

Election Year

by the Tri-Star Investment Team

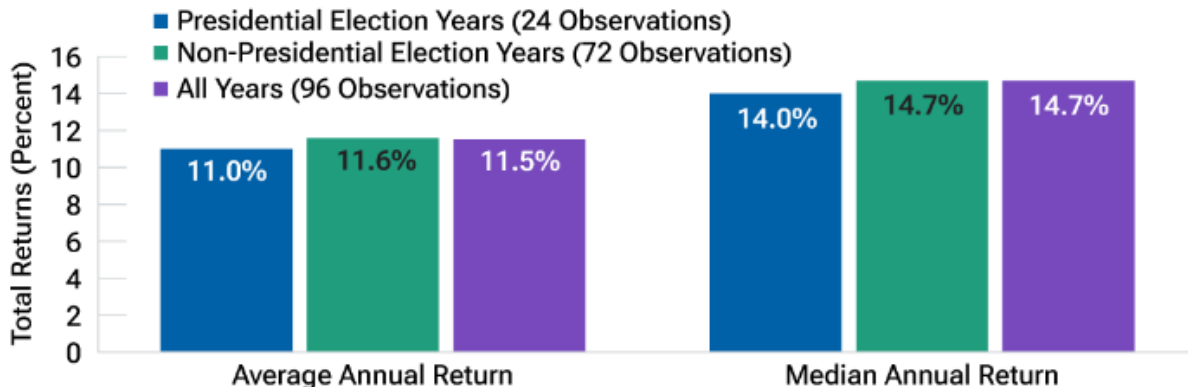
Market Update: Staying Invested During the Presidential Election Cycle

As a presidential election approaches, it's natural to feel a sense of uncertainty about what may happen—especially when it comes to your investments. At Tri-Star Trust, we understand this could be a concern of yours, and we want to provide clarity on how election cycles historically impact financial markets.

What to Expect During an Election Year

Historically, presidential election years have shown little difference in returns compared to non-election years. In fact, investors who stay the course and stick with their investment strategy across time, including during election seasons, empirically and emphatically fare better in the long run. On the other hand, attempting to time the market by predicting short-term swings requires getting two things right: when to get out and when to get back in. This is a difficult and often unsuccessful strategy.

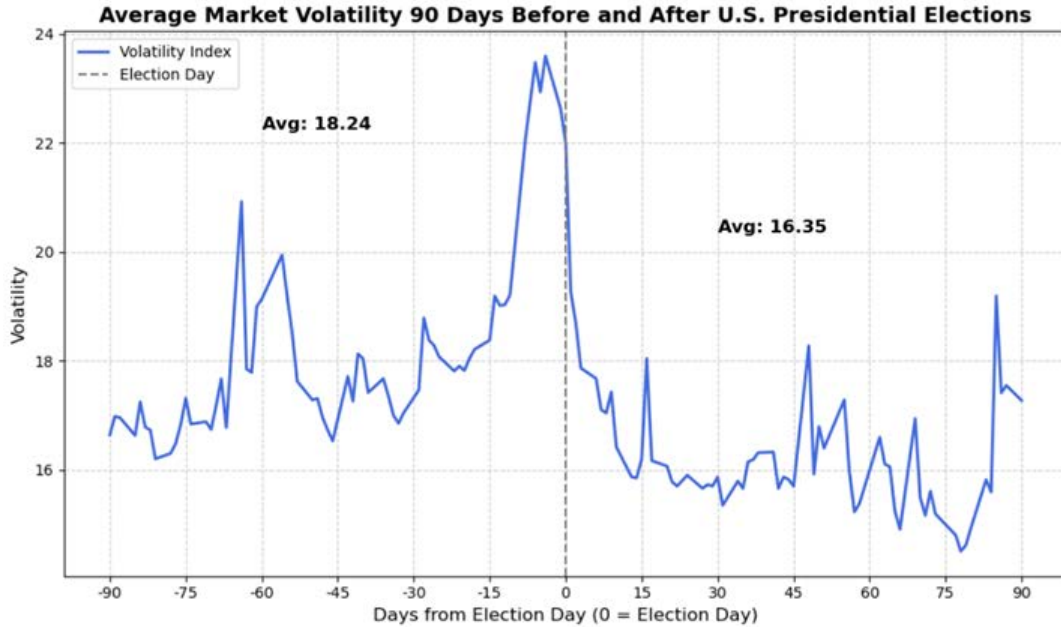
Let's take a closer look at why staying invested is important, especially during uncertain times like a presidential election year.



