Manulife Investment Management

Market Note

22 Oct 2026

As U.S. midterm elections approach in November, louder headlines may tempt some investors to wait on the sidelines. We believe history offers some useful context for understanding market behaviour around election cycles. Here is what decades of election-cycle data may tell us, and why patience has often mattered.

Watching on the U.S. mid-terms? What history tells us about market performance and behaviour

Key points

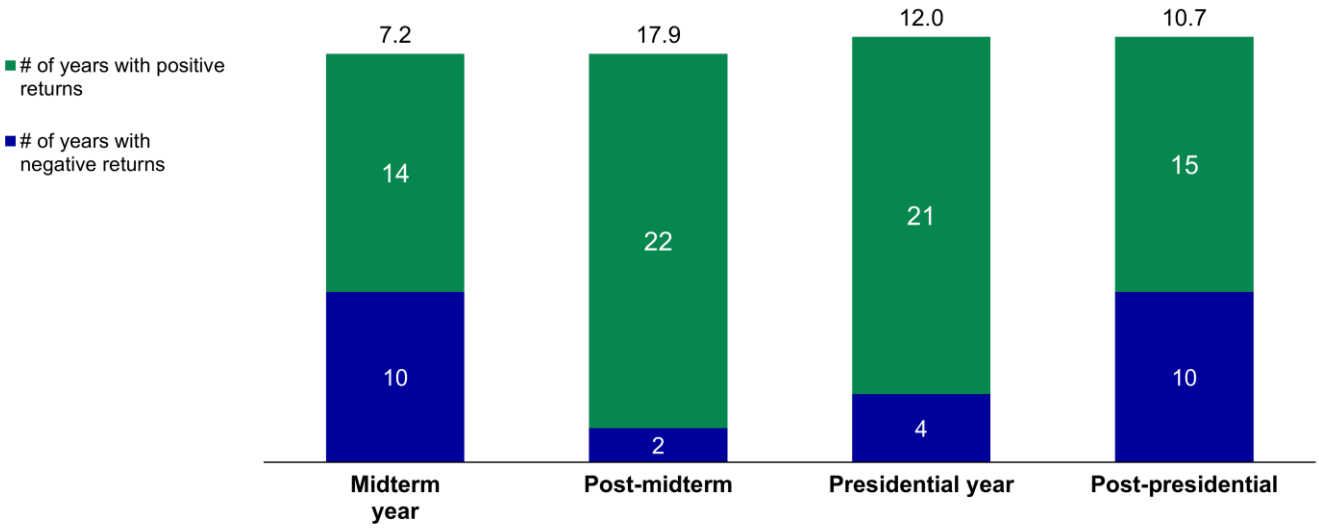
- Since 1928, the S&P 500 Index has risen in 22 of 24 years following a midterm election, averaging 17.9%.
- Stocks have tended to lag before Election Day and recover afterwards.
- Over the long term, US stocks have risen under both Republican and Democratic presidencies.
- We believe time in the market may matter more than timing the market.

Election noise versus market history

Heated election campaigns can leave investors feeling uneasy about the country and the markets. Yet since 1928, the S&P 500 has historically performed best in the year after midterm elections. Midterm years themselves have been more mixed, averaging 7.2% with 14 positive and 10 negative years. One possible reason for the post-midterm strength is that campaign promises may buoy corporate earnings. In our view, election-related concerns alone may not justify changing a long-term investment approach.

On average, post-midterm election years have been the most likely to produce positive returns

Average returns for the S&P 500 Index over 4-year election cycles, 1928–2025 (%)



