Election Tunnel Vision

Curt R. Stauffer
October 14, 2024

Subscribe

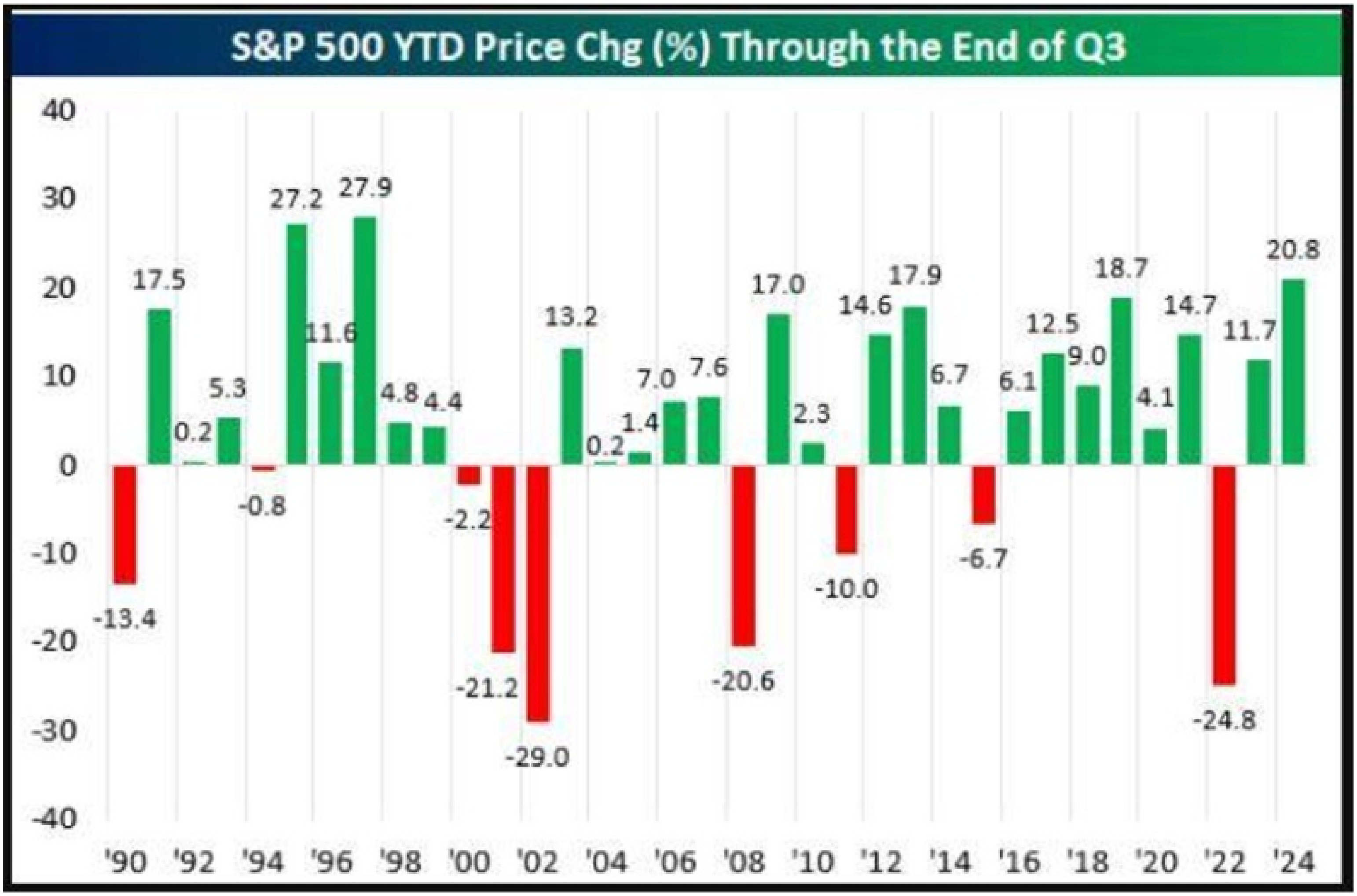
This is the last monthly investment commentary that I will write before the 2024 Presidential election. I have spoken to some of you and there has been a common thread that is evident. That thread is essentially a concern about the election result and the equity markets.

