



PCS
ADVISORS

Let our independence ignite yours.™

Capital Sense: U.S. Midterm Elections

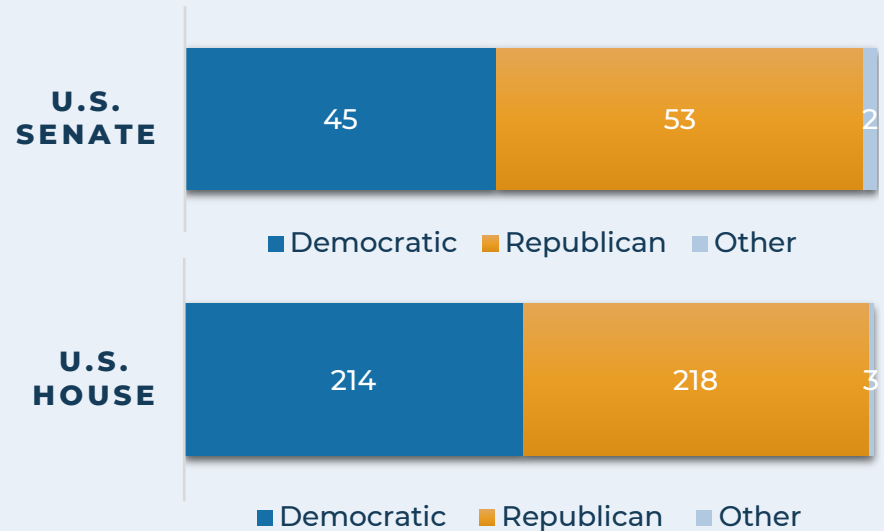


2026

What Are Midterm Elections?

- Midterm elections take place in the **second year of a presidential term**, rather than in conjunction with the Presidential election itself.
- During midterms, voters elect **every member of the House of Representatives**, and about **one-third of the members of the Senate**.
- A shift in power during midterm elections often reflects **changing presidential approval early in a term**, which can reduce support for the party in power and voter turnout.

119th U.S. Congress (current)



Republicans currently hold narrow majorities in both the Senate and the House of Representatives

2026 Midterm Elections

Roughly 10% of Congress is not seeking re-election, including more than 50 House members and at least 10 senators.

- **Notable retirements include:**

- Steny Hoyer
- Mitch McConnell
- Nancy Pelosi
- Marjorie Taylor Greene
- Elise Stefanik
- Dick Durbin
- Chip Roy

What's On The American Mind for 2026?

AFFORDABILITY

ECONOMY | CONSUMERS

Inflation Isn't as Bad as Economists Thought, but Americans Still Hate It

PERSONAL FINANCE | MORTGAGES

Will a 50-Year Mortgage Make Homes More Affordable? Here's How It Would Work.

U.S. | U.S. EDUCATION NEWS [Follow](#)

How the U.S. Is Tightening the Reins on Federal Student Loans

Incumbent Party Usually At A Structural Disadvantage

Only two midterms since 1946 delivered House gains for the president's party. The median midterm results in a roughly 22-seat loss for the party that holds the presidency.

Year	President	Party	Midterm US House Results
1946	Truman	Democratic	-45
1950	Truman	Democratic	-29
1954	Eisenhower	Republican	-18
1958	Eisenhower	Republican	-48
1962	JFK	Democratic	-4
1966	LBJ	Democratic	-47
1970	Nixon	Republican	-12
1974	Ford	Republican	-48
1978	Carter	Democratic	-15
1982	Reagan	Republican	-26
1986	Reagan	Republican	-5
1990	GW Bush Sr	Republican	-8
1994	Clinton	Democratic	-52
1998	Clinton	Democratic	5+
2002	GW Bush	Republican	8+
2006	GW Bush	Republican	-30
2010	Obama	Democratic	-63
2014	Obama	Democratic	-13
2018	Trump	Republican	-40
2022	Biden	Democratic	-9

Historically, Midterm Years Bring Volatility for Stocks

Mid-term election years bring elevated policy uncertainty. With this backdrop, equity markets have historically struggled during midterm years, followed by a recovery after the results of the elections become known.

Average Quarterly Returns for S&P 500 by Presidential Cycle (1950 - 2023)



Yet the Economy Often Strengthens Around Midterms

Although markets may experience volatility around midterms, GDP growth has historically strengthened in the third year of the presidential cycle.

