DIAMOND STATE
FINANCIAL GROUP

ELECTIONS & MARKETS

Why Politics & Investing Don't Mix

Source: ASSETMARK

www.dsfg.com

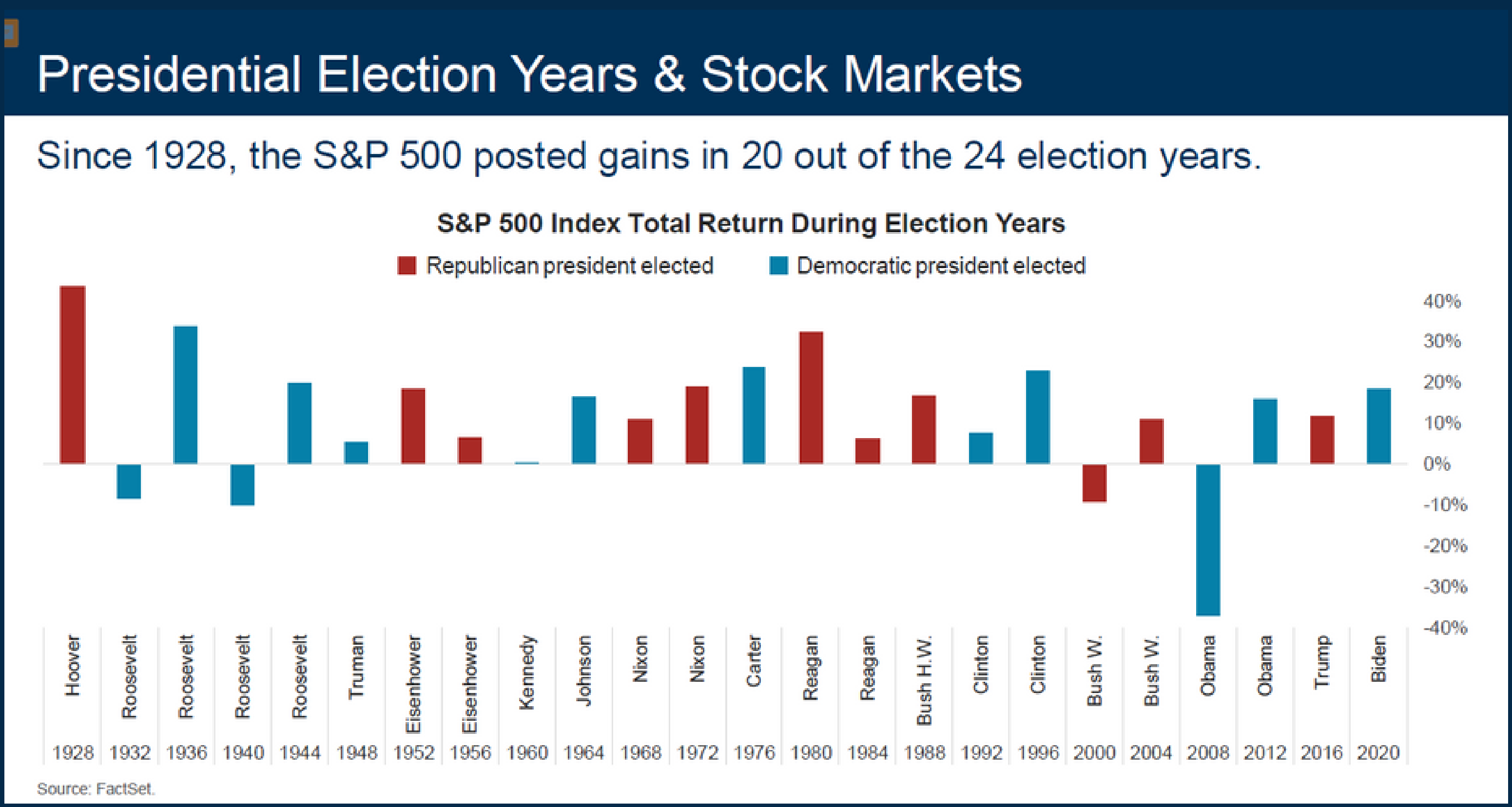
Executive Summary

• 2024, like past election years, will include both political noise and real policy change.

