The Blue Sweep: What It Reprices Across Asset Classes and Where EM and Multi-Asset Managers Should Focus

Nov 6, 2026 · **Divya Singaravelu**, Emerging Markets and Multi-Asset Investor & Head of Research

Meridian 1305 Capital | Emerging Markets and Multi-Asset

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Bottom line

The Democratic sweep matters less for markets than the AI sell-off it coincided with, and the combination favors bonds, gold and EM carry with a cushion over equities and US high yield. Congress gains the budget, not tariffs, sanctions or swap lines, so the direct EM effect is limited to a lower US term premium and a softer dollar. Two days on, the S&P 500 is down 2.8%, the Nasdaq Composite 4.2% and the 10-year yield 11bp. Rate futures moved the next Fed hike to March on November 5, but the November 6 jobs report put December back in the price (see update). We are likely right over three months, but the call depends on two conditions: that the bond rally survives strong US data, and that the AI sell-off stays in equities and US high yield rather than spreading to EM. A dollar index above 103 or an EMBI spread more than 50bp wider would challenge this set-up.

Update, November 6: the jobs report tested judgment 2, and the call holds, narrowly

The strong October jobs report met half of the challenge condition in judgment 2, but not the half on yields. Payrolls rose 165,000 against about 65,000 expected, unemployment fell to 4.1% from 4.2%, and September was revised up to 60,000 from 29,000[60]. Rate futures put a December hike back in the price, at about 78% from about 70% before the release, and the 10-year rose about 4bp to 4.88%[37]. December is back in the price, but the 10-year is still below the 4.95% line we set. We keep the call and the 4.6% to 4.9% range, with the 10-year now at the top of it. A close above 4.95% would challenge this set-up.

Key judgments

Confidence words follow the Meridian 1305 Capital scale: almost certain (above 90%), very likely (75–90%), likely (55–75%), even odds (45–55%), unlikely (25–45%), very unlikely (below 25%). Horizons are stated with each judgment.

1. **The sweep removes new fiscal expansion but leaves the levers EM investors watch with the White House.** *Almost certain, through 2027.* Democrats hold 54 Senate seats, 13 short of the 67 needed to override a veto[1]. Section 301 tariffs, OFAC licenses and Exchange Stabilization Fund swap lines need no vote of Congress. *This set-up would be challenged if* a bipartisan veto-proof coalition forms on tariffs, which no vote count we have seen supports.
2. **The Treasury rally is haven demand plus a Fed repricing, led by the front end.** *Likely, three months; 10-year range 4.6% to 4.9%.* The 10-year fell 11bp in two sessions (4.95% to 4.84%) and the 2-year 15bp, so the 2s10s curve steepened about 4bp, to 38bp from 34bp on election night (Treasury constant-maturity yields[58]). On November 5, rate futures moved the next hike from December to March[54]; after the November 6 jobs report, a December hike is back at about 78% (see update). *This set-up would be challenged if* the 10-year closes above 4.95%. The November 6 jobs report put a December hike back in the price, but the 10-year, at 4.88%, has not crossed that line.
3. **The AI sell-off is the larger market event, and US high yield will price it before it ends.** *Likely, three months: the ICE BofA US High Yield spread stays above 332bp (348bp on November 5).* The Nasdaq 100 fell 6.36% on November 5, its worst day since March 2020, and the Philadelphia Semiconductor Index about 12%. CoreWeave bond

yields rose above 17% and SpaceX CDS hit a record[50]. *This set-up would be challenged if* Nvidia's results and hyperscaler spending guidance in late November restore confidence and the spread prints back below 320bp.

4. **The dollar drifts lower; it does not break.** *Likely, three to six months: dollar index 98 to 101.* Our probability-weighted dollar index is 99.9 against 101.6 now (see Scenarios). The Fed, not Congress, sets the level, and another hike is still priced, back to December after the November 6 jobs report. *This set-up would be challenged if* the adverse scenario arrives: new tariffs and a budget standoff would lift the dollar index above 103.
5. **In EM FX, BRL now offers a much larger carry cushion than MXN.** *Likely, three months: BRL outperforms MXN on a total-return basis.* Banxico cut to 6.25% in a 3–2 vote[40], leaving MXN carry over the fed funds upper bound (4.00%) at 2.25% a year. The 1.0% MXN fall on November 5 equals about 5 months of that carry. BRL carry at a 13.75% Selic is 9.75% a year, so its 0.7% fall that day equals about 1 month of carry. *This set-up would be challenged if* Brazil's 2027 budget loses its fiscal anchor, which would hit BRL harder than the carry can absorb.
6. **EM sovereign investment grade is expensive; the value is in high yield reformers.** *Very likely, six to twelve months.* EM sovereign investment grade trades about 22bp over US investment grade, against a 10-year average near 80bp. Countries with IMF programs and fuel prices that pass through to consumers carry better fundamentals for the spread. *This set-up would be challenged if* a global risk-off widens high yield first, which the AI sell-off makes more possible.
7. **The sweep does not lower the oil risk premium; Iran policy does.** *Unlikely (about 40%) that Brent is below $90 in three months.* Brent fell 8.69% on November 4 and rose 3.88% on November 5 to $98.29 after attacks on tankers near the Strait of Hormuz[56]. Our odds over six months are 40% for renewed US strikes on Iran, 40% for an extended standoff and 20% for a deal or ceasefire. At our Brent estimates for each outcome ($110, $92 and $75), that weights to $95.80, below the $98.29 close, so the market prices more strike risk than we do. *This set-up would be challenged if* strikes resume, which would put Brent above $100.
8. **Argentina and Brazil remain domestic stories.** *Almost certain, through year end.* Argentina's EMBI spread was 827bp on November 4, barely changed by the vote[12]; about 590bp of it sits above the EMBI Global Diversified spread of about 235bp, which we treat as Argentina-specific (827 − 235 = 592bp). Brazil's 25% Section 301 tariff stays in place[18]. *This set-up would be challenged if* Congress attaches conditions to Argentina's swap line in must-pass legislation.

