CIO FOCUS NOTE

US midterms, 3 November: what each outcome means

For the White House and for markets. Prepared for readers: the open-access edition of our members note.

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> **The short answer.** The vote itself should change little for markets. The dates that matter come after it.

How the vote works

Every two years Americans elect the whole House of Representatives and about a third of the Senate. The two chambers have different jobs, and a law needs both.

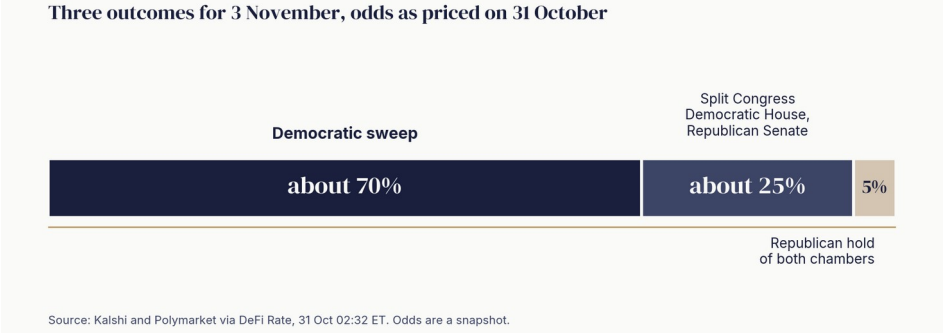
	House of Representatives	Senate
Seats	435, all up on 3 November	100, 35 up on 3 November
Term	Two years	Six years, staggered
Special role	Starts spending and tax bills	Confirms nominees, including judges and cabinet members
Control takes	218 seats	51 seats
What the majority gets	Chairs the committees that hold hearings and issue subpoenas	The same, plus control of the confirmation calendar

A bill must pass both chambers and then be signed by the President. The President can veto it, and overriding a veto takes two-thirds of both chambers. In the Senate most bills also need 60 votes to get past a filibuster, the tactic of talking a bill out. The new Congress takes office in January.

The brief

Prediction markets on the morning of 31 October put a Democratic House at about 94% and a Democratic Senate at about 70% (Kalshi and Polymarket, via DeFi Rate, 31 Oct 02:32 ET). That leaves three outcomes that matter:

- A Democratic sweep, at about 70%.
- A split Congress, with a Democratic House and a Republican Senate, at about 25%.
- A Republican hold of both chambers, at about 5%.



A Democratic sweep is the base case at about 70%, and a Republican hold of both chambers is the outlier at about 5%.

Read the odds as what is priced in. The same markets had Flávio Bolsonaro near 80% before Brazil's 25 October runoff, and Lula won 51.8% to 48.2%.

The House is priced. The Senate is the variable. Republicans hold it 53 to 47, so Democrats need a net four seats. The races that decide it are Texas, Maine, Michigan, Ohio, Iowa, South Carolina and Kansas. On Kalshi, Kansas and Iowa are the closest of them, at 51% and 45% for the Democrat. A close Senate may take days to call.

What each outcome means in seats. In the Senate, Democrats need 51 seats for control and not 50, because a Republican Vice President breaks ties.

	House	Senate
Democratic sweep (about 70%)	Democrats about 227 to 240	Democrats 51 or 52
Split (about 25%)	Democrats about 227 to 240	Republicans keep control, Democrats 47 to 50
Republican hold (about 5%)	Republicans keep 218 or more	Republicans keep control, 50 to 53 seats

No outcome comes near two-thirds, which is 290 in the House and 67 in the Senate. A sweep would not reach 60 in the Senate either, so Democrats could not break a filibuster on their own. House figures follow the Cook Political Report range for a Democratic majority. Senate figures are our arithmetic from the 53 to 47 starting point.

This note is about what changes after the vote. A new House majority does not take office until January. Until then the same Congress sits, and the first hard date is the 11 December funding deadline.

What the administration keeps in every outcome

Whatever the result, the President keeps his main powers. No outcome puts two-thirds of either chamber within reach, so a veto stands.

Tariffs. The Supreme Court struck down the emergency tariffs in February, and a temporary surcharge expired in July. The tariffs that remain rest on older trade laws, Section 232 on national security and Section 301 on unfair trade practices. They let the President act on his own, and Congress has no vote on them.

The Iran war. Congress could try to stop it with a war powers resolution, but the President can veto it, and overriding a veto takes two-thirds of both chambers. No war powers

resolution has ever got that far. The House has passed several, the latest 220 to 204 in September with seven Republicans. The Senate rejected the last one 47 to 49.

What changes is the cost of using that authority, and Congress's ability to slow, investigate and bargain.

Scenario A: Democratic sweep (about 70%)

Politically. Democrats control both chambers for the first time in this term. From January they can hold hearings, issue subpoenas and oversee the Gulf campaign, tariffs and spending. Senate control also changes who gets confirmed, so nominees become bargaining chips. A war powers resolution can pass both chambers, and the veto would still stand. A vote that carries both chambers with Republican support would still shift the politics.

Iran. The President keeps the options he has now: continue the blockade, negotiate over Hormuz, or escalate. He said the war would end "immediately" after the midterms. A sweep raises the political price of escalation and lowers the price of a deal. Reuters reported in September that negotiators were weighing Iran reopening Hormuz against the US lifting its blockade, with no agreed order of steps. Congress cannot force that trade. It can hold up nominees and funding conditions to push for it.

