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The Curse Of The Presidential Cycle

Posted by *lplresearch*

As we noted [back in January](#), midterm election years tend to be relatively volatile periods—with stocks histo

COULD STOCKS BE DUE FOR A BIG PULLBACK THIS YEAR?

Midterm Years Can See Large Pullbacks, But Bounce Back

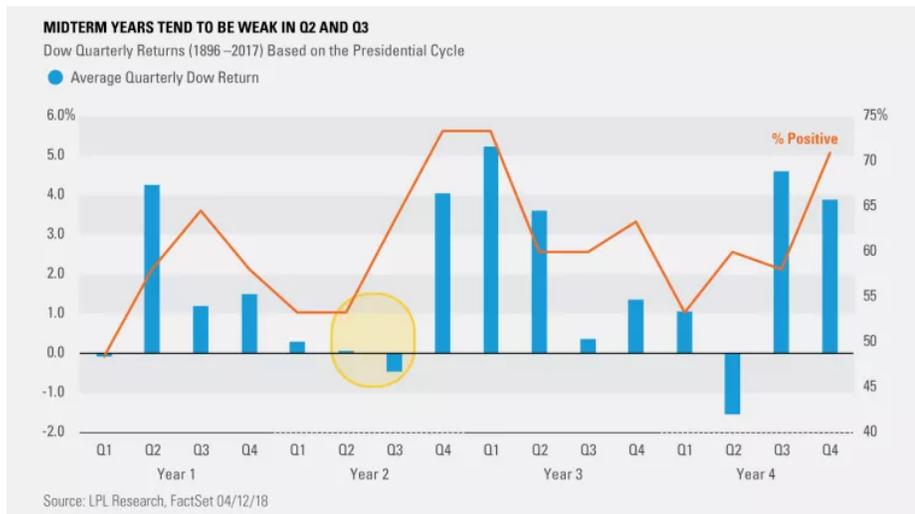
Year Of Presidential Cycle	S&P 500 Average Intra-Year Pullback	S&P 500 Average Return A Year After Low
First Year In Office	-14.0%	12.1%
Midterm Year	-16.9%	32.0%
Pre-Election Year	-11.5%	15.9%
Election Year	-11.8%	18.3%

Source: LPL Research, FactSet 01/25/18
Date: 1950 - Present

the largest intra-year pullbacks.

But why is that? Of course, there are many likely reasons, but one potential reason is that in the past the party that has won the presidency has lost seats in the House and Senate during the midterm election, generating uncertainty during these years.

Looking at the full four-year presidential cycle also shows that the second and third quarters of the president in office (so right now) can indeed have bulls frustrated. “Going all the way back to the Dow’s inception in 1896, that this quarter and next quarter are quite weak historically. But the good news is we’ve seen big rallies after weakness. However, this is something to be aware of as we move forward in this midterm year,” said Ryan Kline, Chief Market Strategist.



Although we expected more volatility this year, we are seeing some signs of better times ahead for equities. Stay on the lookout for our latest *Weekly Market Commentary* due out Monday, where we look at some positive t

developments on equities.

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