

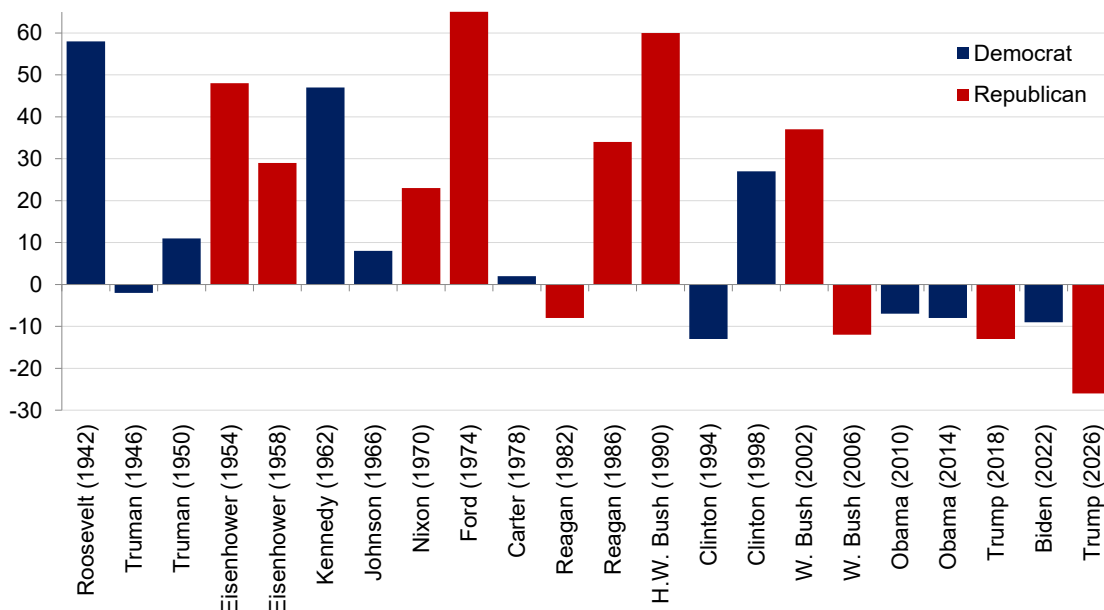
Midterm study notes

The U.S. Midterm elections are eight weeks from today, and I thought it would be a good time to share some thoughts about the imminent vote and what history says about its implications for markets.

The Midterms — which include contests for all 435 seats in the House of Representatives and 35 seats in the Senate (33 regular votes plus two special elections in Ohio and Florida), but not the Presidency — are typically viewed as a referendum on the sitting president. Therefore, the general popularity of the Commander in Chief carries some significance for the results of the President's party.

The latest public opinion poll data compiled by The American Presidency Project¹ show that 35% of Americans “approve” of the job the President is doing — the approval rating has been steadily falling from its high of 47% when the President returned to the White House in January of last year — while 61% “disapprove”. Putting this into some historical context, that -26 percentage point “net approval” rating is the lowest gauge of Presidential popularity at this juncture before a Midterm election on record (data back to 1942).

U.S. presidential net approval ratings eight weeks before midterms (percent “approving” less “disapproving”)



*Truman and Ford were not elected but instead assumed Office before these midterm elections; source: Guardian Capital LP, based on data from [The Presidency Project](https://www.presidency.ucsb.edu/statistics/data/presidential-job-approval-all-data)

¹ The American Presidency Project, Statistics, Data, Presidential Job Approval--All Data, September 8, 2026, <https://www.presidency.ucsb.edu/statistics/data/presidential-job-approval-all-data>

The President's party typically loses seats in both the Senate and House of Representatives in the Midterms — the last 21 of these elections have seen the party in power lose four seats in the Senate and 27 in the House (both on average and median). Historically, the losses have tended to be more significant the lower the President's approval has been ahead of the election.

