WINTHROP WEALTH

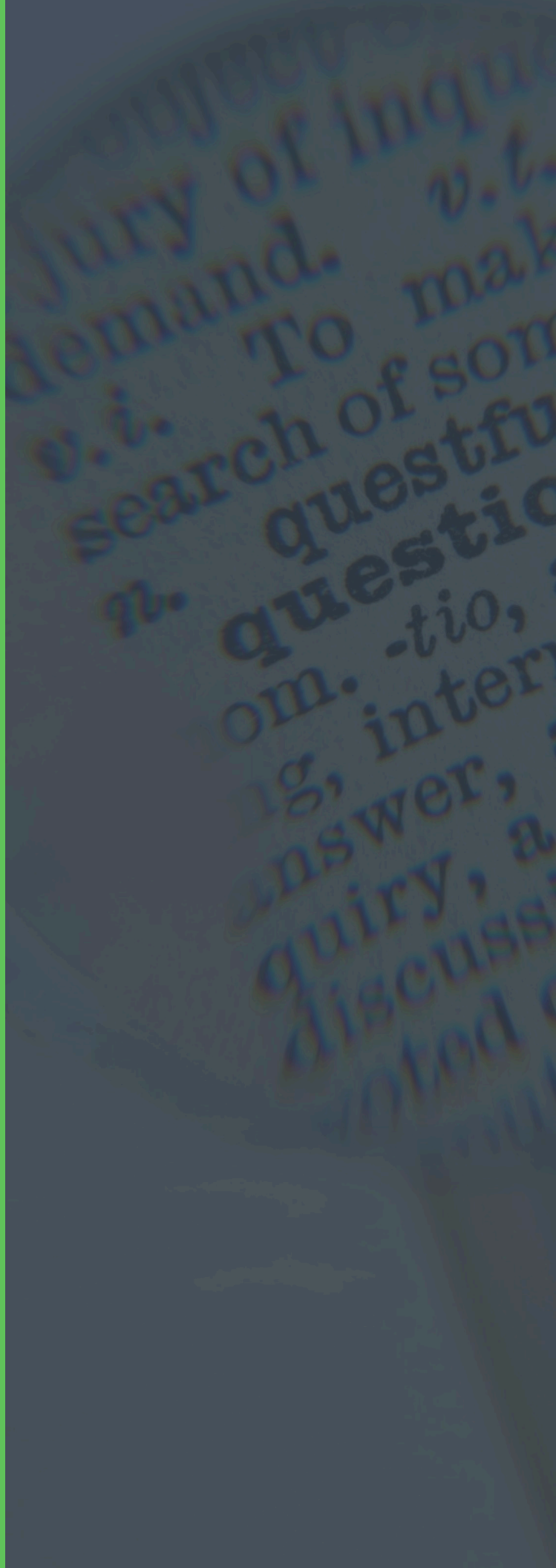
NOVEMBER 2026 CLIENT QUESTION OF THE MONTH

POST MIDTERM ELECTIONS

Andrew Murphy, CFA®
Co-Chief Investment Officer

321 Columbus Avenue, 3rd Floor
Boston, MA 02116

www.winthropwealth.com



2026 Midterm Election: What Does It Mean for Markets?

The 2026 midterm elections resulted in Democrats winning control of both the House and Senate, ending two years of unified Republican control of Washington when the new Congress takes office in January 2027. As of this writing, Democrats have secured at least 253 seats in the House, while the Democratic caucus will hold at least 54 seats in the Senate.

Our goal with this commentary is to frame the election from a financial planning and investment management standpoint. A major part of our role as your trusted advisor is to remove the emotional aspect from investment decision making. Elections naturally generate strong opinions, but our advice regarding your finances is to focus on what matters and what you can control. Don't let election results cause you to lose sight of your long-term financial goals.

Does the Makeup of Washington Matter for the Stock Market?

