

Elections and the Markets:

Looking Back and Moving Forward



FRANCIS LLC
francisway.com

Today's Speaker



Edward McIlveen, CFA

Francis LLC

Vice President of Investment Consulting
Chief Investment Officer

- Joined Francis LLC in January 2005
- MBA-Finance from Marquette University
- BA from Gustavus Adolphus College
- Macroeconomic forecasting, investment manager research, author of Investor's Outlook
- Adjunct Instructor, Emmaus University Business School
- Community service: Treasurer for Woodridge Community Church (2017-2022), Investment Committee for Easter Seals of Southeastern Wisconsin (2009-2019), Board Member Heritage Christian Schools Booster Club (2020 to present)

Agenda

- **From Campaigns to Capital Gains**
 - **Reflect on Emotions and Assumptions**
 - **Understand Some History**
 - **Be the Bipartisan Investor**

From Campaigns to Capital Gains

The Emotional Toll of Elections is Real



Elections Impact Life



Realities of Election Stress

20%

Americans who say the election causes them to be **depressed**

Thriving Center of Psychology

51%

Americans who say the election causes them **anxiety**

Thriving Center of Psychology

76%

Americans who say **politics is** becoming **more stressful**

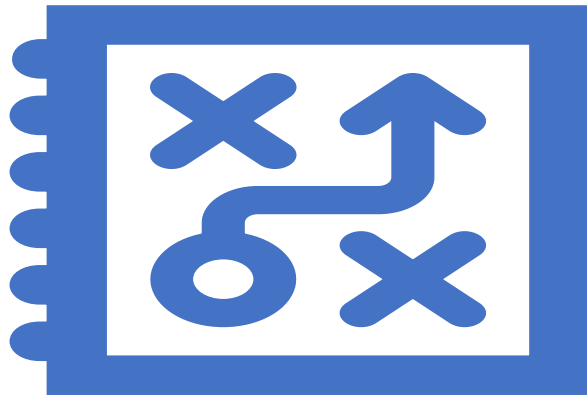
Thriving Center of Psychology



<https://thrivingcenterofpsych.com/blog/political-anxiety-statistics/>

Stress and Impact on Decision Making

System 1



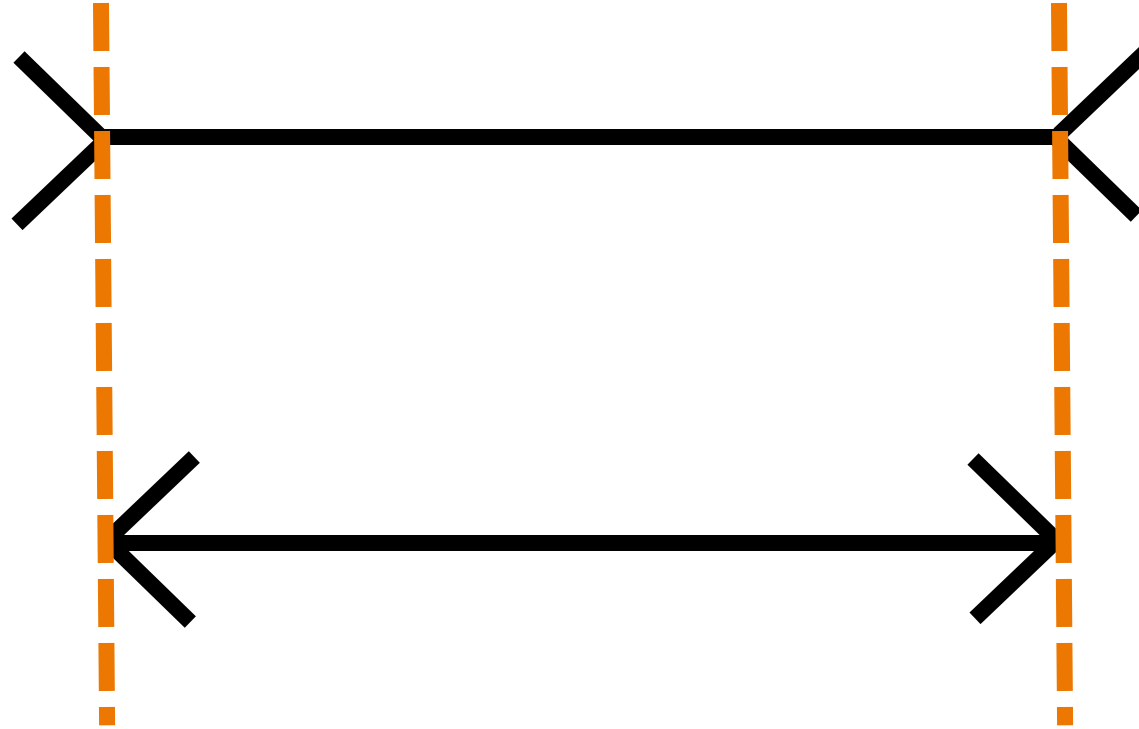
System 2



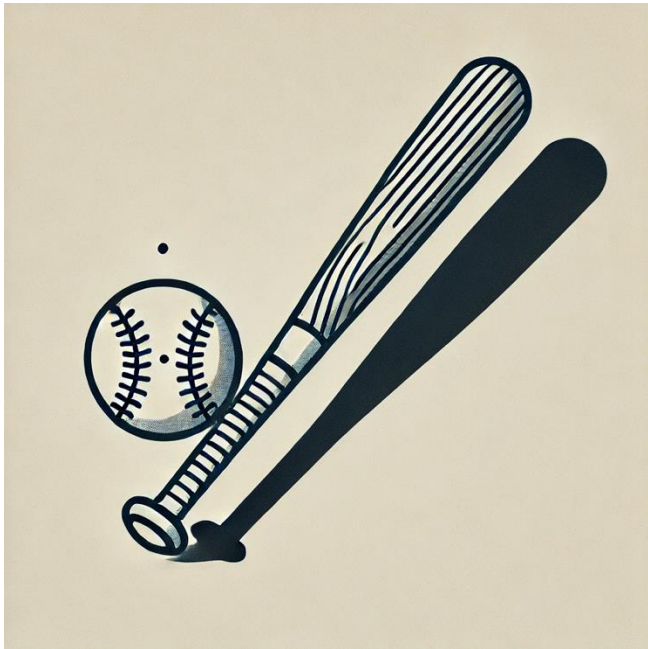
Stress and Impact on Decision Making



Stress and Impact on Decision Making



Stress and Impact on Decision Making



A bat and ball cost \$1.10

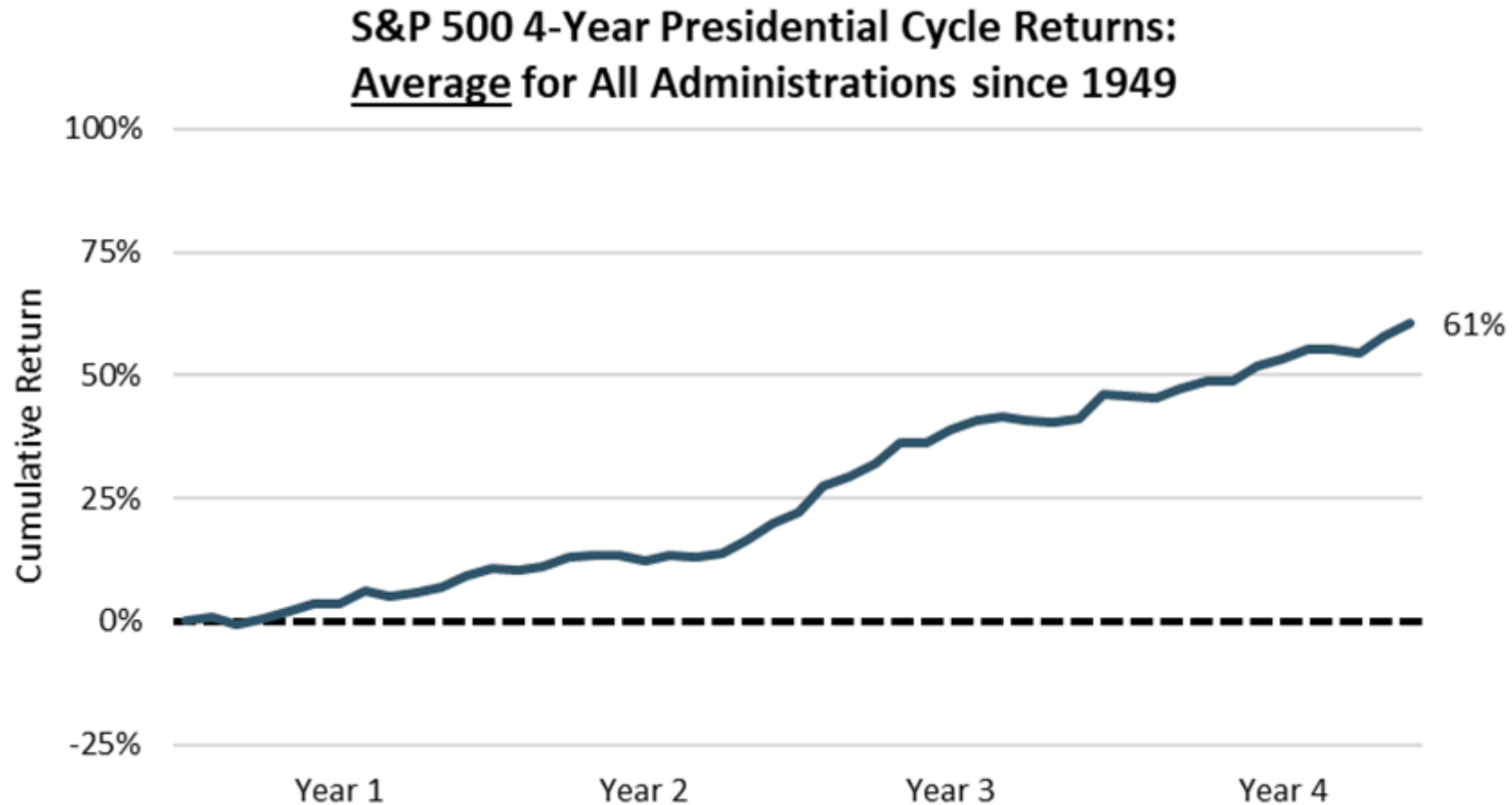
The bat costs \$1 more than the ball

How much is the ball?



