



ELECTIONS, THE ECONOMY, AND OUR PORTFOLIOS

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Welcome to November! Each month, we aim to provide fresh insights into the financial markets and break down current headlines to help you cut through the noise and become a more informed investor. Your feedback and suggestions are always welcome, and if you know someone who might benefit from this piece, we encourage you to share it!

With only days to go, the 2024 election spectacle is in full swing, and with it the theatrical onslaught of headlines and theories about how the results will absolutely, positively derail the economy, the financial markets, and of course our portfolios. While these outlooks seem so very compelling – and at times so very frightening – it's essential that we approach them with a critical perspective. The reality is that, despite the media's focus on potential economic upheaval based on election outcomes, history has shown quite clearly that market performance is rarely dictated by which party holds power.

Let's consider the past two elections as examples.

In 2016, as the country prepared for a Trump presidency, some prominent voices predicted that his policies would destabilize the economy and markets. Yet, from 2016 to 2020, Gross Domestic Product grew from \$19 trillion to \$22 trillion¹, and the S&P 500 rose by approximately 55%² (pandemic and all). Clearly, the market did not mirror the widespread fears voiced before the election.

Fast forward to 2020, when many expected a Biden administration to have an adverse effect on economic growth. However, the economy has expanded from \$22 trillion to a recent reading of \$29 trillion¹, and the S&P 500 has increased by roughly 75%² under his leadership. Once again, the market's upward trend defied predictions of economic decline.

These examples illustrate a critical point: while elections certainly influence policy, they rarely have as large an impact on economic and market direction as is often assumed. Data spanning multiple decades reveals a consistent pattern of growth irrespective of which party holds the presidency or Congress. In fact, a Mercer Advisors study of election outcomes dating back to 1947 shows that market returns have been remarkably similar across different government compositions, whether fully controlled by one party or divided.

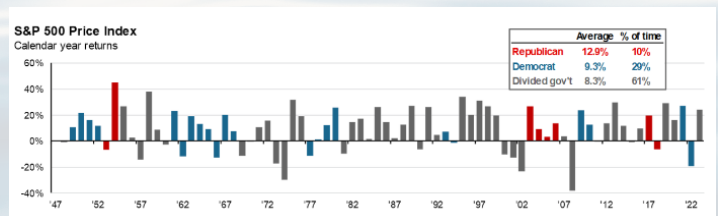
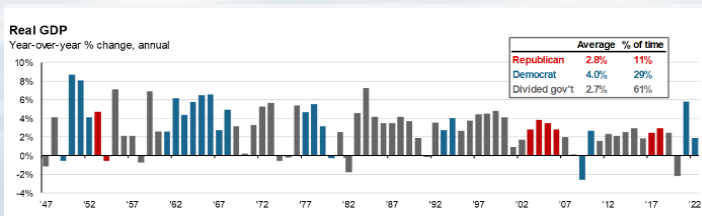
The takeaway? Market resilience and growth are rooted in the ability of companies to adapt, not in which party is in power. When we invest, we are investing in businesses – companies led by some of the brightest minds, committed to navigating policy changes and growing the enterprises we collectively own. This focus on long-term growth, rather than on short-term political shifts, is what drives market performance. It is pure and simple.

This doesn't mean that elections are irrelevant. Policy changes can most certainly affect specific industries or sectors, and these shifts are worth monitoring. However, as investors, we benefit most by staying focused on the fundamentals of the companies we own, rather than on political winners and losers.

Historically, the markets often fluctuate in the short-term in response to election outcomes, and this time is likely to be no different. But over time, long-term positive growth trends remain intact. So as next week's election approaches, we need to keep our eye on the bigger picture: the steady rise of the economy and the market's resilience. The best course of action is often the simplest – remaining disciplined, focusing on the long term, and avoiding emotional reactions to political headlines, as compelling as they may feel.

As always, if you'd like to discuss portfolio positioning, please don't hesitate to reach out. I'm here to help you navigate this election season with calm and confidence.

Onward.



Source: Mercer Advisors Q3 Market Outlook, BEA, Standard & Poor's, FactSet Research, JP Morgan Asset Management

¹St. Louis Fed ²MarketWatch

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