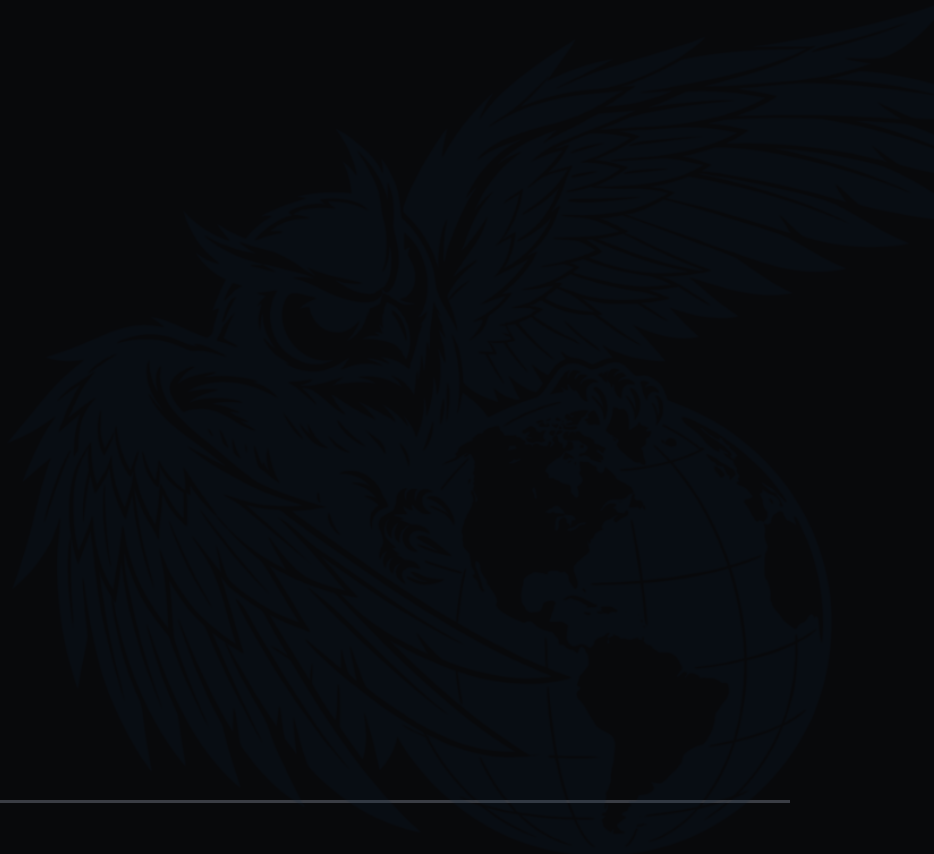

PUBLISHED MARKET RESEARCH

Midterm Ledger 2026: control, the close seats, and what a split Congress does to policy risk

Democrats are favoured for the House, the Senate is close, and the lame duck carries the first policy test

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Midterm Ledger 2026: control, the close seats, and what a split Congress does to policy risk

Democrats are favoured for the House, the Senate is close, and the lame duck carries the first policy test

Democrats are favoured to take the House even after maps redrawn against them, the Senate turns on a handful of red-state races within the margin, and whether Democrats sweep or Congress splits, the party-line budget path that carried the current agenda closes and policy risk moves toward the executive, the courts and the funding calendar.

Our judgment is that Democrats are more likely than not to win the House and that Republicans are slightly more likely than not to hold the Senate. Because a Democratic wave would lift both chambers together, a Democratic sweep and a split Congress are the two leading outcomes and sit close together, with a sweep slightly ahead on our numbers. Either one ends party-line budget reconciliation for the current majority's agenda and turns every funding deadline into a negotiation. The first test comes before the new Congress sits, because the stopgap funding law expires in the lame duck, and the last time a majority had just lost the House the government shut down. For trade, the emergency-powers tariffs are gone and policy now runs on Section 301 and Section 232 duties that need no new law from Congress.

