Date: 19 October 2026 at 22:25:42 BST
Subject: J.P. Morgan FX | US Midterms Preview

Good morning,

As the US midterm elections are approaching (November 3, 2026), I've complied the current landscape and its anticipated effects on USD.

Consensus Forecasts

House of Representatives: All 435 seats contested

Democrats: 220 est. *(214 prev.)*

Republicans: 200 est. *(219 prev.)*

Toss-up: 15

270 to Win: 2026 House Election - Consensus Forecast

Senate: 35 seats contested

- Democrats: 48 est. *(47 prev.)*
- Republicans: 47 est. *(53 prev.)*

270 to Win: 2026 Senate Election - Consensus Forecast

Summary

Democrats are now favored to win both the House and Senate. However, because they are expected to fall short of the 2/3 majority in both chambers of Congress (needed to override a presidential veto), JPMorgan research views the passthrough of the election to FX as limited, with low first-order impacts on the market. However, second-order impacts are still in play through the following policy channels: fiscal, trade, foreign policy, and FX policy, with JPMorgan seeing the strongest implication for FX from fiscal policy **(Figure 1)**.

Implications of the Election

Generally…

Flipping the House	Flipping the Senate
Greatest impact: Democrats would control funding requests, dictated by the new Speaker of the House	**Greatest impact**: Democrats control Cabinet, judgeships, and other nominees, which could force President Trump to pick candidates viewed as being centrist

…and on USD

1. **Fiscal policy - A fiscal reconciliation package may pass before the new Congress sits down in January**: A reconciliation package means fiscal easing, larger deficits, and heavier Treasury issuance due to the negative correlation between term premium and USD. If fiscal expansion pushes inflation expectations and long-end yields higher while the Fed is seen as insufficiently restrictive, the USD can weaken through credibility and inflation-risk channels. *(Key Currency Views: The late-90s analogue for AI and the dollar - October 16, 2026) (US policy and the dollar: A review of FX transmission channels ahead of midterms - May 15, 2026)*
2. **Foreign policy - Forcing an end to US / Iran conflict**: JPMorgan Market Intelligence (not research) sees that Dems could end the US / Iran conflict by pulling funding or suing the Administration for violating the Constitutional mandate to obtain Congressional approval for military engagements lasting more than 90 days. Lower oil, lower yields, and improved risk sentiment is bearish USD on the margin, but long-USD carry trades still benefit from a ceasefire. Research shows USD downside as tactical and limited (note that **Figure 1** shows an escalation would be USD bullish). *(JPM Market Intelligence | US Election Series - Midterms - September 30, 2026)*

In conclusion…

The midterm elections are not expected to drastically change the FX narrative. Any second-order risks from the midterm elections would likely manifest in the second half of 2027 at the earliest, and are primarily **USD negative, but limited**.

Figure 1: Fiscal, trade, foreign policy, and FX policy remain the key policy channels for FX



Source: JPMorgan Research, 15th May 2026

Figure 2: FX is affected by different axes of US policies, and with varying sensitivities



Source: JPMorgan Research, 30th July 2026

Best,

Jessica