Capital Markets Strategy
Essential inCights for the C-Suite

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Chart of the Day

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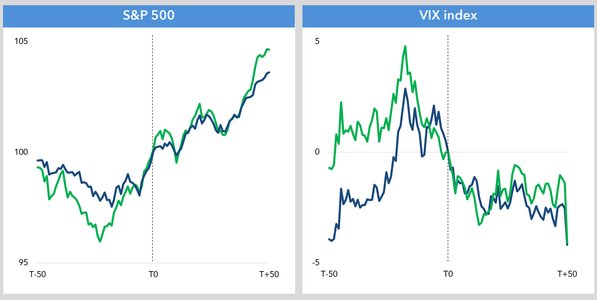
Equities Pre & Post Midterm Elections

Historically, markets have tended to underperform during the period of pre-election uncertainty, with the post election rallies on higher certainty often beginning in the days immediately preceding the actual election (regardless of political party gaining or losing control).

Market and economic performance before and after US elections

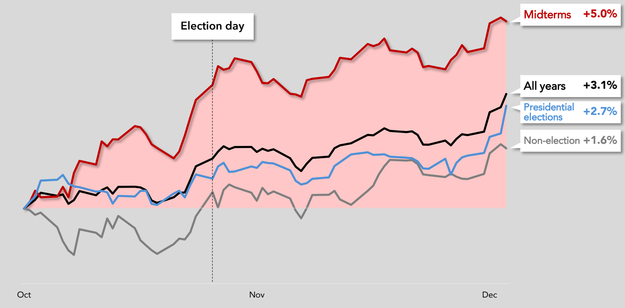


Source: (1) Bloomberg. Election data since 1960 for S&P 500 and since 1990 for VIX. Election day = 100 for S&P 500. Election day = 0 for VIX index.

Q4 Has Historically Been Strongest in Midterm Years

The S&P 500 has gained an average of 5% in Q4 during midterm election years going back to 1930, more than double the 1.6% gain in non-election years.

Average Q4 S&P 500 performance (1930-2025)

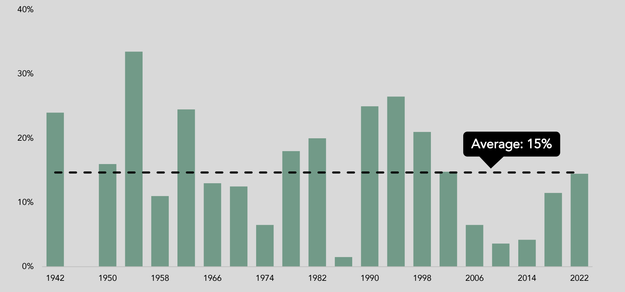


Source: (1) Bloomberg. Election data since 1960 for S&P 500 and since 1990 for VIX. Election day = 100 for S&P 500. Election day = 0 for VIX index.

Post-Election Equity Market Rallies

US stocks have advanced in the year following every midterm election for the past 80 years. While that is quite possible in the year ahead as well, we would note that the economy and markets are likely to be driven by much larger forces outside of Washington - expanding AI infrastructure buildout, rising energy prices, elevated interest rates and growing sovereign debt burdens.

S&P 500 one-year performance after Midterm Elections

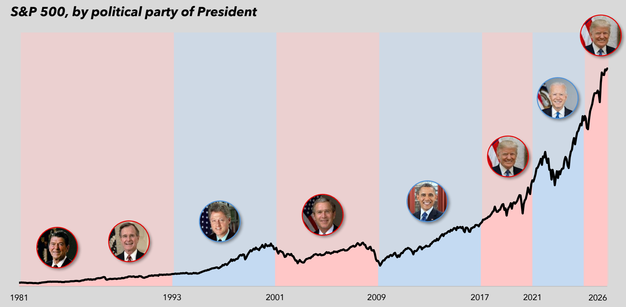


Source: (1) Dow Jones Market Data. WSJ, "After Punishing Year for Stocks, Investors Aren't Betting on Post-Midterm Rally" (October 2, 2022).

Business & Economic Cycle Matter More than Election Cycle

Historically, the private sector, more so than the public sector, has been the prevailing driver of US equity markets. While policy prescriptions have a critically important impact at a sector level, US equities have continued their historic rise in recent decades under both Republican and Democratic leadership. Over time, the business and economic cycle (macro, fundamentals, valuations) will matter more for earnings and stock prices than the election cycle.

S&P 500, by political party of President



Source: (1) Bloomberg. Data as of October 27, 2026. Date of party control based on inauguration dates.

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"Macro stability isn't everything, but without it, you have nothing."