



STILL UNDECIDED

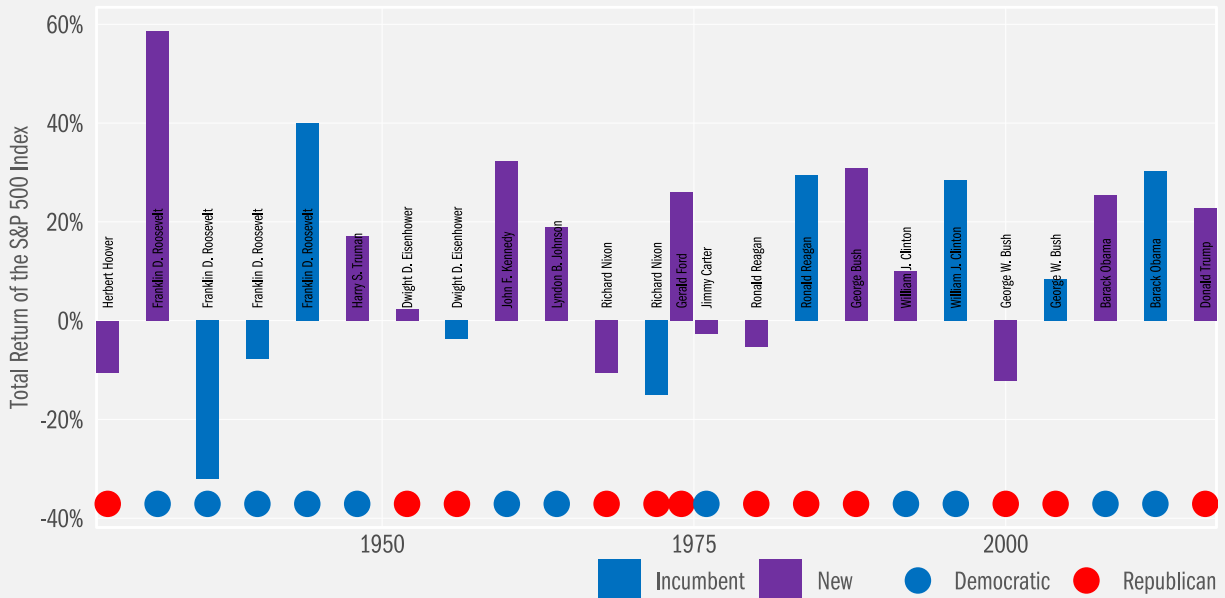
No, we don't mean the election. We mean the market. Once the presidential election has been resolved, investors tend to shift their focuses to the likely big initiatives the winner will seek to execute as the new term begins. Even the best laid plans run into the realities of governing, though, and earlier investor expectations tend to prove off base. The upshot...market movements in the first year of a presidency can be seen as random as any other way we might slice market history. Best approach then, in our view as always, is to have a plan and stick to it regardless the outcome of any election.

Mind Made Up?

Well, we still do not know who won the presidential election. Nor do we know to whose side the majority in the Senate will fall. But we saw in the tape overnight and through today no small amount of what might be seen as investor repositioning for what had been an unexpected outcome. Could also be that this result is what had been expected in the aggregate, but that investors had yet to give voice to that view with trades. Let's not forget, though, it's always virtually impossible to know exactly what connects market activity to investor views over non-instant time frames. In the same sense, it's quite near impossible to connect market activity with presidential parties, length of terms, shifts in incumbency or any other metric.

Figure 1: Market Returns During First-Year of Presidencies

Market performance remains random during a presidential first year, whether the winner was the incumbent or the successor, Democrat or Republican



From 10.31.28 through 10.31.20. Calculated using the months noted. As markets already have begun to consider the incoming administration, we used the full month of December as the starting month for each first year. SOURCE: Bloomberg and S&P Global via Dimensional Fund Advisors

Controlling What We Can

Lest one attempt to predict how markets will evolve from here, we think it's important to remember that "investors" are no more monolithic than is the U.S. electorate or any slice thereof. The balance of buyers and sellers may set the market in motion, but the characteristics and choices of those groups at any moment are indeterminate. So the manner in which the domestic investible markets will evolve from here is unknowable. We know we offer that sentiment often on these pages. But, we think it's among the most important messages we can provide, if for no other reason than—if our e-mail inboxes are any indication—there are more than a few folks out there who suggest otherwise.

That's not to say, though, that individual perspectives are not to be considered in how we position portfolios relative to the expected range of outcomes. Markets will perform as they will; we always may choose how to participate in the various types of risk likely to go along with that performance. We therefore continue to welcome discussions with regard to matters—related to this election and otherwise—that might impact individual financial situations.

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