THEMATIC RESEARCH · ELECTIONS AND MARKETS

Midterms 2026: What Markets Are Pricing

Americans vote on 3 November for all 435 House seats and 35 Senate seats. Prediction markets and forecast models point to a change in control of at least one chamber. This report sets out what is priced, the races that decide the Senate, what history says about markets around midterms and how trade, energy and fiscal policy could change under each outcome.

Global Markets Research · Macro Desk Prepared by ANDRA MARKETS

~92%

House: not much doubt priced

Coverage summary. Republicans currently control both chambers, with 53 Senate seats and a narrow House majority. As of 28 October, Polymarket gave Democrats about a 92% chance of winning the House and 67% for the Senate, and Kalshi about 91% and 64% to 68%. Forecast models point the same way with less certainty: Decision Desk HQ gives Democrats a 57% chance in the Senate, Poliwave 58%, and the Cook Political Report rates seven Senate races as toss-ups. The House looks largely priced; the Senate is close to a coin flip, decided in Alaska, Iowa, Maine, Michigan, Ohio and Texas. Whatever the result, President Trump remains in office until January 2029, so any Democratic majority produces divided government.

markets and models agree on direction

DEM. HOUSE ODDS	DEM. SENATE ODDS	DEM. SWEEP (KALSHI)	ELECTION DAY
~92%	**57-68%**	**64%**	**3 Nov**
Polymarket, 28 Oct	*DDHQ to Kalshi*	*combined control*	*35 Senate + 435 House*

Exhibit A. What is priced

Source	House (Dem. control)	Senate (Dem. control)	Date
Polymarket	~92%	~67%	28 Oct
Kalshi	~91%	64-68%	28-29 Oct
Decision Desk HQ	n.a.	57%	26 Oct
Poliwave simulation	86% (229 seats median)	58%	29 Oct
Call the Map	85%	n.a.	28 Oct
Political Economy Model	78% (231 seats)	66% (50 seats)	late Sep
Cook Political Report	n.a.	7 toss-ups, 2 lean D, 1 lean R	26 Oct

Sources: Yahoo News; Kalshi; NewsNation (DDHQ, Cook); Poliwave; EurekAlert (Tien and Lewis-Beck). Prediction-market prices reflect traders' expectations, not polls.

Senate spread is wide

1.0 Executive Summary

Key takeaways

The base rate favours change. The president's party has lost House seats in all but three midterms since 1934, according to Capital Group. This cycle adds inflation and energy prices driven by the Iran war, and a labour market that added only 29,000 jobs in September.

history: the president's party loses seats

priced ≠ certain

Most of the House outcome is in the price. With markets above 90% for a Democratic House, a Republican hold would be the surprise. The Senate carries genuine uncertainty: five battleground races sit within three points in polling averages.

~90%

History is kind to the year after. A bank study of 31 midterms found the S&P 500 averaged 2.9% in the twelve months before the vote and 12.4% in the twelve after. The pattern says more about uncertainty clearing than about which party wins.

Trade policy is now executive-led. After the Supreme Court struck down the IEEPA tariffs in February, the administration moved to Section 122 and then, from 24 July, to Section 301 tariffs of 10% to 12.5% on 60 economies with no scheduled expiry. Congress has more say over some tools than others.

Energy and affordability dominate both agendas. Democrats plan oversight of fuel prices and refiners and legislation to reverse tariffs; Republicans campaign on the tax cuts of the One Big Beautiful Bill Act and expanded domestic energy production.

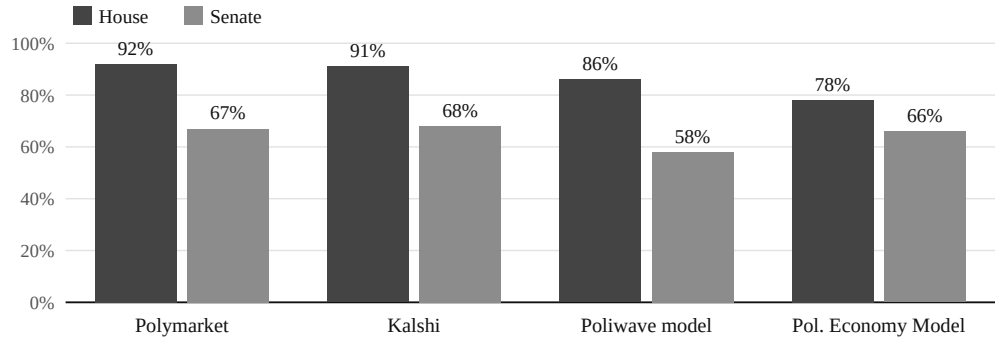
Our reading. For markets the result matters through oversight intensity, budget negotiations and the legislative calendar more than through new law, because a Democratic Congress would still need the president's signature. The Senate result is the open variable.

