The noise can be deafening. It seems to come from everywhere, all the time. It can cause headaches, frustration, even anxiety. Sometimes, you wish you could turn it off altogether.

No, we're not referring to whatever music the kids are listening to these days. We're referring to the noise surrounding the upcoming presidential elections.

Election season is one of the most important aspects of our political system, but there's no doubt that getting through it can be stressful. All of us, at some point, will wonder things like, "What if my preferred candidate doesn't win?" "Who *is* my preferred candidate, anyway?" "Does so-and-so really mean this?" "Did so-and-so really say that?" "What's fact and what's fiction?"

But one thing you shouldn't have to stress over is how the elections will impact the markets. There are a lot of misconceptions that spring up every four years about what presidential contests might mean for your portfolio. Most of these cause investors to worry unnecessarily. As your financial advisor, it's our job to help you feel *confident* in your financial future, not anxious. So, in this letter, let's do a brief dive into three misconceptions about election season and the markets.

The first misconception is that presidential elections lead to down years in the markets. It's understandable why we might feel this way. When we look back at past elections, the first things we remember are probably the controversies, uncertainties, and negativity. Election years *feel* volatile in our minds and memories, usually because there's so much drama and so much at stake.

But statistics prove this misconception is a myth. Since 1944, there have been twenty presidential elections. In sixteen of those, the S&P 500 experienced a positive return for the year.[1] In fact, the median return for presidential election years is 10.7%.[1] Of the four election years that saw a negative return, two did occur in this century – in 2000 and 2008 – but on both occasions, the nation was either entering or in the midst of a significant recession.

Now, we *do* sometimes see increased volatility in the months leading up to an election. If we just look at how the S&P 500 performed from January through October in a presidential election year, the median return drops to 5.6%.[1] That's not bad, but it is nearly 50% lower. This suggests the uncertainty over who will triumph in the election – and the debate over what each candidate's policies will mean for the economy – does tend to have at least some effect. Then, as the victor is announced and the picture becomes a little clearer, volatility tends to subside, and investors move on to other things. So, in that sense, election season *does* matter, but nowhere near what the media may have you believe. Elections are just one of the many ingredients in the gigantic stew that is the stock market…and they're far from the most important.

The second misconception is that if one candidate wins, the markets will plummet. This narrative is, frankly, driven by pure partisanship. The fact of the matter is that the markets have soared under both Republican and Democratic presidents. Naturally, they've occasionally *soured* under both parties, too. Since 1944, the median return for the S&P 500 in the year after a presidential election is 9.8%.[1] Since 1984? The median return rises to over *24%.*

The reason for this is because of that gigantic stew we mentioned. You see, the markets are driven by the *economy* more than by elections. By the ebb and flow of trade, the law of supply and demand, by innovation and invention, by international conflict and consumer confidence. And while the president *does* have an influence on all this, it's just one of many, many influences. As a result, the markets are far more likely to be affected by inflation and whether the Federal Reserve will cut interest rates than by the election.

When you think about it, the markets are like life. The course our lives take isn't determined by one gigantic decision, but by the millions of small decisions we make every day. The same is true for the markets. We don't know about you, but we find this comforting.

The third misconception is that we have no control over any of this, and thus, no control over what happens to our portfolio.

It's true. We can't dictate who the president will be. We can't determine how the markets will react. But what we *can* control is what *we* will do. And that, is a mighty power indeed.

There's a reason we began this letter by referencing noise. As investors, one of the keys to long-term success is filtering out the noise and focusing on what really matters. You see, the goal of all political campaigns – and the media that covers them – is to create noise. That's because noise provokes *emotions*. Fear. Anxiety. Anger. A greater emotional response leads to more clicks, more views, more shares, more engagement…and, yes, more money. It's understandable why campaigns and the media want these things. But what *we* must guard against is letting those emotions drive our financial decisions. Emotions promote the urge to *do something* – buy, sell, get in, get out, take on more risk, less risk, you name it. They prompt us to make short-term decisions to alleviate what is, when you think about it, a short-term concern.

A presidential term lasts four years. But the goals you have saved for, and the time horizon you have planned for, lasts *much* longer than that. That's why our investment strategy is built around the long-term. It's designed to help you not just tomorrow, or next month, but years and years from now. It's designed so that the *president of the United States,* as important as he or she may be, is only a passing mile-marker on the much longer road to your goals and dreams.

So, as we draw near to another election, remember: Tune out the noise. Remember these misconceptions and avoid them. And most of all, remember that our team is here to answer your questions and help you however we can. Please let us know if there is ever anything we can do.

Have a great summer!

Sincerely,

Barbara B. Hudock, CIMA®, CPM®
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[1] "Election year market patterns," *ETRADE,* us.etrade.com/knowledge/library/perspectives/daily-insights/election-stock-patterns



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