9. **Gold stays supported.** *Likely, six to twelve months.* Gold rose about 4.0% in two sessions to roughly $4,087[57] on lower yields, a softer dollar and haven demand. *This set-up would be challenged if* real yields rise sharply after a hawkish December FOMC.

What happened

Democrats won control of both chambers, and the market read it as gridlock plus a smaller war premium. Both chambers were called for Democrats on election night[1]. By the morning of November 4 they held 54 Senate seats to the Republicans' 44. Prediction markets had put a Democratic sweep at 67% on October 22, so the direction was expected but not the size.

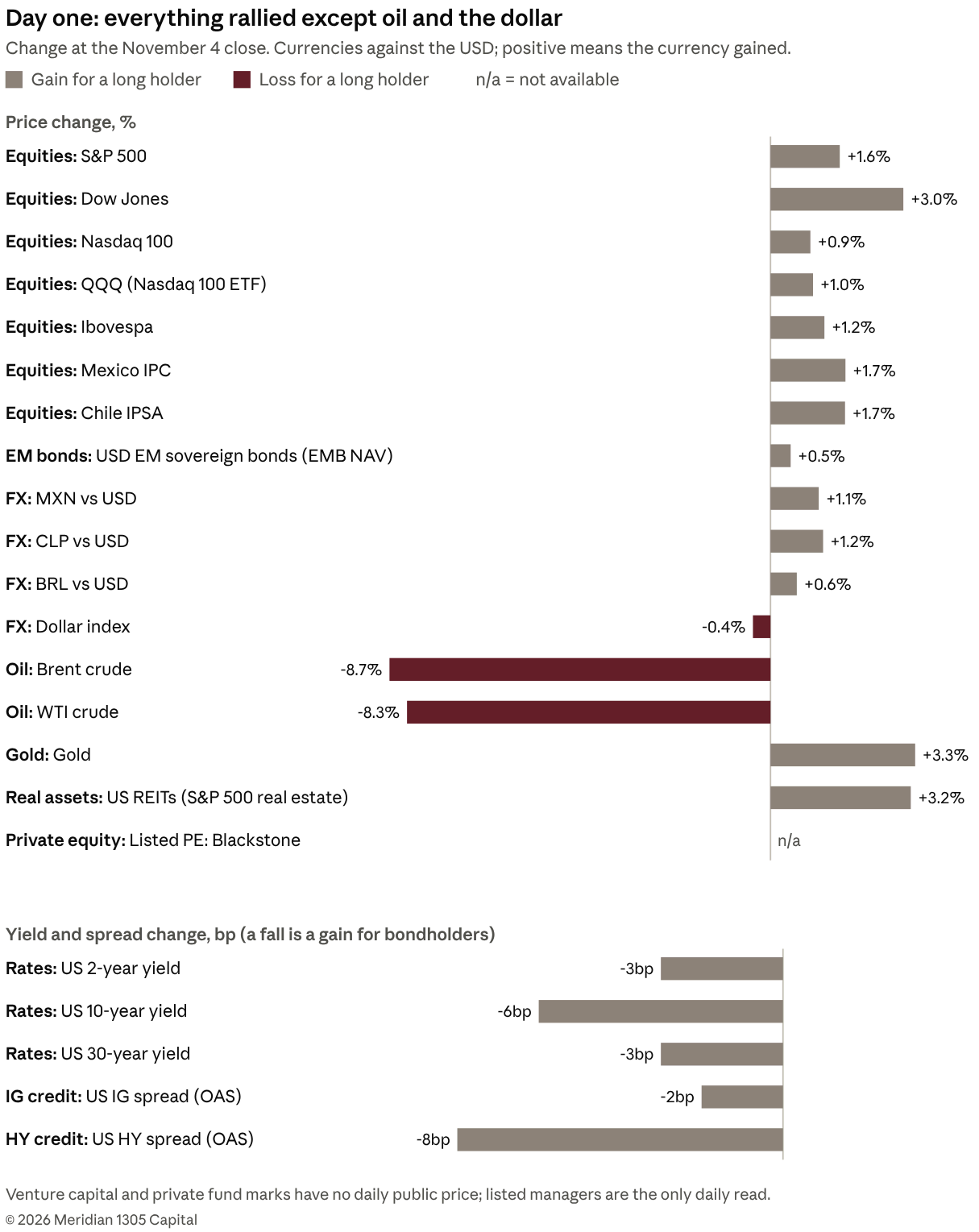


Figure 1. Source: Meridian 1305 Capital; Strategitz; Finwire; Investrade; Rio Times; MarketAlleys; iShares; ICE BofA via FRED. November 4, 2026 closes; Latin American figures from the regional close.

The Dow rose 3.03% to 53,356, its best day since April 2025[3], and the S&P 500 rose 1.58%. Oil fell the most: WTI lost 8.29% and Brent 8.69%. Nvidia fell 3.17% on fears of AI regulation. In Latin America, the Mexican stock index rose 1.7% to a six-month high[29] and

MXN gained about 1%, while the Ibovespa rose 1.23% and BRL 0.6%.