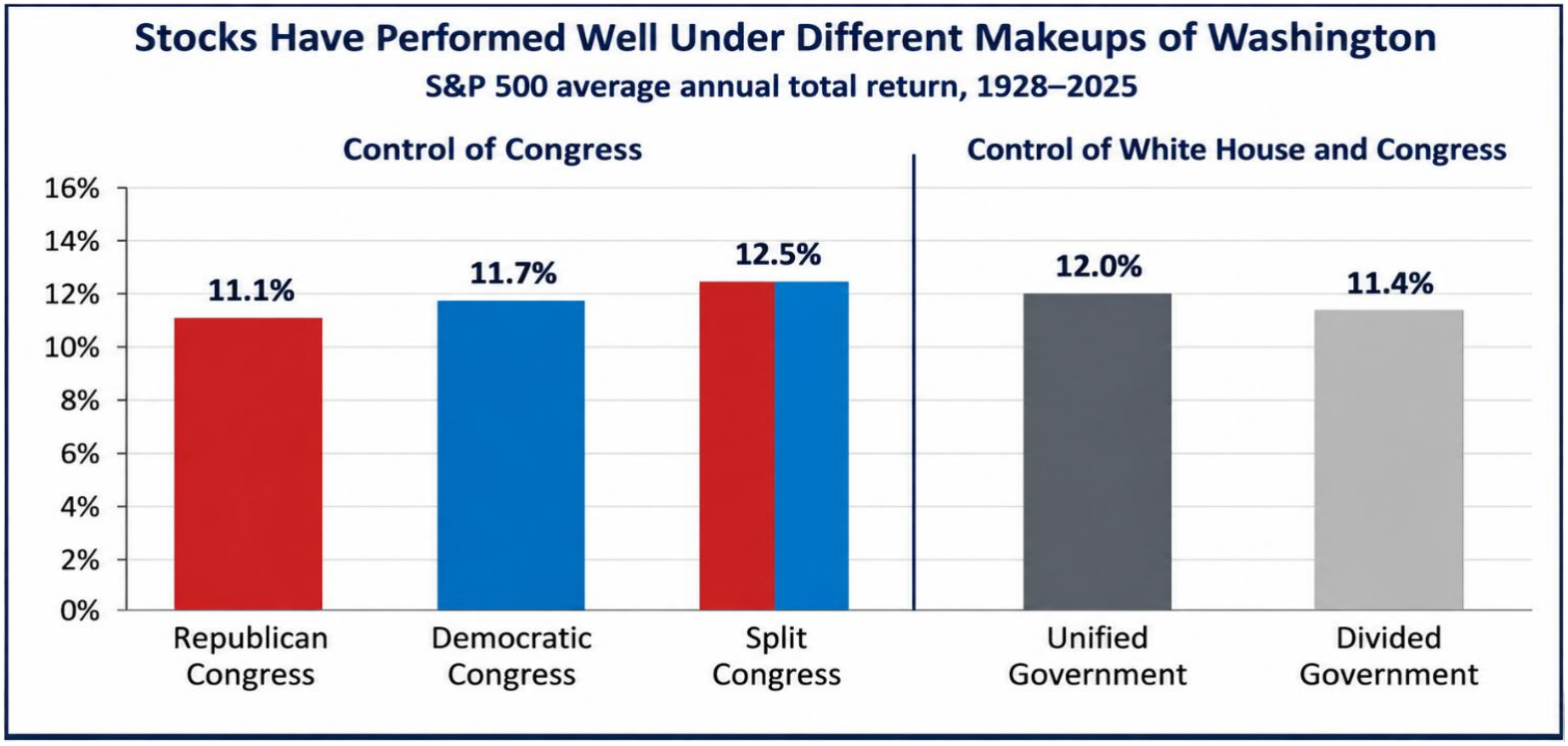
Of course, elections matter. Changes in tax, spending, trade, and regulatory policy can have meaningful impacts on the economy, individual industries, and financial markets. However, history does not provide a reliable rule that one particular makeup of Washington is consistently better for the stock market.

We looked at S&P 500 total returns from 1928 through 2025 and grouped each year based on two measures of political control:

- **Control of Congress:** Republican-controlled means Republicans controlled both the House and Senate, Democratic-controlled means Democrats controlled both chambers, and split means each party controlled one chamber.
- **Control of the White House and Congress:** Unified government means the President's party also controlled both the House and Senate. Divided government means at least one chamber of Congress was controlled by the other party.

Our analysis found that average S&P 500 returns have been surprisingly similar across different political configurations. Following the 2026 midterms, Washington will shift from unified Republican control to divided government in January 2027, with a Republican President and Democrats controlling both the House and Senate.

