

## Monthly focus

September 2026

### Midterm mindset seeping into the U.S. stock market

Voter concerns leading up to the election are wide-ranging. RBC Capital Markets equity analysts seem mostly unfazed by the election scenarios. We assess the state of House and Senate control and recommend investors focus on what matters more.

Kelly Bogdanova



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## MONTHLY Focus



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# Midterm mindset seeping into the U.S. stock market

The list of voter concerns leading up to the election is wide-ranging, with cost of living a major focus. RBC Capital Markets equity analysts seem largely unfazed by the various election outcome scenarios. We assess the state of House and Senate control and recommend investors focus on what matters more.

### Key points

- For control of the House of Representatives, Democrats currently have the momentum. For the Senate, it's a closer call.
- “The economy, stupid” still rings true today as voters seem fixated on cost of living. AI data center buildouts are also drawing ire.
- Regarding political party control of Congress, RBC Capital Markets equity analysts see little overall impact on S&P 500 sectors. But there are nuances if Democrats win the House and Senate, especially for Consumer Staples and Utilities.
- Even if U.S. stock market volatility rises in the near term, we believe other issues matter more to the market's medium- and long-term performance than elections, including Fed policy and innovation.

### House control could flip

Less than two months away from the midterm election on November 3, multiple polls and other indicators point toward the Democrats winning control of the House of Representatives.

Republicans currently hold a slim 218–214 majority; one Independent caucuses with Republicans and two seats are vacant. Despite all 435 seats being up for grabs and the lowest number of incumbents running for reelection since records have been kept in 1930, only 42 seats are in contention (defined as “toss up,” or “lean Democratic” or “lean Republican”), according to poll aggregator 270toWin.

To retain House control, Republicans would need to defy history. Since 1906, the president's party has added House seats in only three of the past 30 midterm elections, and those additions were skimpy, ranging from only five to nine seats.

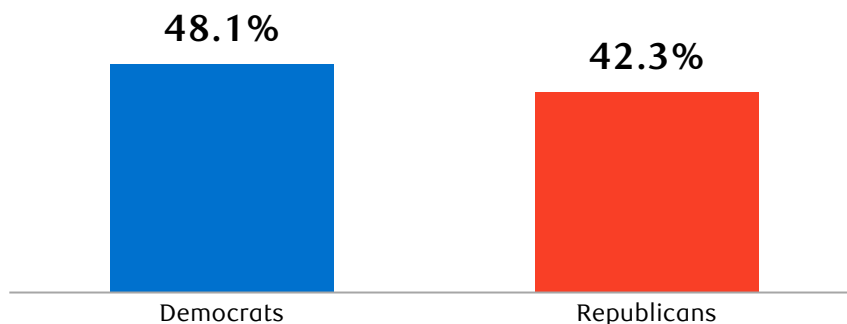
The [track record for the president's party](#) was worse when presidential approval was below 50 percent. President Donald Trump's job rating currently stands at 39.6 percent, according to the RealClear Polling (RCP) average of 11 polls.

Importantly, Democrats have a 5.8 percentage point advantage in the “generic ballot” poll, RCP's aggregated data indicates.

## MIDTERM MINDSET

### Generic party preference polling for Congress tilts Democratic

Poll respondents were asked which of the two major political parties they preferred (aka “generic party preference”) in the upcoming midterm Congressional elections, without indicating specific candidates.



The RealClear Polling averages shown here represent an aggregate of 15 independent poll results. Because the results of individual polls are independent of one another, scores for Democrats and Republicans may not add up to 100%.

Source - RealClear Polling (RCP) averages; polling data gathered from July 22 through Sept. 2, 2026

There are caveats to what seem like Democrats’ advantages, however. Republican campaign structures lead their Democratic counterparts in funding and Elon Musk, the world’s wealthiest man and first trillionaire, financially backs the Grand Old Party (GOP).

In addition, pollsters could be underestimating Republicans’ recent election cycle “get out the vote” successes and the president’s ability to mobilize supporters. The impact of gerrymandering (redrawing districts to suit political objectives) and GOP efforts to change voting rules in certain states is also difficult to gauge.

### Senate control unpredictable

While the Senate power balance seems close at this stage, control of the upper chamber could conceivably flip to the Democrats as well—an unlikely prospect earlier this year.