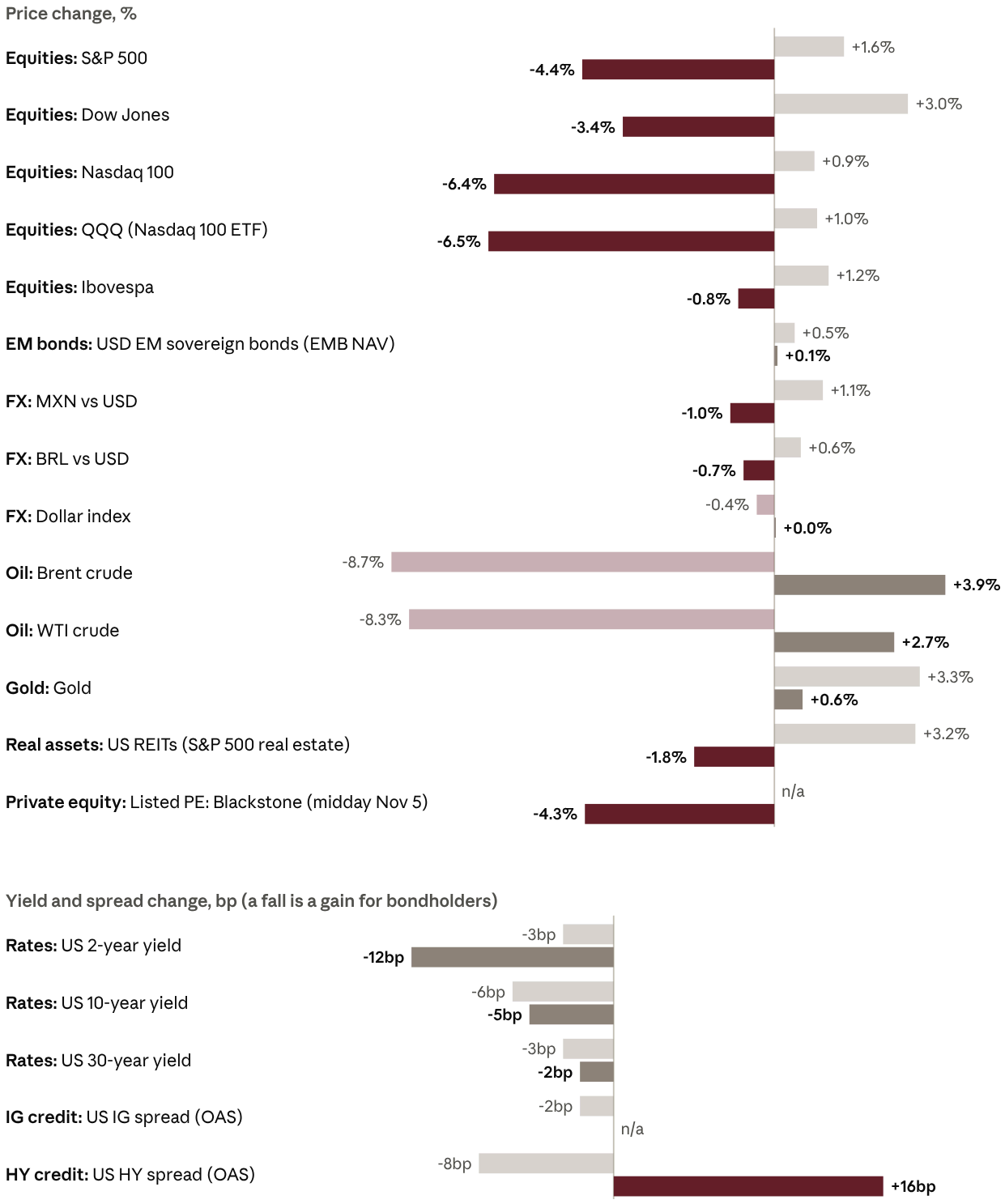
Day two: the AI trade breaks, bonds keep rallying

Day two separated what Congress changes from what it does not. The Dow fell 1,833 points, or 3.44%, to 51,523[30]. The S&P 500 fell 4.36% to 7,353.73 and the Nasdaq 5.52% to 24,315.00, all three their worst day since April 2025. The Nasdaq closed in correction territory, more than 10% below its October 6 record. The Nasdaq 100 fell 6.36%, its worst day since March 2020, and the Philadelphia Semiconductor Index fell about 12%. The VIX rose about 39%[35]. Voters in 10 states also faced 41 local ballot measures on AI data centers[62], which added to the pressure on chip and data center stocks.

Bonds and gold gained both days; equities and EM FX gave back day one

Daily change by asset class. Currencies against the USD; positive means the currency gained.

Gain Loss Upper bar: November 4 (light). Lower bar: November 5 (solid). n/a = not yet published



Venture capital and private fund marks have no daily public price; listed managers are the only daily read.

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Figure 2. Source: Meridian 1305 Capital; CNBC; Investrade; BPMoney; El CEO; FXStreet; Trading Economics; Archyde; MarketAlleys; iShares; ICE BofA via FRED; MarketBeat. Closes unless noted; Blackstone is midday; n/a = not yet published at the time of writing.

Bonds did not follow stocks down. Yields fell by as much as 12bp during the day to the lowest since early September, and the 10-year closed at 4.84%[21], down from 4.89% on November 4 and 4.95% on election night. The 2-year fell about 12bp to 4.47%, and rate futures pushed the next Fed hike from December to March. Gold rose about 0.6% to roughly $4,087. Brent rose 3.88% to settle at $98.29 after attacks on tankers near the Strait of Hormuz. We put the odds of renewed US strikes on Iran within six months at 40% and of a deal or ceasefire at 20% (see Scenarios).

In Latin America, Banxico surprised the market by cutting its rate 25bp to 6.25% in a 3-2 vote, when most analysts expected a hold[40]. MXN went from the best performer on November 4 to the worst on November 5, weakening about 1% to 18.75[41], and the gap between Mexican and US policy rates fell to a record low of 225bp. Brazil's central bank held the Selic at 13.75%[25].

The two-day net: what the sweep actually repriced

Netting the two sessions removes the noise: growth equities and oil are lower, bonds and gold higher, and LatAm FX roughly flat. Two-day moves compound the daily changes: (1 + day one) × (1 + day two) − 1. For the S&P 500, 1.0158 × 0.9564 − 1 = −2.849%, or −2.8% rounded. Yield moves add. The 10-year net of −11bp matches the fall from the election-night level of 4.95% to the 4.84% close.

Two days on: growth equities and oil are lower, bonds and gold higher

▲ gain ▼ loss, for a long holder of the asset. A fall in a yield or spread is a gain for bondholders.

