

Presidential Elections

2024 brings the 60th election which will determine who will serve as either the 46th or the 47th U.S. president. Since 1852, the president has been a member of either the Democratic Party or the Republican Party, with Republicans holding the edge at 24 election victories to 19 Democratic wins. Events preceding an election year likely shaped an election outcome, and the outcome in turn likely influenced post-election-year trends. With varying lead and lag times, election outcome cause and effect are difficult to determine. A review of concurrent presidential election year events may be informative for investment strategy ahead.

PERSPECTIVE

Annual measures of U.S. economic growth date from 1930. **Chart I** shows real U.S. GDP rates for presidential election years from 1932. The average growth rate through 2020 was +3.5%. Growth in years of Democratic wins was modestly below average while growth in years of Republican victories was modestly above average. Growth rates for the past four presidential election years have been below average. Three presidential elections have occurred in years when the economy experienced contraction - 1932, 1980 and 2020. The presidential election outcome each year resulted in a change in political party for the presidency. While positive real growth for 2024 is the consensus forecast at this time, contraction concerns loom in the background.

High rates of inflation have occurred since the last presidential election and are a focus of attention leading up to the election ahead. **Chart II** shows Consumer Price Index rates for presidential election years from 1932. The average inflation rate of +2.8% in election years has been below the +3.4% average rate for any calendar year since 1932. Among election years, inflation has been below average at +1.8% in years of Democratic wins and above average at +4.0% in years of Republican victories. No direct relationship emerges from rates of inflation within election years themselves and election outcomes although prior inflation trends were a likely influence. The current +2.4% consensus inflation outlook for 2024 is a notable improvement from +8.0% in 2022.

Have presidential election years favored investors? **Chart III** shows the wide range of returns for the Dow Jones Industrial Average ("DJIA") in presidential election years from 1932. The high of +28.9% in 1996 occurred when an incumbent Democrat was re-elected. The low of -31.9% in 2008 occurred with a change in political party for the presidency. The average DJIA return of +6.0% in election years has been well below the +10.2% average return for any calendar year since 1932. Among election years, the DJIA return has averaged +4.0% in years of Democratic wins and +8.6% in years of Republican victories. Presidential election years offer limited insight for stock market returns.

INVESTMENT IMPLICATIONS

Presidential elections are important for their impact on government policy direction that follows. The impact of election outcomes themselves on investment returns is a bit less direct. Government policies and changes therein certainly can impact rates of economic growth and inflation. These rates in turn influence outcomes for corporate profits and interest rates, the fundamentals of stock and bond returns. Presidential campaigns are filled with rhetoric, sound and fury. Successful investing rests on assessing what really matters.

CHART I

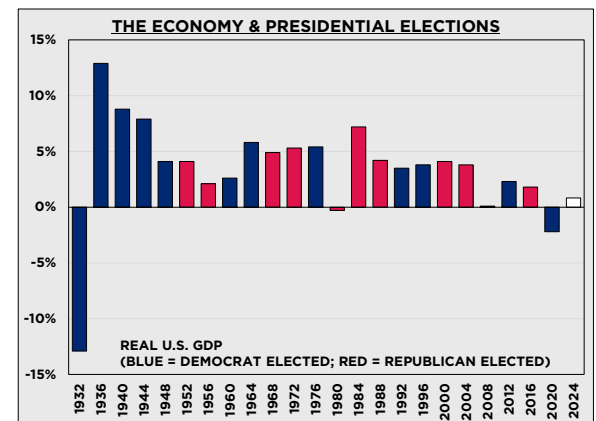


CHART II

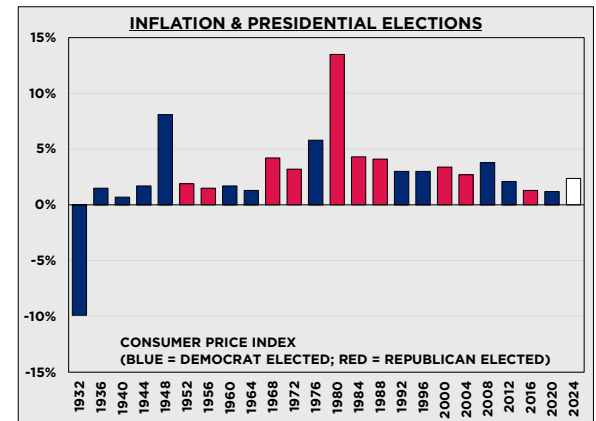


CHART III

