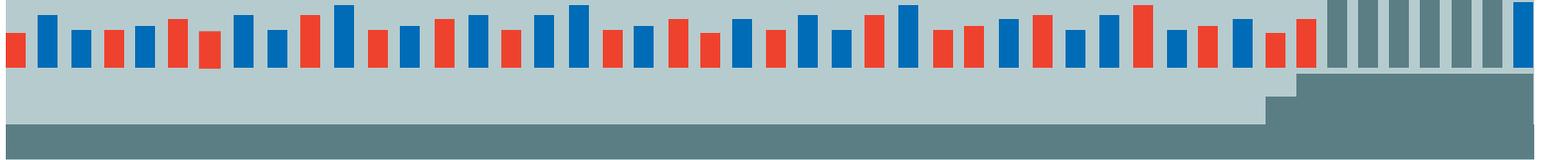
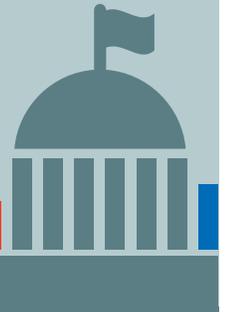


MIDTERM ELECTIONS 2018

Implementation Guide



Falling at the halfway point of the president's four-year term, congressional midterm elections are often seen as a referendum on presidential policy. Currently controlling both the House of Representatives and Senate, as well as the White House, Republicans have had a unique opportunity to legislate in the past two years. Historically, however, the midterms spark change as the opposing party to the president tends to gain seats in Congress.

In an increasingly partisan environment, Republicans and Democrats can have starkly different views on key issues. Here, we highlight how the parties differ and the market segments that may benefit should Republicans hold or increase their majority, or if the Democrats take control of Congress.

How the Party in Power May Influence Investment Ideas

ISSUE	REPUBLICANS	DEMOCRATS
DEFENSE	<p>President Trump's plans for a Space Force by 2020 must pass through Congress. Republicans have historically backed increased funding for space-related industries as test and launch sites are largely located in rural, conservative districts.</p> <p>XKFF SPDR® Kensho Final Frontiers ETF</p>	<p>Democrats are more concerned with modernizing the military by eliminating outdated programs. This means heightened IT awareness with a focus on cybersecurity and advanced weaponry. Opening up the bidding process is also likely, potentially benefiting next-gen security firms.</p> <p>XKFS SPDR Kensho Future Security ETF</p>
ENERGY	<p>Republicans likely will allow Trump's Clean Power Plan (CPP) repeal to stand. Traditional energy producers will benefit from less regulation and additional lands open for leasing, including the outer continental shelf.</p> <p>XES SPDR S&P Oil & Gas Equipment & Services ETF XOP SPDR S&P Oil & Gas Exploration & Production ETF</p>	<p>Democrats will challenge the newly proposed and less restrictive Affordable Clean Energy (ACE) rule. Their support for clean power initiatives could favor solar, wind, geothermal and hydroelectric power companies.</p> <p>LOWC SPDR MSCI ACWI Low Carbon Target ETF XKCP SPDR Kensho Clean Power ETF</p>
HEALTH CARE	<p>An increase in the Republican majority could mean more reform or repeal of the Affordable Care Act (ACA), posing risks to hospitals that will still provide care to uninsured patients. Advocating for drug pricing reform through pharmacy benefits managers (PBMs) rather than by targeting manufacturers could benefit pharmaceutical firms.</p> <p>XHE SPDR S&P Health Care Equipment ETF XPH SPDR S&P Pharmaceuticals ETF</p>	<p>Democrats will support measures that broaden healthcare availability, benefiting hospitals and service providers at risk from uninsured patients. Drug pricing reform would focus more directly on pharmaceutical firms.</p> <p>XHS SPDR S&P Health Care Services ETF</p>
INFRASTRUCTURE	<p>Republicans support infrastructure spending funded by state and local governments and private investors that may take the lead on reform.</p> <p>XKII SPDR Kensho Intelligent Structures ETF</p>	<p>Democrats would favor a larger infrastructure package, something sizable enough to make a splash in the 2020 elections. Funding might require new taxes, like a carbon tax.</p> <p>XKII SPDR Kensho Intelligent Structures ETF</p>
TAXES	<p>Republicans will seek to push the Tax Cuts and American Jobs Act of 2017 further, making some personal tax cuts permanent and reducing the capital gains tax. This could benefit consumers and domestic market segments and industries.</p> <p>SPSM SPDR Portfolio Small Cap ETF KBE SPDR S&P Bank ETF</p>	<p>Democrats will seek to repeal portions of the Tax Cuts and American Jobs Act. As interest rates may fall as a result, this may favor bond proxies like dividend exposures.</p> <p>SDY SPDR S&P Dividend ETF SPYD SPDR Portfolio S&P 500 High Dividend ETF</p>

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