Asset	November 4	November 5	Two-day net
Nasdaq 100	▲ +0.91%	▼ −6.36%	▼ **−5.5%**
S&P 500	▲ +1.58%	▼ −4.36%	▼ **−2.8%**
Dow Jones	▲ +3.03%	▼ −3.44%	▼ **−0.5%**
Ibovespa	▲ +1.23%	▼ −0.82%	▲ **+0.4%**
WTI	▼ −8.29%	▲ +2.72%	▼ **−5.8%**
Brent	▼ −8.69%	▲ +3.88%	▼ **−5.1%**
Gold	▲ +3.30%	▲ +0.64%	▲ **+4.0%**
EM sovereign bonds (EMB NAV)	▲ +0.46%	▲ +0.07%	▲ **+0.5%**
US REITs (S&P 500 real estate)	▲ +3.20%	▼ −1.82%	▲ **+1.3%**
US 2-year yield	▲ −3bp	▲ −12bp	▲ **−15bp**
US 10-year yield	▲ −6bp	▲ −5bp	▲ **−11bp**
US high yield spread	▲ −8bp	▼ +16bp	▼ **+8bp**
BRL vs USD	▲ +0.60%	▼ −0.70%	▼ **−0.1%**
MXN vs USD	▲ +1.10%	▼ −1.00%	▲ **+0.1%**
Dollar index	▼ −0.40%	▲ +0.03%	▼ **−0.4%**

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Figure 3. Source: Meridian 1305 Capital calculations from the closes in Figures 1 and 2. Two-day moves compound the daily changes; yield moves add.

What Congress can and cannot change

Congress gains the budget, not the levers EM investors watch most. Democrats hold 54 Senate seats, well short of the 67 needed to override a veto. The new Congress takes its seats in January; the current Republican-led Congress sits until then.

Congress gains the budget, not the levers EM investors watch most

White House or Treasury · Congress · Shared

Lever	Who controls it	What a Democratic Congress can do	EM channel
Tax and spending	Congress	Block new unfunded tax cuts; force spending trade-offs in the budget	Lower term premium, softer USD
Tariffs	President (Section 301)	Hearings and pressure only; the tariffs no longer need a vote of Congress	Brazil's 25% tariff and USMCA terms unchanged
Sanctions and licenses	President (OFAC)	Oversight; a law to restrict licenses would face a veto	Venezuela restructuring pace
Treasury swap lines (ESF)	Treasury	Bills such as the No Argentina Bailout Act; conditions on must-pass bills	Argentina's support from Washington
Foreign and military aid	Congress	Bring back stalled Ukraine aid, including $8 billion in military loans	Ukraine bonds
War powers	Shared	Weekly war powers votes on Iran; vetoes still apply	Oil risk premium
Tech oversight	Congress	Hearings on AI, data centers and power costs	Korea, Taiwan, AI credit

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Figure 4. Source: Meridian 1305 Capital. Who controls each lever under current law; the new Congress takes its seats in January 2027.

The largest effect for EM is not a law. It is that new fiscal stimulus is off the table, and that every executive action now faces hearings.

How the sweep reprices each asset class

After two sessions, bonds and gold are the clear winners and AI-linked equities the clear losers. Last close is November 5 unless the row says otherwise.

How the sweep reprices each asset class

▲ gain ▼ loss, for a long holder. A fall in a yield or spread is a gain for bondholders.

Asset class	Last close	1-day Nov 5	2-day Nov 4–5	View, 3–6 months	View, 12 months+
S&P 500 Equities · SPX Index	7,353.73	▼ −4.36%	▼ **−2.8%**	Negative AI hardware; neutral overall	Neutral; earnings breadth matters more
Worst day since April 2025; AI capex scrutiny outweighs gridlock					
Dow Jones Equities · INDU Index	51,523.06	▼ −3.44%	▼ **−0.5%**	Neutral	Neutral
Gave back all of its November 4 gain					
Nasdaq Composite Equities · CCMP Index	24,315.00	▼ −5.52%	▼ **−4.2%**	Negative	Neutral; platforms over hardware
Closed in correction, more than 10% below its October 6 record					
Nasdaq 100 (QQQ) Equities · QQQ US Equity	$647.05	▼ −6.49%	▼ **−5.6%**	Negative	Neutral; platforms over hardware
The Nasdaq 100 index fell 6.36%, its worst day since March 2020					
Ibovespa Equities · IBOV Index	166,191.45	▼ −0.82%	▲ **+0.4%**	Neutral	Depends on Lula's 2027 budget
Followed Wall Street lower; domestic fiscal risk caps gains					
Mexico IPC Equities · MEXBOL Index	71,386*	n/a	n/a	Positive	Positive with nearshoring
*Softer USD, lower US rates. *November 4 close; November 5 not yet published*					
US 2-year Rates · USGG2YR Index	4.47%	▲ −12bp	▲ **−15bp**	Positive	Positive as the Fed eventually eases
Front end led on November 5; rate futures moved the next hike to March that day					
US 10-year Rates · USGG10YR Index	4.84%	▲ −5bp	▲ **−11bp**	Positive, belly over long end	Neutral; tariffs and oil keep inflation risk
Less expected supply plus a flight from equities					
US 30-year Rates · USGG30YR Index	5.26%	▲ −2bp	▲ **−5bp**	Neutral	Cautious; deficits remain large
Term premium falls less at the long end					
US IG spread IG credit · C0A0 Index	91bp*	n/a	n/a	Neutral; own it for the yield	Neutral
*Contained; Apple's $7.5 billion deal drew about $31 billion of orders. *November 4*					
US HY spread HY credit · H0A0 Index	348bp	▼ +16bp	▼ **+8bp**	Negative for CCCs and AI issuers	Neutral; BBs outside technology hold value
Widened 16bp in the chip sell-off; CoreWeave bond yields topped 17% and SpaceX CDS hit a record					
EM sovereign (EMB NAV) EM bonds · EMB US Equity	$91.96	▲ +0.07%	▲ **+0.5%**	Positive, selective; HY reformers over IG	Positive for reformers
Lower UST yields; spreads near their tights					
Dollar index FX · DXY Curncy	101.60	▲ +0.03%	▼ **−0.4%**	Moderately negative	Negative as US rates converge down
Steadied after its November 4 drop					
EUR FX · EURUSD Curncy	1.1227	▼ −0.05%	n/a	Supported	Supported, depends on European debt
Little changed on November 5					
MXN FX · USDMXN Curncy	18.75	▼ −1.00%	▲ **+0.1%**	Neutral; smaller carry cushion	Positive if Banxico holds; USMCA review is the risk
Banxico's surprise cut to 6.25%; rate gap with the US at a record-low 225bp					

