Midterm Mayhem?

MONTHLY MARKET COMMENTARY

October 2026

ORIBI CAPITAL PARTNERS

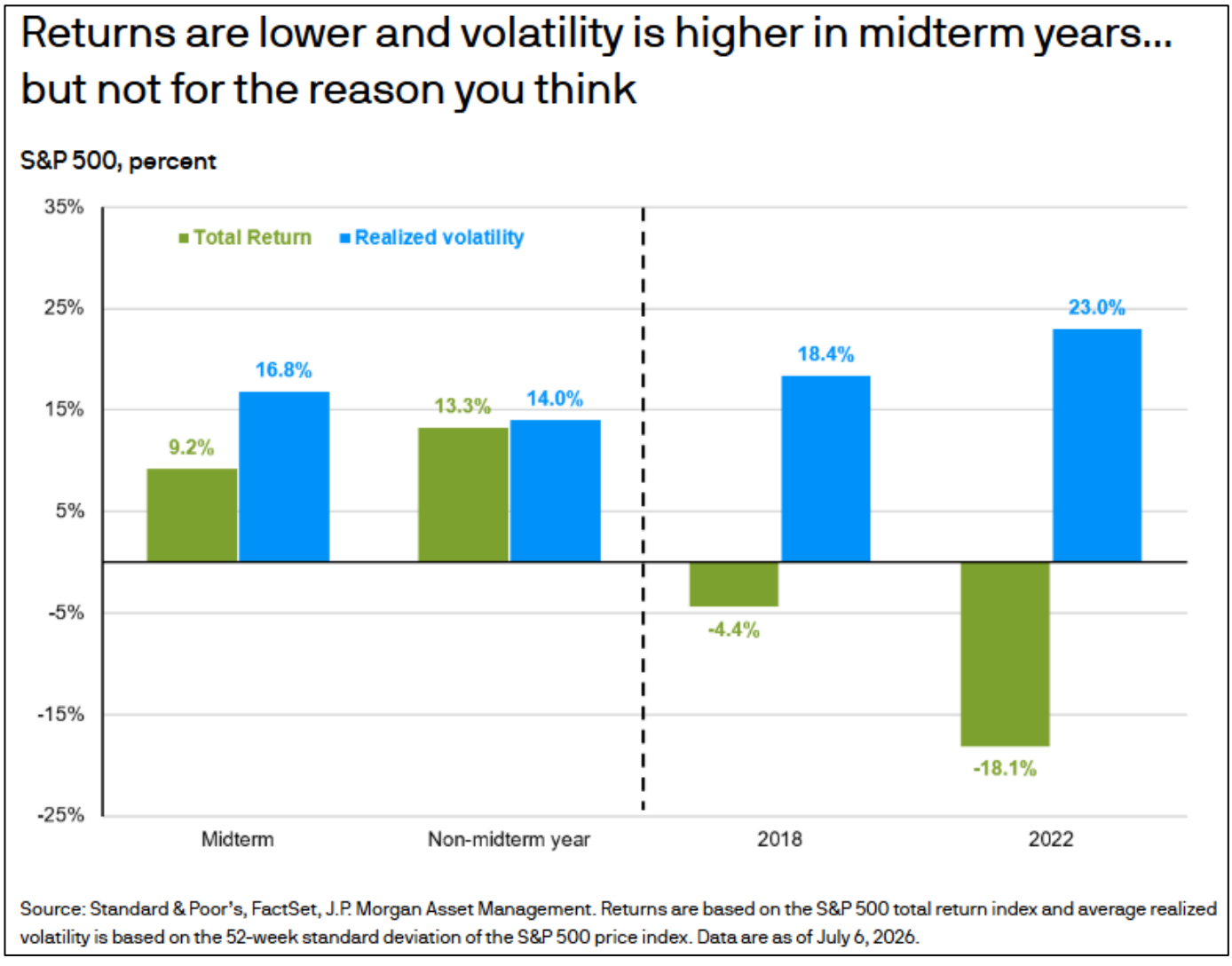
How did the S&P 500 perform during previous election cycles in the USA?