Source: T. Row Price analysis of data From Bloomberg Finance. <https://www.troweprice.com/financial-intermediary/us/en/insights/articles/2024/q2/how-do-us-elections-affect-stock-market-performance.html>

The Numbers Behind the Strategy

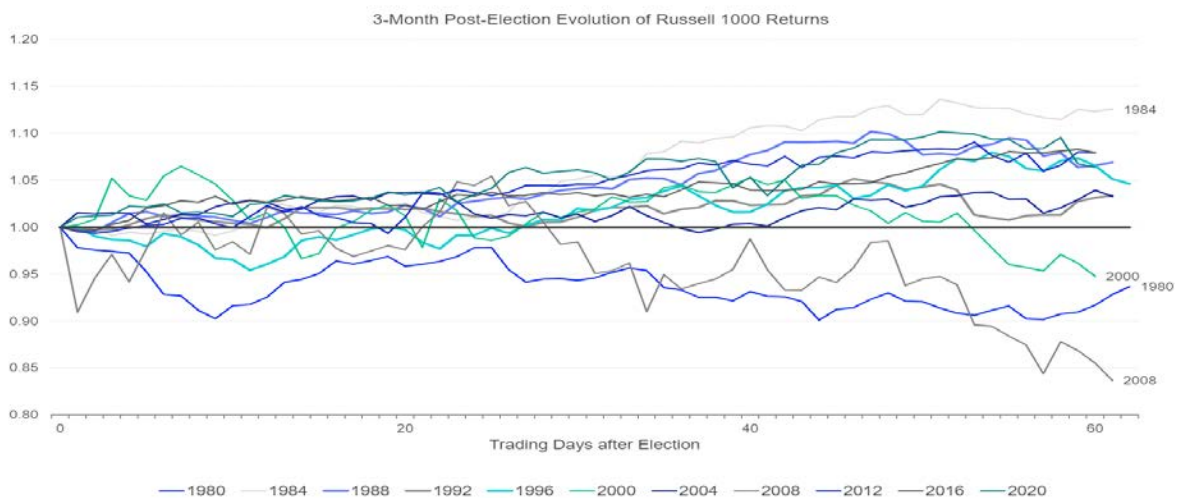
Historically, the S&P 500's average annual return during an election year is 11.0%, compared to 11.6% in non-election years. This slight difference shows that stepping out of the market due to election fears can cause investors to miss out on potential gains. While the months leading up to an election often experience short-term fluctuations and volatility driven by uncertainty around the election's outcome, these have little to no impact on long-term market performance. Dually, we historically see a 'relief' rally play out in the markets post-election.



Post-Election Economic Conditions

Recent memory may bring to bear a feeling of linkage between elections and economic slowdowns – with 2008 and 2000 not so distant memories. However, it’s crucial to note that market downturns are rarely caused by election results – correlation does not imply causation. For example, after the 2008 election between John McCain and Barack Obama, the market’s 60% drop from its 2007 peak was due to the subprime mortgage crisis, not political outcomes. Similarly, the market volatility following the 2000 election between George W. Bush and Al Gore was driven by the bursting of the dot-com bubble, not the change in political leadership.

In short, the economic “booms and busts” we sometimes observe around election cycles are typically linked to external factors, not the election or ensuing politics and policy itself.



Source: FTSE Russell/LSEG. Data as of 31st of August 2024. Past performance is no guarantee of future results.

Source: FTSE Russell/LSEG. <https://www.lseg.com/en/insights/ftse-russell/us-elections-an-important-event-for-financial-markets>

The Value of a Long-Term Approach

We understand the temptation to try and capitalize on election outcomes by timing the market. Likewise, we understand the personal concerns and considerations around politics. But the truth is, no one can consistently predict the future. Data going back to 1928 shows that presidential elections have had minimal impact on long-term market performance. Furthermore, analysis dating back to Abraham Lincoln tells us the political make up of Washington DC has no statistically significant impact on the performance of the stock market. The saying “time in the market beats timing the market” rings especially true in times like these.

At Tri-Star Trust, we believe our clients are best served by a steady, long-term approach. We build diversified portfolios that can weather market ups and downs, regardless of who holds office. If you have any questions or concerns about your investments during this election cycle, please don't hesitate to reach out to your Relationship Manager. Your financial well-being remains our top priority.

For questions or concerns, please reach out to our main office at (989) 921-0010.