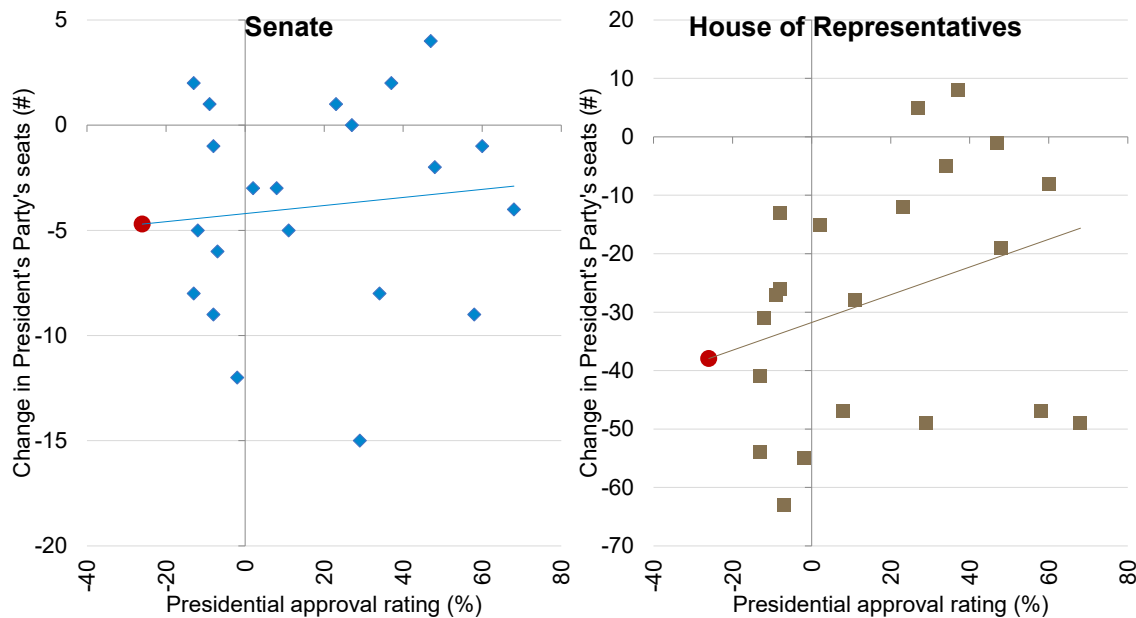
Change in Congress in Midterms by approval rating seven weeks before Election

	Net Approval (ppt)	Change in President's Party's Seats	
		Senate Seats	House Seats
Ford (1974)*	68	-4	-49
H.W. Bush (1990)	60	-1	-8
Roosevelt (1942)	58	-9	-47
Eisenhower (1954)	48	-2	-19
Kennedy (1962)	47	4	-1
W. Bush (2002)	37	2	8
Reagan (1986)	34	-8	-5
Eisenhower (1958)	29	-15	-49
Clinton (1998)	27	0	5
Nixon (1970)	23	1	-12
Truman (1950)	11	-5	-28
Johnson (1966)	8	-3	-47
Carter (1978)	2	-3	-15
Truman (1946)*	-2	-12	-55
Obama (2010)	-7	-6	-63
Reagan (1982)	-8	-1	-26
Obama (2014)	-8	-9	-13
Biden (2022)	-9	1	-27
W. Bush (2006)	-12	-5	-31
Clinton (1994)	-13	-8	-54
Trump (2018)	-13	2	-41
Trump (2026)	-26		

*Truman and Ford were not elected but instead assumed Office before these midterm elections; source: Guardian Capital LP, based on data from [The Presidency Project](#)

The Republicans currently have majorities in both chambers of Congress, holding 53 of 100 Senate seats and 219 (218 plus 1 aligned Independent) of the 435 seats in the House of Representatives. Looking at the (fairly loose) historical relationship between approval ratings this far out from the Midterms and the President's party Midterm election performance, the current net approval rating would be consistent with the Republicans losing five seats in the Senate and 38 in the House (red dots in the charts below) — this would suggest the Republicans could lose control of both chambers of Congress.

