

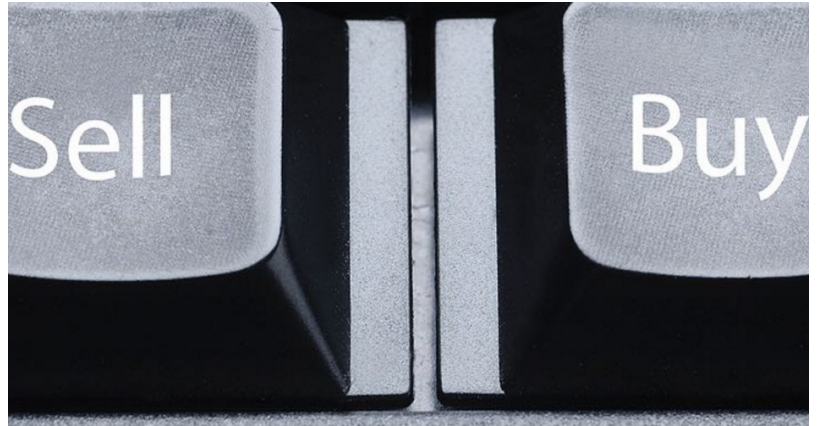


Written by [Bob Adelman](#) on November 8, 2018

Wall Street Loves Gridlock: Stocks Jump Two Percent Day After Midterms

Stocks leapt upward on Wednesday as investors came to realize what the midterm elections meant: gridlock. As analysts from Bank of America Merrill Lynch noted before the election, “Gridlock (nothing done, nothing undone) might not be a bad outcome, and has historically been a good environment for stocks.”

Generally, the year following a gridlocked Congress has been good for stocks, averaging gains of 12 percent. Wednesday’s gain of two percent across all the major averages, and Thursday’s continuing rally, though modest, is a harbinger for a repeat into the next year.



Thanks to gridlock, the president’s second round of tax cuts is DOA. Infrastructure spending is fraught with danger for the Democrats. They’d like to spend the money, but they don’t want to help Trump’s reelection chances in 2020. They’d rather try to impeach him for various reasons — his firing of James Comey for political reasons or the 87 communications the Trump campaign had in 2016 with Russians (whether incriminating or not) or how he might have enriched himself or his family by doing business with foreign interests — but that won’t go anywhere as the president won’t sign anything unless those investigations are ended before they begin.

What the House Democrats are left with is “drug pricing” and “ethics reform.” Taking on Big Pharma and imposing ethics reform in the House looks to Gary North as just “an enormous amount of noise ... sound and fury, signifying nothing.” North added: “Ethics reform? Coming from Congress? We know [that] will be successful!”

There were other reasons Wall Street was happy. Without additional stimulus through more tax cuts or increased government spending, the economy is likely to come off its recent highs, improving the chances that the Fed will back off its attempts to slow it through further interest rate hikes. As Michael Azzone, chief investment strategist for State Street Global Advisors, told MarketWatch: “Perhaps gridlock makes further rate hikes from the Fed less likely.... Under gridlock that’s likely to end sooner rather than later.”

And the rumors that Trump and the communists running China are slowly coming to more favorable trade terms helped the rally as well.

Politically speaking, the midterms were a victory for President Trump, even though his second round of tax cuts won’t go anywhere in the new Congress. If Democrats continue their efforts to denigrate the presidency, he’ll have Pelosi and other far-left Democrats such as Jerrold Nadler, Adam Schiff, and Maxine Waters to light up with his Twitter torch for the next two years.



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The president will also have a Senate much more amenable in confirming conservative judges that have the potential of transforming American jurisprudence for at least the next generation, if not longer. Trump is appointing relatively young judges, which means they would be in office for least two decades. Even if the Democrats recapture the White House in 2021, there will not be enough openings for them to reverse the trend.

Thanks to deliberate Democrat intransigence, the Senate has confirmed barely half of the 155 judges Trump has nominated to fill various inferior court openings. The Judiciary Committee has already approved 32 judicial appointments with another 16 just waiting for the committee to vote on them. "The 2018 election," wrote Thomas Jipping, senior legal fellow at The Heritage Foundation, "provides even more hope. Expanding the Republican majority in the Senate may also improve the majority on the Judiciary Committee, with more flexibility in achieving and maintaining the quorum needed to do business. And thanks to Democrats in 2013, ending debate on nominations now requires only a simple majority." Translation: Starting next year every one of Trump's nominees should find their confirmations going much more easily than did Justice Kavanaugh.

And then there's the Supreme Court, where the president has already placed two conservatives following contentious hearings over the second, Brett Kavanaugh. In July, Supreme Court Justice Ruth Bader Ginsburg gave what some characterized as a signal to Democrats that she would stay on as long as possible to keep Trump from replacing her with another conservative: "I'm now 85. My senior colleague Justice John Paul Stevens ... he stepped down when he was 90. So I think I have about five more years."

God may have other plans. On Wednesday evening Ginsburg was working in her office when she fell and broke three ribs. At this writing she remains in the hospital for treatment and recovery. She has had a series of health problems: She fell and broke two ribs in 2012. She has had two previous bouts with cancer and had a stent implanted to open a blocked artery in 2014.

Ginsburg's death or retirement during Trump's presidency would allow him to appoint still another conservative to the bench long before 2020.

Wall Street likes gridlock. American workers like a robust economy. Trade wars with China may be coming to an end. After all is said and done, Democrats may rue the day they won their razor thin majority in the House in the midterm elections on Tuesday.

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