

2026 U.S. Midterms: Five Policy Themes and 30+ Stock Ideas

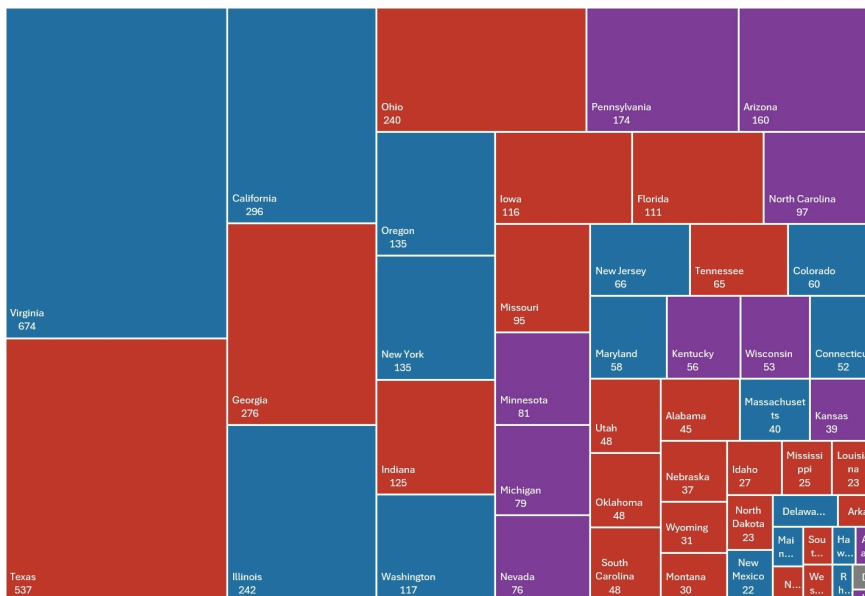
Continuing our work on U.S. elections and markets (see [here](#) & [here](#)), we highlight five implications of divided Washington: **1)** Fiscal fights take center stage; **2)** Trump Admin retains latitude on foreign policy, USG deals, and tariffs; **3)** oversight risks remain selective; **4)** AI policy stays benign, but data centers face more scrutiny; **5)** deregulation continues. **We offer 30+ stock ideas across defense, healthcare, software, semis, critical minerals, and more.**

I. Stock Beneficiaries: (+) ACHC, ALGM, AMD, AMZN, AVGO, BWXT, CCJ, CNC, CRWD, CRWV, CYH, DDOG, DT, GD, GFS, GOOGL, HCA, IONQ, KAP LI, LEU, META, MSFT, MTSI, OKTA, ORCL, OSCR, PANW, QNT, RTX, SNOW, THC.

II. Midterm Outlook

- U.S. House: Likely Democratic.** The president's party has lost House seats in 18 of 20 postwar midterms. With Trump's approval near 39% and independents at 24%, we expect a GOP setback.
- U.S. Senate: Democrats' odds are improving, but control remains uncertain.** They need a net gain of four seats including three seats from five GOP-held toss-ups (AK, TX, OH, IA, ME).
- State Governments:** In a Democratic sweep scenario, Democrats would gain new trifectas in **AZ, MI, MN, NV, PA, WI**, and Republicans would lose trifectas in **GA, IA, NH, and OH**. **GA, IA, OH and TX** are key states to watch for data center policies.

GA, OH, and IA are key data center states where Republicans risk losing trifecta control
Number of U.S. Data Centers by State



Source: Jefferies; USA Data Center Map; MultiState.
Red: Republican, Blue: Democratic, Purple: Divided.

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III. Five Policy Implications of a Divided Washington

1. **Fiscal Horse-Trading:** Republicans get one last chance to pass legislation in the lame-duck session, including FY27 appropriations (Dec 11) and the National Defense Authorization Act. In H2 2027, the debt ceiling would give a Democratic House leverage over Medicaid funding. Expect healthcare to be the main bargaining chip, while deficits keep growing no matter who wins.
2. **Emboldened Trump:** Most foreign policy, "America First" deals and tariff actions do not need Congress. Expect continued geopolitical volatility and tariff noise, with the average tariff rate holding at 10–20%.
3. **Oversight & Investigations:** New committee chairs could target discretionary spending, immigration-enforcement contracts, and government equity-stake deals. We think lower-stakes inquiries are unlikely to result in significant legal penalties by themselves. However, conflict-of-interest investigations deserve closer attention.
4. **AI & Data Center Policy:** States are leading AI regulation, but most enacted and proposed measures remain relatively benign. AI safety bills are multiplying in Congress, but they face a narrow path absent a catastrophic event that elevates AI safety concerns. We expect limited policy risk to the AI buildout and model development.
5. **Deregulation:** Most deregulation happens through the executive branch. Nearly half of about 2,500 pending rules are de-regulatory. We expect financials and energy to keep benefiting, led by SEC and EPA actions.

Alternative Scenario: A GOP Surprise

A Republican surprise could be felt more clearly through sector performance than broad market direction. We expect healthcare modestly pressured and defense relatively supported in this scenario. The broader market response will likely depend on whether investors place greater weight on the prospect of additional pro-growth reforms or on the policy stability typically associated with divided government.

IV. Our Related Notes

- [What We Are Hearing from Investors on the Midterms](#) (Sept. 2026)
- [2026 Midterms: What Comes Next for Policy and Markets?](#) (Sept. 2026)
- [2026 Midterms: Gridlock Isn't Calm](#) (Aug. 2026)
- [2026 U.S. Midterms: Constructive for U.S. Assets](#) (April 2026)

Table of Contents

I. Stock Commentary

1. Managed Care, Dave Windley	4
2. Healthcare Services, Brian Tanquilut	4
3. Software & Internet, Brent Thill	4
4. Software, Joe Gallo	5
5. Semiconductors & Semi. Cap. Equipment, Blayne Curtis	5
6. Semiconductors, Kevin Garrigan	5
7. Critical Minerals, Laurence Alexander	6
8. Aerospace & Defense Electronics, Sheila Kahyaoglu	6

II. Midterm Outlook

1. State of Affairs	8
2. U.S. House: Likely to be controlled by Democrats	8
3. U.S. Senate: Democrats' odds are improving, but control remains uncertain	9

III. Five Policy Implications of a Divided Washington

1. Fiscal Horse-Trading	11
2. Emboldened Trump	11
3. Oversight & Investigations	13
4. AI & Data Center Policy	13
5. Deregulation	17

IV. Our Related Notes on 2026 U.S. Midterms

20

I. Stock Commentary

1. Managed Care, Dave Windley (+) OSCR, CNC

Mid-term elections elicit prognostication (or perhaps consternation) about change. In this case, the likely split Congress is more likely to produce the traditional gridlock in Washington rather than catalyze policy momentum. The lack of policy change removes one uncertainty from the managed care landscape, leaving questions about medical cost trend progression and state and CMS pricing for upcoming plan years. Those remain stubbornly resistant to cycling in a positive direction – not getting worse, but also not getting better as swiftly as was envisioned 6-12 months ago. State-directed payment and provider tax phase-downs are positive to providers and, if we stretch, could alleviate some pressure on network adequacy and rates across books of business. However, the direct impact to MCOs is small to zero from these potential changes. Anticipating that the Dems will use the debt ceiling to negotiate for renewed eAPTCs, **Oscar Health (OSCR, Hold, PT: \$31)** and **Centene (CNC, Hold, PT: \$59)** could feel buying pressure from the hope. However, we also view reestablishment of eAPTCs as a long-shot.

Related recent research can be found [here](#) and [here](#).