BRL FX · USDBRL Curncy	5.489	▼ −0.70%	▼ **−0.1%**	Neutral outright; preferred over MXN for carry	Depends on Lula's 2027 budget
Risk-off on Wall Street; Selic held at 13.75%					
Brent crude Oil · CO1 Comdty	$98.29	▲ +3.88%	▼ **−5.1%**	Two-way, with upside risk	Lower if the war ends
Strike risk returned after attacks on tankers near the Strait of Hormuz					
WTI crude Oil · CL1 Comdty	$90.52	▲ +2.72%	▼ **−5.8%**	Two-way, with upside risk	Lower if the war ends
Same drivers as Brent					
Gold (spot) Gold · XAU Curncy	$4,087	▲ +0.64%	▲ **+4.0%**	Positive	Positive
Lower yields, weaker USD, haven demand					
US REITs Real assets · S5RLST Index	n/a	▼ −1.82%	▲ **+1.3%**	Neutral; avoid data center REITs	Positive as rates fall
Lower yields help; data center REITs exposed to AI scrutiny					
Blackstone (midday) Private equity · BX US Equity	$120.19	▼ −4.30%	n/a	Negative	Neutral; exits recover only when rates and volatility fall
Slower exits: Blackstone's Q3 realizations fell 34%					
Private marks Venture capital · No daily public price	n/a	n/a	n/a	Negative for late-stage AI	Neutral; valuations reset first
AI-linked private names are under pressure: CoreWeave and SpaceX credit hit records					

1-day = November 5. 2-day = November 4–5 compounded; yields and spreads add. Currency rows: currency vs USD. * = November 4.

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Figure 5. Source: Meridian 1305 Capital; market data as listed in Sources. Closes on November 5, 2026 unless marked; * = November 4; Blackstone is a midday price; n/a = not available.

Views are Meridian 1305 Capital estimates. The confidence, horizon and exit for each view are in Key judgments and Recommendations, which cite the judgment numbers.

Rates and the dollar

The sweep takes fiscal expansion off the table, and the AI sell-off added haven demand on top. The 10-year has fallen about 11bp in two sessions, from 4.95% on election night to 4.84% on November 5. The 2-year fell about 12bp to 4.47% on November 5, so the front end led. On November 5, rate futures moved the next Fed hike from December to March. The rally was a mix of less expected supply, a flight from equities and a later Fed. The November 6 jobs report reversed the Fed part: a December hike is back near 78%, and the 10-year rose to 4.88% (see update).

- **Treasuries.** We prefer the 5- to 7-year part of the curve. Supply risk eases, but tariffs remain an inflation source, and the long end still carries term premium.

- **The dollar.** On November 4 the dollar index fell to 101.51 and EUR rose to 1.1232; on November 5 both were little changed, at 101.60 and 1.1227[45]. A smaller US yield advantage points to a weaker dollar. The Fed still sets the level, so we expect a gradual move, not a break.
- **What would reverse it.** Stronger US growth, tariff-driven inflation or an escalation with Iran would lift yields and the dollar again.

For EM, the dollar matters more than the 10-year. A weaker dollar lowers the cost of servicing dollar debt and gives central banks in Asia room to cut rates.

How this fits our longer view. This is a three-month call. It sits inside the path set out in our Six Percent report, a slow climb in the 10-year toward 6% by late 2027: haven demand and lower expected supply can pull yields down for a quarter without changing the deficits, tariffs and oil risk that drive the longer climb.

Credit: investment grade, high yield and EM

The sweep adds pressure where credit was already weak: AI and data center issuers and the lowest-rated high yield. US high yield spreads widened 16bp to 348bp on November 5[10], up from 314bp on October 28 and a 2026 low of 260bp on August 28. The same day, CoreWeave bond yields rose above 17% and SpaceX CDS hit a record.