HEADLINE INDICATORS

53-47

REPUBLICAN-DEMOCRATIC SENATE SPLIT BEFORE THE VOTE, OCTOBER 2026

11 December

EXPIRY OF THE STOPGAP FUNDING LAW SIGNED ON 2 SEPTEMBER 2026

6-3

SUPREME COURT VOTE STRIKING THE EMERGENCY-POWERS TARIFFS, FEBRUARY 2026

31%

PRESIDENTIAL JOB APPROVAL IN RECENT POLLING, OCTOBER 2026

60 economies

COVERED BY SECTION 301 DUTIES IN FORCE SINCE 24 JULY 2026

DOCUMENT CONTROL

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CENTRAL JUDGMENT

The midterm is being fought on a national environment that favours the out-party strongly enough to overcome a redistricting cycle that, on balance, helped Republicans by several seats. The House is therefore the likelier chamber to flip, and the Senate the harder one, because Democrats must win in states that have not elected a Democratic senator in years. The policy consequence that matters for operators is whether Republicans keep both chambers: if they do not, single-party budget reconciliation for the current agenda ends, the odds of brinkmanship rise at each funding deadline, and trade and regulatory policy is left to executive action under the statutes the courts still allow.

KEY JUDGMENTS

- | | | |
|-------------|---|-----------------|
| KJ-1 | Democrats are more likely than not to win a House majority on election night or in the count that follows, though the redrawn maps make the margin narrower than the national mood alone implies. A presidential approval near three in ten and a wide lead among independents imply a swing well beyond the net Republican map gain of up to about eight seats, which counts Florida, Ohio and North Carolina against California. | MODERATE |
| <hr/> | | |
| KJ-2 | Republicans are slightly more likely than not to keep the Senate, though Democrats now lead in enough red-state races to make a flip plausible. Because the Republican Vice President breaks a tied Senate, Democrats need a net gain of four seats and must win nearly every close race, while late polling in red states has overstated Democrats before. | LOW |
| <hr/> | | |
| KJ-3 | A Democratic sweep of both chambers and a split Congress with a Democratic House are close to equally likely, with the sweep slightly ahead, and either outcome ends party-line budget reconciliation for the current majority's agenda. A budget resolution must pass both chambers, so the Republican path survives only if Republicans hold the House as well as the Senate, which a correlated Democratic wave makes the less likely case. | LOW |
| <hr/> | | |
| KJ-4 | The stopgap funding law expires in the lame duck, and the most likely outcome is a further short extension rather than a lapse in appropriations, though the risk of a lapse is higher than a quiet lame duck would suggest. The current stopgap passed both chambers by wide margins, but the closest precedent, December 2018, saw an outgoing majority that had just lost the House enter a shutdown over a presidential demand, and a president facing a hostile incoming House has the same motive to force a fight. | MODERATE |
| <hr/> | | |
| KJ-5 | A Democratic House would not reverse tariff policy by law but would raise oversight pressure on tariff refunds and on the Section 301 and Section 232 duties that replaced the emergency-powers tariffs. A presidential veto blocks any repeal and a Republican Senate would strip funding riders, while committee control gives the House subpoena power over how the refunds and the new tariff authorities are run. | MODERATE |
-

KEY STATISTICS

53 seats Republican-held Senate seats before the election, 2026-10-03 ¹	35 seats Senate seats on the ballot on 3 November, 2026-10-03 ¹	31 percent Presidential overall job approval in recent polling, 2026-10-03 ¹	57 percent Independent voters breaking for Democrats, against 32 percent for Republicans, 2026-10-03 ¹
24 seats Republican-leaning seats of 28 under the new Florida map, 2026-04-29 ¹³	90 votes Senate votes for the stopgap funding bill, against 6, 2026-08-08 ¹⁷	370 votes House votes for the stopgap funding bill, against 48, 2026-09-01 ¹⁰	175 billion USD Estimated refund exposure after the emergency-powers tariff ruling, 2026-02-20 ⁷
100 billion USD Emergency-powers tariff refunds paid by early August, 2026-08-05 ⁸	10 percent Section 122 import surcharge rate in force from 24 February, 2026-02-25 ²⁰		

Scope and method

METHOD

This text reads public reporting, official records and court decisions published up to early October 2026, from wire services, national newspapers, the business press, the Federal Register and the White House, together with one public election model that is not on the house list and is labelled as such. The net redistricting count is the author's sum of the seat effects each source reported state by state, at their stated upper bounds. Probabilities in the Outlook are the author's own judgment, not anchored to a model. Race-level polling is read only where an on-list outlet reported it. No client-attributable material is used.

SECTION 01 • ASSESSMENT

The House: a Democratic edge built against the maps

The maps moved toward Republicans, and only California moved them back.

