J.P.Morgan

Strategic Research
23 September 2026

Washington Policy Perspectives

Resilient Equities, Higher Rates, and Restless Voters

Top 10 Themes to Watch in the Run-up to the US Midterm Elections

1. **House flip to Democrats seen as overwhelmingly favored, while the Senate is increasingly viewed as a "toss up."**
2. **Cost of living and affordability concerns driving approval ratings and dominating voter sentiment.**
3. **Rising fuel and energy prices have shifted momentum to the Democrats.**
4. **Turnout and voting mechanics (early and mail) are meaningful in close states and districts.**
5. **Neither party hold a clear economic "trust" advantage.**
6. **Populist pressure will rise regardless of the outcome, with visible backlash to "AI winners."**
7. **Comprehensive AI policy and regulation are unlikely with fragmentation at the state level.**
8. **Congressional gridlock raises the odds that a lame-duck president could resort to more executive actions with "peak Trump" still to come.**
9. **Post-midterm policy volatility risks skew higher with tariffs, Iran escalation, and debt ceiling brinksmanship possibly on the horizon.**
10. **The midterms are not seen as a reliable predictor for 2028, and the bench of candidates for both parties looks broad.**

Over the past few weeks, we have hosted a series of guest experts to discuss the outlook for the midterm elections at our flagship European Leveraged Finance, Global Macro, and EM Credit conferences. To listen to our latest All into Account podcast episode on the US Midterm Elections with Charles Myers (Signum Global), Frank Kelly (Fulcrum), and Amy Ho, recorded on September 9, ***click here*** *or click to listen on Spotify or Apple. For a recap of the themes discussed at the September 10 Global Macro conference and September 15-17 EM Credit Conference, see Two things are still true at the same time, Joyce Chang et al.,16 Sep and 2026 Emerging and Frontier Markets Opportunities Conference, Zafar Nazim et al., 22 Sep. For additional expert views on the midterms, Global Research's September 15 webinar featuring Bob Cusack (Washington Examiner) is available here.*

Note that the views expressed in the podcasts and below do not necessarily reflect the views of J.P. Morgan Research analysts.

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Affordability vs. Exceptionalism: Oil Shock Risk, Wealth Gains, and Higher for Longer Rates Regime

With roughly 40 days to the US midterm elections, political momentum is shifting. A House flip to Democratic control has long been the base case, but the Senate race is increasingly viewed as a "toss-up." The political backdrop is tightening around a familiar narrative—the perceived high cost of living, amplified by the conflict in Iran driving fuel and energy prices higher.

Irrespective of the election outcome, populist politics are rising, with speakers noting that a lame-duck presidency could bring a post-midterm election resurgence of executive orders to bypass Congressional gridlock. A shift to a Democratic House increases the odds of investigations/oversight and legislative standoffs, including a third impeachment attempt against the president, with executive actions and must-pass deadlines (e.g., the debt ceiling) driving policy decisions. Risks point to higher rates and higher policy volatility into next year, especially if oil stays elevated.

Equities can stay resilient in the near term, and rising wealth from investment accounts has been a source of support for consumer spending. US financial exceptionalism still holds, and US household net worth surged by $13trn in 2Q alone and by close to $20trn over the last year. Relatedly, a new report this week from the JPMorganChase Institute finds that the share of spending in Chase checking accounts covered by net transfers from investment accounts has almost doubled since 2019, though some of that move likely reflects aging and the shift from pensions to individually managed retirement accounts.

We highlight the top 10 themes to watch in the run-up to the midterm elections.

1. House flip to Democrats seen as overwhelmingly favored, while the Senate is increasingly viewed as a "toss up."

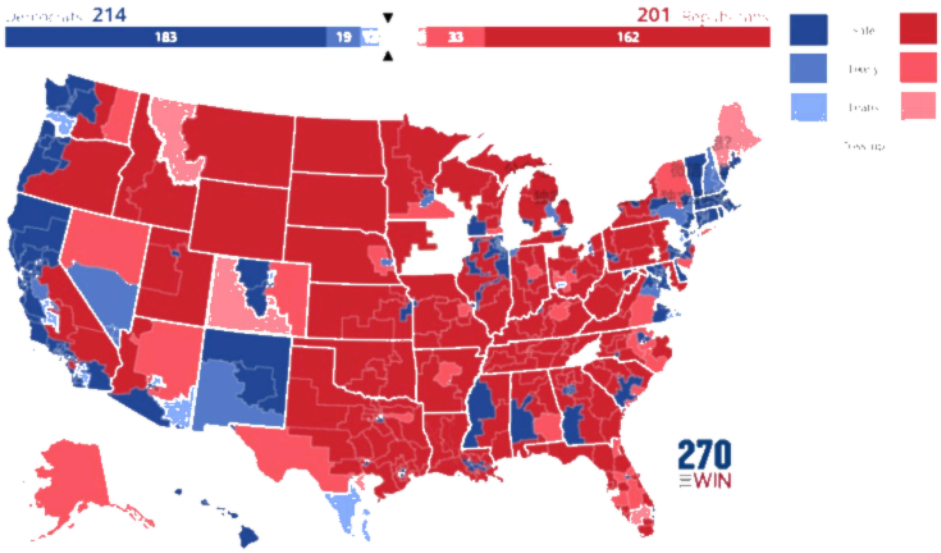
Democrats are seen as clearly winning the House, while the Senate race remains biased to retaining Republican control. All 435 House seats and roughly one-third of the Senate are up for election on November 3. Democrats are poised to win the House, but structural changes could limit Democratic gains. Redistricting efforts have reduced the number of competitive seats from roughly 90 two decades ago to around 20 to 30 today (see *Washington Policy Perspectives: US exceptionalism is back but with fatter tails, thinner patience*, Joyce Chang, 30 Jun). Recent map changes have favored Republicans and should limit Democratic gains, with forecasts tracked by 270toWin pointing to Democrats capturing a narrow House majority of roughly 220 to 230 seats (Figure 1).

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Figure 1: 2026 House election forecasts by state



Source: 270towin. Updated as of 20 Sep, 2026.

There was overwhelming consensus from speakers that a Democratic House flip is a done deal, with the takeover put at 90% odds. The Senate race appears much closer than a few months ago but is still leaning toward Republicans retaining control according to polls, although some speakers are now calling the Senate race a "toss-up." Speakers argued that a Democratic wave is "in formation," although not necessarily one that will materialize nationwide, with potential gains concentrated in a limited number of states and districts.