Political market studies are also highly sensitive to the reference period and the dates used to define control. With enough data mining, someone could likely support almost any argument about whether one political regime has historically outperformed another simply by selecting favorable starting and ending points. For our analysis, we classified each calendar year based on the political configuration that was in place for the majority of that year. *Historical results are presented for informational purposes only and should not be interpreted as predictive of future market performance.*

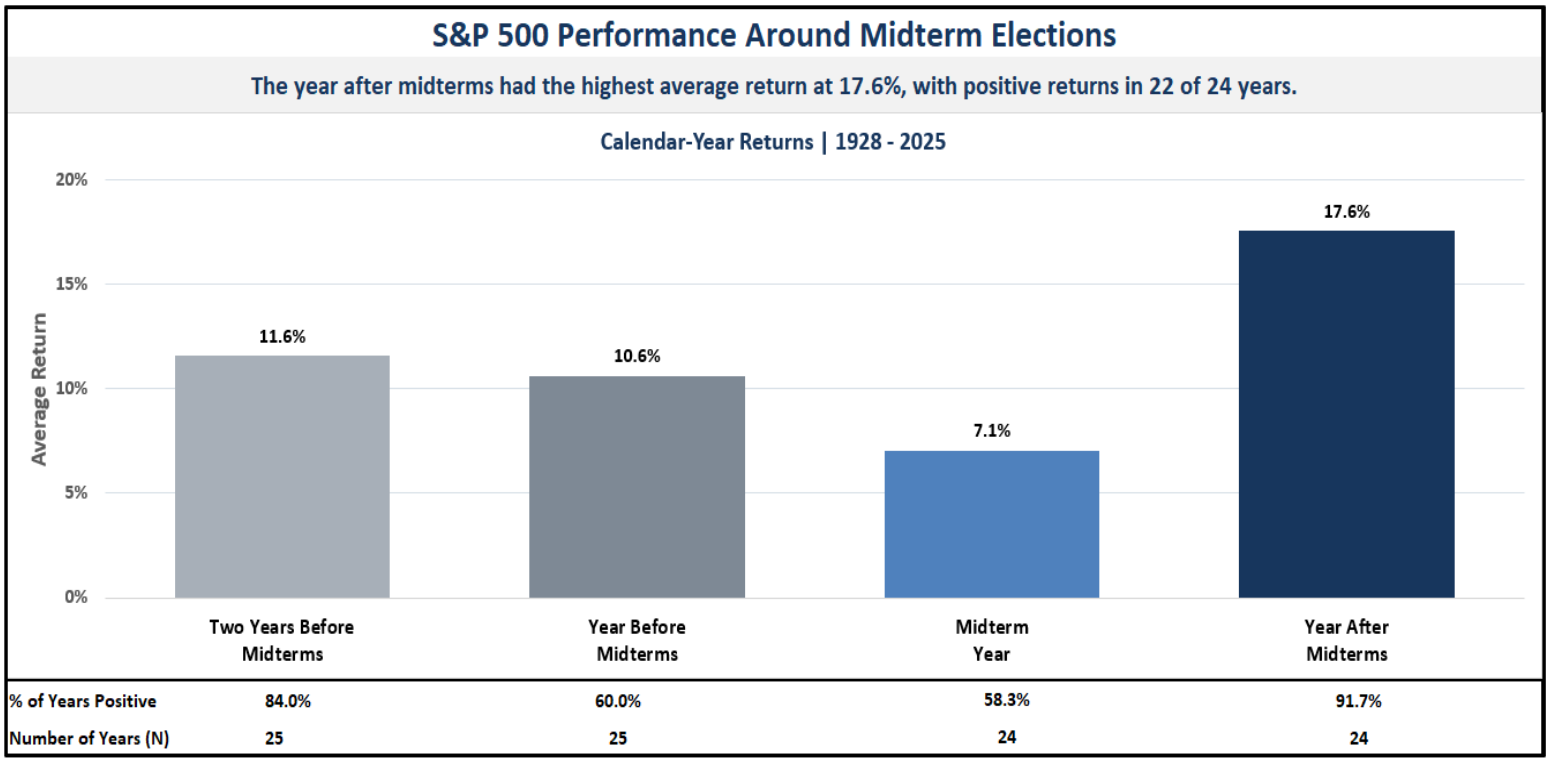


Source: Bloomberg, US House of Representatives, Office of the Historian, Winthrop Wealth.

Stock Market Performance Around Midterm Elections

As the chart below illustrates, the year following midterms has historically been the strongest year of the four-year presidential election cycle. Since 1928, the S&P 500 has generated an average return of approximately 17.6% in the calendar year following midterm elections, with positive returns in 22 of 24 years (91.7%).

While the conclusion of midterm elections may reduce political uncertainty and improve investor sentiment, many other economic and market factors influence subsequent stock market returns. We would not recommend increasing portfolio risk simply because the midterms are over. *Historical results are presented for informational purposes only and should not be interpreted as predictive of future market performance.*



Source: Bloomberg. Returns represent arithmetic averages of calendar-year returns. 'Year after midterms' refers to the following calendar year.

