

April 25, 2018

Dear Investors,

As noted below in *Pre-Election Jitters*, written by CFRA's Chief Investment Strategist, Sam Stovall, we are entering the time of year when stocks have been noticeably soft. The period I call the "Sour Six." Since WWII, the May - October time frame averaged a minus 1.1% return. During the mid-term cycle of first term elections, the S&P 500 averaged minus 3.0%. Samuel Clemens said, "History does not repeat itself, but it often rhymes." As the north winds fade, and things start to heat up, I would suggest pulling the leather tight and firming up on the grip, "cause it looks like this bull is about to get grumpy."

Pre-Election Jitters

The S&P 500 has usually experienced challenging times in the six-months leading up to the early-November mid-term elections, possibly due to the uncertainty associated with the change in the presidential party's representation in congress. Since 1946, the S&P 500 fell in price in 50% of all observations, declining an average 1.1% and slipping by double-digits in five of nine times. What's more, the 500 dropped an average 3% in the six months prior to first-term mid-term elections, posting negative returns 60% of the time. At the same time, the party controlling the presidency lost an average of 22 seats in the House of Representatives (-25 in first terms) and four in the Senate (-3 in first terms). So it probably goes without saying that the upcoming elections may prove disruptive to the Republican's dominance in both houses of congress, which may be reflected in the S&P 500's price return in the months ahead.



Mid-Term Elections Returns & Results

Mid-Term Election Year	S&P 500 % Changes Apr. 30-Oct. 31	Pres. Party Change	
		House	Senate
1946	(20.9)	(54)	(12)
1950	8.1	(28)	(5)
1954	12.1	(18)	(1)
1958	18.2	(48)	(12)
1962	(13.4)	(4)	2
1966	(11.9)	(48)	(4)
1970	2.1	(12)	1
1974	(18.2)	(48)	(4)
1978	(3.8)	(15)	(3)
1982	14.8	(26)	2
1986	3.6	(5)	(8)
1990	(8.1)	(8)	(1)
1994	4.8	(54)	(9)
1998	(1.2)	5	0
2002	(17.8)	8	1
2006	5.1	(30)	(6)
2010	(0.3)	(64)	(6)
2014	7.1	46	(9)
2018	???	???	???
All 18	(1.1)	(22)	(4)
First Term	(3.0)	(25)	(3)

Source: CFRA, S&P DJ Indices. Past performance is no guarantee of future results. Data: 4/30/46-10/31/15.

--Chip

Author of [*Financial Fitness: The Journey from Wall Street to Badwater 135*](#)