

The American Power Index Explained

August 17, 2026

Key Takeaways:

- **KPOW is an anchored sentiment indicator.** It weighs forward-looking control expectations at 75% and present control at 25%, and because the present-control leg only steps at an election, effectively all of the variation is Kalshi traders repricing who holds Congress and the White House next.
- **It's highly responsive to geopolitical events.** A 2025 government shutdown and a wave of favorable redistricting rulings each pulled the Index back toward Republicans before Democrats regained the ground. Both moves show how a single news event can reprice multiple chambers at once.
- **KPOW has shifted towards even.** The Index sits at roughly R +0.6 after sliding from R +10 in mid-2025, pricing a significant shift in control towards the Democrats heading into the 2026 Midterm elections.

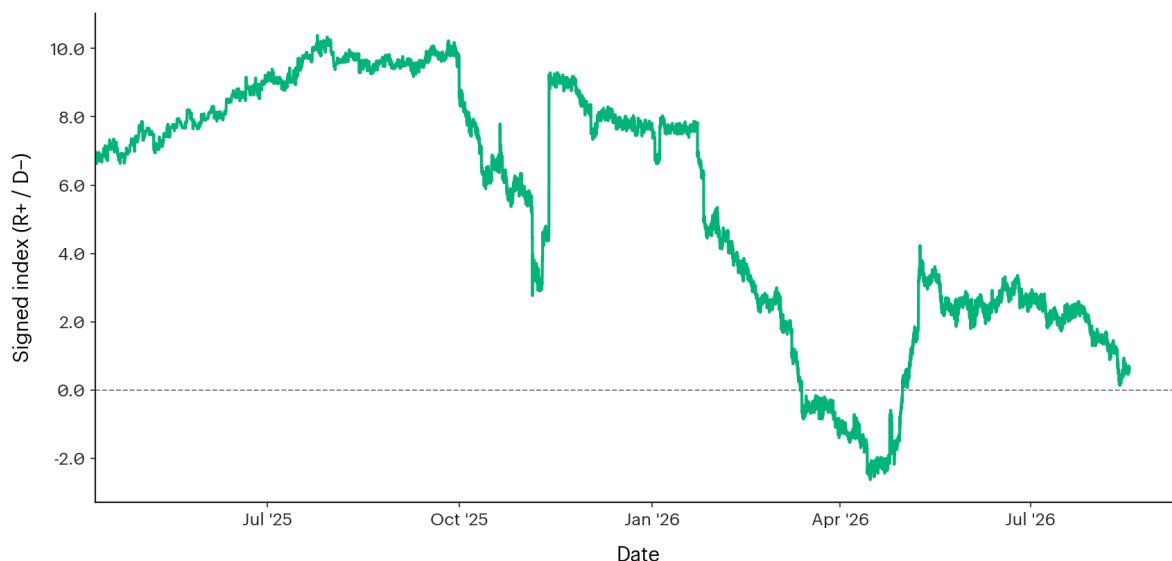
The Power of A Single Number



Control of Congress and the White House sets the policy agenda for the next two years: who chairs committees, what gets a floor vote, which ideologies are brought to the fore. The Kalshi American Power Index (KPOW) prices expectations of the balance of power by pooling binary prediction markets into a single anchored sentiment indicator, reported on a signed scale (R +X.X, D +X.X) with a magnitude bound of 50. Over its first 15 months the Index has ranged from R +10.3 to D +2.7, a swing wide enough to capture the shift toward Democrats heading into November.

The Full History of the American Power Index (KPOW)

Kalshi



The Kalshi American Power Index is a proxy for who writes the rules on roughly \$7.4 trillion in annual federal outlays, the level the Congressional Budget Office projects for fiscal 2026. A more direct slice of that figure changes hands by contract: the federal government committed about \$793 billion to contracts in fiscal 2025 alone, spread across roughly 101,000 vendors in defense, healthcare, and IT, per GAO. Each shift in control redraws which agencies get funded and which vendors win the work.

