2026 US midterm elections

UBP HEADLINES | 8 SEPTEMBER 2026

Author
Norman Villamin
Group Chief Strategist

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Executive summary

US President Trump's approval rating is among the lowest for a sitting president in post-World War II US history and leaves an 80% probability that the US House of Representatives will shift to Democratic control, with US Senate facing a 50:50 chance of switching to Democratic control.

Despite this, without a 2/3 majority in the Senate, removal of the sitting president is unlikely via impeachment or via an involuntary transfer of power.

Losing control of Congress should lead Trump to focus on foreign policy, domestic social policy and deregulation in his last two years in office, much as he did in 2019/20.

The 2026 midterm elections are showing parallels to 2006 (Bush II), 2018 (Trump I), and 2022 (Biden). In the year following those midterms, the S&P 500 delivered returns of +8–9% over the six months immediately after the midterm elections.

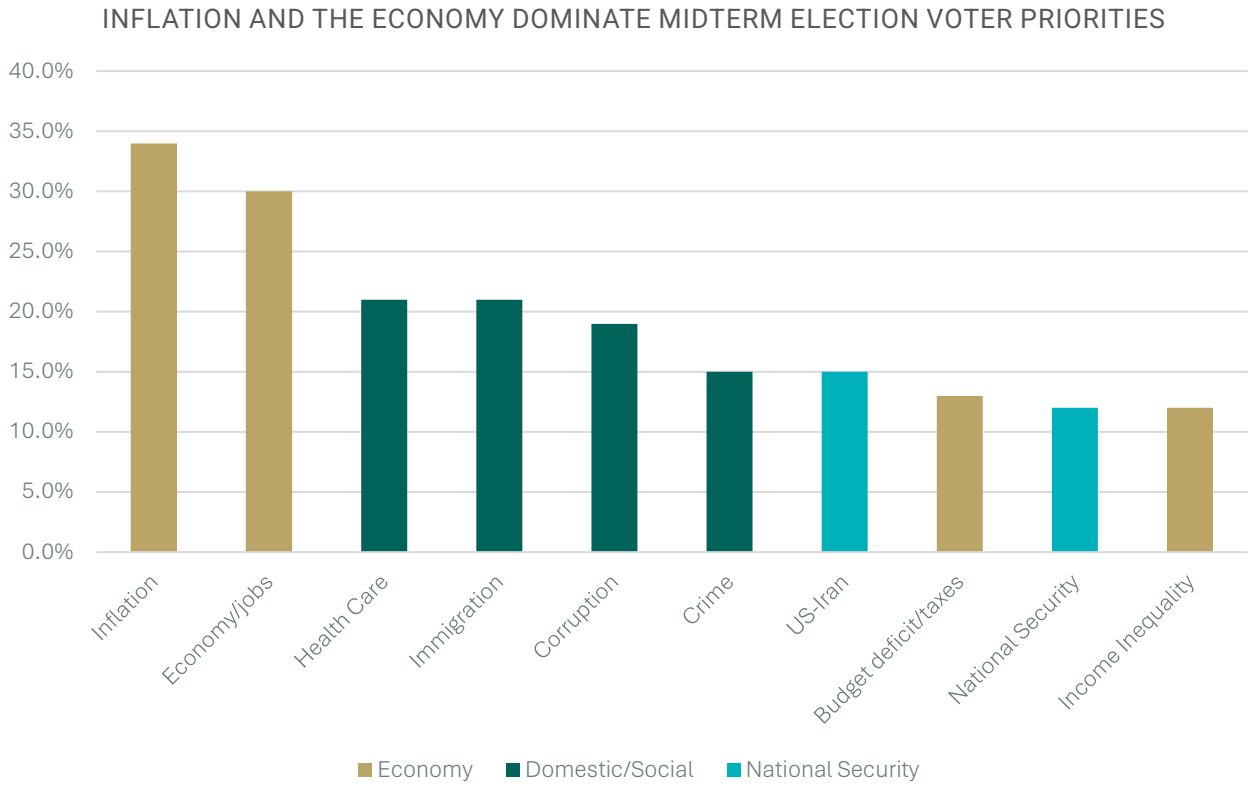
The S&P 500 performance in the six months and calendar year after midterm elections has averaged returns of +15–20% with an 89–100% history of positive returns since 1950.

