Market Insights

2026 Midterm Elections

September 2026

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2026 Midterm Elections

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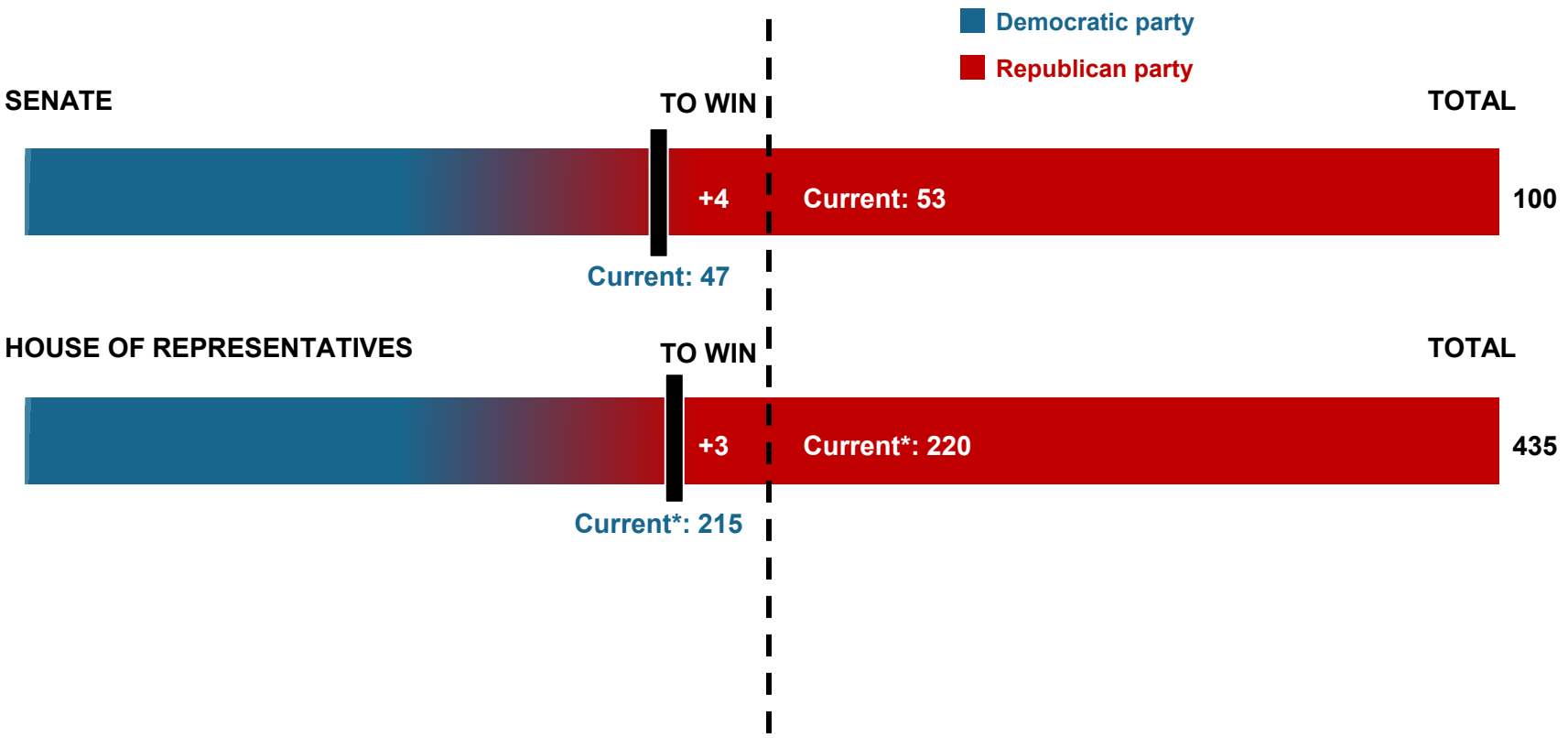
- **2026 Election landscape**
- Policy implications
- Investing in an election year

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Control of the Senate and the House are close calls.

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Votes or seats in the Senate and House of Representatives



Source: 270towin, J.P. Morgan Asset Management. The Senate currently consists of 45 Democrats, 53 Republicans, and 2 Independents that caucus with the Democrats. *Currently, the House of Representatives consists of 219 Republicans, 214 Democrats, and 2 vacant seats (one formerly held by a Republican in Texas and one formerly held by a Democrat in Florida). "Current" includes vacant seats.
Data are as of September 18, 2026.

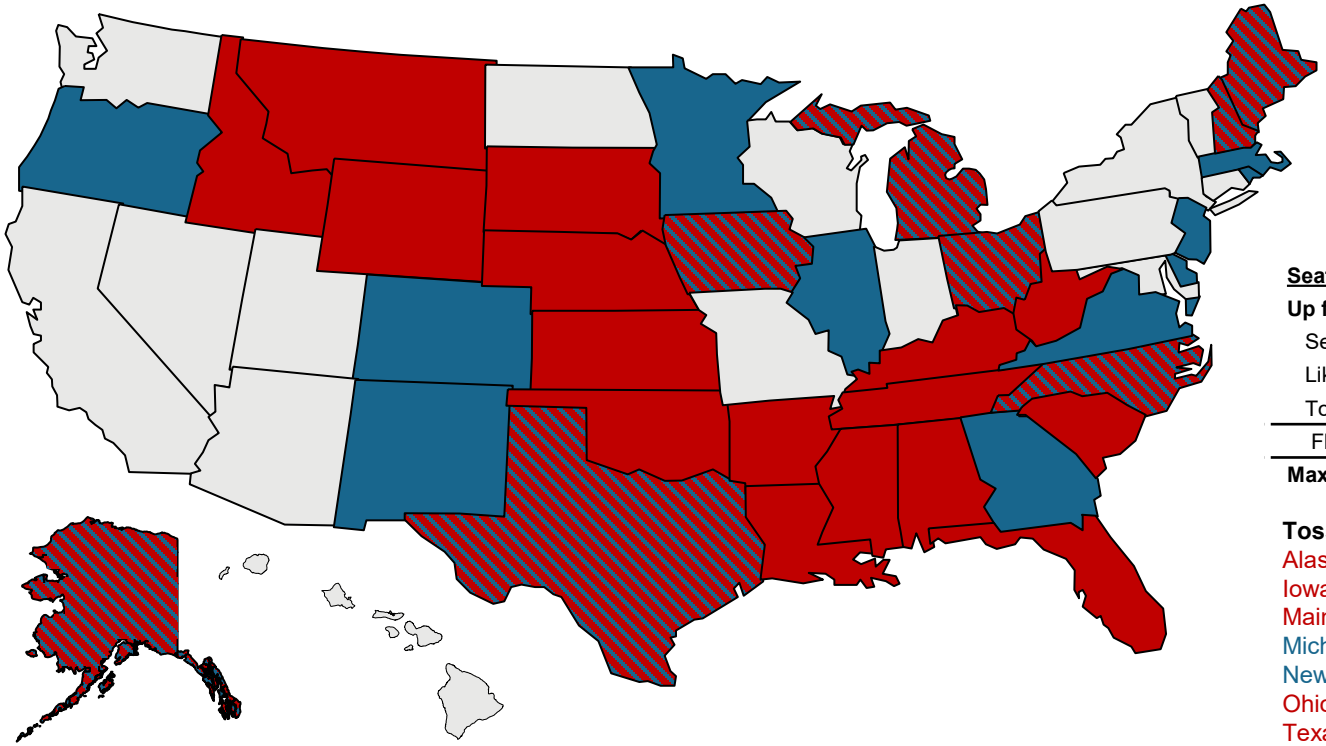
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Republicans would need to lose 4 seats to lose the Senate, which is possible.

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Current Senate

53 Republicans | **45 Democrats + 2 Independents**



Seats	R	D
Up for election	**22**	**13**
Secure	14	9
Likely/Lean	2	2
Toss-up	-5	-2
Flip	-1	+1
Max net gain	**+1**	**+6**

Toss-up:
Alaska (Sullivan)
Iowa (Open)
Maine (Collins)
Michigan (Open)
New Hampshire (Open)
Ohio (Husted)
Texas (Open)

Flip:
North Carolina (Open)