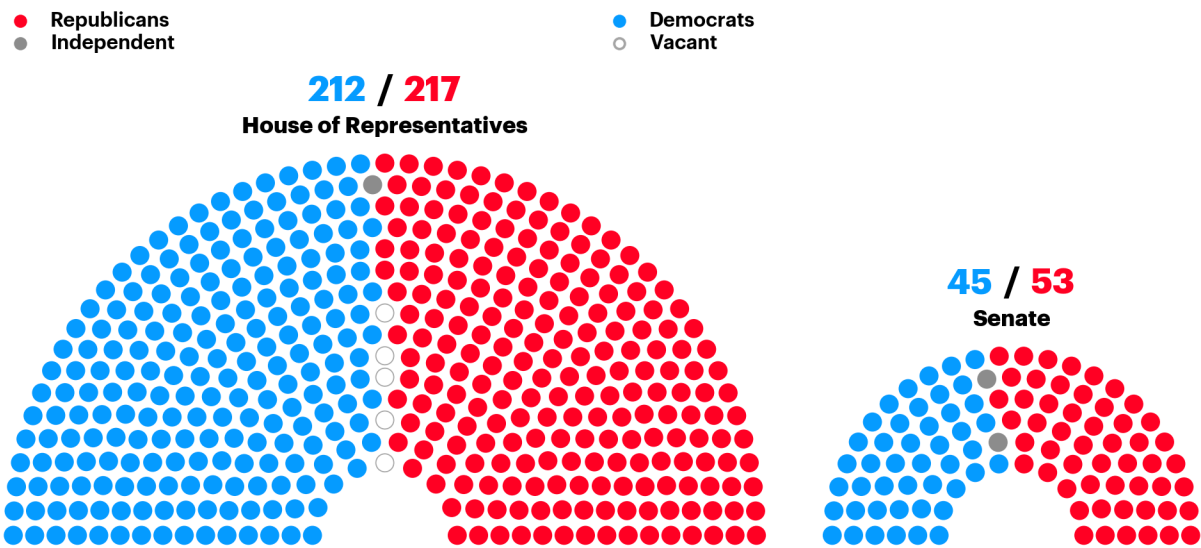
Outside of the immediate impact on government contracting, the policies pursued by individual governments have significant implications for both domestic and global financial markets. Ranging from fiscal to foreign policy, markets hang on the words uttered by executives that are bound to reverberate through rates, equity markets, and foreign exchange.

The Components of KPOW

KPOW blends present control (25%) with forward-looking expectations (75%). This 75/25 blend keeps the Index tethered to who actually governs while letting expectations drive the variation. Because the present-control leg only steps at an election, it sets the *level*, not the *direction*, and works as a useful anchor to link back to reality. KPOW is driven both by the **absolute** side of control as much as it is by the **degree** of control (i.e. the margin by which seats are held).

Who Controls the 119th Congress?

