PRESS RELEASE

US mid-term elections: the Republicans' likely defeat will not neutralize Trump

Hong Kong S.A.R, November 4th, 2026 – **The parliamentary elections in November are likely to result in a legislature that is either partially or entirely opposed to the presidency, with a risk of domestic political deadlock. President Trump will continue to govern by executive order and is expected to be particularly active in the areas of trade and foreign policy… at the risk of further escalations.**

Key figures:

- **2.1%:** projected US growth for 2026 (1.9% for 2027)
- **16:** number of trading partners targeted by the US investigation into manufacturing overcapacity
- **$41,100 billion:** US debt ceiling raised in July 2025

Democrats are favorites to retake the House

With just a few days to go before the election, the Democrats are widely tipped to retake control of the House of Representatives, where all **435** seats are up for election. In the Senate, **35** seats are up for grabs and the contest is set to be closer. Although a narrow Democratic majority now appears more likely, the outcome remains uncertain.

Towards political deadlock

A change in control of Congress – or even just the House of Representatives – would severely limit Donald Trump's ability to push through major new reforms during the final two years of his term. Furthermore, control of Congress would not allow the Democrats to pass laws on their own, as any bill is subject to a presidential veto unless it secures a two-thirds majority in both chambers, which is unlikely.

This standoff could have tangible consequences for the US economy. The debt ceiling, raised to around **$41,100 billion** in July 2025, is expected to be reached in 2027 and would require a further vote in Congress. A prolonged deadlock over this ceiling – although unlikely given both parties' desire to avoid it – could trigger an accidental

technical default. Such a scenario could push up US Treasury yields even further – already close to **5% for 10-year bonds** – and increase the cost of borrowing for businesses and households.

Trade and foreign policy: Trump retains the upper hand

This domestic deadlock does not, however, mean that the Trump presidency will be neutralized. The White House will retain significant leeway on trade and foreign policy, even if the Democrats win both houses.

The main area of concern relates to tariff policy, over which Donald Trump now wields substantial powers. A Section 301 investigation is currently targeting **16 major trading partners**[1] accused of maintaining excess manufacturing capacity. The scope of the investigation and the products likely to be affected are not yet known. Relations with **China** will also be particularly worth monitoring, as the 'tariff truce' agreed in October 2025 is due to expire on 10 January 2027. Recurring disputes with the **EU** (Ukraine, digital services, Greenland) suggest that it could be among the main targets, with the President threatening to launch an investigation in response to the €890 million fine imposed by the EU on Google.

"The mid-term elections could produce a paradox: constraining Donald Trump on domestic policy without reducing his capacity for international action to the same extent. The risk is therefore less that of a paralyzed Trump than of a president who focuses his efforts on areas where Congress has the least influence: trade and foreign policy", **explains Marcos Carias, North America economist at Coface.**

[1] China, the EU, Singapore, Switzerland, Norway, Indonesia, Malaysia, Cambodia, Thailand, South Korea, Vietnam, Taiwan, Bangladesh, Mexico, Japan and India.

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