Interesting enough, the results are fairly uniform. In this article we'll show a number of graphs and schematics drawn from publications we could find on the topic, covering both midterm and presidential election cycles. The message, as always, stays the same.

Midterm Elections

In July this year JP Morgan Asset Management published a short but pointed article[1] titled "How do markets perform in midterm election years?".

The only graph shown in the article, was this one:



They made the following conclusions:

- Data shows that investors tend to feel better about the economy when their political party is in power, and that confidence quickly crumbles when the other party is in control:
    - However, average returns during different administrations (in recent cycles) have been very similar.

- Markets tend to be more volatile with lower returns during midterm years, but not for the reason we might think:
    - Some midterm years have coincided with particularly choppy years in the markets: the 2018 and 2022 selloffs were triggered by the Fed hiking interest rates.
    - Another notable negative midterm year: 2002, as the market bottomed out due to the tech wreck.

- Markets don't like uncertainty; elections reduce it:
    - Speed bumps tend to be smoothed out very quickly in the run-up to the election and thereafter regardless of the result.
    - Average returns were slightly negative in each of the three quarters preceding a midterm but then jumped an average of 6.6% in the fourth quarter.

- Markets and the economy tend to perform well under all configurations of government.

Darrow Wealth Management penned a detailed article[2] in May 2026, which is well worth a read.

The graph below caught our attention, specifically for the pink line ("Lost Control"), which the current polls suggest might be on the cards this round:

Figure 4: S&P 500 total return performance, pre & post midterm years since 1970

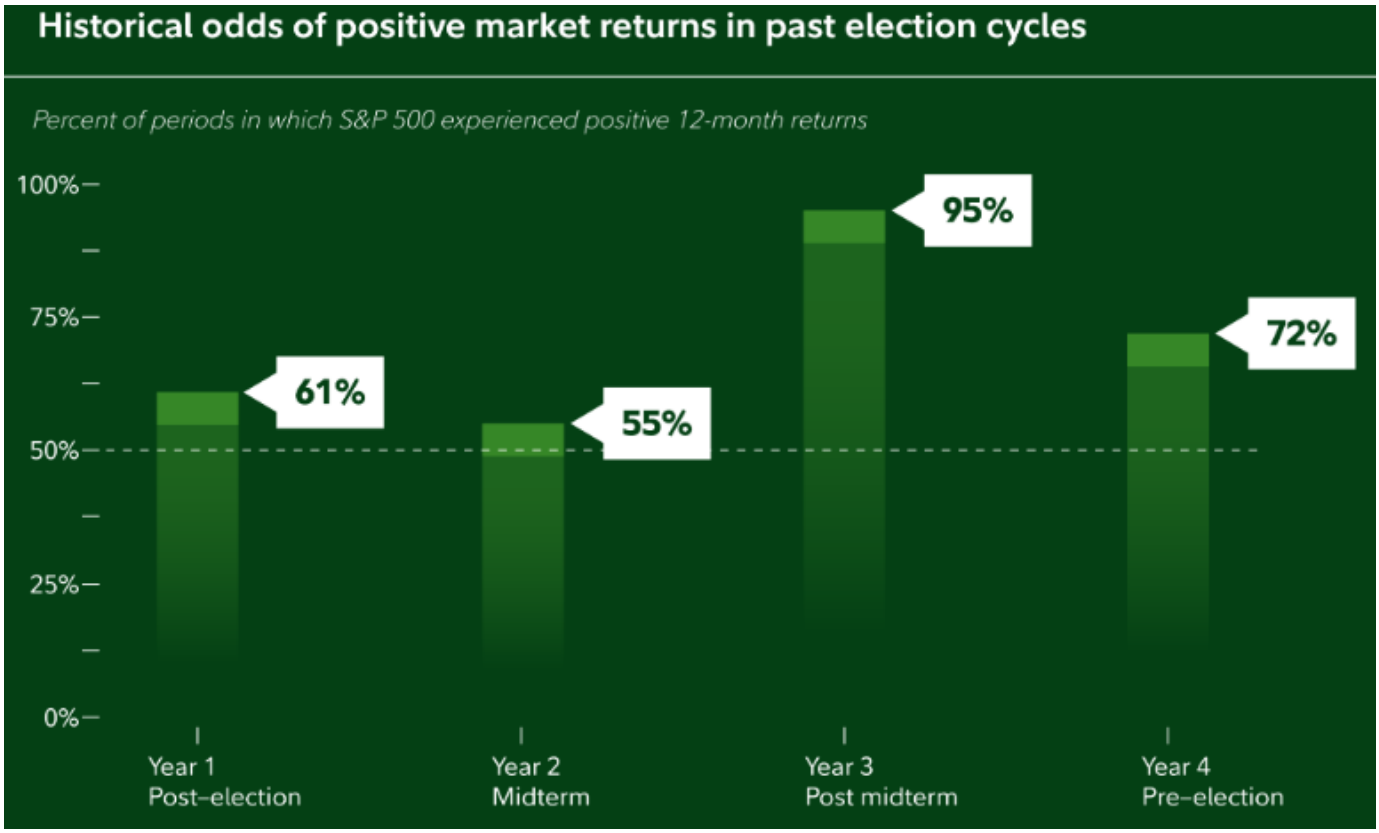


Source: Bloomberg, data as of March 30, 2026. Average indexed to midterm dates for midterm years: 1970, 1974, 1978, 1982, 1986, 1990, 1994, 1998, 2002, 2006, 2010, 2014, 2018, 2022. Midterm dates fall on the first Tuesday in November. Month approximations based on average of 21 trading days in a month. "Lost Control" defined as scenarios where government was controlling the presidency and both chambers of congress heading into the midterms, and lost control of at least one of them. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results

Source: BlackRock

The obvious fact we want to highlight with this graph is that the S&P 500 managed to produce a return of more than 10% in 126 trading days post the midterm elections. There are c.250 trading days in an average year, therefore the market returned an annualised return of more than 20% following midterm elections.

