

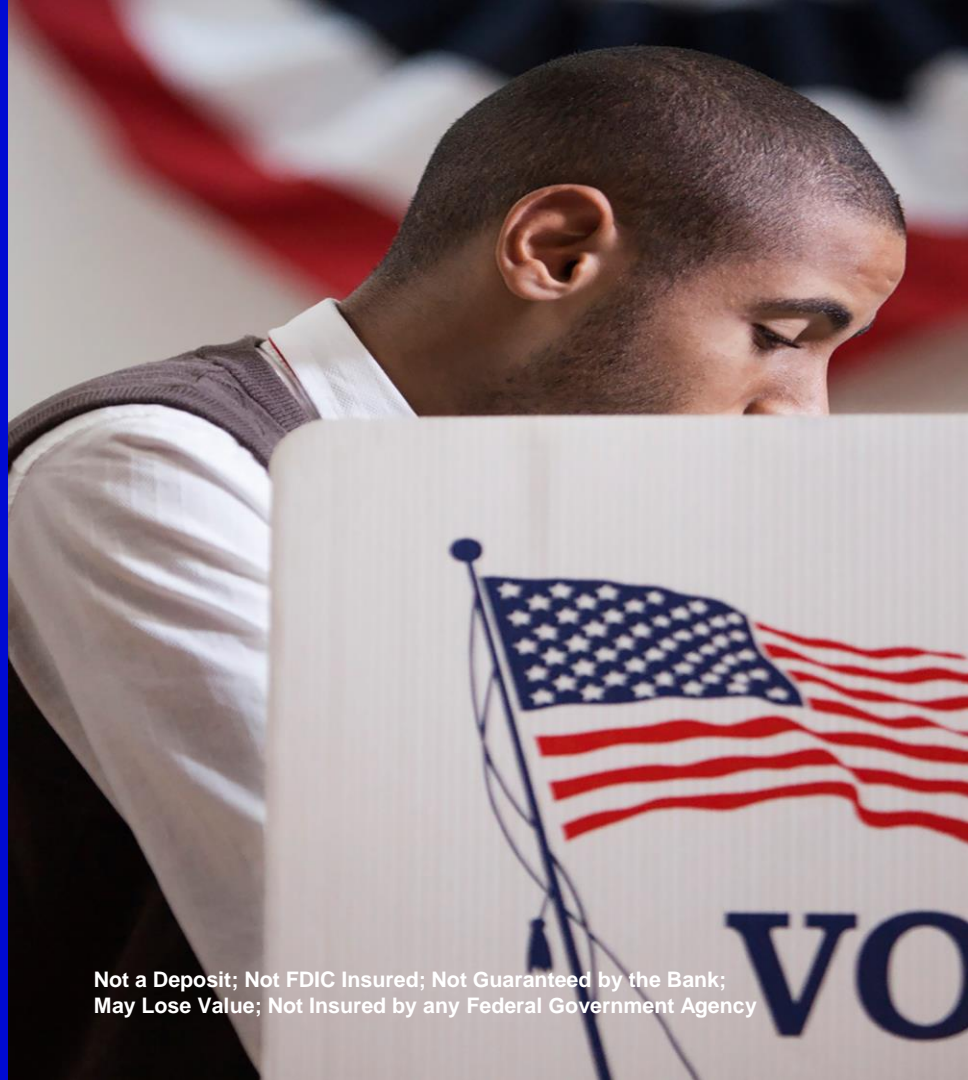


2024 election

**People care about
elections. Markets
don't.**

Trending Conversations

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The problems aren't new

It may feel like we're living in uncertain times.

Americans noted economic concerns like high inflation and the state of the US economy as the most important problems, but also existential concerns such as government dysfunction and the sustainability of the nation's democracy.

Interestingly, these were many of the same problems that confounded the nation's founding fathers!

Source: Gallup, 9/30/23.

What do you think is the most important problem facing the country today?

Select answers to a Gallup Poll question

Economic

- Economy in general
- High cost of living/inflation
- Federal budget deficit/debt

Non-economic

- Government/poor leadership
- Unifying the country
- Democracy

These aren't new problems

“The (US central bank) is one of the most-deadly hostilities existing, against the principles ... of our constitution.”

– Thomas Jefferson

“Public debt is a public curse.”

– James Madison

“(Inflation is) a gradual tax upon them.”

