Wealth Enhancement®

Markets in Midterm Election Years

By Michael McKeown, CFA, CPA- SVP Financial Advisor and Market Strategist I Aurum Group

The stock market has shown a surprisingly consistent pattern across the four-year presidential cycle. While every cycle is different, history provides some useful context for what investors might expect.

How Markets Tend to Behave in the Presidential Cycle

• Year 1 – Often Strong (unless there's a recession).

This played out again in 2025, with the S&P 500 delivering an 18% total return.

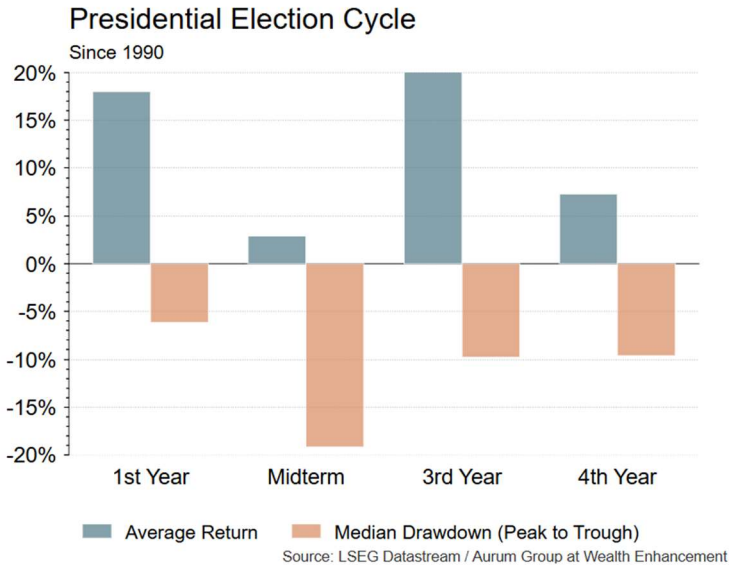
• Year 2 – The Midterm Year: Historically the Toughest.

Since 1990, midterm years have historically produced the lowest average calendar returns of 3%. In six of the nine midterm years, price drawdowns from peak to trough were over 13%.

• Year 3 – Typically the Best Year of the Cycle.

Historically, returns have been consistently strong, often beginning immediately after the midterm election.

• Year 4 – Mixed, but Generally Positive.



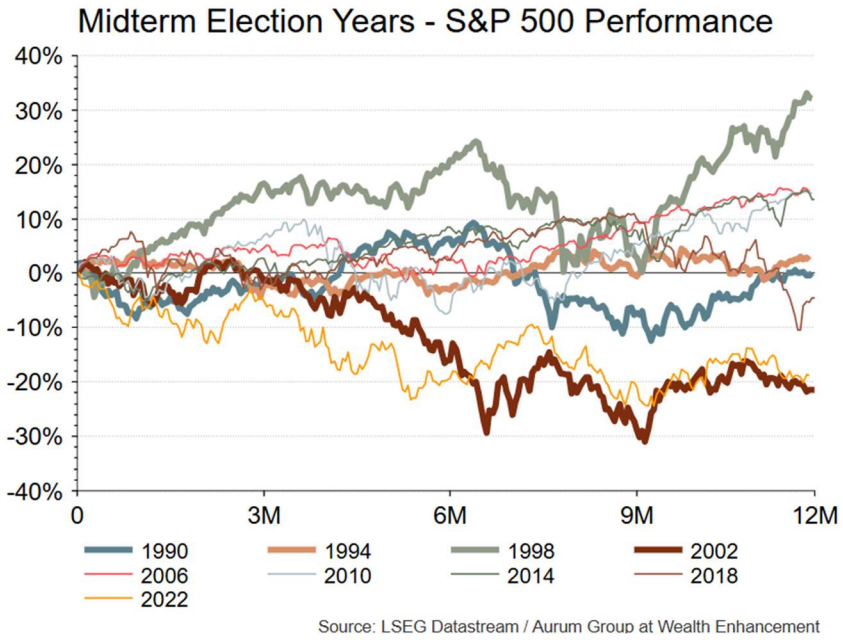
Advisory services offered through Wealth Enhancement Advisory Services, LLC, a registered investment advisor and affiliate of Wealth Enhancement Group®.

Wealth Enhancement®

Midterm Years: A Closer Look

Since 1990, the S&P 500 has finished positive in 80% of all calendar years.

Midterm years stand out: the market has been positive only **five out of nine times**. However, results have varied widely—four of those midterm years still posted gains of more than 10%.



Source: LSEG Datastream / Aurum Group at Wealth Enhancement

What Happens in the Two Middle Years?

Forecasting a single calendar year is difficult, even for the best Wall Street strategists. But when we expand the view to **two years (Midterms and the Third Year),** the picture becomes better.

Since 1950, the **second and third years of the cycle have been positive each time**, with a combined average total return of **30%**. Since 1990, that average has moderated but remains strong at **23%.**

Reasons for Optimism Heading Into 2026

Several powerful economic and market drivers are lining up:

Advisory services offered through Wealth Enhancement Advisory Services, LLC, a registered investment advisor and affiliate of Wealth Enhancement Group®.

- **Rising productivity**, boosted in part by artificial intelligence.
- **Data center investment** is running at 4.5% of GDP, with little sign of slowing.
- **New tax legislation** expected to deliver roughly **$100 billion in refund-related stimulus** to households in the first half of the year.
- **Tariffs are more likely to fall than rise.**
- **Earnings** for the S&P 500 are projected to grow **14% in 2026**.
- **A new Federal Reserve Chair**, which increases the odds of more interest rate cuts than the two currently priced into markets.

Putting It in Perspective

Market corrections are a normal part of investing— volatility is the price investors pay for stocks delivering higher returns over bonds or cash. For investors with a long time horizon, volatility can create opportunities to add undervalued equities that support their financial plan. Although midterm elections have been challenging on average, it is important to understand the ranges and the present conditions for markets and the economy.

This information is not intended as a recommendation. The opinions are subject to change at any time and no forecasts can be guaranteed. Investment decisions should always be made based on an investor's specific circumstances. Investing involves risk, including possible loss of principal.

2026-10579