

Election Commentary

November 2024

As historic election results roll-in with what looks to be a potential red sweep in the US, markets are rallying with asset class performance, including a boost to equities and the US dollar, reflecting views on Trump's likely policy agenda: a more protectionist but business friendly regime with lower regulation and reduced individual tax rates. We caution investors for making any significant changes in their investment portfolios based on the election outcome. Instead, we believe investors, over the next few months, should monitor the aftermath of the election with the following lens:

1. **Economic impact.** While there are important policy and sector implications, the overall economic impact of the election is unclear.
2. **Federal reserve policy.** The Fed may slow monetary easing if fiscal policy becomes looser, with higher deficits.
3. **Volatility.** Manage portfolios for continued uncertainty, notably trying to avoid point-in-time risk.

In the post-election hype, it can be tempting to try to pick sectors that would benefit from specific election outcomes. Such predictions do not always play out as intended,

however. For example, many investors believed the Biden presidency would lift the value of "green" energy stocks, and the 2022 passage of the climate focused Inflation Reduction Act seemed to validate that stance. Yet from President Biden's inauguration date through the end of 2023, the S&P 500 Energy Index nearly doubled, while the S&P 500 Global Clean Energy Index fell by 50%*

In this case, macroeconomic forces trumped policy action. Oil prices rebounded as the global economy emerged from the pandemic; Russia's invasion of Ukraine caused oil prices to spike 33% in just two weeks; and supply limitations — possibly resulting from policy-driven restraints on investment — supported higher oil prices and increased energy companies' profitability.

This is just one example. Remember that historically, it has been difficult to invest in sector themes related to election outcomes. As the table below illustrates, there have been few if any clear connections between sector performance and the party that wins the White House.

The most important thing to remember is that over long periods of time, it is advisable to invest in well diversified portfolios that are designed to provide strong trade-offs between risk and return.

Relative sector performance in presidential election years since 1976

Election years in which each sector underperformed or overperformed the S&P 500

	Underperforming years								Outperforming years							
Energy																
Communication services																
Financials																
Industrials																
Consumer discretionary																
Consumer staples																
Utilities																
Technology																
Materials																
Health care																

Democrat elected

Republican elected

Source: Fidelity, Strategas Research Partners, 11/5/23

*<https://am.jpmorgan.com/us/en/asset-management/protected/adv/insights/market-insights/market-updates/on-the-minds-of-investors/how-much-does-policy-influence-sector-performance> 1/10/24.



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Indexes are unmanaged and cannot be invested in directly. Index performance does not include fees and expenses an investor would normally incur when investing in a mutual fund. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

The S&P 500[®] Energy comprises those companies included in the S&P 500 that are classified as members of the GICS[®] energy sector.

The S&P Global Clean Energy Index is designed to measure the performance of companies in global clean energy-related businesses from both developed and emerging markets, with a target constituent count of 100.

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