Inside 2026's Midterm Miracle



By Ken Fisher

Late autumn's arrival brings a swift tailwind for stocks. The Midterm Miracle is here! I see it powering stocks through year-end and beyond.

October 1 launched history's most consistently positive nine-month span for US stocks. Few see it now. And no one ever believes it based on deep-seated biases. Squawking candidates and shrieking reactionaries spark fear. But midterms always bring gridlock and two years without big, controversial bills. Legislative risk evaporates. Stocks party!

It doesn't matter which party rules beforehand. Nor how shrill campaigning gets. Nor how stocks fared pre-vote. Ignore political bias telling you one party's victory is magic or mayhem. The political bias that is worst is always your own with stocks. The Midterm Miracle is a bipartisan beauty.

The president's party almost always loses seats in midterms. Presidents know this. So they push big, divisive legislation early in their first two years, when their clout is greatest. This term, President Donald Trump had his so-called One Big Beautiful Bill. President Joe Biden had his so-called Inflation Reduction Act. Trump's first-term tax reform landed in Year One. Dodd-Frank and the Affordable Care Act landed in President Barack Obama's first two years. It has gone on for many decades.

Stocks often sweat rising political risk. Big bills create winners and losers. Losers hate it much more than winners love it. Everyone else fears losing from the next big bill. It all spikes uncertainty, which stocks hate. Historically, Years One and Two of presidents' terms are positive only slightly more often than negative over the last century.

Then midterms raise gridlock! Since 1914, when the 17th Amendment mandated direct Senate elections, presidents' parties lost Senate seats in 71% of midterms.[i] The House? 89%![ii] The president's party loses control or its edge shrinks. Both render gridlock.

Voters hate this. Those Beltway bums gotta earn their keep! But stocks cheer. Since 1925, the S&P 500 gained in 84% of midterm year fourth quarters—and 88% of Year Three's first and second quarters.[iii] Those three quarters together have been positive 92% of history, averaging 19.8% returns and never once negative since the Great Depression![iv] The Miracle!

This isn't just a US phenomenon. Highly correlated markets mean America's Miracle buoys stocks globally. US and non-US stocks' correlation is 0.83—sky-high given 1.00 means lockstep movement and -1.00 signals polar opposite.[v]

A 2026 Midterm Miracle comes easily. No huge "wave" needed. President Trump's Republicans hold a tiny 219

– 214 House edge (with 2 vacant seats).[vi] Their Senate margin is 53 – 47.[vii] But both parties' redistricting puts only about 25 – 30 House seats truly in play. Democrats needn't get close to history's average 30-seat House gain to win control. That would create traditional pure gridlock.

Of the 35 Senate seats up, just 7 are real tossups. Republicans hold five. So they have to win most of them. Precarious! UBS's aggregation of prediction markets strongly favors Democrats. Their odds of the Democrats winning in 6 of the 7 tossups are rated 60% or better.[viii] Polling also broke toward Democrats last month and continues. Consider race-by-race trends.

Republicans eyed gaining Michigan or New Hampshire. Both now look long-shot as Republican prospects have faded steadily since the campaigns ignited on Labor Day.



In Michigan, Republicans thought Democratic "Socialist" Abdul El Sayed would frighten independents. Cakewalk for former Rep. Mike Rogers, right? Wrong. A tight race broke El Sayed's way last month.

In New Hampshire, the GOP nominated former Governor Chris Sununu, a legendary statewide name … so popular he won four terms! From a famous political family! But Democratic Rep. Chris Pappas opened a six-point lead this fall from prior Sununu leadership.

Defensive efforts look iffy, too. Ohio incumbent Republican Jon Husted faces former Democratic Senator Sherrod Brown. Voters chucked Brown just two years ago. But Husted's numbers imploded since August. Democratic challenger Mary Peltolta leads incumbent Republican Dan Sullivan in Alaska. Bouncy polls suggest the race tightens and Alaska's ranked choice voting system is as wacky as it gets. Anything could happen … plus there are two Dan Sullivans on the Senate ballot. You can't make this stuff up.

Iowa is very close but trends have shifted away from Republican Rep. Ashley Hinson as Democratic State Rep. Josh Turek gained speed. Maine is another weird one. Incumbent Republican Susan Collins trails Democrat Troy Jackson. But she has a long history of voting much better than final polling. She is an anomalous phenomena in American politics. I wouldn't bet my life on it, but I would guess she wins.

