FIRST CAPITAL FINANCIAL

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Well the results are (almost) finally in and it's official: the Republican Party got their hat handed to them in November's Midterm elections. Clear majorities in both Houses of America's bi-cameral legislature will be controlled by the Democrats, rendering Donald Trump a lame duck President for the balance of his remaining time in office.

In turn, some investors may be wondering whether they should adjust their portfolios based on this change in control of Congress.

History however suggests they should not.

Numbers don't lie and a century of data shows no reliable pattern linking any political party's control of Congress to better or worse stock market returns. From 1926 to 2026, stocks trended upward under both Democratic and Republican majorities, and also during periods of mixed control.

Election results are just one of many factors impacting markets. **Inflation**, **interest rates**, **economic growth**, **technological innovation**, **geopolitical events**, **and countless other variables influence market prices every day**.

It's also important to remember that markets are forward looking. Expectations about election outcomes are reflected in prices long before any votes are cast. By the time the results are known, much of that information has already been reflected in the market. And while surprises can, and do, happen in elections, drawing a straight line between any single outcome and investment results is generally futile.

While elections undoubtedly matter, the evidence suggests they're unlikely to provide investors with a reliable road map for portfolio decisions. Green energy stocks performed well in the last two years, despite visceral opposition by the Trump administration to anything Green. So rather than trying to outguess markets, investors are better served by staying disciplined, remaining diversified, and sticking to their long-term financial plan.

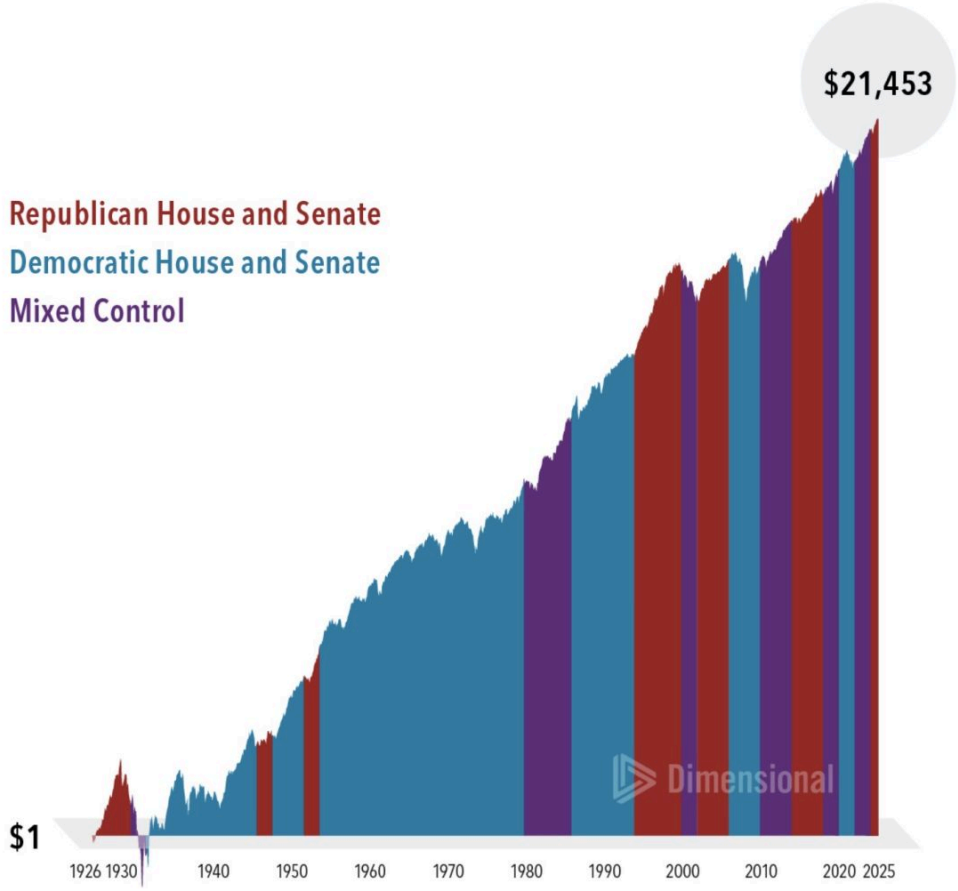
Thanks for reading!

Martin

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S&P 500 Index, Growth of $1

1926–2025



Source: Dimensional

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