RBC Rochdale

Market Perspectives

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Post-Midterms Update

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Stocks from Here: Headwinds vs. Tailwinds

The driving forces of markets: Corporate profits have stayed strong, AI-related demand is supporting the market and investors are looking through higher inflation and interest rates. These are likely stable trends that persist under the recent rerating of cyclical semiconductors.

Tailwinds | What Could Go Right

1. **Oil Price Volatility and Inflation Cools**
   Lower energy prices could ease related inflation pressure and help calm the rise in bond yields.
2. **AI Supercharges Productivity**
   If companies begin seeing efficiency gains from AI, costs could come down without hurting growth.
3. **Profit Growth Stays Strong**
   If technology and AI-related companies keep delivering, the market can remain supported, and gains could spread more broadly.
4. **Monetary Policy**
   Fed members' wait-and-see approach could slow hike expectations, creating less of a headwind to business investment and economic growth.

Upside Risk: Lower inflation, steady AI-driven demand, slower pace of restrictive policy implementation.

Headwinds | Key Risks

1. **Higher Interest Rates Pressure Stocks**
   If long-term rates reaccelerate, higher borrowing costs could further pressure valuations and profitability, weighing on the market.
2. **Consumers Weaken**
   Soft wage growth, weak confidence and rising delinquencies could cause households to pull back on spending.
3. **AI Concerns or Spending Slows**
   Demand could slow, funding availability could ease, cash flow and profitability could be delayed, or AI valuations could compress further.
4. **Geopolitical and Energy Reescalation**
   If attacks in the Middle East resurface and energy prices return to recent highs, despite greater resiliency, it could weigh on markets.

Downside Risk: Higher rates drive weaker consumer and business spending, and AI capex slows.

Source: RBC Rochdale. As of October 31, 2026. Information is subject to change and is not a guarantee of future results.

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