The Supreme Court reinstated the Texas map on 27 April 2026 by its six conservative justices, a map that could flip up to five Democratic seats, and reporting at the time noted that Republicans could afford to lose only two House seats and keep their majority.²

Florida lawmakers approved a new congressional map on 29 April 2026 that gives Republicans an advantage in 24 of the state's 28 seats, four more than the 20 they hold.¹³

Ohio approved a new House map on 31 October 2025 giving Republicans a leg up in two more seats.¹⁵

North Carolina's new map, reported on 19 May 2026, is expected to make one more House seat Republican-leaning.¹⁶

The Supreme Court on 3 June 2026 allowed Alabama to use a map that removes one of its two majority-Black districts, expected to gain Republicans one seat.⁶

California voters approved a new congressional map on 4 November 2025 that makes five districts more favourable to Democrats on 2024 presidential results, for use through 2030.¹⁴

The Virginia Supreme Court struck down the Democratic-backed Virginia map on 8 May 2026, a map Democrats had hoped would gain them as many as four seats, so Virginia adds no Democratic offset.³

The US Supreme Court on 10 September 2026 declined to let Missouri use its new map, so the 2022 map that the new one would have changed by one seat governs this election.⁴

Summing those reported effects at their upper bounds, Texas five, Florida four, Ohio two, North Carolina one and Alabama one against California five, gives Republicans a net map gain of up to about eight seats for this election.^{2,13,15,16,6,14}

The Supreme Court's 29 April 2026 decision in *Louisiana v. Callais* weakened part of the Voting Rights Act and invalidated a majority-Black district in Louisiana, opening the way for Southern states to redraw.⁵

One public election model, off the house list, gave Democrats a 76% chance of winning the House on 5 October 2026, with a projected 235 seats.¹¹

UNKNOWN: the seat effects of the Utah, Tennessee and Louisiana maps were not read from an on-list source, and whether each redrawn map delivers its stated upper bound depends on candidates and turnout, so the net count of up to about eight seats is a ceiling rather than a forecast.

ASSESSMENT • MODERATE CONFIDENCE

Democrats are favoured to win the House, but they now need to flip roughly a dozen seats under the new lines rather than the handful the old maps required. The national environment, with the president's approval near three in ten and independents breaking heavily toward Democrats, implies a swing larger than that handicap, and the judgment no longer rests on the off-list model, which only corroborates it.

SECTION 02 • ASSESSMENT

The Senate: the close seats

The Senate map is wider than it was in the summer.

Republicans hold the Senate 53 to 47, with 35 seats on the ballot, and Democrats need a net gain of at least four seats for a majority; Democrats lead in North Carolina, Texas, Ohio and Alaska, and the Iowa and Maine races are within one point.¹

In Texas, Democrat James Talarico led Republican Ken Paxton in polling in late September 2026 as the state Republican party divided over its nominee.¹²

UNKNOWN: polling on the Democratic-held seats Republicans are contesting, including Michigan and Georgia, was not read from an on-list outlet, so the downside for Democrats is not measured here.

ASSESSMENT • LOW CONFIDENCE

Republicans are slightly more likely than not to hold the Senate, because a tied chamber is broken by the Republican Vice President, so Democrats need a net four seats and nearly every close race. The four leads are small, all must hold together, several sit in states with a long Republican record, and the defence of Democratic seats is not measured.

SECTION 03 • ASSESSMENT

The lame duck and the funding cliff

The first policy test arrives before the new Congress sits.

The Senate passed the stopgap funding bill by 90 votes to 6 on 8 August 2026, funding the government from the start of the fiscal year through 11 December.¹⁷

The House passed the stopgap funding bill on 1 September 2026 by 370 votes to 48, sending it to the President.¹⁰

The President signed H.R. 6500, the Continuing Appropriations and Extensions Act, 2027, on 2 September 2026, providing appropriations to federal agencies through 11 December 2026.¹⁸

A partial lapse in appropriations earlier in this Congress ended when the President signed a funding bill on 3 February 2026.²⁴

In December 2018, after Democrats had won the House but before they took control, a partial shutdown began on 22 December over the President's demand for border wall funding, which he saw as his last chance to secure it before the new majority arrived.¹⁹

UNKNOWN: the public law number of the stopgap was not read from Congress.gov, which refused the read.