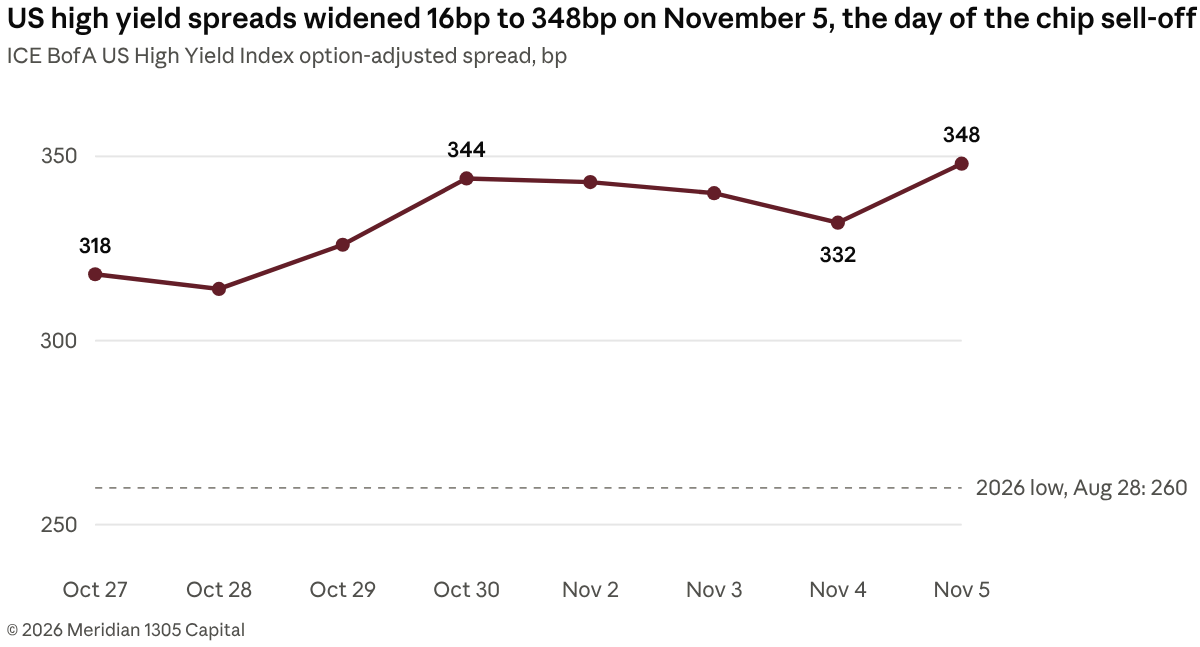

Figure 6. Source: Meridian 1305 Capital; ICE BofA US High Yield Index OAS via FRED (BAMLH0A0HYM2), October 27 to November 5, 2026. Values rounded to the nearest bp.

- **US investment grade.** The Bloomberg US Corporate Index trades about 88bp over Treasuries. Only 0.88 points of the 5.82% index yield is spread, so investors are paid for rates, not credit risk. We are neutral: own it for the yield.
- **US high yield.** Congressional scrutiny of data center power costs adds risk to issuers still building. We are underweight CCCs and AI infrastructure, and prefer BBs outside technology.
- **EM hard currency.** The EMBI Global Diversified spread was about 235bp at the end of August, and the CEMBI about 240bp. EM sovereign investment grade trades only about 22bp over US investment grade, against a 10-year average near 80bp. EM has little direct exposure to the AI supply problem, which is why it held up better. The value is in high yield reformers, not investment grade.

Emerging markets: winners and losers

The sweep helps EM as a whole, but the difference between countries is larger than the move in the index. Argentina is the clearest case: its spread widened from 674bp on October 21 to 831bp on November 3 and was 827bp on November 4, barely moved by the election[12]. On our numbers, about 235bp of that spread is the EM-wide level (the EMBI Global Diversified) and about 590bp is specific to Argentina.

The sweep helps EM overall; the gap between countries is larger than the index move

▲ positive ◆ neutral or mixed ▼ negative

Country (BBG ticker)	Main channel	Impact	Our read
Mexico (MEX)	USD, US rates; USMCA goods stay duty-free	▲ Positive	Banxico's surprise cut shrinks the carry cushion; we still prefer MEX over BRAZIL in dollar bonds
Chile (CHILE)	USD, copper, risk appetite	▲ Positive	CLP rose 1.2% on November 4 and fell about 1% on November 5
Ukraine (UKRAIN)	Aid appropriations	▲ Positive	2034 notes rose above 63 cents; still a bet on how the war ends
India and ASEAN	USD, lower oil	▲ Positive	Domestic demand with little AI hardware exposure
Indonesia (INDON)	Oil and subsidies	▲ Positive if oil stays lower	Deficit outlook at 2.85% of GDP against a 3% cap
Colombia (COLOM)	Oil, USD	◆ Mixed	Lower oil hurts revenue; softer USD helps
Brazil (BRAZIL)	Domestic fiscal policy	◆ Neutral	Ibovespa +0.4% and BRL −0.1% over two days; the 25% Section 301 tariff stays
Argentina (ARGENT)	Reserves; US support	▼ Neutral to negative	Support stays but faces hearings; the problem is domestic
Venezuela (VENZ)	Sanctions licenses	▼ Negative	No license yet allows talks with creditors
Gulf, Angola, Nigeria	Oil price	▼ Negative if de-escalation holds	Lower oil revenue; Gulf issuance remains heavy
Korea and Taiwan	AI capex	▼ Negative	Chip and data center supply chain sold first

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Figure 7. Source: Meridian 1305 Capital; market data as listed in Sources. Impact is our assessment of each country's exposure to US rates, the dollar, oil, tariffs, sanctions and AI capex.

We see this as an EM story with two parts: a modest positive through the dollar and rates for most countries, and a larger country-by-country gap that rewards selection over beta.

Scenarios through mid-2027

Our base case is gridlock with a slow fall in the oil premium; the adverse case is a fiscal standoff combined with new tariffs. Probabilities and ranges below are Meridian 1305 Capital estimates, not forecasts from any outside source.

Scenarios through mid-2027: gridlock is the base case

Meridian 1305 Capital probabilities and ranges. The adverse case needs only the White House to act.

Scenario	What happens	10-year UST	Dollar index	Brent	EM hard currency	US high yield
Base: gridlock 55%	No new fiscal stimulus; oil premium fades slowly; tariffs unchanged	4.6% to 4.9%	98 to 101	$80 to $95	Spreads stable; carry drives returns	Wider for CCCs and AI issuers
Bull: de-escalation 20%	Iran ceasefire; oil falls; Fed cuts	4.3% to 4.6%	95 to 98	Below $80	Tighter; importers and HY reformers lead	Tighter outside AI
Adverse: confrontation 25%	Budget and debt ceiling standoff; new Section 301 tariffs; AI credit stress	5.0% to 5.3%	102 to 105	Two-way	Wider; Argentina, frontier and Mexico most exposed	400bp or wider

Probabilities sum to 100%. Bar length is the probability.

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Figure 8. Source: Meridian 1305 Capital estimates, anchored on November 5, 2026 levels. Not forecasts from any outside source.

The adverse case does not need Congress to act. It needs the White House to respond to gridlock with more tariffs, which it can do on its own.

How we set the probabilities

- **Base, 55%.** A veto-proof majority does not exist, so gridlock is the default outcome. We put it below 60% because two shocks are live: Iran (our odds: 40% for renewed US strikes within six months) and the AI sell-off.
- **Bull, 20%.** This starts with an Iran deal or ceasefire, which we put at 20%. A ceasefire that takes Brent below $80 would remove the main source of inflation, and we expect the Fed would then cut by mid-2027. Futures still price further tightening, with a December hike back near 78% after the November 6 jobs report, so we do not go higher.
- **Adverse, 25%.** The White House can add tariffs without Congress, and the new Congress's first budget fight comes in January. We weight this above the bull case because it needs only one actor.