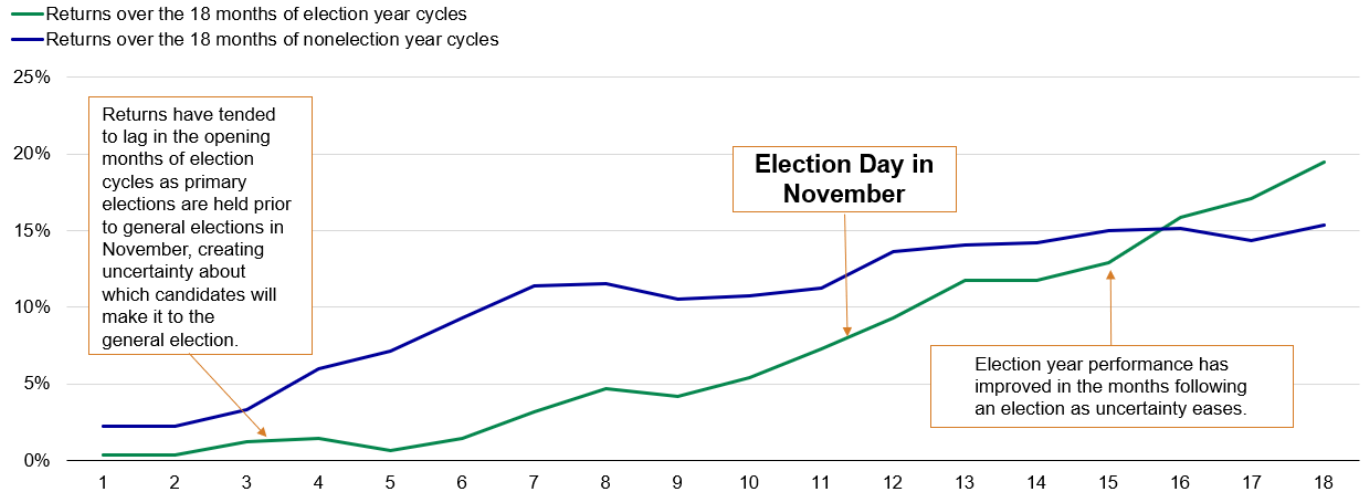
Source: Bloomberg, as of 12/31/2025. The S&P 500 Index tracks the performance of 500 of the largest publicly traded companies in the United States. It is not possible to invest directly in an index. Past performance does not guarantee future results.

Early-cycle wobbles may ease after the vote

Stocks have tended to lag in the months before elections, when primaries create uncertainty about candidates. On average, election-period returns trailed non-election periods until after the vote, then moved ahead, reaching 19.5% versus 15.4% by month 18. Volatility has also been modest around most recent presidential elections, with exceptions in 2000, 2008 and 2020. Investors who step aside during uncertain months may miss the recovery that has often followed.

Stocks have tended to lag prior to midterm and presidential elections, but come back following the vote

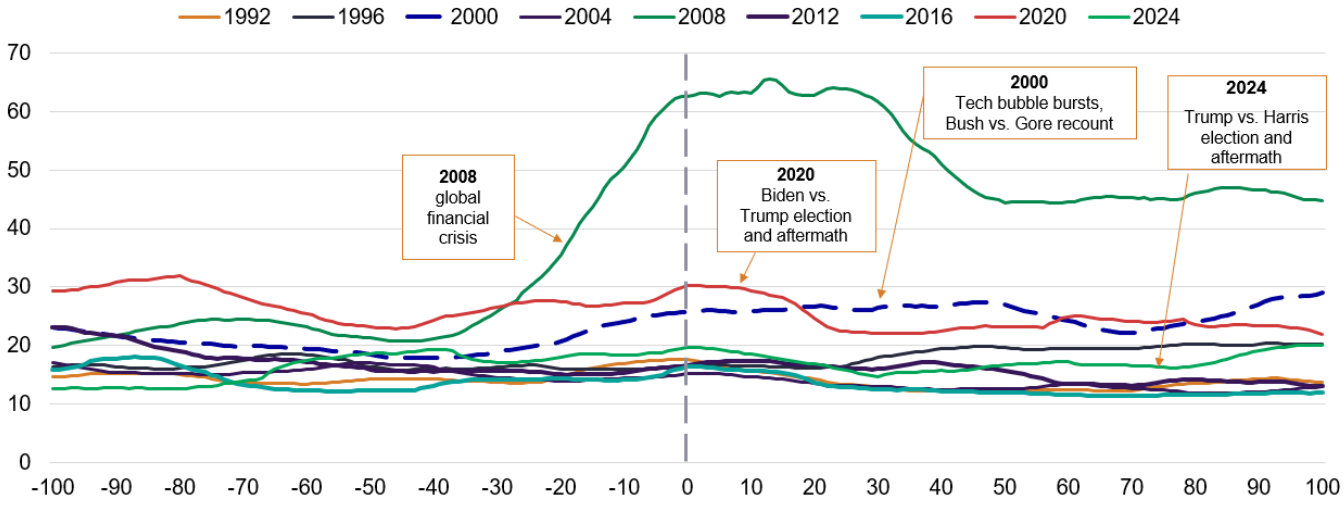
Cumulative average returns of the S&P 500 Index during 18-month periods before and after midterm and presidential elections versus nonelection periods, 1/31/28–12/31/25 (%)



Source: Bloomberg, July 2026. The 18-month periods used to calculate election year cumulative average monthly returns began in January of each year of a November presidential or midterm election and ended in June of the following post-election year. The nonelection 18-month periods began in January of each nonelection year and ended in June of the following year. The S&P 500 Index tracks the performance of 500 of the largest companies in the United States. It is not possible to invest directly in an index. Past performance does not guarantee future results.