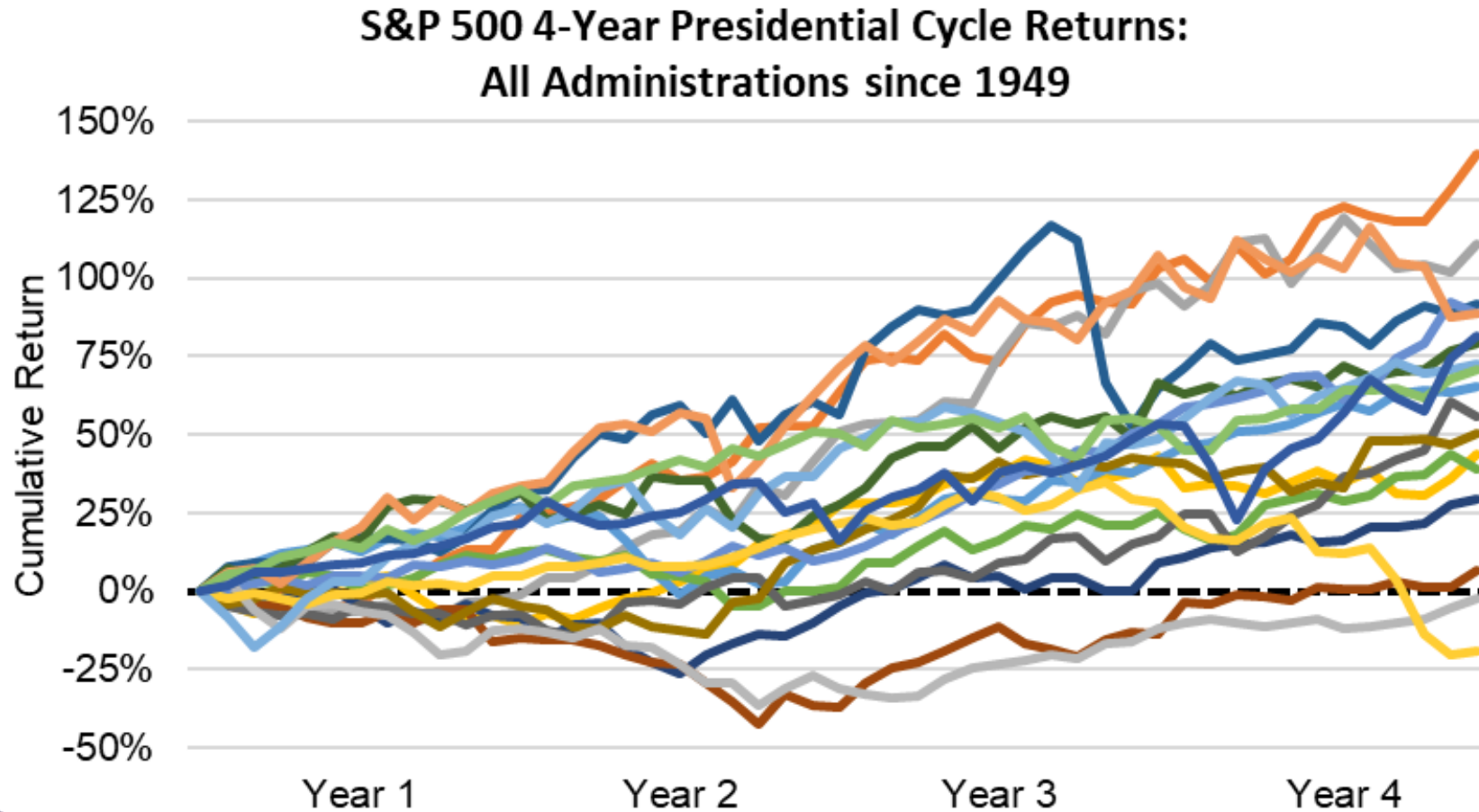
Understand Some History

Stock Markets: Average Presidential Cycles



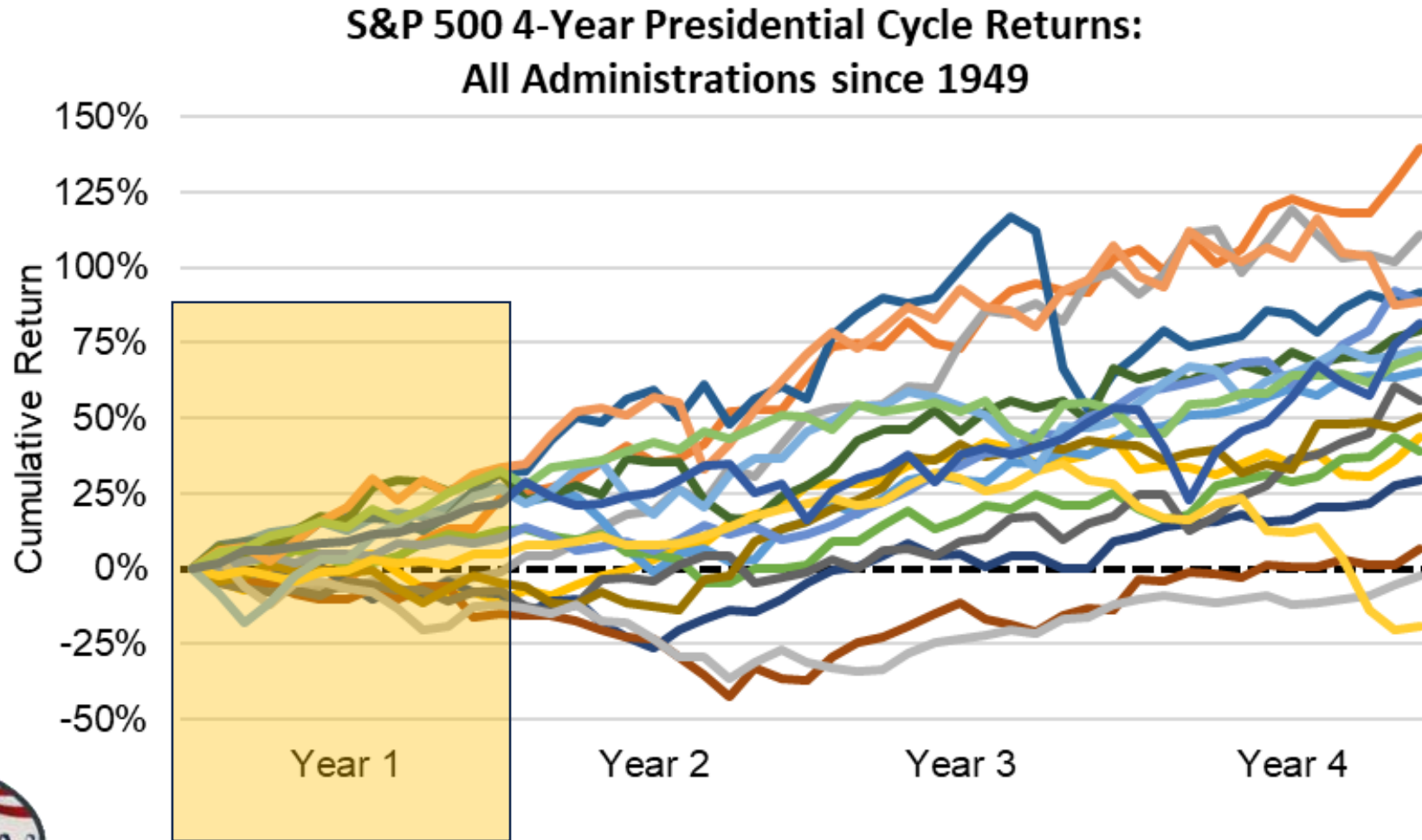
Source and Chart Credit: Morningstar, Bloomberg for Data. See the Definitive Guide to the U.S. Stock Election Cycle and Stock Market Trends, Robert C. Miner. Calculations performed by Francis LLC include total returns with price and dividends considered.