Republicans hold a 53 to 47 seat majority, and they need 50 seats to maintain power given the vice president’s constitutional role as the tie breaker. In other words, Democrats need to flip four Senate seats to gain control.

Among the 35 of 100 Senate seats up for election in November (including two that will be decided by special elections), 11 are considered “safe” Republican seats, nine are labeled “safe” Democratic seats, and 15 seats are in play (either toss up or likely/leaning toward one party or the other), according to 270toWin. The six toss-up states are currently Texas, Maine, Ohio, Iowa, Alaska, and Michigan.

### Voters laser-focused on cost of living

The most famous words in modern American politics, “the economy, stupid,” coined 34 years ago, still apply today. That phrase was marked on a whiteboard by James Carville, then-Governor Bill Clinton’s aggressive and colorful presidential campaign manager, to keep the campaign focused on what mattered the most to voters.

## MIDTERM MINDSET

Today, inflation is the most important overall issue and economic issue, according to The Economist's tracking poll based on YouGov data.

Blame for the high cost of living is mainly falling on the party in power and President Trump specifically.

The Consumer Price Index (CPI) year-over-year inflation rate has risen to 3.4 percent from 2.9 percent on Inauguration Day in January 2025, despite campaign promises to reduce inflation.

Cost-of-living angst has been renewed by the spring 2026 inflation resurgence sparked by the U.S./Israeli military attacks on Iran, near halt to Strait of Hormuz shipping, subsequent constraints on Red Sea oil shipments, and the related energy price spikes.

Even if inflation comes down to the Federal Reserve's target rate of two percent next year, we think Americans' attitudes about the cost of living will remain sour for quite some time.

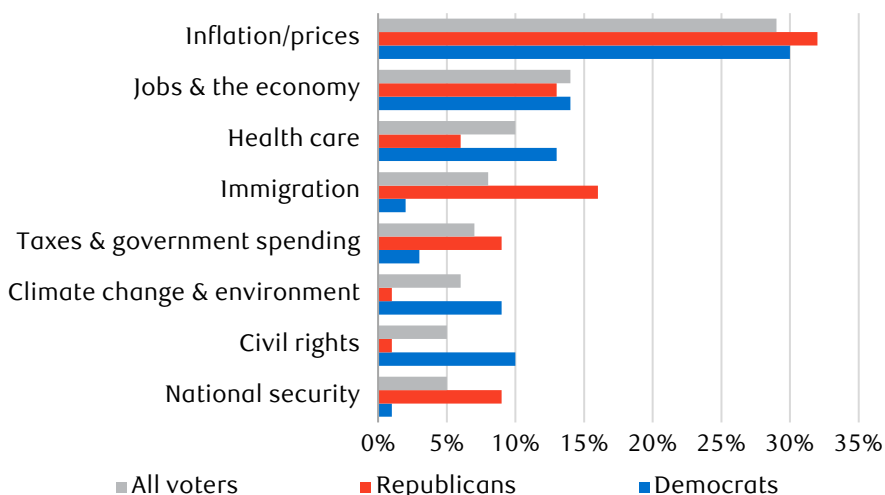
Cumulative consumer prices are about 28 percent higher today, on average, than they were in early 2020, just before the COVID-19 crisis began. The population needs more time to absorb and adjust to this large price spike, in our view.

In previous inflation waves in the mid-1970s and early 1980s (granted, bigger inflation episodes), unease and fears about inflation lasted much longer than was rational in hindsight, into the mid-1990s. All the while inflation rates declined dramatically during that period.

We think the cost of living will once again be among the top voter issues during the 2028 presidential election regardless of whether consumer inflation data comes back down to the Fed's target by then. Most voters care more about the prices they see at the grocery store than what the government reports as year-over-year inflation data.

### Inflation is the most important issue to Americans

Top issues of concern to adults ranked in order



Issues ranked by the "All voters" category, which includes Republicans, Democrats, and others. Three additional issues registered smaller proportions than national security: abortion, education, and civil liberties.

