US midterm elections

05 October 2026

Potential Democratic sweep and fiscal policy gridlock

President Trump's weak approval ratings in the wake of the war with Iran and rising gasoline prices have increased the Democrats' chances of regaining control of the House of Representatives. Opinion polls suggest that the Senate could also change hands. Trump would retain control over defence and trade policy and could veto Democratic legislative proposals. However, the scope for new fiscal policy reforms would be significantly constrained, while Democrats would gain greater leverage in fiscal negotiations.

Key points

- **History points to a shift in the House**
- **Both betting odds and polls indicate a possible Senate shift too**
- **New congressional majority likely to create fiscal gridlock**
- **Fiscal bargaining could lead to somewhat more expansionary policy**
- **Presidential veto would block major policy changes**
- **Appointments could be blocked if Democrats take the Senate**
- **Tariffs rest on existing statutory authority**

On 3 November, Americans will once again head to the polls, this time to elect all 435 members of the House of Representatives and just over one-third, or 35 of 100, members of the Senate. Republicans currently hold majorities in both chambers of Congress, a narrow one in the House at 219–214, with two vacancies, and a somewhat larger one in the Senate at 53–47. For Democrats to take control, they therefore need to gain only four seats in the House and four seats in the Senate, taking into account Vice President JD Vance's casting vote. A prerequisite is also that Democrats retain their Senate seats in two states won by Trump in the latest presidential election, Georgia and Michigan.

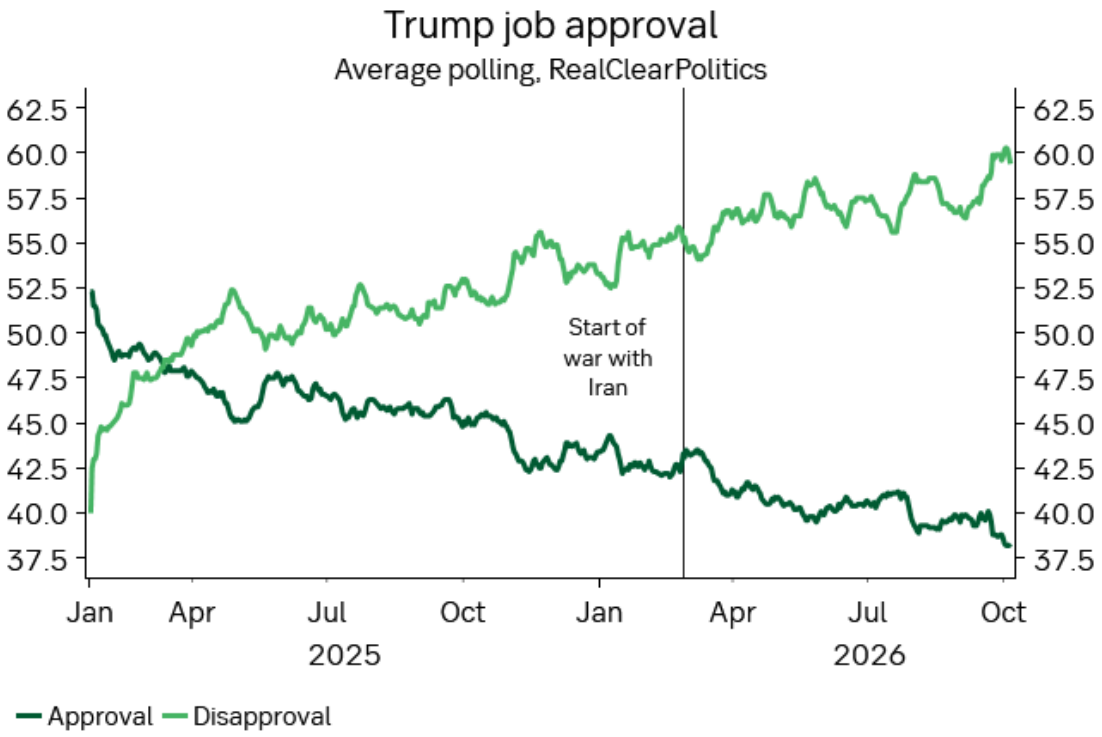
History points to a shift in the House

The historical pattern is that the incumbent president's party almost always loses ground in midterm elections, particularly in the House of Representatives. This has happened in 20 of the 22 midterm elections since the Second World War. The outcome in the House also tends to reflect developments in the president's approval ratings and in generic congressional polling.

