

Midterm Elections 2018: Four of the Biggest Winning Sectors

Midterm elections are finally over. We no longer have to hear about blue or red waves, or even tsunamis.

We don't have to be bombarded with phone calls, aggravating commercials, and officials trying to convince us they actually care about the issues at hand. The Democrats won back the House. The Republicans still control the Senate.

And while a split Congress may see nightmarish to some, it could fuel quite a market rally.

At least, that's what MarketWatch tells us:

"Since 1946, there have been 18 midterm elections. Stocks were higher 12 months after every single one. Every single one. That's 18 for 18. Even though we've had every possible political combination in the past 72 years. Since 1946, stocks have risen an average of 17% in the year after a midterm. And if you measure from the yearly midterm lows, the results are even better. From their lows, stocks jumped an average of 32% over the next 12 months."

Election results also offer us investing opportunities.

Midterm Winner: Cryptocurrency and Blockchain Technology

For example, cryptocurrencies and blockchain may be big winners in the election. In Colorado, for example, Democrat Jared Polis is now the governor. He has often touted blockchain technology as a necessary route for the success of the state's economic and voting future.

"My goal is to establish Colorado as a national hub for blockchain innovation in business and government. I believe strong leadership will put Colorado at the forefront of innovation in this sector – encouraging companies to flock to the state and establishing government applications that save taxpayers money and create value for Colorado residents," he said, as quoted by MarketWatch.

In California, Gavin Newsom won the governor's race. He's an advocate for cryptocurrency. In fact, he began accepting donations in Bitcoin in 2014.

Midterm Winner: Marijuana

More U.S. states voted for marijuana legalization.

Michigan voters, for example, just approved marijuana legislation.



Adults over 21 will now be able to possess, grow, and use small amounts of pot legally. All will take effect 10 days after the vote has been certified. In fact, many believe it'll be legal in the state beginning in December 2018.

"The victory in Michigan highlights just how widespread support is for marijuana policy reform," Steve Hawkins, executive director of the Marijuana Policy Project, said as quoted by Forbes. "This issue does not only enjoy strong support on the coasts, but also in the Midwest and all throughout the country. Marijuana has now been legalized for adult use in one out of every five states and medical use in three out of every five..."

Utah approved medicinal marijuana. Utah's Proposition 2 will allow patients to obtain medical marijuana cards for qualifying conditions, such as HIV/AIDS, cancer, chronic pain and multiple sclerosis.

Voters also approved medical marijuana in Missouri. Amendment 2 will impose a 4% tax on sales of medical marijuana. From this, funds will also go to the state's veterans commission.

There are now 33 U.S. states that have legalized marijuana in some way. Recreational marijuana is now legal in 10, including Washington, D.C. That's only expected to grow, near-term.

In addition, Jeff Sessions is now out.

According to the Associated Press, U.S. Attorney General Jeff Sessions submitted a letter of resignation to President Donald Trump. "I have been honored to serve as Attorney General and have worked to implement the law enforcement agenda based on the rule of law that formed a central part of your campaign for the Presidency," he wrote in this letter.

You may remember Sessions was a major foe for the industry, moving to end a policy that allowed states to make their own decisions on marijuana. With Sessions now out, and 65% of Americans believe it should be legal, it's only a matter of time before we see an incredible boom.

Midterm Winner: The Stock Market

The big winner could be the stock market, as a divided government will leave many of Trump's accomplishments in place. Others argue, it could help cool trade tensions with China.

"Our base case of the Democrats taking over the House holds the potential to reduce downside risks from trade policy friction," Deutsche Bank's chief equity strategist Binky Chadha said, as quoted by CNBC.

Midterm Winner: Industrial and Materials Stocks

Both parties have been supportive of infrastructure reform. So, if we see progress on that front, there could be quite a boom in related stocks, including steel producers and manufacturers.



"The Democrats are likely to push plans for large-scale infrastructure spending. Republicans have generally opposed Democratic plans on this issue, but President Trump has expressed support for infrastructure spending and might be willing to help," said HSBC chief U.S. economist, Kevin Logan, according to CNBC.

Potential Midterm Loser: Pharmaceutical Stocks

While analysts say it's unlikely to happen, both parties could find common ground on reducing drug prices, and that could cause a headwind for drug makers.

Politico argues Democrats could subpoena information that could shed light on how much pharmaceutical companies really spend on R&D, marketing and sales, for example.

We will watch to see what unfolds as the new members of the House and Senate take their seats after the beginning of the year. But, with history as our guide, we believe most investors should be pleased with market performance moving forward.