• It's understandable to have concerns, but history suggests election years are a nonissue for the markets.

• For many investors, the election year investment strategy is simple: Stay diversified.

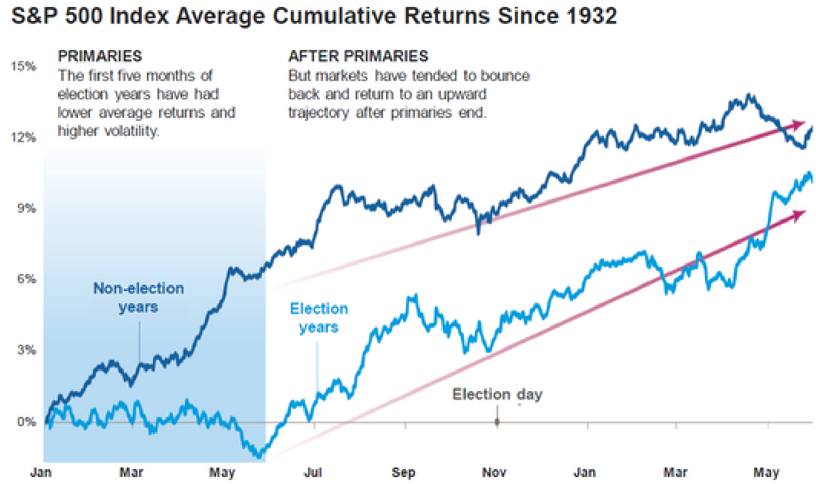
• Focus on the financial plan you and your advisor put in place.



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. The average return during these elections was 11.58%, higher than the average annual return of 9.81% for all years since 1928.

Stock Market During Election Years

Stock markets are volatile during primaries but have bounced back thereafter.



Sources: Capital Group, RIMES, Standard & Poor's. Includes all daily price returns from January 1, 1932 through December 31, 2022. Non-election years exclude all years with either a presidential or midterm elections. Past results are not predictive of results in future periods.

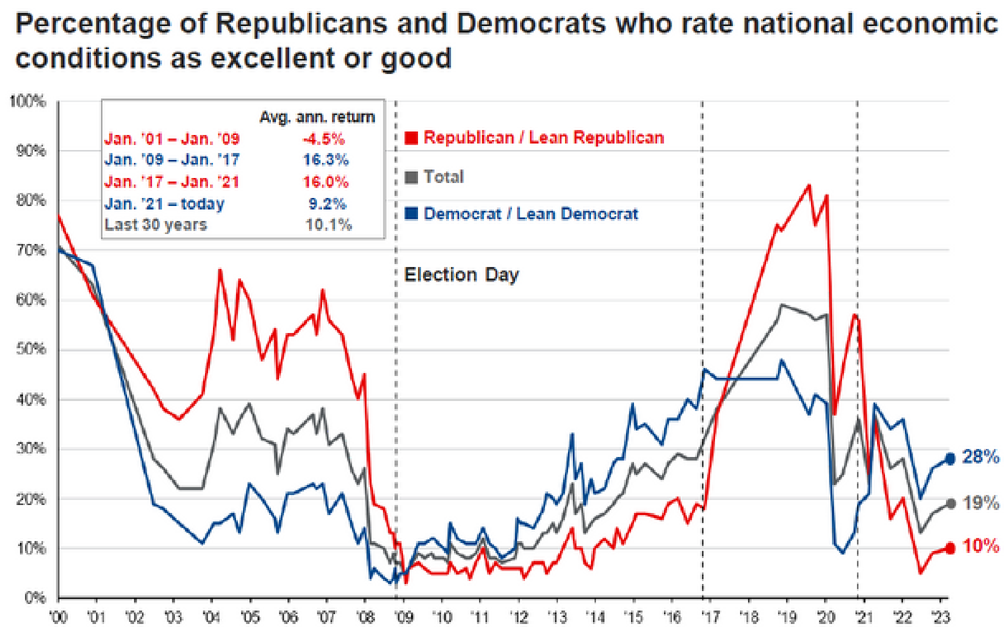
Markets hate uncertainty, and what's more uncertain than primary season of an election year? But the volatility is often short-lived. After the primaries are over and each party has selected its candidate, markets have tended to return to their normal upward trajectory.