President Trump's approval ratings have shown a clear downward trend, which has intensified since the US entered the war with Iran in February and gasoline prices rose. The share of voters who think Trump is

doing a good job is now below 40%. Trump's net approval rating – the share who approve of his performance minus the share who disapprove – is weaker than the lowest readings recorded during Trump's first term as well as during the presidencies of Joe Biden, Barack Obama and George W. Bush. This also reflects the fact that Trump is a historically polarising president who evokes strong reactions among both supporters and opponents.

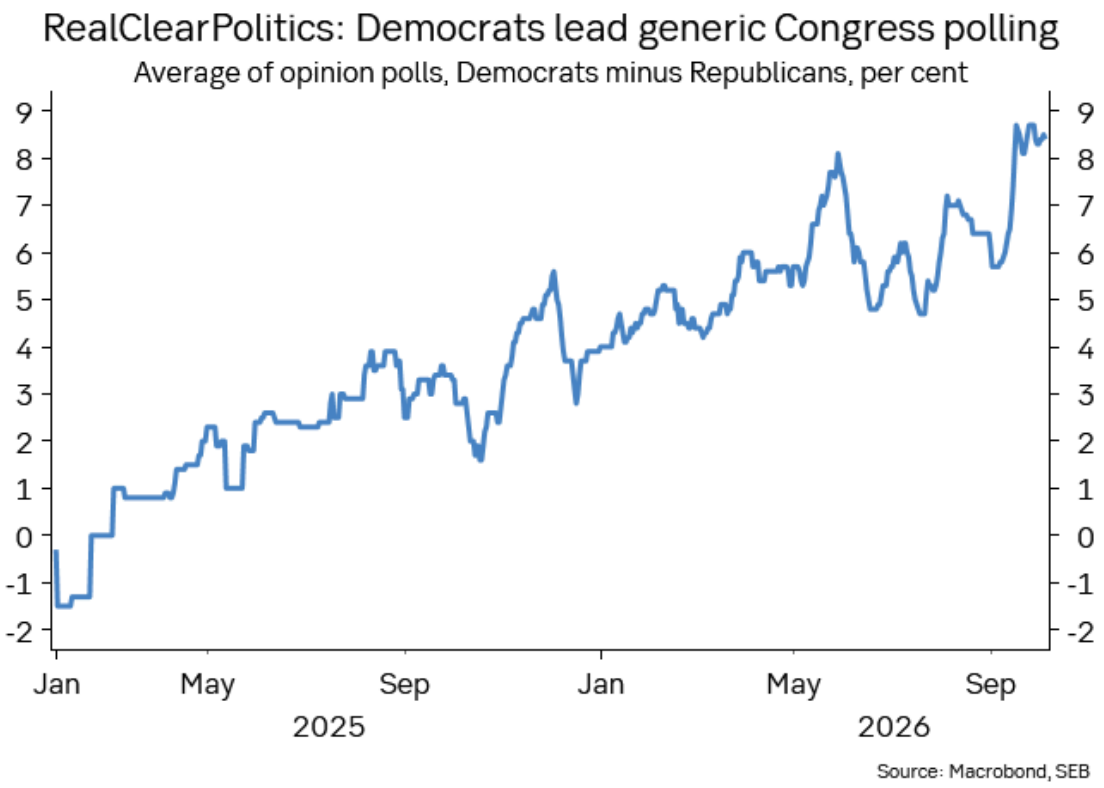
On the issues that matter most to voters, where Trump was seen as having the stronger policy platform ahead of the 2024 election – including the economy, inflation, foreign policy, immigration and crime – approval ratings are now clearly negative, particularly on inflation.