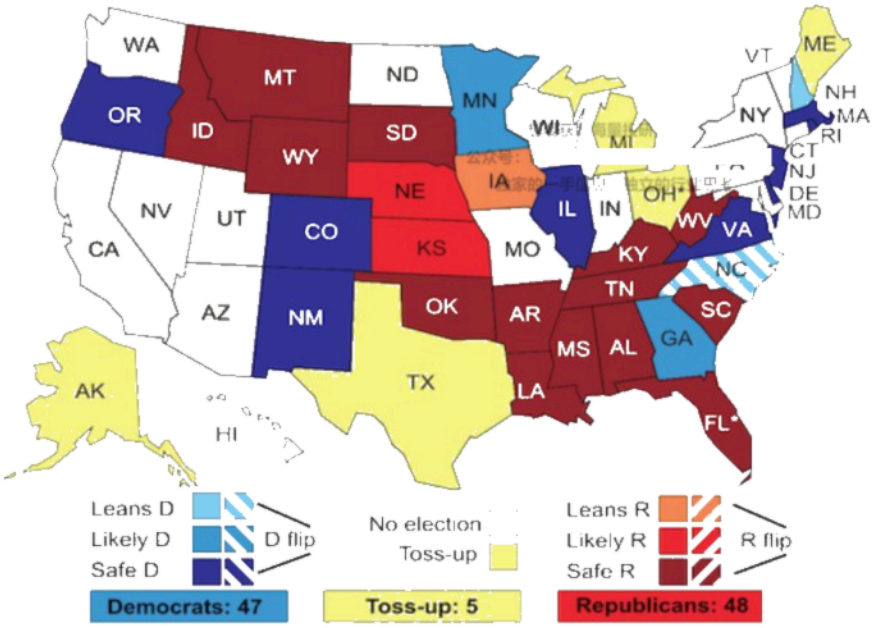
Currently, the GOP has a 53-47 majority in the Senate, and Democrats would need to hold all current Senate seats and gain four additional seats to prevail. The focus is on whether Democrats can flip four Senate seats, with the most likely opportunities in Alaska, Iowa, Maine, North Carolina, Ohio, Kansas, and Texas. While speakers felt that there was a path for Democrats to prevail in North Carolina, Georgia, and Michigan, the outlook for Texas, Maine, Ohio, Iowa, Kansas, and Alaska is still viewed as a "toss-up." Betting markets give the GOP only a 36% chance of holding the Senate, while Democrats are favored in five of the aforementioned races. However, even if Democrats take the Senate by a 51-49 margin, Sen. Jon Fetterman (D-PA) could become a key swing vote that supports Republicans. Fetterman's video appearance at the GOP Midterm Convention indicated his desire to work with the Trump administration, and speakers felt that he could run as an independent candidate in 2028.

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Figure 2: The 2026 Senate midterm map currently favors the GOP



*Denotes special election
Source: 2026 Center for Politics at UVA. Updated as of 26 Aug, 2026.

2. Cost of living and affordability concerns driving approval ratings and dominating voter sentiment.

Despite rising wealth gains, polls show increased voter dissatisfaction, with many viewing the administration as falling short on key promises, including lowering inflation, improving affordability, and reducing foreign conflicts (Figure 3). Markets continue to reward AI-related growth, while households and small businesses remain more exposed to mortgage rates, electricity prices, and everyday costs. AI-related investment, wage gains, and easier financial conditions support consumer resilience, but voters remain focused on food, housing, transportation, electricity, and other necessities, while confidence is weakening among lower-income cohorts.

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Figure 3: Promises Made, Promises Kept – Affordability is the midterm stress test

Policy	Status?	
Lower taxes	✓	Personal tax liabilities for 2025 tax year estimated to decline by $150–$160bn, and early tax return data show ~60mn benefiting from personal tax benefits added under the One Big Beautiful Bill (OBBBA).
Higher tariffs	✓	USTR adopting measures to restore the average tariff rate to ~15% level before IEEPA was struck down, while the observed 2025 tariff rate was below expectations at 9.4%. Refunds bring increased risk to tariff rates post-midterm elections.
Lower immigration	✓	Net flow of immigrants well below 2022-2024 pace with illegal crossings at historic low, risk to 1.1mn workers' legal status, lower employment authorizations, while $100k H-1B visa fee is legally challenged.
Greater deregulation	✓	Deregulation is broad based across banks, energy, antitrust and digital assets with add on to Genius Act and the 10 for 1 rule (i.e., for each new regulation issued, at least 10 prior regulations identified for elimination).
Higher equity markets	✓	S&P 500 up ~27% since Trump took office with AI investment trumping geopolitical uncertainty.
Weaker dollar	✓	Despite recent USD appreciation, dollar is still ~9% weaker since Trump took office.
Lower oil	—	Brent and WTI have fluctuated in a wide range, and our Commodities Research team forecast they will average $85/bbl and $80/bbl, respectively, through 2026.
Higher growth	—	US economy has shown resilience, and a 2%-ish GDP growth has prevailed over the past year or two, despite headwinds from tariffs, immigration, and geopolitics.
Lower interest rates	✗	10Y UST yield projected to end the year at ~5.05%, with term premium to stay elevated at the long end across G-4 countries. Our economics research sees one more Fed hike in Dec this year, with policy rates on hold at 4.00% to 4.25% thereafter.
Ending ongoing conflicts	✗	Ceasefire talks abandoned with Houthi attacks on infrastructure and recurring Strait of Hormuz incidents; Russia-Ukraine war endures; "Donroe Doctrine" signals US dominance in the Americas; "constructive strategic stability" defines US-China competition for now.
Lower inflation	✗	Core PCE inflation to stay above target for 6th consecutive year, ending 2026 at a firm 3.4% (4Q/4Q) and at 2.7% by the end of 2027.
Lower deficit	✗	FY 2026-27 US federal deficit remains elevated at 6.5% of GDP, with FY27 deficit to rise to ~$2,000bn.
DOGE savings	✗	DOGE officially ended on July 4 reaching its planned self-termination date set by the EO last year and reported $215bn savings vs $2trn goal, with much lower independent estimates.

Source: J.P. Morgan Strategic Research, Hamilton Project. Market data as of Sep 18, 2026 EOD.

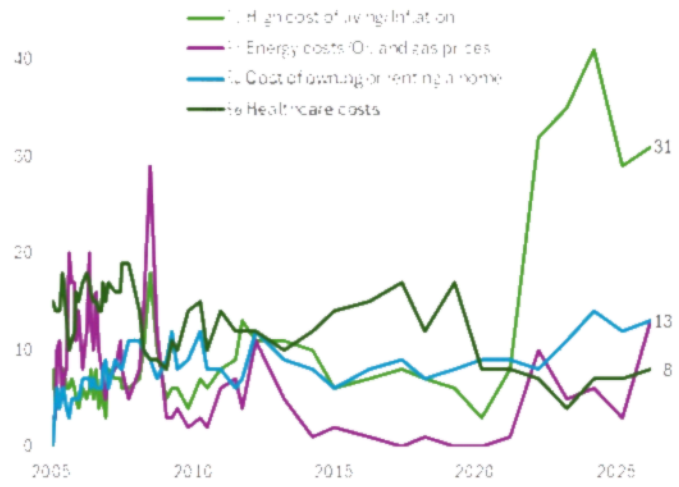
Affordability dominates Americans' financial worries, and only 25% are satisfied with the way things are going in the US, below the 33% historical average. According to Gallup, the high cost of living/inflation remains the most important financial problem facing American families, as cited by 31% of respondents, particularly for younger people, as wealthy, older generations continue to drive strong consumption growth.

