Making Sense

Equities and Elections: What to Expect in 2024

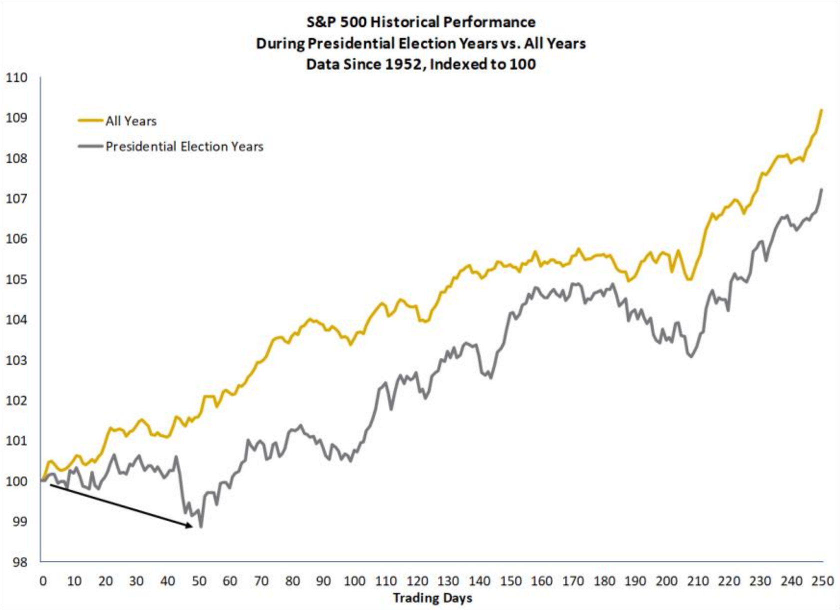
In this month's market update, we discussed inflation, the outlook for the federal funds rate, and of course, the election year's potential impact on markets.

First, we want to remind everyone that the underlying fundamentals (the labor market, corporate earnings, consumer spending) can have a much greater impact on the markets than simply the fact that it happens to be an election year. As we discussed during the update, the labor market remains tight, though it is showing some signs of slowing.[1] Q4 earnings reporting season is underway, and so far, the vast majority of companies are beating expectations (albeit analysts lowered expectations coming into earnings season).[2] And, while down from pandemic highs, consumer spending growth in both goods and services remains positive.[3]

Figure 1 below illustrates the S&P 500's average performance during election years (gray line) compared to all years (gold line) since 1952. As for the impact of election years on markets, historically, equity markets experience higher volatility through the first quarter. But throughout the middle part of the year, the equity market tends to improve—similar to what we often see in non-election years. As election excitement ramps up closer to November, we again tend to see some market volatility, but only slightly more than the annual average, followed by improvement towards the end of the year. **By and large, markets have seen positive returns in election years since World War II, although experiencing a bit more volatility along the way.**

Election years can certainly raise concerns for investors. As we often remind our clients, having a thoughtful and comprehensive financial plan can help investors cope with the worries of the day and stay focused on their long-term goals.

Figure 1:



Source: Strategas

[1] Bureau of Labor Statistics
[2] Bloomberg
[3] Strategas (Goods & Services PCE y/y 2018 through 2024)

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