

SHORT N SWEET

The Election Question

Oct 31, 2024

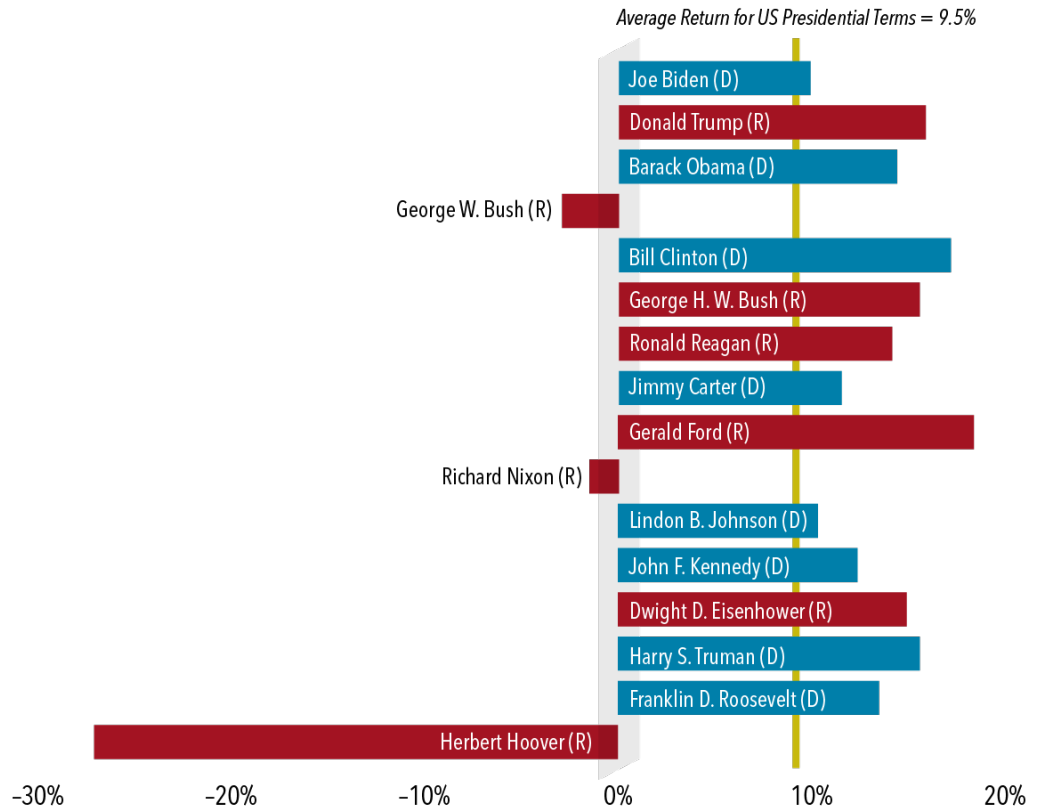
Politics has been a focus for markets in 2024, with about 60% of the global population voting in elections in at least 76 countries. Of course, the *big* one is still to come. The US presidential election, scheduled for 5 November, is dominating headlines, prompting questions from investors in Australia and New Zealand about how they should respond.

It's natural for investors to look for a connection between who wins a country's election and which way stocks will go. But the outcome of an election, even in a major economy and superpower like the US, is still only one of many inputs that can impact stocks.

At the end of the day, shareholders are investing in companies, not a political party. And companies focus on serving their customers and helping their businesses grow, regardless of who is in government. This means that making investment decisions based on possible election outcomes is unlikely to result in reliable excess returns.

To illustrate this point, look at the chart below. It shows the annualised performance of the S&P 500 under a succession of US Presidents, both Republican and Democrat, going all the way back to Herbert Hoover in 1929.

It's difficult to see any pattern here. Markets have generally delivered positive returns regardless of who was in the White House. And that reinforces the point that using different election scenarios to steer your investment portfolio is unlikely to be a winning strategy.

Exhibit 1**Annualised Returns
During US Presidential
Terms**March 1929 – December
2023**Past performance is not a guarantee of future results.**

Each president's annualised return starts with the first month of presidency and ends with the last full month of returns of presidency. Source: S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

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