

Elections tend to create a lot of questions and uncertainty. The uncertainty can wreak havoc on markets amid concerns about potential changes or stalls in fiscal, tax, estate, international and environmental policies.

MIDTERMS AND MARKETS

What midterm elections could mean for your financial plan

Oct. 6, 2026

Key Takeaways:

- This year's midterm voter turnout could be higher due to issues such as affordability, economic and international policy concerns.
- Midterm years have historically been weaker for stocks (although that pattern hasn't held for 2026 so far), and then rebounded strongly in the 12 months following past midterms.
- Divided government has historically outperformed one-party control for stocks, but investors should focus on long-term goals rather than reacting to short-term political headlines.

Overview

Americans are headed back to the polls once again. Midterm elections, scheduled for Tuesday, Nov. 3, will determine not only who has control of both the U.S. House and Senate but also who is governor in 36 states and three U.S. territories.¹

While midterm elections don't generally see the same turnout as presidential elections, some analysts are expecting a higher number of Americans to cast their vote this year. They're being spurred to the polls by issues like affordability, the economy, international policies and redistricting.²

A shift in power could mean either gridlock in Congress or advancement of political agendas. But no matter who is elected, one thing is certain: Until the election is completed and uncertainty fades, markets will likely stay volatile.

Who is up for election in 2026?

- All 435 House seats
- 35 of the 100 Senate seats
- 39 out of 53 state and territory governors



Market Volatility and Midterm Elections

We don't need to look far to find examples of midterms causing trouble for markets. Since 1945, the S&P 500 has gained an average of 3.8% during election years, compared to an average gain of 10.9% during the other three years of a presidency.³ Markets have not followed that trend so far in 2026; as of Sept. 2, the S&P 500 was up 11.48% despite battling headwinds such as the war in Iran, the price of oil and a sputtering economy.⁴

Why can midterms create turmoil for markets? Uncertainty, mostly. If the presidential party has control of the Senate and House, it could result in the passage of a host of new policies. But if the non-presidential party holds the majority in either chamber, then it could halt the adoption of new legislation until the next election cycle.

The thought of shifting legislative priorities tends to make markets squeamish, particularly when they concern changing fiscal, environmental, tax and international policies. These policies directly impact businesses and consumers, the driving forces of the U.S. economy. That can be a nerve-wracking thought for investors, particularly in years when high inflation, potentially rising interest rates and a sluggish economy have everyone on high alert for a potential recession.

Still, there is good news. In the past 80 years, markets have returned 16.3% in the 12 months after midterms on average.³ Whether this midterm election will continue or break the cycle remains to be seen, especially as the headwinds that have caused challenges for markets this year continue going into 2027.

Final Thoughts

What should investors hope for as we head into midterms? Politics aside, stocks have historically performed best under divided control. Between 1951 and 2023, the S&P 500 returned 8% annually when one party was in control, compared to 9.9% when different parties controlled the presidency and at least one chamber of Congress.⁵

No matter which political party is in charge, it's important for investors to remember that short-term events should not serve as a distraction from long-term goals. Stay focused on the bigger picture and rely on your financial advisor to help you navigate new legislation and regulations as they come.



Sources

¹ Ballotpedia. "Gubernatorial elections, 2026." https://ballotpedia.org/Gubernatorial_elections,_2026. Accessed Sept. 2, 2026.

² Tracy Grant. Britannica. Sept. 2, 2026. "2026 U.S. midterm elections." <https://www.britannica.com/event/2026-US-midterm-elections>. Accessed Sept. 2, 2026.

³ Sergei Klebnikov. J.P. Morgan. Aug. 12, 2026. "How does the stock market perform during midterm election years? A guide for investors." <https://www.chase.com/personal/investments/learning-and-insights/article/how-does-the-stock-market-perform-during-midterm-election-years>. Accessed Sept. 2, 2026.

⁴ Morningstar. "S&P 500 PR." <https://www.morningstar.com/indexes/spi/spx/quote>. Accessed Sept. 2, 2026.

⁵ Ryan Erney. CNBC. Nov. 7, 2024. "What a Republican sweep in Congress could mean for the stock market—in one chart." <https://www.cnbc.com/2024/11/07/chart-divided-us-government-historically-better-for-stocks.html>. Accessed Sept. 2, 2026.

Any references to guarantees or lifetime income generally refer to fixed insurance products, never securities or investment products. Insurance and annuity product guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company.

Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

This content is provided for informational purposes. It is not intended to be used as the sole basis for financial decisions, nor should it be construed as advice designed to meet the particular needs of an individual's situation. None of the information contained herein shall constitute an offer to sell or solicit any offer to buy a security. Individuals are encouraged to consult with a qualified professional before making any decisions about their personal situation. The information and opinions contained herein provided by third parties have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed by AE Wealth Management. Neither AEWM nor the firm providing you with this report are affiliated with or endorsed by the U.S. government or any governmental agency. AE Wealth Management, LLC (AEWM) is an SEC Registered Investment Adviser (RIA) located in Topeka, Kansas. Registration does not denote any level of skill or qualification. The advisory firm providing you this report is an independent financial services firm and is not an affiliate company of AE Wealth Management, LLC. AEWM works with a variety of independent advisors. Some of the advisors are Investment Adviser Representatives (IARs) who provide investment advisory services through AEWM. Some of the advisors are Registered Investment Advisers providing investment advisory services that incorporate some of the products available through AEWM. Information regarding the RIA offering the investment advisory services can be found at <https://adviserinfo.sec.gov>.

10/26-5052764

