

How Could the Midterms Impact the Markets?

It's a big week for markets. Many companies are slated to release corporate earnings, and inflation data comes out Thursday.

But perhaps just as important, and potentially more, is that voters will be headed out en masse to vote in tomorrow's midterms (if they have not already voted early).

Without diving too deep into politics:

The Republican Party has seen a surge in the polls and election betting markets recently. This indicates the GOP may control both Congressional chambers after tomorrow's over.

Traders seem to agree...

According to advisory firm Strategas, a portfolio of stocks and other assets expected to do well with Republicans in control healthily outperformed its Democratic counterpart.

So there's a strong chance the Democratic Trifecta breaks tomorrow. What does that mean for the markets?

Broadly speaking, the markets have taken a Republican win as positive. Not for partisan reasons...

Pharma is similar. The Inflation Reduction Act lets Medicare negotiate prescription drug prices, harming pharma profits... but says nothing about launch prices of new drugs.

Gridlock reduces the chance of legislation that could further hamper pharma stocks.

One last interesting tidbit:

Digital World Acquisition Corp (DWAC) — the SPAC meant to merge with Donald Trump's TRUTH Social company — is surging.

Investors expect Trump to announce a 2024 presidential run after the midterms. He's likely waiting until after the midterms for political reasons.

A Republican victory in both chambers could potentially send DWAC higher.

That aside, market reactions could be temporary as inflation data comes out later in the week.

"Market prices these days are a lot more governed by central bank expectations than by political expectations," said Florian Ielpo, Lombard Odier Investment Managers' head of macro.

So investors will immediately pivot to Thursday for a glimpse at how long this recent rally could last.



To Your Success,

A handwritten signature in black ink, appearing to read 'Drew Day' with a stylized flourish at the end.

Drew Day
Founder & President

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