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Figure 4: Affordability still dominates Americans' financial worries

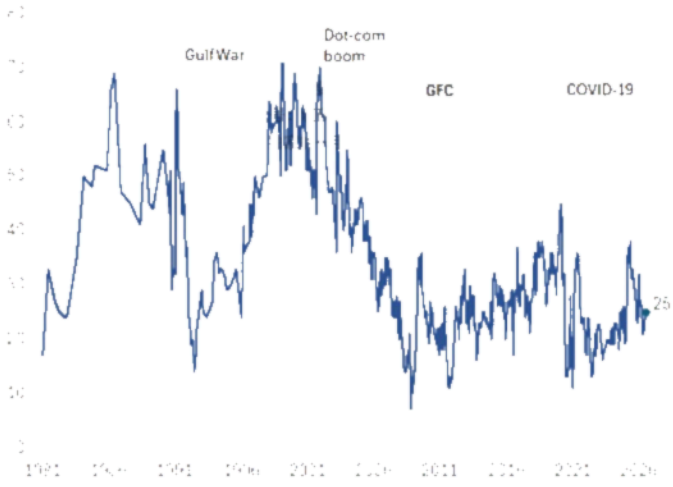
What is the most important financial problem facing your family today?



Note: Results based on respondents' verbatim answers to open-ended questions.
Source: Gallup.

Figure 5: American satisfaction with the way things are going in the US remains below average

% satisfied



Shading denotes US recessions.
Source: Gallup, J.P. Morgan Strategic Research.

The latest Reuters/Ipsos poll finds the cost of living as the single most important factor driving voter sentiment. The cost of living issue remains a relative weak spot for the president as far more US adults disapprove than approve of how President Trump is handling the issue (71% disapprove, 22% approve). A previous Ipsos poll found that six in ten (59%) Americans say they do not think people like them and their family have a good chance at improving their standard of living given the way things are in America, compared to 40% that do. More broadly, 48% also say they expect the nation's economy to get worse in the next year, compared to 20% that expect the economy to get better and 31% that say it will stay about the same.

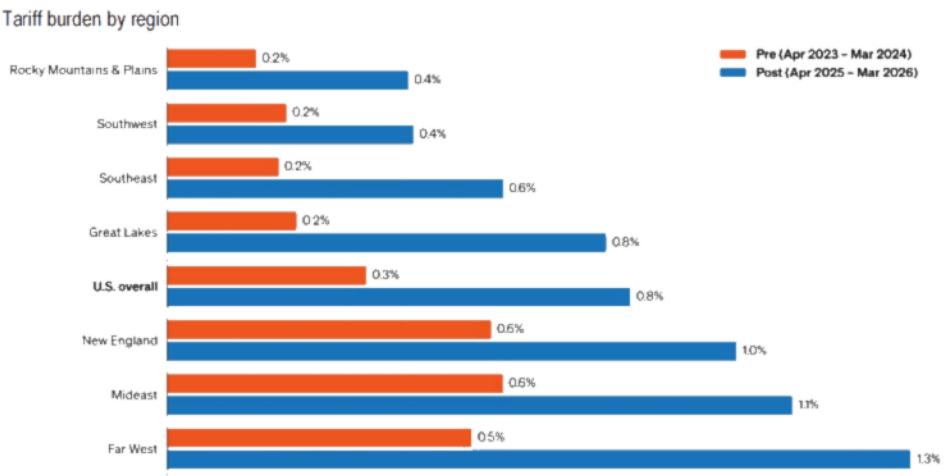
The largest increases in tariff burdens from pre-2025 levels have been in the Midwest swing states. Research from the JPMCI shows that tariff burdens have increased for every industry, and several manufacturing industries now spend over 2% of total inflows on tariff payments. Tariff burdens have more than tripled in the Great Lakes region (a large part of what is typically considered the Midwest) and the Southeast region. These regions are home to many firms in key heavy manufacturing sectors, such as the transportation equipment manufacturing industry.

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Figure 6: Major port regions spend the highest share of inflows on tariffs, but the largest relative increases are in the Midwest and the Southeast



Source: Tracking international payments: How are midsize firms responding to continued tariff pressure?, JPMorganChase Institute

Speakers note that presidential approval ratings are closely linked to midterm outcomes, particularly for the House. Data from the American Presidency Project indicates that a higher approval rating has historically been associated with smaller losses. Since World War II, presidents with approval ratings in the low-to-mid 40s have generally suffered significant House losses, including with Obama (-63 seats in 2010 with 45% approval), Clinton (-54 seats in 1994 with roughly 43-48% approval), and Trump's first term (-41 seats in 2018 with 44% approval). The two exceptions have been in 1998 under Clinton's second term (+4 seats) and 2002 under George W. Bush (+8 seats), but both had approval ratings in the mid 60s entering those elections. Notably, Trump's current approval rating is tracking below comparable points in his first term and recent presidencies, adding to the traditional midterm headwind for the president's party (Figure 7 and Figure 8).

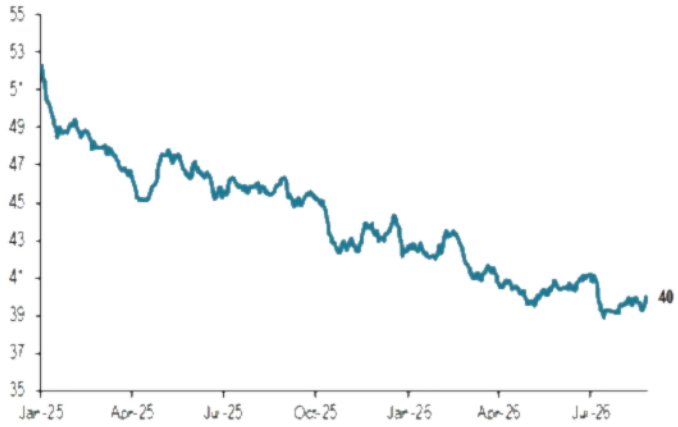
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Figure 7: Trump's approval rating