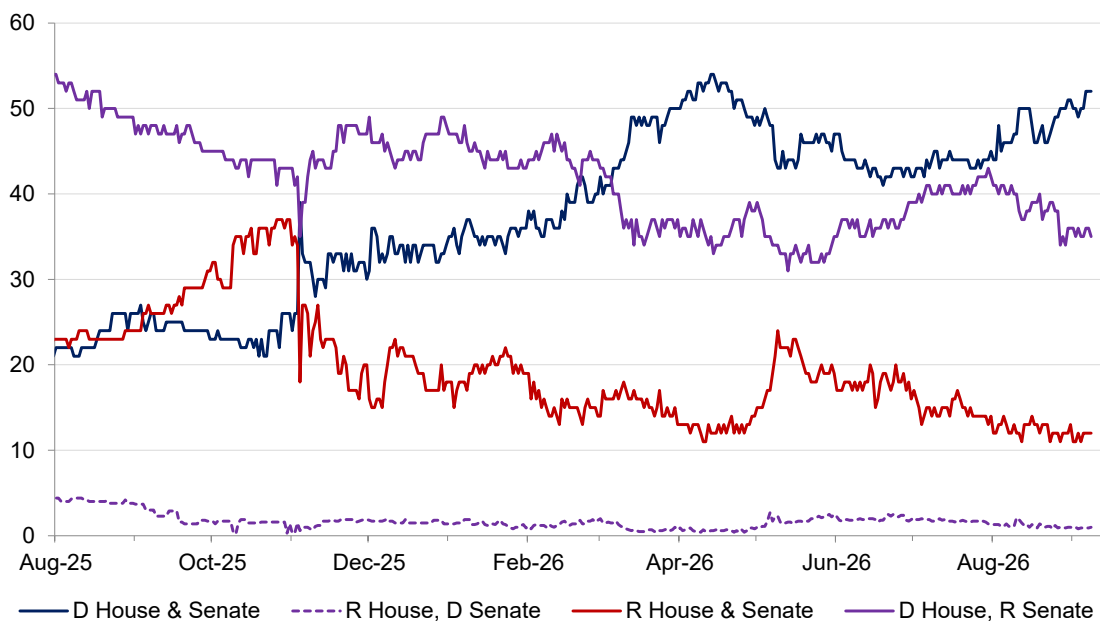
Change in Congress in Midterms by Approval Rating Two Weeks Before Election



Source: Guardian Capital LP, based on data from [The Presidency Project](#)

This is generally consistent with [current betting markets](#)², which are putting the highest odds on an outcome in which Democrats end up with control over the House and Senate (52%); Republicans retaining the Senate but losing the House has the second-highest odds at the moment (35%).