Historically, a bullish time for US equities

US President Donald Trump is entering the November midterm elections with his lowest approval rating of his second term at 36%; this, according to Gallup, is approaching the lows seen in his first term of 34% reached during the height of the Covid-19 pandemic.

> ‘It’s the economy, stupid’
>
> Democratic Strategist James Carville
> under US President Clinton

While the US conflict with Iran and its ‘national security’ encroachments into global economies are the focus for the rest of the world, domestically, the main concerns of American voters remain centred on inflation, the economy and jobs, as well as on social issues such as healthcare, immigration, corruption and crime which are all taking precedence over concerns about foreign policy.

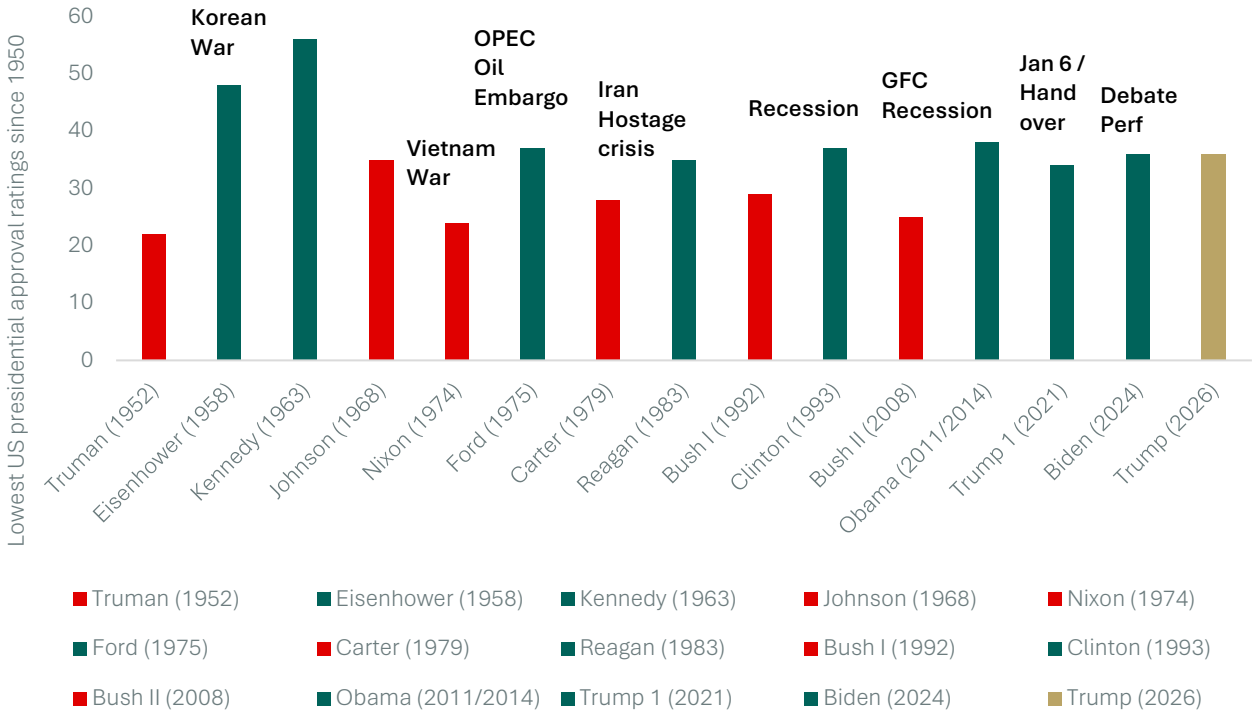


Source(s): Harvard CAPS Harris Poll (July 2026) and UBP SA

Looking back across the post-World War II era, the only US presidents to have faced lower approval ratings were a wartime president (Truman in 1952), presidents facing crises in the Middle East (Ford and Carter in 1974 and 1979, respectively), and presidents coping with recessions (George Bush and George W. Bush in 1992 and 2008, respectively). Therefore, facing heightened tensions in the Middle East – as Truman did in 1952 – and inflationary pressures akin to those under Ford and Carter in 1974 and 1979, Trump's political unpopularity does not come as a surprise.