What Could Change After the Midterms?

The most direct impact of the midterms will be on Washington's ability to pass legislation. Divided government raises the hurdle for major changes to taxes and spending. The outgoing Congress faces a government funding deadline on December 11th, 2026, while the new Congress will likely confront additional funding negotiations and the need to raise the debt ceiling in 2027. These negotiations could involve tariffs, federal spending, healthcare, and the war with Iran. The discussions will also take place against the backdrop of persistent budget deficits and rising federal debt.

AI and data center development is another area to monitor. While major changes to federal AI regulation appear less likely, Democratic victories at the state and local levels could result in additional restrictions on new data centers. Goldman Sachs estimates that states considering tighter restrictions account for approximately 45% of planned US data center capacity. These restrictions could delay some projects or shift where new data centers are built. However, we believe long-term demand for AI infrastructure remains strong, so regional restrictions may change the timing and location of development without stopping the broader buildout.

What Matters More?

Many factors drive the stock market besides politics. Our asset allocation framework focuses on four key areas: economic growth, monetary policy, fundamentals, and valuation. Today, that means monitoring the economy and inflation, Fed policy and interest rates, corporate earnings, how AI capital spending is funded through cash flows and debt, and whether adoption translates into productivity and profit growth. We will continue monitoring potential policy changes following the election, but we believe broader economic and market factors will have a much greater influence on investment returns over time.

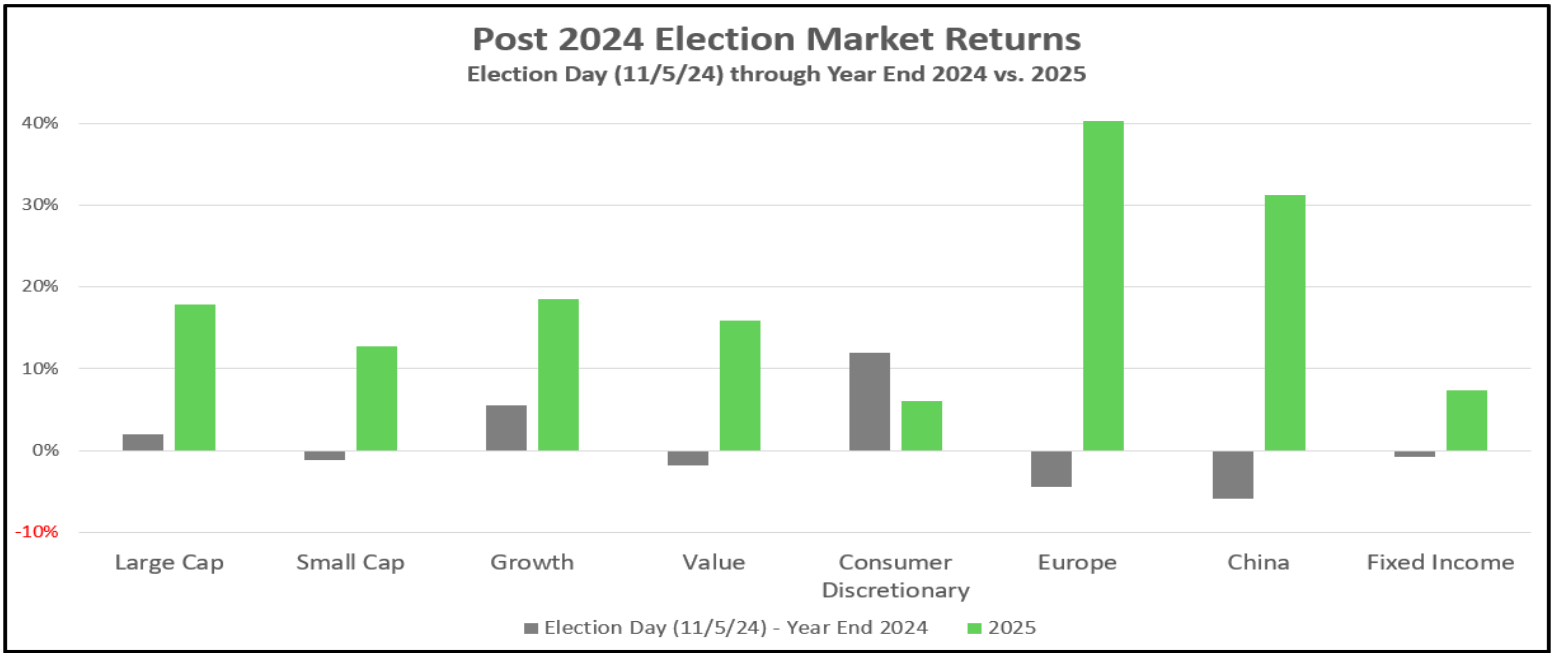
Should I Adjust My Portfolio After the Election?

