CIBC PRIVATE WEALTH



JAMES DIXON, CIM®: MACRO THOUGHTS – SEP 16, 2026

WHAT TO WATCH THIS FALL

EXECUTIVE SUMMARY

The fall of 2026 presents investors with an unusually concentrated calendar of policy catalysts. Against a backdrop of elevated equity valuations, historically difficult midterm-election seasonality and increasing concern over U.S. fiscal sustainability, the potential for policy-driven volatility is significant.

But volatility should not automatically be interpreted as a change in the investment regime.

A thought piece from Morgan Stanley highlights four major policy catalysts investors should watch this fall:

1. **The November 3 midterm elections**. The investment implications may extend well beyond control of Congress to state-level policy and the direction of US politics heading toward 2028.
2. **The political response to America's AI and data-center build-out**. Federal backing (given the strategic importance of sovereign AI) and more than $1 trillion of expected hyperscaler spending must be weighed against growing local opposition.
3. **The September 24 U.S.–China meeting**. This meeting will test whether the current period of "managed stability" can withstand continued competition over trade, semiconductors and AI.
4. **Fiscal policy risk.** The return of fiscal policy risk is noteworthy. Government funding, defense spending, deficits and more than $40 trillion of federal debt return to the foreground as we head toward year-end.

Importantly, our central investment conclusion remains constructive. These catalysts however could determine the path markets take over the coming months without necessarily changing their ultimate destination. The key for investors is identifying the point at which political uncertainty begins to materially affect earnings, capital expenditure, economic growth or the cost of capital.

Absent that deterioration, periods of policy-driven weakness should be viewed selectively as opportunities rather than reasons to abandon risk assets.

1. MIDTERM ELECTIONS: LOOK BEYOND WASHINGTON

The November 3 midterm elections will naturally dominate the fall political calendar.

Investors will focus on whether Republicans retain control of Congress, Democrats capture one chamber, or Democrats outperform expectations more broadly. Those outcomes matter, but the investment implications extend well beyond Washington.

State and gubernatorial elections could prove particularly important especially when it comes to data-center development and the growing political debate surrounding it.

Opposition does not divide neatly along traditional party lines. Republican and Democratic candidates alike are responding to concerns surrounding electricity prices, water consumption, land use and infrastructure requirements.

These elections are important because governors can influence permitting and infrastructure policy and, in certain states, appoint public utility commissioners. This makes races in states such as Texas, Pennsylvania and Ohio matter more for investment themes than individual congressional contests.

For investors, the broader signal to watch is whether challengers advocating more restrictive infrastructure policies consistently outperform incumbents. That could provide an indication of a broader shift in voter preferences with consequences extending beyond a single election cycle.

There is also the traditional market consideration.

Midterm-election years frequently experience elevated volatility ahead of November, and Morgan Stanley sees the potential for an initial negative equity reaction if Democrats outperform expectations. With that said, I would be careful about extrapolating such a reaction.

Key insight: Political uncertainty combined with weak seasonal markets can make temporary concerns appear structural. This is factually incorrect!

Unless the election materially changes the earnings, investment or regulatory outlook, I would regard much of this volatility as political risk being repriced rather than a fundamental deterioration in the economic cycle.

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2. AI & DATA CENTERS: POLITICS VS A SECULAR INVESTMENT CYCLE

Perhaps the most important policy debate for markets is the growing resistance to America's AI infrastructure build-out. This is because data centers require enormous amounts of electricity, water, land and supporting infrastructure. As construction accelerates, communities are becoming increasingly conscious of who ultimately bears those costs.

For investors, the concern is straightforward: could political resistance prevent currently anticipated AI capital expenditure from actually being deployed? For now, the answer remains largely no! Morgan Stanley, Goldman and JP Morgan similarly remain constructive on the AI investment cycle. Consensus forecasts from these participants argue for more than $1 trillion of hyperscaler spending next year.

Importantly, the industry's response to political resistance increasingly appears to be adaptation rather than retreat. For context:

- Where electricity costs are the concern, hyperscalers are attempting to protect residential ratepayers.
- Where water usage is contentious, companies are increasing disclosure and developing conservation frameworks.
- Where grid capacity is constrained, technology companies are becoming increasingly involved in securing power and supporting infrastructure development.

The result may therefore be less about whether AI infrastructure gets built and more about where, how and at what cost it gets built. That distinction has important investment consequences!

The AI opportunity is broadening beyond semiconductors and hyperscalers into power generation, transmission, electrical equipment, cooling, natural gas and nuclear infrastructure, engineering, water infrastructure and networking.

At the same time, sovereign AI provides a powerful counterweight to domestic political resistance. Governments increasingly view computing capacity, AI models, semiconductor supply chains, data and energy infrastructure as strategic assets. Washington may therefore face local pressure to restrict individual projects while simultaneously concluding that America needs substantially more domestic computing capacity to maintain technological leadership over China.

Key Insight: Both thesis' can be true at the same time. Political resistance could change the composition and geography of AI spending without ending the secular investment cycle itself.

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3. U.S.–CHINA: MANAGED STABILITY VS STRATEGIC COMPETITION

The September 24 US–China meeting represents the third major catalyst.

The central question is whether the "managed stability" established earlier this year can survive another period of tactical escalation.

The relationship remains fundamentally competitive. Tariffs, export restrictions, semiconductor access, AI capabilities, strategic supply chains and national security remain unresolved. Yet neither Washington nor Beijing benefits from uncontrolled economic escalation.

The result has increasingly become a pattern of managed competition: periods of tactical escalation followed by negotiation designed to prevent the relationship from becoming economically destabilizing.