Kalshi

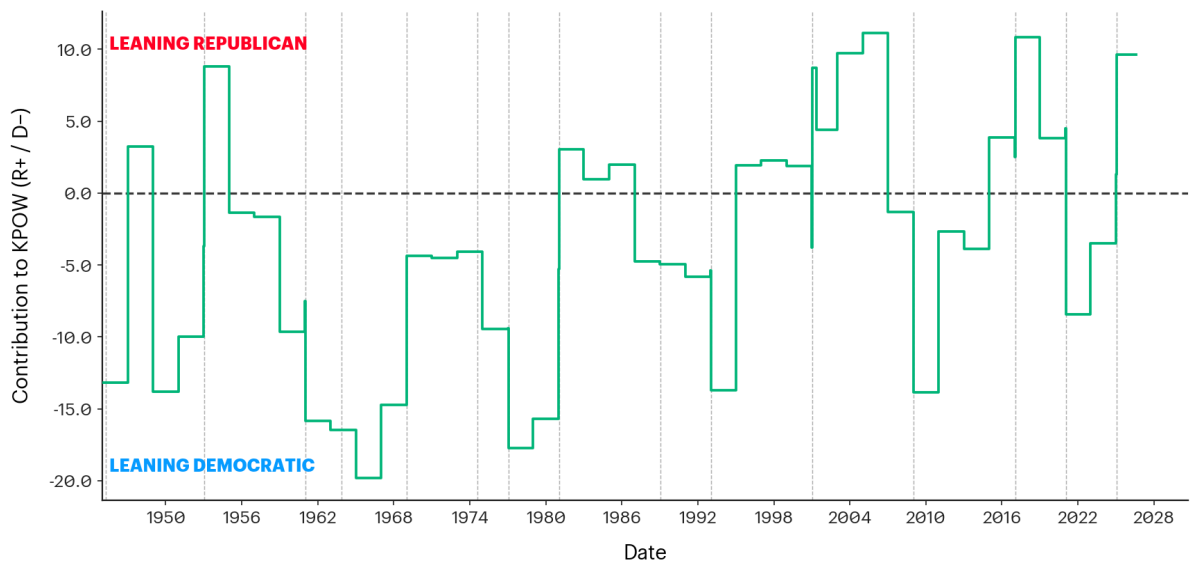


Post-2024, Republicans hold clear majorities in both chambers. In our formulation, that composition scores +37.5 Republican on the static leg, contributing +9 to the headline Index, a level of control rivaled only by 1952, 2002, and 2017.

Taking it Back in Time

KPOW Static Anchor Contribution Since 1945

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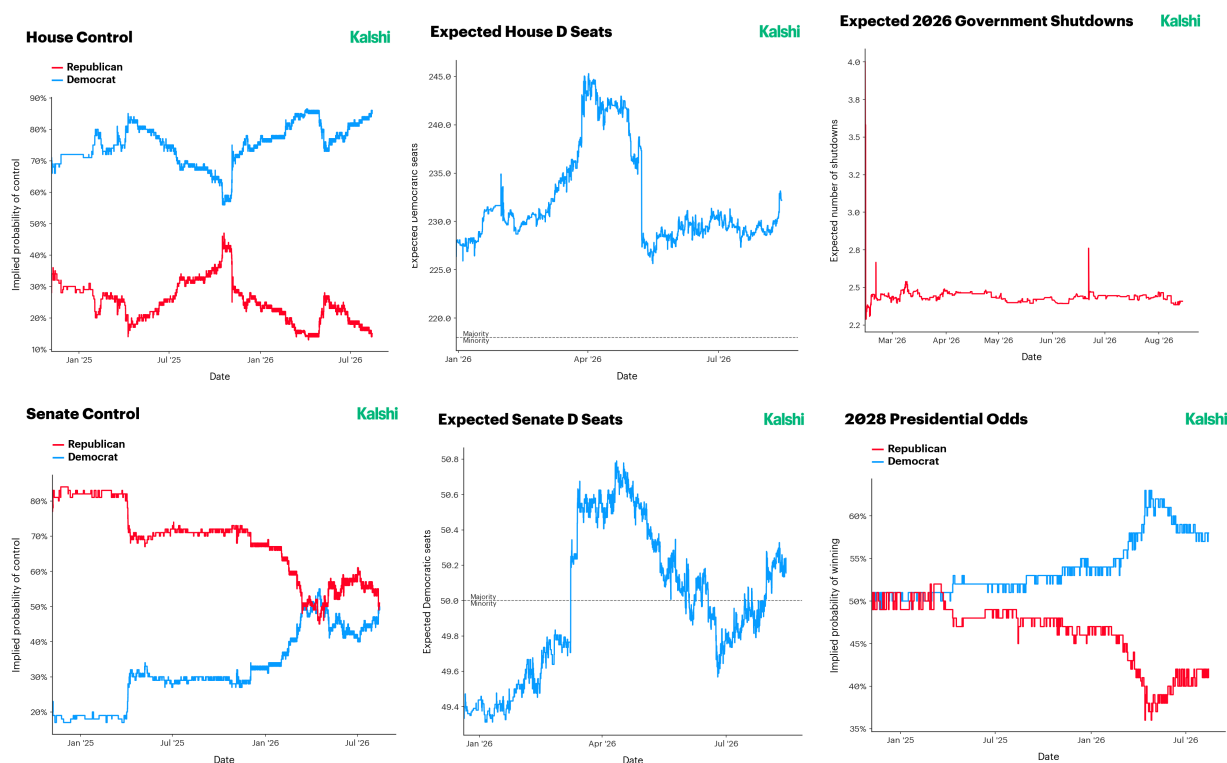


Backing out the static anchor to 1945, the series shows a drift toward the GOP since the 1970s, though moderated by frequent oscillation.