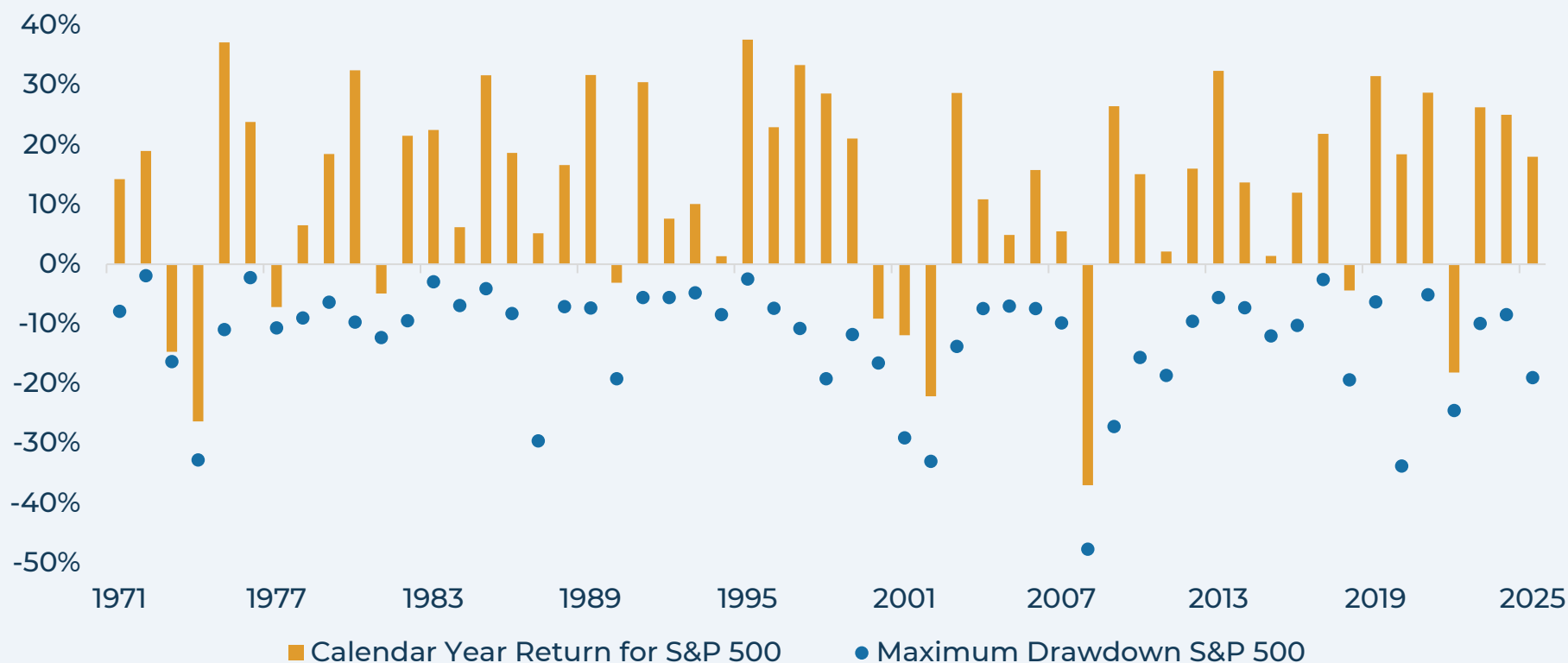
Average Quarterly GDP Growth by Presidential Cycle (1950 - 2023)



Stocks Routinely Sell Off During The Year

Despite frequent intra-year pullbacks, the S&P 500 has historically delivered positive calendar-year returns. Drawdowns are a normal part of equity investing, even in strong market years.