2. Healthcare Services, Brian Tanquilut (+) HCA, THC, CYH, ACHC

Healthcare investors are keenly looking to the upcoming mid-term elections and have started to position ahead of it, evidenced by the rotation of funds within the healthcare complex (i.e., investor sentiment has turned notably bullish for hospitals such as HCA and THC, and other healthcare provider groups). For Healthcare Services providers, a split Congress is generally viewed as a positive, as gridlock brings regulatory visibility that operators in a highly regulated and increasingly-government funded sector need. Policy-wise, our belief is that a Democrat majority in the house and/or Senate opens the door for delays in scheduled cuts to reimbursement for hospital services from the Medicaid program that were legislated by the OBBBA, and that will be viewed as a notable positive for the group given the magnitude of these rate reductions. Our expectation is that Democrat legislators would use the Debt Ceiling legislation as the vehicle for negotiating with Republicans in advancing these changes. We also expect to hear emerging rhetoric post-mid-terms around the re-introduction of ACA/HIX subsidies, though the prospects of these seem lower than the Medicaid payment delays. With this in mind, we see the most near-term upside related to the upcoming elections in hospital stocks (**HCA Healthcare (HCA, Buy, PT: \$450)**, **Tenet Healthcare (THC, Buy, PT: \$285)**, **Community Health Systems (CYH, Hold, PT: \$3.50)** & **Acadia Healthcare (ACHC, Buy, PT: \$40)**).

3. Software & Internet, Brent Thill (+) AMZN, GOOGL, MSFT, ORCL, CRWV, SNOW, DDOG, DT, META

A split government and prospects for a national AI policy, rather than fragmented state-level rules, should ensure that the rapid pace of AI innovation continues. This should disproportionately benefit large, scaled players, especially those that have earned the trust of enterprises and/or consumers.

We continue to favor hyperscalers and leading neoclouds:

- **Amazon (AMZN, Buy, PT: \$330)** - Benefits regardless of which AI model wins as it has taken a model agnostic, platform approach.
- **Alphabet (GOOGL, Buy, PT: \$445)** - Gives more time to catch up in the AI model race with Gemini 4 Pro and beyond.
- **Microsoft (MSFT, Buy, PT: \$575)** - Has the highest trust from enterprises given its pervasive presence in corporate IT shops.
- **Oracle (ORCL, Buy, PT: \$290)** – Emerging as 4th enterprise Cloud option, with outsized upside if data center permitting and regulatory hurdles ease.

- **CoreWeave (CRWV, Buy, PT: \$150)** – Rapidly becoming recognized as a leading alternative to megacap hyperscalers with prowess in deploying NVDA reference architecture and expanding software capabilities.

The data layer, including observability players, should benefit:

- **Snowflake (SNOW, Buy, PT: \$430)** - Top 2 vendor for AI data plumbing.
- **Datadog (DDOG, Hold, PT: \$260) & Dynatrace (DT, Buy, PT: \$65)** - The importance of observability becomes paramount as agents become more capable.

In the consumer space:

- **Meta (META, Buy, PT: \$875)** - Renewed consumer and small business momentum with Muse and META Business Agents.

4. Software, Joe Gallo (+) OKTA, PANW, CRWD

We expect limited direct impact on cybersecurity regardless of the midterm outcome, given the sector's strategic importance and bipartisan support. A split government could cause incremental interest relative to other software subsectors since it's an area of compromise, leading to strong growth in federal, local government and enterprise security spend. AI adoption should drive a clear increase in security needs, favoring vendors with broad platforms. We expect identity to be the first area to inflect as enterprises secure AI agents and access, positioning **Okta (OKTA, Buy, PT: \$240)**, **Palo Alto Networks (PANW, Buy, PT: \$450)**, and **CrowdStrike (CRWD, Buy, PT: \$240)** as key beneficiaries.

5. Semiconductors & Semi. Cap. Equipment, Blayne Curtis (+) AVGO, AMD, MTSI, ALGM

We view a split government as net-neutral for semis, as gridlock should keep the current policy backdrop intact and leave AI infrastructure spending as the main driver. Compute remains our preferred exposure, with hyperscaler capex still moving higher, and we see **Broadcom (AVGO, Buy, PT: \$550)** as best positioned with AI visibility now extending through F28 while **Advanced Micro Devices (AMD, Buy, PT: \$650)** benefits from agentic AI driving CPU demand. For semicap, export controls remain the key swing factor, though recent tightening has come through Commerce rules rather than new laws, so we see a split Congress as less relevant to the outlook. Analog is less policy-sensitive, and our top picks, **MACOM (MTSI, Buy, PT: \$450)** and **Allegro MicroSystems (ALGM, Buy, PT: \$62)**, have growing data center exposure that ties them to the same AI spending cycle. The key risk is a major AI safety incident that prompts a more aggressive regulatory response.

6. Semiconductors, Kevin Garrigan (+) QNT, IONQ, GFS

A split-government outcome would be favorable for the quantum computing sector, in our view. **Within our coverage, this includes Quantinuum (QNT, Buy, PT: \$85) and IonQ (IONQ, Buy, PT: \$80), as continued federal support for strategically important technologies could improve funding availability, accelerate R&D, support domestic supply-chain development, and increase enterprise confidence in adopting quantum solutions.** Quantum computing has increasingly become a national security and industrial-policy priority, and we believe government funding, procurement activity, and strategic investment programs can help bridge the gap between technological progress and large-scale commercialization. **We also see GLOBALFOUNDRIES (GFS, Hold, PT: \$60) as a picks-and-shovels beneficiary, given its role as a domestic manufacturing partner in the quantum ecosystem and its exposure to broader efforts to strengthen U.S. semiconductor and advanced-technology supply chains.** As a result, GFS can benefit from increased investment in quantum infrastructure regardless of which quantum architecture ultimately succeeds, while also providing exposure to onshoring trends across semiconductor manufacturing and strategic technologies. Overall, we would

view a split-government outcome as supportive for both quantum developers and the domestic manufacturing infrastructure that underpins long-term commercialization.

7. Critical Minerals, Laurence Alexander (+) BWXT, LEU, CCJ, KAP LI (-) EU, NB, UCU CN, REA, ARA CN

Companies across the critical minerals space face heightened exposure to appropriations risk, which directly impacts credit and grant subsidy programs administered by OSC, DFC, EXIM and DoE's EDF. Divided government control introduces fiscal friction—creating tangible risks of funding delays, contract holdups and extended bureaucratic review timelines for companies in our coverage.

While bipartisan support for supply chain resilience and China decoupling remains strong, the mechanism of government support faces increasing congressional scrutiny under split control. Transparency concerns around direct equity stakes have emerged as a potential challenge, creating execution risks for pending and expected grant and credit programs. Should bilateral trade deals (e.g., Japan, Korea partnerships) come under similar review, additional downside risks could materialize. Companies reliant on NT financing to unlock the equity thesis are most exposed to these headwinds, including **EU (BUY, PT: \$1.44)**, **NB (HOLD, PT: \$4.70)**, **UCU CN (HOLD, PT: C\$2.30)**, **REA (HOLD, PT: \$12.30)** and **ARA CN (HOLD, PT: C\$3.80)**. Specifically on direct government stakes, although potentially dilutive to existing equity holders (particularly through grant-to-equity conversions), they meaningfully de-risk balance sheets and provide stable, non-market funding sources.

For nuclear fuel cycle companies, additional government support mechanisms (backstops, loans, equity stakes, and trade agreements) would provide substantial tailwinds for new conversion capacity, enrichment infrastructure, and reactor buildout. Given the sector's capital intensity and 30Y+ project visibility, supportive policy frameworks are particularly value-accretive. We view this dynamic as a structural positive for **BWXT (BUY, PT: \$181)**, **LEU (HOLD, PT: \$169)**, **CCJ (BUY, PT: \$138)** and **KAP LI (BUY, PT: \$106)**.

8. Aerospace & Defense Electronics, Sheila Kahyaoglu (+) RTX, GD

We share the view the FY27 defense budget outcome is closer to \$1.25T, rather than the fully-loaded \$1.45T that is contingent on \$350B of a follow-on reconciliation bill, while a split Congress will pressure expectations for the forward-look into FY28 defense spending. In absolute dollar terms, the expected \$1.25T outcome still solidly supports MSD% growth at the defense primes in our view, but that is shy of expectations for an acceleration into the HSD% range among contractors. Therefore, **we prefer RTX (RTX, Buy, PT: \$250) and General Dynamics (GD, Buy, PT: \$440)**, where there is strong fundamental budget support for key programs and still upside potential in numbers in our base case view of the budget.

