



Investment Insights Monthly

From the Desk of Bill Hornbarger, Chief Investment Officer

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Election Year Facts and Figures

The 2024 presidential election is only six months away, and investors continue to wonder what impact it could potentially have on the markets. While both parties had primaries, they weren't particularly competitive, with Joe Biden and Donald Trump emerging as the presumptive nominees. Barring a major surprise, the 2024 election will be a rematch of 2020, and the winner will take office as a one-term "lame duck" president. We will leave the prognosticating on who will win to others, and instead focus on what it could potentially mean for the equity market.

Investing is an endeavor full of uncertainty, particularly over short time horizons, but the extremely contentious nature of the current political climate has investor anxiety at heightened levels. The good news is that since 1952, the S&P 500 has averaged a 7% gain during presidential election years and has not suffered a loss in re-election years (defined as the fourth year of a first-term president's administration in which they are seeking re-election for a second term) over the same timeframe. And despite a weak April, equities are generally higher to date in 2024, with several indices at/near record-high levels.



The markets have generally done well under both presumptive nominees, despite an uncertain macro environment, including the Covid-19 pandemic in 2020 and 2021, the war in Ukraine, and the violence in Palestine and Israel. From President Biden’s inauguration (January 20, 2021) through the end of the first quarter, the S&P 500 was up 43.4%; while under President Trump, the return was 80.8% (see table below).

Asset Class Performance under Presidents Trump and Biden

Asset Class	Trump 1/20/2017 – 1/19/2021		Biden 1/20/2021 – 3/31/2024	
	Cumulative Total Return	Annualized Total Return	Cumulative Total Return	Annualized Total Return
S&P 500	80.8%	16.0%	43.4%	11.9%
U.S. Small Cap	68.0%	13.9%	2.7%	0.8%
U.S. Real Estate	25.8%	5.9%	14.8%	4.4%
World Ex-U.S.	43.5%	9.5%	19.2%	5.6%
U.S. Treasuries	17.8%	4.2%	-11.0%	-3.6%
Municipal Bonds	20.2%	4.7%	-1.7%	-0.5%
Commodities	-13.4%	-3.5%	76.9%	19.5%

Source: YCharts

There are all kinds of interesting statistics surrounding the market’s return and the political party in power. For example, since 1950, the S&P 500 annualized return during only Republican presidencies is 2.80% versus 5.11% during Democratic presidencies. However, the annualized return under all presidencies is 8.05%. And historically, higher annualized returns have occurred during a split Congress where the chambers are divided. In any case, the market has been positive under all six government compositions—all Republican, all Democrat, each party with the opposite in power in both houses of Congress, and a split Congress (see table below). This presents a strong argument for staying invested despite election results.

Average Annualized S&P 500 Performance

1950-2023

	Democratic President	Republican President
Congressional Control		
Democratic	8.72%	1.04%
Divided	15.72%	12.20%
Republican	14.55%	11.70%

Source: YCharts

One area that we do think the choice of a president can have a noticeable impact is on sector rotation and investment themes. Presidential campaigns often focus on key policy issues such as healthcare, infrastructure, taxes, social programs, alternative energy and trade. As candidates craft and present their agendas, investors may reallocate their portfolios to align with anticipated winners and losers under different administrations. This can lead to sector rotation, with certain industries outperforming others based on election-related themes. Tax policy can also potentially impact



certain asset classes and strategies, such as municipal bonds or even carried interest. These last two are often mentioned as potential targets for change in terms of taxation.