– Ben Franklin

“The distemper in our nation is ... certainly incurable.”

– George Washington

“Democracy never lasts long. It soon wastes, exhausts and murders itself.”

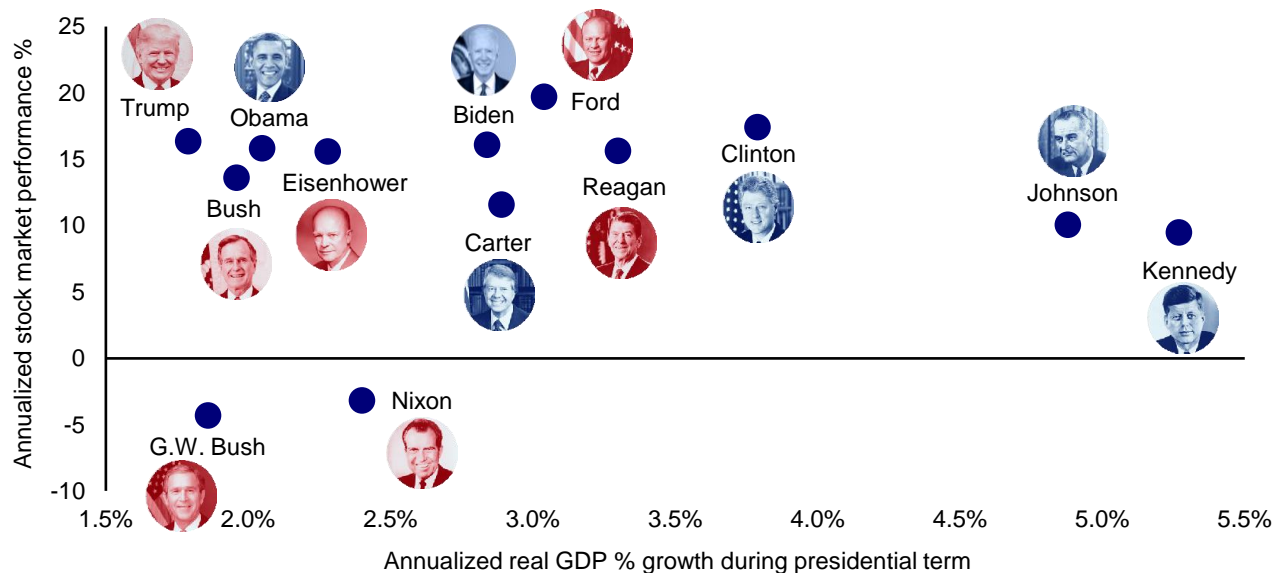
– John Adams

Markets have performed well under both parties

Neither party can claim superior economic or market performance.

The stock market posted positive returns across most administrations, with the rare exceptions of presidencies that ended in deep recessions.

Stock market returns vs. economic growth during presidential terms (1957-present)



