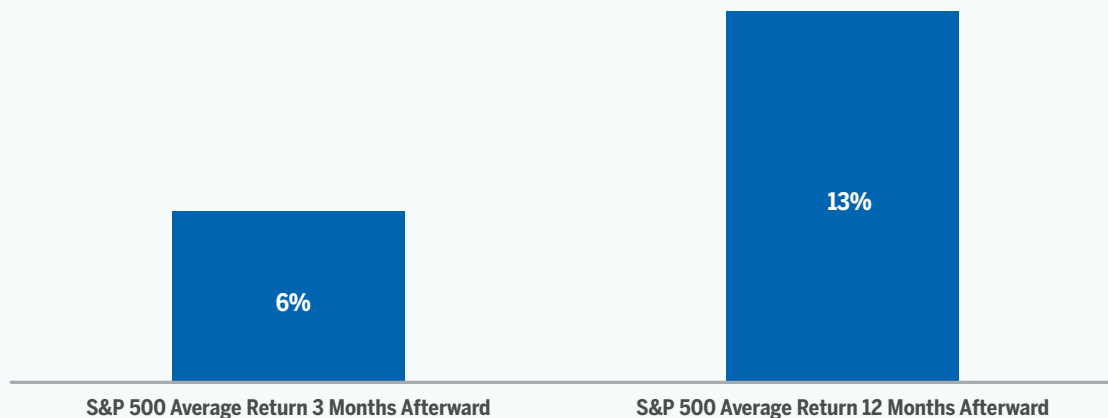


Will the Market Pass Its Mid-Term?

The market backdrop of low interest rates and strong earnings growth may be favorable for equities in 2018 but on November 6 U.S. mid-term elections will decide the fate of hundreds of seats in the U.S. Congress. How might the U.S. market react?

The Market Has Gained Following Mid-Term Elections (1986-2014)



Source: FactSet

- Given the shifting landscape in Washington, D.C., one might expect the possibility of a change of control in the mid-term election to have a negative impact on the stock market.
- However, the U.S. market tends to cheer the clarity that follows the elections with a strong return of 6% on average in the three months following mid-term elections since 1986. In the 12 months following the mid-term elections, the average market return has been 13% since 1986. If history is any guide, the market may be comforted by the completion of the elections this year as well.

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