Source - The Economist, "Tracking the presidency," which tracks YouGov polling, as of 9/1/26

## MIDTERM MINDSET

**AI data centers drawing “NIMBY” ire**

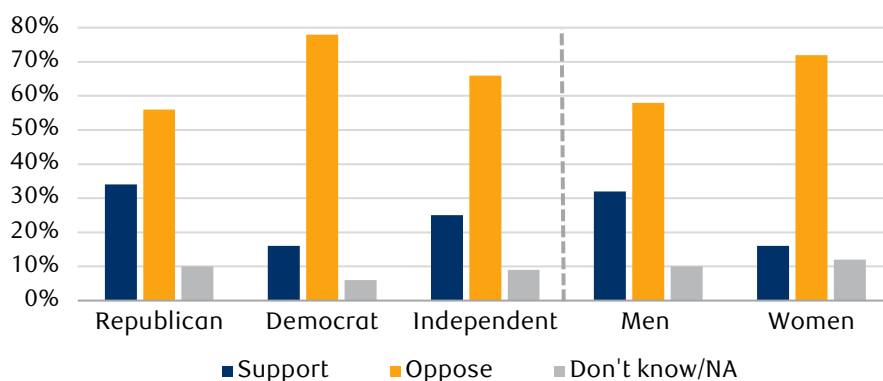
An issue that does not show up as being among the most important in polling data may end up impacting some statewide and local races, and possibly even a small number of House and Senate races: The buildout of AI data centers. Over the past year, opposition has mounted.

From an investment perspective, AI and the related infrastructure buildout have been extremely positive stories since AI technology took off in late 2022.

However, the permitting and construction of AI data centers is increasingly being opposed in local communities and even on a statewide level, in some cases. Public opinion polls indicate that Americans overwhelmingly oppose having data centers built in their communities or nearby mainly due to concerns about higher electricity and water prices and potential noise implications. The anti-AI data center attitude prevails regardless of political affiliation, gender, income, age, etc. It’s what Americans call a NIMBY issue: Not In My Backyard!

**Opposition to AI data centers is widespread**

Poll question: Would you support or oppose the building of an AI data center in your community?



Source - Quinnipiac University poll of American adults; data published in March 2026

Many Americans, like others around the world, are also concerned that AI will displace jobs. This too is reflected by all age groups, and when the data are sliced and diced into other categories such as political affiliation, race, income bracket, and gender, according to Quinnipiac polling.

**Does party control matter for S&P 500 sectors?**

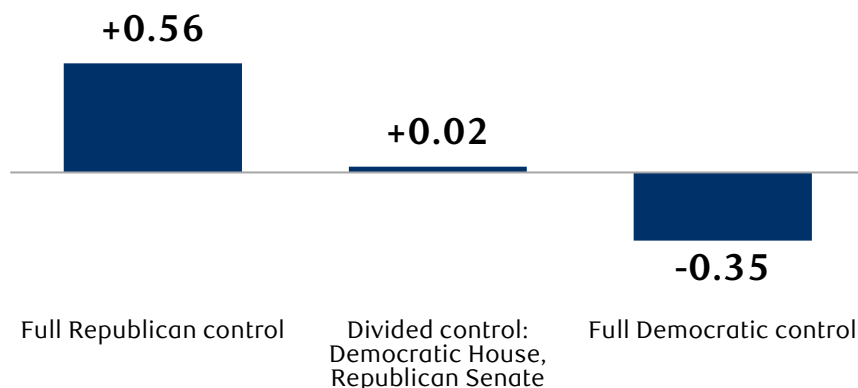
Despite voter anxiety about AI and economic issues, and the increasing likelihood that party control could shift partially or fully in the next Congress, RBC Capital Markets, LLC’s equity analysts don’t foresee much impact on their industries under coverage, according to a study by the firm’s Head of U.S. Equity Strategy Research Lori Calvasina.

When all sectors are combined, the analysts forecast a modestly positive performance bias if Republicans retain control of both chambers, a neutral impact if Democrats win the House and Republicans maintain the Senate majority, and a modestly negative performance bias if Democrats win control of both chambers.

## MIDTERM MINDSET

### RBC equity analysts see a small range of potential market impacts

RBC Capital Markets equity industry analysts' combined assessment of 2026 midterm election scenarios for Congressional control



The RBC equity analyst survey points to a modestly positive performance bias for stocks in a Republican control scenario (due to views of friendlier regulation), a neutral view in a Democratic House / Republican Senate scenario, and a modestly negative performance bias for stocks in a Democratic control scenario.

A higher number is generally more constructive, a lower number generally more negative. Scale is +2.00 (very bullish) to -2.00 (very bearish).