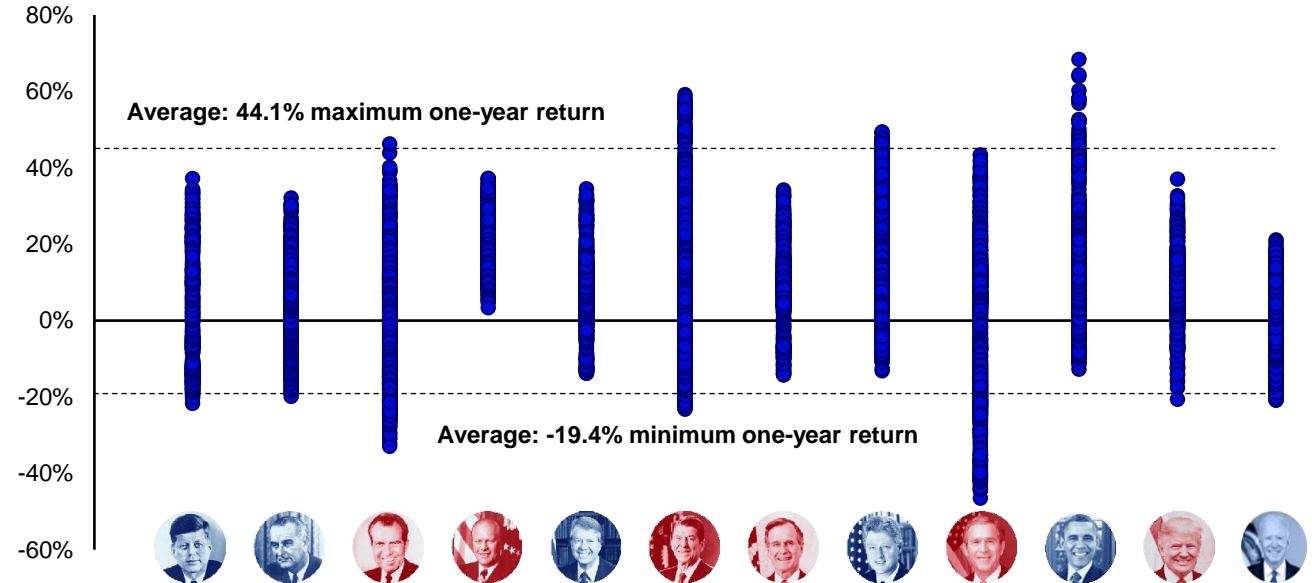
Sources: Haver, Invesco, 9/30/23. Note: President Biden's stock market performance data is from 1/20/21–9/30/23. President Eisenhower's second term only is shown. Real GDP data is from 12/31/2016–6/30/2023 because GDP is reported with a lag. Stock market performance is defined by the S&P 500 Index total return. The S&P 500® Index is a market-capitalization-weighted index of the 500 largest domestic US stocks. An investment cannot be made in an index. **Past performance does not guarantee future results.** Gross domestic product (GDP) is a broad indicator of a region's economic activity, measuring the monetary value of all the finished goods and services produced in that region over a specified period of time.

Range of market returns across administrations has generally been similar

The range of one-year market returns across administrations since 1961 has been similar.

Most administrations experienced one-year returns at or near 40% and also suffered through one-year declines of 15%–20%.

S&P 500 Index: Rolling daily one-year returns by administration (1961-present)



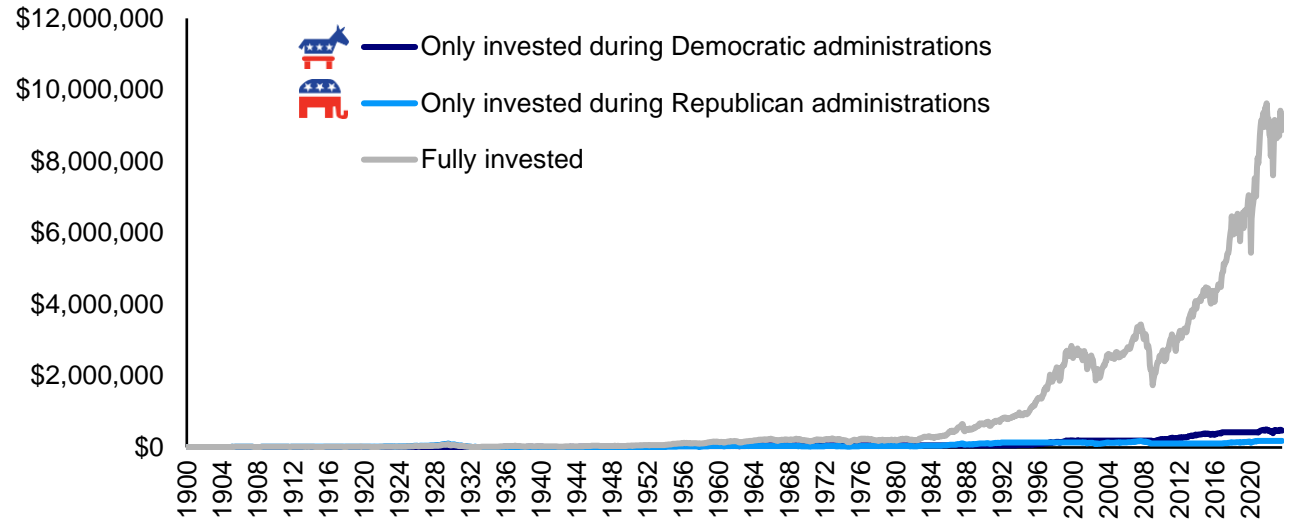
Sources: Haver, Invesco, 11/30/23. Real GDP data for President Trump is from 12/31/2016–3/31/2020 because GDP is reported with a lag. It doesn't reflect the economic decline experienced during Q2 2020. President Trump stock market performance data from 1/20/17–9/30/20. Stock market performance is defined by the S&P 500 Index total return. The S&P 500® Index is a market-capitalization-weighted index of the 500 largest domestic US stocks. An investment cannot be made in an index. **Past performance does not guarantee future results.**

Investors would have been better off “bipartisan” (fully invested) vs. “partisan”

Hypothetically, the best-performing portfolio during the past 127 years was the “bipartisan” one that stayed fully invested during both Democratic and Republican administrations.

