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WEALTH MANAGEMENT

From the Chief Investment Office

2026 Midterms: A Shift in Washington

What the election may mean for markets

The 2026 midterm elections delivered a decisive change in Washington, with Democrats gaining control of both the House and Senate. Beginning in January, a Democratic Congress and a Republican White House will create divided government, likely making broad legislation more difficult while increasing the importance of negotiations over government funding, the debt ceiling and congressional oversight.

A NEW BALANCE OF POWER

The election matters, but not in isolation

For investors, divided government is neither inherently positive nor negative. Markets have performed well, and at times poorly, under a variety of political configurations. The more consequential question is how the new balance of power may influence economic growth, inflation, interest rates, fiscal policy and corporate earnings.

Politics change. Fundamentals matter more.

The five most recent midterms that changed the House majority produced widely different two-year outcomes. Four were followed by positive returns, but the range extended from a loss of 31.6% to a gain of 70.1%. The average return was 32.6%, yet the dispersion cautions against treating a political shift as a reliable market signal.

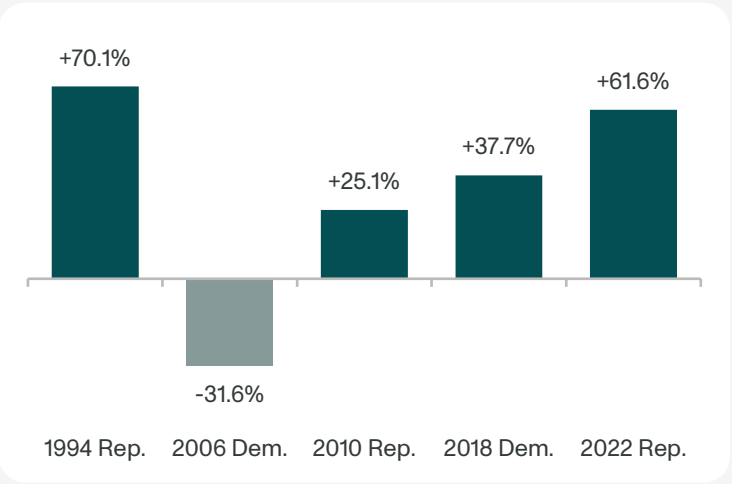
The closest historical parallels

The closest comparisons to 2026 are 1994 and 2006, the only recent midterms when both chambers changed control. The S&P 500 gained roughly 70% over the two years following 1994 but declined nearly 32% after 2006. The difference was less about party control and more about the surrounding environment: the mid-1990s expansion versus the Global Financial Crisis.

The sample is small, but the message is useful: political outcomes may influence policy, while macroeconomic conditions generally remain the dominant driver of broad market returns.

S&P 500 TOTAL RETURN

Two years after a House majority flip



4 of 5 House majority changes were followed by positive two-year returns.

+32.6% Average return

Small sample. Wide dispersion. Macro conditions remained the dominant driver.

INVESTMENT TAKEAWAY

Policy can matter beneath the surface, but fundamentals are more important for market direction.

Sources: Bloomberg, Huntington Bank Chief Investment Office.

Where Policy Could Matter

Sector implications and the initial market response

Washington does not determine the market's direction by itself, but policy can alter the outlook for individual industries, change incentives and create winners and losers beneath the surface. The new Congress will also need to navigate internal differences, which may limit how quickly campaign priorities translate into legislation.

SECTOR AND POLICY IMPLICATIONS

Healthcare

Healthcare may move back toward center stage. Priorities could include Medicaid funding, Affordable Care Act subsidies and additional healthcare and research spending. Hospitals, managed-care organizations and healthcare service providers could benefit from efforts to expand or restore coverage. Pharmaceutical companies and portions of Medicare Advantage may face greater scrutiny around drug pricing and reimbursement.

Energy and utilities

Energy and utilities may see policy attention shift. Questions around permitting, energy prices, grid capacity and clean-energy incentives could return to the discussion, particularly as electricity demand rises. Both sectors were among the weaker performers in the initial response, but the longer-term impact will depend on whether policy discussions turn into legislation.

AI infrastructure

Artificial intelligence remains an important long-term investment theme, but the physical infrastructure supporting it could face greater scrutiny. Data center development is increasingly connected to electricity demand, utility costs, tax incentives and local development. Policy changes could affect the cost and pace of the buildout without necessarily changing the underlying technological potential of AI.

Fiscal policy and bonds

Divided government may make additional large spending and tax initiatives more difficult, resulting in a somewhat less expansionary fiscal outlook. That could modestly slow growth and reduce upward pressure on Treasury issuance and yields. However, the country's longer-term deficit, debt and debt-service challenges remain unresolved.

INITIAL MARKET REACTION

S&P 500	> +1%
10-year Treasury	~4.92%
2-year Treasury	~4.60%

These moves are an initial response, not a final market verdict.

