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WASHINGTON POLICY STRATEGY

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The 2026 primary season is in full swing, so it's time to take our first look at the midterm elections. The House is likely to flip to the Democrats. In the Senate, Republicans are currently favored to keep the Senate, but a shift in voter sentiment in key states could flip that chamber, too.

As for post-election policy implications, the Trump administration would still be able to advance its regulatory agenda regardless of the outcome. Gridlock would limit what legislation can be enacted. In this note, we also mention which sectors could face increased headline risk from congressional investigations into their ties to the Trump administration.

History and voters' current views on the economy point to a good midterm election for Democrats. This is especially the case in the House, which will likely flip. The Senate map, however, is somewhat favorable for Republicans, but if the situation in Iran has lingering effects on energy prices and inflation generally, then the Senate could be at risk of flipping, too.

- **House** – Republicans currently hold a 218-214 majority with three vacancies. Assuming that the special elections to fill those seats all elect new members from the same party that previously held them, **Democrats would need a net gain of three seats to flip the House.** History and the current environment are on their side. We think the chances that the House will flip are around 90%.
 - **History** – Since WWII, the party holding the White House has lost seats in all but two midterm elections – 1998 and 2002. In those two exceptions, however, the sitting president's approval rating was quite high. Both Bill Clinton (1998) and George W. Bush (2002) had job approval ratings in the mid-60s. Today, President Trump's approval rating is 40.9%, according to the RealClearPolitics (RCP) average. This is in line with Barack Obama's approval rating and slightly above George W. Bush's rating at this point in their respective second terms. History suggests that Democrats are likely to gain House seats in November.
 - **Current environment** – In addition to past history, other factors also indicate a Democratic victory. Currently, Democrats lead Republicans in RCP's generic congressional vote poll (a good proxy for November, in our view) by 6.0 points. Also, since early 2025, special elections in House races and state legislative races have shown material shifts to Democratic candidates compared to the 2024 election. Finally, as the two parties have realigned, the voting patterns of their respective bases have shifted. Democratic voters are more likely to vote in midterm elections than are Republican voters. The latter group historically shows up for presidential elections but have been less inclined to vote in non-presidential elections compared to Democrats. All of this signals a Democratic victory in the race for the House in November. The biggest unknown is the size of their likely victory.
 - **Limited competitive seats** – Since World War II, the average loss by the party holding the White House (in this case the Republicans) is 25 seats. **We think it is possible that Democrats might win fewer than the average simply because there are so few competitive seats. The vast majority of House seats are safe for the incumbent party. It is possible that the political environment might change and give Democrats a greater tailwind than they currently**

enjoy, but our current expectation is that they will gain 15-25 seats – below the historical average but more than enough to flip the House.

- **Senate** – Republicans currently hold a 53-47 majority, so Democrats need a four-seat net gain to flip the chamber (the Vice President would break a 50-50 tie). Of the 35 seats that will be contested in November, Republicans will defend 23 seats and Democrats will defend 12. Numerically, that means that Democrats have more pick-up opportunities. However, most seats are considered safe for the incumbent party. Since primaries are still underway, we won't know who the candidates are in some states for several months. In our view, candidate quality matters in Senate races since they are statewide contests that draw more media attention than House races. A flawed House candidate can avoid media scrutiny, but a flawed Senate candidate usually can't. We identify which races we think will be key in November.
 - **Republican seats at risk (in alphabetical order):** Alaska, Iowa, Maine, North Carolina, Ohio, and possibly Texas
 - Leaning Democrat: North Carolina
 - Toss-up: Maine
 - Leaning Republican: Alaska, Iowa, and Ohio
 - Likely Republican: Texas
 - **Democratic seats at risk:** Georgia, Michigan, and New Hampshire
 - Leaning Democrat: Georgia
 - Toss-up: Michigan and New Hampshire
 - **Projection** – At this time, our base case expectation is that the Republicans will retain a majority in the Senate with the Democrats achieving a net gain of one or two seats. Possible outcomes, however, range from a Democratic gain of four seats to a Republican gain of one or two seats.
- **Policy Shifts** – If Democrats win either or both houses of Congress, the Trump legislative agenda could be effectively dead. Gridlock is likely to ensue and only “must pass” bills may be enacted by Congress and even that legislation will be contentious. A repeat of the lengthy 2025 government shutdown is possible.
 - **Must-pass legislation** – The five-year surface transportation bill is due to be reauthorized this year. If Congress fails to finish a transportation bill this year (as we expect), then it will likely be considered in 2027. Democrats will then have some added leverage to maintain funding levels for urban transit projects. They may, however, lack enough leverage to restore clean energy tax credits that were part of the One Big Beautiful Bill Act.
 - **Regulatory agenda on track** – A Democratic Congress will oppose the Trump administration's regulatory agenda, but absent compromises between Congress and the White House, Democrats could have little success in blocking the regulatory agencies. Congressional inquiries can slow down work at federal agencies, but they probably won't be enough to stop it.
- **Headline Risk for the Private Sector** – Even though a Democratic Congress will likely have few opportunities to block the Trump administration's regulatory agenda, it will have plenty of opportunities to conduct investigations into the administration. These investigations could include inquiries into the relationships between private-sector industries and the Trump administration. The industries most at risk could include technology and social media, cryptocurrency, energy, healthcare, and pharmaceuticals. Banks and media could also be targeted. If the Senate flips (not our current base case), then Senator Elizabeth Warren (Democrat-Massachusetts) would likely chair the Banking Committee, which would increase congressional scrutiny of the Wall Street banks. It is worth reiterating that she would have limited power to block the Trump administration's regulatory agenda, but public hearings with big bank CEOs could generally lead to negative headlines for the companies and the sector.

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