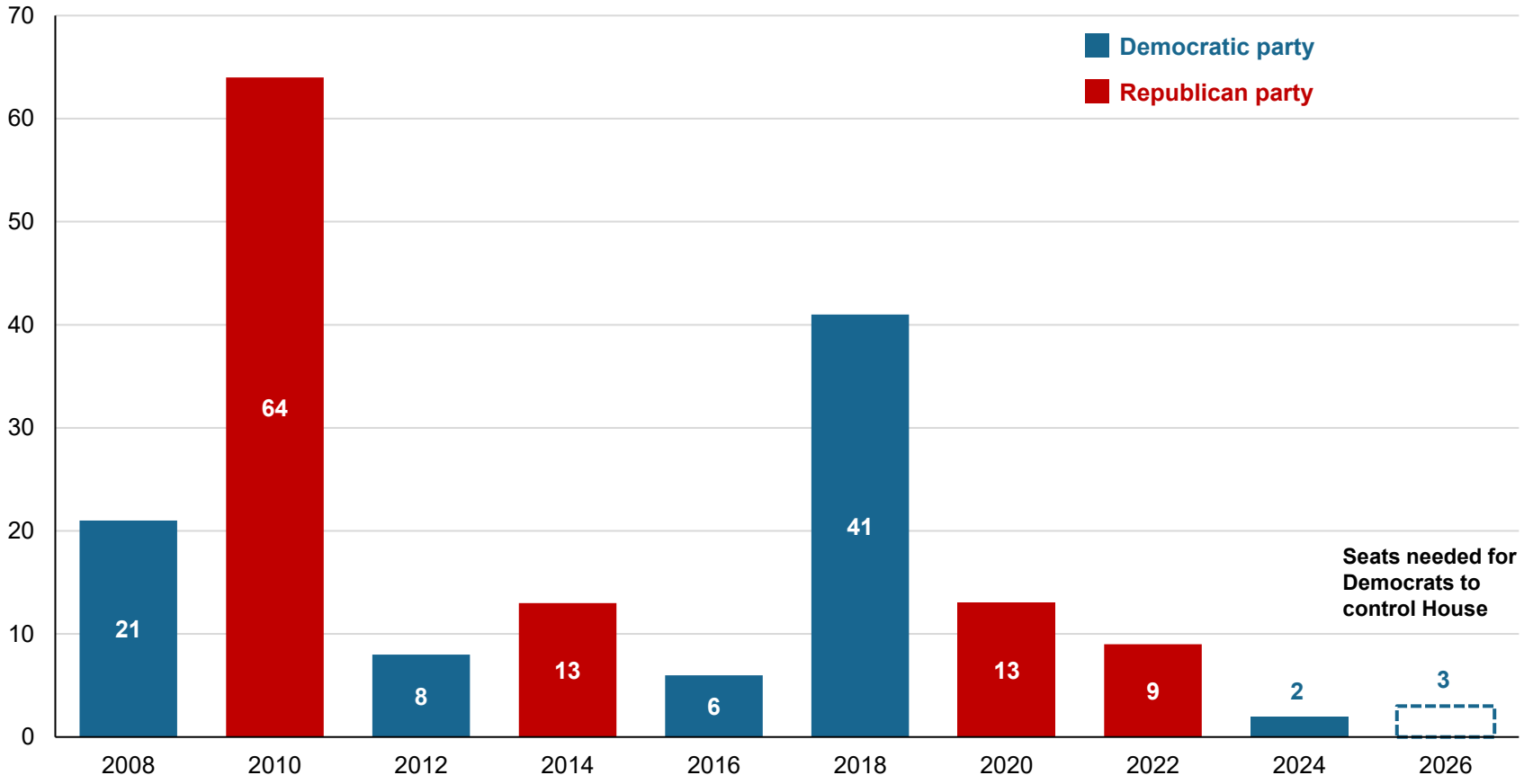
Source: 270towin, The Cook Political Report, J.P. Morgan Asset Management. 35 Senate seats are up for election in 2026. The senate currently consists of 45 Democrats, 53 Republicans, and 2 Independents that caucus with the Democrats. Green represents Independent Senators. Characterizations (secure, likely/lean, toss-up) are from The Cook Political Report.
Data are as of September 18, 2026.

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History shows big swings in the House during midterms.

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House elections since 2008
Number of seats gained

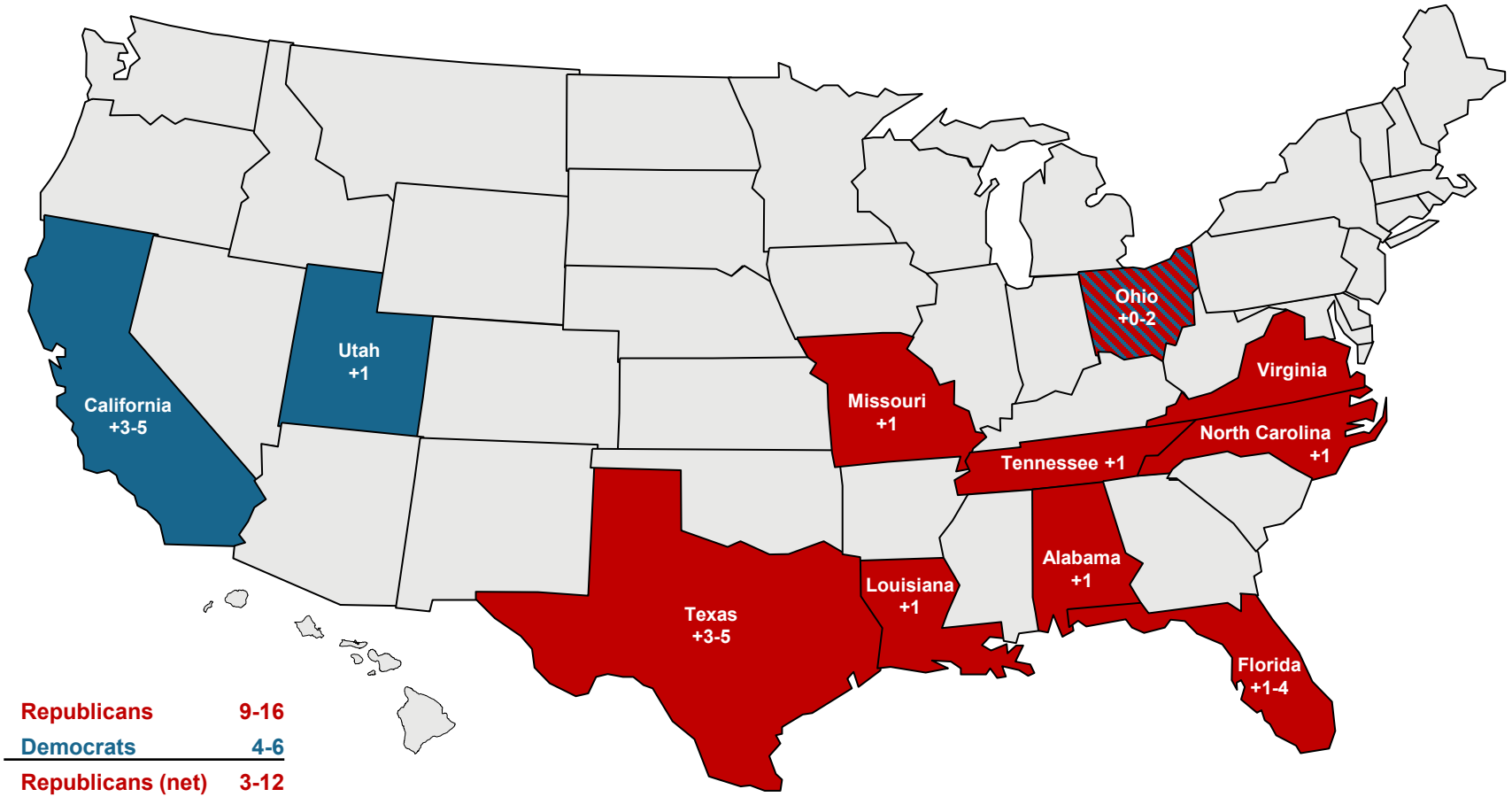


Source: U.S. Senate, U.S. House of Representatives, J.P. Morgan Asset Management. 42 seats lost in 2018 includes vacant North Carolina seat that was subject to new election as results were not certified due to allegations of fraud. Seats needed for Democrats to control the House is based on total Republican and Democratic seats held currently, plus vacancies.
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Redistricting erodes Democrats' prospects for the House, but they are still likely to eek out a win.

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Source: 270towin, The Cook Political Report, University of Virginia's Sabato's Crystal Ball. J.P. Morgan Asset Management.
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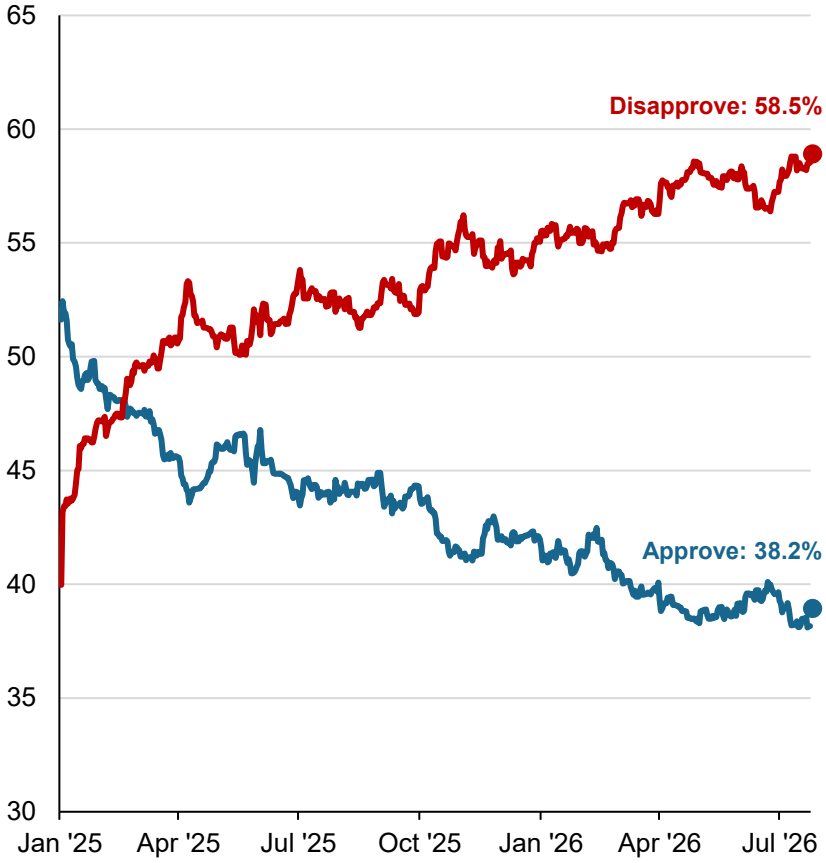
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Midterms are often a referendum on the President, and a function of fundraising.

