



**Infomail**

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## Can Washington Get Things Done Once Again? A GOP Controlled Congress – Go Long!

*"The primary aim of all government regulation of the economic life of the community should be not to supplant the system of private economic enterprise, but to make it work."*

American Historian Carl Becker (1873-1945)

The US markets ushered in the new US Congress with a 100 point gain on the Dow Jones Industrial Average. In the meantime the President used press conferences to tell everyone he was still the defacto President, especially for all people that didn't vote in the midterms.

The 2014 US midterms have featured many variables but the one constant was all Democratic candidates were dragging an anchor called President Obama, whose approval ratings are some of the lowest in history and have not been north of 40% in over a year.

Yet even through 2012, with an unemployment rate over 8%, Obama's approval numbers were in the high 40's and enough to get him elected to a second term. Today the unemployment rate is below 6% yet his approval ratings have plunged ever more. The midterms show the "Hope and Change" confidence is long gone.....and it ain't coming back.

Obama partisans will tell you he is taking the backlash for gridlock in Washington where virtually nothing has got done in six years. But all of Presidents Reagan, Clinton and George W. Bush had to deal with a split Congress, and all of them got lots done. So why not now?

The economy remains the #1 concern with voters, still. Despite the improving employment numbers, which I believe in my opinion are greatly exaggerated simply by people dropping out of the workforce, this "recovery" remains a disaster for most middle class families.

Where Iraq hurt Dubya's approval numbers, I would suspect Obamacare is doing the same now since it is Obama's signature issue, and remains largely unpopular. Its initial stumbling coincided with the sharpest second term drop in the President's approval.

But while the 2012 Presidential election results seemed to imply they trusted the President on foreign affairs, it quickly eroded with the Snowden affair, broken promises on Syria, the Ukraine, Iran and now ISIS. The President's approval rating on foreign policy now stands at a dismal 35% in the most recent poll.

Obama can keep passing the buck and keep firing and replacing members of his team, but something more fundamental is happening.

We are witnessing the total collapse of a really bad idea. Obamaism and its pseudo Socialistic commitment to bigger government with lots more power, invasive in every aspect of a citizen's life, while abdicating leadership around the globe, is being exposed as a historic calamity. Despite his own narcissism, Democrats blindly put their loyalty to him above their loyalty to their country. Now in these recent midterms, most Democratic candidates didn't even want to be seen with Obama, have him campaign for them, and many even openly distanced themselves from him.

Now its time for Congress to get down to business; Americans voted for pro-business and pro-capitalism in the midterms and in a big way. They've had enough of the "fair share" rhetoric that simply resulted in big government and less prosperity.

A few days after the election, GOP leaders John Boehner and Mitch McConnell wrote an op-ed in the Wall Street Journal. The key focus of the article was on bills they have in the pipeline including:

- Keystone Pipeline
- Hire More Heros Act
- Restoring the 40 Hour Workweek
- Changes to the Affordable Care Act (Obamacare)
- Support the charter schools
- Protecting and expanding the energy boom
- Tax code reforms

Investment wise, the equity markets tend to do quite well after a midterm election cycle. Six months later, since 1950, the average return has been 15%:



However, when the GOP take control of the House AND the Senate, which since the Great Depression has only happened under Four Presidents, the market loved it:

	Time Frame	Dow Performance
Truman	1947-1949	+13.7%
Eisenhower	1953-1955	+74.3%
George Bush	2003-2007	+54.0%

And when Bill Clinton moved to the "middle" after the GOP took control of Congress in 1994, look what happened:

1995: 33.5%  
 1996: +26.0%  
 1997: +22.6%  
 1998: +16.1%  
 1999: +25.2%  
 2000: -6.0%

On top of that, we are entering a six month period of seasonal strength from November to April where since 1950 the S&P 500 has averaged an annual gain of 13.9% (and positive almost 80% of the time).

Next year is year three of the Presidential cycle, which from 1929 to 2012 has averaged 13.0% on the S&P 500, the best of the four year term years.

Accommodative stances and efforts to “juice” the economy ahead of the pending Presidential election makes total sense.

Last but not least, going back a century or more, years ending in ‘05’ are almost always an up year for stocks.

So while nothing is ever guaranteed, the odds using historical data seem to be on the side of equity investors.

I still believe we have many years to go on this new secular bull market, and I believe the S&P500 will ultimately get to 3500-4000 range before it is done (today @ 2039).

Stay tuned,

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Investment Advisor

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