Stock Markets: Presidential Cycles are Volatile



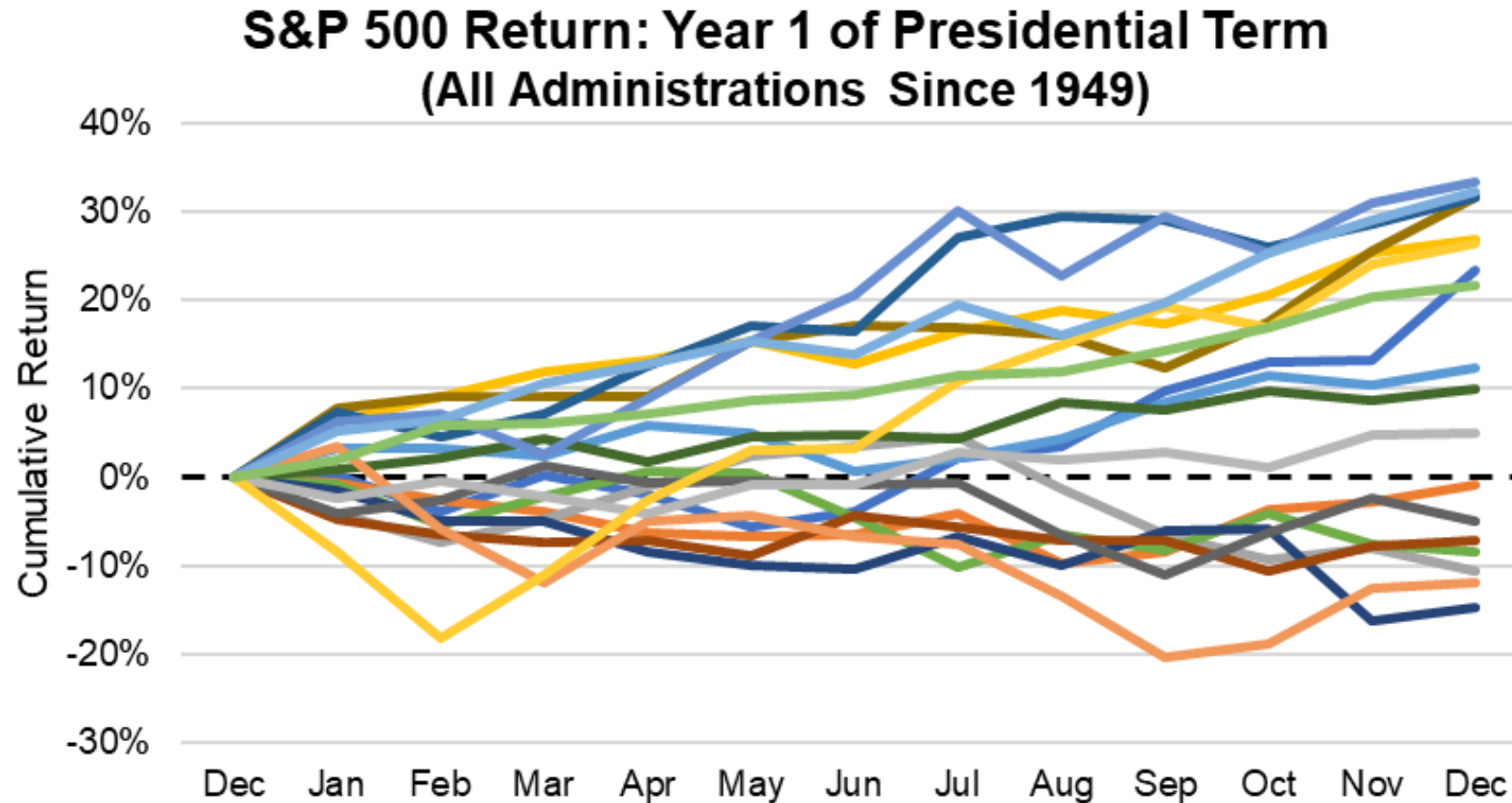
Source and Chart Credit: Morningstar, Bloomberg for Data. See the Definitive Guide to the U.S. Stock Election Cycle and Stock Market Trends, Robert C. Miner. Calculations performed by Francis LLC include total returns with price and dividends considered.