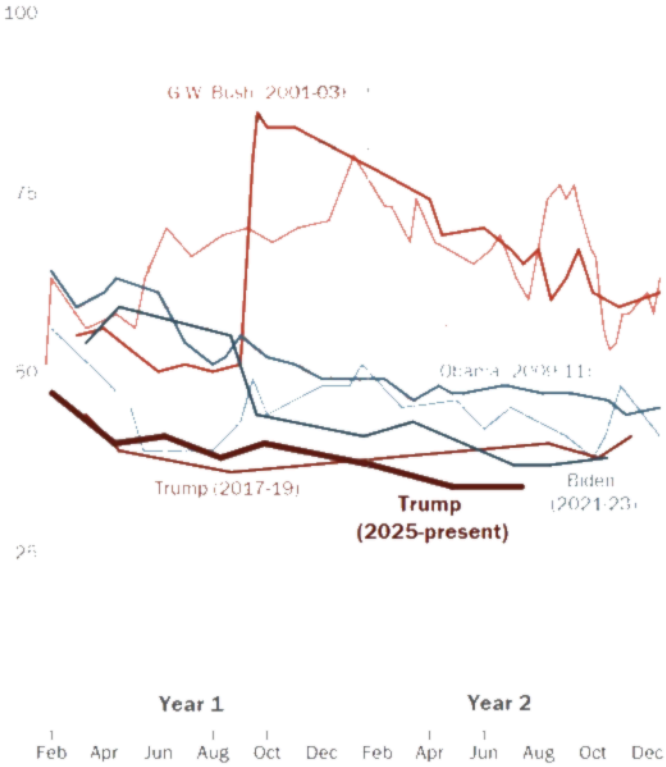
% approve



Source: RealClearPpolitics, Bloomberg Finance L.P., J.P. Morgan Strategic Research. Data as of Sep 15, 2026.

Figure 8: Trump's job rating is on par with Biden's in 2022 but lower than that of other recent presidents

% who approve of the way __ is/was handling his job as president



Note: Current data on Trump approval from a survey of U.S. adults conducted July 6-12, 2026.
Source: Survey data is from Pew Research Center (Clinton through Trump) and Gallup organization (Reagan and G.H.W. Bush).

3. Rising fuel and energy prices have shifted momentum to the Democrats.

The Iran conflict appears to be at an inflection point and shifting momentum in favor of the Democrats as energy costs have moved sharply higher. Middle East tensions have pushed Brent into the $100-110/bbl range, above the $75-100/bbl band seen since late May. Our commodity strategy team's baseline oil-price risks are also skewed to the upside, with models implying Dec'26 prices roughly $7-8 above their current $78/bbl forecast. There are few signs that the Strait of Hormuz will be reopened, and a scheduled meeting between Iran and the GCC to discuss reopening the Strait of Hormuz was cancelled due to Iran's insistence on charging fees. Kinetic conflict has escalated, with the Houthis taking the port city of Mocha and the island of Mayyun, taking over Yemen's Red Sea coastline, and bringing the Bab al-Mandab Strait into the conflict, which accounts for ~10% of total global maritime trade. This could impact another ~8mm bpd and ~4bcf/d of LNG. There have also been attacks on Saudi's East/West pipeline, which could affect as much as 7mm bpd.

Historically, the sitting president's party has lost ~27 House seat
seats across the last 23 midterm cycles, but when gasoline prices
rises to ~32 House seats, according to Politico. Energy costs are n
housing as the second-largest financial concern after high cost of liv

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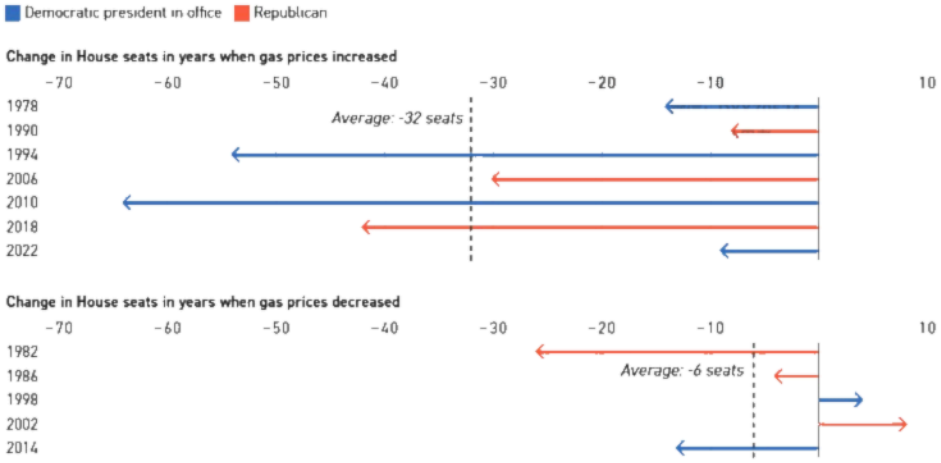
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Figure 9: On average, the incumbent party loses 25 more congressional seats in midterms following gas price hikes

Change in the incumbent party's number of congressional seats, in elections since 1978

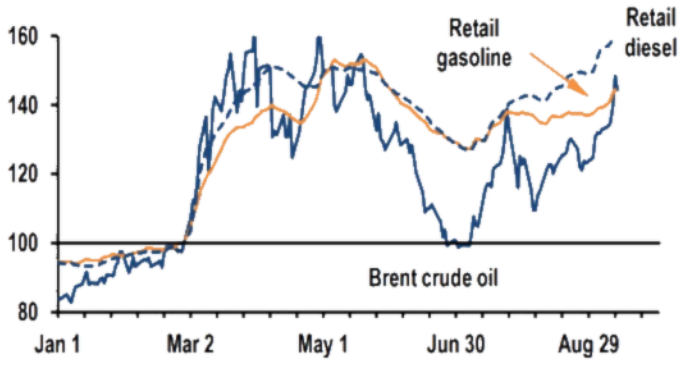


Note: Gas prices are from January of the year prior (inauguration month) to October. Prices reflect the national city average retail price for unleaded regular gasoline per gallon, the only metric provided by EIA since 1977. Party breakdowns for congressional seats are based on election results and do not account for vacancies and successions.
Source: U.S. Congress, Energy Information Administration, Catherine Allen/POLITICO.

As gas prices at the pump rise, one speaker increased the odds of a pre-midterm restriction on exports of gasoline and diesel (but not jet fuel or LNG) to 75%, while Trump has backed a diesel exports ban, marking a shift for the administration. Speakers argued that such a move could initially lower prices in parts of the Gulf Coast, but shipping constraints and tighter global supply could subsequently push prices back up. Our economists note that gasoline prices sustained above ~$4/gallon could offset much of the household tax relief from the administration's OBBBA, which was estimated in the $150-160bn range.

Figure 10: Energy prices in 2026

Index: Feb 2 = 100



Source: EIA, AAA, J.P. Morgan

Figure 11: Consumer costs from higher gasoline prices

Gas price scenario ($/gal)	% increase over 2025	Increased gas bill	Increased energy bill
$3.88	25%	$96 bn	$106 bn
$4.00	29%	$110 bn	$123 bn
$4.12	33%	$125 bn	$139 bn
$4.50	45%	$172 bn	$191 bn
$4.65	50%	$190 bn	$211 bn
$4.80	55%	$208 bn	$232 bn
$5.00	61%	$233 bn	$259 bn

Source: J.P. Morgan.