A “partisan” portfolio, only invested during single-party rule party, underperformed by millions of dollars.

Growth of \$10,000 in the Dow Jones Industrial Average since 1896



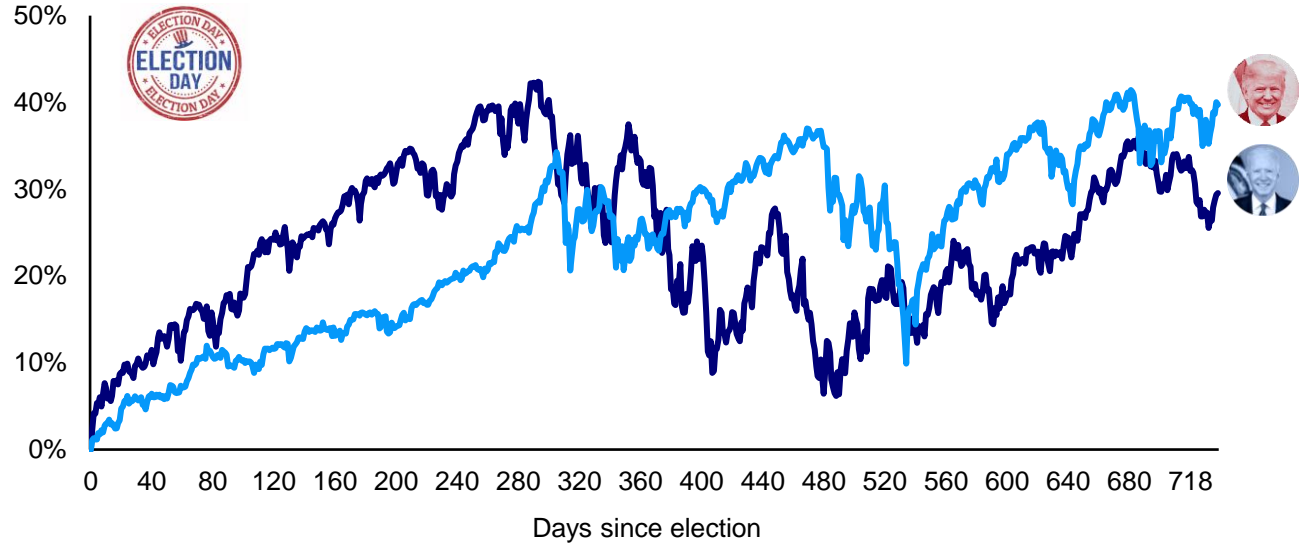
Sources: Haver, Invesco, 9/30/23. The Dow Jones Industrial Average is a price-weighted index of the 30 largest, most widely held stocks traded on the New York Stock Exchange. An investment cannot be made in an index. **Past performance does not guarantee future results.**

The “most important election of our lives” hasn’t mattered much for markets

It’s said that each election is the “most important of our lives.” The market rarely tends to agree.

In fact, market performance since President Biden was elected in November 2020 is remarkably similar to the first years of the Trump administration.