Predicted balance of power after 2026 Midterm elections



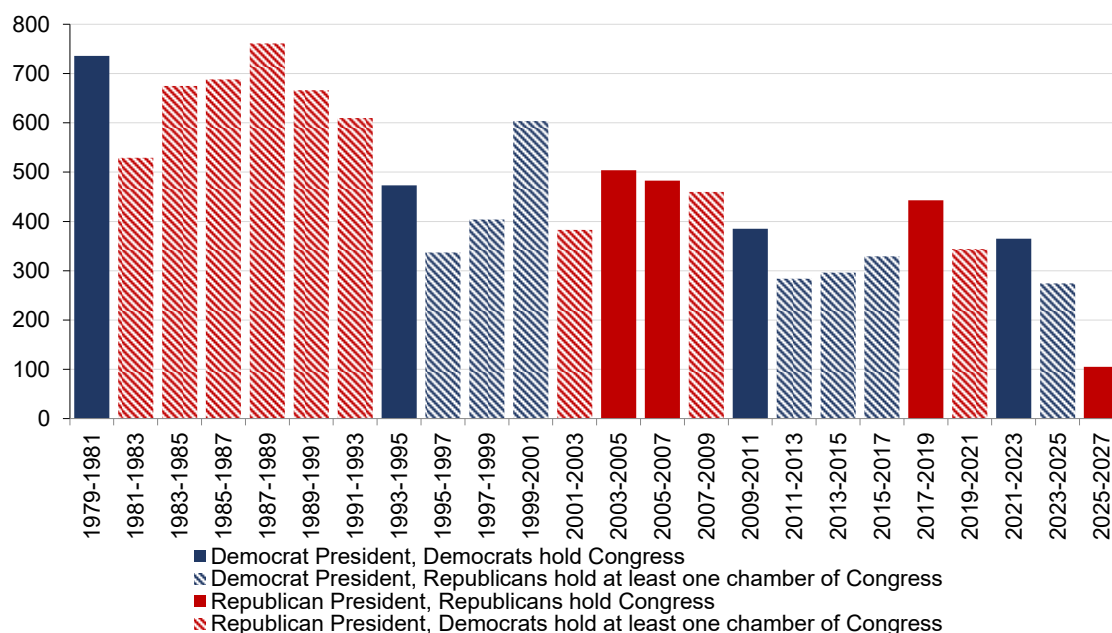
Source: Guardian Capital LP, based on data from [Polymarket](#) to September 8, 2026

² Polymarket, Politics, US Election, Balance of Power: 2026 Midterms, September 8, 2026, <https://polymarket.com/event/balance-of-power-2026-midterms>

For their part, polling-based models, such as those constructed by The Economist, give a high probability of Democrats taking the [House](#) (seeing a net increase of 22 seats to 236) and a very slight edge in gaining control of the [Senate](#) (adding four seats to hit 51).

From a policy perspective, a split or Democrat-controlled Congress likely means gridlock in Washington, as significant pushback will be expected against whatever legislation the President tables — that would not likely help reduce the elevated [policy uncertainty](#)³ that has characterized this Presidential term. Recent history indicates that more tends to get done when Congress is fully aligned with the President than when there is division.

Bills enacted into law by Congress during Congressional Session (number)



Source: Guardian Capital LP, based on data from [GovTrack](#) to September 4, 2026

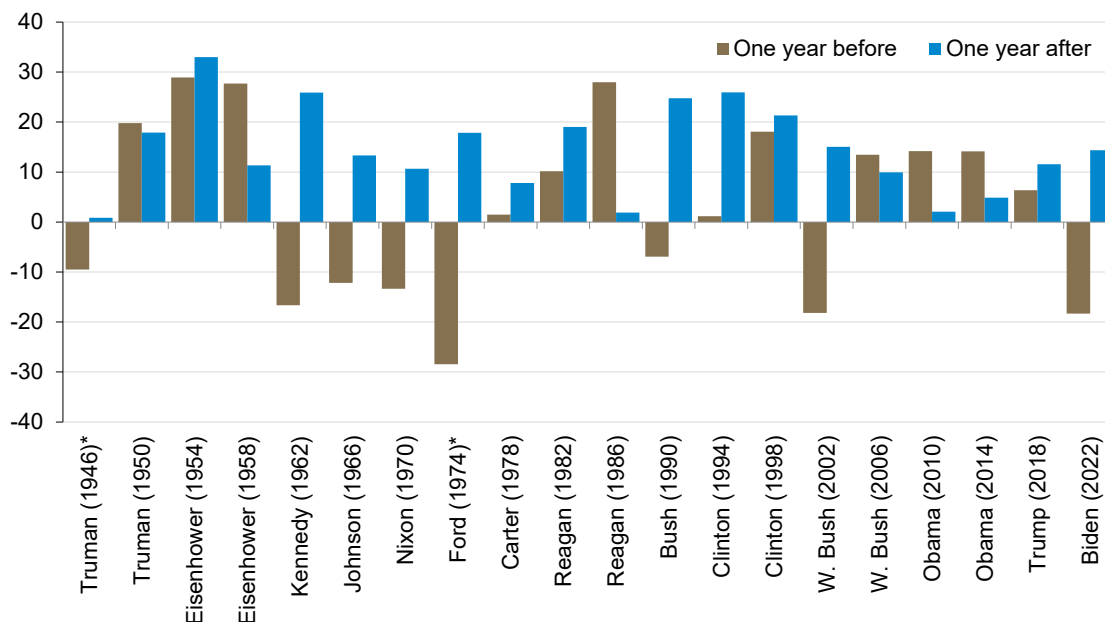
Looking at markets, history shows that the year following a Midterm election has been good for investors — though the causation versus correlation is clearly up for debate.