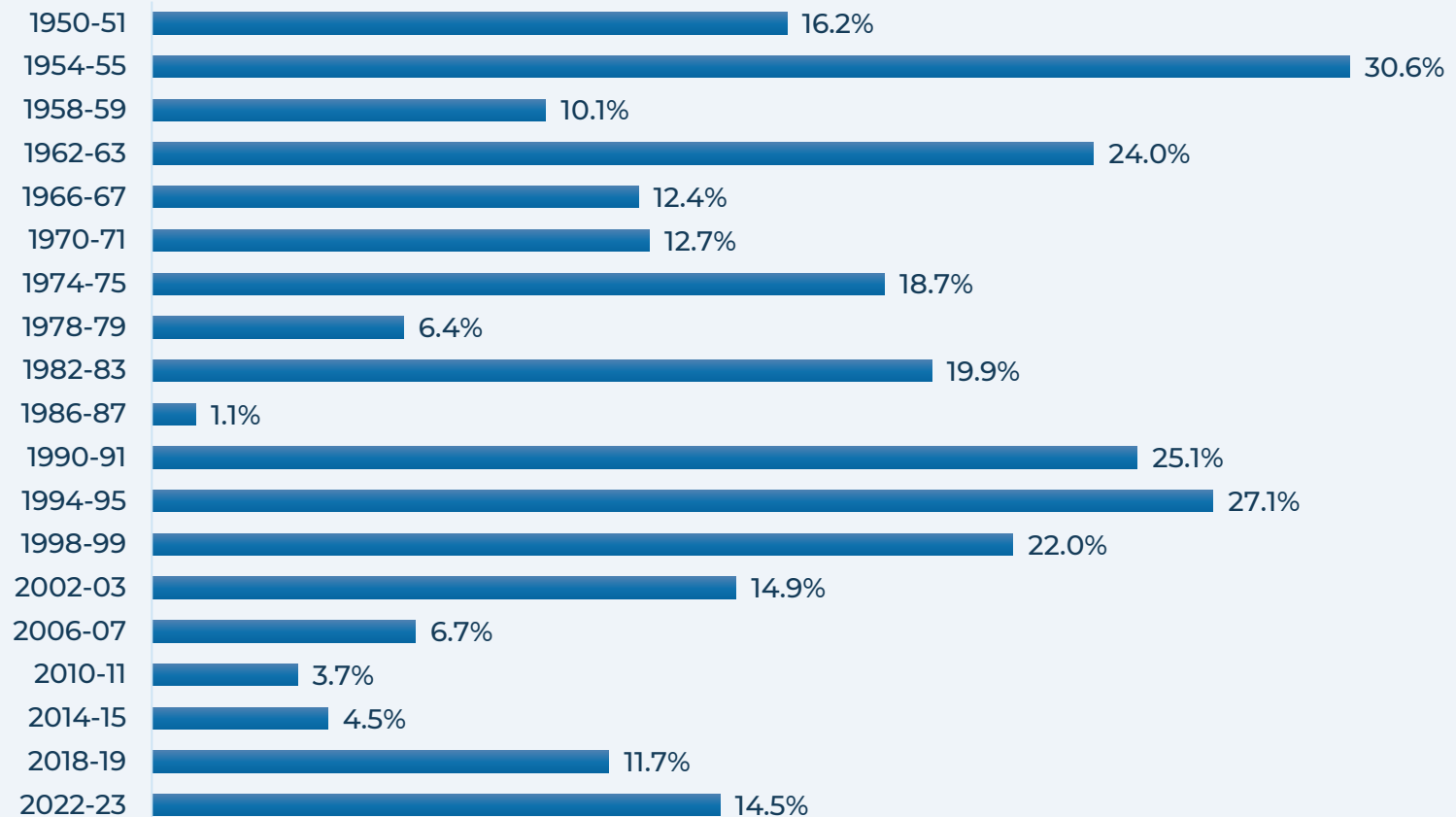
S&P 500 Calendar Year Return and Intra Year Drawdown (1972 - 2025)



Markets Tend to Rebound After Midterms

Markets have often rallied the year after midterm elections as political uncertainty subsides. Historically, the S&P 500's average 1 year return following midterms has been approximately 15%.