Morgan Stanley believes there remains room for escalation ahead of the September meeting, but within the bounds of what it describes as "tactical escalation." Investors should therefore distinguish between headlines and regime change.

Additional tariffs, export restrictions or technology controls could generate significant market volatility without necessarily signaling the collapse of the broader economic relationship.

The more important development is the changing nature of the competition itself. US–China rivalry is increasingly moving from traditional trade toward AI, advanced semiconductors, computing capacity, energy security and control of strategic supply chains. This reinforces the sovereign-AI theme.

The US wants to preserve technological leadership. China wants to reduce dependence on American technology. Both objectives require substantial investment!

Key Insight: Geopolitical competition can therefore simultaneously create market risk and accelerate capital expenditure. For long-term investors, that distinction is critical.

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4. FISCAL POLICY: WATCH THE BOND MARKET

In The fourth catalyst is fiscal policy (Sep 9 - THE PRICE OF PRIVILEGE: US DEBT, USD & MIDTERMS).

The US has crossed the symbolic threshold of $40 trillion of federal debt, returning deficits, Treasury issuance and fiscal sustainability to the center of the investment debate.

Government funding has temporarily been pushed beyond the elections through a continuing resolution, but that merely shifts the confrontation toward December.

Congress must also address the annual National Defense Authorization Act, traditionally requiring bipartisan cooperation. The midterms could alter lawmakers' incentives just as these negotiations begin, creating another potential government-shutdown confrontation.

But the shutdown itself is not the primary investment risk. The larger issue is the price global investors will demand to continue financing US fiscal policy.

The United States retains extraordinary structural advantages:

- The world's deepest capital markets
- The dollar's reserve-currency status
- Strong institutional infrastructure
- The absence of another market capable of absorbing global savings at comparable scale.

Those advantages provide enormous fiscal flexibility but they do not provide infinite fiscal flexibility as discussed last week. For investors, the most important signal may therefore come from the bond market rather than Congress.

Rising term premiums, persistently higher long-term yields, deteriorating Treasury-auction demand or evidence that fiscal concerns are raising the structural cost of capital would be considerably more important than another temporary government shutdown. That would have consequences far beyond Treasuries because the risk-free rate remains the foundation on which other financial assets are valued.

Key insight: Long end bond yields are likely the most important signal to watch from here.

5. WHAT WOULD CHANGE MY VIEW

Rather than attempting to forecast every political headline, investors should identify the developments that would genuinely challenge the constructive investment thesis. There are 4 core signals to watch:

1. **A material deterioration in the AI capital-expenditure cycle**. State-level restrictions become more concerning if they begin reducing aggregate spending rather than simply delaying, relocating or changing the economics of individual projects.
2. **A transition from US–China tactical escalation to structural economic disengagement**. Substantially broader technology restrictions, tariffs or supply-chain disruption would suggest the current framework of managed competition is breaking down.
3. **Fiscal concerns materially change the cost of capital**. A persistent increase in Treasury term premiums, weakening demand for US Treasuries or a sustained repricing of long-term interest rates would represent a more consequential regime change than arguments surrounding the deficit.
4. **A material deterioration in corporate earnings.** Ultimately, policy matters most when it reaches the income statement. If political uncertainty begins translating into weaker investment, margins, employment or earnings expectations, I would become more defensive.

Key Insight: Absent these developments, the underlying investment regime remains broadly intact.

6. PORTFOLIO POSITIONING

For UHNW portfolios, the coming months argue for discipline not wholesale repositioning!

- **Quality**. I continue to favor quality equities with durable free cash flow, strong balance sheets, pricing power and visible earnings growth. In a period when political headlines could cause valuations to move rapidly, fundamental quality provides an important anchor.
- **AI = infrastructure**. I increasingly view AI as an infrastructure investment cycle over a technology trade. Power generation, electrical equipment, grid infrastructure, cooling, networking, engineering and other physical bottlenecks may increasingly capture the second-order effects of the build-out.
- **Near/reshoring on geopolitical noise.** US–China strategic competition similarly argues for exposure to businesses positioned around domestic manufacturing, supply-chain resilience, defense, energy security and strategically important technologies.
- **Font end focus.** Within fixed income, fiscal uncertainty argues for selectivity. The opportunity in bonds exists, but I would avoid assuming that long-duration yields must automatically decline. The evolution of the term premium and Treasury-market demand deserves close attention.

Most importantly, the looming volatility should be viewed as an opportunity to take advantage! If equity markets weaken around: the midterms, data-center headlines, US–China tensions or another fiscal confrontation but earnings & capital-spending expectations remain intact, then the existing cycle holds.

Key Insight: For long-term UHNW investors, politically driven volatility can create an opportunity to acquire high-quality assets at prices disconnected from their underlying economic value.

CONCLUSION

Four policy catalysts will dominate the fall:

- The midterm elections.
- The political response to the AI infrastructure build-out.
- The evolution of US–China relations.
- The return of fiscal policy risk.

Each is capable of producing meaningful volatility but none, at present, appears sufficient on its own to overturn the secular forces supporting the investment cycle. For context:

- AI capital expenditure remains supported by commercial demand and national strategic priorities.
- US–China competition is contentious but is operating within a managed escalation framework.
- America's fiscal trajectory is concerning, but the critical signal will come from the bond market, not political rhetoric alone.

For investors, the distinction between a catalyst that changes market prices and a catalyst that changes underlying value matters enormously!

That is particularly important during a seasonally difficult periods when negative political narratives can reinforce weak price action and make temporary uncertainty appear structural.

Discipline suggests sticking to the framework, currently intact, whilst watching the four catalysts that would change my view: deteriorating AI investment, structural US–China disengagement, sustained fiscal repricing of the cost of capital, or weakening corporate earnings.

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