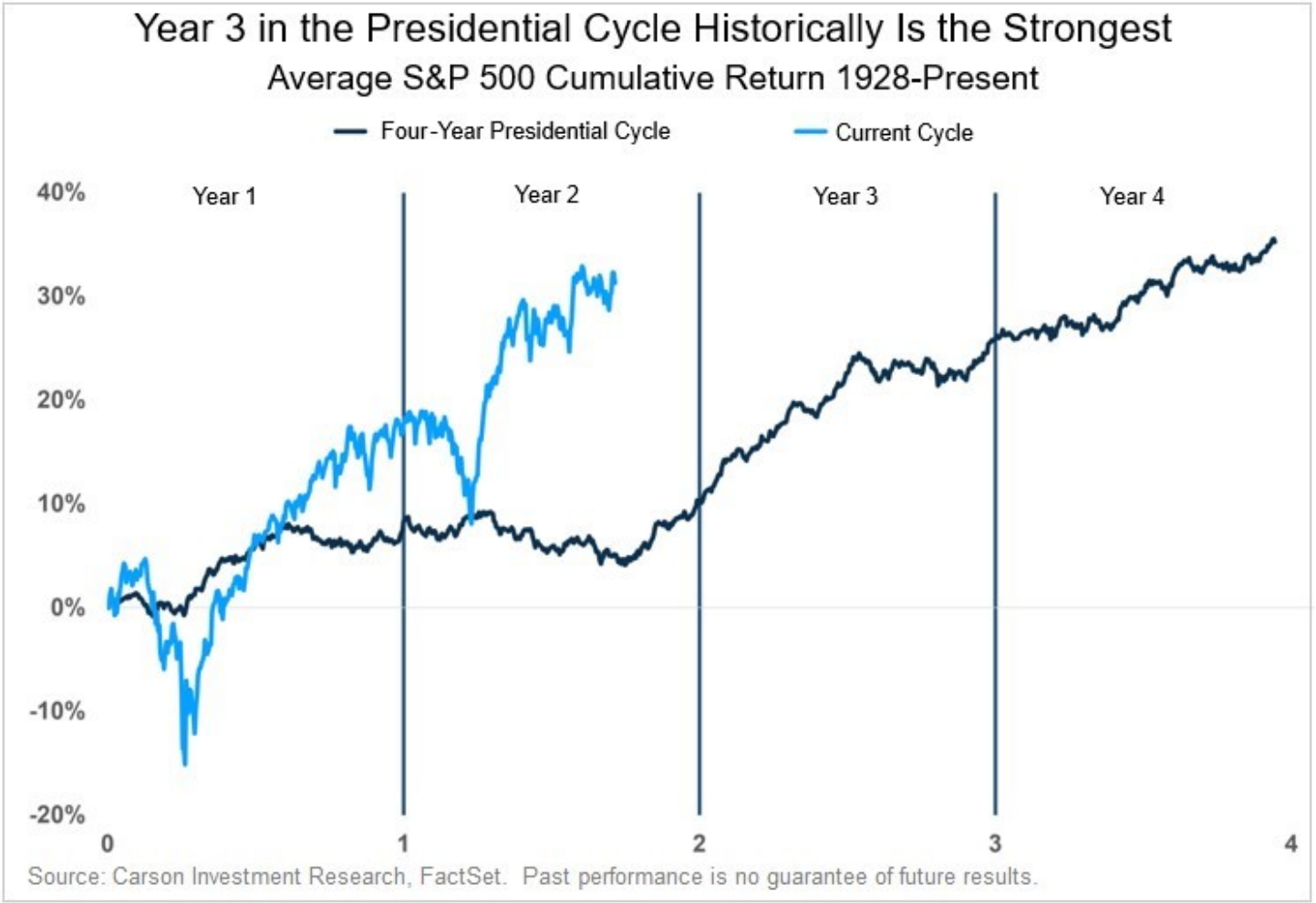


CHART OF THE MONTH

OCTOBER 2026



If the opposite of pro is con, then the opposite of progress must be Congress.”
— Sam Stovall, Chief Investment Strategist at CFRA

The midterm elections are (finally) upon us. Control of Congress is what’s most at stake. Republicans currently rule both the House (219-214) and Senate (53-47) by narrow margins. Democrats are more likely than not to take control based on the historical tendency of the president’s party to lose ground at the midterms.

Since 1946 (post-WWII), the president’s party has lost an average of 25.6 House and 3.6 Senate seats during the midterms. If the past is prologue, the House will flip to the Democrats and the Senate could go either way. The Republicans can lose up to three seats in the Senate and still retain control because the vice president holds the tie-breaking vote.

The most likely outcome will be a split government with a Republican in the White House and the Democrats in charge of one or both of the two chambers of Congress for the next two years.

While a split House and Senate tends to be the best for stocks (with a 15.1% average annual return since 1951), the market has performed well under Republican (+11.3%) and Democrat (+6.7%) majority Congresses. When it comes to the market, gridlock can be profitable. As such, it may not be about red or blue as much as the possibility that compromise leads to a federal government that functions best when perhaps it functions least.

No matter the outcome of the elections, the third year of the presidential cycle has historically been the strongest (see above). The market has generally extended its cumulative gains in year four but not at the same average annual rate as year three. As shown below, the S&P 500 has increased in each of the past 19 midterms and at an average return of 14.8%. Yes, 100% of the time at close to 15% per annum.

Although there are no guarantees that the market will behave as it has in the past, history is on the side of staying the course irrespective of the makeup of Congress.

