



CTA Wealth Advisors, Inc.

President Trump wins. Now what?

President Trump has won reelection; what does that mean for you?

Republicans have won the White House, a Senate majority, and a House majority.¹

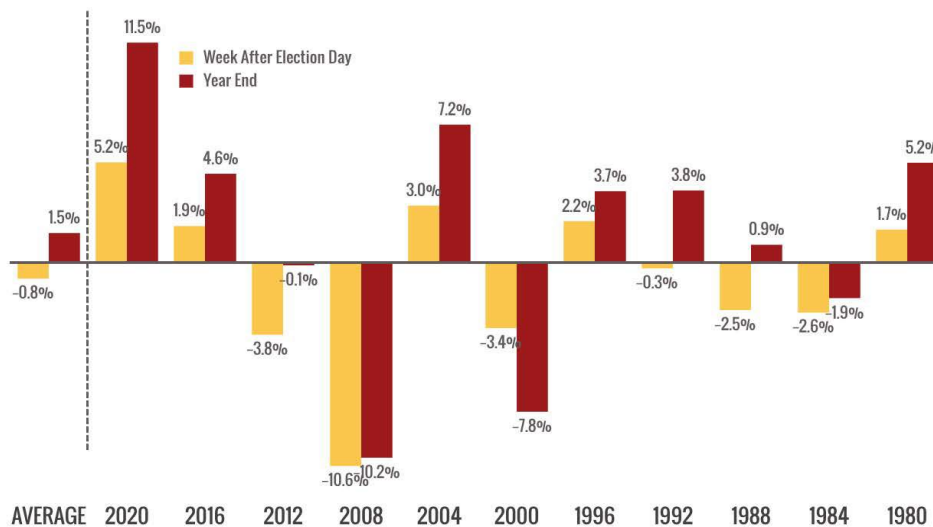
Markets reacted to the news by rallying to new record highs.² Does that indicate they see president-elect Trump's promises as favorable for stocks? Or is it simply a reaction to an end to election-related uncertainty?

History can offer us some clues.³ On average, stocks tend to rise after an election after a small short-term drop.

You can see in the chart below that the last two elections have resulted in an immediate pop.

How Did Stocks React After a Presidential Election?

S&P 500 Performance After an Election Day (1980-2020)



Source: CNBC

Chart Source: <https://www.cnbc.com/2024/11/04/what-the-stock-market-typically-does-after-the-us-election-according-to-history.html>

¹ <https://www.270towin.com/2024-election-results-live/>

² <https://www.cnbc.com/2024/11/05/stock-market-today-live-updates.html>

³ <https://www.cnbc.com/2024/11/04/what-the-stock-market-typically-does-after-the-us-election-according-to-history.html>

The Four-Year Cycle⁴

As we look further out, it becomes apparent how indifferent capital markets are about presidential politics when examining returns over four-year presidential cycles. Historically, returns have been strong, regardless of whether Democrats or Republicans occupied the White House. In the 19 post-WWII four-year presidential cycles, the S&P 500 posted positive returns 17 times, with an average annualized return of 11.9%. The only exceptions were during George W. Bush's two terms, where returns were negative. His presidency coincided with the tech bubble burst when he entered office and ended with the onset of the Great Financial Crisis, which dragged down market performance.

Since then, the S&P 500 has achieved double-digit annualized returns during each four-year presidential term. The stock market's strong recovery after the financial crisis was supported by historically low valuations, which helped fuel outsized gains. As President Biden's term comes to an end, President Trump will inherit equity valuations near their highest since George W. Bush entered office. However, while valuations may influence market dynamics, other factors could dictate future returns.