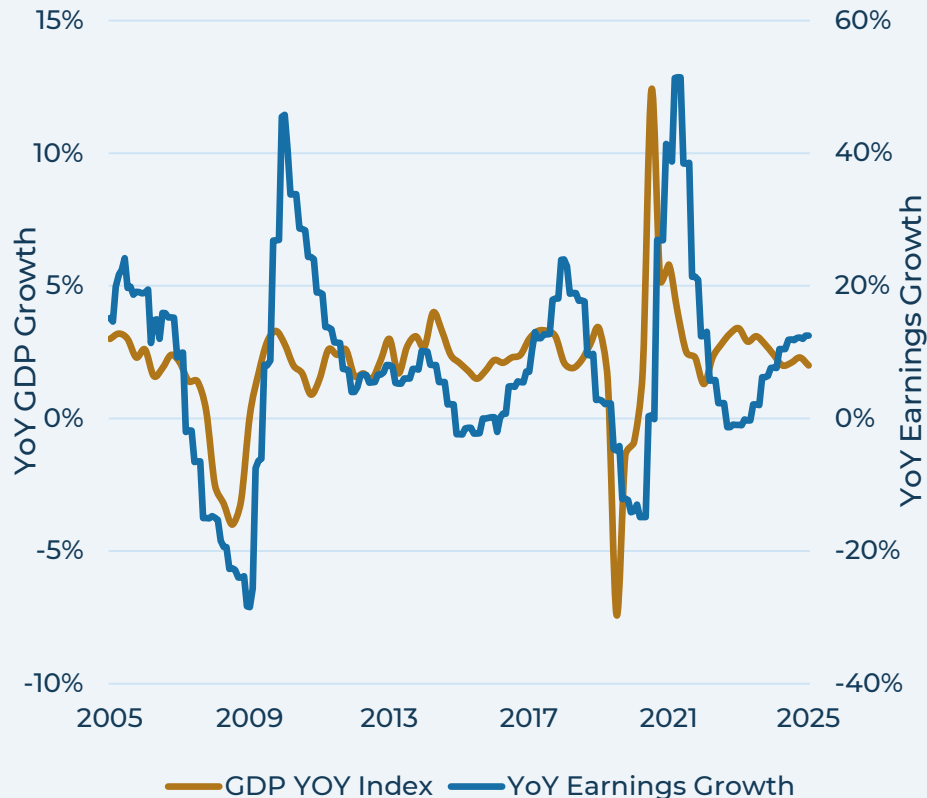
S&P 500 Price Return 1 Year After Midterm Election



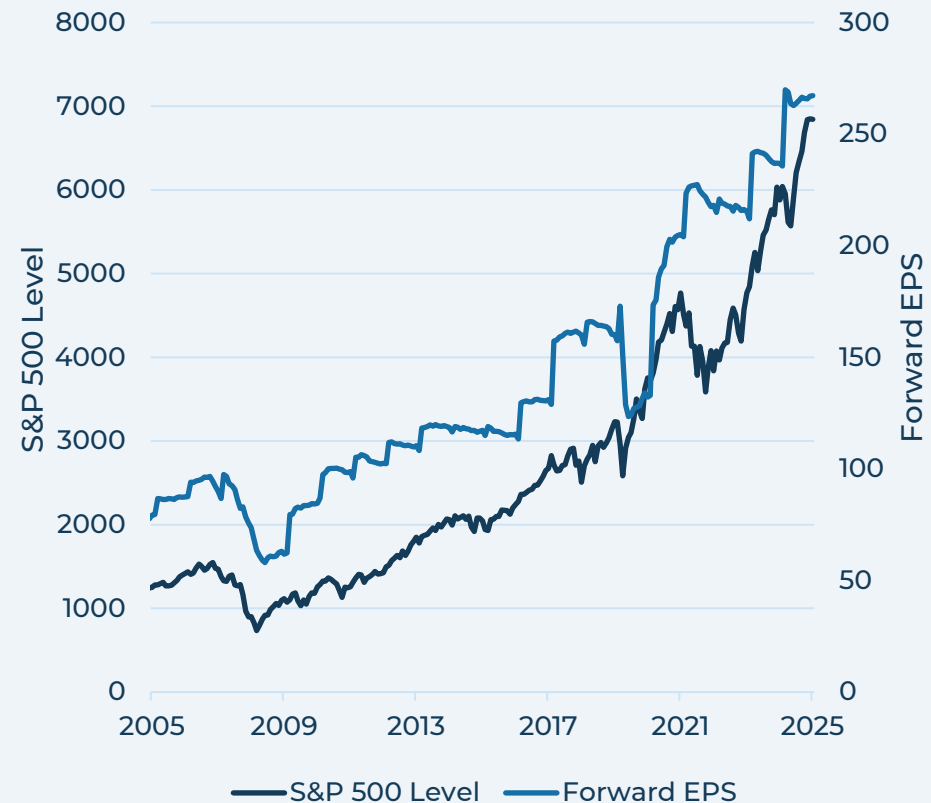
Beyond Elections: What Drives Markets Long-Term

