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Congress turns blue as markets weigh the limits on Trump

An engaged electorate challenges a weakened president

Midterm elections typically attract fewer voters than presidential elections, giving parties a stronger incentive to mobilise their supporters. At 48.8% (at the time of writing), voter turnout in 2026 represents the second-highest midterm participation rate since 1914, trailing only 2018's 50%, according to the University of Florida Election Lab. This surpasses turnout levels in 2022 (46.1%) and 2014 (36.7%).

Signs of stronger engagement had emerged before election day. *USA Today* reported that roughly 54 million Americans had voted early, around eight million more than in the 2022 midterms. Voter data suggested a younger, more diverse electorate, with stronger participation among Democrats and unaffiliated voters. These early voting patterns foreshadowed the Democrats' eventual victory, reflecting stronger enthusiasm among their supporters.

United States (US) President Donald Trump entered the election with weaker public support than in the 2018 midterms. The RealClearPolitics polling average, covering surveys conducted between 14 October and 1 November 2026, put his approval at 39.1%, against 59.1% disapproval. His approval averaged approximately 43.6% ahead of the 2018 midterms. For historical context, Gallup's final pre-election readings were 45% for Barack Obama in 2010, 46% for Bill Clinton in 1994 and 38% for George W. Bush in 2006. Trump's standing therefore placed Republicans in a difficult electoral position, consistent with the setbacks typically experienced by unpopular presidents at midterm elections.

> *Trump's weak approval ratings also fit a broader historical pattern in which the president's party typically loses House seats at midterm elections. Republican losses of 30 House seats (at the time of writing) continued this trend, as voter dissatisfaction translated into Democratic gains.*

Affordability and accountability shape voter priorities

Voters' concerns combined pressure on household finances with demands for greater accountability in Washington. The Associated Press Voter Poll found that around four in ten voters identified the economy as the country's most pressing issue, while roughly three in ten pointed to the state of democracy. Around seven in ten wanted Congress to provide stronger checks on presidential power. The war with Iran added to household financial pressures by pushing up fuel prices.

US midterms elect lawmakers responsible for legislation, funding and executive oversight, but politically they often serve as a referendum on presidential performance.

> *The Democratic victory should therefore be interpreted as a demand for economic relief and stronger oversight, without assuming voters endorsed every element of the party's programme.*

A decisive victory strengthens Democratic bargaining power

The scale of the Democratic victory gives the party greater bargaining power than a narrow takeover would have provided.

Its 22-seat House majority and three-seat Senate majority (at the time of writing) give the party some room to accommodate internal disagreements. *NBC News* projects Democrats to win 259 House seats, giving them a 41-seat majority above the 218 seats needed for control while *CNBC* projects a 27-seat majority. While a stronger majority can reduce the influence of smaller factions on ordinary votes, party cohesion will remain important, particularly where moderates and progressives differ over spending priorities and legislative proposals.

> *Control of both chambers gives Democrats greater influence over the legislative agenda, congressional oversight and investigations, while Senate control would also allow them to block or delay Trump's judicial and executive nominees.*

Funding negotiations will provide an important opportunity to demand concessions from the administration.

Most contested Senate legislation requires 60 votes to end debate, while overriding a presidential veto requires two-thirds support in each chamber. A special budget process allows qualifying tax and spending measures to pass the Senate with a simple majority, but Trump can still veto these bills. The result therefore strengthens Democrats' ability to block legislation and negotiate compromises, while major policy changes will still require agreement with the president or sufficient Republican support to override him.

The economic and foreign policy implications of a Democratic Congress

Democratic control changes the balance of negotiations across the following policy areas, although the eventual policy outcomes still depend on agreement with the president and, in many cases, Republican lawmakers:

Policy area	Likely outcome
Energy and climate	• Greater resistance to further clean-energy subsidy cuts and fossil-fuel preferences. • No automatic restoration of repealed support, emissions rules or international commitments. • The Trump administration retains considerable influence over energy project approvals and the enforcement of environmental rules.
Tariffs and industrialisation	• More scrutiny of consumer costs and pressure for targeted relief. • Delegated presidential tariff powers remain. • Protection of manufacturing, critical minerals and strategic competition with China has bipartisan support.
Regulation and taxes	• Less scope to pass laws that reduce business regulation or introduce further tax cuts. • Democrats may seek higher taxes on companies and high earners, but Trump could block these increases. • Existing tax law remains, unless amended. • The Trump administration can still change how existing rules are applied, although those changes may be challenged in court.

