

The 2026 Midterms: Staying the Course

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Why the Election Matters to Investors

With the November 3rd midterm elections fast approaching, investors naturally wonder what Washington's next chapter could mean for their investments. Campaign news and candidate platforms are discussed every day, often accompanied by predictions about tax policy, prices, and the stock market. For investors, the instinct to protect their savings can be powerful, but it is important to remember that an election does not, by itself, immediately change American businesses' earnings potential – earnings growth remains the most critical driver of stock market returns – or the long-term purpose of a well-built portfolio. Political uncertainty typically lasts weeks, not years, and once the election results are in, investors tend to refocus on economic fundamentals, which remain very strong.

Stock market returns and the election cycle

Chart 1

Average S&P 500® Index 12-month returns, November to November, 1950-present



What History Shows

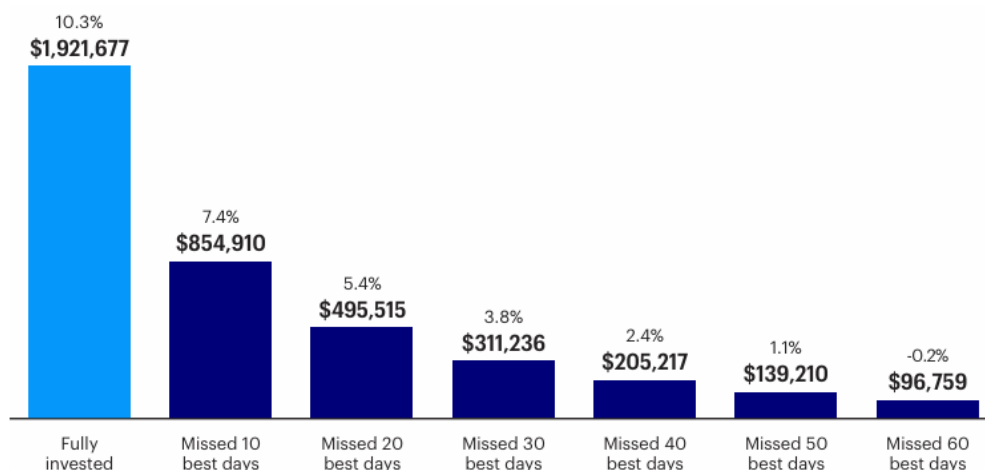
As Chart 1¹ shows, since 1950, the S&P 500 has averaged a 14.5% gain in the third year of a presidential term, while midterm election years tend to deliver the worst performance, with the S&P 500 returning 4.9%. The point is not to assume the pattern will repeat in 2026, especially given markets are already up double digits this year,² but rather to recognize that a tense political environment, the election of a particular candidate, or a partisan sweep has not been a dependable signal to sell stocks. In fact, the opposite is true: periods of volatility tend to be brief, and investors who weather the storm are often rewarded.

What the Midterm Results Could Change

Congress helps shape tax legislation, federal spending, and government funding decisions. A change in congressional control would not necessarily produce a major policy reversal: some priorities may continue through executive agencies, and a divided government could make large new legislation harder to pass. Budget negotiations and other fiscal disputes could still create uncertainty. Those issues are sure to create more headlines but will have little to no impact on corporate earnings or the business environment at large. Investors are weighing economic pressures that will matter regardless of the ballot count. Investors should remain focused on economic data and corporate earnings because those factors are far more critical for markets than election results or the political party in power over the long term.

S&P 500 Index: Annualized total returns (%) and growth of \$100,000 investment (1995–2025)

Chart 2



Why You Should Stay Invested

The temptation to sell positions and return to the market after the headlines settle creates two decisions: when to leave and when to buy back. Getting either wrong can mean missing all or part of a market rally. Chart 2³ highlights an investment of \$100,000 in the S&P 500 Index and the effect of missing the best days of market performance over the last 30 years. Missing only the 10 best days can cut portfolio returns by over 50%, emphasizing the fact that **time in** the market is far more important than **timing** the market.

S&P 500 Index price return one year after midterm election (%)

Chart 3

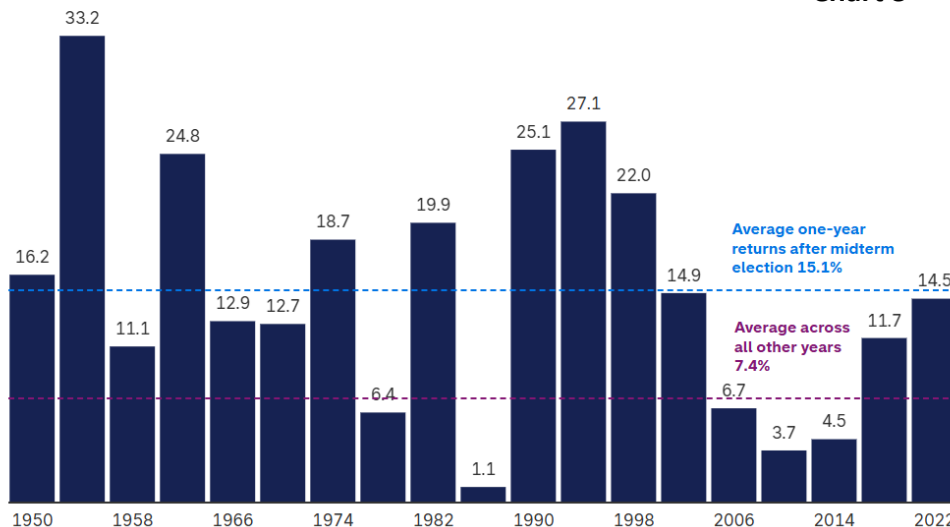


Chart 3⁴ looks at the average return in the year after midterms going back to 1950. Not only does the average return tend to be higher than in other years, but since 1950 the S&P 500 has not

delivered a single negative return in the year after midterm elections. In the end, markets care much more about the stability of the democratic system and the fact that elections are taking place, and care much less about which party wins a given election.

Staying Focused on What Matters

Political developments are worth following, but they should be viewed alongside the goals a portfolio is meant to serve. An investor who needs funds soon may reasonably hold more cash or short-term investments than someone saving for retirement decades away. For a long-term investor, a diversified allocation, periodic rebalancing, and an honest review of risk tolerance are more useful than attempting to trade around election predictions. Staying invested does not mean ignoring risks or maintaining a static portfolio. It means making changes for a clear financial reason and not capitulating to political headlines that drive volatility and make the next few weeks feel uncertain.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

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¹ [How might midterm elections impact the stock market? | Fidelity](#)

² Data Obtained from Bloomberg as of 10.16.2026

³ [Timing the market rarely works](#)

⁴ [How U.S. midterm elections may affect markets | Capital Group](#)