2.0 The House

Largely priced

Republicans enter the election with a narrow House majority, after a cycle that included mid-decade redistricting in several states. Polymarket's market implies roughly 236 Democratic seats and 52 Democratic Senate seats. Poliwave's simulation has a median of 229 Democratic seats, with 216 to 246 in 80% of runs, and the Political Economy Model of Tien and Lewis-Beck, built on economic performance, presidential approval and the historical midterm penalty, projects 231. The 218-seat majority line sits near the bottom of those ranges.

Exhibit 1. Probability of Democratic control by chamber (%)



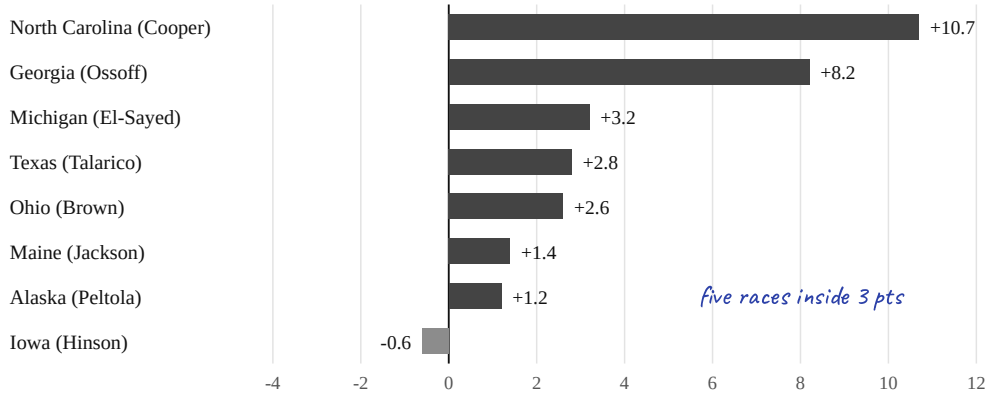
Sources: Yahoo News (Polymarket, 28 Oct); Kalshi (29 Oct); Poliwave (29 Oct); EurekAlert (Political Economy Model, late Sep). DDHQ gives Democrats 57% for the Senate (NewsNation, 26 Oct).

3.0 The Senate

Six races decide control

Democrats need a net gain of four seats for a majority. Polling averages compiled by RealClearPolitics show Democrats ahead in North Carolina, where Roy Cooper leads the open seat by more than ten points, and in Georgia, where Jon Ossoff leads by about eight. The remaining contests are within reach for both parties: Michigan, an open Democratic seat, Ohio's special election, Maine, where Susan Collins is defending her seat, Alaska, which uses ranked-choice voting, Texas and Iowa. Prediction markets price some of these more decisively than polls: Kalshi gives Mary Peltola about 76% in Alaska, Ossoff about 95% in Georgia and James Talarico about 68% in Texas.

Exhibit 2. Senate battleground polling averages, Democratic margin (points)



five races within 3 pts

Sources: RealClearPolitics via US Presidential Election News (28-29 Oct 2026); Kalshi polling average for Texas. Positive values favour the Democratic candidate.

