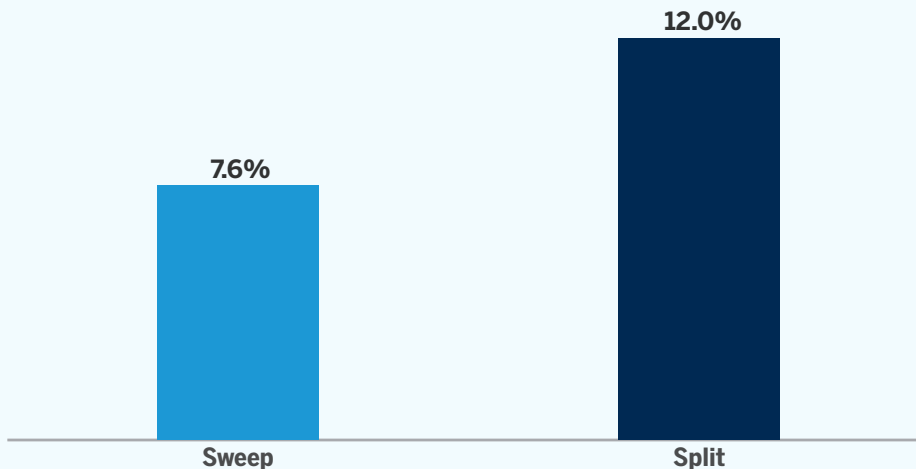




Political Gridlock

As the 2024 U.S. presidential election approaches, investors are increasingly focused on potential policy shifts and their implications for equity markets. What does history tell us about market performance when one party controls both the White House and Congress versus when power is divided?

**Median S&P 500 1-Year Returns After Election
by Degree of Party Control Since 1980**



Source: FactSet, Standard & Poor's and Alger. S&P 500 median price performance from November through October 1980-2023. A "Sweep" is when the House, Senate and Presidency are all controlled by the same party, and a "Split" is any other time. **The performance data quoted represents past performance, which is not an indication or a guarantee of future results.**

- As shown in the chart above, a sweep election—where one party controls both the White House and Congress—has historically resulted in a 7.6% median return over the following year since 1980. However, a split election—where control of the White House and Congress is split between Republicans and Democrats—has produced stronger market performance, with a 12.0% median return over the same timeframe.
- In our view, stronger market performance after a split election is largely due to reduced policy risks, as political gridlock limits the likelihood of radical legislative changes, such as increased corporate taxes or significant industry regulation. Compromise often results in moderate policies reducing uncertainty for investors and thereby supporting equity valuations.
- We remind investors that investing based on political outcomes has historically led to undesirable results as we have written in the past, see [Economic Policies and Market Realities](#) and [Beyond the Ballot](#). Instead, we believe a more prudent approach is to focus on long-term secular growth companies, highlighting the importance of innovation and fundamentals over politics.

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