

# AAll Survey: Has Investor Sentiment Changed Following the Midterm Elections?

For better or for worse, the 2018 midterm elections are behind us. Even though there are recounts still taking place around the country, we know that the Democrats have regained control of the U.S. House of Representatives while the Republics have retained control of the Senate (and occupy the White House).

The markets seemingly latched onto this clarity the trading day following the election, as the Dow Jones industrial average jumped nearly 550 points and the S&P 500 index enjoyed its biggest post-election rally in 30 years.

Why? Well, as Barron's put it: "It's finally over." The markets abhor uncertainty. The spike in volatility over the last few weeks was tied to the upcoming elections. Who would control Congress? What would that mean for the upcoming legislative agenda? Well, now we know.

No matter your political leanings, you should be encouraged to know that the markets seem to prefer a divided government. According to Bloomberg data cited by **Oppenheimer Funds**, between 1901 and the end of 2017, the Dow Jones industrial average posted annualized gains of 10.1% when the same party did not control the White House and both chambers of Congress, while the average annual return fell to 9.0% when the same party controlled the White House and both chambers of Congress.

## AAll Weekly Survey Question

In the face of the election outcome, last week's reader survey asked:

Do you feel more or less confident about the prospects for the U.S. stock market over the next six to 12 months?

Here are the results of the survey:

**In the aftermath of the midterm elections, do you feel more or less confident about the prospects for the U.S. stock market over the next six to 12 months?**

**My outlook hasn't changed : 46% - Votes: 814**



**I am feeling less confident : 42% - Votes: 736**



**I am feeling more confident : 12% - Votes: 207**



In all, 1,757 readers participated.

The biggest block of voters—46%—say that their outlook for the market over the next six to 12 months hasn't changed.

Coming in at a close second, 42% of our readers say they are feeling less confident about the prospects for the market in the coming months.

The remaining 12% say they feel more confident about where the market will go in the next six to 12 months as a result of the midterm elections.

## Weekly Special Question

With 54% of those participating in last week's reader survey saying their confidence in the U.S. stock market has changed in light of the midterm elections, last week's special question asked our readers:

**Do you plan on changing your asset allocation or investment strategy following the midterm elections? If so, how?**

In all, 239 readers provided a response.

Somewhat mirroring the responses of the reader's survey, nearly 56% of responses were along the lines of not making any changes in their asset allocation of investment strategy following the elections.

Among those readers who said they have changed their asset allocation or investment strategy in light of the election, more than two-thirds (78%) said they are taking a more defensive posture in the aftermath of the elections. This could mean lowering their exposure to equities or increasing their allocation to cash or fixed-income investments.

Here is a sampling of the responses from our readers regarding how the midterm elections impacted their asset allocation or investment strategy:

- “No! I have a long-term plan and I am sticking to it. I feel the economy is doing well, we are growing and that we do not need to panic.”
- “I will be changing toward a more interest-rate-sensitive approach.”
- “I will be updating my portfolio mix by adding to bonds/cash and decreasing stocks/ETFs.”
- “I believe companies will have a harder time improving upon results next year due to tariffs, gridlock in Washington and rising interest rates.”
- “As a normally active investor, I am withdrawing from the market to adopt a wait & see position.”
- “I do plan on changing my asset allocation but it has more to do with where we are in the economic cycle rather than the midterm elections.”
- “My experiences investing, now nearly 50 years, cautions me about changing investment strategy based on any changes seen or anticipated. Stocks remain the best long-term investment and I remain fully invested for the long term.”
- “No. I’m sticking to my plan.”

Everybody has an opinion! Why not give us yours? Participate in our weekly member poll, updated every Monday, and see the results online at [www.aaii.com/memberquestion](http://www.aaii.com/memberquestion).