Our commodity strategy team has considered the impact on oil prices of a conflict that extends into a "forever conflict" scenario. They highlight that the oil market is fungible, inventories have drawn more slowly than forecast, and that the burden of rebalancing has fallen on consumers. In a "forever conflict" scenario, they conclude that Brent could average $87 in 2027, compared with $64 in their baseline scenario in which the world enters 2027 at peace (see *Oil Markets Weekly: Are we getting inured to a*

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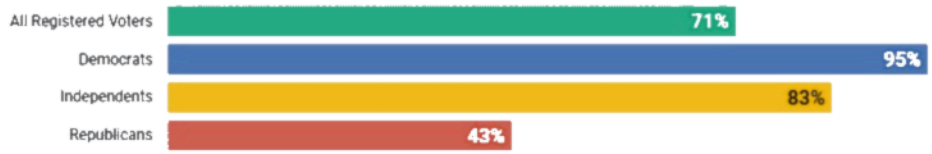
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forever conflict, Natasha Kaneva, 9 Sep).

Recent congressional activity underscores the political pressure from Iran-war-adjacent actions that implicitly acknowledge both wartime conditions and the inflationary drag of higher gas prices on voters. House Republicans left early amid rising demands on Speaker Johnson (R-LA) to hold votes to impeach Secretary of War Pete Hegseth, suspend the federal gas tax for three months (requested by the Freedom Caucus), and impose an export ban on energy products (supported by Rep. Tim Burchett, R-TN). Public opinion remains unsupportive of the Iran conflict, and the Ipsos survey indicates that 59% overall say they are not confident that negotiations to end the US-Iran war will bring gas prices down to normal. According to a Fox News national survey conducted earlier this month, 7 in 10 voters think the Trump administration lacks a clear strategy for ending the conflict, including 95% of Democrats, 83% of independents, and 43% of Republicans, while 60% believe that the US taking military action against Iran was the wrong decision.

Figure 12: A majority thinks the Trump administration lacks a clear strategy for ending the Iran war

Do you think the Trump administration has a clear strategy for ending the war with Iran, or not?, % Saying no clear strategy



Note: Conducted: September 11-14, 2026. Registered Voters +/- 3%. Democrats +/- 4% Pts., Independents +/- 7% Pts., Republicans +/- 4% Pts.
Source: Fox News Poll.

Speakers noted that the Democratic Party's populist wing may grow, but it remains relatively small with seven DSA-backed House nominees running in deep blue states, and long shots that could push the number of DSA candidates to eight or nine. While the DSA candidates attract headlines, speakers noted that no one is talking about the 300 centrist Democratic candidates who have been endorsed. Moreover, even if victorious, freshmen typically get junior committee seats and will not hold committee chairmanships or have sufficient authority to write and advance legislation.

4. Turnout and voting mechanics (early and mail) are meaningful in close states and districts.

Voter turnout matters for the midterm elections as turnout typically runs well below presidential years and the electorate skews more toward college-educated voters, a group among which Trump has generally drawn less support. Multiple polls show higher Democratic momentum, while Democrats have been outperforming Republicans in off-year and special elections. Figure 13 shows the momentum shifting toward Democrats in the generic congressional ballot across a range of major polls over the past month. Trump appears to have lost material support from women, younger voters, Latinos, and independents, who were key swing voters for Tump in the 2024 presidential elections. While rural communities face significant strains from tariffs, immigration restrictions, fuel costs, and reduced medical access, suburban women were identified as the more decisive electoral group because of their heightened sensitivity to everyday prices.

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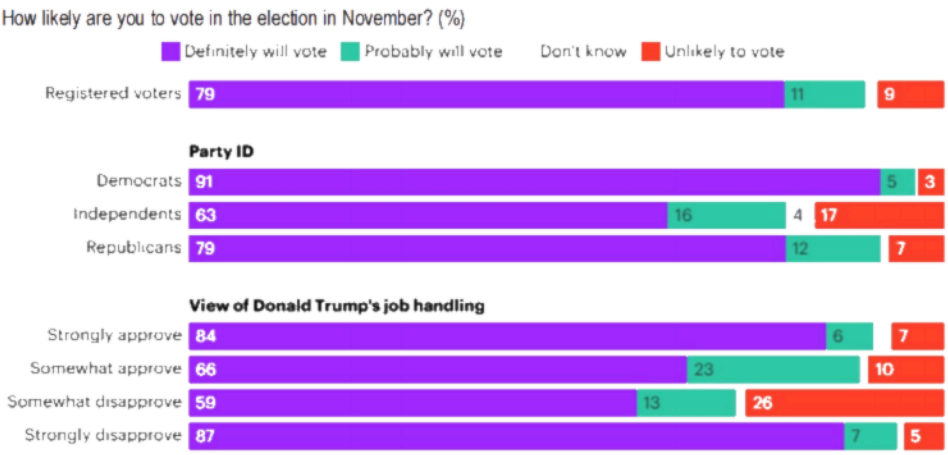
Figure 13: 2026 Generic Congressional Vote are shifting to Democrats

POLLSTER	DATE	SAMPLE	DEMOCRATS (D)	REPUBLICANS (R)	SPREAD
RCP Average	9/2 - 9/20	—	50.5	42.0	Democrats +8.5
NBC News	9/11 - 9/15	1000 RV	50	45	Democrats +5
Reuters/Ipsos	9/17 - 9/20	979 RV	43	35	Democrats +8
Rasmussen Reports	9/10 - 9/16	1746 LV	49	41	Democrats +8
FOX News	9/11 - 9/14	1211 RV	51	44	Democrats +7
Big Data Poll	9/13 - 9/15	2633 LV	51	39	Democrats +12
RMG Research**	9/8 - 9/15	2000 LV	52	46	Democrats +6
NY Times/Siena	9/8 - 9/13	1503 LV	51	43	Democrats +8
Marquette	9/2 - 9/9	581 LV	54	41	Democrats +13
Economist/YouGov	9/11 - 9/14	1051 LV	51	39	Democrats +12
Morning Consult	9/11 - 9/13	LV	49	43	Democrats +6
CBS News	9/8 - 9/11	1750 LV	54	46	Democrats +8

Source: RealClearPolitics Poll Average. Data as of Sep 21, 2026

Democrats have cast substantially more primary votes than Republicans, up sharply vs. 2022, while Republican primary voting was down, reinforcing the thesis that the Democratic coalition is more energized heading into November.

Figure 14: More Democrats than Republicans say they will definitely vote in the November elections



Note: Identification as a MAGA Republican is based on Republicans' responses to the question, "Are you a MAGA supporter?" Non-MAGA Republicans are Republicans who say "no"; Republicans who say "not sure" are not shown.
Source: The Economist / YouGov, August 21 - 24, 2026. Chart: David H. Montgomery.