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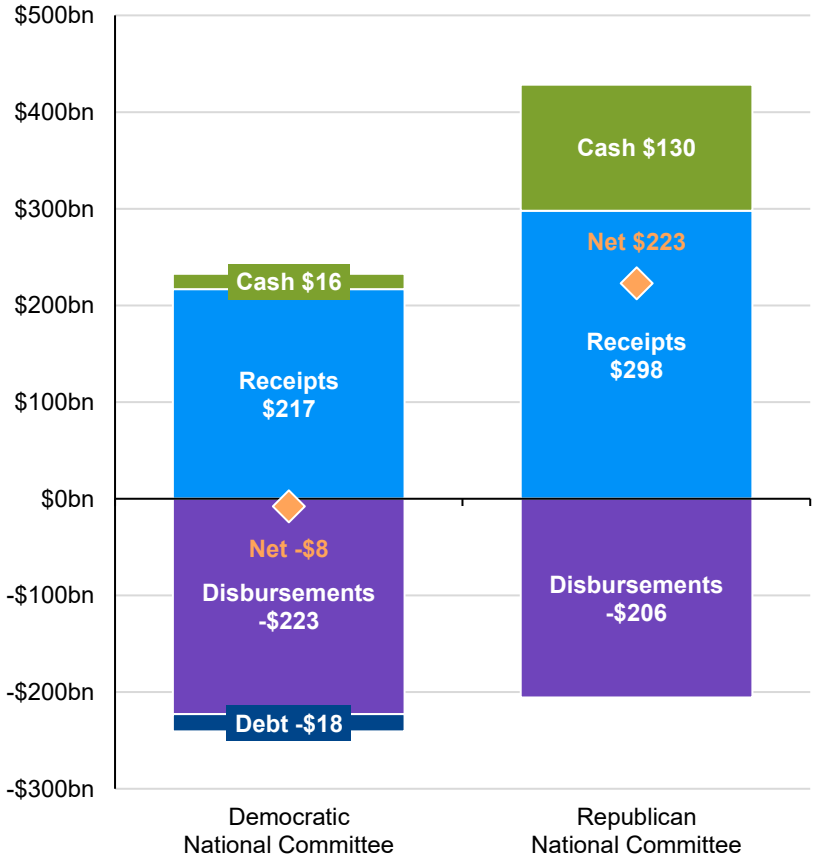
Presidential approval rating

Percent



Party Fundraising

$ billions, January 1, 2025 – July 31, 2026



Source: Silver Bulletin by Nate Silver (Left), Federal Election Commission (Right), J.P. Morgan Asset Management.
Receipts reflect cumulative contributions and awards made since Jan '25. Disbursements account for all purchases and payments, while debt includes loans owed by the committee.
Data are as of September 18, 2026.

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Policy implications under different government configurations

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	Republican Sweep	Divided Government
Debt & deficits	• Pre-election: Reconciliation 2.0 (immigration/border) – passed June 2026 • Post-election: Reconciliation 3.0 (defense, housing, health care)	• Further deficit expansion unlikely • Government shutdown risks in 2027 • Debt ceiling standoff late 2027-early 2028
Affordability	• Reconciliation 3.0 could address	• Bi-partisan issue although Democrats not likely to cede progress to Republicans
Tariffs & trade	• Pre-election: Section 301; USMCA discussions	• President could lean more into tariffs given significant authority of executive branch
Foreign policy	• President could focus on other issues given control of Congress	• President could lean more into foreign policy, but counter to "America First"
Regulation	• Financial deregulation = Federal Reserve • AI: Republicans = Light regulation, focus on global competitiveness and national security	• AI: Democrats = Consumer safeguards, labor protection, privacy, misinformation
Appointees	• Presidential appointees confirmed	• Presidential appointees potentially blocked if Democrats take Senate

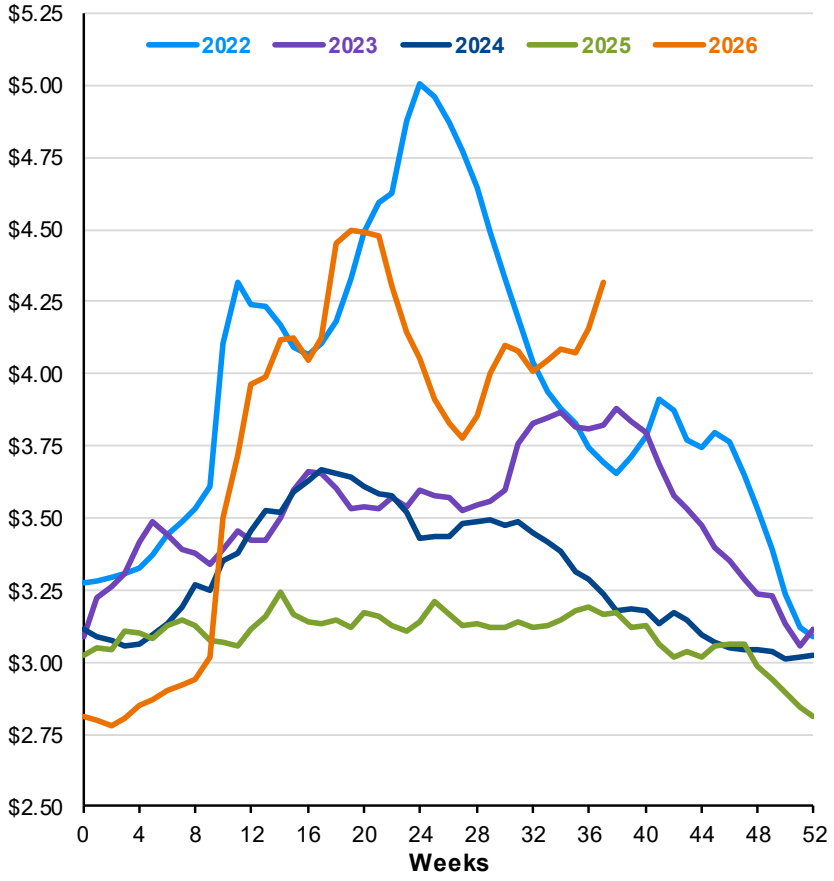
Source: J.P. Morgan Asset Management.
Data are as of September 18, 2026.

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Higher gas prices weigh on consumer sentiment, but the burden is uneven.

Retail gasoline prices

All regular formulations, USD per gallon, weekly



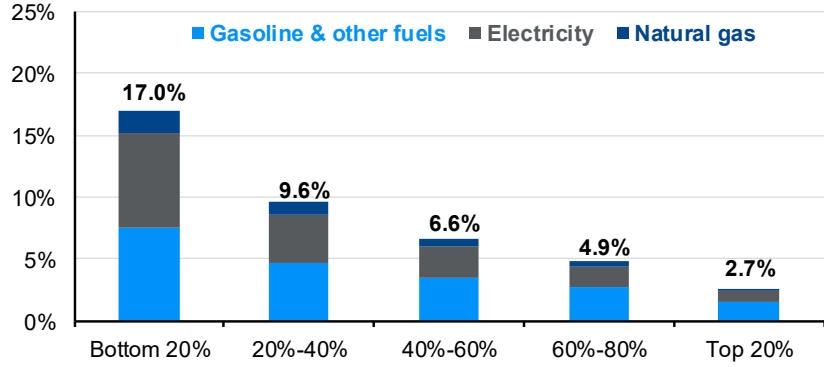
U.S. net imports of petroleum and related products*

