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VICTORIA Capital Management, Inc.

Market Musings

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This table reflects the impact of different presidential cycles on the stock market. Note that there never has been a market decline in an election year of a new president and that the average market gain was 13.2%. Through the end of the third quarter, the gain in the S&P 500 was nearly 6%!

Stocks Have Never Been Lower In an Election Year Under a New President

S&P 500 Performance Under New Presidents (1950-Current)

		S&P 500 Index Returns			
Election Year	President	First Year	Midterm Year	Pre-Election Year	Election Year
1952	Dwight D. Eisenhower (Rep)	-6.6%	45.0%	26.4%	2.6%
1960	JFK/LBJ (Dem)	23.1%	-11.8%	18.9%	13.0%
1968	Richard Nixon (Rep)	-11.4%	-0.1%	10.8%	15.8%
1976	Jimmy Carter (Dem)	-11.5%	1.1%	12.3%	25.8%
1980	Ronald Reagan (Rep)	-9.7%	14.8%	17.3%	1.4%
1988	George H.W. Bush (Rep)	27.3%	-6.6%	26.3%	4.5%
1992	Bill Clinton (Dem)	7.06%	-1.5%	34.1%	20.3%
2000	George W. Bush (Rep)	-13.0%	-23.4%	26.4%	9.0%
2008	Barack Obama (Dem)	23.5%	12.8%	0.0%	13.4%
2016	Donald Trump (Rep)	19.4%	-6.2%	28.9%	16.3%
2020	Joe Biden (Dem)	26.9%	-19.4%	24.2%	?
	Average	6.8%	0.4%	20.5%	12.2%
	Median	7.1%	-1.5%	24.2%	13.2%
	% Higher	54.5%	36.4%	90.9%	100.0%

Source: Carson Investment Research, FactSet 01/03/2024
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The Elephant in the Room Could Be a Donkey

Here we are just a few days before the elections, and the equity markets appear to be shrugging off the political warnings from both sides that, if the other candidate wins, all sorts of negative events will befall us. Major stock market indices have been hitting record highs as of this writing. Yet, the political vitriol has never been greater, culminating with two, not one, assassination attempts on former President Trump. As of the last poll, the race is essentially tied, a circumstance that has repeated itself in the previous two elections. Going back to the 2000 election between Bush and Gore, a few “hanging chads” on the election cards in Florida almost determined the election. This year’s election is not unique; Grover Cleveland, the 22nd and 24th President of the United States and the first Democrat to be elected since the Civil War, did not serve two consecutive terms. If elected again, Trump will be the comeback kid. Another unusual circumstance of this election is that Vice President Harris was nominated by a select few politicians, not the traditional method that is normally reserved for voters. We wonder what would happen if President Trump were to withdraw from the race these last few days before the election. Would his vice-presidential running mate get the nod to step in and be the Republican Presidential candidate?

For investors, the big question is: Who would be a better president for the stock market? The good news is that, if history is a reasonable guide, no matter who gets elected, the stock market ends up in a good place after four or eight years, as you can see in the table. Effectively, they will both be new presidents. For those running for office who initially advocate either hard right or hard left positions, Congress usually deflates most of those ideas to keep the economy on a reasonable growth track. Even when the Senate and the House of Representatives are controlled by one party and the president is of the same party, legislation that is out of the mainstream is still difficult to pass. While equity markets can be volatile after an election, reflecting uncertainty. This volatility usually recovers after a couple of years. Yet even that generality is tenuous given the fact that some first-year returns have been well into the double-digits.

“Are you going to believe me or your own eyes?”

- Yogi Berra

Market Commentary

Even though September is considered a risky month for stock market investors, the month saw a broadening of a rally that primarily occurred in several technology stocks for the first half of the year. Except for energy, all sectors in the S&P 500 posted positive returns. One reason could be the change in Federal Reserve monetary policy of lowering interest rates. In Europe, nine of sixteen countries contributed to a gain in the S&P 350 Eurozone index. Asian equities rallied in September as China's central bank unveiled the most aggressive stimulus package since the pandemic. Stocks in China and Hong Kong rocketed in response, with the S&P China 500 and the S&P Hong Kong BMI closing up 22% and 16%, respectively.

According to the Bureau of Economic Analysis, Americans spent $186 billion on pet products and services in 2023, which was more than they spent on childcare.

Market Musings represents the views and opinions of VCM and does not constitute investment advice, nor should it be considered predictive of any future market performance. Data are from what we believe to be reliable sources but cannot be guaranteed.