Election cycles can create short-term volatility, but economic growth and earnings are the primary drivers of long-term stock market returns

Earnings Growth is Closely Tied to GDP Growth



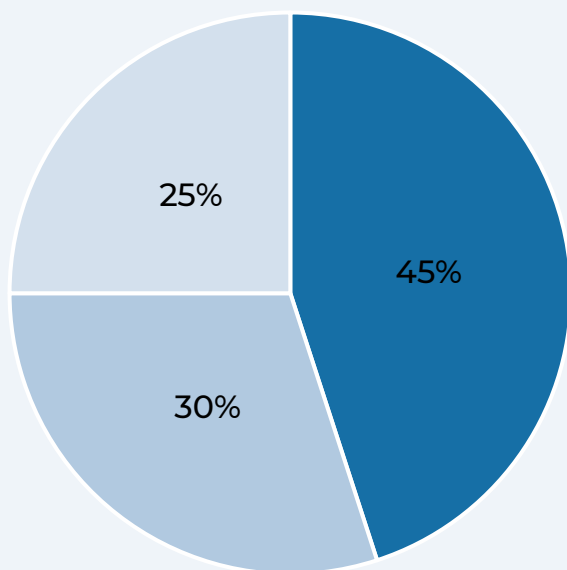
...And The Market Tracks Earnings Growth Expectations



Portfolios Are Globally Diversified Today

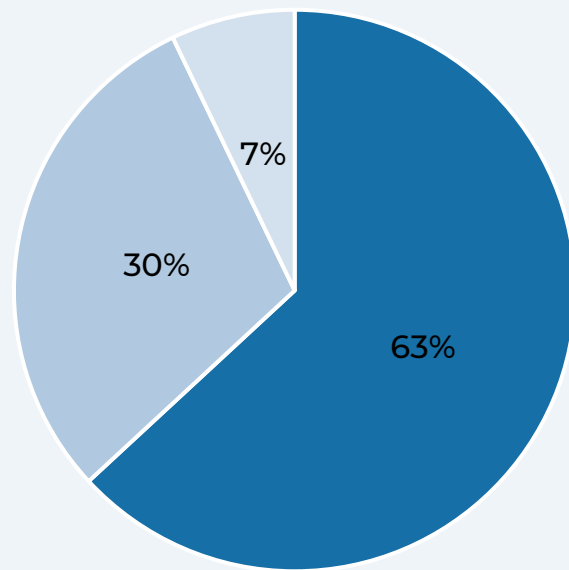
Election outcomes in the US are important, but investors are more globally diversified today than decades past, whether looking at sources of revenue or market capitalization.

Geographic Revenue Exposure – MSCI ACWI



- United States
- International Developed
- Emerging Markets

Market Cap Exposure – MSCI ACWI



- United States
- International Developed
- Emerging Markets

Key Takeaways



Maintain Investment Discipline

Check for strong political biases before making investment or financial planning decisions. Avoid the cost of emotional decision-making.



Elections Are Less Influential on Markets

Election outcomes can impact the economy but often have modest impact on investment returns.



Fundamentals Matter Most

Stay focused on the fundamental drivers of investment performance. Fundamentals have historically had a greater impact on stock returns.

Disclosures

This document is intended for the exclusive use of clients or prospective clients of PCS Advisors. Any additional dissemination or distribution is strictly prohibited. Information provided in this document is for informational and/or educational purposes only and is not, in any way, to be considered investment advice nor a recommendation of any investment product or service. Advice may only be provided after entering into an engagement agreement and providing PCS Advisors with all requested background and account information.

In partnership with Fiducient Advisors, the included information has been obtained from a variety of sources believed to be reliable though not independently verified. Any forecasts represent future expectations and actual returns, volatilities and correlations will differ from forecasts. Past performance does not indicate future performance and there is a possibility of a loss.

Please visit www.pcsbd.net/disclosures for other important disclosures. Private Client Services is an SEC Registered Investment Advisor doing business as PCS Advisors.