November 6, 2024

Dear Valued Investor,

Donald Trump was elected the 47th president of the United States, defeating Vice President Kamala Harris thanks to strong performance in key swing states that gave him 277 electoral votes to 224 for Harris (according to The Associated Press, while five states have yet to be called). The gains at the top of the Republican ticket filtered down to state-level races, where Republicans achieved a majority in the Senate by flipping three seats to take a 52-seat majority, with several tight races still yet to be called. House control is still up in the air, but Republicans appear headed for a razor-thin majority and a GOP sweep.

For investors, achieving an outcome and removing the cloud of uncertainty is, in and of itself, a positive development. If the economy is on solid footing, as it is currently, stocks have historically reacted positively to election results regardless of outcome. We expect this time to be no different. Historically, the S&P 500 has generated an average gain of 6.5% in the year following Election Day.

Those concerned about post-election volatility can also take comfort in the fact that the best six-month period for stocks has begun. From November through April, the S&P 500 has historically generated an average gain of 7.2%. Even in post-election years, returns during these six months have been above average at 5.3%. With the economy and profits growing, inflation easing, and more Federal Reserve rate cuts coming, potential volatility around the transition of power could present a buying opportunity.

In terms of policy implications, the tax cuts enacted by then-President Trump in the Tax Cuts and Jobs Act of 2017 will expire at the end of 2025. Trump has stated he plans to extend them, though some revenue offsets, including tariff increases, are likely to limit the additional deficit spending. His America-first agenda could cause volatility in international markets, notably China, put some upward pressure on domestic prices through tariffs, and help the more domestic-focused small cap stocks (which are surging this morning). Finally, deregulation efforts may support certain segments of the energy and healthcare sectors as well as financial services and cryptocurrencies.

As we begin to put an emotional election behind us, the start of President Trump's second term will be met with a healthy economy supporting strong corporate profit growth. The clarity of an election outcome and favorable seasonality will likely help support stocks in the near term, even after the initial bump, as the transition of power takes place. The political divisiveness won't necessarily go away now that the election is over, but let's hope we can make more progress bridging our divides.

As always, please reach out to me with questions.

Sincerely,

Rick Fisher, CFP®

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All data is provided as of November 6, 2024.

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All index data from FactSet.

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