Youth registration and stated turnout intentions are important variables for the 2026 midterm election, although neither necessarily translates into realized turnout. Twenty-five out of 42 states have more voters aged 18 to 29 registered than at the comparable point in 2022 (Figure 15). Nearly half of eligible young voters in 2026 will be youth of color, increasing the importance of mobilization in closely contested House, Senate, and state-level races (Figure 16). The current turnout intention gap favors Democrats, with a larger share of Democratic than Republican voters saying they will definitely vote in November (Figure 14). Taken together, the data point to a potentially more favorable participation backdrop for Democrats, but the state-by-state map and conversion of registration into turnout will determine whether that advantage translates into seats.

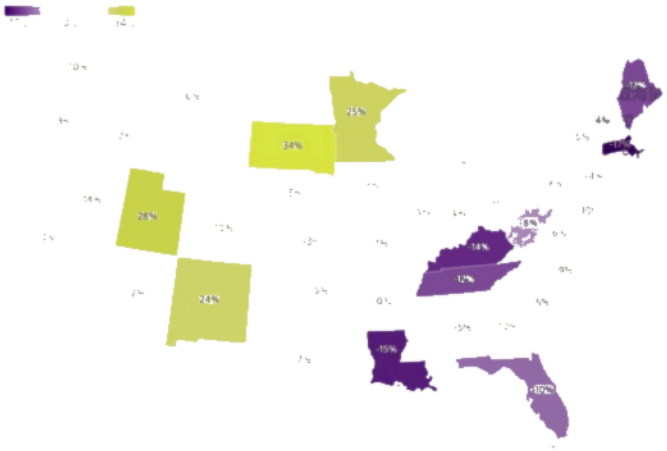
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Figure 15: 25 out of 42 states have more youth registered to vote in 2026 than 2022 (ages 18-29)

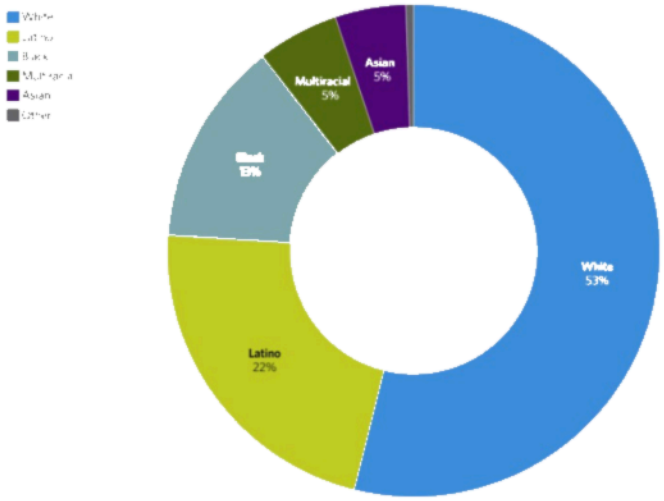
The percent change increase (positive numbers) or decrease (negative numbers) in the number of youth, ages 18-29, registered to vote in each state in September 2026 compared to July 2022.



Note: Reliable age data for Alaska, Hawaii, Maryland, Mississippi, New Hampshire, North Dakota, Wisconsin, Wyoming, and Washington, D.C. are not available and excluded in this analysis.
Source: CIRCLE analysis of voter file data aggregated by Catalist.

Figure 16: Nearly half of eligible young voters in 2026 will be youth of color

How likely are you to vote in the election in November? (%)



Source: CIRCLE analysis of IPUMS USA data.

Election integrity is likely to become a more prominent political issue even if election administration remains largely secure. In 2020, Trump and Trump-affiliated entities filed 62 lawsuits challenging the presidential election outcome, many on the grounds of fraud. Sixty-one of 62 suits were dismissed or dropped due to lack of evidence, including cases heard by Trump-appointed judges [1]. The midterms could be more contentious as claims around fraud, voting irregularities, election monitoring, and federal involvement increase. Core functions, including voter registration, voting equipment, vote tabulation, certification, and election scheduling, remain under state

1. Litigation in the 2020 Election, American Bar Association, 10 November 2022; Results of Lawsuits Regarding the 2020 Elections, Campaign Legal Center, 2026

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and local control and are protected by significant legal and judicial safeguards. Recent court challenges to federal actions affecting mail voting further underscore the judiciary's role as a constraint on executive authority. The primary risk is therefore not a material change in election outcomes but greater polarization, litigation, and public skepticism over the legitimacy of the process.

Figure 17: Two in three US adults are concerned about political pressure in elections

Looking ahead to this year's elections for Congress and state offices, how much, if at all, do each of the following concern you?, % A great deal/fair amount



Source: Gallup, Kettering Foundation-Gallup Democracy for All Project, April 24-June 10, 2026.

5. Neither party holds a clear economic "trust" advantage.

In the latest Reuters/Ipsos poll, views on Trump's handling of the economy stand at (34%), significantly lower compared to February 2025 (45%). However, neither party holds a clear economic "trust" advantage. Polls show split views on trusting the Republican Party (34%) or the Democratic Party (33%) to do a better job at handling the economy; 26% trust neither party, while 7% trust both.

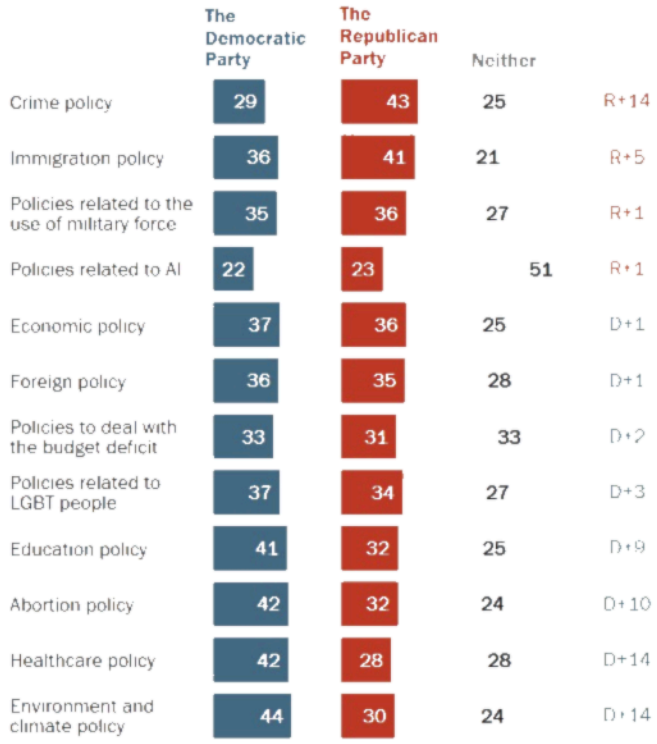
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Figure 18: Neither party holds a clear advantage on economic policy

% who say they agree with __ on the following policy issues



Note: No answer responses are not shown.
Source: Pew Research Center, Survey of U.S. adults conducted July 6-12, 2026.