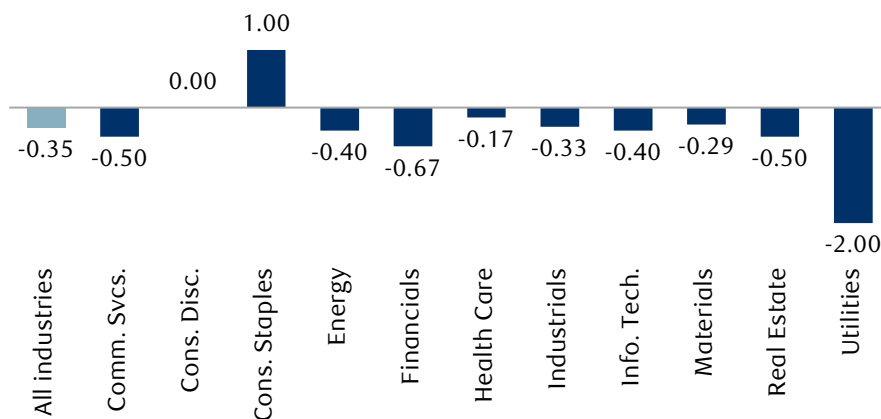
Source - RBC U.S. Equity Strategy, RBC Capital Markets based on a survey of industry analysts; results published on 8/11/26

But there are nuances associated with the latter scenario. While the overall assessment is slightly negative for Democrats winning the House and Senate, viewpoints vary by sector.

For example, there is a positive assessment for the Consumer Staples sector, a very bearish assessment for the Utilities sector, and variation in between with most sectors scoring slightly negatively, as the chart below shows.

### RBC equity analysts see full Democratic control of Congress as modestly negative for all industries combined, but there are differences by sector

RBC Capital Markets equity industry analysts' assessment of Democratic control of the House and Senate



A higher number is generally more constructive, a lower number generally more negative. Scale is +2.00 (very bullish) to -2.00 (very bearish).

Source - RBC U.S. Equity Strategy, RBC Capital Markets; based on industry analyst survey results published 8/11/26

## MIDTERM MINDSET

Perhaps this explains one reason the Utilities sector has sold off 7.4 percent since late July, at the same time the S&P 500 has risen 4.1 percent—significant underperformance in such a short timeframe. The “NIMBY” attitude about AI data centers could be contributing to concerns about increased Utilities sector regulations should Democrats win both chambers. Also, we think the sector has traded lower because bond yields have jumped; the latter is considered a competing investment.

The sector details associated with all three midterm election scenarios are shown in the table below with red representing Republicans retaining control, purple indicating divided control, and blue representing Democrats winning the House and Senate.

### RBC equity analyst survey results based on three midterm election scenarios, by sector

| S&P 500 sectors     | Full Republican control | Divided control: Democratic House, Republican Senate | Full Democratic control |
|---------------------|-------------------------|------------------------------------------------------|-------------------------|
| Communication Svcs. | 0.50                    | 0.00                                                 | -0.50                   |
| Consumer Disc.      | 0.14                    | -0.14                                                | 0.00                    |
| Consumer Staples    | -1.00                   | 0.00                                                 | 1.00                    |
| Energy              | 0.80                    | 0.20                                                 | -0.40                   |
| Financials          | 1.00                    | 0.00                                                 | -0.67                   |
| Health Care         | 0.00                    | 0.50                                                 | -0.17                   |
| Industrials         | 0.78                    | -0.11                                                | -0.33                   |
| Info. Technology    | 0.80                    | -0.20                                                | -0.40                   |
| Materials           | 0.29                    | 0.00                                                 | -0.29                   |
| Real Estate         | 0.50                    | 0.00                                                 | -0.50                   |
| Utilities           | 2.00                    | 0.00                                                 | -2.00                   |

A higher number is generally more constructive, a lower number generally more negative. Scale is +2.00 (very bullish) to -2.00 (very bearish).

Source - RBC U.S. Equity Strategy, RBC Capital Markets; based on industry analyst survey results published 8/11/26

Note that for this survey’s scale, the very bullish reading is +2.0 and the very bearish reading is -2.0. The overwhelming proportion of the designations are not close to those extremes, and this is relevant from a portfolio-positioning perspective. We don’t think individual investors with a long-term time horizon should make major sector changes in anticipation of or because of the election outcome.

