SIGNATURE RESOURCES
CAPITAL MANAGEMENT

Commentary: October 2020

FOUR MORE!! FOUR MORE?!

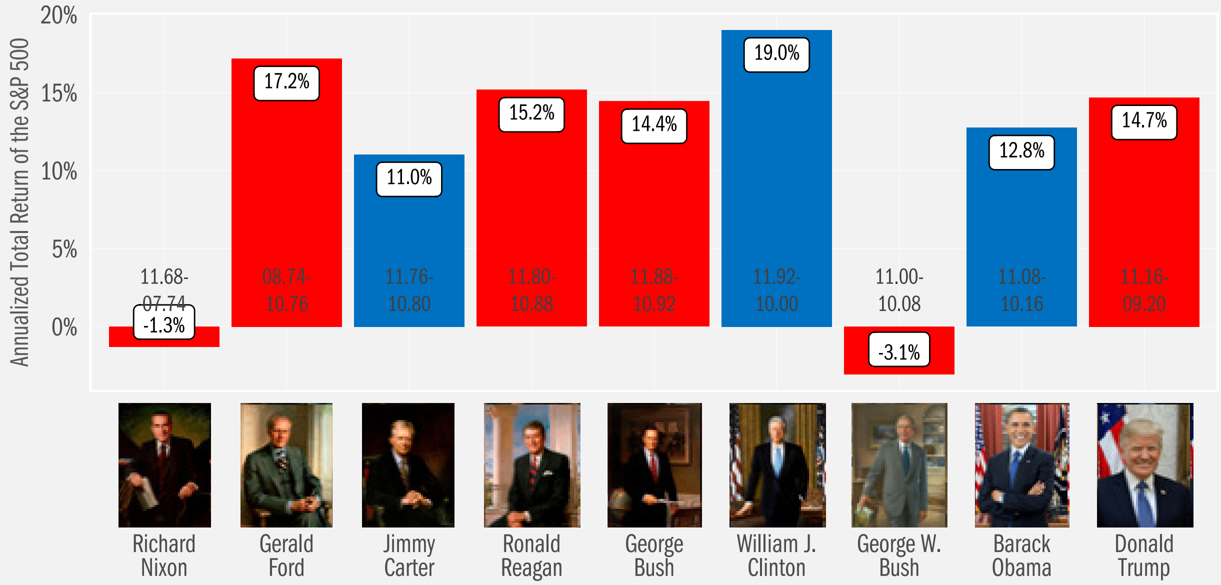
Every four years, the United States heads to the polls to determine who will lead the country's executive branch. And every four years, fears soar that another term for the current president will further wreck the place, just as anxieties grow that a win for competitor assuredly will lead to disaster. Much as we'll admit those worries might not be found totally unfounded, history shows that such concerns generally are overdone, no matter their bias. While near-term volatility may well rise as the country proceeds through this election cycle, we think investors will continue to be served better by aligning investment decisions with long-term-oriented financial plans.

By Chance Different

Will this time be different? We think the answer is yes, but only in manners similar to the ways market performance during past presidential terms vary one to the others. That is, we expect any presidential term to experience the same sorts of random volatility seen in the past, not just over four- or eight-year increments, but also across days, months, years, decades and longer. Even more, we continue to expect that matters outside the control of the president are likely to feature more strongly in terms of reasonably definable drivers of market performance.

Figure 1: Market Returns Across Recent Presidencies

Market performance seems just as random from election to election and from one presidency to the next, as history shows it is from month to month, year to year and decade to decade

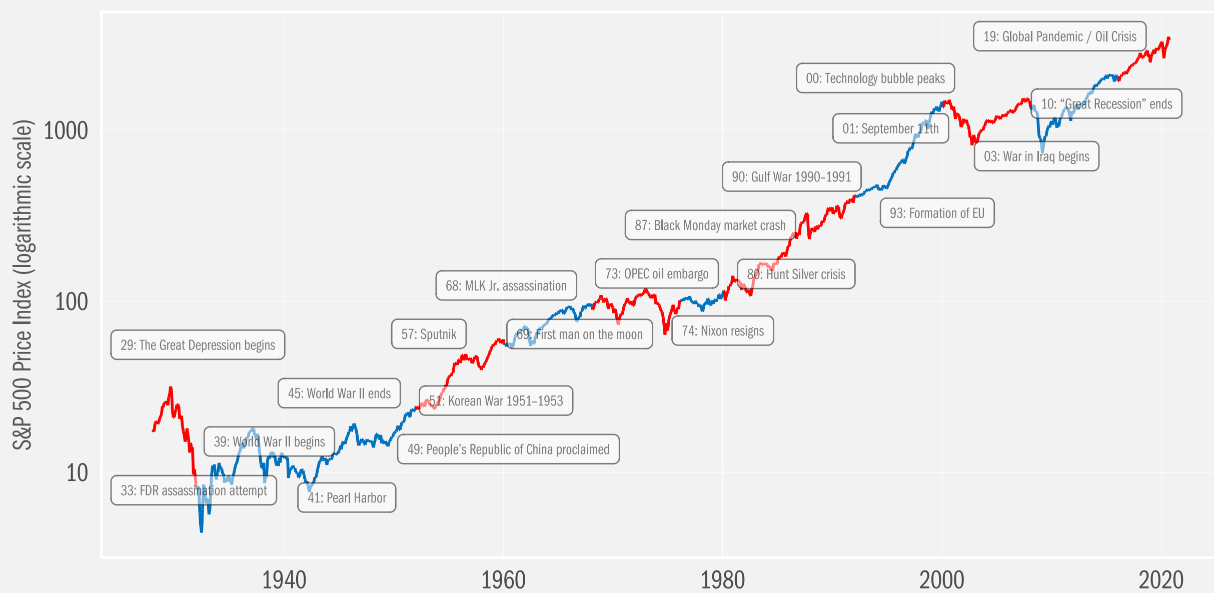


From 10.31.68 through 09.30.20. Calculated using the months noted. As markets already have begun to consider the incoming administration, we used the full month of November as the starting month for each term. Some terms not fully covered by available total return data. SOURCE: Bloomberg and S&P Global via Dimensional Fund Advisors. Images from whitehouse.org

What's 'Round the Corner

Much as so many of us would like to believe otherwise, any individual president likely has played only a minor role in what has proved the historical long march upward in the domestic stock market. Indeed, if we had to point to major market inflections, we'd rarely list any related to an individual president. And even if we did, longer-term history shows the market recovering from all major dislocations outside of the one that's taken hold of the market in the past month.

Figure 2: Presidential Parties and Long-Term Performance



From 12.30.1927 to 09.30.2020. Events point to year, not specific date. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from various sources. S&P 500 Price Index data from Bloomberg. Presidential Party data from the U.S. Electoral College

The market is a forward-looking machine, with all investors providing inputs to be processed. As with any prognostication, some of our inputs in hindsight will be "right" and some "wrong". Even the market through time may be seen as having been right or wrong over any given period. Nonetheless, one could say that the market tends to catch up to reality at some point, but only after adding the caveat that the next round of events already is being contemplated, with expectations constantly being factored into the ever-changing mix of views. And so we are left with the conviction that ignoring even the din related to the U.S. election cycles (Congressional, included) should prove a more fruitful path for most investors with reasonably long-term investment time horizons.

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