Stock market volatility has been modest before and after recent presidential elections—with some exceptions

Cboe Volatility Index 30-day moving average in the 100 days before and after U.S. presidential elections, 1992–2025



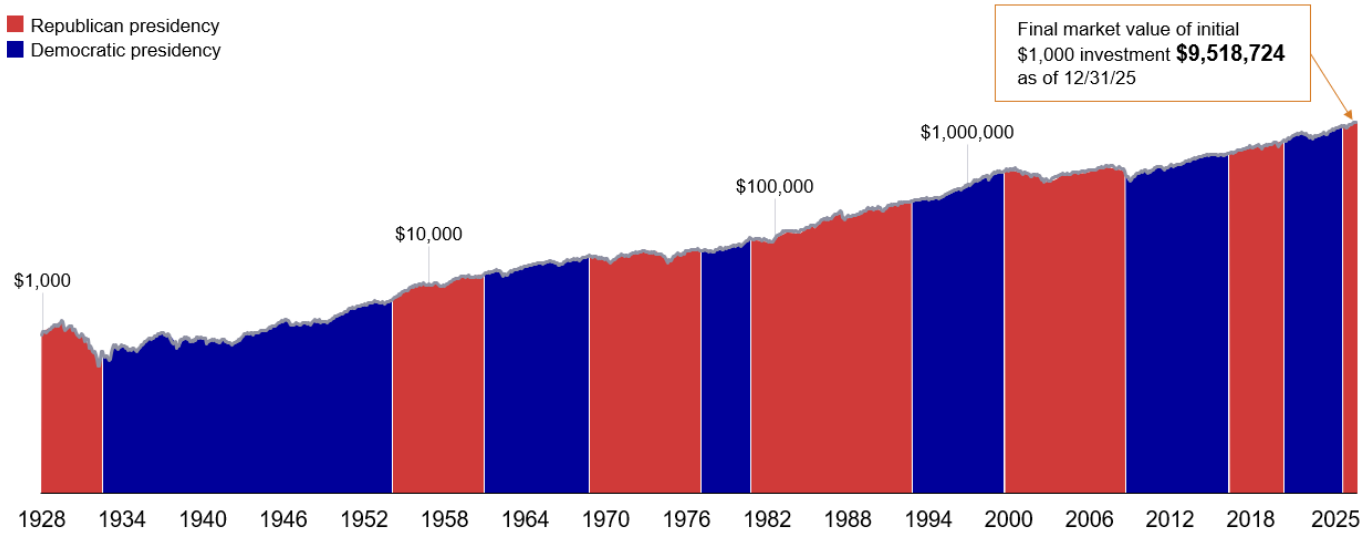
Source: Cboe Exchange, Inc., July 2026. The Cboe Volatility Index (VIX) tracks the performance of the market's real-time expectations of volatility over the coming 30 days. It is not possible to invest directly in an index. Past performance does not guarantee future results.

It may be about time, not parties

We believe the bigger lesson is that stocks have risen over the long term regardless of which party held the White House. A hypothetical US$1,000 invested in the S&P 500 in 1928 would have grown to about US$9.5 million by the end of 2025, despite wars, recessions and market shocks. Across six combinations of White House and Congress control, average annual S&P 500 returns since 1928 were positive in every case, ranging from 2.3% to 17.6%.

Stocks have risen over the long term no matter which party has been in power

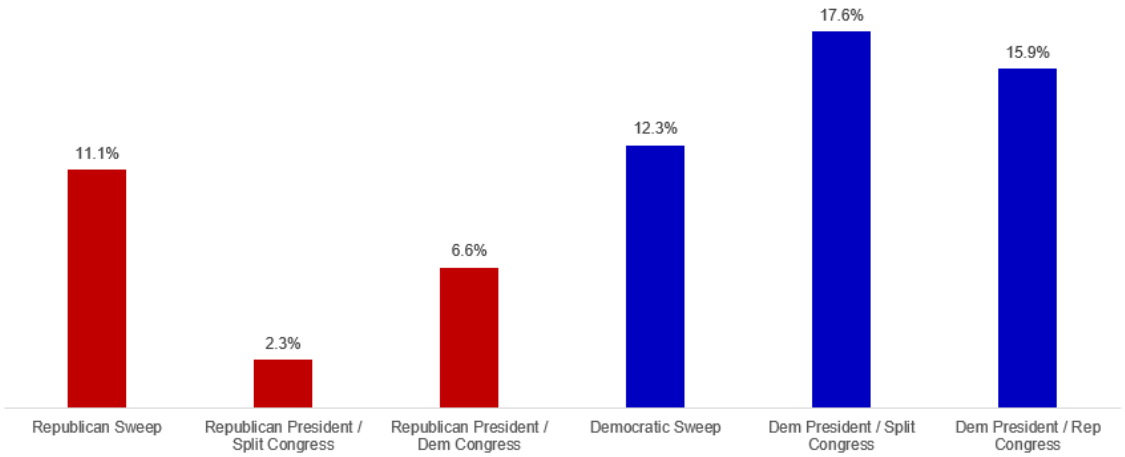
Growth of a hypothetical $1,000 investment in the S&P 500 Index, 1/31/28–12/31/25