Source: Macrobond, SEB

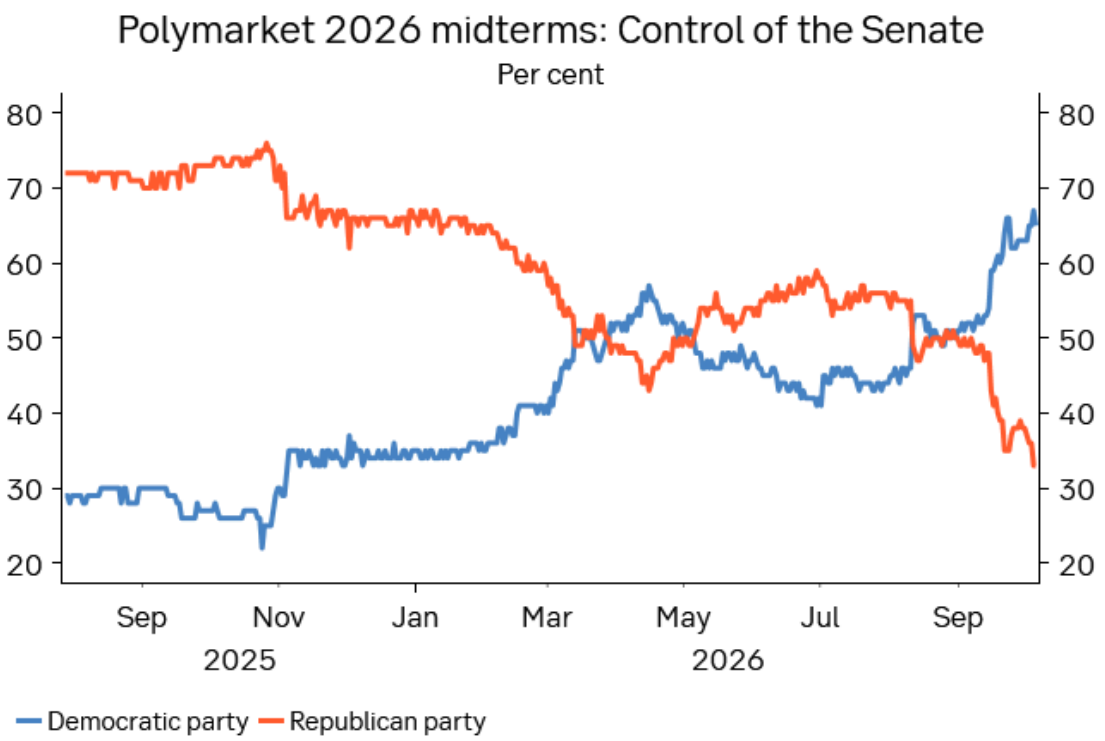
There is also a clear historical relationship between the average result in generic congressional polls – where voters are asked which party's candidate they intend to support in their own district – and the number of seats each party ultimately wins. Democrats' current lead of just over 8 percentage points is slightly larger than at the same stage ahead of the 2018 midterm elections, during Trump's first term, when their lead was just over 7 percentage points. Democrats went on to gain 41 House seats in that election.

Most House seats are located in strong Democratic or Republican strongholds where a change in party control is unlikely. Redrawn electoral maps are expected to further limit the Democrats' potential gains this time, with the net effect estimated to add roughly 10 House seats to the Republican side. The real contest is therefore expected to centre on around 40 seats, with more of them currently judged to lean Democratic than Republican. Polymarket betting odds currently indicate over 90% probability for a Democratic House after the midterm elections. Anything other than a change in control of the House would be a major surprise.



Senate outcome more uncertain

The Senate is more difficult to assess because senators serve longer, six-year terms. Most of the Senate seats being contested this year were last up for election alongside the 2020 presidential election, when Biden won, but the candidates are now facing an electorate that voted for Trump for president two years ago. Trump's weak approval ratings nevertheless appear to be weighing on the Senate races as well, while controversial candidates have weakened their respective parties' positions in some states – in Michigan and Maine for the Democrats, and in Texas for the Republicans.