S&P 500: 4-Year Presidential Cycle Returns				
President	Party	4-Year Term		Annualized Return (%)
		Start Date	End Date	
Truman	Democratic	1/20/49	1/19/53	22.9
Eisenhower	Republican	1/20/53	1/20/57	20.5
Eisenhower	Republican	1/21/57	1/19/61	9.5
Kennedy/Johnson	Democratic	1/20/61	1/19/65	13.4
Johnson	Democratic	1/20/65	1/19/69	8.6
Nixon	Republican	1/20/69	1/19/73	6.6
Nixon/Ford	Republican	1/20/73	1/19/77	1.6
Carter	Democratic	1/20/77	1/19/81	11.7
Reagan	Republican	1/20/81	1/20/85	10.8
Reagan	Republican	1/21/85	1/19/89	18.6
Bush I	Republican	1/20/89	1/19/93	14.7
Clinton	Democratic	1/20/93	1/19/97	18.6
Clinton	Democratic	1/20/97	1/19/01	16.3
Bush II	Republican	1/20/01	1/19/05	-1.5
Bush II	Republican	1/20/05	1/19/09	-6.1
Obama	Democratic	1/20/09	1/20/13	17.5
Obama	Democratic	1/21/13	1/19/17	13.5
Trump	Republican	1/20/17	1/19/21	16.0
Biden	Democratic	1/20/21	7/31/24	12.9
	Party			Average (%)
	Democratic			15.0
	Republican			9.1
	All 4-Year Cycles (1949-2024)			11.9

Chart Source: Cetera Investment Management, FactSet, Standard & Poor's. Returns shown are total return, which include dividends. President Biden's 4-year term is incomplete. The most recent month-end date (7/31/2024) at the time of writing was used as the end date.

⁴ https://cetera.com/market-insights/trump-vs-harris-navigating-2024-presidential-election?utm_source=nfaaol

Financial markets are likely to remain volatile in the weeks ahead as investors digest data and adjust their positions ahead of the new year.

Economic and Political Landscape Ahead

The Federal Reserve recently voted to cut interest rates again.⁵ While small rate cuts may not make an immediate impact on the consumer rates you see, they start to add up over time. If the Fed continues on the rate-cutting path, we could expect to see a cumulative impact on mortgage rates, credit cards, automobiles and other consumer and business debt.

President Trump campaigned on major economic issues such as tariffs and tax cuts. Generally speaking, tariffs are considered to be inflationary because they increase the cost of goods.⁶ However, the economic impact will largely depend on the size and breadth of any tariffs imposed as well as overall economic conditions.

Tax cuts generally help spur growth (though they can add to the national deficit), and we can expect that many provisions of the 2017-era cuts will be extended after 2025.⁵

The president does not have a lever to meaningfully influence the stock market, which is driven by corporate earnings and the broader global economy. Who wins an election is just one factor affecting markets and investors.

We Are All in This Together

In America, the political pendulum swings between the two major parties every four to eight years. Despite this back-and-forth, the United States has been on a remarkable growth trajectory since George Washington took office in 1789. While attention is often on the macro level, real progress happens at the ground level. It is the people who propel the United States forward, with the president along for the ride, just like the rest of us. The same can be said for the stock market. History has shown that financial markets are largely indifferent to presidential politics, making it wise to keep partisanship out of your investment strategy.

As we approach the final weeks of 2024, please know that we are thinking ahead and continuously evaluating allocation changes as might be appropriate. And we will continue to communicate and reach out to you with updates as necessary.

⁵ <https://www.cnn.com/2024/11/07/fed-rate-decision-november-2024.html>

⁶ <https://www.wsj.com/economy/what-a-trump-win-means-for-the-economy-50de4670>

Try not to let the election results or your investment strategy discourage you as we enter the year-end holiday season. Instead, try to focus on the things most important to you in your life.

Thank you for your trust and confidence in our firm. We are committed to helping you pursue your financial goals, even in uncertain times.

As always, if you have questions about your investment plan or investment strategy, please reach out to Trevor or me at (818) 841-1746.



Disclosures:

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A diversified portfolio does not assure a profit or protect against loss in a declining market.

The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Investors cannot invest directly in indexes. The performance of any index is not indicative of the performance of any investment and does not take into account the effects of inflation and the fees and expenses associated with investing.

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