S&P 500 Index return from 2016 Election Day vs. from 2020 Election Day



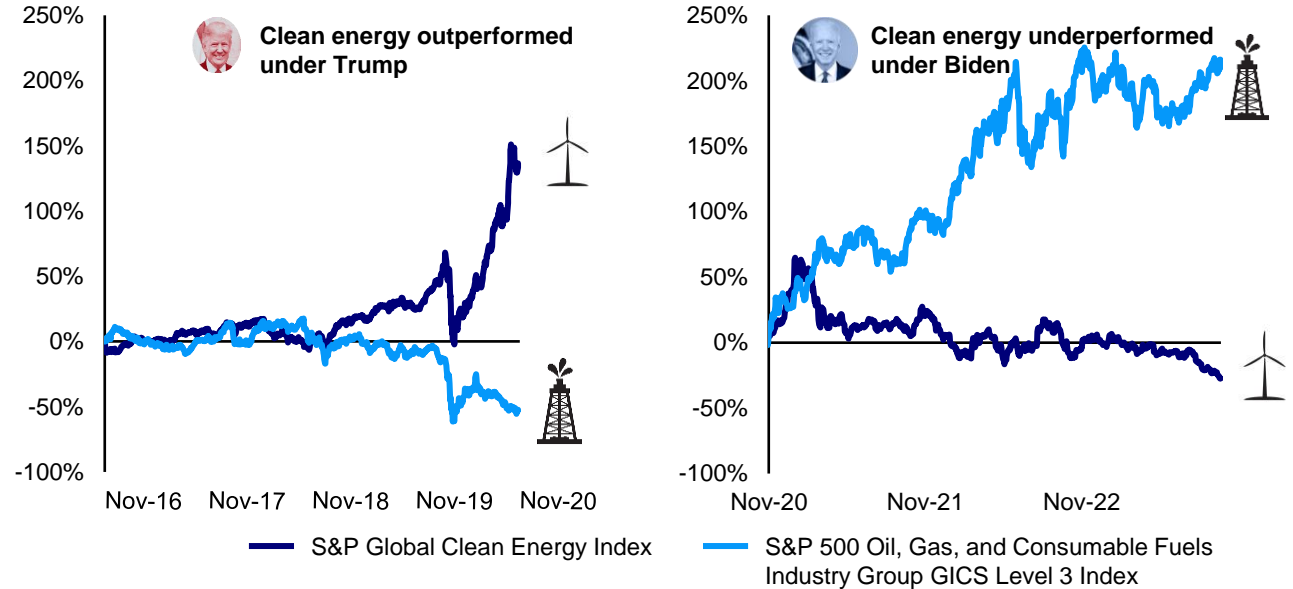
Sources: Haver, Invesco, 10/13/23. Stock market performance is defined by the S&P 500 Index total return. The S&P 500® Index is a market-capitalization-weighted index of the 500 largest domestic US stocks. An investment cannot be made in an index. **Past performance does not guarantee future results.**

“Obvious” politically focused sector/industry calls are often wrong

Be wary of the “obvious” sector/industry preferences based on which candidate or party wins the election.

For example, based on their agendas, few would have expected clean energy to outperform under President Trump and underperform under President Biden.

S&P Global Clean Energy Index vs. S&P 500 Oil, Gas, and Consumable Fuels Index



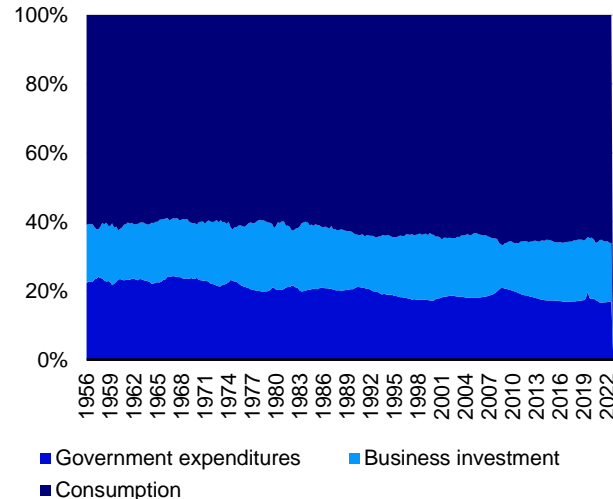
Sources: Haver, Invesco, 9/30/23. The S&P Global Clean Energy Index is designed to measure the performance of companies in global clean energy-related businesses from both developed and emerging markets, with a target constituent count of 100. The S&P 500 Oil, Gas, and Consumable Fuels Index is a GICS level 3 index, representing the oil, gas, and consumable fuels industries within the S&P 500 Energy sector. An investment cannot be made in an index. **Past performance does not guarantee future results.**