Our Iran odds, checked against Brent

These are Meridian 1305 Capital estimates over six months. The Brent level for each outcome is our estimate of where the price would settle.

Our Iran odds, checked against Brent

Meridian 1305 Capital estimates over six months. Brent in each outcome is our estimate of where the price would settle.

Outcome	Our probability	Brent in that outcome	Contribution
Renewed US strikes	**40%**	$110	$44.00
Extended standoff, no strikes and no deal	**40%**	$92	$36.80
Deal or ceasefire	**20%**	$75	$15.00
Weighted	**100%**		**$95.80**
Brent close, November 5			$98.29

The close is $2.49 above our weighted level. With deal odds at 20%, the market implies 54% strike odds, against our 40%.

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Figure 9. Source: Meridian 1305 Capital estimates; Brent settlement on November 5, 2026.

Brent settled at $98.29 on November 5, $2.49 above our weighted level. Holding the deal odds at 20%, the strike probability that would match the market price is 54%: 0.20 × 75 + p × 110 + (0.80 − p) × 92 = 98.29, so p = 9.69 ÷ 18 = 54%. The market prices about 14 points more strike risk than we do.

Probability-weighted outcomes

Each scenario uses the midpoint of its range; "below $80" uses $75 and "two-way" Brent uses $100.

Weighted by our scenario odds, yields, the dollar and Brent all point lower

▲ gain ▼ loss, for a long holder. Each scenario uses the midpoint of its range.

Measure	Now (Nov 5)	Base × 55%	Bull × 20%	Adverse × 25%	Weighted	Implied move
10-year UST	4.84%	4.75%	4.45%	5.15%	**4.79%**	▲ **−5bp**
Dollar index	101.6	99.5	96.5	103.5	**99.9**	▼ **−1.7%**
Brent	$98.29	$87.50	$75.00	$100.00	**$88.13**	▼ **−10.3%**

Weighted = 0.55 × base + 0.20 × bull + 0.25 × adverse. A fall in the 10-year yield is a gain for bondholders.

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Figure 10. Source: Meridian 1305 Capital calculations from the scenario ranges in Figure 8 and November 5, 2026 closes.

Working for the 10-year: 0.55 × 4.75 + 0.20 × 4.45 + 0.25 × 5.15 = 4.79%. The weighted outcomes point the same way as judgments 2, 4 and 7, but the 10-year edge is small (5bp), which is why we prefer to take duration through the 5- to 7-year sector rather than the long end. The weighted Brent here ($88.13) runs through mid-2027; the $95.80 in our Iran odds is a six-month view, so the two are not meant to match.

The other side

The strongest case against us: the AI sell-off is the start of a broad risk-off, and EM carry is where it ends. In this view, the sweep is irrelevant and the market is pricing the end of the AI investment cycle. The VIX rose about 39% on November 5[35], and carry trades are the first positions cut when volatility jumps. EM sovereign spreads start near their tights, so they have little room to absorb a shock. The Fed is still expected to hike again, and after the November 6 jobs report a December move is back in the price, which would lift the dollar. MXN has already gone from the best performer on November 4 to the worst on November 5.

What this case gets right: spreads are tight, volatility has jumped and the Fed has not turned. We have cut the size of our carry views because of it, and we prefer BRL, where the carry cushion is about four times larger than MXN's.

Why we still hold our view: EM has little direct exposure to AI supply, and the EMB fund NAV rose 0.46% on November 4 and a further 0.07% on November 5[48], the day the S&P 500 fell 4.36%. Real policy rates in Brazil and much of EM give carry a cushion that US high yield does not have. The bond rally lowers EM funding costs even if equities keep falling.

The switch point. We move EM carry to neutral if the EMBI Global Diversified spread widens more than 50bp from its current level, or if the dollar index closes above 103. Both are in Signposts.

What EM and multi-asset portfolio managers should focus on

Use the softer dollar to add carry with a cushion, not beta, and keep the AI and fiscal risks hedged. Each recommendation names its reader, the judgments it rests on, its confidence and horizon, and the trigger and exit.

Recommendations

Nine positions: carry with a cushion, less AI credit, keep gold, hedge the dollar

Grouped by reader. Each position names the key judgments (J1 to J9) it rests on, when to act and when to exit.

#	Position	Confidence	Rests on	Act	Exit or review if
	EM LOCAL-CURRENCY PMS				
1	**Prefer BRL over MXN in FX carry**	■■■■□□ Likely 3 months	J5	Now	Brazil's 2027 budget drops its fiscal target, or a second Banxico cut takes the MXN carry gap below 200bp
	EM HARD-CURRENCY PMS				
2	**Overweight HY reformers over EM IG, short and intermediate maturities; take duration through the UST leg**	■■■■■□ Very likely 6–12 months	J2, J6	Now	EMBI Global Diversified spread widens more than 50bp
3	**Prefer MEX over BRAZIL in dollar bonds**	■■■■□□ Likely 6 months	J1, J8	Now	USMCA review postponed or new tariffs on Mexico
4	**Neutral Argentina; wait on Venezuela**	■■■■■■ Almost certain Through year end	J8	Argentina: sustained reserve purchases. Venezuela: an OFAC license for creditor talks	Not applicable until entry
	MULTI-ASSET AND CREDIT PMS				
5	**Underweight US CCCs and AI infrastructure credit; own US IG for yield and BBs outside technology**	■■■■□□ Likely 3 months	J3	Now	US HY spread back below 320bp after Nvidia's results
6	**Rotate equities from AI hardware and data centers to platforms, domestic EM and Asian oil importers**	■■■■□□ Likely 3–6 months	J3, J7	Now	Hyperscalers raise spending guidance and the chip index recovers half its November 5 loss
7	**Hold the 5- to 7-year Treasury sector over the long end**	■■■■□□ Likely 3 months	J2	Add on moves toward 4.90%	Review if the 10-year closes above 4.95%; take profit below 4.60%
8	**Keep gold**	■■■■□□ Likely 6–12 months	J9	Hold	Real yields rise sharply after a hawkish December FOMC
	ALL PMS				
9	**Hedge the adverse case: long USD against high-beta, low-carry EM FX, using forwards**	■■■□□□ Even odds 6 months; insurance	J4	Now	Dollar index below 99

Confidence: six squares = almost certain; five = very likely; four = likely; three = even odds. Views for discussion, not personal advice.