The Defense primes & defense tech groups have de-rated materially over the past 6-12 months, with the Primes (LMT/GD/NOC/LHX/RTX) trading near 5Y trough EBITDA multiples of ~11X on average, reflecting: 1) mid-term election uncertainty and potential downwards pressure to outlooks for FY28+ defense spending; 2) risks created by executive orders around price-cost transparency & forced multi-sourcing among the industrial base; and 3) likelihood of reconciliation passage, creating funding risks as several of the top-priority funding categories such as missiles & munitions are funded disproportionately in the reconciliation accounts (\$350B) rather than the base budget (\$1.15T).

In our conversations with corporates, the consensus view has circled around a reconciliation bill that may look closer to \$100B than the \$350B, which will force money out of FY27 and into FY28, potentially putting at risk new program starts (such as CCAs) and the funding that was underwritten for the group to have taken capital expenditures up materially in 2026 forecasts. The \$350B assumed reconciliation funding includes RDT&E and procurement funding for: \$113B for Industrial base (32%), \$54B for Drone

Dominance (15%), \$49B for AI (14%), \$47B for Munitions (13%), \$36B for Facilities (10%), \$18B for Golden Dome (5%), \$14B primarily for F-35 (4%), \$12B for Space, and \$8B for Ships.

The Investment Accounts for RDT&E and Procurement total \$476B without the reconciliation bill (+11% vs FY26, +51% vs FY25) or \$757B with the \$350B (+77% vs FY26, +140% vs FY25).

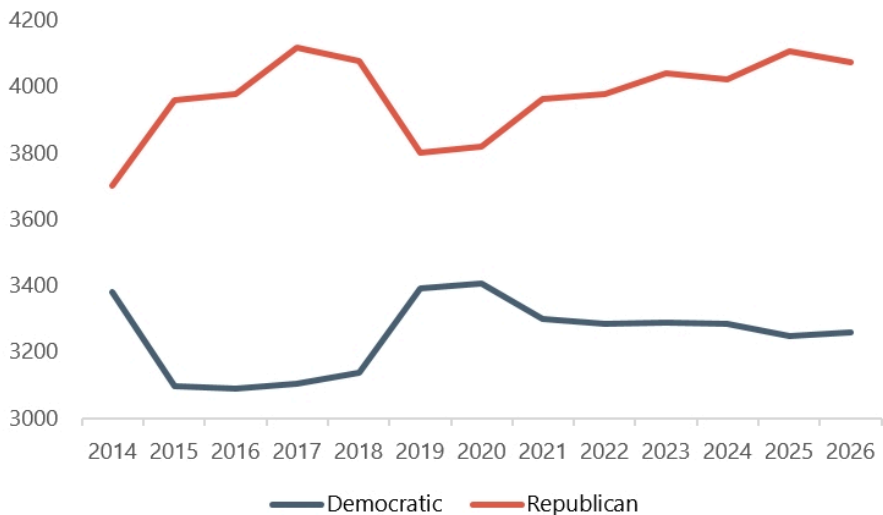
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II. Midterm Outlook

State of Affairs

- **In the Senate**, Republicans hold 53 seats to the Democrats’ 45 (plus 2 independents who caucus with Democrats). Republicans thus have a 6-seat majority (53–47).
- **In the House**, Republicans currently hold 218 seats to Democrats’ 214 (with 1 independent and 2 vacancies).
- **At the state level**, Republicans hold a narrow but clear structural edge, controlling 26 governorships and 28 state legislatures, and holding 23 state trifectas.

Figure 1 - Republicans hold a clear structural edge
Legislative Seats by Party



Source: MultiState Elections
The chart shows every state legislative seat, counted by party, nationally and in each state.

U.S. House—Likely to be controlled by Democrats

Midterm elections have tended to rebalance power against the sitting President’s party. In 18 of the past 20 midterms since World War II, the president’s party lost seats in the House. Only two midterms in the past 80 years broke this pattern: 1998 and 2002, which involved highly unusual circumstances. In 1998, President Bill Clinton enjoyed a 66% approval rating on Election Day. Voters, dissatisfied with what they saw as partisan impeachment efforts, actually rewarded Clinton’s Democrats with a net gain of 5 House seats – a historical anomaly. In 2002, President George W. Bush’s response to the 9/11 attacks drove his approval into the mid-60s, and his Republican Party picked up 8 House seats. Outside of those two cases – a popular president with well above 60% approval and a unifying national crisis – the president’s party virtually always suffers midterm losses.

Figure 2 - The president's party almost always loses ground
President Approval Ratings and Midterm U.S. House Results since 1946

Year	President	Approval rating	Midterm US House results
1946	Truman	33%	-45 seats
1950	Truman	39%	-29 seats
1954	Eisenhower	61%	-18 seats
1958	Eisenhower	57%	-48 seats
1962	JFK	61%	-4 seats
1966	LBJ	44%	-47 seats
1970	Nixon	58%	-12 seats
1974	Ford	54%	-48 seats
1978	Carter	49%	-15 seats
1982	Reagan	42%	-26 seats
1986	Reagan	63%	-5 seats
1990	GHW Bush	58%	-8 seats
1994	Clinton	46%	-52 seats
1998	Clinton	66%	5 seats
2002	GW Bush	63%	8 seats
2006	GW Bush	38%	-30 seats
2010	Obama	45%	-63 seats
2014	Obama	40%	-13 seats
2018	Trump	38%	-40 seats
2022	Biden	40%	-9 seats

Source: Gallup, UCSB, KPCnews

The latest RealClearPolitics average (Sep 8–28) puts President Trump's approval at around 39%, with 60% disapproving. His approval on the economy is lower still, at 34%. An Ipsos survey shows that approval among independents has fallen to 24% from 44% in January 2025. All else equal, a president with approval in the mid-40s or lower has historically seen his party suffer significant House losses (e.g., President Obama was at ~45% before the 2010 midterms, and his party lost 63 seats). Unless Trump's numbers improve dramatically in the next five weeks, the base case is a substantial Republican setback in the House.

U.S. Senate—Democrats' odds are improving, but control remains uncertain

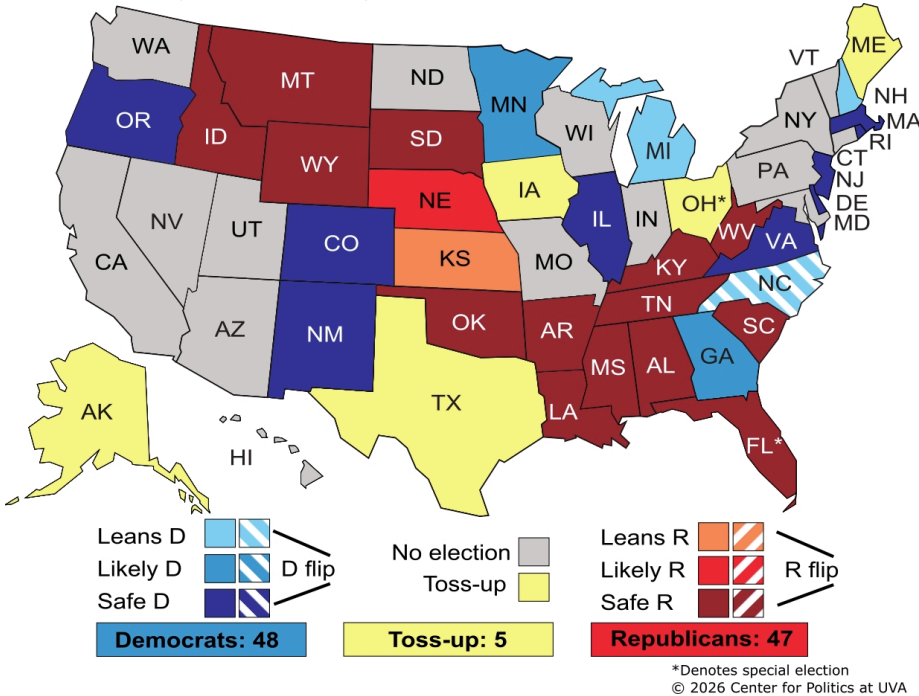
Republicans hold a 53–47 majority, so Democrats need a net gain of four seats to take control, since Vice President Vance would break a 50–50 tie. Sabato's Crystal Ball now puts 48 seats in the Democratic column, including a pickup in North Carolina, against 47 for Republicans, with **five Republican-held toss-ups** deciding the majority. That leaves Democrats needing three of the five toss-ups, provided they first hold two competitive open seats:

- **MI (Leans D):** Progressive Abdul El-Sayed (D) faces former Rep. Mike Rogers (R), who narrowly lost Michigan's 2024 Senate race.
- **NH (Leans D):** Former Sen. John E. Sununu (R) faces Rep. Chris Pappas (D) for Jeanne Shaheen's open seat.