The Expectations Engine

The forward-looking leg drives essentially all of KPOW's variation and rolls up six market-derived components: the probability of Republican and Democratic control of the House and of the Senate after the 2026 Midterms; expected seat counts in each chamber; 2028 presidential odds, backed out of Kalshi's 2028 election market; and a government shutdown component weighted by expected blame, length, and scope. Any one of the six can be the marginal driver at a given moment, which is what the last twelve months have shown.

The 6 Components:



The Index in Motion - Case Studies

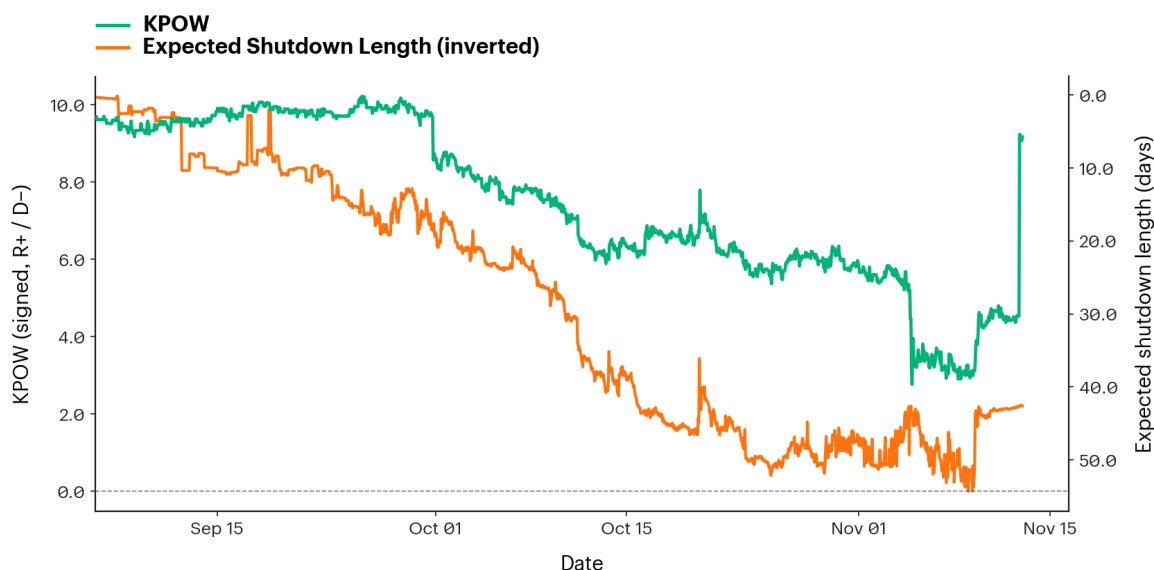
We run KPOW's path from R +10 to Even through three episodes, each driven by a different one of the six components, and each illustrating how a single news event may move multiple chambers together rather than one race at a time.

1. Government Shutdown

In October 2025 a prolonged shutdown occurred, affecting 2.2 million government employees. KPOW moved in lockstep with Kalshi's market on the expected length of the shutdown – the most salient political news of the time – moving from +10 Republican to only +3. The longer the shutdown was expected to last, the more the Index shifted toward the Democrats. When the shutdown was lifted on November 12th, KPOW jumped back up towards the Republican party as the component lost its weight.