% of nominal GDP, quarterly



Consumer expenditures on energy

% of total income, by pre-tax income cohort, 2024



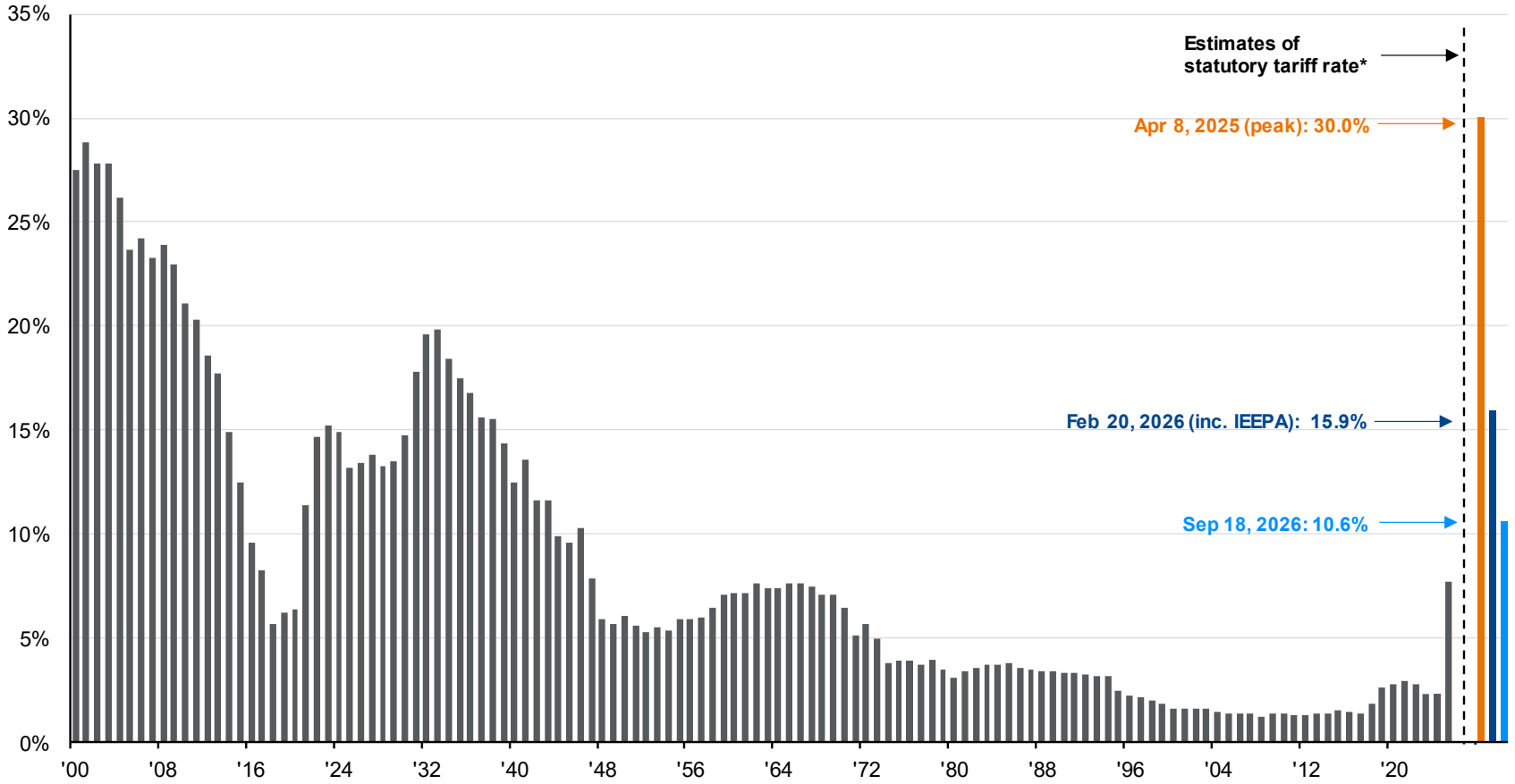
Source: J.P. Morgan Asset Management; (Left) Department of Energy; (Top right) BEA; (Bottom right) BLS.
Data sourced from the 2024 Consumer Expenditure Survey. *Petroleum and related product export data from the BEA are unavailable prior to 1985.
Data shown before 1985 represent petroleum and related product imports as a share of nominal GDP.
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Tariff and trade discussions are resurfacing.

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption, 1900 - 2026



Source: U.S. Census Bureau, U.S. Department of Treasury, U.S. International Trade Commission, J.P. Morgan Asset Management.
For illustrative purposes only. The estimated weighted average statutory U.S. tariff rate includes all tariffs that are currently in effect, not announced. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. *Figures are based on 2024 import levels and assume no change in demand due to tariff increases. Tariff revenue shown are figures from the Monthly Treasury Statement. Import figures included in the table are from the U.S. Census Bureau. Estimates, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
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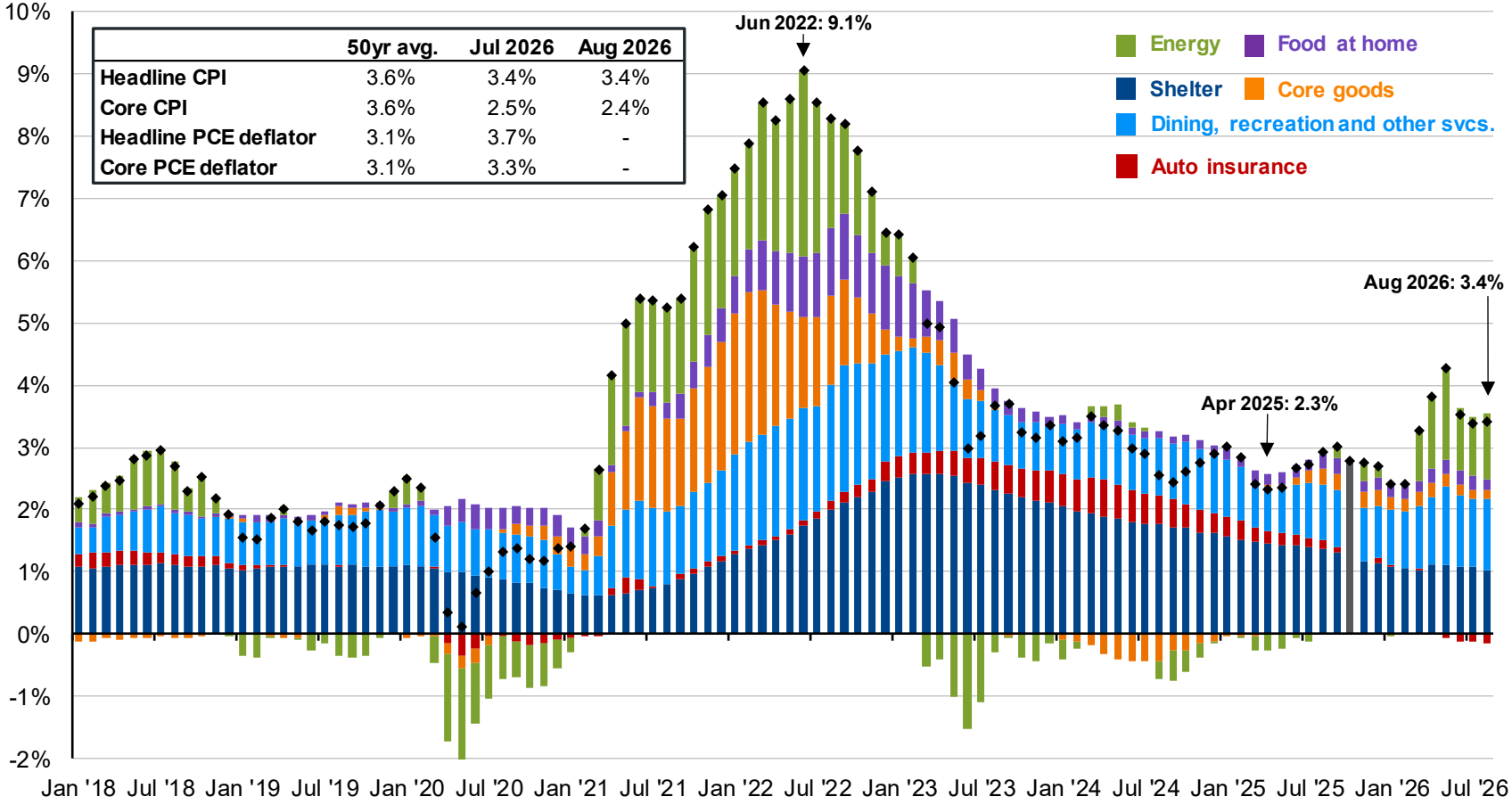
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Inflation has likely peaked, but affordability remains a challenge.