If Democrats hold both, they need North Carolina plus three of the five toss-ups:

- **NC (Leans D flip):** Former two-term Gov. Roy Cooper (D) faces former Republican National Committee Chair Michael Whatley (R) for Thom Tillis's open seat.
- **Toss-ups:**
 - **AK:** Former Rep. Mary Peltola (D) is challenging Sen. Dan Sullivan (R).
 - **TX:** Attorney General Ken Paxton's (R) runoff win over Sen. John Cornyn gave state Rep. James Talarico (D) an opening.
 - **OH:** Former Sen. Sherrod Brown (D) is attempting a comeback against Sen. Jon Husted (R), who was appointed to fill JD Vance's seat, in a special election.
 - **IA:** Rep. Ashley Hinson (R) faces state Rep. Josh Turek (D) for Joni Ernst's open seat, in a state Trump carried by ~13 points that has become unexpectedly competitive.
 - **ME:** Sen. Susan Collins (R), the only Republican senator from a state Harris won in 2024, is seeking a sixth term against Troy Jackson (D).

Figure 3 - Democrats' odds are improving, but control remains uncertain
2026 Senate Ratings (Updated Sep. 22, 2026)



Source: Sabato's Crystal Ball, Center for Politics at UVA

In our expert call, Kyle Kondik of Sabato's Crystal Ball argued that a Republican surprise would require several factors to break in the GOP's favor: 1) public polls, particularly in OH and IA, would need to be understating Republican support; 2) the party's campaign-finance advantage would need to translate into effective advertising and turnout; and 3) redistricting could provide a net gain of roughly 2–6 House seats. Republicans could also benefit from an unexpected late development that energizes the base or a rapid decline in gas prices that improves perceptions of the economy. However, Kondik cautioned that **none of these advantages would be sufficient on its own**: outside spending is less efficient than candidate spending and depends on message quality, redistricting cannot fully overcome an unfavorable national environment, and no clear late-breaking catalyst for Republicans has emerged.

III. Five Policy Implications of a Divided Washington

1) Fiscal Horse-Trading

Dec: Republicans get one final window to legislate. Even if Democrats win the House, the current Republican Congress stays in place through Jan. 3, which gives Republicans a lame-duck session to finish their priorities. The main ones are full-year FY27 appropriations, due when the stopgap funding bill expires on **Dec. 11**, and the year-end National Defense Authorization Act (NDAA). The appropriations process remains substantially behind schedule, particularly in the Senate, increasing the likelihood of another short-term extension.

H2 2027: Split government puts the debt ceiling back in play. The Bipartisan Policy Center estimates the U.S. will hit its \$41.1tn debt limit between late winter and mid-summer 2027. Treasury's accounting measures would then buy another six to nine months, placing the X-date, when Treasury can no longer pay all its bills, later in 2027 or early in 2028. That gives a Democratic House leverage over the main fiscal fights:

- Medicaid and healthcare funding
- Defense spending and procurement
- Energy incentives and permitting

2032: Social Security's retirement trust fund runs dry. The Social Security Administration now projects that the Old-Age and Survivors Insurance (OASI) trust fund will run out in the fourth quarter of 2032. Unless Congress acts, benefits would then be cut by 22%. Neither party has an incentive to act before 2028, but the deadline will increasingly shape the debate.

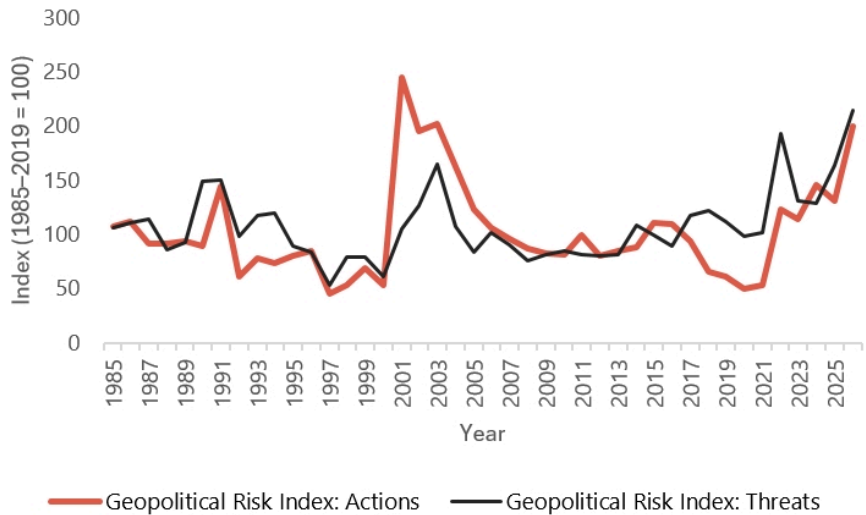
The midterms are not expected to alter the fiscal trajectory. According to the Congressional Budget Office, budget deficits are projected to approach \$3.1tn within a decade under current policies, while interest costs rise toward \$2.1tn. Federal spending, historically ~20% of GDP, is projected to reach 32%, with entitlements and interest crowding out everything else. Absent a major external shock, policy overhaul, or binding fiscal constraint, the baseline is continued fiscal expansion and a steadily worsening debt profile, largely irrespective of midterm results (see [here](#) & [here](#)).

2) Emboldened Trump

More assertive geopolitically. The Geopolitical Risk Index, including both its Actions and Threats components, now sits at nearly twice its 1985 level (Fig. 4), and divided government is unlikely to bring it down. Most foreign policy actions do not require congressional approval, so the midterms point to continued volatility rather than a reset. Iran is the clearest illustration: the President has rejected Tehran's latest offer to reopen the Strait of Hormuz and has said new strikes before November are "possible," with little a Democratic House could do to restrain further escalation.

Beyond the Middle East, we view the National Security Strategy as the roadmap for how geopolitical policy unfolds over the remaining years of this administration. First, it prioritizes the Western Hemisphere and expects Europe to take greater responsibility for its own security. Second, it focuses on narrow U.S. economic and security interests, particularly energy, technology and finance, rather than global policing. Third, it frames China as a long-term rival to be managed through competition rather than direct confrontation (see [here](#)).

Figure 4 - Geopolitical risk is nearly twice its 1985 level
The Geopolitical Risk Index, Yearly Average

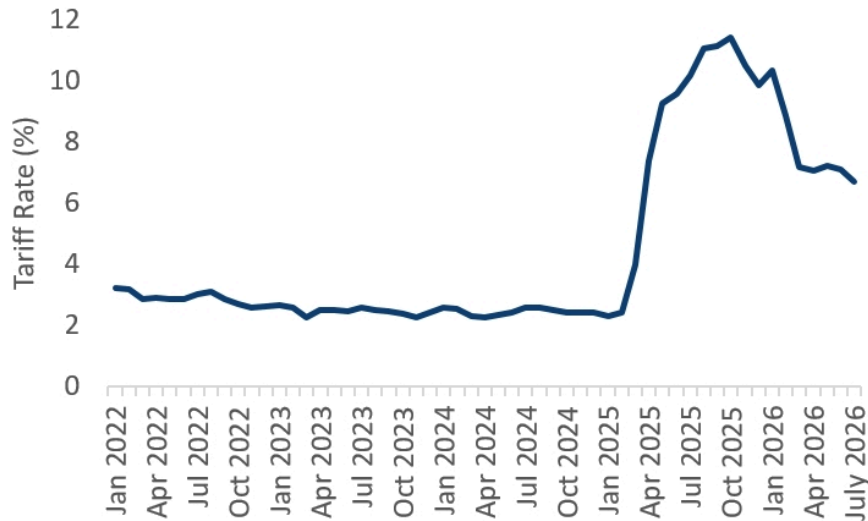


Source: Caldara, D., & Iacoviello, M. (2022). Measuring geopolitical risk. American Economic Review.

