Historical Context: 2026 Is Outperforming the Average Midterm Year

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Midterm election years have historically been more volatile than other years, and they've historically delivered weaker returns. This year has followed a very different path. The S&P 500 has gained nearly +12% year-to-date. For comparison, the average midterm year is historically flat at the same point, while the average non-midterm year is up nearly +9%. This year has outperformed not only the typical midterm year but also the average non-midterm year. The chart below compares the S&P 500's year-to-date price return against the average return path of midterm and non-midterm years since 1978, with each year indexed to 100 at the start of the year.

The explanation for the historical midterm pattern is that these years carry an unusual amount of policy uncertainty around future taxes, spending plans, and regulatory changes. Investors generally dislike unresolved questions. Markets have been volatile this year, but the source has been geopolitical and macroeconomic rather than electoral. The S&P 500 fell -5% in Q1 before rebounding more than +20%. Geopolitical tensions have contributed to sharp moves in oil prices, long-term Treasury yields have climbed to multi-decade highs, and uncertainty around the Federal Reserve's policy has repeatedly shifted the outlook for interest rates. The volatility midterm years are known for has appeared, but the election calendar hasn't been the cause, and the weak returns haven't followed either.

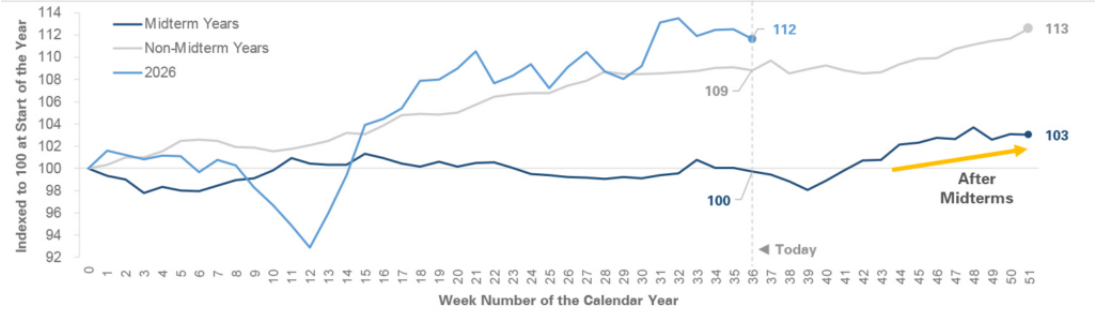
The chart also shows markets have historically traded higher once the election passes and attention returns to earnings and economic growth. Those fundamentals have driven the market this year. Strong corporate earnings have helped support the stock market's valuation. Artificial intelligence investment has fueled spending on data centers, computer chips, software, and power infrastructure, supporting both company profits and broader economic growth. The economy has also continued to expand, supported by steady consumer spending and business investment. None of these drivers depend on an election outcome. Corporate earnings, interest rates, and consumer demand operate on their own timelines.

This year's divergence from the historical midterm pattern is a useful reminder of the limits of market averages. An investor could have entered 2026 knowing that midterm years have historically produced more volatility and weaker returns. Expecting a difficult market would have been reasonable. The mistake would have been treating that historical average as a return forecast. Historical patterns are useful because they show what markets have tended to

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do under similar circumstances. They are less useful when the average becomes a prediction for a single year. The takeaway: Use history as context for what might happen along the way, but don't use it as a forecast of where you'll end up.

Figure 1 – S&P 500 Price Return Midterm Election & Non-Midterm Election Years



Source: S&P Global. Midterm years represent the average weekly indexed path of all midterm election years beginning with 1978. Non-midterm years represent the average of all remaining calendar years. Each calendar year is indexed to 100 at the start of the year. 2026 is shown separately through week 36. The S&P 500 is an unmanaged index that cannot be invested in directly. Past performance is not indicative of future results, and this information is provided for informational purposes only and should not be construed as investment advice or a recommendation to buy or sell any security. Data as of 9/11/2026.

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The S&P 500 Index or Standard & Poor's 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

The Russell 2000 index measures the performance of approximately 2,000 small-cap US equities.

The MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world. Canada and the USA are not included.

The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

The Nasdaq 100 Index is a stock index of the 100 largest companies by modified market capitalization trading on Nasdaq exchanges.

The Russell 1000 Growth index is an index that tracks large cap, growth stocks. This benchmark is important for investors that might tilt their investments towards large cap growth. Growth stocks, in comparison to value stocks, are considered companies with a more growth potential, and a higher risk profile.

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The Dow Jones Industrial Average, or simply the Dow, is a stock market index that indicates the value of 30 large, publicly owned companies based in the United States, and how they have traded in the stock market during various periods of time. These 30 companies are also included in the S&P 500 Index. The value of the Dow is not a weighted arithmetic mean and does not represent its component companies' market capitalization, but rather the sum of the price of one share of stock for each component company. The sum is corrected by a factor which changes whenever one of the component stocks has a stock split or stock dividend, so as to generate a consistent value for the index.

The Bloomberg US Aggregate Bond Index is used as a benchmark for investment grade bonds within the United States. This index is important as a benchmark for someone wanting to track their fixed income asset allocation.

The Bloomberg US Corporate Index covers performance for United States corporate bonds. This index serves as an important benchmark for portfolios that include exposure to investment grade corporate bonds.

The Bloomberg US Corporate High Yield Index covers performance for United States high yield corporate bonds. This index serves as an important benchmark for portfolios that include exposure to riskier corporate bonds that might not necessarily be investment grade.

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The Prime Rate is the interest rate that commercial banks charge their most creditworthy corporate customers. The prime rate is derived from the federal funds rate, usually using fed funds + 3 as the formula.

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