

When Stocks Stumble in Midterm Years, What Comes Next?

Although stocks often drop in midterm election years, they've historically rebounded sharply off the lows.

Volatility has been a defining feature of midterm years, with significant drawdowns that tend to emerge as the year progresses. Over the past 10 midterm election cycles, stocks have experienced average drawdowns of 16.77%, but one-year gains following those lows have averaged 27.80%.

Year	Max Drawdown (%)	Drawdown Low Date	Returns (%) 1 Year Later
1986	-9.42	9/29/86	39.92
1990	-19.92	10/11/90	29.10
1994	-8.94	4/4/94	15.11
1998	-19.34	8/31/98	37.93
2002	-33.75	10/9/02	33.73
2006	-7.70	6/13/06	23.86
2010	-15.99	7/2/10	31.01
2014	-7.40	10/15/14	8.66
2018	-19.78	12/24/18	37.10
2022	-25.43	10/12/22	21.60
Average	-16.77	September 2	27.80

Stocks have averaged a

27.80%

gain one year after

MIDTERM LOWS

Chart Data: 1986-2022. **Past performance does not guarantee future results.** Indices are unmanaged and not available for direct investment. S&P 500 Price Index is a market capitalization-weighted price index composed of 500 widely held common stocks and does not include the reinvestment of dividend payments. For illustrative purposes only. Data Sources: Morningstar, 6/26.

A financial professional can help you build a portfolio that's right for you despite political uncertainty.

Important Risks: Investing involves risk, including the possible loss of principal. This material and/or its contents are current as of the time of writing.

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