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SGH ARI Resources Fund – Investor note

November 2026

US midterms: a tailwind for gold and real assets

What a divided Congress means for resource investors

Our view in brief

Democrats have won both chambers of Congress, ending the President's ability to pass new legislation for the rest of his term. For resource investors the result is supportive on several fronts:
a softer US dollar, lower bond yields, more pressure to wind down the conflict with Iran and bring energy prices lower, and a stable policy backdrop for miners planning capital spending. Precious metals rallied on the day, but the larger opportunity lies in the fundamentals. Gold, copper and critical minerals make up around 85% of the SGH ARI Resources Fund's target allocation.

What happened

The 3 November midterms delivered Democratic control of the House and the Senate, with a handful of races still being finalised at the time of writing. The new Congress sits from January 2027, so most of the policy effects lie ahead.

Market moves on 4 November (US trading)	Level	Move
Gold (US$/oz)	~4,040	+2.9%
Silver (US$/oz)	~51.9	+4.5%
US dollar index (DXY)	~101.3	-0.5%, one-month low
US 10-year Treasury yield	~4.92%	Lower
Large-cap gold miners	–	+5% to +7%

Indicative intraday figures, US trading on 4 November 2026. Sources: Kitco, Babypips, Yahoo Finance.

The case for resources

- **Lower energy prices would cool inflation and take out the risk of further rate hikes.** Oil has traded above US$95/bbl through the conflict with Iran, and futures price around an 80% chance of a Fed hike in December. A Congress with leverage over funding and the debt limit can press for a wind-down. Lower oil and diesel prices would ease inflation, reduce the need for further hikes, support growth and commodity demand, and pull US yields and the dollar lower.
- **Cheaper energy cuts miners' costs.** Diesel is one of the largest operating costs for bulk and base-metal miners, so a lower oil price flows straight into cash margins.
- **Credit markets can stabilise.** Lower rate risk and tighter credit spreads reduce the cost of capital for developers and explorers.
- **Less strain on Gulf finances.** We have heard that some Gulf sovereign funds may have been selling US Treasuries and gold to meet war, defence and reconstruction costs. An end to the conflict would ease that pressure.
- **Policy settings hold, with no surprises.** The administration cannot pass new legislation, and Congress cannot override a veto. Existing settings largely hold, which helps miners plan capital spending.
- **Seasonality and sentiment are favourable.** The third year of the US presidential cycle has historically been the strongest for equities, and returns after midterm elections have been solid. The Dow had its best post-midterm day in 44 years on 4 November.

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Gold: supportive, with the Fed as the swing factor

- **Deficits stay large either way.** Gridlock blocks new tax cuts but will not close a deficit running at about 6% of GDP. Allianz expects it to widen to 6.6% in 2027. Persistent deficits and central-bank diversification remain the core long-term supports for gold demand.
- **The debt limit becomes a lever.** Analysts expect Democrats to use the next deadline to seek concessions on tariffs and the Iran conflict. A prolonged stand-off tends to favour gold, although mining equities can fall in a broad risk-off move.

Our framework

Gold does best when nominal bond yields are pinned and inflation expectations hold up, so real yields fall. Gold is still down about 7% this year because hike expectations have kept real yields high, so removing the hike risk is the key step. The Fed matters more to the near-term gold price than Congress. As context, not forecast: gold has averaged a 14% gain in the 12 months after the last 13 midterms (Kitco Research).

Copper and critical minerals

- **Copper has structural support.** Electrification and grid investment drive long-run demand, while permitting delays, falling grades and long development timelines constrain supply. These forces do not depend on the US electoral cycle.
- **Critical minerals remain a bipartisan priority.** Diversifying supply away from China has support across both parties. The Critical Mineral Dominance Act passed the House with Democratic votes, and a bipartisan Senate bill would add copper to the US critical minerals list. Congress may scrutinise individual deals without reversing the strategy.
- **The Australian dollar matters.** At AUD/USD 0.70 (late October), US$4,040/oz gold is about A$5,770/oz, which keeps margins at Australian producers wide. A stronger Australian dollar would offset part of any further rise in US-dollar prices.

How the SGH ARI Resources Fund is positioned

Target allocation	Weight
Gold	~35%
Copper	~30%
Critical minerals	~20%
Diversified miners	~10%
Cash	~5%

Target weights from the June 2026 portfolio review. Actual weights vary.

The fund targets both commodity-price upside and company-specific value: operating leverage, growth, development milestones and exploration success in gold, and quality assets the market has not yet fully valued in copper and critical minerals.
With cash around 5%, the fund is substantially invested, with its risk concentrated in resources equities.

What could change our view

- **A more hawkish Fed.** A December hike, higher real yields or a renewed rise in the US dollar would challenge the near-term gold case.
- **No resolution with Iran.** If the conflict continues and oil stays high, the disinflation and cost benefits above are delayed.
- **Weaker global demand.** A slowdown in industrial activity, especially in China, would weigh on copper and other cyclical commodities regardless of US politics.
- **Political disruption.** A funding or debt-limit confrontation could cause a sharp sell-off in mining shares before any safe-haven response in gold.

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Sources. Election: AP, ABC News, CBS News, Al Jazeera (4 Nov 2026). Markets: Kitco, Babypips, Yahoo Finance, CNN (4 Nov 2026). Policy: Allianz; CNBC, Goldman Sachs, Lombard Odier (4 Nov 2026); National Association of Manufacturers; S&P Global; TD Cowen via Mining.com.au. Oil: AP (Sep 2026). FX: AAP/CommSec (27 Oct 2026). Assessments and forward-looking statements are SGHiscock's views.

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