Contributors to headline CPI inflation

Contribution to year-over-year % change in CPI, non-seasonally adjusted

	50yr avg.	Jul 2026	Aug 2026
Headline CPI	3.6%	3.4%	3.4%
Core CPI	3.6%	2.5%	2.4%
Headline PCE deflator	3.1%	3.7%	-
Core PCE deflator	3.1%	3.3%	-



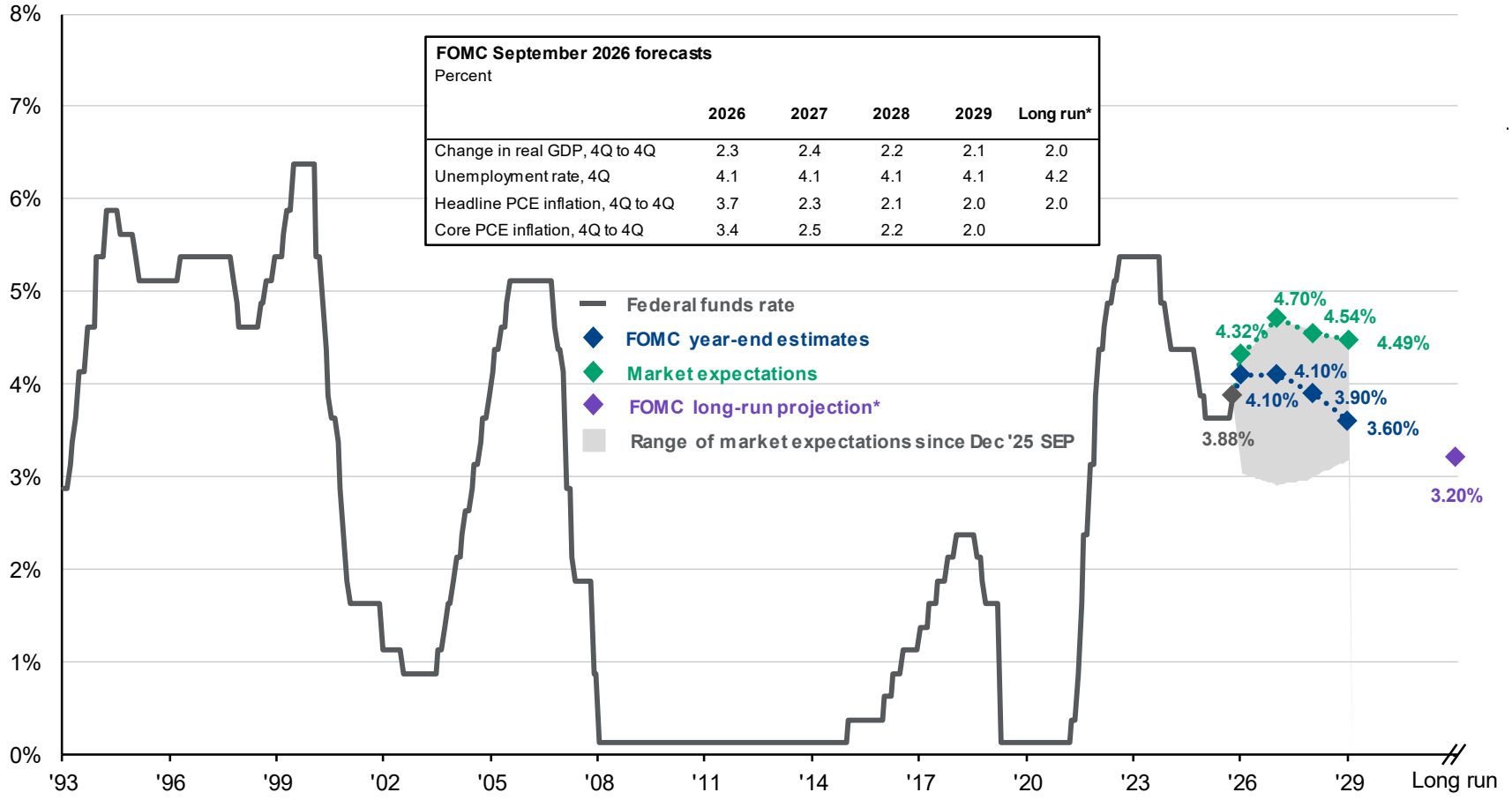
Source: BLS, FactSet, J.P. Morgan Asset Management.
Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and tenants' and household insurance. "Food at home" includes alcoholic beverages. Headline and core PCE deflator inflation shown are based on seasonally adjusted data due to data availability. Official October 2025 data unavailable due to government shutdown and data shown are J.P. Morgan Asset Management estimates.
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Markets are now pricing in one more rate hike this year.

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



FOMC September 2026 forecasts
Percent

	2026	2027	2028	2029	Long run*
Change in real GDP, 4Q to 4Q	2.3	2.4	2.2	2.1	2.0
Unemployment rate, 4Q	4.1	4.1	4.1	4.1	4.2
Headline PCE inflation, 4Q to 4Q	3.7	2.3	2.1	2.0	2.0
Core PCE inflation, 4Q to 4Q	3.4	2.5	2.2	2.0	

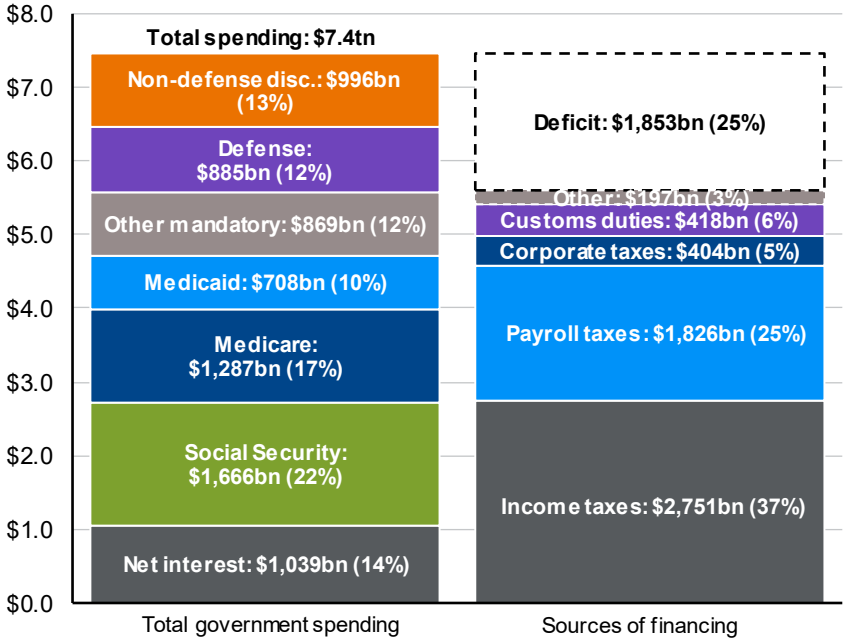
Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
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Deficits are likely to remain elevated.

The 2026 federal budget

USD trillions

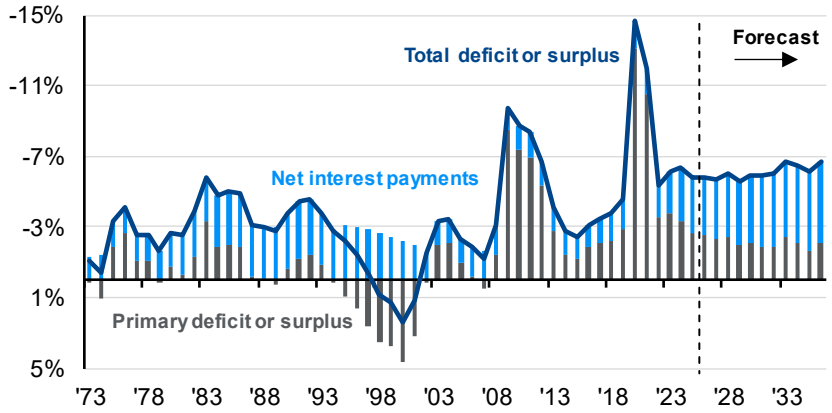


CBO's Baseline economic assumptions

	2026	'27-'28	'29-'30	'31-'36
Real GDP growth	2.3%	1.9%	1.8%	1.8%
10-year Treasury	4.1%	4.3%	4.3%	4.4%
Headline inflation (CPI)	3.0%	2.5%	2.3%	2.3%
Unemployment	4.6%	4.5%	4.4%	4.2%

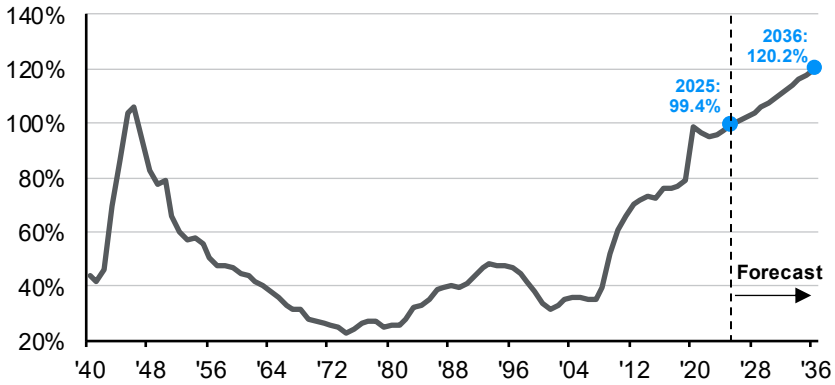
Federal deficit and net interest payments

% of GDP, 1973 - 2036, CBO Baseline Forecast



Federal net debt (accumulated deficits)