US economy isn't radically re-engineered ... even under single-party rule

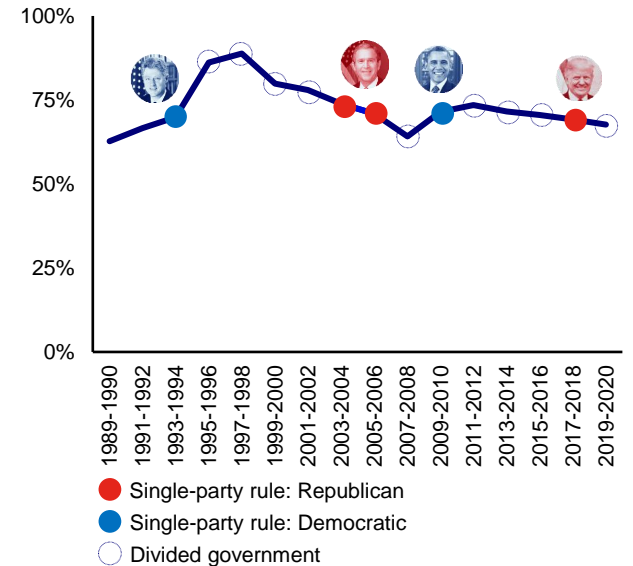
Investors are often concerned that elected officials will radically re-engineer the economy. In fact, the composition of the US economy has been consistent for decades.

Even single-party rule periods didn't result in significant change. In fact, the percent of "substantive" bills by Congressional term hasn't increased when one party controlled the executive and legislative branches.

Percentage of total US spending for major GDP components



Percent of "substantive" bills by Congressional term



Sources: US Bureau of Economic Analysis, 9/30/23 and PEW Research Center, 6/30/23. Substantive bills are defined by PEW as those that have some real-world impact, such as spending bills and setting policy, as opposed to ceremonial bills, which are intended to recognize an individual, group, or cause.

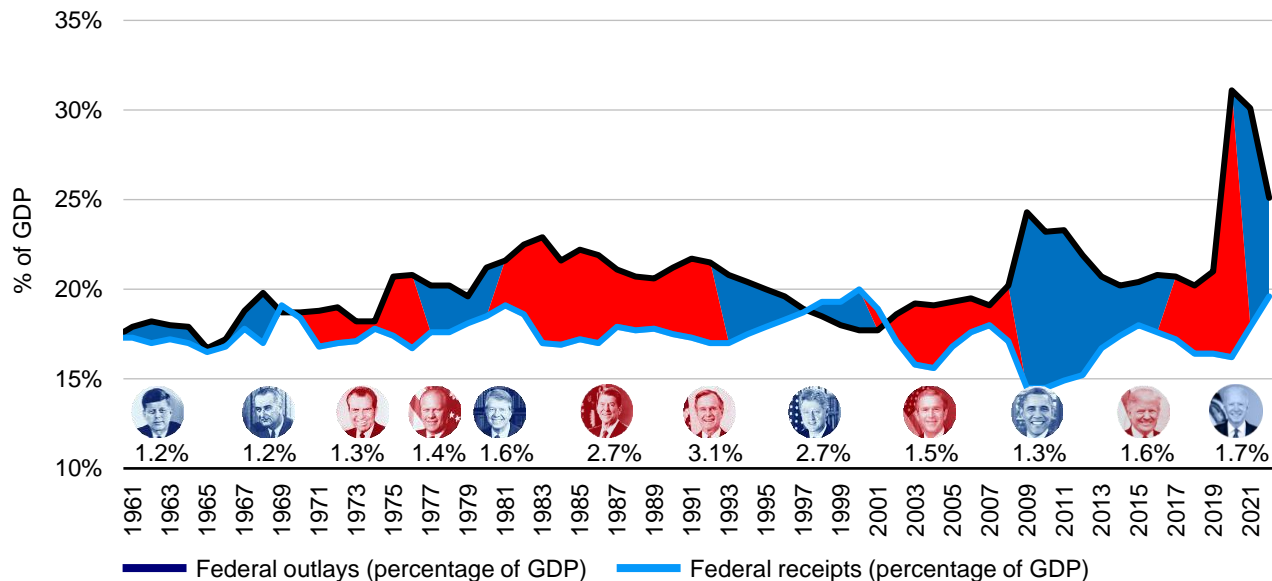
Neither party can claim fiscal responsibility; concerns are likely overstated

Federal spending has outpaced taxes and other sources of government revenue in most years and across most administrations. No party can claim fiscal responsibility.

