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THE 2024 U.S. ELECTIONS IN PERSPECTIVE

JUNE 2024

EXECUTIVE SUMMARY

The potential impact of the 2024 U.S. elections on financial markets is on investors' minds. And rightly so, as elections certainly have implications regarding the country's direction. According to Gallup, the top concern among voters in 2024 is the economy, including inflation. Other top priorities include immigration policy and — somewhat concerningly — lack of trust in the government and accompanying institutions.

This presidential election has two leading candidates who slightly agree on infrastructure, the debt level, and monetary policy, but vastly differ on key issues such as the economy and taxes, spending, regulations, climate, and defense. While there are multiple third-party candidates in the race, for the purposes of this write-up, we have focused on President Biden and former President Trump because of the strong likelihood that one of the major party candidates wins the 2024 election. This piece also focuses on the presidential election, because of the increase over the years in the relative power of that office. That said, Congressional elections will play a significant role in influencing what the next president will be able to accomplish.

The uncertainty surrounding important issues and the impact on policies has led to increased volatility in the financial markets and has impacted investor sentiment, though in line with other market events. Despite the uncertainty, including that driven by Donald Trump's recent conviction on 34 counts of falsifying business records, historical data suggests that elections themselves have had muted impact on markets. What truly matters are fundamental factors such as growth, inflation, interest rates, and corporate earnings.

Given the uncertainty and increased volatility, managing risks and maintaining a longer-term mindset remain of primary importance.

2024 U.S. ELECTION BACKDROP

The United States will hold its 60th presidential election on November 5th, 2024. Joe Biden (D) and Donald Trump (R) became the presumptive Democratic and Republic nominees on March 12, 2024. The Republican Party will make an official presidential nomination at the Republican National Convention in July, and the Democratic Party will do the same at its convention in August. Assuming Biden and Trump are nominated, this will be the first presidential rematch election since 1956.

In the U.S. Senate, 34 of the 100 seats are up for election. Thirty-three of those seats are up for regular election and one is up for a special election. Of the 33 regularly scheduled elections in 2024, 10 seats are held by Republicans and 20 seats are held by Democrats with three seats held by independents who caucus with Democrats. Those elected to the U.S. Senate in the 33 regular elections will begin their six-year terms on January 3, 2025.

All 435 seats in the U.S. House of Representatives are up for election, with five of the chamber's six non-voting members (representing the District of Columbia, Puerto Rico and other U.S. territories) up for election as well. Heading into the election, Republicans have a 218-213 majority and there are four vacancies. Democrats would need a net gain of five districts to win a majority in the chamber.

2024 U.S. ELECTION OVERVIEW

PRESIDENT

+ Democratic – President Joe Biden
+ Republican – Former President Donald Trump
+ Various third-party candidates

SENATE

+ 34 seats up for election (1 special)
  - 20 seats – Democrats
  - 10 seats – Republicans
  - 3 Independents who caucus with the Democrats

HOUSE OF REPRESENTATIVES

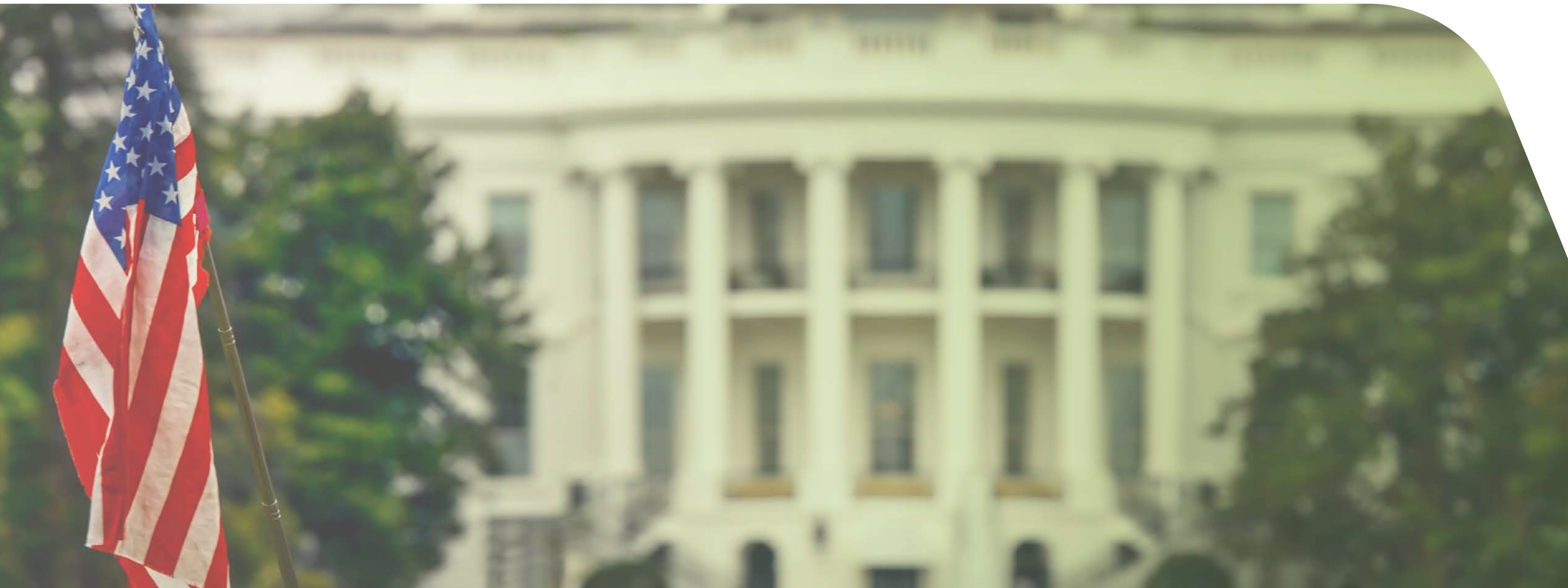
+ 435 seats up for election
+ Republicans possess a 218 to 213 majority
+ 4 positions are currently vacant

