the SGROI FINANCIAL NEWSLETTER

Midterms and the Markets

On Tuesday, November 8th, 2022, citizens around the nation will be voting on all 435 seats in the House of Representatives and on 35 of the 100 seats in the Senate to decide the 118th United States Congress. During Midterm elections, investors may worry if a shakeup in congress will cause volatility in financial markets, and potentially affect their investment returns. Much of this anxiety is unnecessary, since the stock market performs independently to which ever party wins the House or Senate every other year.

Since 1926, the S&P 500 was negative nine out of the past twenty-four Midterm elections. Although that may seem high, every single negative year can be explained by other economic factors outside of the midterm results. In the 1930's the U.S. was struggling through the Great Depression and in 1946, the U.S. was shifting from a wartime to peacetime economy, which saw a massive decrease in GDP, mostly due to decreased government spending. The 1960's saw a peak in Cold War tensions with the Cuban Missile Crisis in 1962 and the Credit Crunch of 1966. The OPEC oil embargo of 1973 continued into 1974, which put pressure on both U.S. and foreign equity markets. In 1990, the U.S. entered into a short recession, which was sparked by the invasion of Kuwait. 2002 saw a continuation of the dotcom crash and an outbreak of accounting scandals in many large corporations. Most recently in 2018, markets fell on interest rate hikes and worries over the US-China trade war. Even despite these negative histori-

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