It hasn't been a significant issue for a variety of reasons, including the US having the world's largest reserve currency and nominal economic growth outpacing the interest expense as a percent of gross domestic product (GDP).

Currently, interest outlays as a percent of GDP are below 2%, a low bar for growth to surpass.

Federal outlays and receipts as a percentage of GDP



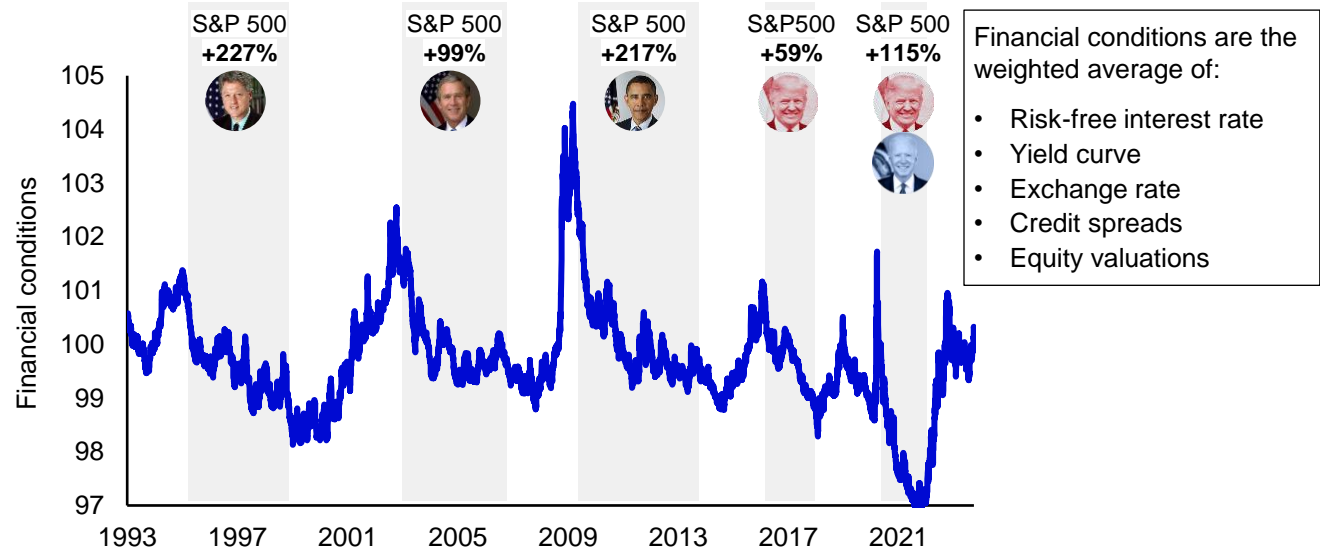
Source: US Department of Treasury, 6/30/23. Gross domestic product (GDP) is a broad indicator of a region's economic activity, measuring the monetary value of all the finished goods and services produced in that region over a specified period of time.

Monetary policy matters more

For all the focus on the executive branch, historically, it's been monetary policy that's mattered more for markets.

Historically, presidents have been helped or hurt by whether the Federal Reserve has been working to ease or tighten financial conditions.

Financial conditions and S&P 500 Index performance during easing conditions



Sources: Goldman Sachs, Bloomberg L.P., 9/30/23. An investment cannot be made in an index. **Past performance does not guarantee future results.**

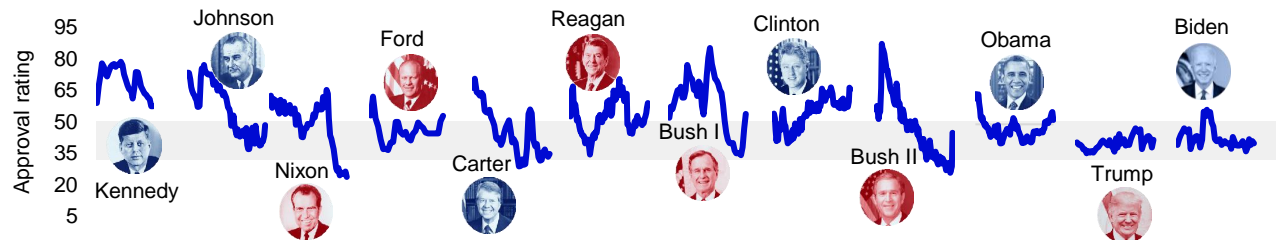
Markets don't care if you don't like who's president

Americans don't have to love the president for markets to perform well.

