



Do midterm elections impact the markets?

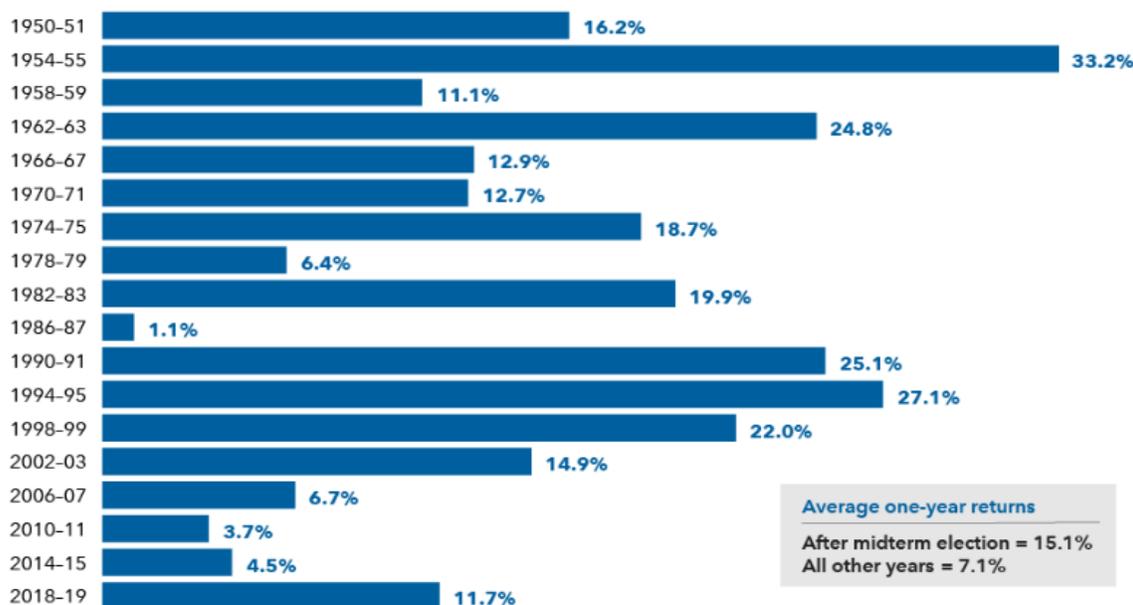
When your calendar said January 2022 just nine months ago, you might have thought, “Oh, it’s a midterm election year.” However, that headline seemed to quickly fade as 2022 has been met with the continued effects of Covid-19, a war in Europe, roaring inflation and the Federal Reserve raising interest rates in an effort to tame it. Not surprisingly, all of these events and more, have led to a very volatile stock market so far this year.

We wanted to take a break from some of these dominating headlines to revisit the fact that it is still a midterm election year, and share three brief thoughts on how this might impact the markets.

First, we want to point out that while 2022 has had some anomalous events that have caused increased volatility, midterm election years have historically experienced more volatile markets – particularly in the months leading up to the election. The markets like certainty, and elections of any kind bring uncertainty, which in turn brings volatility.

Secondly, we want to emphasize that the uncertainty of elections does not last forever and highlight that after midterm elections, the stock market has historically seen strong returns. The chart below, provided by *First Trust Portfolios** illustrates how the market has experienced returns of over 15% in the 12 months following midterm elections since 1950. We certainly cannot guarantee returns, but find this statistic to be good food for thought

S&P 500 Index price return one year after midterm election



* Sources: Capital Group, RIMES, Standard & Poor's. Calculations use Election Day as the starting date in all election years and November 5th as a proxy for the starting date in other years. Only midterm election years are shown in the chart. As of 12/31/21.

Lastly, we want to remind you that the stock market has done well regardless of the composition in Washington. Going back to 1933, the stock market has averaged returns of 10.8% with a split Congress, 10.4% with a unified government and 7.4% with a unified Congress.

While these are challenging times and the events of 2022 have resulted in market volatility and increased levels of uncertainty, we remain optimistic about the market over the long-term. Please do not hesitate to reach out if you have any questions or would like us to review and discuss your current financial plan.

All the best, Mark, Brad T., Drew, Brad H., Renee & Erin

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Mark Hansen, CRPC®, CWS®
Financial Advisor,
Portfolio Manager



Brad Thurber, CFP®
Senior Vice President,
Financial Advisor,
Portfolio Manager,
Branch Manager



Drew Morin, CWS®
Financial Advisor



Bradley Hansen
Senior Vice President,
Financial Advisor,
Portfolio Manager



Renee A. Chase
Senior Registered Associate



Erin Lui
Registered Client Associate,
Supervisory Branch Operations
Manager