

As we head into the beginning on 2022, given midterm elections will occur later this November, it is important to examine how markets have performed in previous midterm election cycles. Since 1942, the S&P 500 has averaged a gain of just 6% in midterm election years, more than two percentage points below the S&P 500's 9.1% rise during the average year. As of December 28th, the S&P 500 Index (4,786.35) is up 28.14% YTD. However, as history has shown, many are forecasting a rather "muted" performance in 2022. With uncertainties around tightening federal reserve policy, rising yields, decelerating economic growth, and midterm elections, markets may face potential headwinds throughout 2022.

- According to Capital Group, Over the past 21 midterm elections, the President's party has lost an average of 30 seats in the House of Representatives, and an average of four seats in the Senate.
- Major investment banks such as Goldman Sachs and JPMorgan have year-end 2022 price targets of 5,100 and 5,050 respectively. These price targets only amount to returns of 6.55% and 5.51%.
- In contrast to Goldman Sachs and JPMorgan, Morgan Stanley's 2022 year-end price target is much more bearish. The investment bank predicts the S&P 500 Index to finish at 4,400, or about an 8% decline.



Source: Investopedia