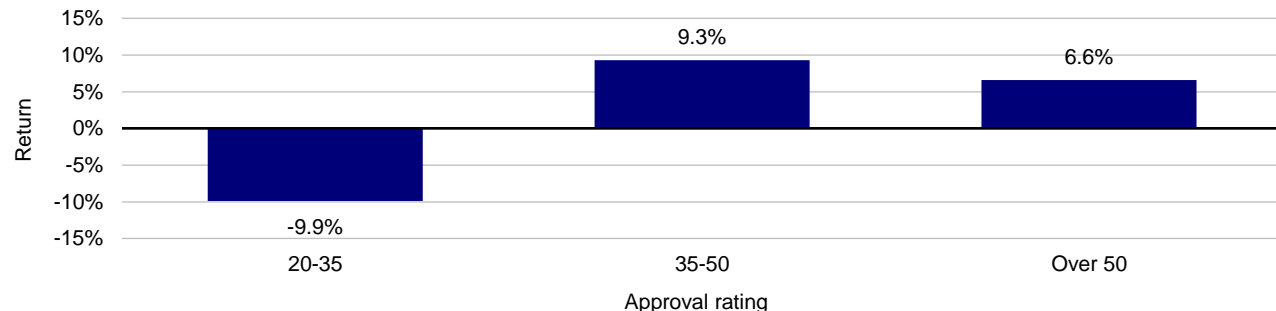
In fact, most presidents have seen their approval ratings dip below and/or persist under 50 during their administrations.

Fortunately, markets historically performed the best when the president's approval rating was between 35 and 50!

Gallup poll on presidential approval ratings



S&P 500 Index return by presidential approval rating (1961 – Sept. 2023)



Sources: Bloomberg, L.P. and Gallup, 9/30/23. An investment cannot be made in an index. **Past performance does not guarantee future results.**

When an administration starts matters

What the Reagan and Obama administrations had in common

- Terms began in recessions
- Stocks were historically cheap
- Federal Reserve policy designed to restore health to economy
- Good demographics

S&P 500 Index during President Ronald Reagan



+207%

Cumulative price return
(1/20/1981–1/20/1989)

S&P 500 Index during President Barack Obama



+234%

Cumulative price return
(1/20/2009–1/20/2017)

Sources: Bloomberg L.P., National Bureau of Economic Research, US Federal Reserve, and US Census Bureau. For illustrative purposes only and isn't meant to depict or predict the performance of any investment strategy. An investment cannot be made in an index. **Past performance does not guarantee future results.** Analysis of stock valuations is based on the price-to-earnings ratio of the S&P 500 Index, which was trading at price-to-earnings ratio of 9.1x and 10.4x, respectively, at the beginning of the Reagan and Obama terms. The average price-to-earnings ratio for the index was 16.7x from 1957 to October 2023.

Ingenuity and investment opportunities continue despite who's president

Investors should be less interested in politics and more interested in private sector business leaders who are going to harness artificial intelligence and robotics powers. They may be able to create the next generation of life sciences to cure debilitating diseases, evolve the nation's energy sources, and develop new technologies and industries that aren't even on the radar.

History suggests that innovations — and investment opportunities — will continue irrespective of who wins a presidential election.

Innovations since the 2008 election



Cloud computing



Tablets



Fitness trackers



3D printing



Social media



Rideshare



Bionic eye



Electric cars



Autonomous cars



Virtual meetings software



Gene editing



Virtual home assistants



Virtual payment systems



Smart homes



Artificial intelligence

For illustrative purposes only and not intended as investment advice.

Disclosures

Credit spread is the difference between Treasury securities and non-Treasury securities that are identical in all respects except for quality rating.

Equity valuation is how the market measures the worth of a company or investment.

Exchange rate is the rate at which one currency will be exchanged for another currency.

Risk-free interest rate is the theoretical rate of return on an investment with zero risk and it's used as a benchmark to measure against other investments that include an element of risk. Government bond yields are the most commonly used risk-free interest rate investment.

The yield curve plots interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates to project future interest rate changes and economic activity.

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Risks:

- All investing involves risk, including the risk of loss.
- In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic and political conditions.

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For US audiences:

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