The S&P 500 Composite Price Index⁴ has been up following each one of the 20 Midterm elections of the post-World War II era, with the average increase being 15% (median 14%) — that represents a notable outperformance relative to the year before the Midterm, where the average increase has been 3% (median 4%) and eight of 20 years recorded declines (average and median -15%). For added reference, the S&P 500 is up 12% since the start of last November; previously, when the U.S. benchmark was up at least 12% before the midterms, it rose a further 12% on average over the next year.

³ Economic Policy Uncertainty, US Monthly EPU Index (1900-present), September 8, 2026, https://policyuncertainty.com/us_monthly.html

⁴ The S&P 500 is an index of 500 stocks designed to reflect the risk/return characteristics of the large-cap US equity universe.

S&P 500 performance in 12 months before and after U.S. Midterm Election (percent)

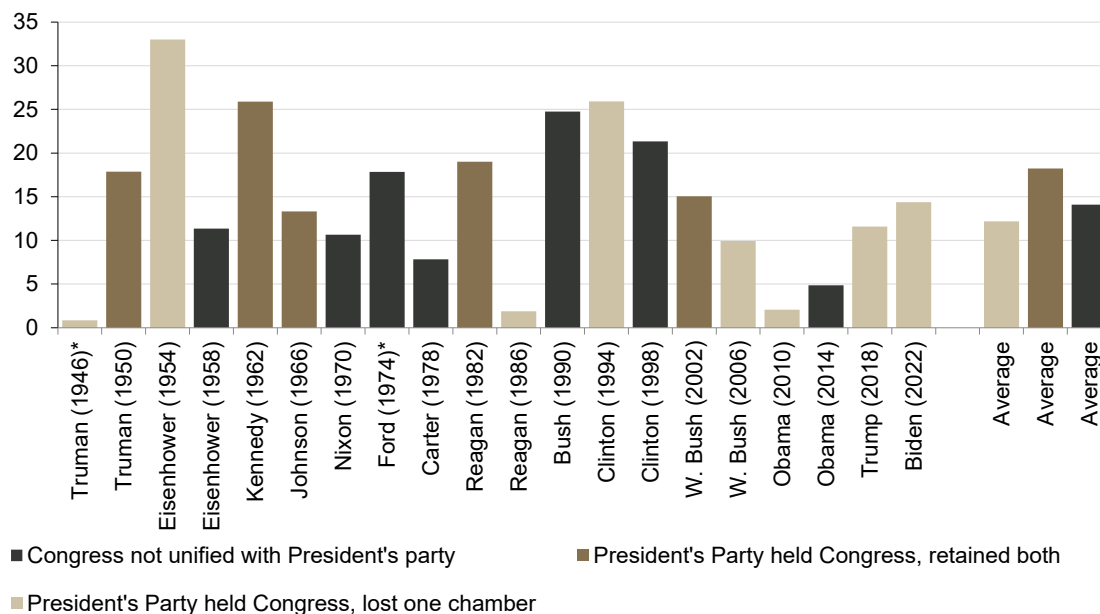


Source: Guardian Capital LP, based on data from The Presidency Project and Bloomberg to September 4, 2026

Of these 20 previous Midterms, there have been 13 previous instances in which the President's party had control of both the House and Senate going into a Midterm. In eight of these, the President's party lost at least one chamber of Congress (1946, 1954, 1986, 1994, 2006, 2010, 2018 and 2022), while they have retained control five times (1950, 1962, 1966, 1982, and 2002); Congress was not aligned heading into the other seven elections.