Texas' barnstormer between Republican Attorney General Ken Paxton and Democratic Rep. James Talarico is too close to call. As a Texan who has studied the state deeply, I will tell you the Governor's race will help Paxton but it isn't clear how much. Governor Greg Abbott will get re-elected to a fourth term shy of some extraordinary surprise. He leads and is wickedly brutal in the final weeks of any campaign. More importantly, he has by far the best "Get Out the Vote" machine in America (also known as GOTV or "the ground game"). It is worth several percentage points as a bonus all by itself. He will use it to help all Texas Republicans except one … and that one isn't Paxton. Whether Abbott's ground game will be enough to elect Paxton isn't clear. If Abbott further widens his lead, Talarico is probably in serious trouble because Abbott's GOTV machine really doesn't generate ticket splitting voters.

You needn't take my word for any of this. You can see the trends of all polling, race by race, at *RealClearPolitics* in the upper right of the home page. Click on the race and it will take you to the polling history and it graphs the trend changes. Don't trust any poll. But the direction of polling by the same firms over and over tells you the trend as the firms individually don't change their methodology over time.

Historically, in midterms (not so much so in presidential election years) a trend in motion after Labor Day tends to continue, like a vector, until Election Day. That doesn't speak well for Republican prospects overall this cycle. Of course, in any given race anything can happen. Any of the above-mentioned races could differ from where they appear to lean now. But the trend overall

speaks toward full-tilt gridlock.

Democrats don't need a clean Senate sweep. Just a handful. Gains there probably overshadow close House races, flipping both chambers blue. One or both chambers generates pure gridlock which most people will hate but stocks will love.

Democrats with committee control will block all Republican legislation. But Democratic legislation will die, too, without a two-thirds majority to override a Trump veto.

However, like 1950s appliance TV ads … "But wait, *there's more*." Suppose Republicans do beat the odds and prevail to keep control of both chambers. Gridlock still holds. Why?

Accelerated intraparty GOP squabbling begins immediately. It always happens to a party when its second-term president gets past the midterms. In this case, as Trump becomes a lame duck, Republican senators elected in 2024 and 2026 will start contemplating their post-Trump lives. They will still be in office after his term ends, when they have nothing to fear from him and become primarily focused on self-interest. The same applies to GOP governors elected this year.

Many of them will start jockeying for party power and 2028's presidential nomination. They will seek Senate leadership positions and tout ideological issues important to their state, enhancing their power at home when in conflict with their current president. You can see this already this cycle in recent squabbles between the president and Senators Tom Cotton of Arkansas, John Kennedy of Louisiana and John Curtis of Utah. Factions and bickering will make the GOP fractured, adding to gridlock. It is the usual process at this point in a president's second term. Think of it as intraparty gridlock.

Similarly, a Democratic Congress can launch investigations. Hold regulatory hearings on AI and more. But it is theater. The noise that enables gridlock's magic relief comes with legislative and regulatory quiet!

This speaks to why The Miracle endures. Basically, no one ever believes it can. That is an important part of why it works. Most Americans and investors (including overseas investors) are biased to believe disaster awaits if their ideological opponents win. Emotions flare pre-vote. That is now. Extreme campaign rhetoric reigns. People forget gridlock defangs it. Its bullishness thus survives.

Scary midterm rhetoric will flare into November. And rhetoric may remain rank after. But gridlock's quiet legislative miracle has launched. I expect it to power stocks higher. Enjoy the ride.

i Source: US Senate, as of 9/28/2026.
ii Source: US House of Representatives, as of 9/28/2026.
iii Source: FactSet and Finaeon, Inc., as of 10/6/2026. S&P 500 total returns.
iv Ibid.
v Source: FactSet, as of 10/14/2026. Weekly price return correlation, S&P 500 and MSCI World Ex. USA, 10/9/2006 – 10/9/2026.
vi Source: US House of Representatives, as of 9/28/2026.
vii Source: US Senate, as of 9/28/2026.
viii Source: UBS and *RealClearPolling*, as of 9/29/2026. UBS average of 10 prediction markets.

About the Author

Ken Fisher is the Founder, Executive Chairman and Co-Chief Investment Officer of Fisher Investments. His prestigious *Forbes* "Portfolio Strategy" column ran from 1984 through 2016, making Ken the longest continuously running columnist in the magazine's history. He has authored 11 books, including 4 *New York Times* bestsellers. Ken writes regular columns for more than a dozen countries worldwide.

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