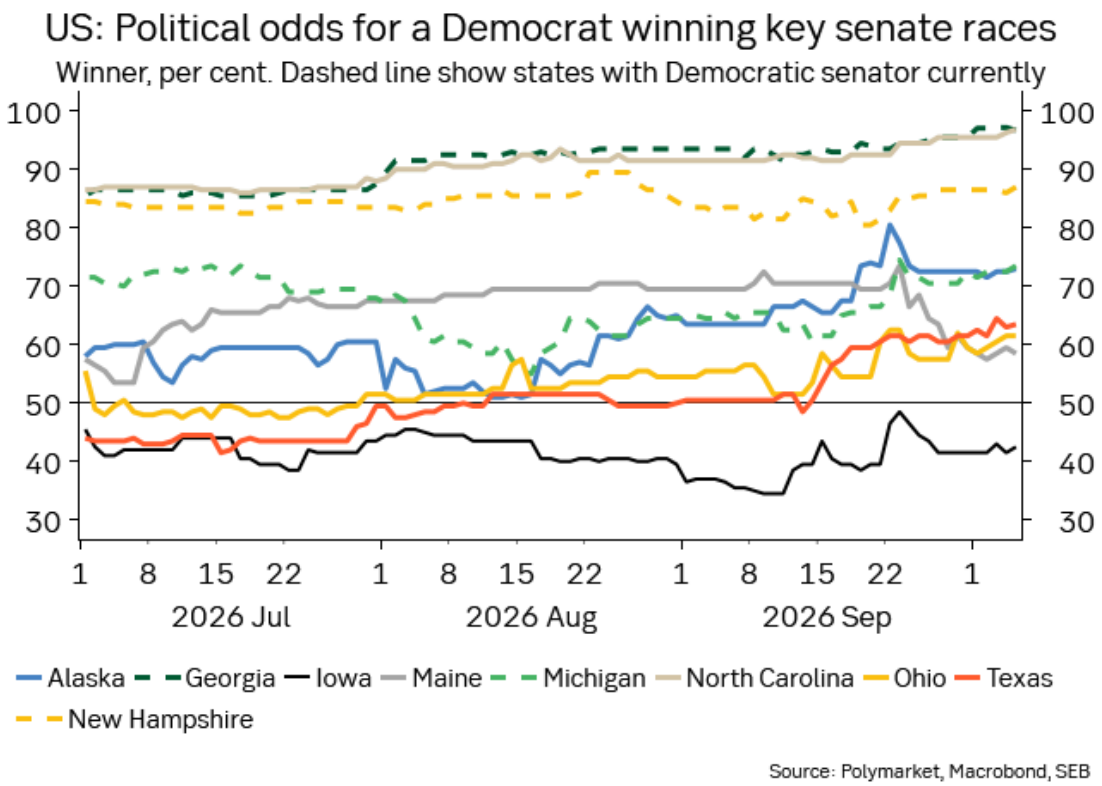


Source: Macrobond, SEB

Both betting odds and polls point to a possible Senate shift too

Betting markets now indicate a clear Democratic advantage in the Senate as well. This reflects improved odds in the states where Democrats are seen as having their best chances of gaining seats: North Carolina, Alaska, Maine, Texas, Ohio and Iowa. In Texas, a Democratic victory would mark the first time the party has won a Senate election since 1988. Republicans retain a slight advantage in Iowa according to betting odds, but the state is no longer viewed as being as safe for them as previously assumed. Democratic Senator Jon Ossoff is considered to have very good prospects of retaining his seat in Georgia, while El-Sayed in Michigan has again strengthened his chances of defending the Democrats' Senate seat there.