6. Populist pressure will rise regardless of the outcome, with visible backlash to "AI winners."

At our Global Macro conference, AI was described as "the new China," an issue attracting increasingly bipartisan political opposition in the US and potentially becoming a defining issue in the 2028 election (see *Two things are still true at the same time: Highlights from J.P. Morgan's 2026 Global Macro Conference*, Joyce Chang, 16 Sep). The noise has grown markedly louder over the past six months, much of it tied to the upcoming midterm elections. Communities across rural, suburban, and urban areas are increasingly not seeing any benefits from AI, particularly as states provide incentives for data centers that bring higher electricity demand, pollution, and other local costs. Speakers argued that the industry needs to explain AI "not from the tech point of view" but "from the workers' point of view," bringing labor, consumer groups, conservationists, small businesses, and universities into the discussion. Technology companies were seen as engaging labor too late and now face growing demands to slow down and be careful, as proposed moratoriums, investigations, and greater regulatory oversight increase.

Speakers argued that opposition to AI data centers has increased as rapid development has made the local trade-offs more visible, including proximity to schools and housing, pressure on power infrastructure, and broader concerns over land use, pollution, and public incentives. Ashburn, Virginia, illustrates the tension: data centers helped support substantial local wealth, but their growing footprint has also made them an easier target for residents who see the costs more directly than the

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economic benefits. Speakers viewed concentrated siting as a more workable model. In one example, a large master-planned development negotiated with a city allowed local leaders to support data centers in a designated area rather than scatter them across the community. The counterargument is that data centers generate more employment, and at higher wages, than their capital-intensive reputation suggests. Two buildings totaling several hundred megawatts on a large campus can require about 4,000 construction workers at peak over a roughly three-year build, followed by about 300 direct staff and as many as 2,000 permanent jobs, including indirect roles, once operational. Direct positions can pay more than $150,000 without requiring a college degree, compared with roughly $40,000 annually for nearby parcel-sorting jobs.

7. Comprehensive AI policy and regulation are unlikely with fragmentation at the state level.

A comprehensive AI regulatory bill is unlikely to win Congressional approval in the near term as the focus has been on affordability, but that constraint is expected to lift after November 3. The bipartisan "Great American AI Act" has stalled and was never formally introduced as a bill. Narrower legislation covering child safety, AI-assisted fraud, deepfakes, and formally establishing the Commerce Department's AI standards center (CAISI) could advance. With at least 63 new members expected through retirements and other departures, younger lawmakers with more developed views on technology could accelerate the debate and make AI regulation a major dividing line in 2028. Several AI-related bills have been introduced in Congress. Notable examples include:

- The House-passed the **Ratepayer Protection Act**, which would require large, power-intensive data centers to bear the full cost of grid upgrades. Senate passage is widely viewed as unlikely before the midterm elections.
- The **AI Kill Switch Act**, introduced by Rep. Lieu (D-CA) and Rep. Moran (R-TX), would require developers of the most powerful AI systems to maintain the technical capability to throttle, suspend, or shut down such systems. It would also authorize the executive branch to order a slowdown or shutdown of an AI system that could cause catastrophic harm.
- The **FRONTIER Act**, introduced by Rep. Trahan (D-MA) and Rep. Obernolte (R-CA), would establish a national framework governing the development and deployment of new AI models through tiered requirements based on the size of a frontier AI developer (e.g., model cards, risk-management frameworks, independent audits, incident reporting, and ongoing assessments). The bill is intended to create a uniform national standard for transparency, auditing, and catastrophic-risk reporting to avoid a patchwork of state regulations.
- The **Artificial Intelligence Research, Innovation, and Accountability Act**, introduced by Senate Leader Thune (R-SD) and co-sponsored by Sen. Klobuchar (D-MN), would hold companies legally liable for certain harms caused by their models. The legislative text remains under debate.
- The **Ban Artificial Superintelligence Act**, introduced by Sen. Sanders (I-VT) and Rep. Casar (D-TX), would permanently ban the development and deployment of superintelligent AI and temporarily pause advanced AI development until a federal regulator establishes safety rules.

States continue to lead on data-center restrictions, including tax policy rollbacks/increases, energy upgrades, and community grants. More local/state moratoriums are

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under consideration, with cities in 32 states advancing moratoriums (here) and with up to 26 states currently considering state-wide moratoriums (here).

8. Congressional gridlock raises the odd that a lame-duck president could resort to more executive actions with "peak Trump" still to come.

If Democrats regain the House, the more immediate investor implication may be intensive oversight rather than major legislation. Committees could investigate administration officials and publicly question companies that received tariff exclusions, rebates, or other favorable treatment but did not lower prices. Additional political risks include disputes over the organization and transfer of power in the next Congress, continued litigation surrounding mail ballots, and rural hospital closures.

Speakers at the Macro Conference argued that a "peak Trump phase" could last through the primary season of the 2028 presidential election. Even if Democrats capture both chambers, Trump was described as "absolutely not finished" with a vow to continue his agenda until the last day. He is expected to continue governing primarily through executive action rather than relying on Congress, as Democrats are likely to take control of the House. Speakers noted that most legislation would still require 60 votes to overcome a Senate filibuster and 67 Senate votes to override a presidential veto. Hence, Congress is unlikely to pass a War Powers Resolution capable of stopping the conflict or legislation stripping the president's tariff authority. Instead, Trump is expected to continue pursuing his agenda through executive orders and the courts.

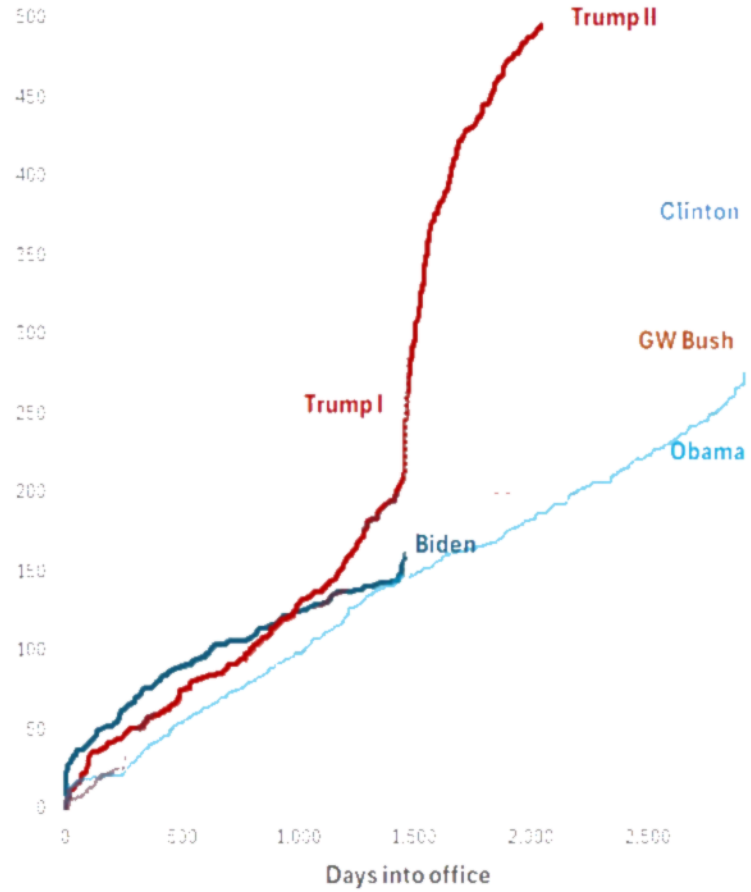
While government by executive order has defined the second Trump term, legal challenges limit the administration's room to act. Less than two years into his second term, the president has issued 285 Executive Orders (EOs), already surpassing the total issued during his entire first term (Figure 19). First-year policies were designed to disintermediate the government from the top-down and from the inside-out, particularly through the Department of Government Efficiency (DOGE) initiatives. The administration's main legislative objectives were achieved early in the term, and the current environment is defined by incremental policy adjustments rather than sweeping reforms.

