

Not Just Midterms: Investors Bracing for Packed November Calendar

The convergence of other market-driving events this month could pose a greater obstacle to investors

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Updated Nov. 6, 2018 6:09 p.m. ET

Investors looking beyond Tuesday's U.S. midterm elections are focusing on trade, earnings and interest rates, reflecting an expectation that economic and market trends likely will continue to play a bigger role in stocks' direction through the end of 2018 and thereafter.

Shifts in Congress [could easily swing](#) major indexes following a whirlwind October that highlighted investor uncertainty focused on interest rates, growth expectations and trade tensions, analysts said. On Tuesday, the Dow industrials rose 173 points to 25635, the second straight gain and fifth advance in six sessions following last month's swoon.

But many more portfolio managers expect that third-quarter corporate earnings reports and events such as this week's meeting of the Federal Reserve will loom larger in the market mind-set. That is particularly so given the mixed investor reaction to generally solid earnings so far this season and unease over stocks' perceived vulnerability to rising rates.

"There's a lot of pretty stiff headwinds the market is trying to struggle its way through from now through the end of the year," said Eric Kuby, chief investment officer of Chicago-based North Star Investment Management.

At the top of many investors' minds: The Fed meeting and other central-bank signals, which could shake up the market interest-rate expectations that have lain at the heart of both the solid U.S. stock advance in the first nine months of 2018 and last month's mayhem. Many [expect an increase](#) in December and are [closely tracking](#) Treasury yields, which serve as a reference rate for borrowing costs for individuals and companies world-wide. On Tuesday, the 10-year U.S. Treasury yield was 3.214%, near its highest level in seven years.

Other analysts are waiting to see whether U.S. [sanctions against Iran](#), which went into full effect Monday, further disrupt the global energy industry and ripple to other sectors. U.S. crude prices have tumbled 15% since the end of September, surprising some analysts and spurring a debate over significance to other markets.

Mixed [trade signals](#) between the U.S. and China have also continued ahead of a planned meeting between President Trump and President Xi Jinping of China at the Group of 20 leaders summit in Buenos Aires later this month.

Global economic policy uncertainty in October hit its highest level since March 2017, according to an index created by professors at Northwestern University, Stanford University and the University of Chicago.

Add in the dozens of S&P 500 earnings reports still ahead in the coming days, and some investors say unknowns beyond Tuesday's results could end up having more of an effect than politics, especially on the heels of October's whipsaw trading.

While many large companies have already posted third-quarter results, analysts say recent jitters about slowing revenue will increase scrutiny on coming earnings, including numbers from [Qualcomm](#) Inc. and [Walt Disney](#) Co. later this week.

Companies that exceed earnings expectations are [performing worse](#) than they have historically, FactSet data show, posing a further dilemma for analysts hoping to remain focused on market fundamentals.

"It is hard when there's this much noise and you've got companies reporting good numbers and not being immediately rewarded," said Mark Stoeckle, chief executive of Adams Funds.

That said, the [election results](#) are clearly on many investors' minds. Few analysts [expect the outcome](#) Tuesday to lead to a significant change in market valuations, but there are signs that smaller pockets of markets will be affected.

Options traders were bracing for about a 1.4% move in the biggest exchange-traded fund tracking the S&P 500 on Wednesday after the election results, Trade Alert data show. The projection is based on the size of the move, not the direction.

Shares of gun makers rallied Tuesday, as traders sought to anticipate how potential changes in Congress might reshape gun control laws. As voters headed to the polls, [American Outdoor Brands](#) Corp. jumped 4.7%, [Sturm, Ruger](#) & Co. rose 3.7%, and [Vista Outdoor](#) Inc. advanced 2.1%.

Gun makers' shares are heavily influenced by shifting political winds. The stocks tend to swing after high-profile shootings, reflecting fears of a crackdown on gun-ownership rights that drive increasing sales.

Holiday promotions and a “potential election-driven uptick” could push gun sales higher in the near-term, based on one measure, James Hardiman, a Wedbush Securities analyst, wrote on Friday. He predicts American Outdoor will rally about 20% from its current price to \$16.50 a share.

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