My “go to” answer to this concern has been that the election result itself has historically not been a market mover. However, it is very common for the markets to advance following a definitive outcome in what in the industry we call a “relief rally.” The markets typically do not price in a winner to a Presidential election in any meaningful way, but the markets do tend to price in uncertainty. When that uncertainty is put to rest the markets have historically rallied as the uncertainty hedges are lifted.

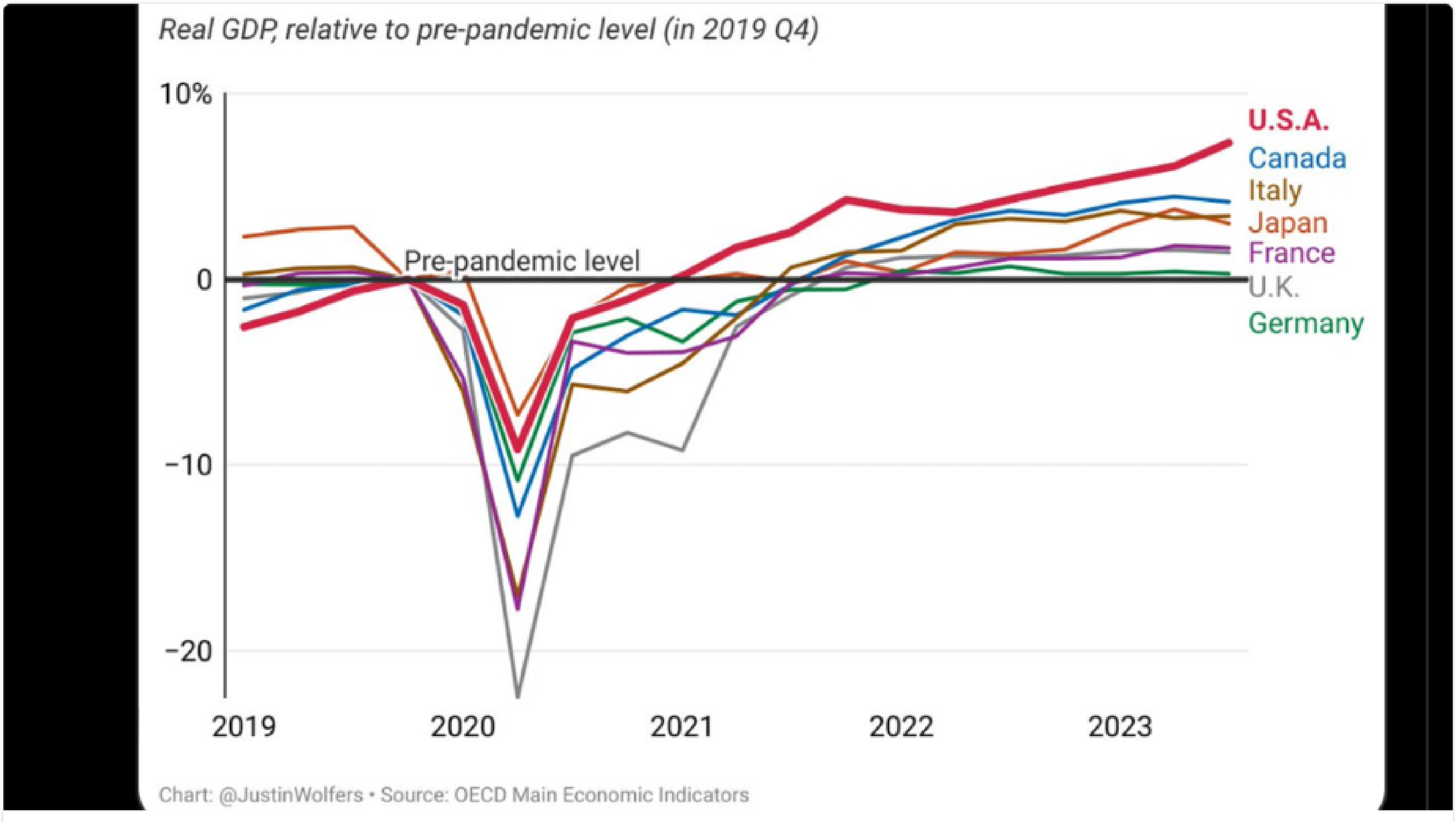
Of course, past performance is not a guaranty of future results. We cannot know what is unknowable and that is no truer than trying to predict markets in the short-term. As with virtually any known unknown like an election outcome we do not attempt to place bets. We instead stay focused on our clients’ long-term strategies and look for market induced opportunities that we can take advantage of to enhance the effectiveness of these strategies.