More "America First" deals. One of the defining features of the Trump administration's economic strategy has been an industrial policy push (see [here](#) & [here](#)). Notably, Democrats broadly agree with the goal of shoring up supply chains and investing in U.S. industry, even if they differ on execution. In addition, President Trump's flagship initiatives – such as the U.S. Investment Accelerator deals (e.g. a [\\$550bn Japan infrastructure investment framework](#) and a [\\$350bn Korea investment agreement](#)) – do not require new congressional approval. These are executive-driven international deals and will proceed under existing authority. Other tools like the Defense Production Act and the new Office of Strategic Capital are already funded through prior legislation. In particular, the FY27 NDAA may incorporate language that explicitly grants the OSC statutory authority to take equity stakes in companies (see [here](#)).

More tariff threats, less substance. Congress has largely handed tariff authority to the President over the years, and a split Congress is unlikely to take it back. Congress added to that power on Sep 18, when Trump signed the Lindsey O. Graham Sanctioning Russia and Iran Act. The law lets him impose tariffs of up to 100% on the five largest buyers of Russian oil and gas, a group led by China and India, with most measures due within 30 days. A Democratic House might hold hearings on tariffs' impact on consumer prices, but we do not expect legislation to meaningfully lower tariffs. Expect headline noise, but we see the average tariff rate holding within the 10–20% range (see [here](#) & [here](#)).

Figure 5 - The average tariff rate will likely hold within the 10–20% range
Average Effective Tariff Rate (%)



Source: Penn Wharton Budget Model

3) Oversight & Investigations

New committee chairs could target discretionary spending, immigration-enforcement contracts, and government equity-stake deals (see [here](#)). Most investigations begin with information requests, staff interviews, and hearings rather than subpoenas. Committees may issue subpoenas when voluntary cooperation is insufficient, although recipients often negotiate the scope, timing, and terms of compliance. If a dispute escalates, Congress can pursue criminal contempt, civil enforcement, or, in theory, inherent contempt. These mechanisms are cumbersome, however, and court proceedings can outlast the investigation itself.

We think lower-stakes inquiries are unlikely to result in significant legal penalties. However, conflict-of-interest investigations deserve closer attention because they can generate prolonged negative headlines, increase compliance and disclosure costs, delay contracts or funding decisions, and prompt referrals to executive-branch enforcement agencies. The principal risk for companies may therefore be reputational and commercial rather than direct punishment by Congress.

Potential committees and likely chairs under Democratic control of the House include:

- House Committee on Oversight and Government Reform: Robert Garcia (D-CA)
- House Permanent Select Committee on Intelligence: Jim Himes (D-CT)
- House Committee on the Judiciary: Jamie Raskin (D-MD)
- House Committee on Homeland Security: Bennie Thompson (D-MS)
- House Committee on Energy and Commerce: Frank Pallone Jr. (D-NJ)

All five currently serve as their committees’ ranking Democrats and are widely considered the likeliest candidates for the gavels if Democrats take the House, assuming they win reelection and retain caucus support.

4) AI & Data Center Policy

States are leading AI regulation, but most enacted and proposed measures remain relatively benign (see [here](#)). The three frontier AI safety laws already enacted mostly require disclosure. California’s Transparency in Frontier AI Act requires developers to explain how they identify and manage catastrophic risks. New York’s RAISE Act requires large developers to publish safety protocols

and report incidents within 72 hours, and it creates an oversight office within the Department of Financial Services. Illinois' AI Safety Measures Act requires an annual public framework covering risk assessment, governance, cybersecurity and third-party evaluations. None of these laws limits deployment or compute. That reflects our view that AI safety policy has been benign so far.

Figure 6 - AI safety policies are benign, so far
Key State AI Legislations

California — Transparency in Frontier AI Act (TFAIA) Requires developers to provide a detailed account of how catastrophic risks are identified, assessed, and mitigated throughout the lifecycle of a frontier model.	Enacted
New York — Responsible AI Safety and Education Act (RAISE) Requires large AI developers to publish safety protocols and report incidents to the State within 72 hours; creates an oversight office within the Dept. of Financial Services to assess frontier developers.	Enacted
Illinois — AI Safety Measures Act Requires large frontier developers to create, implement, publish, and annually update a frontier AI framework addressing catastrophic-risk assessment, governance, cybersecurity, and third-party evaluations.	Enacted

Source: State legislatures

The midterms are unlikely to change the trajectory of AI policy, which remains largely bipartisan. Democrats would likely pursue stronger oversight and enforcement, particularly around data center costs and ratepayer protections. However, comprehensive federal legislation would remain difficult to pass absent a catastrophic event that elevates AI safety concerns. Congress could still adopt some of the FRONTIER Act's less restrictive transparency and disclosure provisions next year, while more consequential measures, including independent audits and federal oversight of frontier AI developers, would face greater resistance.

Figure 7 - National politics are engaging fast in AI safety issues
Key Federal AI Legislations

The FRONTIER Act Rep. Jay Obernolte (R-CA) & Rep. Lori Trahan (D-MA) Establishes tiered requirements for frontier AI developers – model cards, risk management frameworks, independent audits, and incident reporting – and sets a uniform national transparency standard. Create an Under Secretary of Commerce for AI Security who would license Independent Organizations to Assess AI Companies' practices. Commerce Secretary would be able to suspend a company's AI development	Introduced
The AI Kill Switch Act Rep. Ted W. Lieu (D-CA) & Rep. Nathaniel Moran (R-TX) Requires developers to maintain technical ability to throttle, suspend, or shut down AI systems, with a graduated government response framework and mandatory incident reporting.	Introduced
Thune-Klobuchar-Cruz AI Bipartisan Safety Bill Sen. John Thune, Sen. Amy Klobuchar & Sen. Ted Cruz Would require AI companies to assess categories of high-stakes risks – including potential to create biological weapons or launch offensive cyber operations. AI companies would be legally responsible for mitigating their model's harms	Being drafted
Ban Artificial Superintelligence Act Sen. Bernie Sanders (I-VT) & Rep. Greg Casar (D-TX) Would permanently ban development of superintelligent AI, temporarily pause advanced AI until federal safety rules are in place, and pursue global agreements to prevent superintelligence anywhere.	Introduced

Source: Congress.gov

A blue wave would matter more for data center development than for AI models. In a hypothetical Democratic sweep, MultiState projects that Democrats would gain trifectas in **Arizona, Michigan, Minnesota, Nevada, Pennsylvania, and Wisconsin**, while Republicans would lose trifectas in **Georgia, Iowa, New Hampshire, and Ohio**. Of these states, Georgia, Ohio, and Iowa matter most for data center development. Together, they have nearly as many data center facilities as Virginia.

In GA and OH, Democratic trifectas would likely result in incrementally stricter conditions for developers, particularly around electricity costs, water use, and permitting. Iowa is an exception, as both leading candidates support meaningful restrictions, with Republican Zach Lahn potentially taking the more restrictive position.

Georgia

- **Keisha Lance Bottoms (D)** supports a temporary statewide pause on new data center construction while Georgia assesses the industry's effects on electricity costs, water use, the environment, and local communities.
- **Rick Jackson (R)** opposes a statewide moratorium and pitched his plan to bolster the tax base and decrease residential property taxes using data center revenue.