% of GDP, 1940 - 2036, CBO Baseline Forecast, end of fiscal year



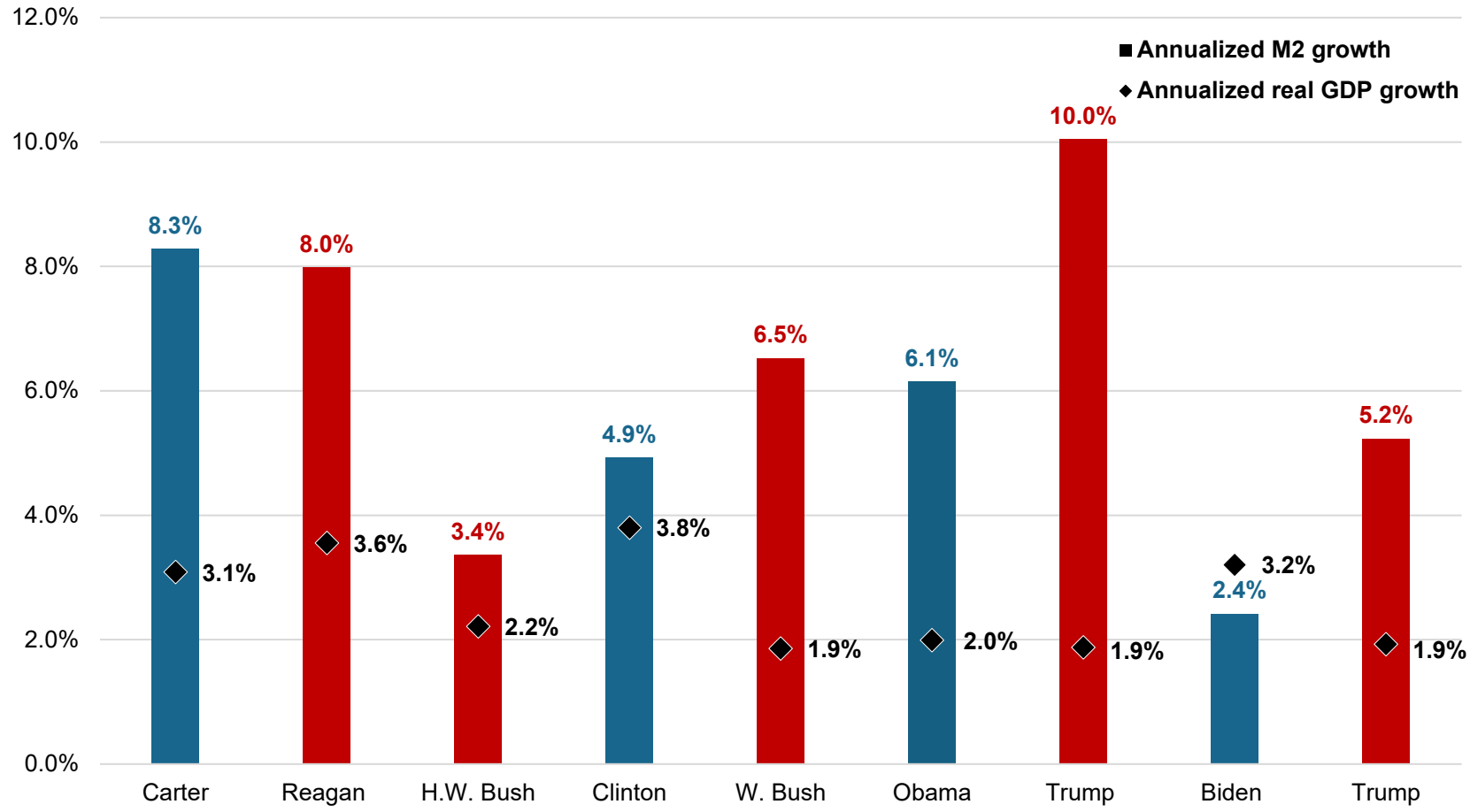
Source: BEA, CBO, Treasury Department, J.P. Morgan Asset Management.
(Left) Numbers may not sum to 100% due to rounding. (Top and bottom right) Estimates are from the Congressional Budget Office (CBO) February 2026 An Update to the Budget Outlook: 2026 to 2036. "Other" spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Years shown are fiscal years. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
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Money supply growth ignores party lines.

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Money supply growth through changing political regimes
Annualized M2 money supply and real GDP growth by president



Source: Board of Governors of the Federal Reserve System (U.S.), M2 (M2SL), and U.S. Bureau of Economic Analysis, Real Gross Domestic Product (GDPC1), retrieved from FRED®, Federal Reserve Bank of St. Louis.
M2 is monthly, seasonally adjusted and reported in billions of dollars. Real GDP is quarterly, seasonally adjusted at an annual rate and reported in billions of chained 2017 dollars. Values are aligned to the administration-end dates.
Data are as of September 18, 2026.

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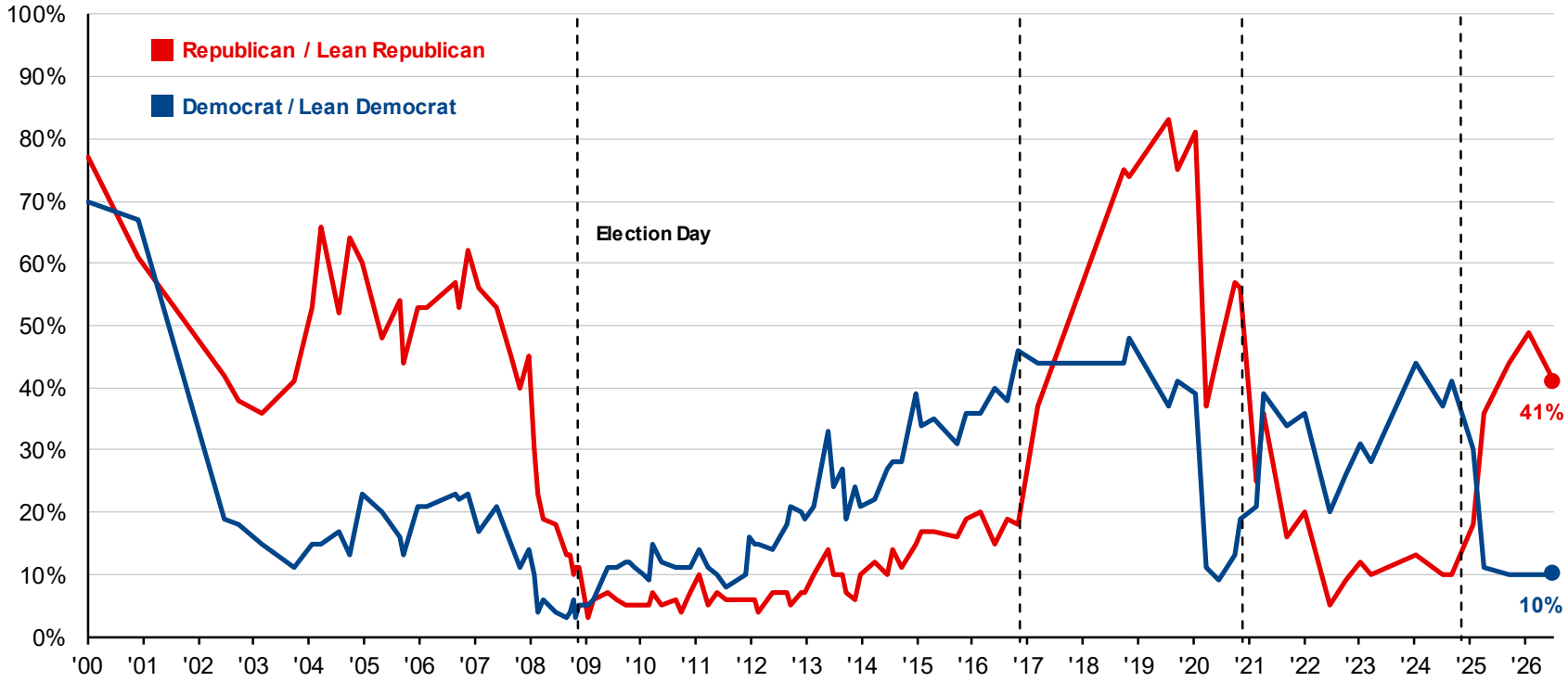
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Don’t let how you feel about politics overrule how you think about investing.

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Percentage of Republicans and Democrats who rate national economic conditions as excellent or good



Administration	Bush	Obama	Trump	Biden	Trump
Dates in office	Jan '01 - Jan '09	Jan '09 - Jan '17	Jan '17 - Jan '21	Jan '21 - Jan '25	Jan '25 - present
S&P 500 return	-4.5%	16.3%	16.0%	13.4%	18.1%
Real GDP growth	1.9%	2.2%	1.8%	3.0%	2.4%

