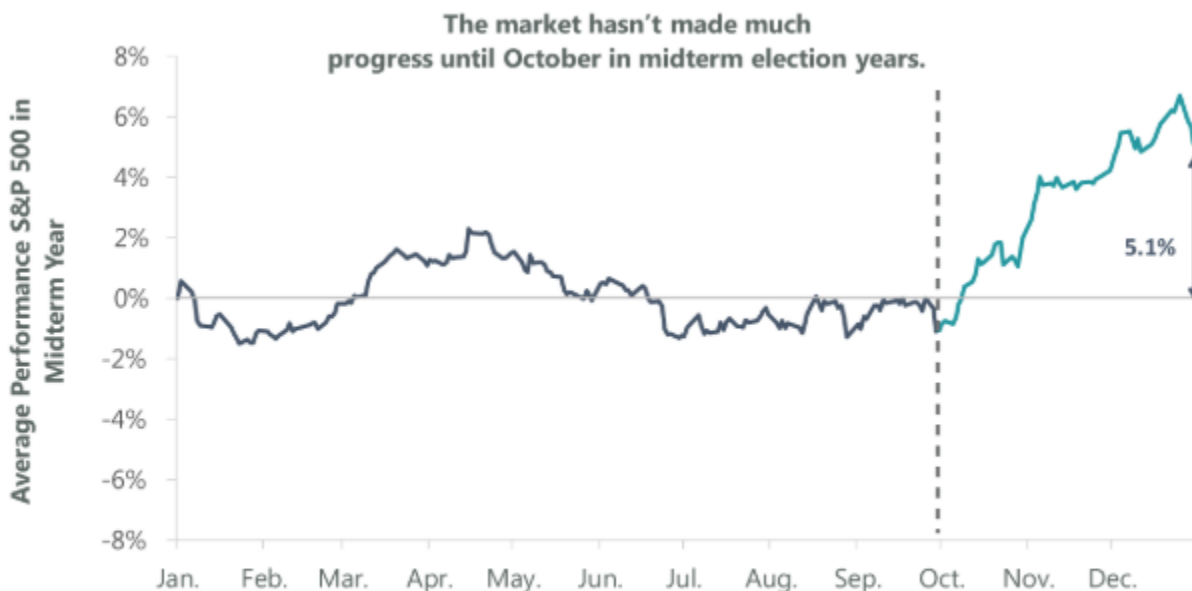


October 2018 so far has been a wild ride in the stock market to say the least. While there are a multitude of potential concerns the market is addressing, the subject of this article will be political. The message is optimistic and meant to be non-partisan.

The 2018 midterm elections are right around the corner and that hasn't helped with market volatility. The chart below illustrates how the S&P 500 has performed leading up to midterm elections. We believe given the positive performance of the U.S. stock market in August & September, the dotted line below will be pushed out into November.



Source: Strategas Research Partners

There have been seventeen midterm elections going back to 1950. According to ClearBridge Investments and FactSet, in the twelve months following a midterm election, the S&P 500 has been up on average 15.3% historically. Seventeen of seventeen midterm elections saw positive performance in the market for the following year.

After the election, the composition of the federal government might change. While I believe we are seeing uncertainty from that pushing the market lower in the short-term, over the long-run the stock market focuses on and is driven primarily by earnings. Below are great tables put together by Hartford Funds that illustrate how the market behaved during different political conditions. The first shows how the S&P 500 performed when both the president and Congress were run by the same party, the second table shows how the S&P 500 performed when the president and Congress were split between the two parties.

Table 1: How markets react when the president and Congress represent the **same** political party (D) Democrat, (R) Republican, 1937 - Present

					S&P 500 Index (%)				
Start	End	President	Senate	House	1 Yr	3 Yr	5 Yr	10 Yr	20 Yr
1937	1939	D - Franklin D. Roosevelt	D	D	-34.75	-5.27	-7.47	4.37	11.12
1939	1941	D - Franklin D. Roosevelt	D	D	-0.38	-7.37	3.71	7.18	13.38
1941	1943	D - Franklin D. Roosevelt	D	D	-11.59	10.11	16.81	13.25	14.66
1943	1945	D - Franklin D. Roosevelt	D	D	25.65	26.97	14.74	16.95	15.16
1945	1947	D - Harry S. Truman	D	D	36.34	9.82	10.60	17.00	14.88
1949	1951	D - Harry S. Truman	D	D	18.62	24.58	17.74	19.94	14.86
1951	1953	D - Harry S. Truman	D	D	23.99	13.21	23.76	16.08	12.06
1953	1955	R - Dwight D. Eisenhower	R	R	-0.94	25.63	13.51	13.40	11.64
1961	1963	D - John F. Kennedy	D	D	26.90	12.48	13.25	8.18	8.31
1963	1965	D - Lyndon B. Johnson	D	D	22.78	17.14	12.37	9.91	8.30
1965	1967	D - Lyndon B. Johnson	D	D	12.47	7.83	4.98	1.25	7.79
1967	1969	D - Lyndon B. Johnson	D	D	23.91	8.01	8.38	6.62	10.15
1977	1979	D - Jimmy Carter	D	D	-7.19	5.41	8.09	13.80	14.54
1979	1981	D - Jimmy Carter	D	D	18.46	14.27	17.30	16.27	17.73
1993	1995	D - Bill Clinton	D	D	10.09	15.35	20.27	9.35	8.22
2003	2005	R - George W. Bush	R	R	28.71	14.39	12.83	7.10	
2005	2007	R - George W. Bush	R	R	4.92	8.63	0.42	7.68	
2009	2011	D - Barack Obama	D	D	26.48	14.12	17.94		
2017	2018	R - Donald Trump	R	R	21.85				
Average					12.96	11.96	11.62	11.08	12.19