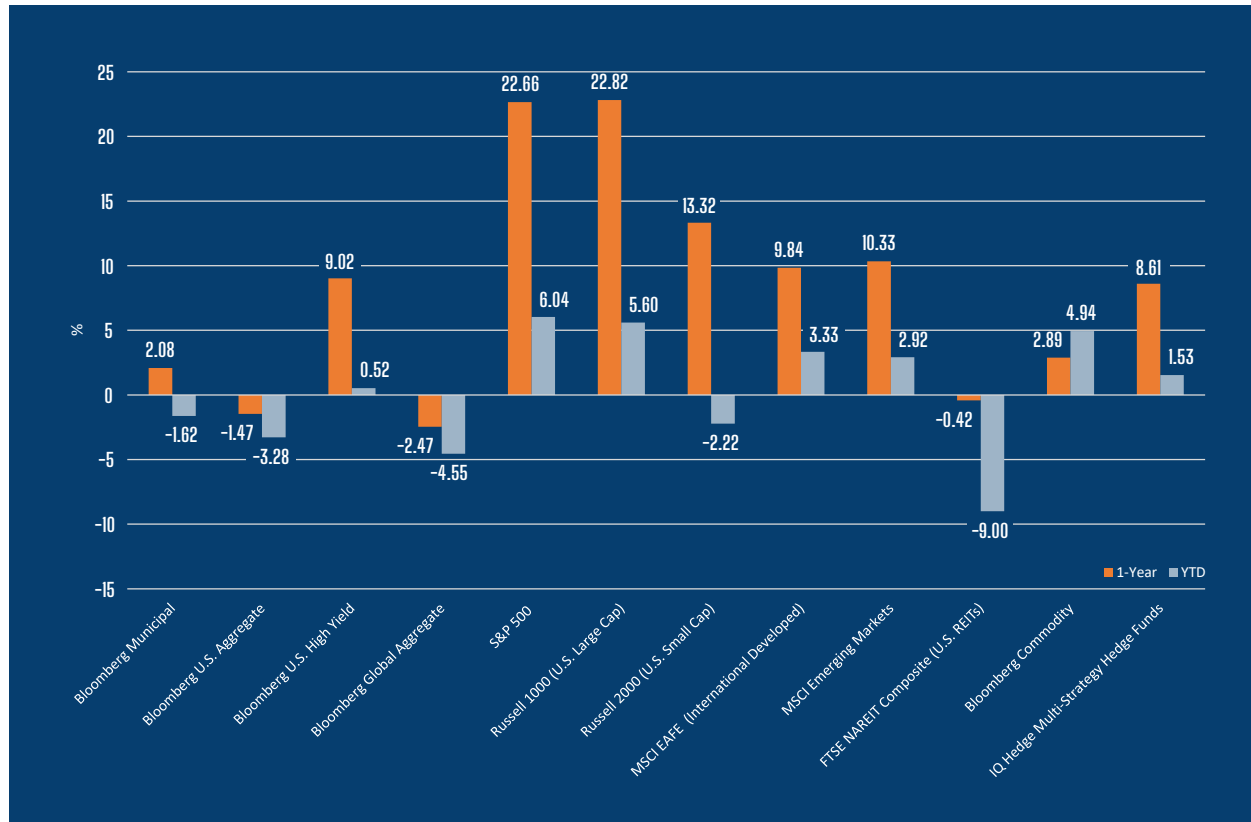
In closing, over the past 12 presidencies (dating back to John F. Kennedy), only two have shown negative returns: Richard Nixon and George W. Bush, both of whom dealt with all or part of two recessions and wars while in office. Amid the noise and uncertainty of a presidential election year, it's crucial for investors to stay focused on their long-term investment goals. Short-term market fluctuations driven by election-related events may tempt investors to make impulsive decisions, but it's important to maintain a disciplined approach and avoid reactionary behavior.

We would point out that while not all is perfect, the fundamentals for equities remain relatively positive. First-quarter earnings are projected to have grown approximately 5% year-over-year and are forecasted up 10%-11% for the full year. Inflation remains above the U.S. Federal Reserve's comfort level but has been declining, which in turn has the Fed contemplating interest-rate cuts sometime this year. And, bond yields increasingly appear to have stabilized with the 10-year note under 5%. As we write this, both the NASDAQ and S&P 500 are at record-high levels and the momentum appears to be higher. While fully acknowledging market drawdowns are natural and healthy, we remain cautiously optimistic for this election year.



Asset Class Returns

Comparing Recent 1-Year and Year-to-Date Total Returns



As of April 30, 2024

Source: Conway Investment Research

Fixed Income

- Treasury and other sovereign debt yields surged higher in April, resulting in losses across core fixed income and municipal bonds.
- Credit weathered the backup in rates a bit better but still lost ground with some spread widening.
- The short-duration properties of floating-rate loans provided some protection against losses.
- U.S. dollar strength was a headwind for non-U.S. assets.

Equities

- U.S. equities fell in April after rallying higher for the past six months.
- Large caps handily outperformed small caps last month, but there was little dispersion between growth and value within large caps.
- Small caps were particularly weak in April, with growth losing ground to value.
- Non-U.S. equities fell in April but generally held up better than U.S. equities.
- There was little dispersion between large caps and small caps within international developed equities.
- Emerging-market equities stood out last month with positive performance.
- U.S. dollar strength was a small detractor to non-U.S. equity returns.

Alternatives

- Real Estate Investment Trusts (REITs) continue to struggle on concerns over “higher for longer” interest rates and high vacancy rates in the office sector.
- Commodity prices are positive for the year, led by cocoa, precious metals and copper prices.