Exhibit B. Senate battleground races

State	Democrat	Republican	Poll average	Market odds	Note
North Carolina	Roy Cooper	Michael Whatley	Cooper +10.7	n.a.	open R seat; likely D
Georgia	Jon Ossoff	Mike Collins	Ossoff +8.2	Ossoff ~95% (Kalshi)	D-held
Michigan	Abdul El-Sayed	Mike Rogers	El-Sayed +3.2	n.a.	open D seat
Texas	James Talarico	Ken Paxton	Talarico +2.8	Talarico ~68% (Kalshi)	R-held
Ohio (special)	Sherrod Brown	Jon Husted	Brown +2.6	n.a.	appointed R incumbent
Maine	Troy Jackson	Susan Collins	Jackson +1.4	n.a.	R-held
Alaska	Mary Peltola	Dan Sullivan	Peltola +1.2	Peltola ~76% (Kalshi)	ranked-choice
Iowa	Josh Turek	Ashley Hinson	Hinson +0.6	n.a.	open R seat

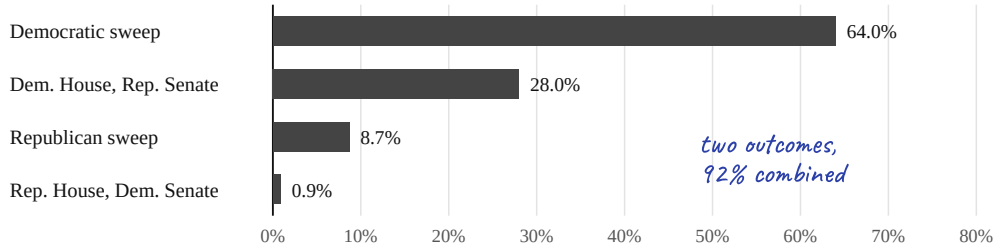
Sources: RealClearPolitics via US Presidential Election News; NewsNation; Kalshi. Averages as of 28-29 October 2026.

combined: sweep vs split

Kalshi also trades combined outcomes. Traders give a Democratic sweep about 64%, a Democratic House with a Republican Senate 28%, a Republican sweep about 9% and a Republican House with a Democratic Senate under 1%. In practice the market sees two plausible worlds: a Democratic Congress, or a split Congress.

~64%

Exhibit 3. Kalshi combined-control prices (%)



Source: Kalshi congressional balance-of-power market, 29 Oct 2026.

4.0 Markets and Midterms

What history shows

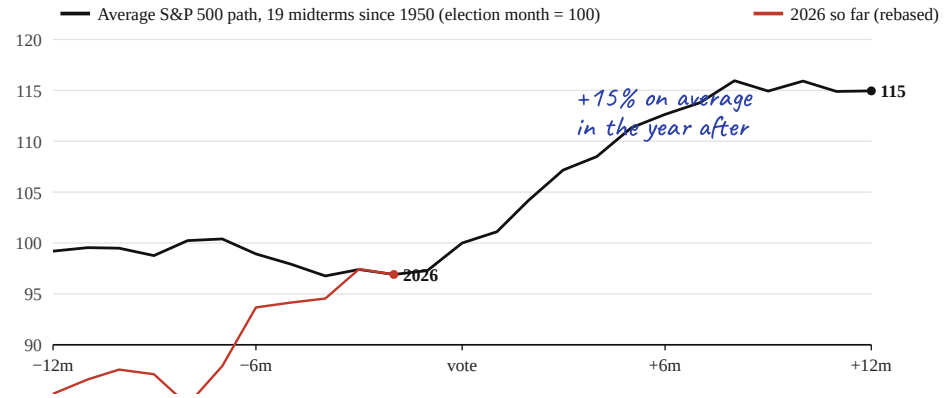
~2.9%

A bank study of 31 midterms over 125 years, cited by The Berkshire Edge, found the S&P 500 averaged 2.9% in the twelve months before the vote and 12.4% in the twelve months after, against 8.7% across all periods. A Motley Fool analysis finds the index rose in the year after 32 of the last 38 midterms since 1874, by 14% on average, and Schwab's research shows it was higher six months after

before: 2.9% after: 12.4%

the vote in every one of the 13 midterms in its sample. Divided government under a Republican president followed 14 midterms and the market was positive in the next twelve months 93% of the time. A separate analysis cited by Motley Fool found divided government after midterms linked to slightly weaker returns in the first three months, a dip of about 1%.