### For portfolio construction, focus on what matters more

Typically, midterm election years bring volatility with them. It’s common for the S&P 500 to pull back notably at some point in the year preceding the election, and if it doesn’t, a pullback can happen right after the election.

The S&P 500 has experienced an average 21 percent correction surrounding midterm election years since 1934, as we pointed out in [this report](#).

## MIDTERM MINDSET

Given the market already endured a brief nine percent pullback last spring, this begs the question: Has the usual midterm election-year performance hiccup been satisfied? Maybe, but we can't exclude the possibility that another pullback could occur, especially if the Strait of Hormuz remains largely closed, Treasury yields continue to rise due to inflation risks, and/or outright angst materializes surrounding the midterm elections.

In the 2018 midterm election year, during Trump 1.0 when Republicans lost the House to the Democrats, a sharp selloff occurred right after the election—which was rare. In the 2022 midterm year, the low point for the market occurred in mid-October, just ahead of the election. Republicans narrowly took back House control, although the number of seats gained was far less than pollsters expected.

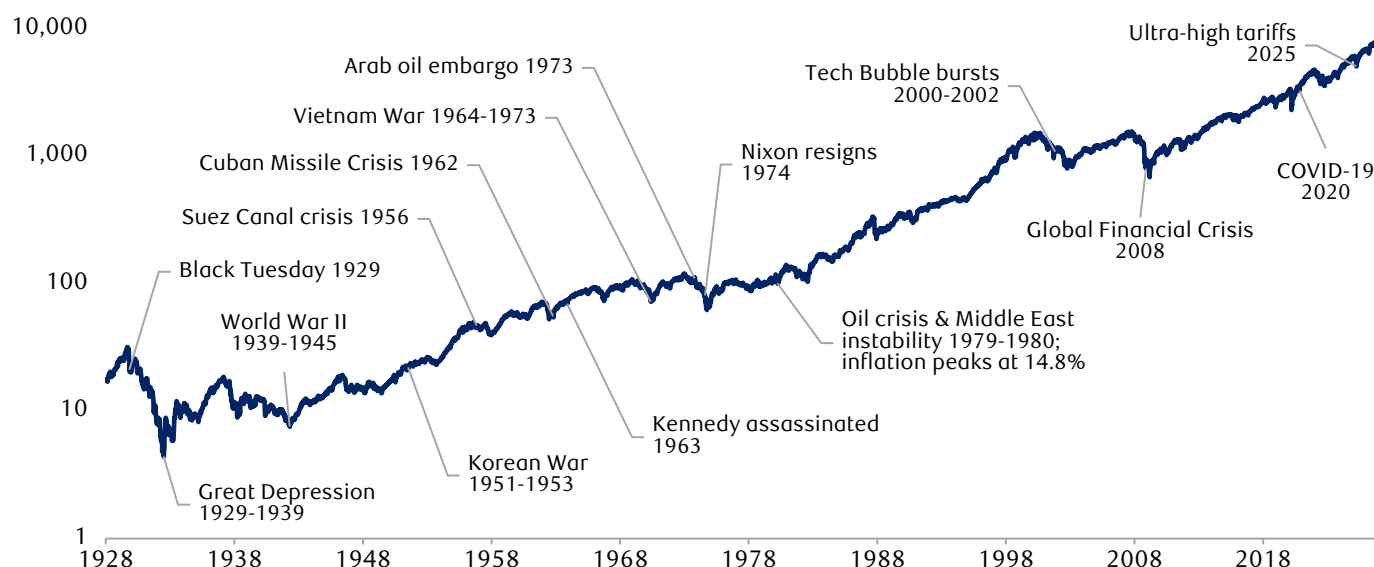
Regardless of whether the midterm mindset seeps further into the U.S. stock market and volatility rises in the near term, we firmly believe other issues matter more to the market's medium- and long-term performance than elections:

- Corporate innovation trends;
- The Federal Reserve's monetary policy decisions;
- The natural ebb-and-flow of the business cycle and economy; and
- Related corporate earnings trends.

For additional thoughts about historical equity market performance surrounding midterm elections, and what this might be—or might not be—suggesting for this year and next, see our article titled, [“Midterms, the market and what matters.”](#)

## The market has battled through multiple challenges that were much greater than any election

S&P 500 Index performance and key events



Source - RBC Wealth Management, RBC Rochdale, Bloomberg; weekly price data from 1/1/1928 through 8/28/2026 shown in logarithmic scale

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