Stock Markets: Presidential Cycles are Volatile



Source and Chart Credit: Morningstar, Bloomberg for Data. See the Definitive Guide to the U.S. Stock Election Cycle and Stock Market Trends, Robert C. Miner. Calculations performed by Francis LLC include total returns with price and dividends considered.

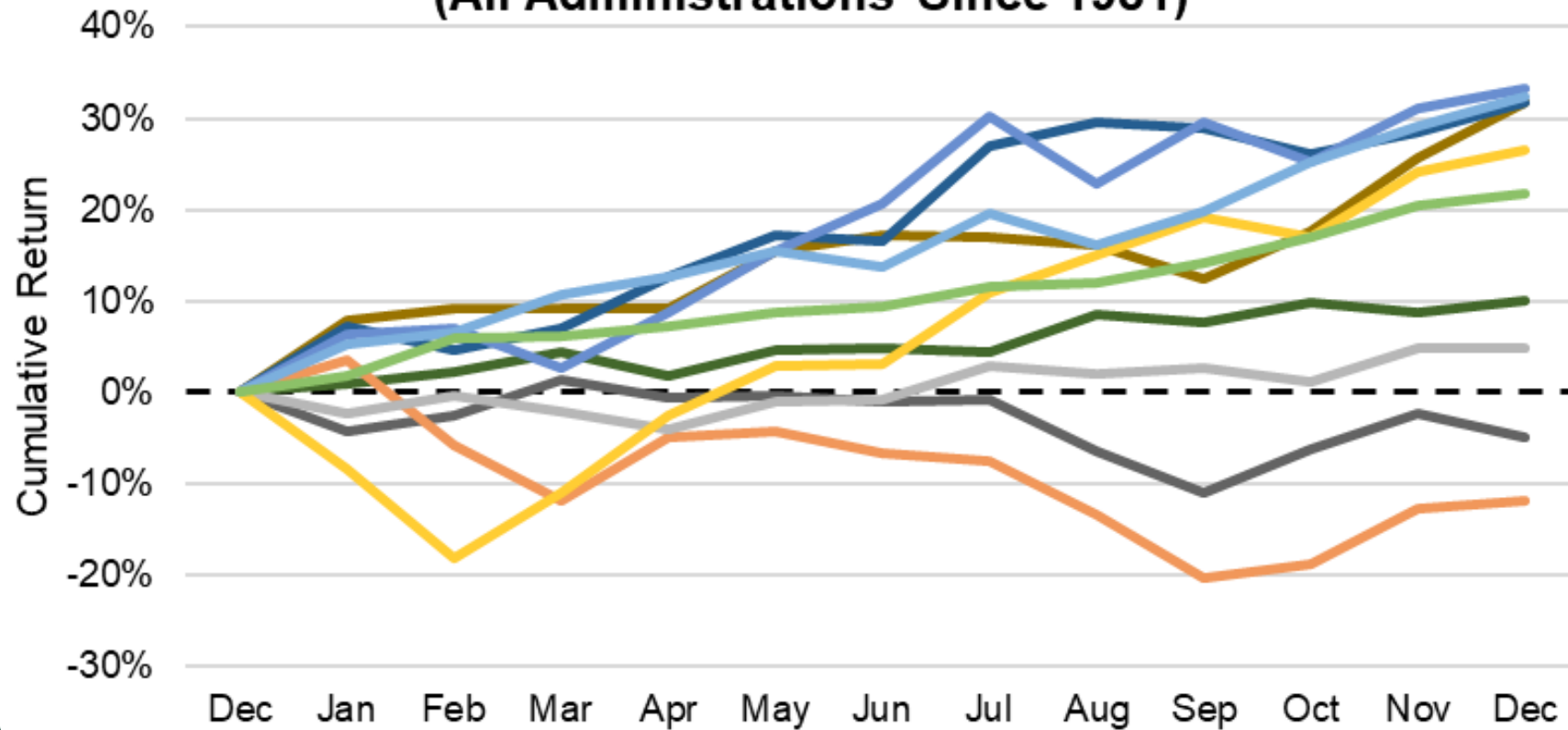
Stock Markets: Year 1 “Post-Election Year”



Source and Chart Credit: Morningstar, Bloomberg for Data. See the Definitive Guide to the U.S. Stock Election Cycle and Stock Market Trends, Robert C. Miner. Calculations performed by Francis LLC include total returns with price and dividends considered.

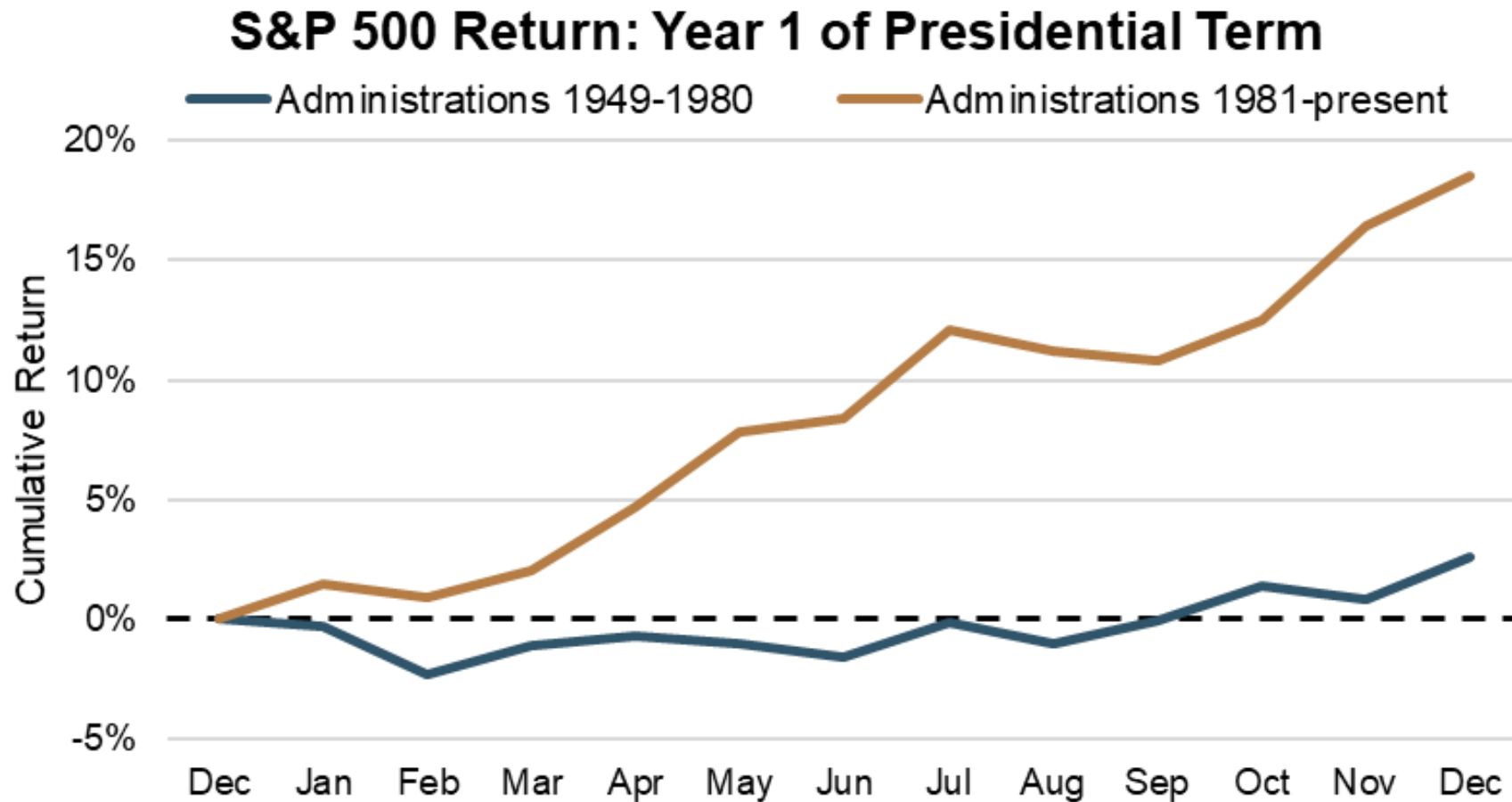
Stock Markets: Year 1 “Post-Election Year”

S&P 500 Return: Year 1 of Presidential Term (All Administrations Since 1981)



Source and Chart Credit: Morningstar, Bloomberg for Data. See the Definitive Guide to the U.S. Stock Election Cycle and Stock Market Trends, Robert C. Miner. Calculations performed by Francis LLC include total returns with price and dividends considered.