Source: Bloomberg, July 2026. Dates of political party control of the White House correspond with presidential inauguration months. The S&P 500 Total Return Index tracks the performance of 500 of the largest companies in the United States. It is not possible to invest directly in an index. This figure is for illustrative purposes only and does not represent any specific investment or imply any guaranteed rate of return.

How stocks have performed under six different political scenarios

Average annual returns of the S&P 500 Index when different political parties were in power, 1928–2025 (%)



Source: Morningstar Direct, January 2026. The S&P 500 Index tracks the performance of 500 of the largest companies in the United States. It is not possible to invest directly in an index. Past performance does not guarantee future results.

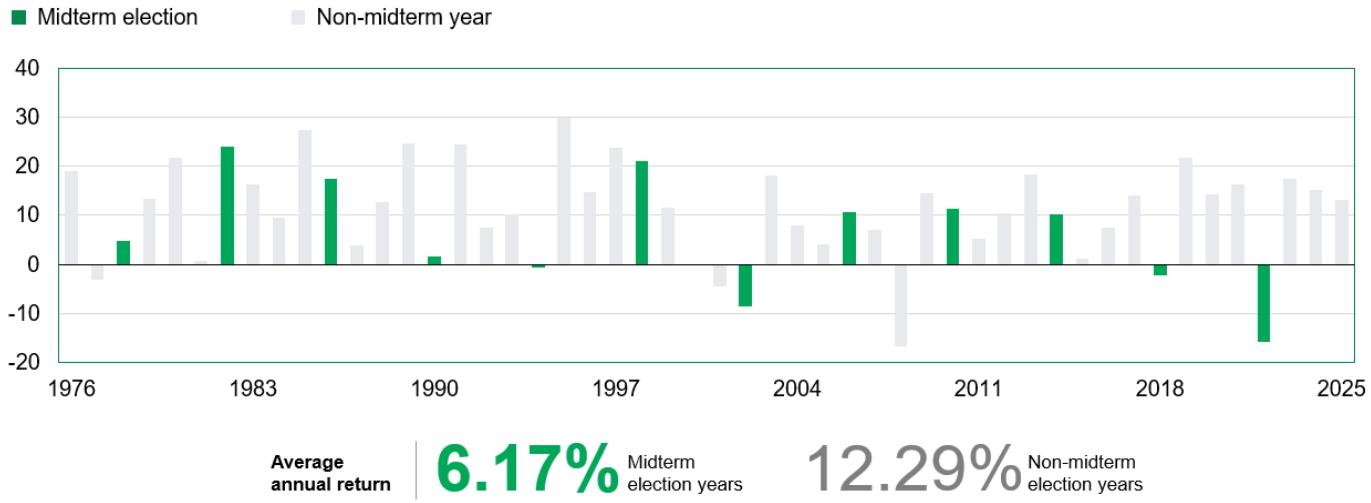
Staying invested may matter more than perfect timing

Short-term periods can disappoint. A 60/40 stock-bond portfolio averaged 6.17% in midterm years versus 12.29% in other years between 1976 and 2025. Still, markets have historically recovered from crises, and investors who stayed invested through difficult periods may have been rewarded in the long term.

We believe a diversified portfolio that suits investors' goals and risk tolerance, and a long-term view, may help investors look past the election noise. Every election cycle is different, but we believe the lesson from history is consistent: focus on the long term rather than the headlines.

60/40 stock-bond portfolio performance has lagged in midterm election years vs. non-midterm years

Annual returns of a 60/40 portfolio, 1976–2025 (%)



Average annual return **6.17%** Midterm election years 12.29% Non-midterm election years

Source: Bloomberg, July 2026. The 60/40 portfolio results are based on performance of a 60% allocation to the S&P 500 Index and a 40% allocation to 10-year U.S. Treasury bonds. The S&P 500 Total Return Index tracks the performance of 500 of the largest companies in the United States. It is not possible to invest directly in an index. Past performance does not guarantee future results. This figure is for illustrative purposes only and does not represent any specific investment or imply any guaranteed rate of return.

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