Ohio

- **Amy Acton (D)** supports a conditional moratorium and stronger protections against shifting data center-related costs onto utility ratepayers.
- **Vivek Ramaswamy (R)** has proposed three "non-negotiable" conditions for data center expansion: projects must (1) prevent higher electricity bills for residents, (2) pay their full property tax obligations, and (3) adhere to strict air and water quality standards.

Iowa

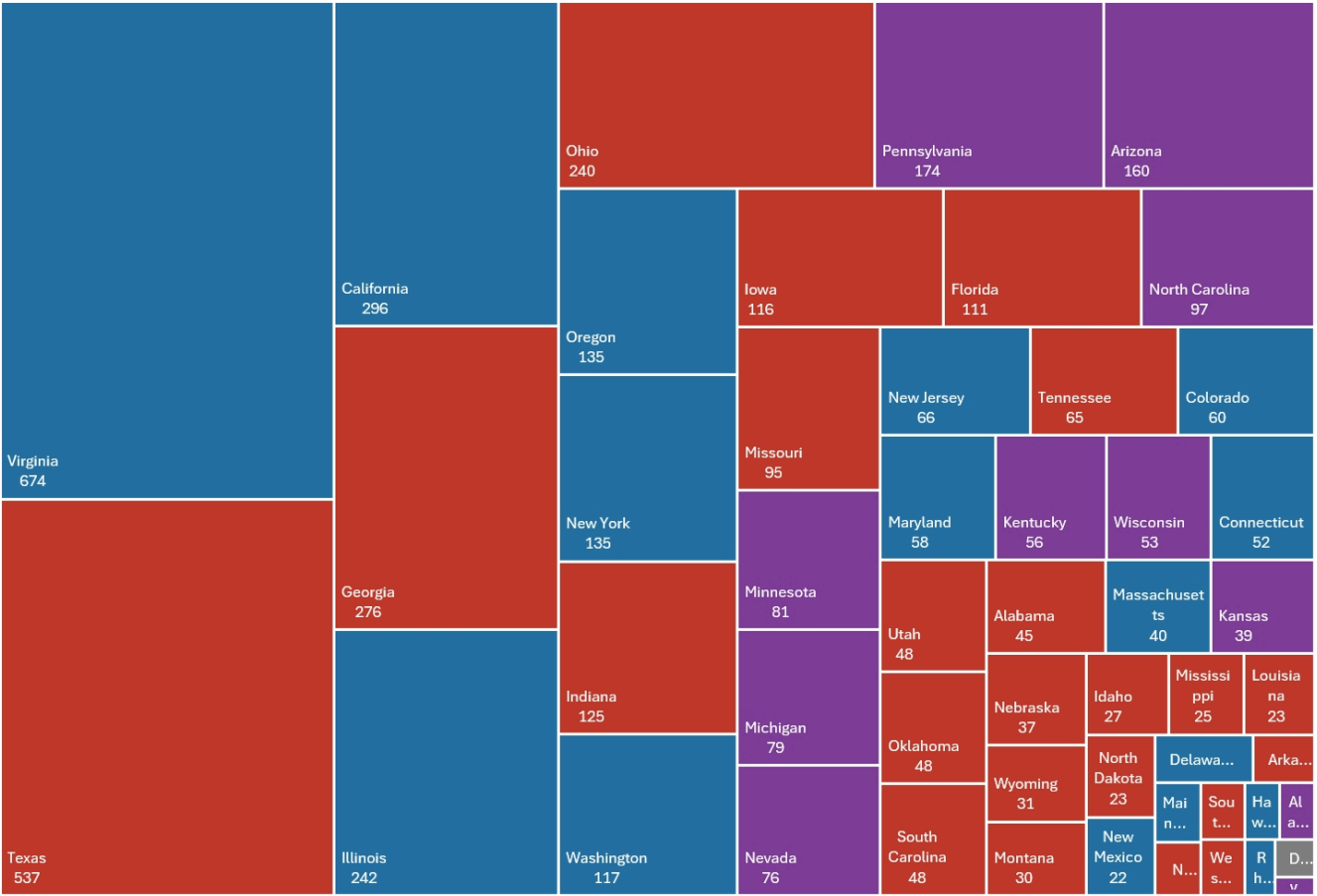
- **Rob Sand (D)** supports requiring data centers to fully cover their utility costs, ending tax incentives, and ensuring that projects meet natural resource and workforce requirements.
- **Zach Lahn (R)** supports a temporary pause on new data center projects while Iowa establishes a regulatory framework for future development.

Texas

- **Gina Hinojosa (D)** supports an immediate statewide ban on new data centers until the legislature passes protections.
- **Greg Abbott (R)** has paused new data center grid connections and halted state environmental permits until ERCOT and the state water board finish their audits. He also requires data centers to pay for their own power infrastructure and protect local water, and he plans to end state incentives next session.

Overall, state-level policy changes could increase costs and impose additional requirements on developers, but they are unlikely to halt data center expansion. No statewide moratorium has been enacted to date, and many proposed restrictions have failed to advance.

Figure 8 - GA, OH, and IA are key data center states where Republicans could lose trifecta control
Number of U.S. Data Centers by State



Source: Jefferies; USA Data Center Map; MultiState.
Red: Republican, Blue: Democratic, Purple: Divided.

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Figure 9 - No statewide moratorium has been enacted to date

State-level data center moratoria

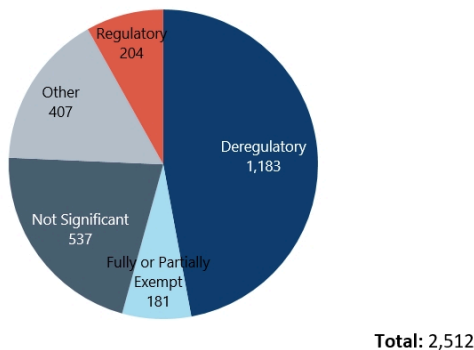
State-Level Data Center Moratoria			
State	Status as of September '26	Title	Description
NY	To Governor	S9144	Imposes a minimum 3-year moratorium on the issuance of permits for new data centers.
MI	Introduced	H5594	Creates a new act providing a moratorium on certain approvals/operation of new data centers
SC	Introduced	H5286	Joint resolution prohibiting state/local entities from granting final approvals/permits/incentives for new data centers until Jan 1, 2028. The bill was supported by 17 Republican representatives.
PA	Introduced	S1359	Establish a three-year pause on siting and permitting of hyperscale data centers
DL	Introduced	SB 353	This Act imposes a moratorium, through January 31, 2027, on all applications and permits related to the development of large-scale data centers in this State.
ME	Failed	LD 307	Halts approval of new data centers with electric loads over 20 MW through Nov. 1, 2027
WI	Failed	AB1099	Prohibits operation of data centers unless specified statewide policy conditions are provided by law
NH	Failed	H1265	Prohibits construction of new data centers for one year and establishes a committee to study environmental impacts
GA	Died in committee	H1012	Proposes a moratorium on new data center construction until March 1, 2027
VT	Died in committee	S205	Impose a temporary moratorium on the siting and construction of AI data centers in Vermont
MN	Died in committee	S4298	New data centers moratorium establishment provision and Public Utility Commission to submit a report requirement provision
MD	Died in committee	H120	Prohibits approval or construction of a data center in the State that has not received all required permits before the bill takes effect
OK	Died in committee	S1488	Establishes a moratorium on constructing/establishing data centers and requires a Corporation Commission study
VA	Died in chamber	H1515	Prohibits final approval of any application for a rezoning, special exception, special use permit, site plan, or plan of development for the siting of a new data center by a locality until the earlier of (i) the fulfillment of all pending requests for interconnection to distribution service by an electric utility customer that is a data center or (ii) July 1, 2028.
SD	Died in chamber	S232	Imposes a one-year moratorium on construction/expansion of hyperscale data centers

Source: Jefferies; State legislatures.