Exhibit 4. Average S&P 500 path around midterm elections



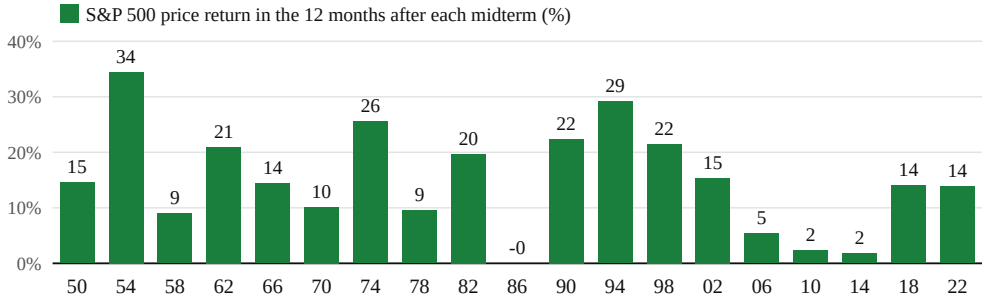
Source: S&P 500 monthly averages (Shiller data via public S&P 500 dataset) to September 2026; Andra Markets calculations. 19 midterms, 1950-2022.

18 of 19 positive

Our own calculation on monthly S&P 500 data confirms the pattern. Across the 19 midterms since 1950, the index rose in the twelve months after the vote in 18 of 19 cases, by about 15% on average, while the twelve months before the vote gained only modestly on average, with large losses in 1962, 1974, 2002 and 2022. The only year without a gain was 1986, when the index was flat a year later after the October 1987 crash. The 2026 path has been the exception so far: the index rose strongly into the vote, driven by the AI trade, which leaves less of the usual pre-election discount to unwind.

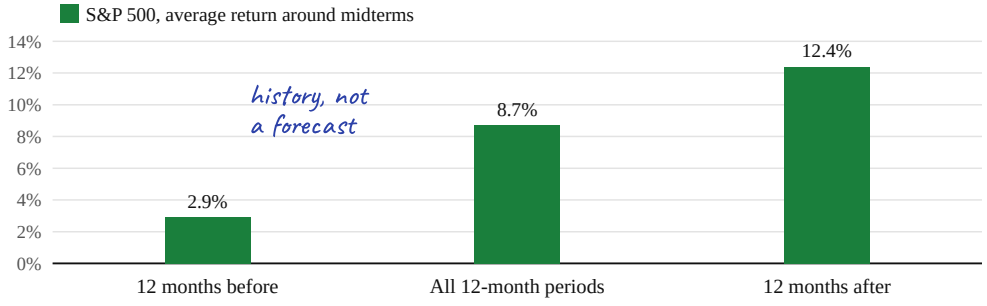
~15%

Exhibit 5. S&P 500 return in the 12 months after each midterm, 1950-2022 (%)



Source: S&P 500 monthly averages (Shiller data); Andra Markets calculations. Labels are election years.

Exhibit 6. S&P 500 average returns around midterm elections (%)



Source: bank study of 31 midterms over 125 years, as reported by The Berkshire Edge, May 2026. Past performance is not indicative of future results.

2026 is not a normal year

These averages come with heavy caveats. Samples are small, and this cycle includes an oil shock, a Fed that raised rates in September and a war in the Gulf. Capital Group notes that tariffs, inflation, interest rates and geopolitics weigh at least as much as the election itself.

5.0 The Policy Channels

Trade, energy, taxes and oversight

~10%

Trade policy has been reshaped by the courts. On 20 February the Supreme Court ruled 6-3 that IEEPA does not authorise tariffs. The administration replaced them with a 10% global surcharge under Section 122, which by law lapsed after 150 days on 24 July; the same day, new Section 301 tariffs of 10% to 12.5% on 60 economies took effect, with no scheduled expiry. Section 232 duties on steel, aluminium, copper, autos and pharmaceuticals remain, Section 338 tariffs of 50% on Canada took effect on 19 August, and importers are seeking refunds of an estimated $150 billion or more of IEEPA duties. The US-China tariff truce and related Section 301 exclusions expire on 10 November, a week after the vote.

tariffs moved from IEEPA to 301

in their own words

House Democrats have prepared a 100-days agenda focused on affordability and oversight. According to AP and Bloomberg Government, it includes measures to reverse the administration's tariffs, an enhanced child tax credit, permanent health-care subsidies and extensive investigations, with possible hearings on gasoline prices, refinery capacity and price gouging. Republicans are campaigning on their record: Senate Majority Leader John Thune frames the message around safety, economics and opportunity, citing the One Big Beautiful Bill Act's tax cuts, including no tax on tips and permanent 2017 rates, together with border and energy policy and expanded domestic production.

