Four-Year Expectations

COMMENTARY
June 2024

The are many questions regarding market expectations that we tend to find sufficiently addressed using historical data. "What's your outlook for returns over the next x years?" generally gets a, "Well, historical x-year returns show a range of y% to z%, so likely something within that range." The answer may not be satisfying, but it tends to be sufficient. We often have more difficulty fostering comfort with the idea that market outcomes seem to have ignored presidential political identities. Nonetheless:

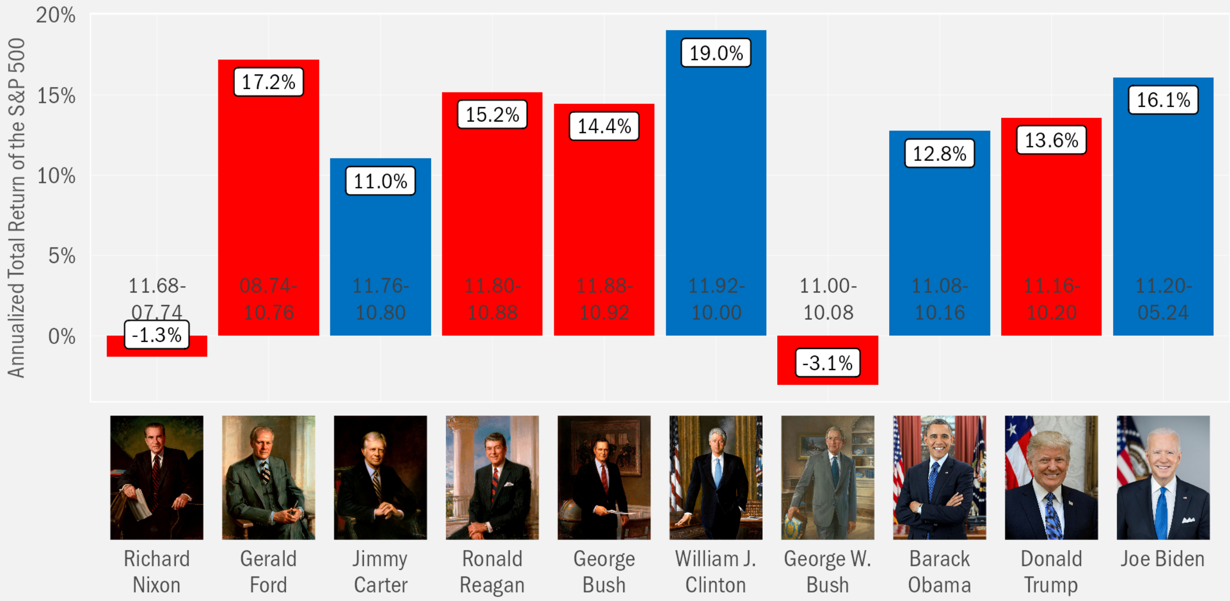
- No matter the slice or dice, market returns seem independent of the White House resident
- Regardless the political persuasion, sitting out of the market during any particular president's term(s) generally would have proved costly in terms of foregone gains
- Markets do not care what any individual, or even any large group of individuals, wants to see happen
- Neither does what one believes should have happened represent past performance
- We think it best to align exposure to investment risk with comfort to assume that risk in the context of longer-term market history, which...again...seems not to care who the U.S. president is

Knowable Risks

History suggests the domestic stock market seems broadly immune to the policies of any particular president or political party. It's true that policies (e.g., changes in tax policy) may present short- and long-term market-supporting effects. But we tend to believe that shorter-term meaningful and durable deviations from average returns generally can be attributed to broader macroeconomic and/or geopolitical factors often well beyond the immediate control of the U.S. president. History therefore suggests in this context as well that, if we are to worry about anything, it's the unexpected that should limit our enthusiasm for investment risk far more than should our opinions on the known policies of a sitting president or of those running for that seat.

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

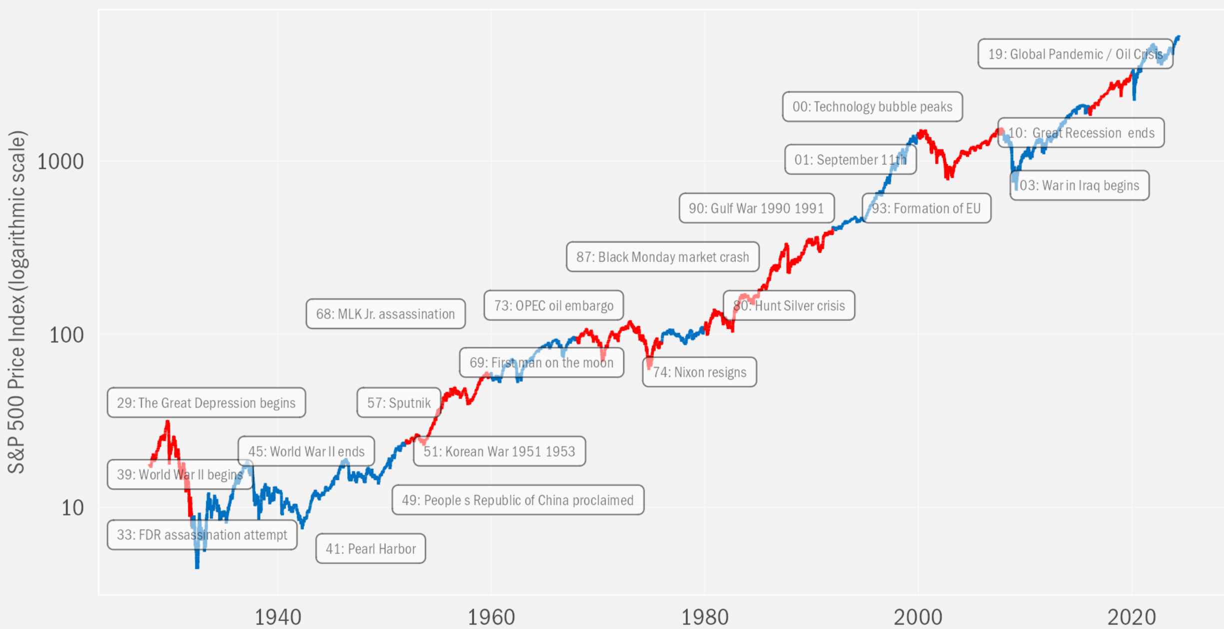


From 10.31.68 through 05.31.24. Calculated using the months noted. As markets already have begun to consider the incoming administration, we used the full month of November as the starting month for each term. Some terms not fully covered by available total return data. SOURCE: Bloomberg. Images from whitehouse.org

Bigger Picture

Much as so many might 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, one would be hard pressed to attribute the shift to the actions of an individual president. And even if we succeeded in defending such attribution on wonders if…at the time…one could have taken advantage of such forethought with a fruitful trade. With the S&P 500 Index sitting not far from its all-time peak, we are left with the conviction that ignoring 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.

Figure 2: Presidential Parties and Long-Term Performance



From 12.30.1927 to 05.31.2024. 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

Important Information

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