5) Deregulation

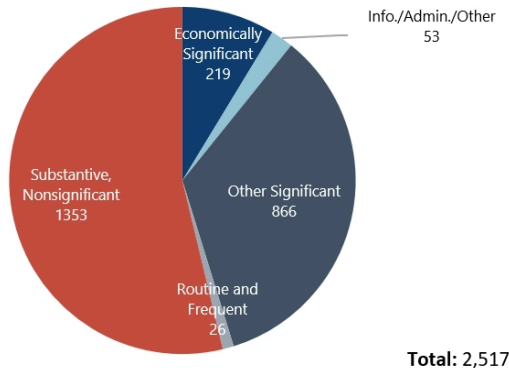
A divided Congress is unlikely to slow deregulation. Most deregulation happens through agency rulemaking, not new laws, so a Democratic House would have few ways to stop it beyond holding hearings. We reviewed about 2,500 rules now at the proposed or final stage in the 2026 Unified Agenda. Nearly half (1,183) are explicitly deregulatory, compared with only 204 regulatory actions, or about 8%. About 9% (219) are economically significant, meaning they have more than \$100mn in costs or savings.

Figure 10 - Nearly half of pending rules are explicitly deregulatory
Pending Regulatory Actions under the 2026 Unified Agenda by Impact



Source: Jefferies; 2026 Unified Agenda of Federal Regulatory and Deregulatory Actions. Rules without an Impact classification are excluded; therefore, totals may differ from analyses using other Unified Agenda classification fields.

Figure 11 - 200+ pending rules are economically significant
Pending Regulatory Actions under the 2026 Unified Agenda by Significance



Source: Jefferies; 2026 Unified Agenda of Federal Regulatory and Deregulatory Actions. Rules without a Significance classification are excluded; therefore, totals may differ from analyses using other Unified Agenda classification fields.

Financials and energy continue to benefit most. In earlier notes (see [here](#) & [here](#)), we identified these two sectors as key beneficiaries of the Trump administration's deregulatory push, and we expect that to continue. The largest proposed savings come from the SEC. Rescinding the climate disclosure rules alone would save an estimated \$35.4bn, and expanding relief for emerging growth companies would save \$13.6bn. Together, the proposed financial rules shown would save about \$60bn, with smaller changes to semiannual reporting, Form PF and proxy proposals (Rule 14a-8) (Fig. 12). In energy and industrials, the savings shown total about \$38bn. The largest come from EPA changes to wastewater limits for coal-fired power plants (\$11bn) and heavy-duty diesel engine rules (\$9.4bn), along with NRC reforms to licensing for microreactors and advanced reactors (Fig. 13). Immigration and HHS rulemaking, by contrast, should continue to add requirements.

Figure 12 - Financials continue to be key beneficiaries of deregulation

Proposed Deregulatory Rules: Financials, 2026

Regulation	Agency	Cost (\$mn)
Rescission of Climate-Related Disclosure Rules	Securities and Exchange Commission	-35400
Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies	Securities and Exchange Commission	-13600
Political Contributions by Certain Investment Advisers	Securities and Exchange Commission	-3000
Semiannual Reporting	Securities and Exchange Commission	-1700
Form PF; Reporting Requirements for All Filers	Securities and Exchange Commission	-1200
Electronic Delivery of Information Under the Federal Securities Laws	Securities and Exchange Commission	-1100
Increase in Threshold for Requiring Information Reporting With Respect to Certain Payees; Extension and Modification of Limitation on Wagering Losses	Treasury	-982
Resolution Submissions Required for Covered Insured Depository Institutions	Federal Deposit Insurance Corporation	-813.6
Registered Offering Reform	Securities and Exchange Commission	-712
Form N-PORT Reporting	Securities and Exchange Commission	-698
Removal of Final Regulations Identifying Certain Partnership Related-Party Basis Adjustment Transactions as Transactions of Interest	Treasury	-489
The Trade-Through Rule and Locked and Crossed Markets Provisions of Regulation NMS	Securities and Exchange Commission	-383
Rescission of Rule 14a-8's Federal Regulation of Shareholder Proposals and Amendments to Rule 14a-4	Securities and Exchange Commission	-288

Source: Jefferies; RegRodeo; 2026 Regulatory Plan and the Unified Agenda of Federal Regulatory and Deregulatory Actions.

Figure 13 - Energy and industrials continue to be a key beneficiary from deregulation
Proposed Deregulatory Rules: Energy & Industrials, 2026

Regulation	Agency	Cost (\$mn)
Effluent Limitations Guidelines and Standards for the Steam Electric Power Generating Point Source Category-Unmanaged Combustion Residual Leachate	Environmental Protection Agency	-11000
Amendments and Nonconformance Penalties for Model Year 2027 and Later Heavy-Duty Highway Engines and Amendments to Inducement Provisions for SCR-Equipped Diesel Engines	Environmental Protection Agency	-9400
Hazardous and Solid Waste Management System: Disposal of Coal Combustion Residuals From Electric Utilities; Legacy/CCRMU Amendments	Environmental Protection Agency	-3500
Licensing Requirements for Microreactors and Other Reactors With Comparable Risk Profiles	Nuclear Regulatory Commission	-3500
Extending the Compliance Deadline for the PFOA and PFOS Maximum Contaminant Levels	Environmental Protection Agency	-2700
Revision of Tier 4 Criteria Pollutant Standards, Part 1: Amendments to Phase-In Schedule for Light-Duty and Medium-Duty Vehicles	Environmental Protection Agency	-1700
Accidental Release Prevention Requirements: Risk Management Programs Under the Clean Air Act; Common Sense Approach to Chemical Accident Prevention	Environmental Protection Agency	-1700
Phasedown of Hydrofluorocarbons: Excluding Road and Intermodal Container Transport Refrigeration Units From the Hydrofluorocarbon Leak Repair Requirements	Environmental Protection Agency	-1000
Modernizing Reactor Licensing, Safety Oversight, and Siting Practices	Nuclear Regulatory Commission	-770
Modernizing Security Requirements	Nuclear Regulatory Commission	-557
Clean Water Act Hazardous Substance Facility Response Plans: Compliance Date Delay and Changes To Reflect Administration Policy	Environmental Protection Agency	-547
National Emission Standards for Hazardous Air Pollutants: Ethylene Oxide Emissions Standards for Sterilization Facilities Residual Risk and Technology Review Reconsideration	Environmental Protection Agency	-510
Regulatory Enhancements for Reactor Licensing, Decommissioning, and Operational Oversight	Nuclear Regulatory Commission	-305
Rescission of the Greenhouse Gas Findings for Fossil Fuel-Fired Power Plants and Repeal of Regulations for Power Plant Greenhouse Gas Emissions Under Clean Air Act Section 111	Environmental Protection Agency	-230
Paper Manifest Sunset Rule; Modification of the Hazardous Waste Manifest Regulations	Environmental Protection Agency	-199
Protecting Public Health and Unleashing American Energy by Facilitating Scrap Tire Pile Cleanups	Environmental Protection Agency	-195
Reforming and Modernizing the NRC's Radiation Protection Framework	Nuclear Regulatory Commission	-104

Source: Jefferies; RegRodeo; 2026 Regulatory Plan and the Unified Agenda of Federal Regulatory and Deregulatory Actions.