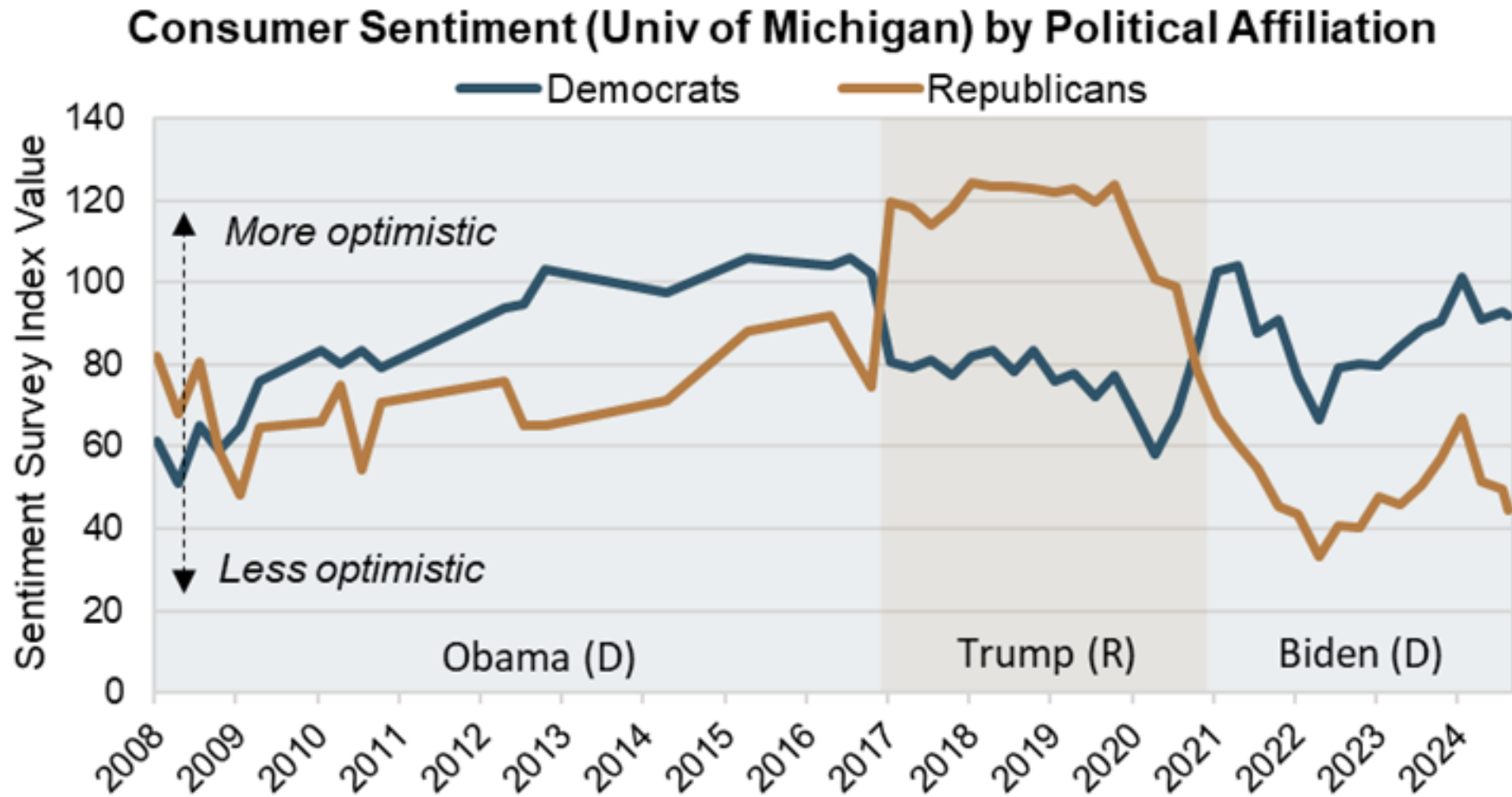
Stock Markets: Year 1 “Post-Election Year”



Source and Chart Credit: Morningstar, Bloomberg for Data. See the Definitive Guide to the U.S. Stock Election Cycle and Stock Market Trends, Robert C. Miner. Calculations performed by Francis LLC include total returns with price and dividends considered.

Reflect on Your Assumptions

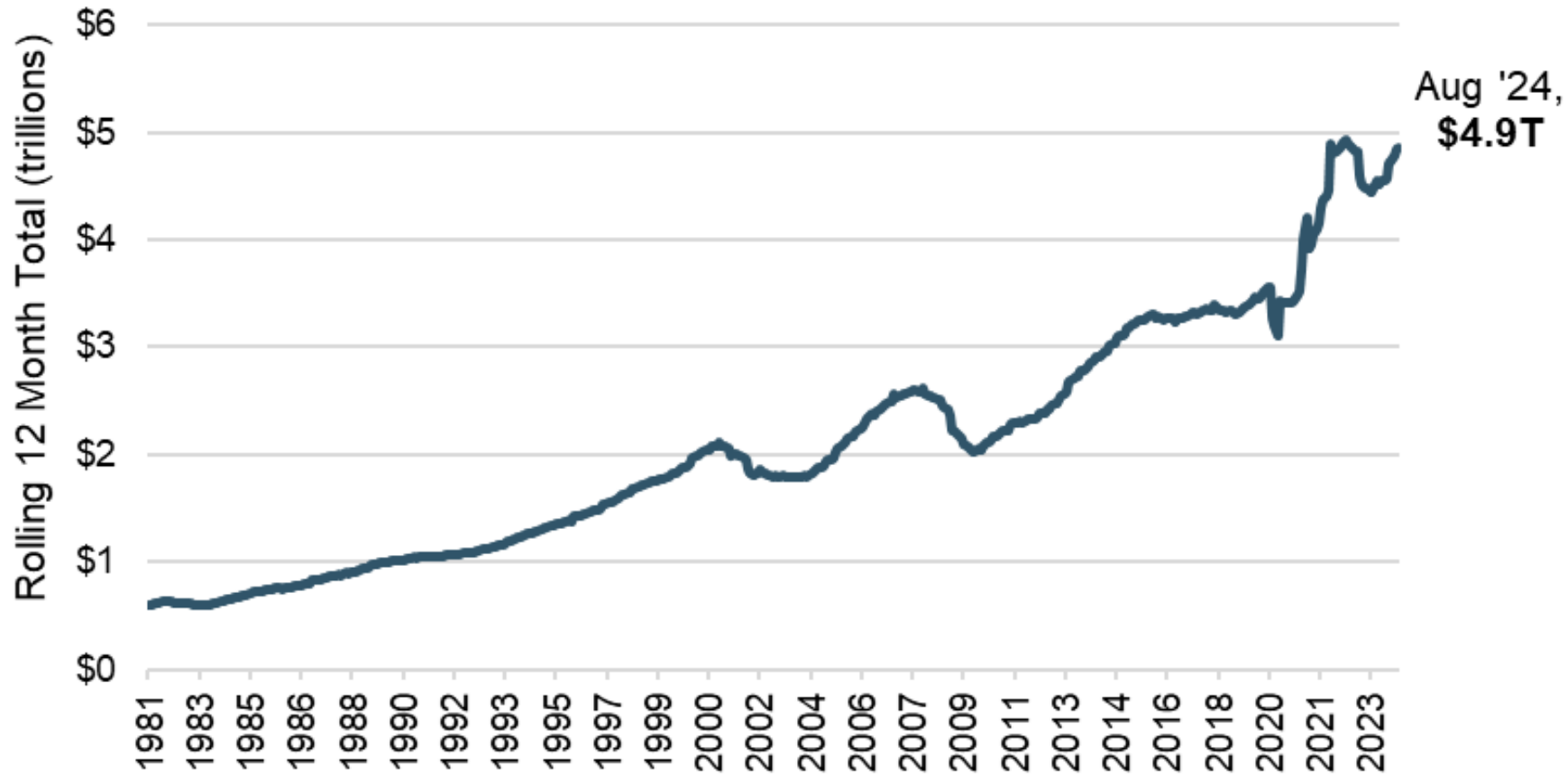
Consumer Sentiment & Political Party Affiliation