ASSESSMENT • MODERATE CONFIDENCE

A further short extension in December is more likely than a lapse in appropriations, with full-year bills more likely pushed into the new Congress, but our lapse probability is a floor rather than a comfortable figure. The current stopgap passed both chambers by wide margins and the party that wins the House has a reason to wait for its own majority, while the December 2018 precedent and this year's earlier lapse show that a president facing a hostile incoming House can force a shutdown.

SECTION 04 • ASSESSMENT

Trade authority after the emergency-powers ruling

Tariff policy now runs on statutes that need no new law from Congress.

The Supreme Court ruled 6 to 3 on 20 February 2026 that the president lacked authority to impose broad tariffs under the International Emergency Economic Powers Act, a ruling one estimate said could put the government on the hook for 175 billion USD in refunds.⁷

The administration said in early August 2026 that it had refunded about 100 billion USD of the emergency-powers tariffs.⁸

After the ruling, the president announced a global tariff of 15 percent under Section 122 of the Trade Act of 1974, the highest rate the statute allows.⁹

The proclamation published in the Federal Register on 25 February 2026 set the Section 122 surcharge at 10 percent, effective 24 February, for 150 days.²⁰

The Section 122 surcharge expired on 24 July 2026 and was replaced the same day by Section 301 duties of 10 or 12.5 percent on 60 economies, covering 99.4 percent of US imports, on the ground that those economies failed to ban goods made with forced labour.²²

The Trade Representative's notice of the Section 301 actions in the 60 investigations was published in the Federal Register on 28 July 2026.²¹

Tariffs under Section 232 of the Trade Expansion Act of 1962 on steel, aluminium, autos and other products were not covered by the 20 February 2026 ruling and remain in force.²³

The new Section 301 duties were challenged in court on 24 July 2026, hours after they took effect.²⁵

UNKNOWN: the outcome of the court challenge to the Section 301 duties, and the rate each of the 60 economies pays, were not settled in the reporting read.

ASSESSMENT • MODERATE CONFIDENCE

A Democratic House cannot undo the Section 301 and Section 232 duties by law, so trade policy will run through executive action, the courts and House oversight. Neither statute needs Congress to renew it, a veto blocks repeal, and a Republican Senate would strip appropriations riders aimed at tariff collection.

SECTION 05 · ASSESSMENT

What a split Congress does to policy risk

The mood is set against the governing party.

Polling in early October 2026 put the president's overall approval at 31 percent and his approval on the economy at 26 percent, with independents breaking 57 percent to 32 percent for Democrats.¹

Advertising through 17 September 2026 passed 4 billion USD, and from mid-September to Election Day Republicans had booked 888 million USD against 666 million USD for Democrats.¹

UNKNOWN: how either party's leadership would set the legislative agenda for the new Congress, and whether the Senate filibuster rule would change under a new majority, is not stated in any source read.

ASSESSMENT · MODERATE CONFIDENCE

Unless Republicans hold both chambers, policy risk shifts from new laws to deadlines, oversight and executive action, raising the odds of funding brinkmanship and investigations while lowering the odds of large fiscal or regulatory statutes. Reconciliation needs one party in both chambers, and a House in the hands of the out-party holds the subpoena and the power of the purse in every appropriations negotiation.

SECTION 06 · DECISION

Decision

Decision	Owner	Trigger	Pre-authorised action
Plan for a funding lapse in December	Government affairs lead	No extension enacted one week before the stopgap expires, or a public presidential demand tied to the extension	Brief exposed programmes and contractors on a lapse plan
Reprice policy scenarios on chamber control	Head of research	AP calls both chambers	Move the baseline to the called configuration and reissue the policy outlook
Review tariff cost assumptions	Trade and procurement lead	A court ruling on the Section 301 duties, a change in their rates, or any congressional vote on tariff authority	Rerun landed cost models under the new rate and statute

SECTION 07 • OUTLOOK

Outlook

Baseline. Democrats win the House by a modest margin and the Senate is decided by a few close red-state races, with Republicans narrowly more likely to hold it. The lame duck passes a further short funding extension, and the new Congress opens with oversight hearings, no Republican reconciliation path and trade policy run through Section 301, Section 232 and the courts.

Deterioration. Control stays uncertain for weeks as close House races are counted and Senate races go to recounts or a runoff, while a presidential demand blocks a lame-duck extension and agencies close over the holidays, as they did after the last midterm that cost a majority the House. Trade and fiscal policy freeze until the new Congress sorts out its leadership.