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IV. Our Related Research on 2026 U.S. Midterms

1. [What We Are Hearing from Investors on the Midterms | REPLAY](#)
2. [2026 Midterms: What Comes Next for Policy and Markets?](#)
3. [How Will AI Data Center Development Shape Rates & Midterm Politics? | REPLAY](#)
4. [2026 Midterms: Gridlock Isn't Calm](#)
5. [10 Insights from the Largest Gathering of State Legislators: AI, DC & Midterms](#)
6. [Midterm Check-In: What June Primaries Signal for November | REPLAY](#)
7. [U.S. November Midterms: The Races and Forces That Will Decide Congress | REPLAY](#)
8. [2026 U.S. Midterms: Constructive for U.S. Assets](#)

Stocks Mentioned in this Report

Name	Ticker	Analyst	Mkt Cap (\$M)	Rating	Target	Current Price	C26 Jef EPS	C26 Cons EPS
ACADIA HEALTHCAR	ACHC	Brian Tanquilut	2,612	Buy	40.00	28.06	1.59	1.52
ALLEGRO MICROSYS	ALGM	Blayne Curtis	7,368	Buy	62.00	39.53	0.90	0.91
ADV MICRO DEVICE	AMD	Blayne Curtis	1,034,842	Buy	650.00	633.91	7.73	7.48
AMAZON.COM INC	AMZN	Brent Thill	2,712,974	Buy	330.00	251.52	12.91	12.80
ACLARA RESOURCES	ARA CN	Laurence Alexander	626	Hold	3.80	3.60	-0.05	-0.05
BROADCOM INC	AVGO	Blayne Curtis	1,695,307	Buy	550.00	355.14	12.95	13.02
BWX TECHNOLOGIES	BWXT	Laurence Alexander	12,356	Buy	181.00	134.86	4.75	4.72
CAMECO CORP	CCJ	Laurence Alexander	37,099	Buy	138.00	85.18	1.60	1.41
CENTENE CORP	CNC	David Windley	31,117	Hold	59.00	62.99	4.81	4.88
CROWDSTRIKE HO-A	CRWD	Joseph Gallo	276,503	Buy	240.00	270.04	1.22	1.23
COREWEAVE I-CL A	CRWV	Brent Thill	50,086	Buy	150.00	89.62	-4.15	-3.86
COMMUNITY HEALTH	CYH	Brian Tanquilut	384	Hold	3.50	2.72	-1.13	-1.17
DATADOG INC-A	DDOG	Brent Thill	99,819	Hold	260.00	277.22	3.17	2.53
DYNATRACE INC	DT	Brent Thill	17,144	Buy	65.00	59.32	1.89	1.88
ENCORE ENERGY CO	EU	Laurence Alexander	198	Buy	1.44	1.02	-0.51	-0.38
GENERAL DYNAMICS	GD	Sheila Kahyaoglu	89,308	Buy	440.00	330.09	16.90	17.00
GLOBALFOUNDRIES	GFS	Kevin Garrigan	27,528	Hold	60.00	50.17	1.94	1.95
ALPHABET INC-A	GOOGL	Brent Thill	4,182,280	Buy	445.00	343.50	21.92	18.94
HCA HEALTHCARE I	HCA	Brian Tanquilut	92,379	Buy	450.00	426.69	28.83	29.48
IONQ INC	IONQ	Kevin Garrigan	17,390	Buy	80.00	43.77	-1.31	-1.32
NAC KAZATOG-REGS	KAP LI	Laurence Alexander	16,754	Buy	106.00	64.60	2330.00	2169.66
CENTRUS ENERGY-A	LEU	Laurence Alexander	2,849	Hold	169.00	139.27	4.38	3.24
META PLATFORMS-A	META	Brent Thill	1,854,788	Buy	875.00	728.08	24.96	35.05
MICROSOFT CORP	MSFT	Brent Thill	3,842,943	Buy	575.00	517.53	18.57	18.58
MACOM TECHNOLOGY	MTSI	Blayne Curtis	24,561	Buy	450.00	321.60	6.62	6.40
NIOCORP DEVELOPM	NB	Laurence Alexander	506	Hold	4.70	3.47	-0.32	-0.24
OKTA INC	OKTA	Joseph Gallo	36,974	Buy	240.00	211.49	3.88	3.89
ORACLE CORP	ORCL	Brent Thill	431,383	Buy	290.00	142.30	7.74	7.79
OSCAR HEALTH -A	OSCR	David Windley	9,549	Hold	31.00	30.94	1.96	1.82
PALO ALTO NETWORK	PANW	Joseph Gallo	329,850	Buy	450.00	403.24	3.83	3.86
QUANTINUUM INC-A	QNT	Kevin Garrigan	13,726	Buy	85.00	46.08	-3.95	-1.73
RARE EARTHS AMER	REA	Laurence Alexander	206	Hold	12.30	10.03	-3.25	-3.25
RTX CORP	RTX	Sheila Kahyaoglu	248,904	Buy	250.00	184.68	7.40	7.25
SNOWFLAKE INC	SNOW	Brent Thill	120,319	Buy	430.00	341.04	2.08	2.12
TENET HEALTHCARE	THC	Brian Tanquilut	20,824	Buy	285.00	258.62	20.97	21.20
UCORE RARE METAL	UCU CN	Laurence Alexander	280	Hold	2.30	2.62	-0.23	-0.22

Source: Bloomberg; Jefferies.

Company Valuation/Risks

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(Article 3(1)e and Article 7 of MAR)

Recommendation Published October 3, 2026 16:20 P.M.

Recommendation Distributed October 4, 2026 15:00 P.M.

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Rayyan Matraji owns shares of Amazon.com common stock.

James Heaney has a long position in Facebook.

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Other Companies Mentioned in This Report

- Acadia Healthcare Company, Inc. (ACHC: \$28.06, BUY)
- Aclara Resources Inc (ARA CN: C\$3.60, HOLD)
- Advanced Micro Devices, Inc. (AMD: \$633.91, BUY)
- Allegro MicroSystems, Inc. (ALGM: \$39.53, BUY)
- Alphabet, Inc. (GOOGL: \$343.50, BUY)
- Amazon.com, Inc (AMZN: \$251.52, BUY)
- BWX Technologies Inc (BWXT: \$134.86, BUY)
- Broadcom (AVGO: \$355.14, BUY)
- Cameco Corp (CCJ: \$85.18, BUY)
- Centene Corp. (CNC: \$62.99, HOLD)
- Centrus Energy Corp (LEU: \$139.27, HOLD)
- Community Health Systems, Inc. (CYH: \$2.72, HOLD)
- CoreWeave, Inc (CRWV: \$89.62, BUY)
- CrowdStrike Holdings, Inc. (CRWD: \$270.04, BUY)
- Datadog (DDOG: \$277.22, HOLD)
- Dynatrace, Inc. (DT: \$59.32, BUY)
- GLOBALFOUNDRIES Inc. (GFS: \$50.17, HOLD)
- General Dynamics Corp. (GD: \$330.09, BUY)
- HCA Healthcare (HCA: \$426.69, BUY)
- IonQ Inc (IONQ: \$43.77, BUY)
- L3Harris Technologies (LHX: \$236.60, HOLD)
- Lockheed Martin Corp. (LMT: \$505.41, HOLD)
- MACOM Technology (MTSI: \$321.60, BUY)
- Meta Platforms, Inc. (META: \$728.08, BUY)
- Microsoft Corporation (MSFT: \$517.53, BUY)

- NAC Kazatomprom JSC (KAP LI: \$64.60, BUY)
- NVIDIA Corporation (NVDA: \$233.95, BUY)
- NioCorp Developments Ltd (NB: \$3.47, HOLD)
- Northrop Grumman Corp. (NOC: \$478.00, HOLD)
- Okta Inc (OKTA: \$211.49, BUY)
- Oracle Corporation (ORCL: \$142.30, BUY)
- Oscar Health Inc (OSCR: \$30.94, HOLD)
- Palo Alto Networks (PANW: \$403.24, BUY)
- Quantinuum Inc (QNT: \$46.08, BUY)
- RTX (RTX: \$184.68, BUY)
- Rare Earth Americas Inc (REA: \$10.03, HOLD)
- Snowflake Inc (SNOW: \$341.04, BUY)
- Tenet Healthcare Corp. (THC: \$258.62, BUY)
- Ucore Rare Metals Inc (UCU CN: C\$2.60, HOLD)
- enCore Energy Corp (EU: \$1.02, BUY)

Distribution of Ratings			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	2253	62.93%	366	16.25%	112	4.97%
HOLD	1177	32.88%	80	6.80%	12	1.02%
UNDERPERFORM	150	4.19%	0	0.00%	0	0.00%

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