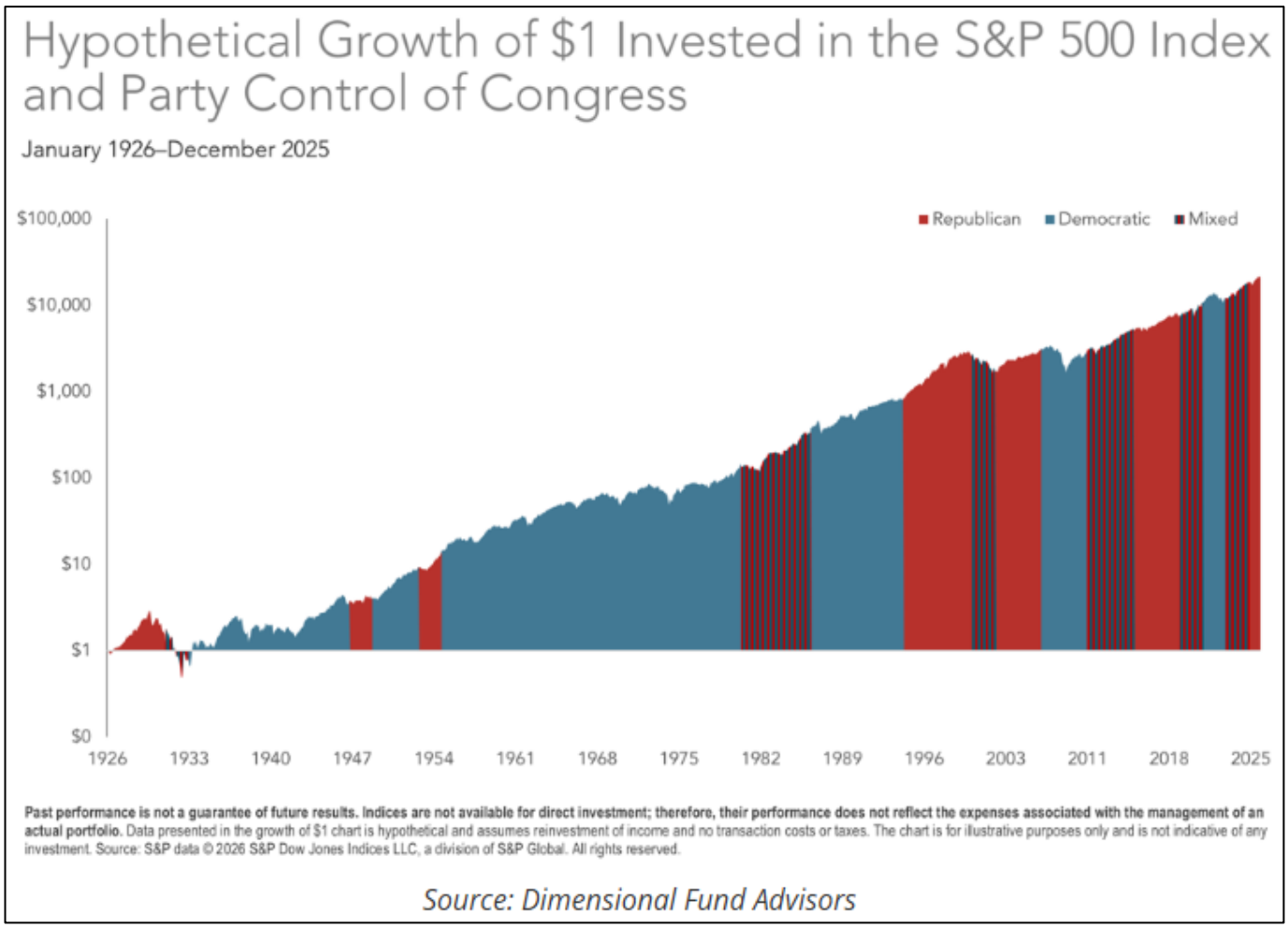
Fidelity published an article[3] called "The surprising truth about midterms and stocks" on 12 August this year, here showing the odds of positive market returns in past election cycles:



Source: Haver Analytics and Fidelity Investments.