Budget. The stopgap funding runs to 11 December and sets the first test. The outgoing Congress, still Republican until January, decides whether to pass full-year spending bills or push another stopgap into the new Congress. From January Democrats hold a stronger hand in any full-year deal, in debt-ceiling talks and in the 31 December health and welfare funding deadlines. Expect more spending fights, more shutdown risk in 2027, and less room for the White House's own budget priorities.

Scenario B: Democratic House, Republican Senate (about 25%)

Politically. This is the most common historical midterm result and the least dramatic. Legislation stalls. The House can investigate and block spending and tax plans. The Senate keeps control of confirmations and blocks anything Democrats pass. War powers resolutions pass the House and fail in the Senate, as they do now.

Iran. Little changes in authority. The House gets a platform, and the administration can choose between a deal and escalation without a Senate rebuke.

Budget. This is the hardest setup for passing spending bills. Neither side can pass its own, so stopgaps and shutdown threats become the main tools, and the debt ceiling becomes leverage. Some strategists flag a political risk premium in Treasuries if the standoff looks unmanageable.

Scenario C: Republican hold of both chambers (about 5%)

Politically. This would be a surprise, and the only outcome read as a vote of confidence in the war and the tariff programme. The administration keeps its full executive powers and a cooperative Congress. A 2027 budget and a second reconciliation bill, the fast-track route for tax and spending changes, become possible. There would be no effective oversight until 2029.

Iran. The President has the greatest freedom to escalate or settle, with no domestic brake.

Budget. The 11 December deadline resolves more easily, and a reconciliation bill with tax and spending changes becomes plausible.

What it means for markets

The vote itself should change little for markets. The likely result is mostly priced, the President keeps tariffs and the Iran decision in every outcome, and nothing takes effect before January. The dates that matter come after it: 11 December, Hormuz and the tariff rulings.

The vote reaches markets through three slow channels: government borrowing, tariffs and oversight. It is rarely a one-day event. This is our reading of the likely direction by outcome. Levels are deliberately absent, because they will have moved by the time the result is in.

	Sweep (about 70%)	Split (about 25%)	Republican hold (about 5%)
US rates (10-year 4.93%)	Mixed. Some strategists expect a steadier fiscal path to ease long yields, others expect deficits and issuance to keep the premium for lending long high. Shutdown and debt-ceiling risk rises from 2027	Smallest move. Gridlock, with standoff risk around 11 December	Direction uncertain. Some expect more issuance and higher long yields, others a relief rally
Dollar (index 101.96)	A modest dip at first that may not last, per Convera	Little change	Firmer if yields rise, though the link can break if yields rise on fiscal fear
Oil (Brent USD 113.43)	Lower escalation risk and a deal somewhat likelier. Brent already carries a large risk premium, and a Hormuz announcement matters more than the vote	Little change	Freer hand on escalation or settlement
Large technology	More antitrust and AI oversight, so a higher risk premium on the largest platforms	Hearings but no new law, so mild	Light touch continues
Healthcare	Drug-pricing and subsidy push, so a higher risk premium on insurers and hospitals	Status quo	Spending cuts revived
Defence	Budget fights, though support stays bipartisan	Stable	Stable to higher
Tariffs	Legal authority stays with the President, so trade volatility stays	Same	Same
US equities overall	A mild negative tilt for large technology and healthcare. Small for the index because the outcome is mostly priced	Little change	The largest move, with direction uncertain

How big a move to expect.

- A sweep is the base case, so it should move prices least.
- A split is a Senate surprise against a 70% sweep, so a moderate move. The House part is already priced.
- A Republican hold is the largest surprise against pricing, so likely the largest move. Its direction is uncertain, and it is a 5% outcome.

What to watch

On election night. Senate results in Texas, Ohio and Iowa. A Democratic win in those points to a sweep.

After the vote. These show how a scenario plays out and do not change its odds:

- The 11 December deadline: a stopgap into the new year, full-year bills, or a shutdown.
- A Hormuz announcement before or after the vote.
- Court rulings on the Section 122 surcharge and on tariff refunds.

The AI risk to watch. A Democratic Congress cannot write AI or data-centre rules into law on its own, because a bill needs 60 Senate votes and would face a veto. It can still make AI a political target from January. Democrats have already put forward several ideas:

- A moratorium on new data centres, introduced in March by Senator Sanders and Representative Ocasio-Cortez. Most lawmakers of both parties reject it and it is unlikely to advance.
- A bipartisan House bill, advanced by an Energy and Commerce panel in June, to keep households from paying grid costs for data-centre growth. The top Democrat on the committee called it not nearly enough.
- A report from three Democratic senators on how data centres could raise consumer bills.

Data centres have also become a campaign issue, including in Ohio. In a market already unsettled about AI, hearings and subpoenas aimed at the largest AI companies could weigh on the sector before any rule exists.

Sources

Election odds: Kalshi and Polymarket, via DeFi Rate (defirate.com/odds/2026-midterms), 31 October 2026 02:32 ET, and CNBC, 27 October. Brazil runoff odds and result: CNBC, 26 October. House seat range: Cook Political Report via The Hill, October 2026. Market levels: TradingView, Friday 30 October close. Political and legal background: Washington Times 29 Oct, PolitiFact 20 Oct, The Hill (House war powers vote), NBC News (Senate vote), Holland and Knight (year-end deadlines), CRS R49353 (continuing appropriations), Thomson Reuters and Troutman (tariff authorities after IEEPA), Convera. AI and data-centre politics: The Hill (tech firms brace for Democratic scrutiny), New Jersey Monitor 26 Oct, Time 29 Oct, PBS NewsHour (moratorium bill), E&E News (ratepayer bill), WilmerHale 24 Sep. Street views are paraphrased from public commentary.

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