Exhibit C. Stated priorities by party

Area	Democrats (if in majority)	Republicans (record and plans)
Trade	legislation to reverse the administration's tariffs	keep the administration's tariff framework
Energy	oversight of fuel prices, refiners and producers	expanded domestic production and leasing
Taxes	enhanced child tax credit	defend the OBBBA tax cuts
Health	permanent ACA subsidies	lower premiums for some; reduced subsidies
Oversight	extensive investigations of the administration	n.a.

Sources: AP (14 Oct 2026); Bloomberg Government; Hogan Lovells; Fox News (Thune interview; AAF campaign); Bloomberg Government (House Republican health bill). Positions as stated by each party.

5.5 The Macro Backdrop

The Fed, inflation and the vote

Fed held 6 days before the vote

The election arrives with inflation at 3.7%, energy prices up about 20% from a year earlier and a labour market that added only 29,000 jobs in September. On 28 October the Federal Reserve held rates at 3.75% to 4% in a 10-2 vote, with two officials preferring a hike; Chair Kevin Warsh denied that politics played any role in holding six days before the vote. Treasury Secretary Scott Bessent urged the Fed to keep an open mind about the transitory nature of the supply shock. The next Fed decision, on 9 December, will be the first after the new Congress is known. Whatever the result, the incoming Congress inherits an energy-driven inflation problem and a central bank that has signalled it is not yet done.

~3.7%

6.0 Scenarios

What each outcome could mean

Exhibit D. Outcomes, market-implied odds and policy implications

Outcome	Kalshi	Policy implication	Market channels to watch
Democratic sweep	64%	tariff and affordability bills pass Congress but face a veto; oversight intensifies	tariff-sensitive sectors, energy, healthcare
Dem. House, Rep. Senate	28%	gridlock in legislation; House oversight; nominations still confirmed	historically supportive 'uncertainty cleared' pattern
Republican sweep	~9%	continuity of tax and energy agenda	defence, energy production, tariffs
Rep. House, Dem. Senate	<1%	split Congress; Senate shapes nominations	n.a.

Kalshi prices as of 29 October 2026; policy implications as stated by the parties; Andra Markets summary. No outcome is attributed to market performance.

7.0 What We Are Watching

Dates and indicators

Exhibit E. Calendar

Date	Event	Why it matters
3 November	Election day	House, Senate and governor races
3-10 November	close counts, ranked-choice tabulation in Alaska	Senate control may not be known on the night
5 November	Bank of England decision	global rates backdrop
6 November	October jobs report	economic backdrop for the new Congress
10 November	US-China tariff truce and 301 exclusions expire	first trade decision after the vote
9 December	Fed decision with projections	first Fed meeting after the vote
3 January 2027	new Congress convenes	start of any 100-days agenda

Andra Markets selection; dates from official calendars and press reports.

reading: the House looks priced, the Senate does not. history rewards the uncertainty clearing, not either party

Methodology and Source Notes

Method. This report summarises prediction-market prices, published forecast models, polling averages and historical studies as reported up to 29 October 2026, together with each party's stated agenda and the current tariff framework. It takes no position on the election and does not attribute market outcomes to either party. Handwritten notes and highlights are informal commentary by the desk. This note is analysis, not investment advice.

Principal sources. Polymarket and Kalshi (via Yahoo News and Kalshi); Decision Desk HQ and Cook Political Report (via NewsNation); Poliwave; RealClearPolitics; EurekAlert; Capital Group; The Berkshire Edge; Motley Fool via Stacker; Evelyn Partners; Schwab; AP; Bloomberg Government; Hogan Lovells; Fox News; Perkins Coie; Thomson Reuters; Dentons; Cleary Gottlieb; Cresa.

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