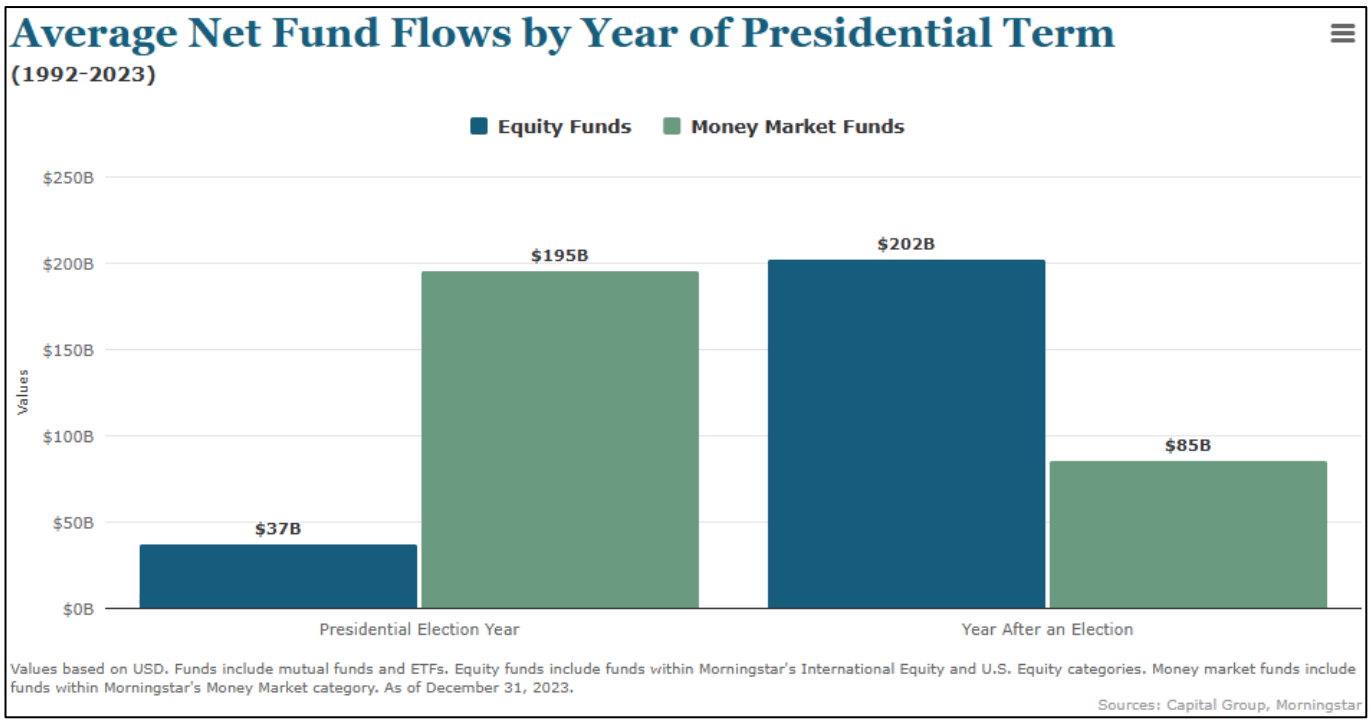
Presently we're at the lowest probability time in the cycle. But have a look at the "Year 3" marker above; very encouraging indeed!

The last graph on historic returns on and around midterm elections is again drawn from the Darrow Wealth Management article. Notice the from-left-bottom-to-top-right trajectory of the graph, despite the colors of the bars on the X-axis. Also note the Y-axis is log scale, which again emphasises the importance of remaining invested despite the perceived chaos:

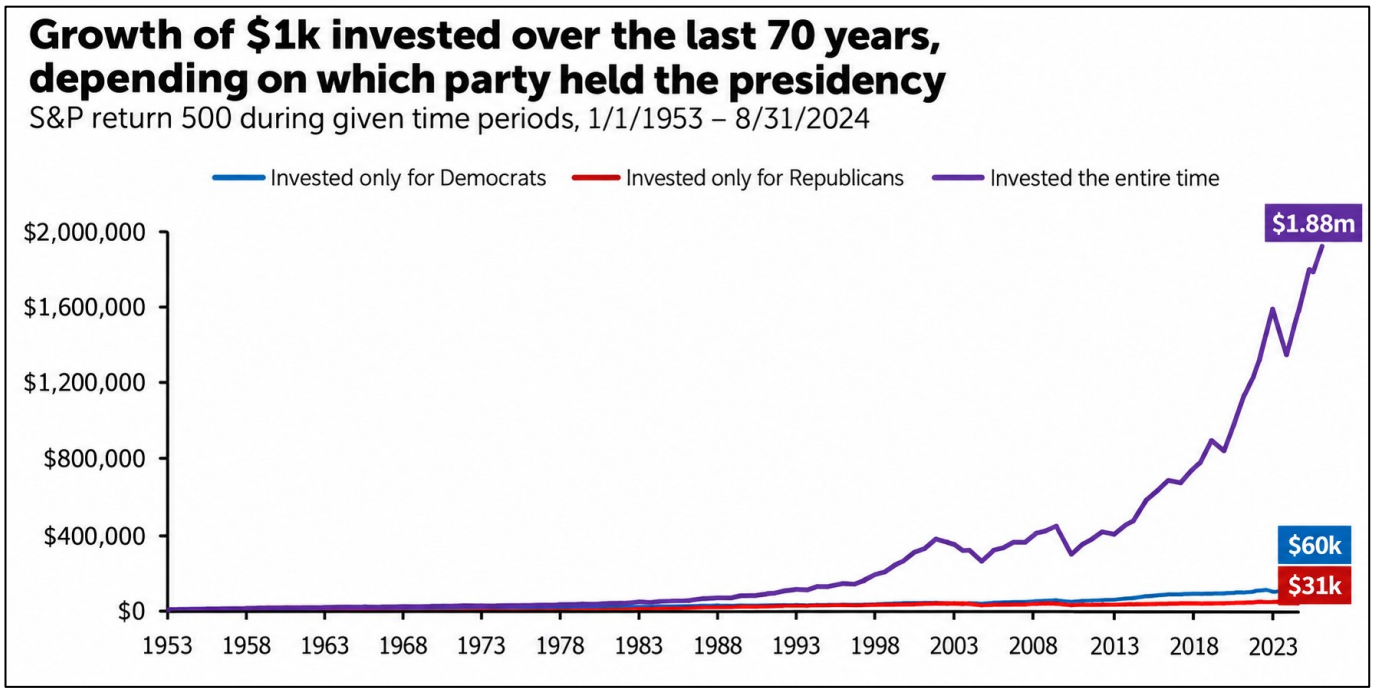


Presidential Elections

Creative Planning penned an article[4] more than two years ago named "3 Mistakes Investors Make in Election Years". The article showed the following very informative graph that talks to average fund flows, and very clearly shows investor apprehension prior to presidential elections, but great positivity after presidential elections, on average:



Lastly, the Darrow Wealth Management article showed this very interesting graph which, in our view, settles the debate:



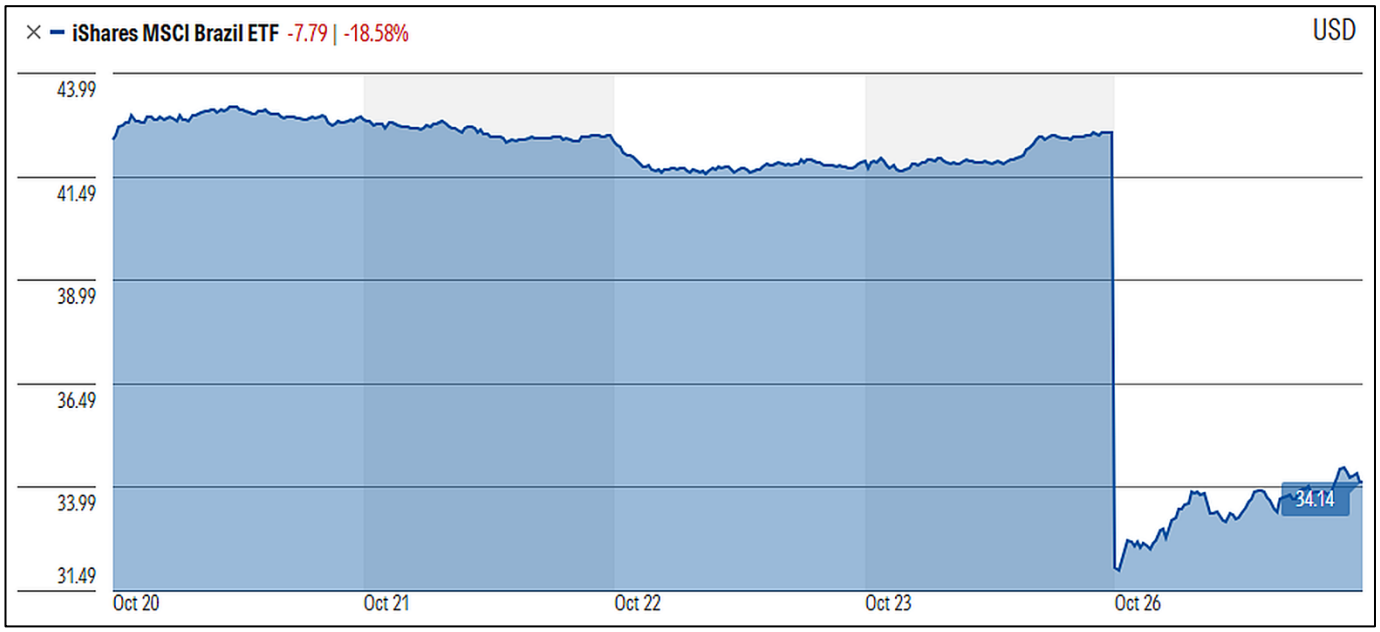
Source: BlackRock

No all markets are alike

The Brazilian presidential runoff voting concluded on 25 October, with the incumbent winning not only by a substantial margin, but for the first time ever the first round vote winner did not manage to win the subsequent, second round (runoff). Unprecedented (excuse the pun).

The Brazilian markets did not take the news well (an understatement if there ever was one).

Here is what the well know Brazilian country ETF, the iShares MSCI Brazil ETF did when the markets opened the day after the results were published:



Source: Morningstar

Brazilian 10-year government bonds did not take the news well either:



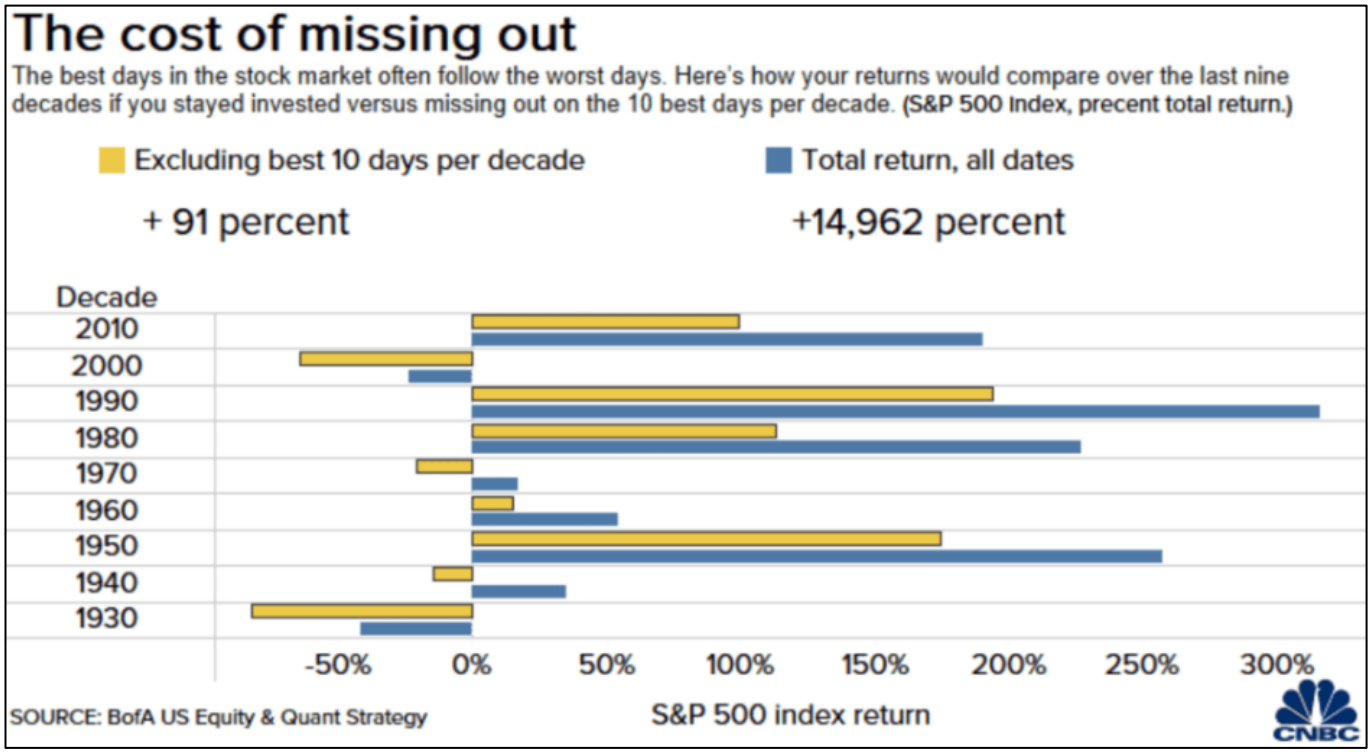
Source: Trading Economics

The point here is not that there is something wrong with Brazil, its elected officials specifically or the Brazilian market in general. The message is that the S&P 500, which tracks the largest, most innovative and most profitable companies on the planet continues to deliver steady returns despite what the politicians of the largest economy on earth does. Over the medium term the American market seems to be partially inoculated against political swings, at least historically.

Conclusions

- The future remains fully unpredictable, as the Brazilian presidential runoff results again confirmed.
- Markets will do what they do. Timing markets remain practically impossible.
- Volatility is the norm, not the exception. Expect it, always.
- Over time stocks go up: never in a straight line but largely following earnings. Therefore:
  - Invest in high-quality companies.
  - Do nothing for as long as possible.
- And remember: it doesn't really matter who is in charge of the USA.
  - The best companies in the world should continue to do well.

The Creative Planning article includes this deeply insightful chart:



Our simple yet consistent message remains the same: once quality companies are bought, stay invested.

References:

1. https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/on-the-minds-of-investors/how-do-markets-perform-in-midterm-election-years/
2. https://darrowwealthmanagement.com/blog/stock-market-performance-by-president-in-charts/
3. https://www.fidelity.com/learning-center/trading-investing/the-surprising-truth-about-midterms-and-stocks
4. https://creativeplanning.com/insights/investment/mistakes-in-election-years/?gf_page_62=1

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CISs are traded at the ruling price and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. Performance has been calculated using net NAV to NAV numbers with income reinvested. Exchange traded funds are listed on an exchange and may incur additional costs. Exchange Traded Funds vs Unit Trusts: Whilst both unit trusts and ETFs are regulated and registered under the Collective Investment Schemes Control Act, ETFs trade on stock exchanges just like any other listed, tradable security. Unlike a unit trust, which can be bought or sold only at the end of the trading day, an ETF can be traded intraday, during exchange trading hours. Prescient Management Company (RF) (Pty) Ltd is registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002).

The information and opinions contained in this document are recorded and expressed in good faith and in reliance on sources believed to be credible. No representation, warranty, undertaking or guarantee of whatever nature is given on the accuracy and/or completeness of such information or the correctness of such opinions. Oribi Capital Partners (Pty) Ltd will have no liability of whatever nature and however arising in respect of any claim, damages, loss or expenses suffered directly or indirectly by an investor acting on the information contained in this document. The information in this document is for factual information and marketing purposes only and does not constitute any form of advice, guidance or recommendation. If Oribi Capital Partners (Pty) Ltd or Chambers Tax & Wealth (Pty) Ltd is not your financial advisor, we have not conducted a financial needs analysis and will rely on the needs analysis conducted by your financial advisor. We recommend that you take particular care to consider whether any information contained in this document is appropriate given your objectives, financial situation and particular needs in view of the fact that there may be limitations on the appropriateness of the advice provided. No guarantee of investment performance or capital protection should be inferred from any of the information contained in this document.

Oribi Capital Partners (Pty) Ltd (FSP No 50413) is an authorised financial services provider.
Telephone: 087-690-5308. Website: www.oribicapitalpartners.com.

Chambers Tax & Wealth (Pty) Ltd (FSP No. 50337) is an Authorised Financial Services Provider
Telephone: 051-451-2125. Website: www.chamberswealth.co.za