Because we are not betting on an election outcome with our clients’ money, we are not feeling any anxiety over the impending election outcome from a market standpoint. That being said, we must be concerned, after the last Presidential election, that forces may insert themselves into the transition period between the election and inauguration which reintroduce uncertainty, and therefore delay the market’s ability to price in certainty.

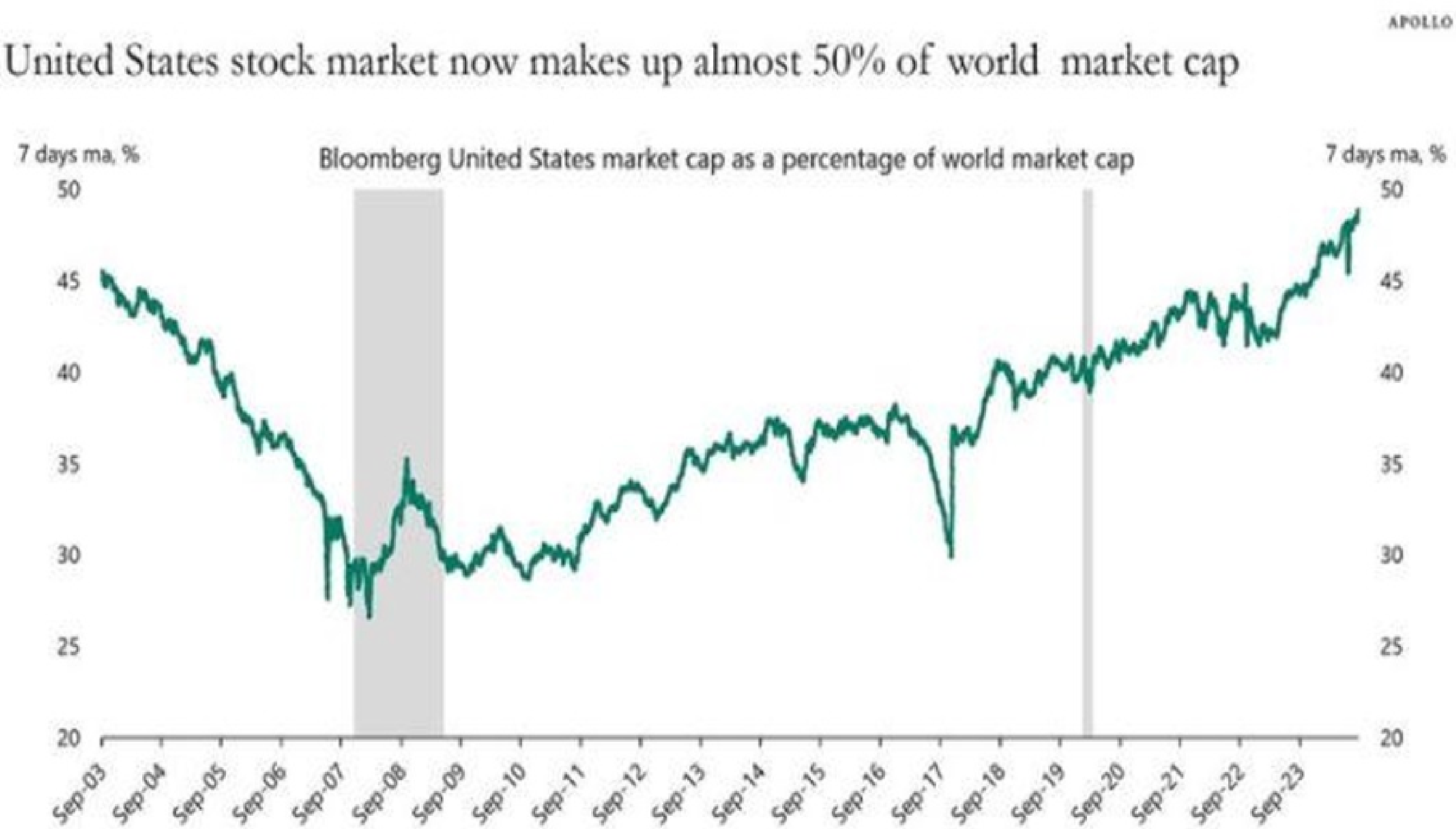
Pre-election anxiety is not being reflected in the markets. In fact, through the first nine months of 2024 the S&P 500 has risen by more than any other nine-month period ending September 30th since 1997. This significant market advance is shown below:



As fundamentally centered investors, we believe that when you strip out all of the short-term noise, markets rise and fall on economic fundamentals and how such fundamentals drive growth, profitability, and cash flows of businesses. Businesses have been performing very well as economies around the world have emerged from the pandemic and this is especially true in the United States. See the chart below that illustrates the relative performance of the United State economy over the last several years:



The superior performance of the U.S. economy post pandemic has resulted in U.S. businesses and equity markets, by extension, continuing to outpace our international peers. This superior performance has resulted in U.S. equities markets that dominate the market capitalization when viewed relative to all global equities in aggregate.



Looking back over my 35 years as a professional in the financial services industry I cannot recall a period of time when the United States has so dramatically outperformed our global peers and our domestic businesses have been so dominate.

So, as we are inundated with political rhetoric, some expressing very dire views of our great nation, as investors the negativity runs counter to our experience as illustrated above. As U.S. investors, we are investing in the superiority and promise of U.S. capitalism and our shared experience over the last 10, 20 and 30 years has greatly rewarded our U.S. centric investment strategy.

Advisory services are offered through CS Planning Corp., an SEC-registered investment advisor.

Disclosure:

The views and opinions expressed are for informational and educational purposes only as of the date of writing and may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities, and should not be considered specific legal, investment, or tax advice. The information provided does not take into account the specific objectives, financial situation, or particular needs of any specific person. All investments carry a certain degree of risk, and there is no assurance that an investment will provide positive performance over any period of time. The information and data contained herein were obtained from sources we believe to be reliable, but it has not been independently verified.

Forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

Past performance is no guarantee of future results.

Any market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes.

Exchange-traded funds (ETFs) are sold by prospectus. Please consider the investment objectives, risk, charges, and expenses carefully before investing. The prospectus provides a balanced analysis of the investment risks and benefits. Read it carefully before you invest.

- The Standard & Poor's 500, or simply the S&P 500, is a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States. It represents the stock market's performance by reporting the risks and returns of the biggest companies. Investors use it as the benchmark of the overall market, to which all other investments are compared.
- The NASDAQ Composite Index is a large market-cap-weighted index of more than 2,500 stocks, American depositary receipts (ADRs), and real estate investment trusts (REITs), among others. Along with the Dow Jones Average and S&P 500, it is one of the three most-followed indices in US stock markets. The composition of the NASDAQ Composite is heavily weighted towards information technology companies.
- The Dow Jones Industrial Average (DJIA), also known as the Dow 30, is a stock market index that tracks 30 large, publicly owned blue-chip companies trading on the New York Stock Exchange (NYSE) and the Nasdaq.
- The Russell 2000 index is an index measuring the performance approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest US stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the United States.

By Curt R. Stauffer
October 14, 2024

Weekly insights delivered directly to your inbox.

Your Name

Email Address

Phone Number (optional)

Sign Me Up