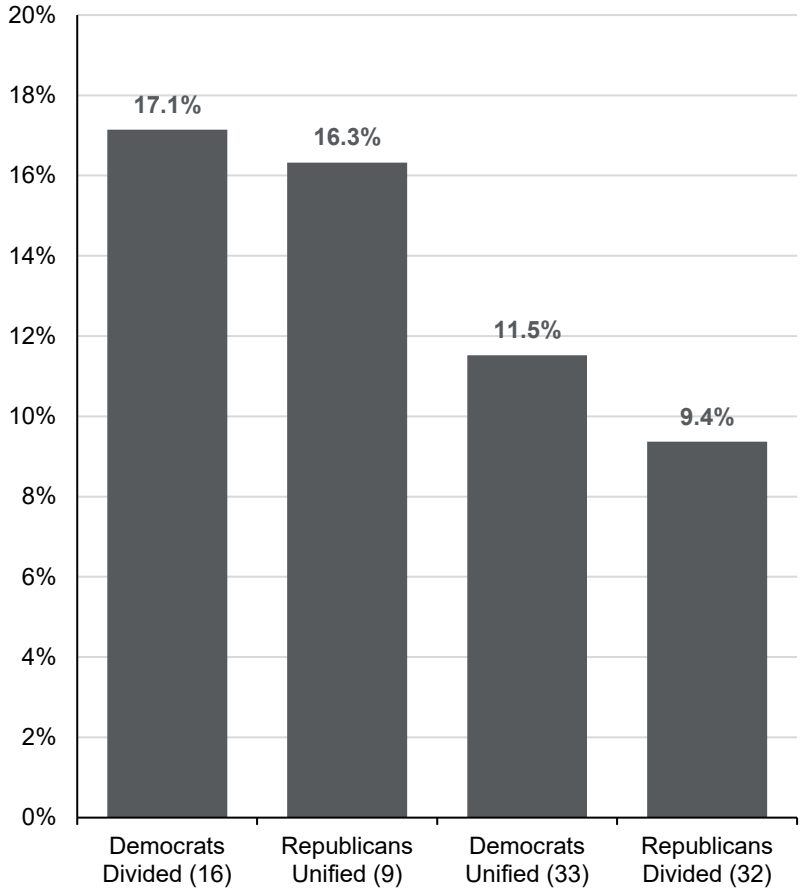
Source: Pew Research Center, J.P. Morgan Asset Management.
The survey was last conducted in February 2026. Pew Research Center asks the question: “Thinking about the nation’s economy, how would you rate economic conditions in this country today... as excellent, good, only fair, or poor?” S&P 500 returns are average annualized total returns between presidential inauguration dates.
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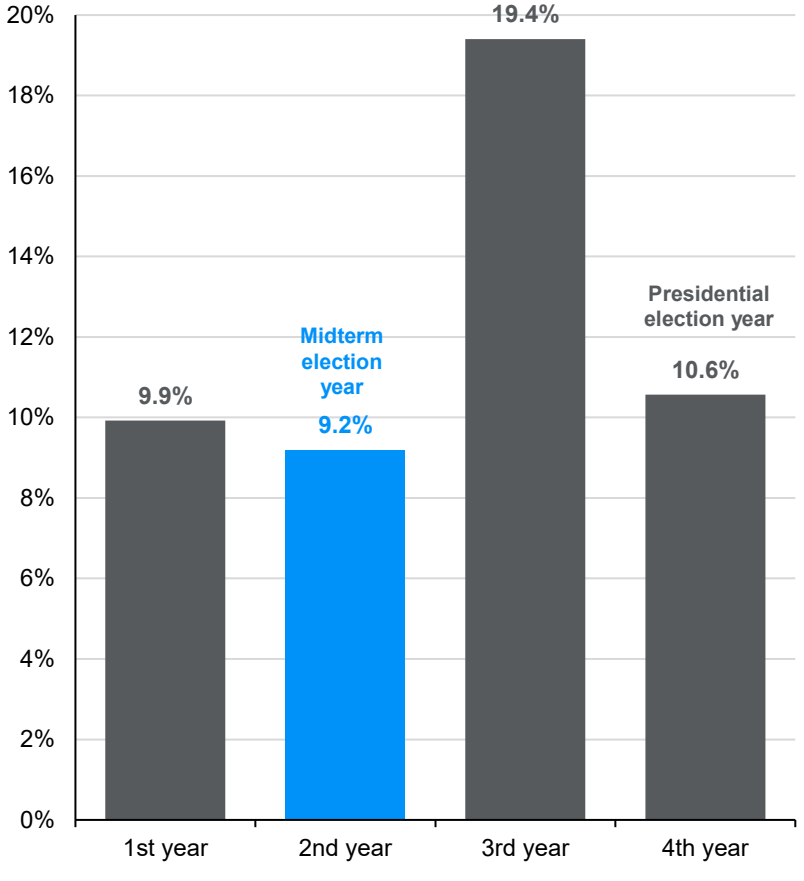
Past performance indicates little about future results.

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Annual stock market returns by political party control
S&P 500 total return, 1937-2025, (#) = occurrences



Stock market returns by year in presidential term
S&P 500 total return, 1937-2025



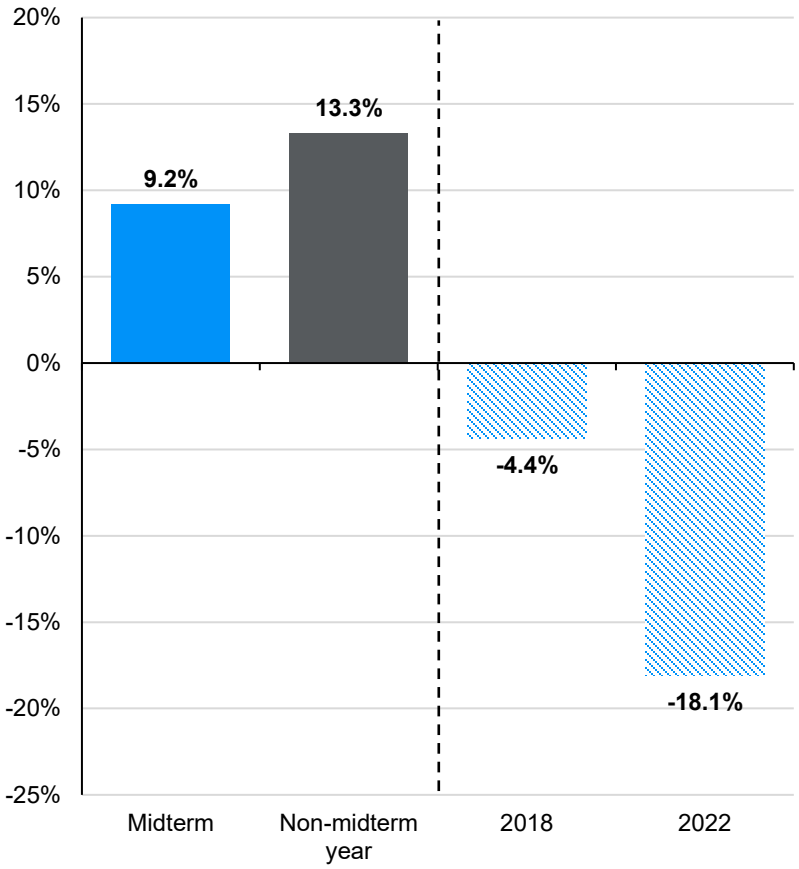
Source: Factset, Standard & Poor's, U.S. House of Representatives, U.S. Senate, White House, J.P. Morgan Asset Management.
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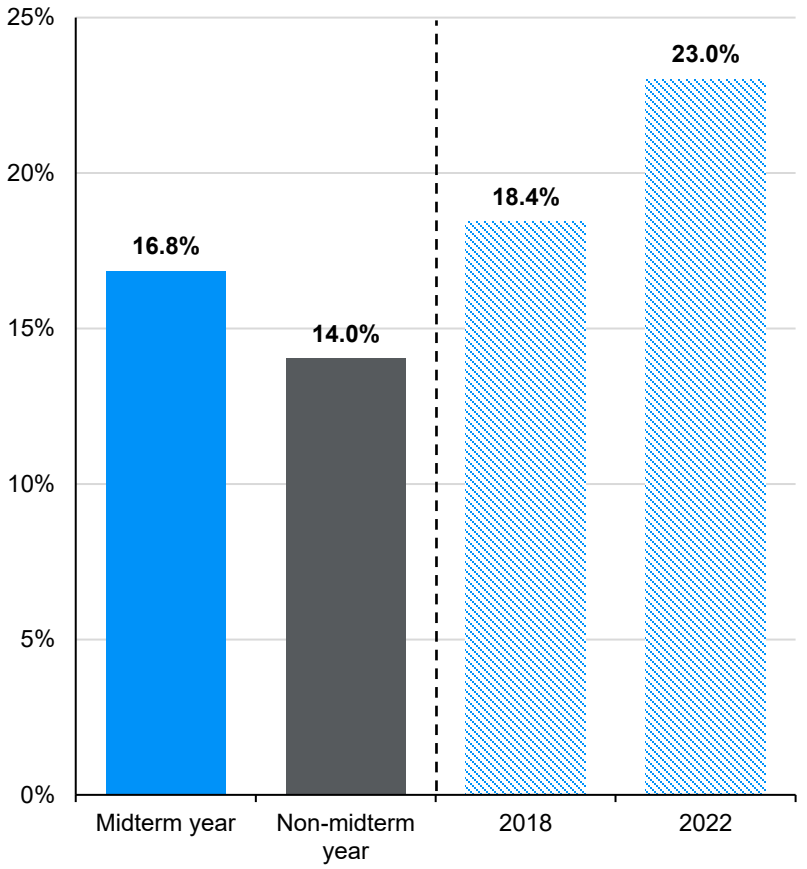
Instead, the economic context matters much more.