April 30, 2024	MTD	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Fixed Income Indices							
Bloomberg Municipal	-1.24%	-1.24%	-1.62%	2.08%	-1.10%	1.26%	2.41%
Bloomberg U.S. Govt/Credit Intermediate	-0.33%	-0.33%	0.09%	2.79%	0.11%	1.24%	1.24%
Bloomberg U.S. Aggregate	-2.53%	-2.53%	-3.28%	-1.47%	-3.54%	-0.16%	1.20%
Bloomberg U.S. High Yield	-0.94%	-0.94%	0.52%	9.02%	1.51%	3.72%	4.28%
S&P/LSTA Leveraged Loan	0.60%	0.60%	3.07%	11.97%	6.02%	5.26%	4.60%
Bloomberg Global Aggregate	-2.52%	-2.52%	-4.55%	-2.47%	-5.93%	-1.61%	-0.44%
U.S. Equity Indices							
DJ Industrial Average	-4.92%	-4.92%	0.92%	13.25%	5.87%	9.61%	11.10%
S&P 500	-4.08%	-4.08%	6.04%	22.66%	8.06%	13.19%	12.41%
NASDAQ Composite (Price)	-4.41%	-4.41%	4.31%	28.06%	3.89%	14.10%	14.30%
Russell 1000	-4.26%	-4.26%	5.60%	22.82%	6.98%	12.87%	12.14%
Russell 1000 Growth	-4.24%	-4.24%	6.69%	31.80%	8.48%	16.46%	15.48%
Russell 1000 Value	-4.27%	-4.27%	4.33%	13.42%	5.17%	8.60%	8.43%
Russell Mid Cap	-5.40%	-5.40%	2.73%	16.35%	2.41%	9.06%	9.40%
Russell 2500	-6.70%	-6.70%	-0.24%	14.79%	-0.69%	7.64%	8.34%
Russell 2000	-7.04%	-7.04%	-2.22%	13.32%	-3.18%	5.83%	7.22%
Russell 2000 Growth	-7.70%	-7.70%	-0.70%	12.39%	-5.92%	5.04%	7.60%
Russell 2000 Value	-6.37%	-6.37%	-3.66%	14.03%	-0.67%	5.96%	6.45%
Non-U.S. Equity Indices							
MSCI World	-3.67%	-3.67%	5.01%	18.96%	6.14%	11.00%	9.45%
MSCI ACWI	-3.26%	-3.26%	4.79%	18.02%	4.76%	9.97%	8.75%
MSCI ACWI Ex-U.S.	-1.72%	-1.72%	3.01%	9.88%	0.85%	5.54%	4.42%
MSCI EAFE	-2.46%	-2.46%	3.33%	9.84%	3.39%	6.70%	4.88%
MSCI EAFE Growth	-3.88%	-3.88%	2.95%	6.53%	0.32%	6.61%	5.73%
MSCI EAFE Value	-0.90%	-0.90%	3.76%	13.32%	6.30%	6.38%	3.79%
MSCI Europe	-1.73%	-1.73%	3.56%	8.18%	4.62%	7.44%	4.61%
MSCI Japan	-4.85%	-4.85%	5.77%	19.64%	2.89%	6.80%	6.81%
MSCI AC Asia	-1.14%	-1.14%	4.50%	12.17%	-3.45%	3.87%	5.44%
MSCI EAFE Small Cap	-2.90%	-2.90%	-0.45%	5.55%	-3.19%	4.13%	4.88%
MSCI ACWI Ex-U.S. Small Cap	-1.40%	-1.40%	0.78%	10.08%	-1.13%	5.94%	5.03%
MSCI Emerging Markets	0.47%	0.47%	2.92%	10.33%	-5.31%	2.28%	3.34%
MSCI EM Asia	0.94%	0.94%	4.40%	10.28%	-6.64%	3.01%	4.95%
MSCI China	6.60%	6.60%	4.27%	-6.60%	-17.43%	-5.40%	2.31%
MSCI EM Eastern Europe	2.19%	2.19%	3.96%	32.40%	-31.92%	-18.76%	-7.88%
MSCI EM Latin America	-3.48%	-3.48%	-7.24%	15.92%	8.40%	3.31%	1.43%
MSCI EM Small Cap	2.01%	2.01%	3.15%	22.69%	3.40%	9.39%	5.65%
MSCI Frontier Markets	-2.95%	-2.95%	2.21%	10.51%	-1.89%	2.71%	1.27%
Hedge Fund Indices							
IQ Hedge Multi-Strategy	-1.05%	-1.05%	1.53%	8.61%	1.03%	2.80%	2.63%
Real Assets Indices							
FTSE NAREIT Composite	-7.83%	-7.83%	-9.00%	-0.42%	-3.10%	1.95%	5.52%
Alerian MLP	-1.22%	-1.22%	12.50%	34.46%	25.98%	11.49%	2.49%
Bloomberg Commodity	2.69%	2.69%	4.94%	2.89%	7.19%	7.04%	-1.54%
S&P Global Infrastructure	-0.55%	-0.55%	0.79%	0.91%	4.07%	4.49%	4.90%
Other							
CBOE Market Volatility (VIX)	20.29%	20.29%	25.70%	-0.82%	-5.61%	3.59%	1.56%

Source: Morningstar



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