Interestingly, all these presidents either lost the following presidential election (Ford, Carter, George Bush) or did not stand for re-election (Truman and George W. Bush). Constitutionally, President Trump cannot be elected to serve a third term as US President in 2028. Indeed, in each of these episodes, the White House flipped parties – from Democrat to Republican (Truman, Carter) or vice versa (Ford, George Bush, George W. Bush), which may bode ill for Republicans in 2028.

PRESIDENTIAL APPROVAL RATINGS HAVE ONLY BEEN LOWER DURING WARS, RECESSIONS OR CRISES



Source(s): Gallup and UBP SA

The state of the race

Perhaps unsurprisingly, the Trump-led Republican Party is set to lose control of the US House of Representatives according to both Polymarket and Kalshi betting markets, as well as polling that suggests a 90% chance that the Democrats will take control in 2027. The US Senate, however, is a much closer fight with betting markets suggesting a 50:50 chance the Democrats will take control in 2027.

Changes in power in the House of Representatives have been commonplace in the 21st century; this is not only due to the growing political divide in the United States, but also because every two years, all the 435 seats are up for re-election, leaving control of the chamber much more subject to the whims of the electorate.

Interestingly, even though members of the United States Senate only face re-election every six years, the chamber has seen a change in power in four of the six midterm elections in the 21st century and six of the eleven since 1982.

So, while changes in power in either US legislative chamber are not rare, what is historically rare is for the sitting president's party – controlling both chambers in his first two years – to lose control of both Houses of Congress in the midterm elections.

HISTORICALLY, SIMULTANEOUS CHANGES IN POWER IN BOTH HOUSES OF CONGRESS ARE RARE

Mid-term		US House of Representatives			US Senate		
Election year	President	Pre-Election	Net chg	Post-Election	Pre-Election	Net chg	Post-Election
1950	D	D	(28.0)	D	D	-5.0	D
1954	R	D	19.0	D	R	-2.0	D
1958	R	D	49.0	D	D	15.0	D
1962	D	D	(3.0)	D	D	4.0	D
1966	D	D	(47.0)	D	D	-3.0	D
1970	R	D	12.0	D	D	-3.0	D
1974	R	D	47.0	D	D	4.0	D
1978	D	D	(15.0)	D	D	-3.0	D
1982	R	D	26.0	D	R	0.0	R
1986	R	D	5.0	D	R	-8.0	D
1990	R	D	7.0	D	D	1.0	D
1994	D	R	54.0	R	D	-8.0	R
1998	D	R	(4.0)	R	R	0.0	R
2002	R	R	8.0	R	D	-2.0	R
2006	R	R	(31.0)	D	R	-6.0	D
2010	D	D	(63.0)	R	D	-6.0	D
2014	D	R	13.0	R	D	-9.0	R
2018	R	R	(41.0)	D	R	2.0	R
2022	D	D	(9.0)	R	R	-1.0	D
2026	R	R			R		

Source(s): United States House of Representatives, United States Senate, and UBP SA
Notes: R = Republican; D = Democrat; changes in party control in YELLOW

What a loss of Congressional control has meant historically

The only time a sitting president's party has lost control of both Houses of Congress was in the 2006 midterm elections under then-President George W. Bush, who faced a similar backdrop to the current president. In 2006, as in 2026, the nation was engaged in an unpopular 'war of choice' (in Iraq in 2006 and Iran in 2026), yet the economy was growing strongly (supported by tax cuts), while the US unemployment rate approached 4% (its lowest level in 2006 since the 2001 recession, and since the global pandemic in 2026). With an expanding economy, the US Federal Reserve (Fed) was raising policy rates throughout 2006.

Restrained from pushing a legislative agenda by the loss congressional control, President George W. Bush's post-midterm policy focus shifted towards foreign policy – an American troop surge in Iraq of over 20,000 soldiers – while domestic policies emphasised limits on foreign investment under the auspices of national security. For investors, the Republican loss in the 2006 midterm elections nevertheless translated into an S&P 500 performance of +9.1% in the six months that followed.