The best market outcomes have been when the President's party retains power, with the average increase in the S&P 500 over the year following the election being +18%. When the President loses at least one chamber, that performance falls to a still solid average of +12% — and the S&P 500 has increased by an average of 14% in the year following the other Midterms in which the Presidency and Congress were not unified heading into the election.

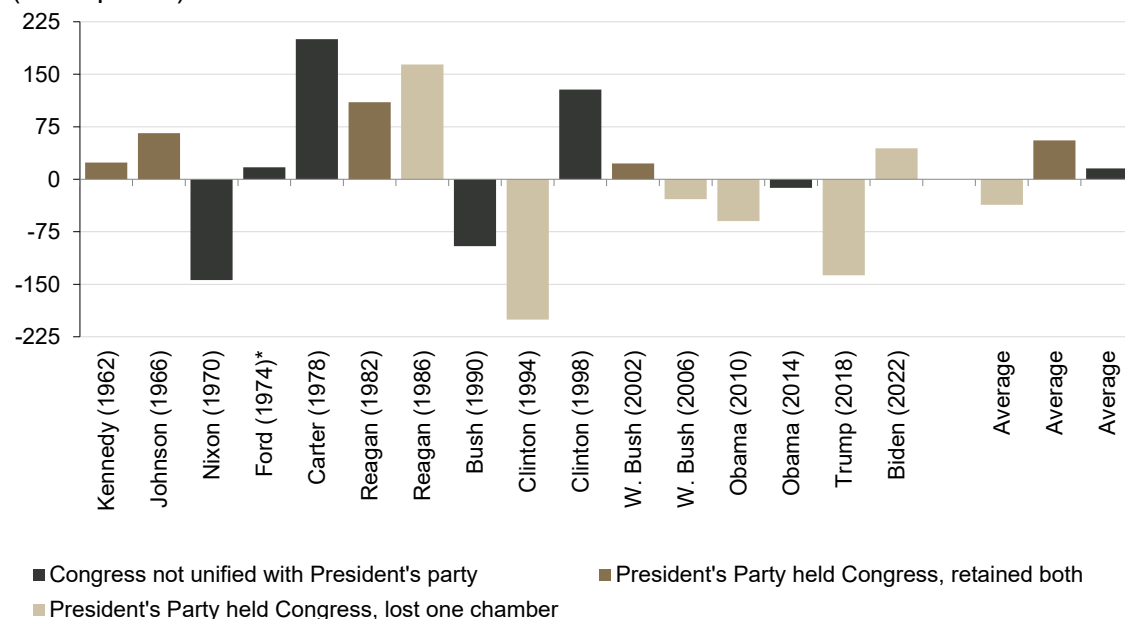
S&P 500 performance in 12 months after U.S. Midterm Election (percent)



Source: Guardian Capital LP, based on data from The Presidency Project and Bloomberg to September 4, 2026

In terms of the bond market, looking at the last 16 Midterm elections (daily bond market data is only readily available since 1962), the 10-year U.S. Treasury note yield has changed only negligibly on average in the 12 months following the election (+6 basis points average). That said, when the President's party loses at least one previously held chamber of Congress, the 10-year yield declined over the next year by an average of 36 basis points; it increased by an average of 56 basis points when the President's party has retained power in Congress — a possible indication that markets typically view a fully aligned U.S. federal government as one that is willing to spend more freely to the detriment of fiscal balances.

Change in 10-year U.S. Treasury note yield in 12 months after U.S. Midterm Election (basis points)



Source: Guardian Capital LP, based on data from The Presidency Project and Bloomberg to September 4, 2026

David Onyett-Jeffries

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