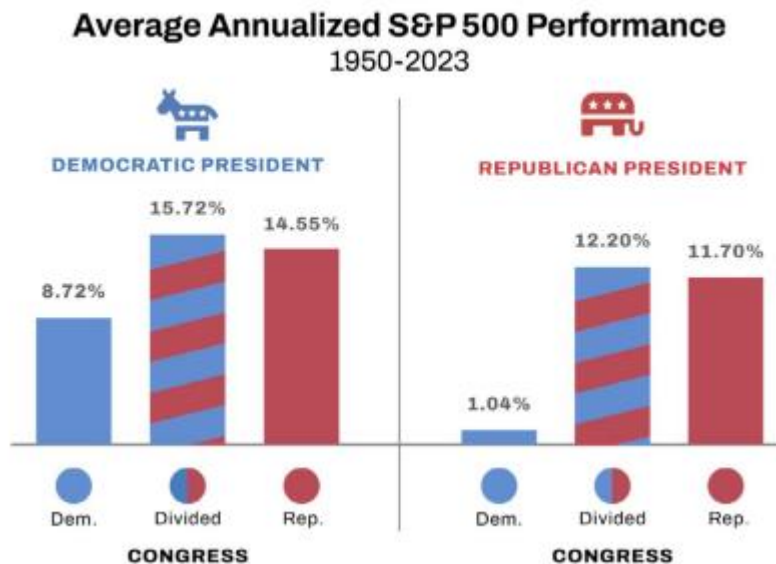




With Election Day 2024 over and control of Congress still undecided, clients may be wondering what this means for their portfolios and financial future. What policy changes will be made? What impact will those changes have on the markets? While they are valid concerns, it's important to note that historically, economic fundamentals have driven the markets more than which political party is in control.

The graphic below shows the annualized market performance over the last 18 presidential elections. Historically, markets have often performed well under a divided Congress. This is typically seen as a period of political gridlock, where no single party has full control to enact major policy changes. Gridlock can sometimes be seen as a positive for markets, as it reduces the likelihood of drastic policy changes (ex: tax hikes, regulatory overhauls) that might create uncertainty.



Source: YCharts

With divided government, investors may feel more confident because the chances of sweeping reforms (such as dramatic tax increases, healthcare overhauls, or new regulations) are reduced. The compromise necessary in a divided government can lead to a more stable economic environment, even if political leaders can't agree on everything.



Key Takeaways for Investors

1. Market Performance Across All Political Environments

- **Positive Returns Across the Board:** While historical data shows differences in performance based on political composition, the stock market has generally posted positive returns under all six possible government compositions (divided or unified, with either party in control).
- **Long-Term Trend:** The long-term trend in the stock market has been upward, regardless of the political party in power. This reinforces the importance of **staying invested for the long term** rather than reacting to short-term political events.

2. Focus on Economic Fundamentals, Not Just Political Outcomes

- While political control can influence the market, the most important factors driving long-term portfolio growth are **economic fundamentals**—like GDP growth, corporate earnings, and consumer spending—not simply which party controls Congress. A focus on diversification, long-term growth, and risk management is still key to navigating political cycles.

3. Expect Short-Term Volatility

- Elections, particularly in polarized times, can lead to short-term market volatility. Investors may feel nervous about potential policy changes or government dysfunction, but as the market has shown historically, these fears often subside over time. Keeping a diversified portfolio and maintaining a long-term perspective helps mitigate this risk.

4. Stay focused on your financial goals

- It can be easy to get caught up in the emotional highs and lows that come with political elections, market fluctuations, or news cycles. However, the most effective way to build and protect wealth over time is to stick to a **long-term, goal-based investment strategy**—regardless of the current political environment or short-term market sentiment.