Though they retained the Senate, both Donald Trump (2018) and former US President Joe Biden (2022) lost control of the US House of Representatives in their respective midterm elections.

In his first term, just as in his second, Donald Trump benefited from the tailwind of tax cuts implemented in his first year in office, which helped push unemployment below 4%. Concerned that this fiscal stimulus would stoke inflation, the Fed tightened its policy throughout 2018, including through the midterm elections.

Even more than George W. Bush, Donald Trump faced a hostile Congress, subject to two impeachment proceedings following the loss in the midterm elections. Similarly, he pivoted towards foreign policy, launching the 2018–19 trade war with China while focusing on domestic immigration policies and financial deregulation outside Congress's purview.

Despite these challenges, in the six months following the 2018 midterm elections, the S&P 500 delivered returns of +8.5% for investors.

Biden presided over the post-pandemic recovery as the reopening US economy grew rapidly and unemployment fell to 3.5% for the first time since 1969. Confronting inflation driven by high oil prices after Russia's invasion of Ukraine and by pandemic-era stimulus packages, the Fed raised policy rates through the midterm elections.

Like George W. Bush and Donald Trump before him, legislative roadblocks left the Biden administration to focus on foreign policy with Russia's war in Ukraine and the 7 October attacks on Israel; domestic policies pivoted, with immigration policy liberalisation a highlight.

Again, despite these legislative obstacles, following the 2022 midterm elections, the S&P 500 rose 8.5% into mid-2023.

Therefore, should the Republicans lose control of one or both Houses of Congress in this November's midterm elections, it should be expected that President Trump will pivot – just as his predecessors did – towards foreign policy as the primary focus of his last two years in office.

What a loss of Congressional control does not mean

Although the 2026 US midterm Congressional and local elections are widely viewed around the world as a referendum on the first two years of Trump's second term, it is important to recognise that they stand in stark contrast to the regional elections faced by German Chancellor Friedrich Merz's Christian Democratic Union party this September.

Indeed, the outcome of the local elections in Saxony-Anhalt, and Berlin and Mecklenburg-Western Pomerania are being viewed as a referendum on the first eighteen months of the Merz chancellorship. With polls suggesting a strong showing from the Alternative für Deutschland party (AfD), Chancellor Merz could be challenged within his own party for fear of losing the general election currently scheduled for early-2029.

US President Trump faces no such threat of removal. Indeed, despite being impeached twice after the 2018 midterms, it was not the control of the US Senate that prevented his removal; instead, it was Article II of the US Constitution which requires a 2/3 majority vote in the United States Senate to remove a sitting president following impeachment.

As noted above, only 33 of 100 US Senate seats are up for election in the 2026 midterms. Kalshi prediction markets point to a 51:49 Democrat-Republican split in the Senate for 2027. However, even if the Republicans lose close races, they are likely to hold at least 44 seats.

How can a sitting US President be removed from office?

Congressional Impeachment/Conviction (Articles I and II)

US House of Representatives Investigates of 'high crimes and misdemeanors'

- Articles of Impeachment – requires a simply majority vote

US Supreme Court Chief Justice presides over a trial of the US President

- US House acts as prosecutor
- US Senate acts as the jury
  → A 2/3 majority (67 Senators) are required for conviction

The 25th Amendment – Involuntary Transfer of Presidential Power (Section 4)

US Vice President AND a majority of 21 US Cabinet members declare the US President "unable to perform the duties of office"

- Written notification is made to US Congressional leaders
- The US Vice President immediately takes over as acting President
- The US President can challenge the declaration. If challenged, the US Congress will be convened to vote on the removal

The US Congress must meet within 48 hours and vote within 21 days on the removal

- Removal requires:
  → A 2/3 majority (67) Senators AND
  → A 2/3 majority (290) US Representatives

