TRIATHLON PARTNERS LLC | Investment Management Financial Planning Wealth Advisory

The Election's Impact on the Market

There will be much fuss made in the financial press over what candidate is better for the market. As Vice-President Harris solidifies her spot at the top of the Democrat Party ticket it is a good time to breakdown historical data. It would be a very superficial and cursory analysis to look at the market's overall return during the first three months or year after election day. There are many inherited circumstances out of the control of the new president, and the composition of Congress has a strong impact or policy implementation. The last three presidential elections were followed by a tremendous year in the S&P 500, Nasdaq 100 and Russell 2000. All three indexes had annual returns (election day to one year later) that far surpassed historical annual returns (The S&P 500: 2012 +23.9%, 2017 +21%, and 2020 +38.3%).

It is expected that Harris will continue the core Biden's policies, and any changes/additions will not have drastic change of course on the economy and market. Trump will implement a similar agenda to his last presidency. Analyzing the individual components of the market, and what overperformed in the respective rallies can assist in building a portfolio targeted on election results. This perspective isolates the total return of the market and focuses on the drivers of the strong performance.

In the first year of Biden's presidency, the S&P gained 38.3%. The drivers of that market were information technology +44.7%, consumer discretionary +40.7%, financial +63.1% and energy +94.5%. Biden came into office and introduced Covid bills on the tail of the Trump packages, consumer discretionary shares were obvious beneficiaries. Information Technology has been performing better than the market regardless of the party in power. Financial stocks strengthened as the continued fiscal expansion alleviated default risk as bank account balances rose. The energy sector, which is composed of old school energy, is intuitively confusing, especially with the prominence of the green new deal in the Democrat's platform. The cut back in US oil production gave the pricing power to the industry, which resulted in higher margins off the consumer.

The first year of the Trump administration, saw the S&P rally 21.1%. The drivers of the market were information technology +35%, industrials +23.4%, materials 24.2% and financials 31.3%. The information technology sector has overperformed the market in general. It is worth noting that JD Vance is well connected to the high tech and venture capital crowd, and recent financial commitments from the sector most likely are attached to winks and nods. While this is standard practice, the impact for the upcoming cycle can be greater on a Trump win. The performance in industrials and materials under a Trump administration shouldn't be surprising given his pro-US industry and tariff policies, which will continue. Financials also performed better than average for Trump, as his focus on curtailing regulations helps the industry, and it is possible that Trump scraps the Basil III accord scheduled to take effect in mid-2025. The Fed is more confident that the next move in rates is lower, this will benefit either party, as transactional business at banks will increase and balance sheet stresses will ease.

It might be too early to implement an election-based strategy. There are still plenty of factors and unknowns to be announced. Triathlon Partners believes it is never too early to prepare. As VP Harris gains greater focus, her tweaks in policies, VP selection and polling results will be heavily scrutinized, and market reactions will foretell the larger market moves when a winner of the election emerges. To continue the discussion with Triathlon Partners, our contact information is on the following page.

Contact us

Visit us on the web: TriathlonPartners.com

Follow us on Facebook

Connect with us on LinkedIn

To unsubscribe click here