Data Source: Bloomberg
University of Michigan, Chart Francis LLC



U.S. Federal Tax Receipts



Can Markets Handle Taxes?

Data Source: Federal Reserve Economic Data
Chart: Francis LLC

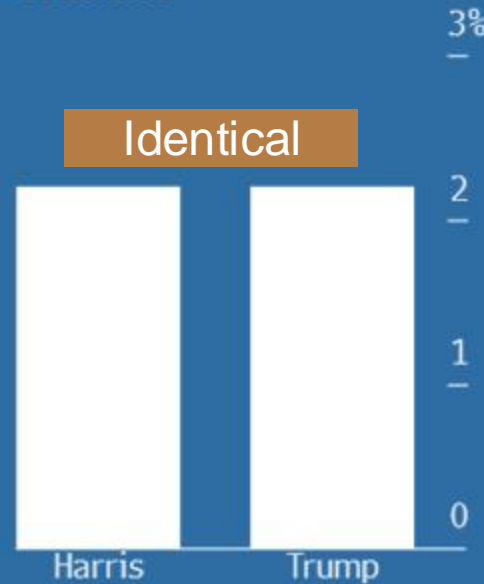


Economists' Views of the U.S. Economy Under Harris vs. Trump are Almost Identical

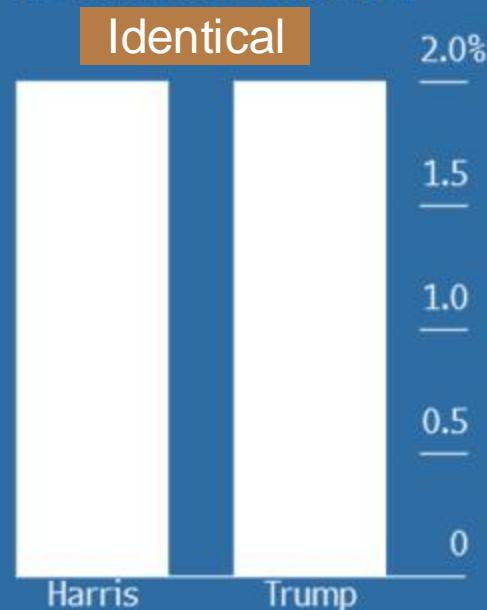
The US Economy Under Harris vs. Trump

Economists predict the major difference would be the size of the deficit

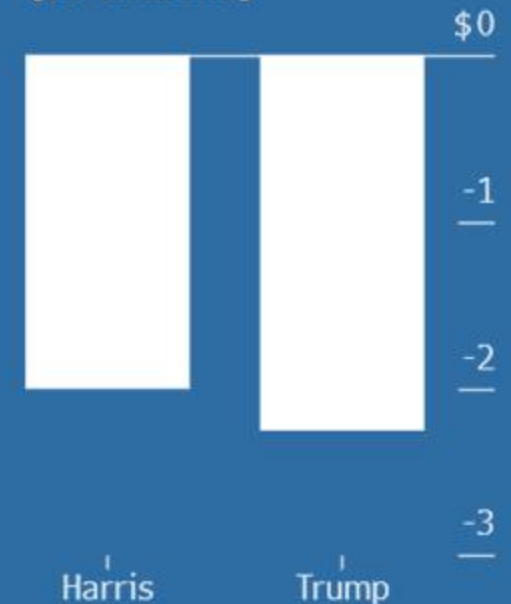
Median PCE inflation estimate



Median GDP estimate



Median deficit estimate (in trillions)