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Average returns in midterm vs. non-midterm years
S&P 500 total return, 1937-2025



Average realized volatility in midterm vs. non-midterm years
S&P 500 price index, 52-week standard deviation, 1937-2025



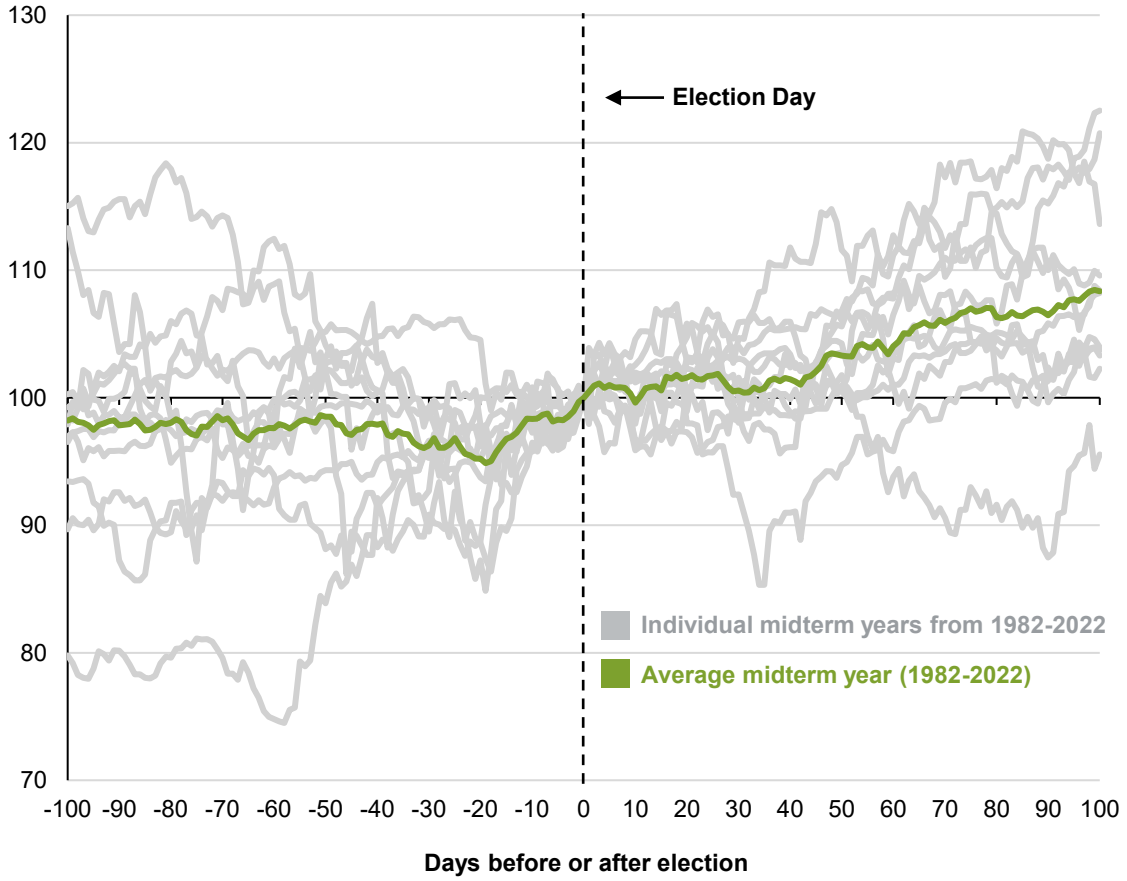
Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management.
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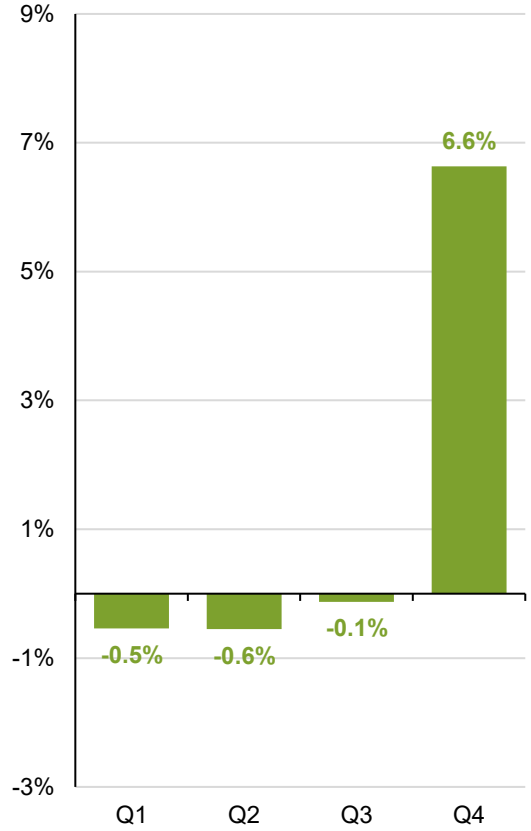
Markets don't like uncertainty; elections almost always reduce it.

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S&P 500 Price index 100 days prior to and following a midterm election
Election Day = 0, 1982-2022



Average quarterly returns in midterm years
S&P 500 price index



Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management.
Data are as of September 18, 2026.

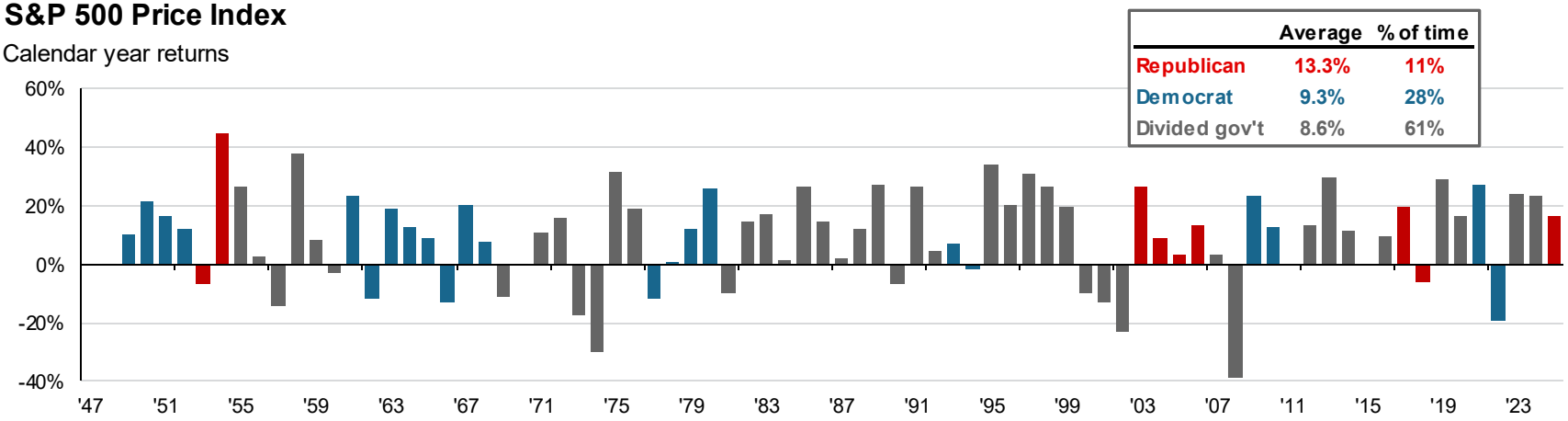
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The markets and economy tend to fare well under all government configurations.

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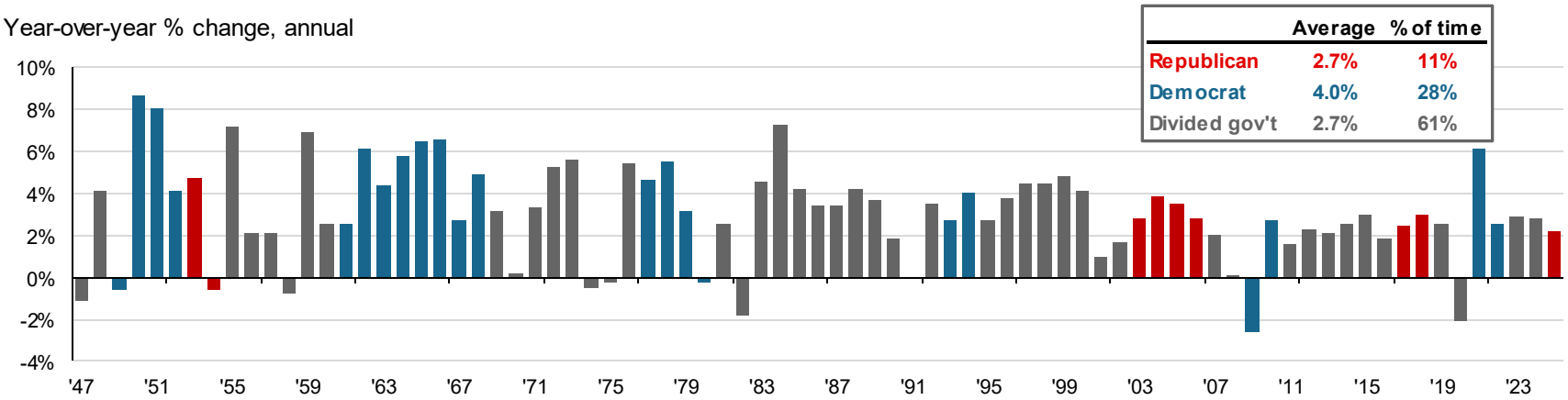
S&P 500 Price Index

Calendar year returns



Real GDP

Year-over-year % change, annual



Source: BEA, Standard & Poor's, FactSet, J.P. Morgan Asset Management. Data is calendar year.
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