2020 US Presidential Election

10 TRUTHS NO MATTER WHO WINS
Markets Have Performed Well Under Both Parties

Presidential term stock market returns vs. economic growth (1957-present)

Annualized Stock Market Performance %

Annualized Real GDP Growth During Presidential Term %

Growth of $10,000 in the Dow Jones Industrial Average since 1896

- **Only Invested for Dems**
- **Only Invested for Reps**
- **Fully Invested**

Sources: Haver, Invesco, 12/31/19. For illustrative purposes only. Index definitions can be found on page 12. **Past performance does not guarantee future results.**
We Do Not Radically Reengineer the US Economy

Breakdown of Major Components of GDP as a % of Total Spending In the United States Since 1947

Government Expenditures  Business Investment  Consumption

Dow Jones Industrial Average Total Return Index (Growth of $100)


1965 Great Society (Medicare, Medicaid)
1981 Economic Recovery Tax Act
1996 Personal Responsibility and Work Opportunity Act
2010 Affordable Care Act

Dow Jones Industrial Average Index Returned 10.2% annualized from 1926-2019

Sources: Bloomberg, L.P., FRED, 12/31/19. Index definitions can be found on page 12. Past performance does not guarantee future results. Scale is logarithmic
The Historical Narrative Is Not as You Remember It

President Jimmy Carter and Jobs
Nonfarm payrolls

- Actual Job Gains
- Post-WW2 Average

President Reagan and income gains
Average weekly earning growth

- Median Weekly Earnings
- Trend

President Barack Obama and inflation
CPI trend vs. actual

- Actual CPI
- Trend CPI

President Trump and business investment
Capital expenditures

- Actual
- Long-term Trend

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics and Haver Analytics, 12/31/19. Note: Long-term trends are all averages since the end of World War II in 1945 except for Median Weekly Earnings, which is an average of the change since 1971, when data collection began on that statistic.
Example 1: Patient Protection and Affordable Care Act
Employers with 50 or more full-time employees are considered “large business” and therefore required to offer employee health coverage or pay a penalty.
Nonfarm private medium payroll employment (50–499)

Example 2: Tax Cuts and Jobs Act of 2017
Section 179 allows taxpayers to deduct the cost of certain property (such as machinery and equipment purchased for use in trade or business) as an expense when the property is placed in service.
US capital goods new orders (nondefense ex-aircraft & parts)
Past performance does not guarantee future results.
Financial conditions and S&P 500 performance during easing conditions

Markets Don’t Care If You Don’t Like Who’s President

Gallup poll presidential approval ratings and the growth of $100,000

<table>
<thead>
<tr>
<th>Presidential Approval Rating</th>
<th>Gain/Annum</th>
<th>% of Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;65</td>
<td>5.4%</td>
<td>13.9%</td>
</tr>
<tr>
<td>50-65</td>
<td>4.2%</td>
<td>36.2%</td>
</tr>
<tr>
<td>30-50</td>
<td>15.3%</td>
<td>36.8%</td>
</tr>
<tr>
<td>&lt;35</td>
<td>-19.7%</td>
<td>6.6%</td>
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</tbody>
</table>

Newspaper Laments
Even though early presidents were staunch defenders of a free press, they still were upset by newspaper coverage.

George Washington
Newspapers filled “with all the invective that disappointment, ignorance of facts, and malicious falsehoods could invent to misrepresent my politics.”

Thomas Jefferson
“Nothing can now be believed which is seen in a newspaper. Truth itself becomes suspicious by being put into that polluted vehicle.”

A Deadly Duel
While political debates and sound bites make for contentious TV today, fortunately, nothing in recent memory compares to the personal vendetta between sitting vice president Aaron Burr and former treasury secretary Alexander Hamilton that led to a duel with pistols.
Don’t Take Punditry as Objective Market Analysis and Focus on a Key Indicator

Unemployment Plus Inflation

US Stock Market Performance

Consumer Price Index (CPI) program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

The Dow Jones Industrial Average is a price-weighted index of the 30 largest, most widely held stocks traded on the New York Stock Exchange.

The S&P 500 Index is a market-capitalization-weighted index of the 500 largest domestic US stocks.

The Russell 1000 Value is an unmanaged index considered representative of large-cap value stocks. The Russell 1000 Value Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co.

The Russell 1000 Growth is an unmanaged index considered representative of large-cap growth stocks. The Russell 1000 Growth Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co.

The Misery Index is an economic indicator calculated by adding the current unemployment rate and the inflation rate.

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