

MANAGING PARTNER PERSPECTIVE

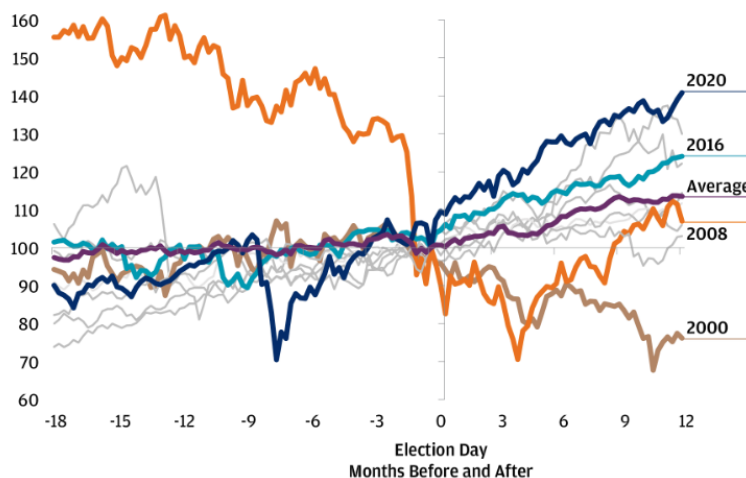


Welcome to the autumn edition of our newsletter. Leaves are beginning to change colors and fall. The holidays are just around the corner, but this autumn brings another event. The U.S. Presidential Election. Election years tend to bring a sense of uncertainty, and this often spills over into the stock market. Investors naturally wonder how political outcomes might affect the economy, policies, and the performance of their portfolios. Historically, the stock market has shown certain trends during election years, but these trends are not foolproof. The overwhelming trend is this: The market doesn't care about who wins. We truly cannot emphasize this enough.

1. Volatility is Common

Election years are known for heightened market volatility, particularly in the months leading up to the election. Uncertainty over which party will win, and how their policies might impact various sectors, often leads to short-term market swings. Investors are advised to brace for a bumpy ride but to avoid making drastic decisions based on daily headlines. Historically, markets have typically rebounded after elections, once clarity on policy direction is established.

S&P 500 Moves Around U.S. Elections Since 1984



Sources: Bloomberg Finance L.P. Data as of January 18, 2024. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

2. Incumbent Advantage

There's a long-observed trend where stock market performance tends to be stronger when the incumbent party is expected to win. This is likely because a continuation of current policies is perceived as less disruptive to the economy. Conversely, markets tend to experience more nervousness when the challenger party is seen as gaining ground, as this brings the prospect of significant policy changes. However, it's important to note that these trends don't always hold up in individual cases.

S&P 500 Index Returns in U.S. Presidential Election Years

There are many factors that impact stock market returns, but one common concern of investors is how the stock market will be impacted by a change in America's President. In past election years, the S&P 500 Index has seen more positive performance than negative. Below we take a look at S&P 500 Index performance during presidential election years, which have historically provided positive gains for stocks.

S&P 500 Index Total Returns During Presidential Election Years (1928-2020)

U.S. Presidential Election Results	Average Return
A Republican was elected	15.3%
A Democrat was elected	8.5%
All election years	11.58%

Observations

There have been 24 elections since the S&P 500 Index began. In these election years:

- 20 of the 24 years (83%) provided positive performance
- When a Democrat was in office and a Democrat was elected (or reelected), the total return for the year averaged 15.0%
- When a Democrat was in office and a Republican was elected, the total return for the year averaged 12.9%

Historical U.S. Presidential Election Results

Election Year	President Elected	S&P 500 Index Total Return
2020	Biden	18.4%
2016	Trump	12.0%
2012	Obama	16.0%
2008	Obama	-37.0%
2004	Bush W.	10.9%
2000	Bush W.	-9.1%
1996	Clinton	23.1%
1992	Clinton	7.7%
1988	Bush H.W.	16.8%
1984	Reagan	6.3%
1980	Reagan	32.4%
1976	Carter	23.8%
1972	Nixon	19.0%
1968	Nixon	11.1%
1964	Johnson	16.5%
1960	Kennedy	0.5%
1956	Eisenhower	6.6%
1952	Eisenhower	18.4%
1948	Truman	5.5%
1944	Roosevelt	19.8%
1940	Roosevelt	-9.8%
1936	Roosevelt	33.9%
1932	Roosevelt	-8.2%
1928	Hoover	43.6%

3. First and Second Half Performance

A common observation is that the stock market tends to perform better in the second half of an election year. Early in the year, uncertainty dominates as the political landscape is still taking shape. As the election outcome becomes clearer, markets often stabilize, especially if investors have had time to adjust their expectations. Historical data suggests that while the first half of an election year might see muted or negative returns, the second half tends to show improvement.

4. Long-Term Focus is Key

While election-year market volatility can be nerve-racking, it's crucial to remember that the stock market's long-term performance is driven by fundamental economic factors like corporate earnings, interest rates, and global growth, not just political outcomes. Trying to time the market based on

election results is generally unwise. A sound financial plan should be focused on long-term goals, and short-term political events should be seen as just one of many factors influencing the market.

Wrap-up

Although election years are typically volatile, this has been an unusually positive election year for the S&P 500 index. Granted, we have not reached election day just yet. We continue to be cautious about the market this year, but in the grand scheme of things the take-away is this: Investors (i.e. “the market”) do not really care who or which party wins an election. It is the certainty, post-election, that brings comfort and typically a positive outlook, and therefore a positive return. Again, none of this is set in stone, but our guidance is to ignore the noise related to how the market will react to this candidate or that candidate, because the data simply does not support a reaction at all. Oh, and don’t forget to vote.

Enjoy the holidays with friends and family. Thank you, sincerely, for your continued trust and confidence in PWA, and if you need anything at all, please do not hesitate to contact us.

Truly,

Peter Wilmot, CFP®

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The S&P 500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. Indexes are unmanaged and cannot be invested in directly. (102-LPL).

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