So what's the takeaway for investors?

Eric: This is a repricing of who pays for AI, not a verdict on whether AI works.

So I'd be selective rather than fearful. Favour businesses that fund their growth from their own cash flow, and look at the companies solving the AI build-out's problems, not just those paying for it. Keep an eye on credit, hold quality, shorter-dated bonds, keep energy as insurance, and keep some cash ready.

Today's controversy can become tomorrow's industrial normality, just as it did for fracking. Expect hearings, headlines and volatility. But over time the question shifts from whether data centres get built to on what terms. Investors who keep that in mind will make calmer decisions in weeks like

this one.

DISCLAIMER

This document is for informational purposes only and does not constitute a solicitation or offer by GIS or any of its affiliates to buy or sell any securities, financial instruments, or strategies. Investors are advised to consider the investment objectives, risks, charges, and expenses of any investment carefully before investing. The information and data contained herein have been obtained from sources believed to be reliable but are not guaranteed as to accuracy or completeness. The opinions and estimates constitute our judgment and are subject to change without notice.