STANCES ON KEY POLICY ISSUES

While it is very difficult to predict who will win the presidential elections and what the make-up of the Senate and House of Representatives will be, there are known similarities and significant differences in the two presidential candidates' approaches, which are outlined below.

ISSUE	PRESIDENT JOE BIDEN	FORMER PRESIDENT DONALD TRUMP
Economy and Taxes	+ Restoring tax to pre-Trump levels for wealthy individuals + Maintaining Social Security and Medicare + Canceling some student debt + Increasing defense spending + Investing Infrastructure + Maintaining import tariffs	+ Lowering the tax rate for wealthy individuals and corporations + No cuts to Social Security and Medicare + No canceling student debt + Maintaining defense spending + Increasing current import tariffs
Regulations and Climate	+ Favors regulations to combat climate change	+ Favors market solutions to fight climate change over government regulations + Limited support for clean energy tax credits or subsidies
Debt Levels	+ Both parties have increased the fiscal debt + Both parties have acknowledged that long-term debt management is vital	
Monetary Policy	+ The Federal Reserve is independent by design and strives to maintain low unemployment, price stability and market integrity	
Infrastructure	+ Bipartisan support for funding on hard infrastructure, although there are some differences on clean energy spending	

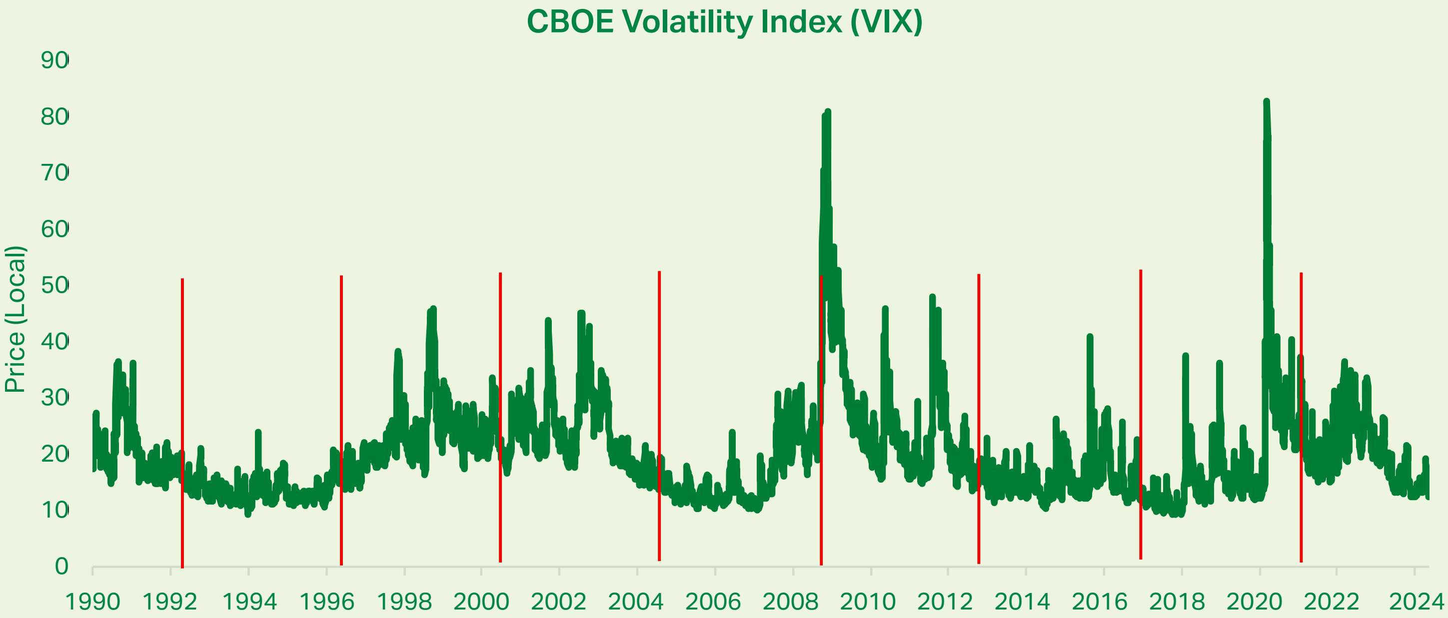
Sources: Washington Post, USA Today, and GlobalX