Patient investors who stay the course have often been rewarded. Since 1932, stocks have gained an average of 11.3% in the 12 months following the conclusion of the primaries (using May 31 as a proxy) compared to just 5.8% in similar periods of non-election years.

But keep in mind, these are just averages. Investors shouldn't try to time an entry point into the market. Instead, a long-term approach can help investors withstand volatility and feel confident that markets have tended to move higher over time, even in election years.

Feelings on Economy Don't Align With Investing

Political opinions and emotions don't mix well with investing.



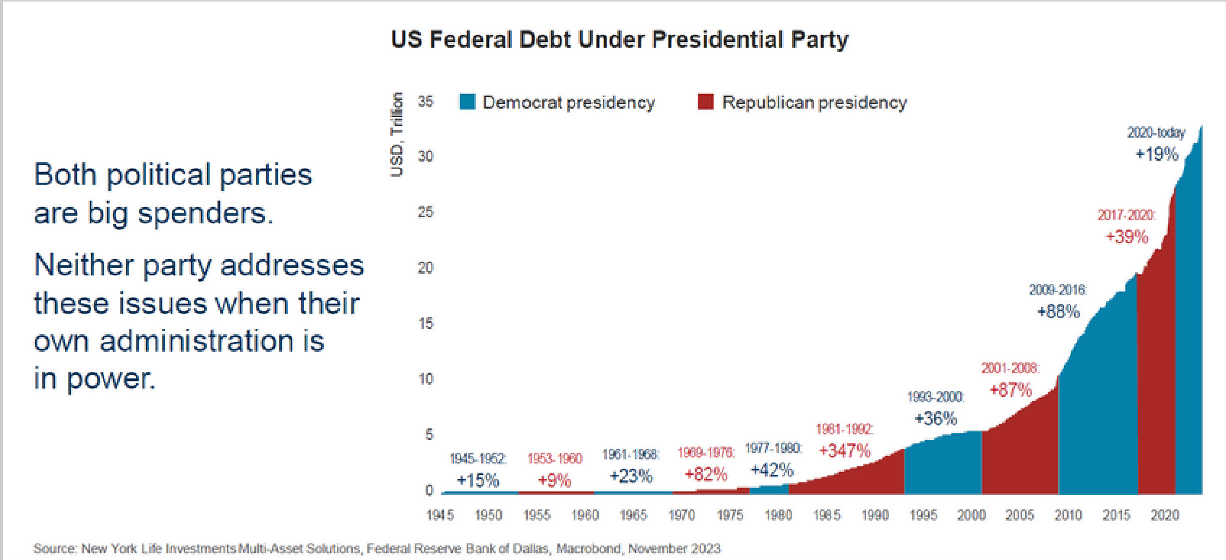
Source: JPMorgan Asset Management. Investing in an election year

This chart is a survey from the Pew Research Center asking Americans how they feel about economic conditions. The results show that Republicans often feel better about the economy under a Republican president, while similarly, Democrats often feel better about the economy under a Democratic president. Investors often make portfolio decisions based on their economic outlook.

Yet, average annual returns on the S&P 500 during the Obama administration of 16.3% and during the Trump administration of 16.0% were almost identical and higher than the average return over the last 30 years of 10.1%. It is likely the macro conditions, like ultra-low interest rates enjoyed during both Obama and Trump administrations, were a more influential driver of above-average returns during those periods, rather than the policy prescriptions each president espoused.

Investors who allowed their political opinions to overrule their investing discipline may have missed out on above-average returns during political administrations they didn't like.