Source(s): United States Constitution and UBP SA

US midterm elections have historically been bullish for S&P 500 investors

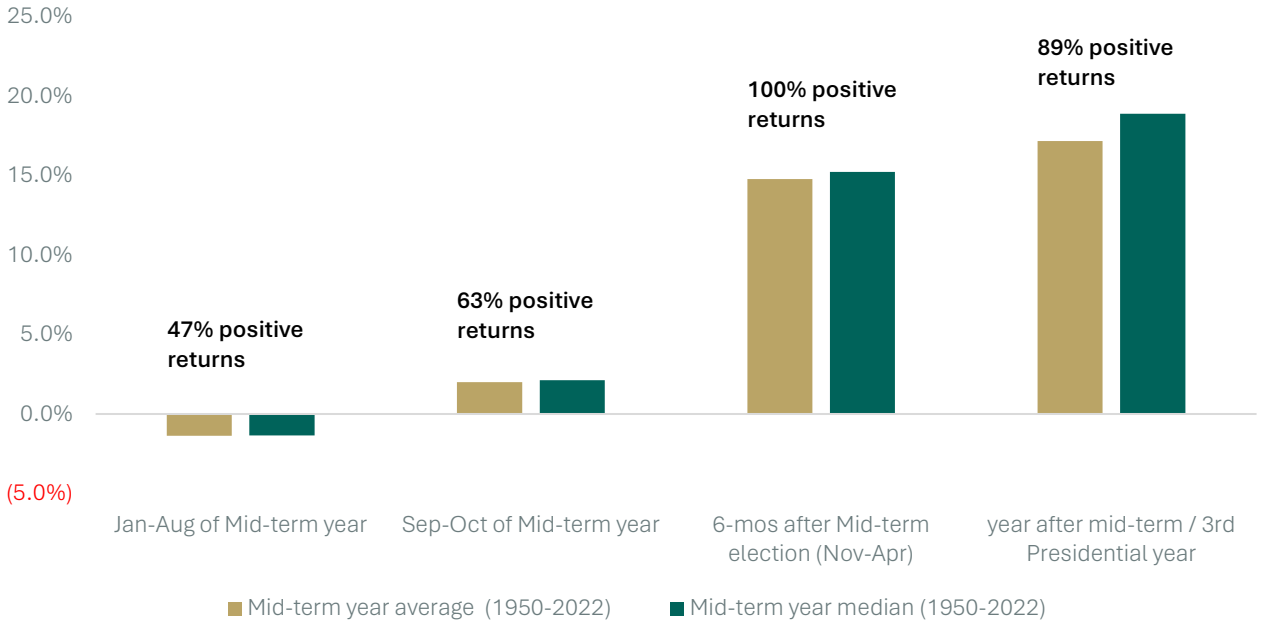
Despite the increasing polarisation of the American electorate and the more frequent change in leadership in the US House of Representatives and the Senate in the 21st century, the implications for investors have remained consistent. Since 1950 (the first midterm elections after World War II), investors in the S&P 500 have earned positive returns in the six months following each midterm election, with median returns of 15% in the 19 midterm elections over that period.

Just as encouraging for S&P 500 investors is the fact that, in the calendar year that follows the third year of the presidential term, investors have earned positive returns in 17 of the 19 years, with median returns of 19%. Moreover, the two negative years (2011 and 2015) saw S&P 500 drawdowns of less than 1%, with dividends more than offsetting the declines.

Admittedly, the run-up to the early-November midterm elections has been a more fraught period for investors: in the two months before election day, S&P 500 investors have lost money in nearly a third of the midterm election periods, with median drawdowns of 4–5%. Indeed, the worst two-month decline occurred ahead of Jimmy Carter's 1978 midterms, when the S&P 500 fell 9.8%.

Therefore, while market volatility is historically common as election day approaches, investors can use this to position themselves for what has historically been an attractive risk-reward profile for the S&P in the months that follow.

INVESTORS HAVE AVERAGED RETURNS OF 15–20%
IN THE 6–12 MONTHS AFTER MIDTERM ELECTIONS SINCE 1950



Source(s): Standard & Poor's, Bloomberg Financial L.P. and UBP SA

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Rue du Rhône 96-98 | P.O. Box 1320 | 1211 Geneva 1 | Switzerland
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