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Cross-Asset- and Strategy-Research

The U.S. after the midterms

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Will President Trump choose cooperation or confrontation?

The midterm elections on November 3 were a crushing rebuke to Donald Trump's MAGA movement. LBBW Research had developed a forecasting model that suggested the Democrats could take control of both chambers of Congress. But the sheer collapse in Republican support still surprised us.

The media often spoke of a "blue tsunami": blue is the Democrats' color, red the Republicans'. Easy enough to remember, given Trump's fondness for wide red ties and bright-red baseball caps. The blue wave swept through even Republican strongholds such as Texas, Kansas and the Carolinas. I would never have imagined that Mississippi or Alaska might become swing states in my lifetime.

How will Trump respond?

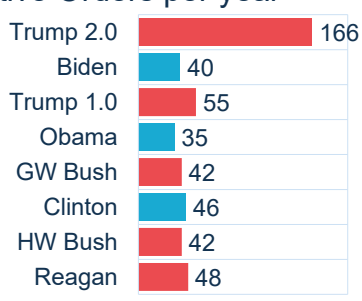
When the new Congress convenes on January 3, the president's days of governing unchecked will be over, at least for now. The U.S. legislature had more or less abdicated its role. No president in recent history has signed so many executive orders bypassing Congress. Congress, meanwhile, has passed fewer laws since Trump's second inauguration on January 20, 2025, than at any other point this century (see fig. 1 and 2). And the laws that the Senate and House of Representatives did pass often came straight from the White House, unchanged. One example is the somewhat childishly named "One Big Beautiful Bill Act," Trump's package of tax giveaways for the very wealthy. Democratic majorities will not put up with that.

The good news, for now, seems to be that the results were so devastating for Republicans that even Trump apparently saw no way to mount a large-scale challenge to the election results. The U.S. will probably be spared another storming of the Capitol. His



Source: Truth Social

Fig. 1: Number of Executive Orders per year



Source: UCSB, LBBW Research

initial remarks were distinctly conciliatory: it was time, he said, to come together.

But Trump would not be Trump if he did not send contradictory signals. One is the promotion of right-wing firebrand Stephen Miller as the new White House chief of staff. Miller is considered the driving force behind the hardline approach to deporting migrants and has long been a loyal lieutenant to the president. Trump sent a similar signal by offering the press secretary's job to Dana White, head of the mixed martial arts organization Ultimate Fighting Championship (UFC) – even though White politely declined. The choice of hardliner Jim Jordan to lead congressional Republicans likewise offers little reason to expect the president and his party to embrace compromise. And Trump likes to portray himself as Mr. Veto in his social-media posts (see photo), which also points more toward obstruction than cooperation.

What could change – and what will not

First, it is worth noting that the U.S. president – much like his French counterpart – has considerable autonomy in foreign policy. Whether the war with Iran continues will therefore be decided in the White House. Even before the election, Trump showed the first signs of war weariness. He had long promised to "finish the job" after the elections and flatten Iran. His tone has lately become more restrained. Congress's only way to thwart the president is to deny him further funding.

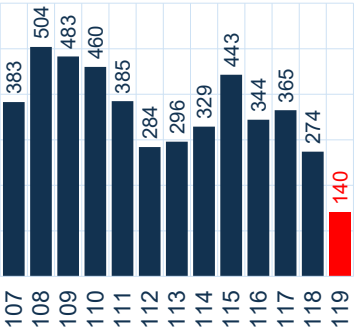
Under the Constitution, the authority to set trade policy and tariffs actually rests with Congress. But for decades, Congress has delegated that power to the executive so that the U.S. could respond more quickly in case of a trade conflict. In theory, the Democrats could reclaim it. Yet that does not seem to be their priority. Instead, they can be expected to summon cabinet members and other MAGA loyalists before congressional investigative committees. A third impeachment proceeding against Trump is also possible. He would no doubt be boastful about that, too – no other president has been subject to so many impeachment efforts. I have already discussed the risk of another debt-ceiling dispute in this column.

Markets turn jittery: will AI be held back?

After a surprising stock-market rally the day after the election, the following days brought a sell-off, particularly in AI and tech stocks. That is understandable: alongside the congressional elections and some gubernatorial races, ten states also held 47 votes on proposed data centers. In 46 of them, a majority favored slowing, capping or even halting new construction. AI data centers are even less popular with the public – 71% oppose having them in their area – than nuclear power plants, which face 53% opposition!

Another Capitol riot is unlikely

Fig. 2: Number of enacted legislation by congress



Source: Govtrack.us, LBBW Research. 119. Congress through November 12, 2026

Trump faces few constraints in foreign policy

Opposition to new data centers

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