KPOW vs. Expected Government Shutdown Length

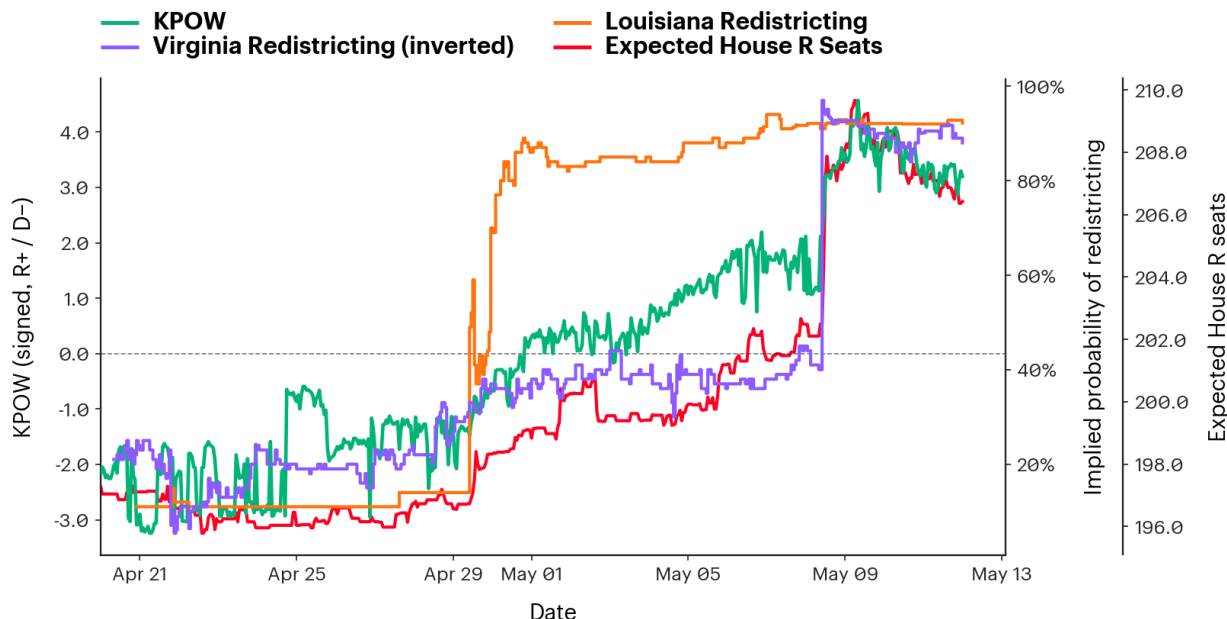
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2. Supreme Court Decisions

Re-districting decisions carry significant implications for future election outcomes, and their success contributes both to the electability of a party in a given chamber and the perception of judicial or legislative control. We saw this immediately reflected in KPOW, moving it from D -3 to R +3 as two Supreme Court rulings struck down Democratic redistricting maps in Louisiana and Virginia, adding an expected 10 House seats to the Republicans. Ceasefire talks with Iran contributed at the margin, but the redistricting rulings did the bulk of the work, and they moved House-seat expectations and the presidential-odds leg together rather than one market in isolation.

KPOW vs. Redistricting & House Seat Markets



3. The Oil Story

The Iran story has captivated headlines all year and we have written on the subject in the past. Both at the beginning of the special operation and throughout the ensuing months, the relationship between oil prices – a key input into the current cost pressure being felt at the pump – and the perception of grip on electoral power has contributed to a slide to the left.

These three threads are simply illustrative of the key motivation for KPOW – that when politically and geopolitically impactful events occur, their effects are felt not just in an isolated way in one chamber of government, but rather through a number in concert. Together, all contribute to a broad picture of who has a grip on power, which markets previously were forced to price and weigh independently.

Conclusion

Heading into the 2026 Midterms, KPOW sits at Even, roughly R +0.6. That level is consistent with an 85% implied probability that Democrats take the House and a genuine coin-flip on the Senate. The near-term driver is a cluster of House and Senate tossups where Democrats have been gaining ground, tempered by markets pricing progressive primary winners with some skepticism. As we move into the midterm elections, we should expect substantial volatility - and to be able to timestamp exactly what drives it, using KPOW.

Find the index here: kalshi.com/KPOW

About Kalshi Research

Signal-rich analysis of prediction markets. Questions, data access (currently free for institutional clients), or collaboration: research@kalshi.com

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