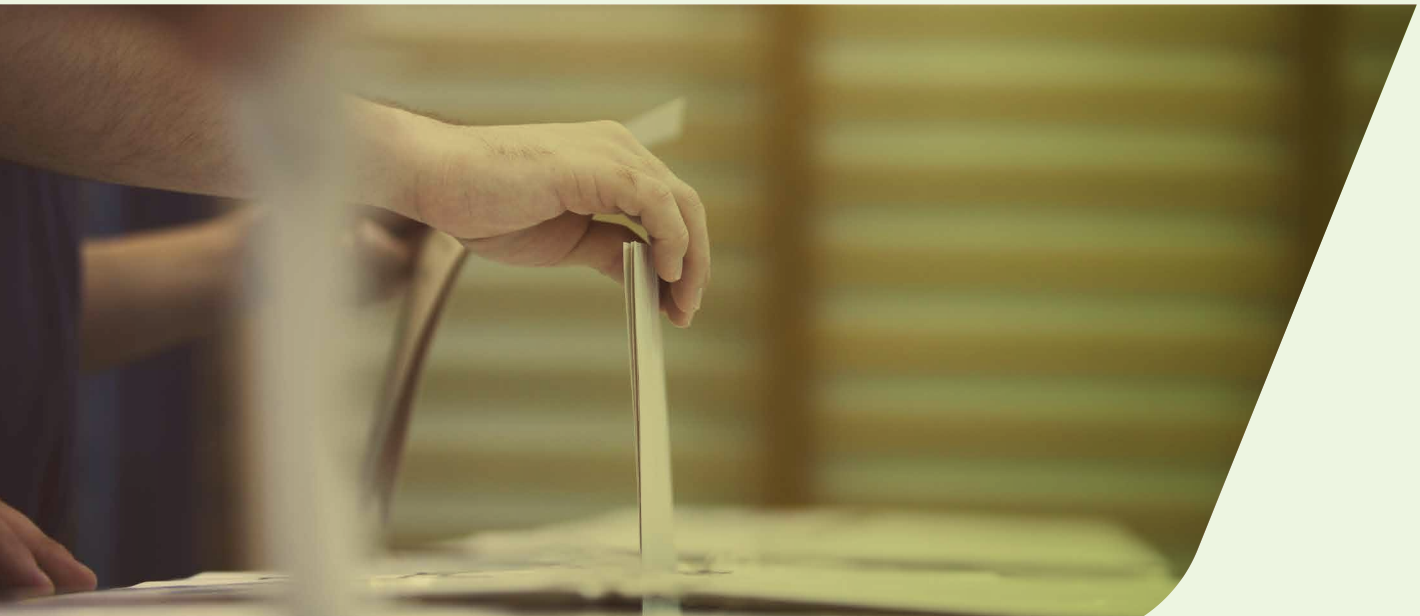
IMPACT OF U.S. ELECTIONS ON MARKETS

Despite the uncertainty surrounding the 2024 U.S. elections on important issues, the impact on policies, and direction of the country, the historical data suggests that the increased volatility in the financial markets tends to be localized in nature and in-line with other market events. Irrespective of which party is in office, what truly drives financial markets are fundamental factors such as growth, inflation, interest rates, and corporate earnings.

The exhibit below shows daily history since 1990 of the CBOE Volatility Index, or VIX — a measure of expected volatility of the U.S. stock market over the next 30 days, derived from S&P 500 options prices. Zooming in on the periods immediately around presidential elections, noted by the red lines in the graph, would show local spikes. But as shown by the full data history, spikes are common and driven by many varied events, and the most notable volatility increases occur around major global events such as the Global Financial Crisis and the Covid-19 pandemic.



