The 2024 Election Results and Their Impact on Your Investments

The 2024 U.S. election season was highly anticipated and historic, marked by a close race and high voter turnout across the country. This strong participation shows that Americans are deeply engaged and motivated by issues that will impact their future. This is a good thing. The fact that the voting and ballot counting went smoothly overall is another positive takeaway. With the results mostly in, the country will begin moving forward, and investors will start to respond to what the election outcomes could mean for the economy.

What We Know So Far

The results strongly favored the Republican party. Former President Donald Trump successfully reassembled his base of supporters to win another term in office, making him one of only two U.S. presidents to be elected to serve non-consecutive terms. With Trump likely winning all seven of the swing states, his victory is secure.

Republicans have also gained control of the Senate, flipping three seats in their favor. While some races are still being called, it's expected that Republicans will hold a majority, but it won't be a large enough one to pass legislation without opposition (known as a filibuster).

What Remains Uncertain

The House of Representatives result remains close. It's leaning slightly toward Republican control, but some races are close enough that outcomes still aren't confirmed. The party that gains control will hold a very slim margin, which could influence how quickly policies are enacted.

We also don't yet know who President-Elect Trump will tap for key positions in the administration. These appointments will begin to shed light on how the new administration will govern and what their priorities will be. But it's important to remember that even with a clear policy agenda, there are many steps between campaign promises and actual legislation, so we'll see changes unfold over time.

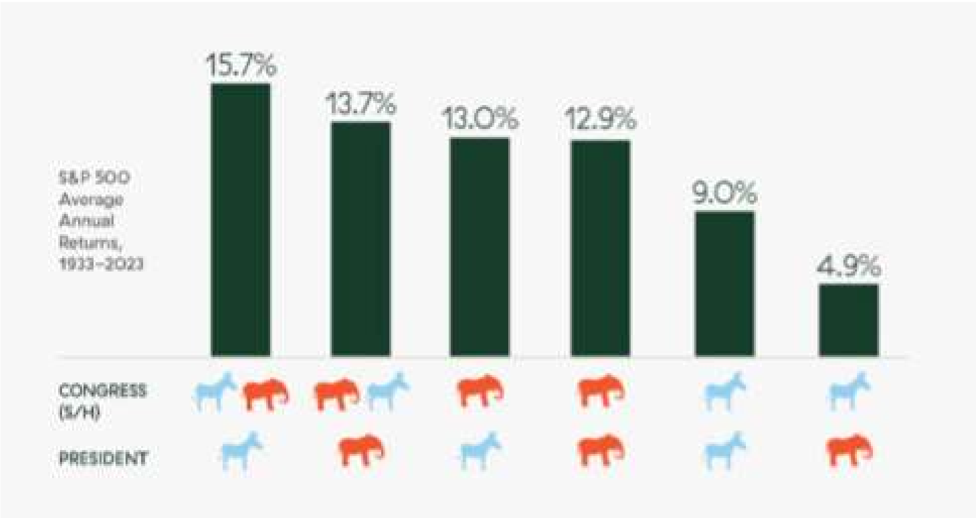
What We're Watching

Going forward, we will be paying attention to the outcomes in House races, as these will affect the balance of power in Congress. Historically, markets tend to perform well under a divided government, with different parties controlling the chambers of Congress and the presidency. But over time, markets tend to go up no matter the power-sharing arrangement. And, over the last 70 years, markets have done quite well when Republicans control all three branches (see Figure 1).

WARREN WEALTH
ASSOCIATES

Warren Wealth Associates
28 Mountain Boulevard | Warren, NJ 07059
908.769.9400 | 908.769.9402 fax | www.warrenwealthassociates.com

Figure 1. 1933–2023 S&P 500 Average Annual Returns According to Party Control of Congress and Presidency



Sources: Truist IAG, Strategies

All indices are unmanaged, and investors cannot actually invest directly into an index. Unlike investments, indices do not incur management fees, charges, or expenses. Past performance does not guarantee future results.

What Investors Should Consider

Market reactions. Markets generally respond positively to certainty, and, after a tight election, these results provide some clarity. Stocks were up at least 2% the morning after the election, reflecting investor optimism. President-Elect Trump is seen as advocating for pro-business policies and less regulation, which investors may view as supportive of growth.

In bond markets, yields on the 10-year U.S. Treasury have sold off and are now back at levels between 4.4% and 4.5%. Given the move in equities, this reaction is somewhat expected in fixed-income markets. Policy decisions that are supportive of the U.S. economy are likely to lead to higher interest rates.

That said, volatility is not unexpected as the new administration begins to develop their priorities and agenda. Who is tapped to fill cabinet positions and how the new administration begins to discuss their policy priorities will cause short-term reactions in markets. Volatility also creates opportunities for those who are willing to look through the short-term fluctuations.

Economic fundamentals. All that said, re-positioning portfolios because of an election is hard thing to do. Timing markets is also hard if not impossible. At the end of the day, markets are driven by fundamentals. As the dust settles on the election it is important to remember that the economy is on solid footing with continued growth expected. A growing economy is good news for Corporate America. Current projections suggest that earnings for companies in the S&P 500 will grow at a double-digit rate in 2025. A solid economy and increased corporate earnings should continue to support markets over the long-term.

With the election moving into the rear-view mirror, we can all take a moment to breathe and keep on keeping on.

Authored by Chris Fasciano, senior portfolio manager, at Commonwealth Financial Network®.