Source: Bloomberg survey of 29 economists Oct. 7-10

Note: Estimates are for the average of each measure over the next four years

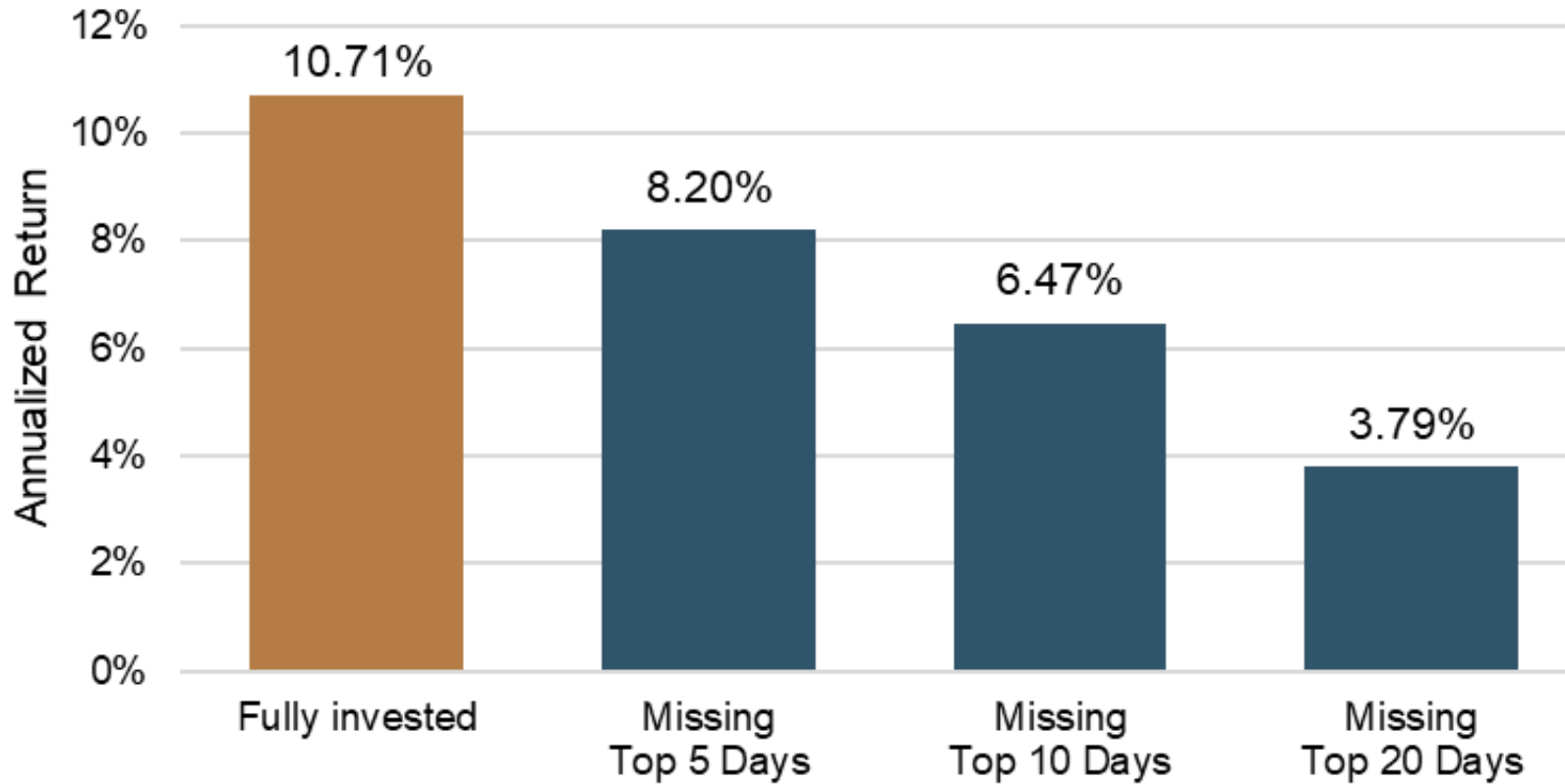
Bloomberg



Be the *Bipartisan Investor*

Stay Invested

20 Year S&P 500 Return Ending 9/30/24



Data Source: Morningstar, Bloomberg, Chart Francis LLC

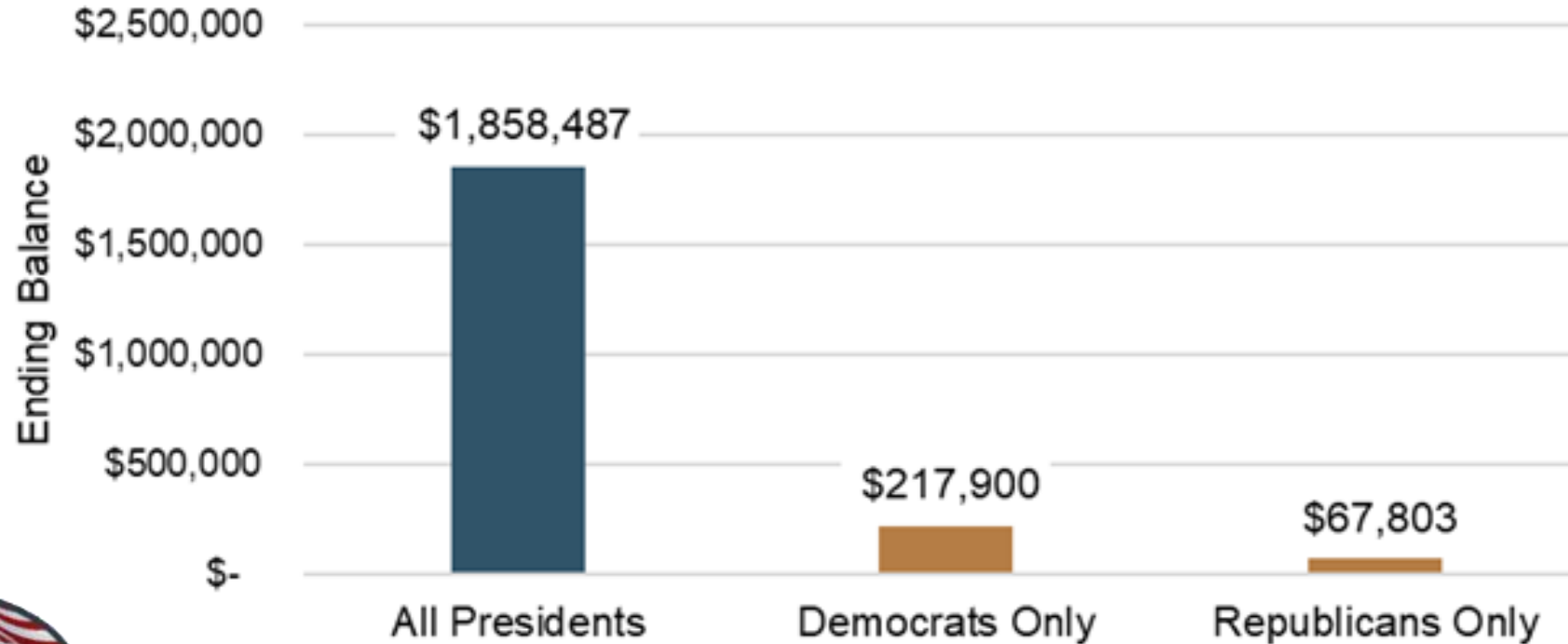


Be the Bipartisan Investor

Growth of \$1,000 Annual Investment, Contingent On President's Political Party

Time Period: 1/1/77-9/30/24

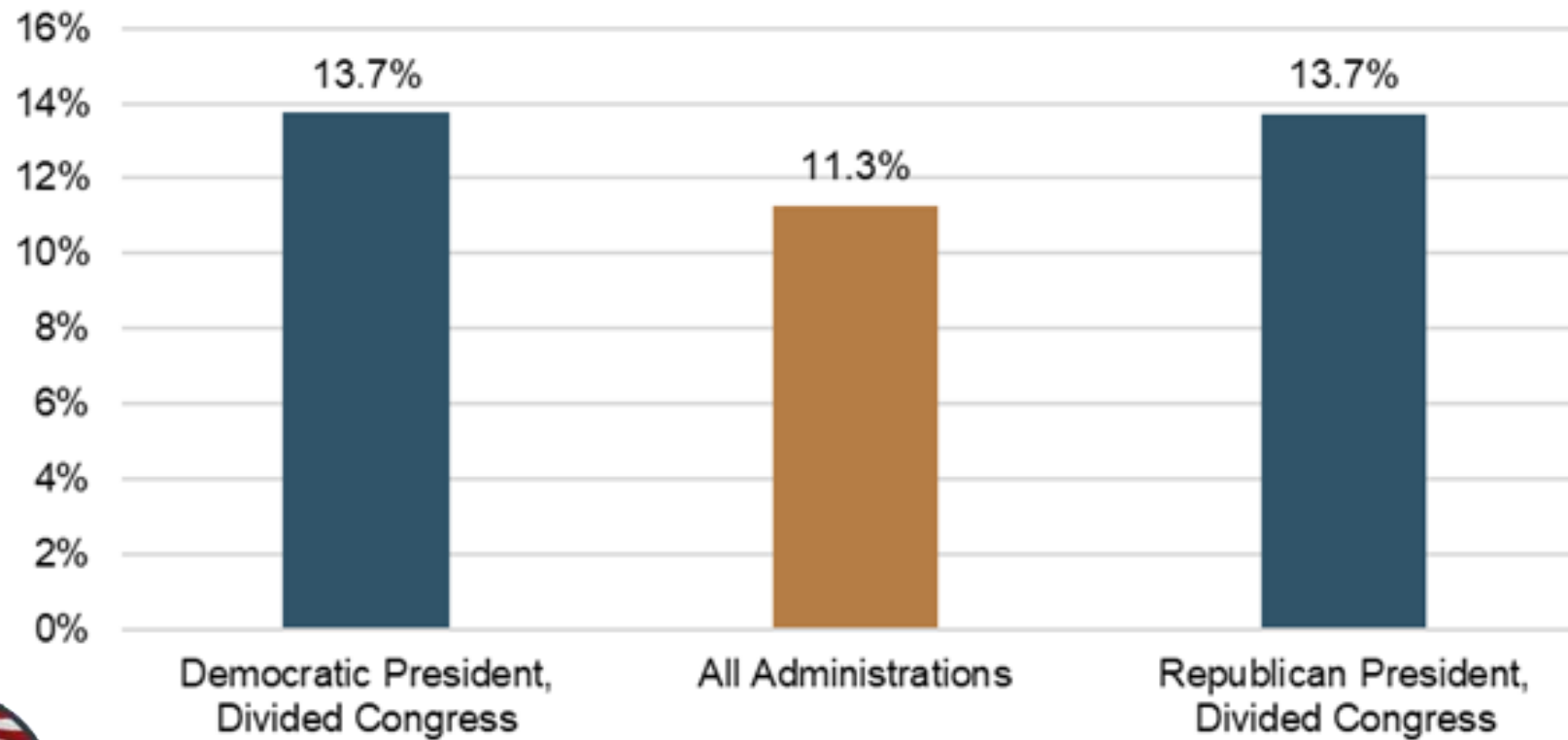
Investment Returns: S&P 500



Data Source: Bloomberg, Chart Francis LLC

Be the Bipartisan Investor

Average Annual S&P 500 Return (1933-2023*)

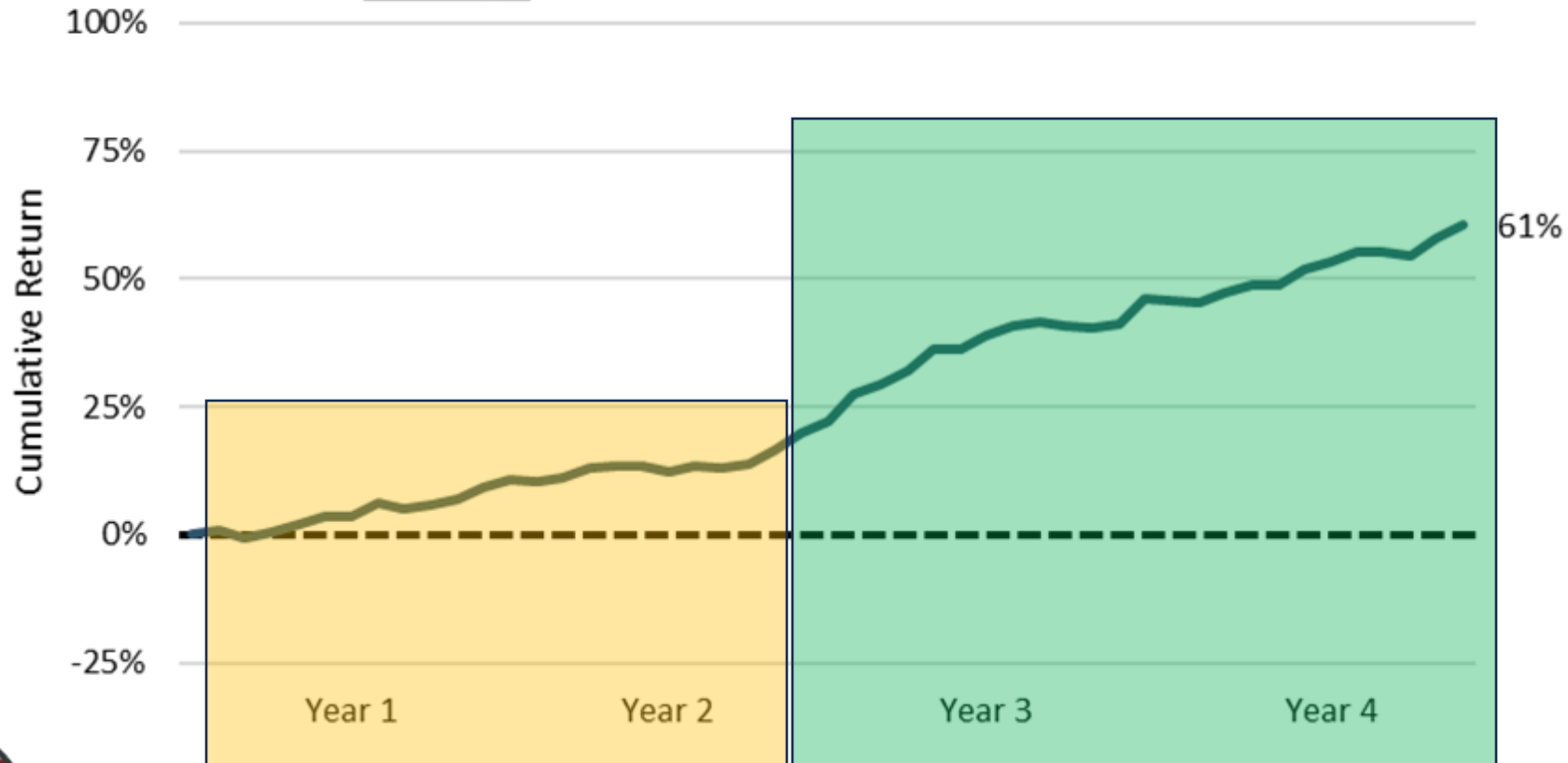


Data Source: Fidelity, Strategas, and Francis LLC

More About Investment Strategy and the Bipartisan Investor

Stock Markets: Average Presidential Cycles

**S&P 500 4-Year Presidential Cycle Returns:
Average for All Administrations since 1949**



Source and Chart Credit: Morningstar, Bloomberg for Data. See the Definitive Guide to the U.S. Stock Election Cycle and Stock Market Trends, Robert C. Miner. Calculations performed by Francis LLC include total returns with price and dividends considered.

Date of Mid-Term Election	Following 12-Month Return on S&P 500
11/2/1954	39.0%
11/4/1958	14.7%
11/6/1962	29.0%
11/8/1966	16.7%
11/3/1970	16.3%
11/5/1974	24.1%
11/7/1978	12.4%
11/2/1982	25.4%
11/4/1986	1.3%
11/6/1990	29.3%