Source: CBOE

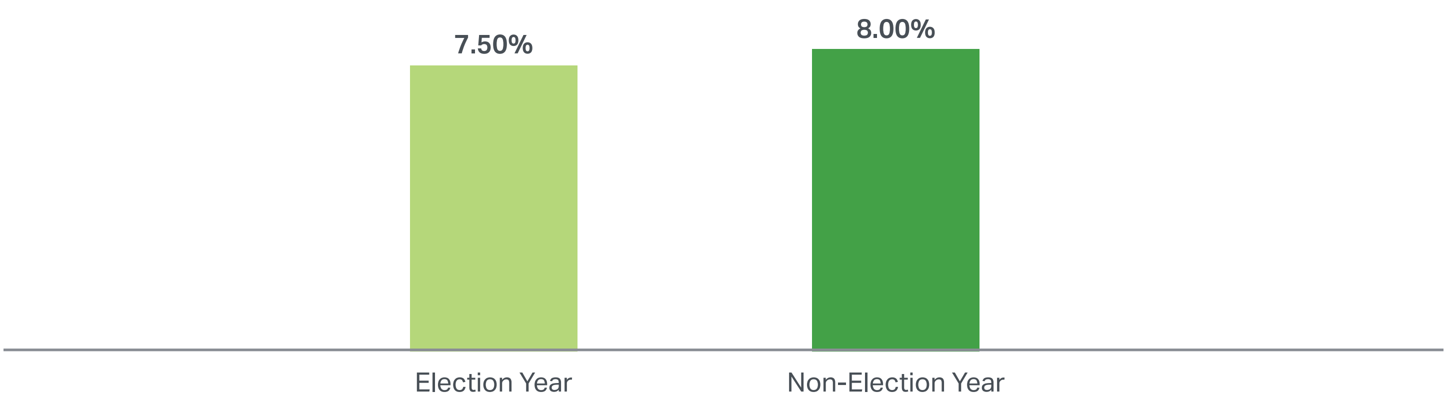


ELECTION YEAR	ELECTED PRESIDENT	S&P 500 PERFORMANCE 12 MONTHS **BEFORE** ELECTION DATE	S&P 500 PERFORMANCE 12 MONTHS **AFTER** ELECTION DATE
1964	Lyndon Johnson (D)	14.7%	8.3%
1968	Richard Nixon (R)	11.8%	-5.7%
1972	Richard Nixon (R)	20%	-7.9%
1976	Jimmy Carter (D)	15.5%	-11.3%
1980	Ronald Reagan (R)	25.7%	-3.3%
1984	Ronald Reagan (R)	3.8%	14.1%
1988	George H.W. Bush (R)	9.4%	22.3%
1992	Bill Clinton (D)	7.4%	10.8%
1996	Bill Clinton (D)	19.7%	33%
2000	George W. Bush (R)	4.5%	-21.9%
2004	George W. Bush (R)	7.6%	8.2%
2008	Barack Obama (D)	-35.8%	8.2%
2012	Barack Obama (D)	13.1%	24.4%
2016	Donald Trump (R)	1.7%	21.5%
2020	Joe Biden (D)	8.0%	39.9%
Average Return		**8.4%**	**9.3%**

Source: Forbes

According to an analysis by Forbes (illustrated above), U.S. stock market performance as measured by the S&P 500 has been comparable in the years before and after presidential elections, and have not shown clear patterns based on the winning party or candidate. Another analysis by J.P. Morgan indicates that, from 1928-2023, market performance in election and non-election years was similar.

S&P 500 Average Annual Returns (1928-2023)



Source: J.P. Morgan

IS THIS TIME REALLY DIFFERENT?

While it might seem like this is one of the most contentious periods both geopolitically and domestically in recent memory, we would note that this particular period is not uncommon compared with the historical record. There have been many tumultuous periods for America such as the Great Depression of 1929, World Wars, fights for civil rights, and the Global Financial Crisis of 2008.

Take, for example, World War II, which was the deadliest and most destructive war in human history, claiming the lives of about 3% of the people of the world — the equivalent of nearly a quarter-billion people today. Yet, over the 1939-1945 war period, the U.S. stock market rose significantly.

We do not believe that such an event is on the horizon now, but it is easy to overlook that, while there is uncertainty today, this is not unique to our time — and past tumultuous events have often had unpredictable impacts on markets.

CONCLUSION

A key question is: how should investors react? For those concerned about the presidential elections and heightened tensions in both global and domestic markets, **we counsel continuing to manage risks through maintaining a longer-term mindset, sticking to the strategic asset allocation, remaining well diversified among asset classes, generally avoiding making short-term tactical bets, and being fully invested in the markets**.

Portfolios may be designed and positioned with Syntrinsic's current Capital Markets Forecast in mind. Passive investment managers will capture the behavior of broad markets, while active investment managers will make sector-and security-level investment decisions reflecting their views on basic economic factors and any potential longer-term impact of political changes on those factors.

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About Syntrinsic

Founded in 2008, Syntrinsic is co-creating a sustainable and generative world that empowers all people by providing investment advice and strategic consulting to community foundations, private foundations, public charities, and private clients interested in using assets for good and growth. The firm offers a full suite of services, including impact investing, stakeholder education, operational support, business strategy and structure, and client-stakeholder relations.