Opinion polls, based on RealClearPolitics averages, point in the same direction as the betting markets. Democrats are now ahead in all of the states listed above, including Iowa, although the margins are narrow in some cases (with Jackson (D) at a 0.1%-point lead vs Collins (R) in Maine). All of these states are now classified either as leaning Democratic or as toss-ups. Much can still change, however, with just over a month remaining until the election. Other states now also seen as toss-ups include normally reliably Democratic Minnesota and normally reliably Republican Nebraska and Kansas.



Source: Polymarket, Macrobond, SEB

New congressional majority likely to create fiscal gridlock

What, then, would be the implications of a full or partial change in control of Congress? One of the most important consequences would be that the Trump administration could no longer pass fiscal policy reforms through Congress without reaching agreement with Democrats. Since Trump returned to the presidency, Congress has approved both substantial tax cuts through the Big Beautiful Bill in 2025 and around USD 70bn in support for immigration and border enforcement this spring.

Republicans have discussed the possibility of another package involving increased defence spending, while Trump has said he wants to send out new stimulus cheques to voters if Republicans win both congressional elections. The latter proposal, however, appears to have limited support even among Republicans, at least on the scale suggested by Trump – USD 5,000 per person – which would probably be even more costly than the combined support measures introduced during the pandemic and would significantly increase an already excessively large federal debt burden.

New debt ceiling negotiations?

If Republicans lose control of all or part of Congress, they will also need to negotiate with Democrats over raising the debt ceiling – the legal limit on how much the federal government can borrow to meet its obligations – once it is reached sometime next year. Such stand-offs have historically brought the US close to a self-inflicted default before the parties eventually reached agreement. One possibility, however, is that Republicans raise the ceiling before the next Congress takes office in January.

Fiscal bargaining could lead to somewhat more expansionary policy

As before, annual appropriations will have to be negotiated between the two parties, but Democrats would gain greater control over the process if they take one or both chambers. The scope for political bargaining would increase once Trump's ability to pass new reforms is curtailed.

This could result in somewhat more expansionary fiscal policy if Democrats succeed in reversing some previously approved cuts, for example to health insurance programmes or food assistance, in exchange for additional defence spending. Control of the House would also give Democrats the speakership and therefore greater ability to bring their own legislative proposals to the floor. The risk of renewed government shutdowns during budget negotiations, similar to what happened last year, would remain regardless of the midterm outcome.

Presidential veto would block major policy changes

Trump would retain considerable control through his veto power, unless overridden by a qualified majority in both chambers. One objective for Democrats could nevertheless be to force some Republican lawmakers to take explicit positions on issues that may be popular among voters in their own districts.

For legislation outside fiscal policy, however, a qualified majority in the Senate – normally 60 votes – is generally required. One risk for Democrats is that voters become disappointed when it becomes clear that the party is unable to implement the policy reforms it has promised, potentially weakening support ahead of the 2028 presidential and congressional elections.

A Democratic majority in the House would also give the party the ability to launch new impeachment proceedings against the president or members of the administration. These would not, however, result in convictions unless Democrats secured the required qualified majority in the Senate, which remains unlikely.

Appointments could be blocked if Democrats take the Senate

If Democrats also win control of the Senate, they would gain the ability to block appointments to the administration, the Supreme Court and federal agencies such as the Federal Reserve. This would prevent Trump from appointing a successor to Jerome Powell when his term expires in January 2028.

Trump would still be able to appoint acting heads of departments and agencies – though not to the Supreme Court or the Federal Reserve – an option he has already used. Democrats would also gain control of Senate committees and the ability to hold hearings involving both political officials and external stakeholders, including businesses, for example in connection with allegations of corruption.

Tariffs rest on existing statutory authority

In foreign and trade policy, the president has considerable scope to pursue his own agenda. The tariffs introduced so far this year are based on existing statutes that allow the administration, following the necessary investigations, to take decisions without direct involvement from Congress.

President Trump's increased control over federal agencies has also expanded the administration's ability to alter regulations in areas such as the environment, energy and finance. In these areas, the main constraints on presidential power come not from Congress but from the courts, ultimately including the Supreme Court.

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