

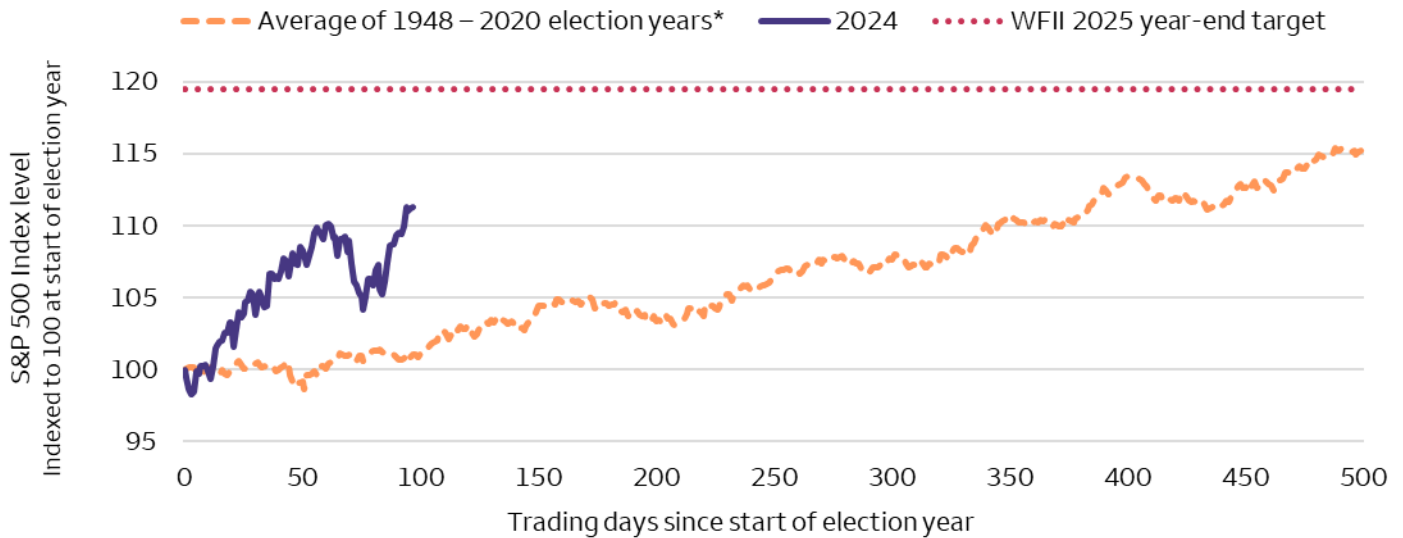


# Chart of the Week

Weekly market analysis on key market indexes

June 4, 2024

## Reason to stay in equities despite election uncertainty



Sources: Wells Fargo Investment Institute (WFII) and Bloomberg. Daily data from December 31, 1947 – May 24, 2024. \*The 1968 election year data is excluded due to the New York Stock Exchange being closed on Wednesdays in 1968 from mid-June through the end of the year.

### The S&P 500 Index has done well to start the year, but we see reason to stay invested

U.S. Large Cap Equities, as measured by the S&P 500 Index, are off to a strong start to the year — the index has gained just over 10% year to date (through May 24), toward the upper end of our 5100 – 5300 year-end 2024 target range. Despite election-related uncertainty, outperformance at this point in the election cycle relative to history, and our expectation for markets to remain range bound for most of the year, we see further potential upside into year-end 2025.

For context, the chart above looks at the S&P 500 Index’s average performance during an election year and the post-election year. On average, markets have historically seen an overall uptrend through elections, and the past three election cycles have seen particularly strong performance. Notably, these three periods also saw increasing economic growth, which we expect in 2025. Therefore, in our view, elections are not a reason to withdraw from the markets.

#### What it may mean for investors

We encourage investors to maintain their overall exposure to U.S. Large Cap Equities, on which we are favorable, and avoid siphoning off cash to time a cheaper entry point later. Trying to time markets to reinvest later is difficult, with significant drawbacks from missing out on periods — sometimes even days — of strong performance. Further, while current cash returns are attractive, we do not see it as a good place for funds to be longer term given our expectation for lower interest rates as the Federal Reserve’s rate cycle plays out.

Jeremy Folsom, *Investment Strategy Analyst*

Excerpted from *Investment Strategy* (June 3)

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### **Risk Considerations**

Forecasts, estimates, and projections are not guaranteed and are based on certain assumptions and views of market and economic conditions which are subject to change.

Equity securities are subject to market risk which means their value may fluctuate in response to general economic and market conditions and the perception of individual issuers. Investments in equity securities are generally more volatile than other types of securities.

### **Definitions**

**S&P 500 Index** is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

### **General Disclosures**

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