WHAT INVESTORS SHOULD WATCH

1. Whether congressional priorities become actionable legislation.
2. How policy affects earnings across healthcare, energy and utilities and AI infrastructure.
3. Whether fiscal restraint meaningfully changes the outlook for growth, inflation or Treasury supply.

THE BOTTOM LINE

The election materially changed Washington and will influence the policy debate. Yet history cautions against translating an election result directly into a market forecast. Politics will generate headlines, and policy will create areas of opportunity and risk. Over time, economic growth, corporate earnings, inflation, interest rates and valuations remain the more durable drivers of investment returns.

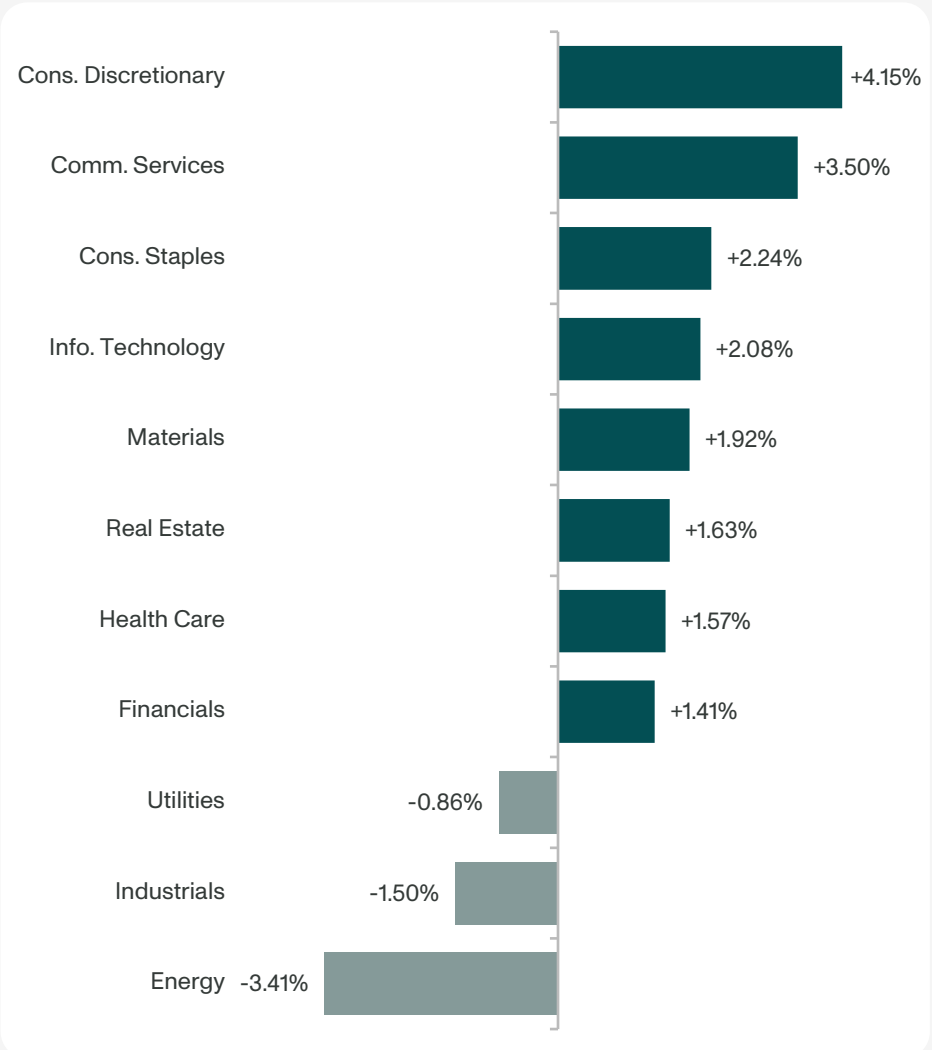
Sources: Bloomberg, Huntington Bank Chief Investment Office. Market data as of November 4, 2026.

Initial Sector Response

How the S&P 500 sectors reacted

The initial market response was positive but uneven. Eight of eleven S&P 500 sectors advanced, led by consumer discretionary and communication services, while energy, industrials and utilities declined. Sector moves are an early read on how investors are weighing the shift in Washington, not a lasting verdict.

S&P 500 SECTOR RETURNS



WHAT STOOD OUT

+1.73%

S&P 500 Index

+4.15%

Consumer discretionary led, followed by communication services at +3.50%.

-3.41%

Energy lagged most, with utilities (−0.86%) also lower. Both are policy-focused sectors.

+1.57%

Healthcare, also in the policy spotlight, advanced but trailed the broader index.

INVESTMENT TAKEAWAY

Early sector moves are broad but uneven. Fundamentals should guide positioning.

Sources: Bloomberg, Huntington Bank Chief Investment Office. Market data as of November 4, 2026.

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