Election coverage and "recommendations" can make it seem like investors should be making major changes to their portfolios based on the election results. We caution against this type of short-term thinking.

In our 2024 Pre-Election commentary, we looked at the prior two presidential election cycles and compared asset class performance immediately following the election with the subsequent year. In both cases, some of the strongest initial moves reversed as investors refocused on the economic and fundamental environment.

The same pattern occurred after the 2024 election. Europe and China initially declined amid concerns about tariffs and trade policy but went on to gain +40.3% and +31.2%, respectively, in 2025. Small-cap equities and fixed income also recovered after their initial declines. Consumer Discretionary was one of the strongest initial performers, gaining +12.0% as Tesla surged +60.6%.

More recently, semiconductor stocks led a broader market selloff following the 2026 midterms amid concerns about potential restrictions on data center development. However, as we have seen following previous elections, initial market reactions to perceived policy changes can fade or reverse over time. We do not recommend making significant portfolio changes based on the first few days or weeks following an election.



S&P 500	Russell 2000	Russell 1000 Growth	Russell 1000 Value	Consumer Discretionary	Europe	China	Bloomberg Agg Bond
Market Cap		Style		Sector	MSCI Index		Fixed Income

Source: Bloomberg.

Maintain a Long-Term Investment Philosophy

Elections can create strong emotions and short-term market volatility, but they should not cause investors to lose sight of their long-term financial goals. We believe in staying **D**isciplined, **O**pportunistic, and **D**iversified, while striving to **M**itigate fees, taxes, and expenses. The makeup of Washington will change over time, and our focus is to maintain a consistent investment process rather than react to short-term political developments.

At Winthrop Wealth, we follow a Total Net Worth Approach to wealth management that combines both comprehensive financial planning and investment management. The financial plan helps define cash flow needs, seeks to optimize account structures, considers tax mitigation strategies, and determines the appropriate asset allocation based on the client's willingness and ability to take risk. Based on the output of the financial plan, our investment management process designs a well-diversified portfolio constructed with a long-term methodology based on prudent risk management, asset allocation, and security selection. *For clients who receive both financial planning and investment advisory services under agreement. No strategy assures success or protects against loss. Investing involves risk, including loss of principal.*

Disclosures

The information contained herein is for informational and educational purposes only and is not intended as individualized investment, tax, legal, or political advice. Any opinions expressed are those of Winthrop Wealth as of the date of publication and are subject to change without notice.

Discussion of political events, elections, legislative matters, and prediction market forecasts is provided solely for market and economic context. References to election forecasts, polling data, or prediction markets reflect publicly available information and should not be interpreted as endorsements, political recommendations, guarantees, or predictions of future election outcomes.

Market and economic performance are influenced by numerous factors, including monetary policy, corporate earnings, economic growth, inflation, geopolitical developments, and investor sentiment. While government policy can affect financial markets, there is no assurance that any particular political party, election outcome, or governmental structure will result in favorable or unfavorable investment performance.

Historical market data and performance statistics are presented for illustrative and educational purposes only. Past performance is not indicative of future results. Historical returns achieved under various political environments do not guarantee similar results in the future. Market performance may differ significantly from historical experience.

Any references to asset classes, market sectors, indices, or investment themes are intended solely to illustrate broader market concepts and should not be considered investment recommendations. The S&P 500 Index is an unmanaged index that cannot be invested in directly.

All investments involve risk, including the possible loss of principal. Stock investing involves market risk, including fluctuating prices. Fixed income investments are subject to interest rate, credit, inflation, and market risks. International investing involves additional risks, including political, economic, and currency-related risks.

Financial planning is a tool designed to assist in evaluating financial circumstances, goals, and objectives. There is no guarantee that any financial planning strategy will achieve its intended results. Asset allocation, diversification, and other investment strategies do not assure a profit or protect against loss in declining markets.

Winthrop Wealth's investment recommendations are based on each client's individual financial circumstances, objectives, risk tolerance, time horizon, liquidity needs, and other relevant factors. Clients should consult with their financial advisor before making investment decisions.

Sources

US House of Representatives, Office of the Historian. (n.d.). Party Government Since 1857. https://history.house.gov/Institution/Presidents-Coinciding/Party-Government/

US Senate Historical Office. (n.d.). Party Division. https://www.senate.gov/history/partydiv.htm