The Investment Institute
by UniCredit

Coffee Break

Coffee Break is our daily publication, offering topical insights as an intellectual ingot to start the day.

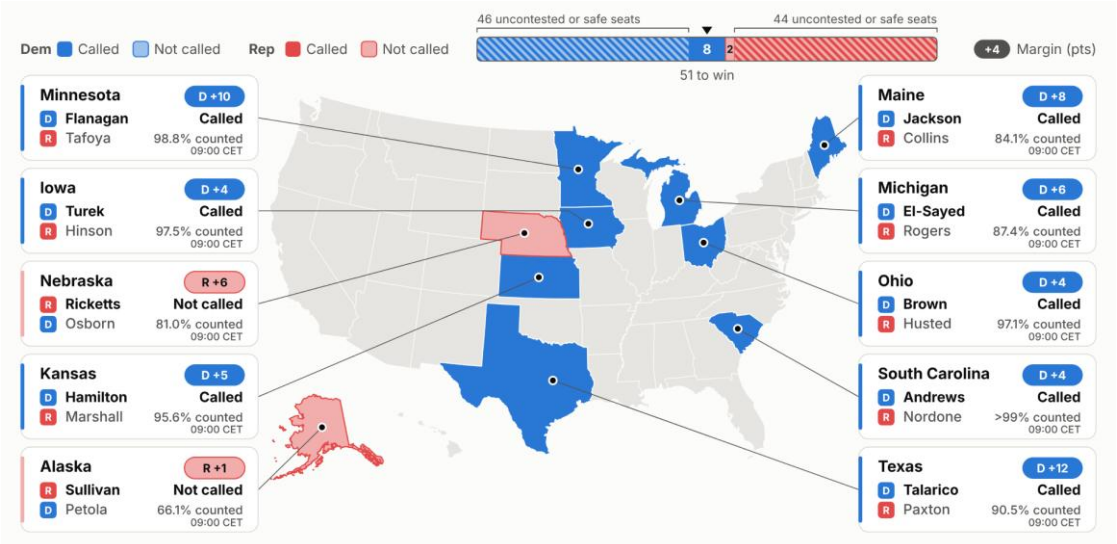
A blue tsunami

4 November 2026

Democrats have won hefty majorities in the House and Senate. Control of both chambers will bring new checks on the executive branch that have been lacking over the last two years.

DEMOCRATS ARE ON COURSE FOR A COMMANDING MAJORITY IN THE SENATE

STATES CONSIDERED TOSS-UPS IN RECENT POLLING



Source: *The New York Times*, The Investment Institute by UniCredit

THE CONTEXT

As the final results of the US midterm elections are counted, it is already apparent that the Democrats have won a resounding victory over the Republicans for control of the House of Representatives and the Senate. Democrats even managed to flip control of some of the most staunchly Republican states, as voters showed the discontent with cost-of-living issues that had been reflected in recent polling data. The races that have been called so far indicate that the majorities the Democrats will command in the House and Senate will give them the ability to exercise some – but far from complete – control over President Trump's agenda.

THE DATA

Although the midterm election results are still incomplete, enough races have been called that we are confident that Democrats will gain sizeable majorities in both chambers of Congress. Democrats have won 225 of 435 seats in the House (with 218 needed for a majority) compared to 136 Republican seats, and 54 seats in the Senate compared to 44 for Republicans, according to *The New York Times*. Their current estimates call for a Democratic majority in the Senate of 55 seats to 45 and in the House of 258 to 177. That exceeds even the highest estimates of Democratic control forecast before the election by the nonpartisan Cook Political Report (House 240 and Senate 53 Democrats) immediately before the election.

OUR VIEW

Following these stunning election results, both parties will begin to set their policy agendas for the coming years. The message voters sent to the Republican party is therefore clear: they are unhappy about Republican policies in Trump's second term, notably tariffs and the war in Iran, and they want Congress to exercise more control over the executive branch. Trump has already given interviews to media organisations and has sounded conciliatory, stating that he is prepared to work with Democratic Congressional majorities, while also denying responsibility for the Democrats' landslide victory. Political advertising gives some indication of what those priorities might be. According to AdImpact, the leading issue in Democrats' advertising spending has been health care, so we can expect policy reviews of health care spending cuts. Opposition to data centres has been a focus of both parties, which could bring legislation that slows AI spending. Corruption has also been a prominent theme in Democratic campaigning, so investigations into contracts (e.g. blocking renewables projects and favouring fossil fuels) and perceived quid pro quo deals will be a focus. Although inflation remains a core Democratic concern, Congress will probably have limited scope to address it, since it lacks the tools to deal with two leading drivers of inflation: the war in Iran and tariffs.

Since these midterm elections are to a large degree a referendum on Trump's MAGA movement, Republicans will need to reassess the staying power of his "America first" agenda as they look ahead to 2028. This has implications for which candidates will seek the Republican presidential nomination in the 2028 elections. The poor showing by Republicans will weaken MAGA favourites, such as JD Vance and Marco Rubio, and might encourage an outsider with no MAGA association to tack back towards the political centre. Likewise, Democrats will evaluate whether their liberal wing was a burden or a source of renewed energy. The lessons learned from the midterms by both the victors and the losers will therefore shape the coming political cycle as the US moves on from the Trump era. Perhaps the most significant unresolved question following the election will be Trump's reaction to the verdict. If he doubles down on unpopular policies, he is likely to exacerbate the damage, bringing an era of even greater market volatility in the near term, while risking conflict with a Republican party that will likely be interested in changing course. If he agrees to work with the new Congress, we think the new balance of power could support markets in the run-up to the 2028 elections.

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