Source: Morningstar and Hartford Funds. Data starts on January 1 of the year following each November midterm election. US equity is represented by S&P 500 Index. Please see below for representative index definition. Performance data quoted represents past performance and does not guarantee future results. The performance shown above is index performance and is not representative of any Hartford fund's performance. Indices are unmanaged and not available for direct investment. Forward-looking statements involve certain risks and uncertainties, which are difficult to predict.

Table 2: How markets react when the president and Congress represent **different** political parties
(D) Democrat, (R) Republican, 1937 - Present

S&P 500 Index (%)									
Start	End	President	Senate	House	1 Yr	3 Yr	5 Yr	10 Yr	20 Yr
1947	1949	D - Harry S. Truman	R	R	5.64	9.70	16.56	18.29	13.65
1955	1957	R - Dwight D. Eisenhower	D	D	31.43	7.70	14.90	12.79	6.86
1957	1959	R - Dwight D. Eisenhower	D	D	-10.72	12.69	12.77	9.19	7.90
1959	1961	R - Dwight D. Eisenhower	D	D	11.96	12.58	9.86	10.00	6.52
1969	1971	R - Richard Nixon	D	D	-8.41	2.82	1.99	3.16	9.52
1971	1973	R - Richard Nixon	D	D	14.23	5.06	3.22	8.45	11.14
1973	1975	R - Gerald Ford	D	D	-14.68	-4.82	-0.18	6.71	11.32
1975	1977	R - Gerald Ford	D	D	37.17	16.37	14.74	14.75	14.56
1987	1989	R - Ronald Reagan	D	D	5.18	17.32	15.35	15.28	11.80
1989	1991	R - George H.W. Bush	D	D	31.71	18.53	14.55	19.21	8.43
1991	1993	R - George H.W. Bush	D	D	30.49	15.62	16.59	17.45	9.14
1995	1997	D - Bill Clinton	R	R	37.61	31.15	28.56	12.07	9.85
1997	1999	D - Bill Clinton	R	R	33.39	27.58	10.70	8.42	7.68
1999	2001	D - Bill Clinton	R	R	21.06	-1.03	-0.57	-1.38	
2007	2009	R - George W. Bush	D	D	5.50	-5.63	-0.25	6.94	
2015	2017	D - Barack Obama	R	R	1.38	11.41			
Average					14.56	11.07	10.59	10.76	9.87

Source: Morningstar and Hartford Funds. Data starts on January 1 of the year following each November midterm election. US equity is represented by S&P 500 Index. Please see below for representative index definition.

Performance data quoted represents past performance and does not guarantee future results. The performance shown above is index performance and is not representative of any Hartford fund's performance. Indices are unmanaged and not available for direct investment. Forward-looking statements involve certain risks and uncertainties, which are difficult to predict.

Table 1 Summary:

How markets react when the president and Congress represent the **same** political party

	1 Yr	3 Yr	5 Yr	10 Yr	20 Yr
# Positive	14	16	17	17	15
# Negative	5	2	1	0	0
Total	19	18	18	17	15
% Positive	74%	89%	94%	100%	100%
% Negative	26%	11%	6%	0%	0%

Table 2 Summary:

How markets react when the president and Congress represent **different** political parties

	1 Yr	3 Yr	5 Yr	10 Yr	20 Yr
# Positive	13	13	12	14	13
# Negative	3	3	3	1	0
Total	16	16	15	15	13
% Positive	81%	81%	80%	93%	100%
% Negative	19%	19%	20%	7%	0%

The moral of the story is to understand that while politics can and will certainly move markets temporarily, the solid majority of the time the markets will rise regardless of who is in power. This is especially true for longer periods of time, demonstrating the value of being a long-term investor in the markets.

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