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Figure 11. Source: Meridian 1305 Capital. J1 to J9 refer to the numbered Key judgments; confidence follows the Meridian scale.

Signposts

Signposts: the dates and levels that test the set-up

● Scheduled event ● Level or risk we monitor continuously

When	What to watch	Why it matters
● **Friday, November 6**	US October jobs report (resolved)	Payrolls 165,000 against about 65,000 expected; December hike back near 78%; 10-year 4.88%, still below the 4.95% line. Call holds
● **Late November**	Nvidia results and hyperscaler spending guidance	Key test for AI credit and Asian chipmakers after the Nasdaq correction
● **December**	FOMC meeting	After the jobs report, futures put a December hike back near 78%. The Fed still sets the level of yields and the dollar
● **December**	Banxico's last meeting of 2026	Whether it holds at 6.25% as signaled, which decides MXN carry
● **December 15**	End of Egypt's IMF program	Test of fuel-subsidy reform credibility
● **January 2027**	New Congress takes its seats; budget fights begin	Fiscal confrontation risk
● **January 2027**	Argentina bond payments; Bolivia's gasoline subsidy decision	Reserves and reform tests
● **Ongoing**	Iran strikes or a deal	Oil premium and the importer versus exporter split
● **Daily**	EMBI Global Diversified spread; dollar index	Switch points: EM carry to neutral if the EMBI widens more than 50bp or the dollar index closes above 103
● **Daily**	ICE BofA US High Yield spread (H0A0)	Judgment 3 holds above 332bp; below 320bp after Nvidia results closes Recommendation 5

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Figure 12. Source: Meridian 1305 Capital. Dates as scheduled at the time of writing; switch points are defined in Key judgments and The other side.

Methodology

The report uses three data dates. Market data are November 5, 2026 closes unless a row or sentence says otherwise. Where a November 5 value was not yet published, we use November 4 (listed under Exceptions). Figures dated November 6 come after the US jobs report that morning: payrolls, unemployment and revisions, the December hike odds

(about 78%) and the 10-year at 4.88%. They appear in the November 6 update, the Bottom line, Key judgments 2 and 4, Rates and the dollar, the bull case, The other side and Signposts. Everything else, including the asset-class table, the two-day net and the scenario anchors, is as of the November 5 close. All calculations are by Meridian 1305 Capital. Superscript numbers refer to the numbered Sources list; figures without one are Meridian 1305 Capital estimates or calculations.

Exceptions. The Mexico IPC and the IG spread use November 4, because November 5 values were not yet published at the time of writing. The HY spread is the published FRED value for November 5. Oil prices are futures settlements. Gold is a late-afternoon spot price. The dollar index level is from late in the session; its change is the close. Blackstone is a midday price. QQQ is shown alongside the Nasdaq 100 index move as the most traded proxy. Venture capital and private fund marks have no daily public price. EM hard currency spreads (EMBI Global Diversified and CEMBI Broad Diversified) are as of the end of August 2026, the latest published monthly levels available to us (see Index levels below). Argentina's spread is the J.P. Morgan EMBI country spread.

- **Scenarios.** Probabilities and ranges are Meridian 1305 Capital estimates, anchored on November 5 levels. They are not forecasts from any outside source.
- **Country impact.** A qualitative view of each country's exposure to US rates, the dollar, oil, tariffs, sanctions and AI capex.
- **Confidence words.** Each judgment uses the Meridian scale: almost certain (above 90%), very likely (75–90%), likely (55–75%), even odds (45–55%), unlikely (25–45%), very unlikely (below 25%).
- **Carry arithmetic.** Carry is the policy rate minus the fed funds upper bound of 4.00%: MXN 6.25% − 4.00% = 2.25% a year; BRL 13.75% − 4.00% = 9.75% a year. Months of carry lost = spot move ÷ annual carry × 12. It ignores forward points and hedging costs. A December Fed hike would cut both by 0.25 points, taking MXN carry to 2.00% a year.
- **Two-day moves** compound the daily percentage changes; yield and spread changes add.
- **Source quality.** November 5 US equity closes, Treasury yields, Banxico, Brent and gold come from major financial news reporting, listed in Sources. The following rest on market-wrap or aggregator sites only and have not been independently verified: the November 4 index closes, the November 4 IG spread, the November 5 dollar index change, the QQQ close, the Chile IPSA and CLP moves, the Blackstone price, and the November 5 real estate sector close. Where sources disagreed (the Nasdaq 100 fall on November 5 was reported as 6.07% and 6.36%), we used 6.36%.

- **Our own odds and views.** All probabilities, scenario weights and views in this report are Meridian 1305 Capital estimates. We do not use other firms' research, forecasts or odds. The Iran odds and their Brent cross-check are in Scenarios; the Argentina split uses 827bp (J.P. Morgan EMBI country spread, November 4) minus about 235bp (EMBI Global Diversified, end of August).
- **Index levels.** The EMBI Global Diversified and CEMBI levels (end of August), the EM investment grade versus US investment grade gap and its 10-year average, and the Bloomberg US Corporate Index spread and yield are index data that we first saw in third-party commentary. We have removed that commentary from our sources; these levels are as reported in third-party commentary and have not been independently verified against the index provider.
- **November 6 update.** Payrolls, unemployment and revisions are from the Bureau of Labor Statistics release as reported on November 6. The December hike probability (about 78%, from about 70%) and the 10-year at 4.88% are intraday readings after the release and have not been independently verified against CME FedWatch or a closing level.

Disclosures

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