Spending, budget and debt	• Democrats are now positioned to resist further healthcare and social-spending cuts. • Democrats and Trump will need to negotiate government funding, with a risk of shutdowns if talks fail ➔ Any future increase in the debt limit could also become a point of contention. • Disagreements between Democrats and Trump could prevent new tax cuts or spending increases that would widen the budget deficit.
Growth, inflation and the US dollar	• Lower tariffs could reduce import prices and support household purchasing power, while less fiscal stimulus could weaken demand, although neither outcome follows automatically from the Democratic victory. • Federal Reserve interest rate policy, oil prices and relative growth remain more decisive for inflation and the dollar than chamber control alone.
Foreign affairs and national security	• Iran: More oversight of Iran-related operations, funding and escalation, without a congressional ability to guarantee peace. • Ukraine: Greater scope to negotiate Ukraine aid and Russian sanctions, subject to presidential resistance and Republican support. • Cuba and Venezuela: Greater scrutiny of military operations, sanctions and their humanitarian consequences is plausible. However, Democratic control does not guarantee sanctions relief or normalisation of relations. • Greenland and NATO (North Atlantic Treaty Organisation): Democrats could press for closer cooperation with allies and scrutinise military expenditure ➔ The September 2026 security agreement already reaffirms Danish sovereignty and Greenlanders' right to decide their own political future ➔ It does not require US Senate approval. • China and strategic resources: Competition over technology, critical minerals and supply chains is likely to remain a source of policy continuity, even if Congress challenges Trump's methods.
Immigration and labour supply	• Democrats could seek limits on funding for aggressive immigration enforcement, although Trump retains substantial executive powers. • Tighter immigration would continue to constrain labour supply and raise costs in affected industries.
Artificial Intelligence (AI) and technology regulation	• Democrats could push for stronger consumer protection and data privacy rules, alongside greater scrutiny of data centres' electricity use and their effect on household energy costs.
Federal Reserve independence	• Senate control allows Democrats to reject Federal Reserve nominees they consider politically motivated, providing a check on efforts to weaken monetary policy independence.

Markets recover as investors reassess the policy outlook

The Democratic sweep initially unsettled risk appetite as investors weighed tighter AI regulation and constraints on further fiscal stimulus. Equities subsequently recovered, while Treasury prices rose and the dollar weakened. The bond rally reflected expectations that disagreements between the Republican administration and the Democratic-controlled Congress would limit additional tax cuts and spending increases. These moves suggest investors are weighing limited fiscal expansion against regulatory and growth concerns. A sustained decline in US yields and the dollar would generally support emerging market financing conditions and capital flows. The durability of the recovery in risk appetite will depend on policy negotiations, corporate earnings, inflation and the Federal Reserve's response.

South Africa (SA) could benefit from global relief, despite bilateral risks

The rand strengthened as the Democratic victory weighed on the dollar, providing an initial benefit for SA assets. The decline in US yields and a weaker dollar also improved the external financing environment for emerging markets, supporting demand for domestic bonds. If accompanied by lower oil prices, these conditions would ease fuel costs and inflation pressures, improve household purchasing power and potentially give the SA Reserve Bank scope to lower interest rates over 2027. Banks, retailers and property companies could consequently benefit from stronger domestic demand and lower borrowing costs down the line. A firmer rand would, however, reduce the local currency value of offshore earnings, while resource shares would remain sensitive to commodity prices and global growth.

The Democratic victory offers scope for broader congressional engagement, but it does not automatically reverse the planned withdrawal of SA's African Growth and Opportunity Act (AGOA) eligibility or resolve tensions with the Trump administration.

Losing preferential tariffs is expected to leave exporters facing higher costs on affected products, rather than effectively close the US market, with existing duties having already eroded much of AGOA's benefit.

> *Washington's emphasis on trade, investment, energy and critical minerals creates opportunities for cooperation, although SA's relationships with Russia, Iran and China will remain sources of concern.*

The larger investment risk is a further deterioration in bilateral relations and uncertainty over future market access, particularly for manufacturing and agriculture. More favourable global financial conditions would therefore provide relief without removing the need to stabilise the relationship with the US.

A decisive Democratic win puts policy outcomes in focus

> *The Democratic sweep strengthens congressional constraints on further legislative change and creates selective opportunities for compromise. It does not guarantee tariff reversal, fiscal consolidation or geopolitical de-escalation.*

For SA investors, the constructive scenario combines lower US yields, a softer dollar and cheaper oil with stable bilateral commercial relations. The main risk is that confrontation between Congress and the Trump administration prolongs policy uncertainty, while further trade restrictions or geopolitical escalation reverse the improvement in global financial conditions and weigh on SA assets.

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