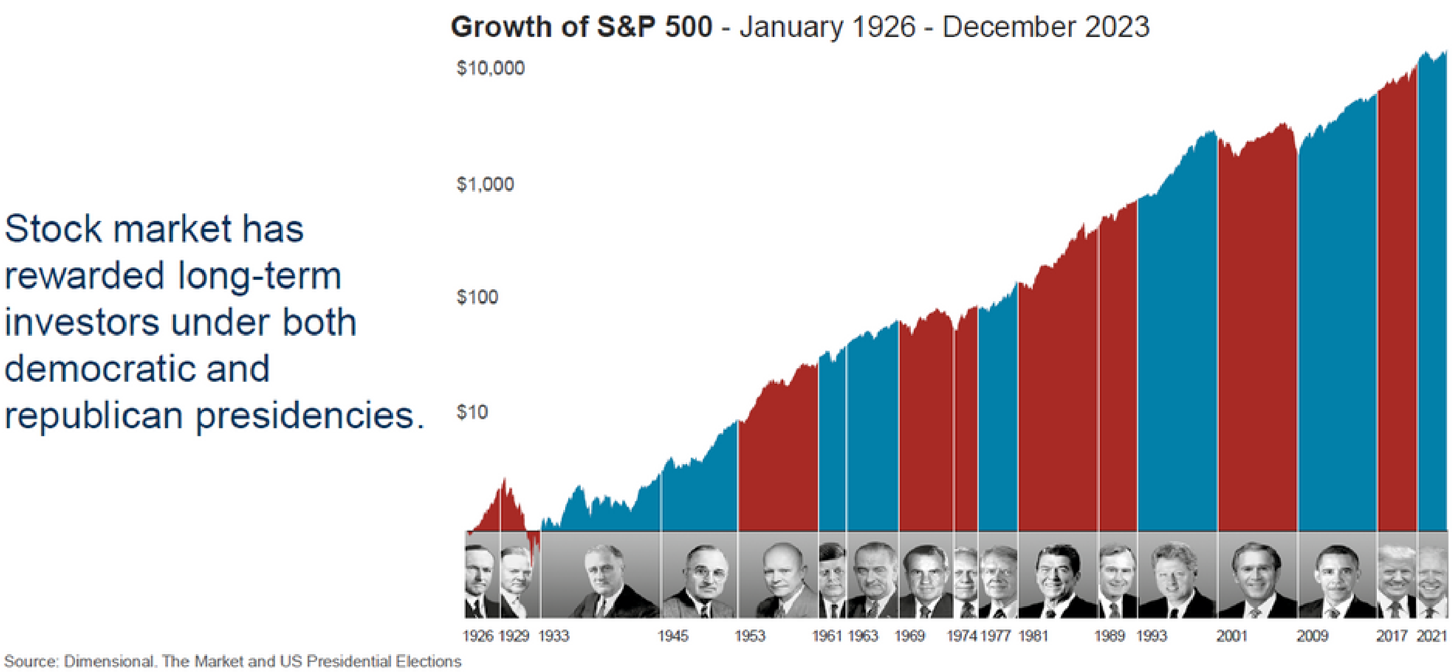
Federal Debt Remains A Shared Burden



The US faces a structural fiscal question in 2024, but we do not expect immediate resolution. The 2024 election follows several fiscal bumps. The US has hit its federal debt is likely going to be a political sore point. Sadly, this issue is not new: both political parties in the US are big spenders. Both parties agree that long-term debt management matters. Neither party addresses these issues when their own administration is in power.

Source:
https://www.newyorklifeinvestments.com/assets/documents/perspectives/mas-election-outlook-2024.pdf

Stock Market Doesn’t See Red or Blue, Simply Green



It’s natural for investors to look for a connection between who wins the White House and which way stocks will go. But regardless of who wins, nearly a century of returns shows that stocks have trended upward. Shareholders are investing in companies that focus on serving their customers and growing their businesses, regardless of who is in the White House. US presidents may have an impact on market returns, but so do many other factors—the actions of foreign leaders, interest rate changes, changing oil prices, and technological advances, just to name a few. Stocks have rewarded disciplined investors for decades through both Democratic and Republican presidencies.

Source: https://my.dimensional.com/dfsmedia/f27f1cc5b9674653938eb84ff8006d8c/41897-source/the-market-and-us-presidential-elections-us.pdf