Stabilization. One party wins both chambers clearly, or the lame duck passes full-year funding, removing the December cliff. Policy risk then rests on the winning party's agenda rather than on deadlines, and markets price a clearer two-year path.

Claim C-1. Democrats win at least 218 seats in the House of Representatives in the 3 November 2026 election. Probability 0.70. Resolves on 2026-12-04 from Associated Press: YES if, as of 2026-12-04, the Associated Press has declared Democratic winners in at least 218 of the 435 House races of the 3 November 2026 election; NO otherwise. Horizon 60 days. This is the author's judgment, trimmed from the earlier draft's 0.75 because the sourced net map count of up to about eight Republican seats is larger than that draft allowed, and still above the firm's earlier 0.6 because the environment has moved toward Democrats. Uncalled close races are the main risk to the date.

Claim C-2. Democrats and independents who caucus with them hold at least 51 Senate seats after the 2026 elections. Probability 0.45. Resolves on 2027-01-03 from Associated Press: YES if, as of 2027-01-03, Associated Press race calls give Democrats plus independents caucusing with Democrats at least 51 of the 100 Senate seats for the Congress that begins in January 2027; NO otherwise. Horizon 90 days. This is the author's judgment: Democrats lead in four Republican-held seats and are level in two more, but need a net four gains because the Vice President breaks a tie for Republicans, while defending their own seats. Small red-state leads have narrowed late before.

Claim C-3. The 2026 election produces a Democratic House majority and a Republican Senate majority. Probability 0.30. Resolves on 2027-01-03 from Associated Press: YES if, as of 2027-01-03, Associated Press race calls give Democrats at least 218 House seats and give Republicans at least 50 Senate seats for the Congress that begins in January 2027; NO otherwise. Horizon 90 days. This is the author's judgment, derived from the two chamber estimates with a

Democratic Senate and Republican House put at about 0.03. A Democratic wave lifts both chambers together, which keeps the split below the simple product.

Claim C-6. The 2026 election produces a Democratic majority in both the House and the Senate. Probability 0.40. Resolves on 2027-01-03 from Associated Press: YES if, as of 2027-01-03, Associated Press race calls give Democrats at least 218 House seats and give Democrats plus independents caucusing with Democrats at least 51 Senate seats for the Congress that begins in January 2027; NO otherwise. Horizon 90 days. This is the author's judgment, from the same correlated arithmetic as Claim C-3: nearly every path to a Democratic Senate runs through a Democratic House. It sits a little above the split, which is why the paper does not call the split the modal outcome.

Claim C-4. A lapse in appropriations shuts down any part of the federal government between 12 December and 31 December 2026. Probability 0.20. Resolves on 2027-01-03 from Congress.gov: YES if no continuing resolution or full-year appropriations act covering the agencies funded by the current stopgap is enacted before its expiry, so that a lapse in appropriations begins on any day from 12 December 2026 to 31 December 2026 inclusive, as shown by the enactment dates on Congress.gov; NO otherwise. Horizon 90 days. This is the author's judgment, raised from the earlier draft's 0.15 and treated as a floor: the current stopgap passed with large bipartisan majorities, but December 2018 and this year's earlier lapse show that a president can force a shutdown. A contested result or a sharp loss for the governing party would raise the risk further.

Claim C-5. The number of House seats won by Democrats in the 3 November 2026 election. Point and interval: 228 seats, 80 percent interval 214 to 242 seats. Resolves on 2026-12-04 from Associated Press: the number of House races of the 3 November 2026 election in which the Associated Press has declared a Democratic winner as of 2026-12-04. Horizon 60 days. This is the author's judgment, below one public model's projection to allow for its off-list status and for a net Republican map gain of up to about eight seats. The interval is wide because many races are rated toss-ups.

Indicators.

- Final pre-election shifts in the North Carolina, Texas, Ohio, Alaska, Iowa and Maine Senate races
- Whether Southern states put post-Callais maps in force before Election Day
- Lame-duck leadership statements on a further stopgap, and any presidential demand tied to it
- Court rulings on the Section 301 duties and any change in their rates
- The pace of Associated Press calls in close House districts in the week after the vote

SECTION 08 • SCORECARD

Scorecard

- CLM-2026-251: advanced by Claims C-1 and C-5, which ask the same question of the House with a later date and a higher probability of Democratic control.

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