11/8/1994	30.4%
11/3/1998	22.1%
11/5/2002	17.0%
11/7/2006	8.7%
11/2/2010	5.8%
11/4/2014	6.7%
11/6/2018	14.0%
11/8/2022	16.4%



The Mid-Term Elections Matter

Average 12-Month Return on S&P 500 Following Mid-Term Elections → **18.3%**

Financial Conditions Matter

For *Consumers* - The Fed is Easing
Short-Term Interest Rates

For *Businesses* - The “Cost of
Capital” is manageable

For the *World* - US Dollar is down from
2022 highs, seems contained from
being disruptive



Keep in Mind the Following....



Emotions are real, beware of your tendencies.



History Points to the Bipartisan Investor Winning.



For the Tactically Minded, the Mid-Term election in 2026 could be a catalyst to the upside, especially if markets have been weak some time prior.



Q&A

What questions do you have?

Let's Stay Connected

Sign-Up for the Francis
E-Newsletter!



Visit us as **FrancisWay.com**

Check out our **LinkedIn** (Francis LLC)

Disclaimer

Disclaimer: Francis LLC is a Registered Investment Adviser with the SEC. Past performance is no guarantee of future results. Any reference to individual stocks and securities is not intended as investment advice and could be owned individually or in personal and family portfolios by any members of the firm. We have no affiliation with and receive no remuneration from, any firm, product, or service provider. Information presented is from sources we believe to be reliable, but we cannot guarantee its accuracy or completeness.