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Figure 19: A government led by executive order



Source: FT, The American Presidency Project, J.P. Morgan Strategic Research.

The approaching midterms have since shifted attention toward policies that support near-term growth and addressing affordability. A potential defense supplemental, the National Defense Authorization Act, and selected healthcare measures remain the priority congressional items for the remainder of the year. Congress recently passed a measure to extend government funding into December, averting a shutdown ahead of the midterms. Funding is now set to expire on December 11.

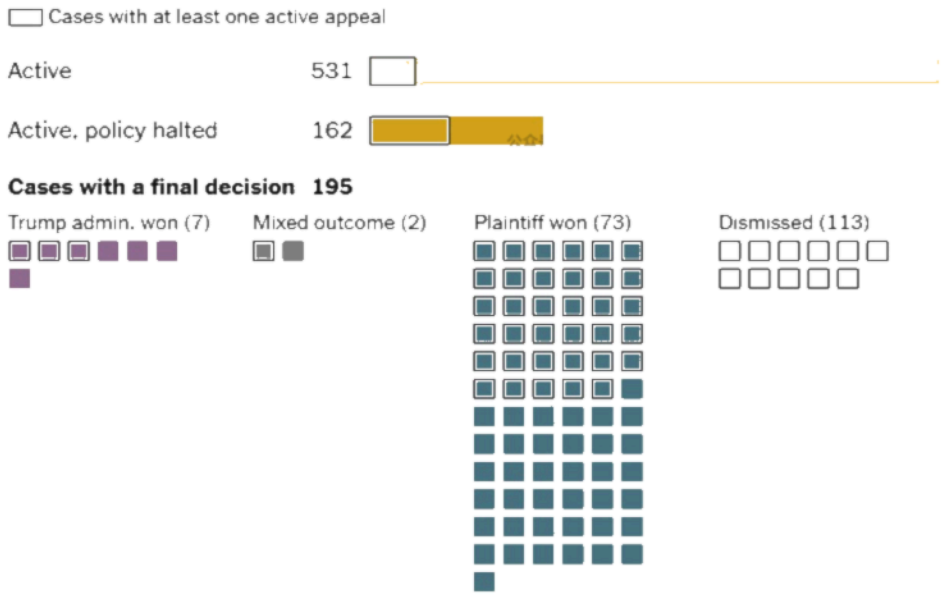
A Democratic House would likely increase oversight and investigations, which should slow the administration's agenda and raise the potential for confrontational negotiations over appropriations and the debt limit. Executive power has expanded significantly in trade and foreign policy, with courts beginning to impose limits. It is notable that more than 850 cases have been filed against the administration, and courts have at least partially halted policies in more than 150 of them, illustrating the growing legal constraint on executive action.

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Figure 20: 850+ cases were filed against the Trump administration, and in more than 150 of them, courts have at least partially halted its policies



Source: NYTimes, Data as of Sep 15, 2026.

9. Post-midterm policy volatility risks skew higher with tariffs, Iran escalation, and debt ceiling brinksmanship possibly on the horizon.

Markets may be too complacent about the post-midterm policy environment, with the underappreciated risk being a lame-duck period in which Trump potentially escalates through executive action, including renewed tariffs, energy, and geopolitical measures. The fourth quarter could also bring a "massive risk event" in the form of a potential third reconciliation package, possibly totaling at least $300-500bn and including roughly $15bn in farm assistance and $150bn or more in additional defense spending, on top of a broader increase in the National Defense Authorization Act. This could create further pressure for Treasuries as the debt ceiling approaches and ratings agencies reassess the fiscal outlook.

Meanwhile, Section 301 tariffs could return the effective global tariff rate from 5-6% toward 17-18%. Other risks include tariffs on Europe, a potential announcement that the US will withdraw from the USMCA, and further escalation of the Iran conflict after the midterms. The US declined to renew the USMCA at the July 1, 2026, joint review, moving the agreement into annual reviews rather than a clean 16-year extension. This was not unexpected, and the agreement remains in force. It has not been terminated, and no party has invoked the formal withdrawal clause, which would require a separate step and six months' notice. Even with annual assessments, the deal remains in place until at least 2036 and can be extended for another 16 years at any point (see *Mexico Equity Strategy: USMCA: US Declines Renewal, But Mexico's Trade Advantage*

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Remains in Place, Adrian E Huerta, 2 Jul).

However, the US-Canada trade war intensified further in September after Ottawa's counter-tariffs were put in place and President Trump announced additional restrictions. These include reallocating some recent 50% Section 338 tariffs away from certain politically sensitive imports and toward goods such as ATVs, boats, and cheeses, as well as outright bans on certain imports. These measures are expected to raise prices and lower activity on both sides of the border, with the Canadian inflation effect expected to be modest but the demand drag on Canadian producers worsening. The US threat to raise auto tariffs from 25% to 50% on January 1 remains a key risk (see *Canada*, Michael Hanson, 11 Sep).

10. The midterms are not seen as a reliable predictor for 2028, and the bench of candidates for both parties looks broad.

Looking toward the 2028 presidential race, the Democratic primary is expected to be unusually crowded and to force a broader debate over the party's geographic base, ideology, and post-Biden identity. Potential Democratic candidates include Pete Buttigieg, Gavin Newsom, Andy Beshear, J.B. Pritzker, Wes Moore, Chris Murphy, Cory Booker, Ro Khanna, Alexandria Ocasio-Cortez, Jon Ossoff, and Rahm Emanuel, with the early state calendar placing greater emphasis on the South and Sun Belt. Although "the energy is on the left," affordability and the need to assemble a governing coalition are expected to prevent a decisive move away from the center. Speakers noted that the Democratic Party's populist wing may grow, but it "will have no power" without committee chairmanships or sufficient votes to write and advance legislation.

On the Republican side, JD Vance was described as the clear frontrunner by a country mile and likely to preserve Trump's emphasis on tariffs and an assertive foreign policy, although Marco Rubio, Don Trump Jr., and Nikki Haley were also raised as potential candidates.