JANUARY 2021

# GEORGIA ON MY MIND AND THE MARKET MOVES ON (AGAIN)

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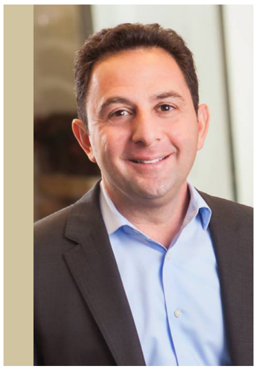

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Last night's Georgia Senate runoff election rounded out one of the most contentious election cycles in U.S. history. As with all heated elections, political outcomes are quickly translated by some into fast investment decisions. Those decisions are nearly always determinantal to the investor. Here's the bottom-line up front: Tax and economic policies are only a small part of what drives markets. Far more important are factors like actual corporate earnings, interest rates, and where the economy sits in its natural cycle. There are literally dozens of other things that can be added to the list.

Let's start with a quick review of recent market history as it relates to who's in the Oval Office:

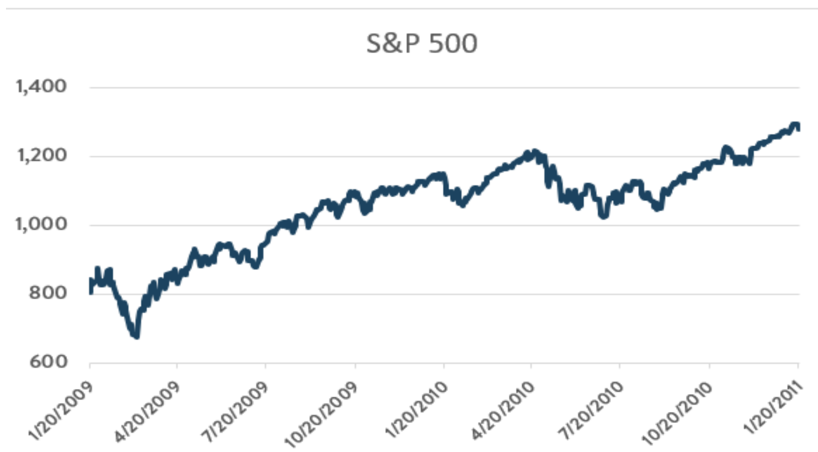
The stock market was up 77.4% over President Obama's first term.


The stock market was up 51.7% over President Obama's second term.

The stock market was up 64.1% over President Trump's term.


Of note however, is that the Democrats now control both the White House and Congress. That happened under President Obama's first term as well, but with a much more decisive presidential victory and larger margin of control of Congress. So what did Democratic control of both the White House and Congress mean for the market?

During President Obama's first two years in office, when Democrats also controlled Congress, the stock market was up 59%.

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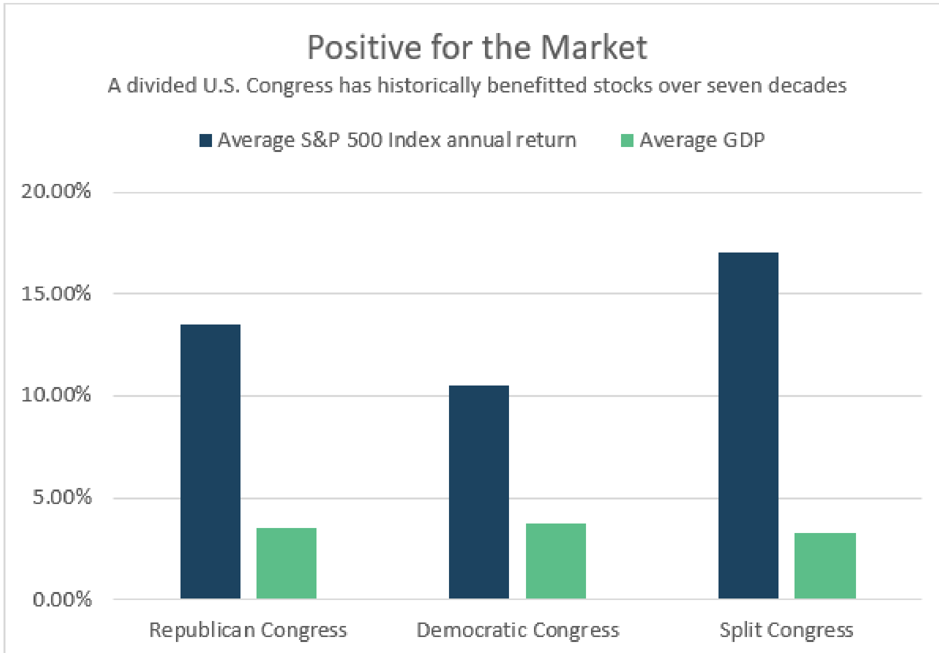
Do markets generally prefer a division of power? Yes, they do. From 1950 to the present, the stock market has gone up under total Republican control and under total Democratic control but has fared best with a division of power. A division of power gives the market the certainty it always craves - more specifically - the certainty that nothing too dramatic will change in either direction. But the main takeaway here? *Investors still fare well over four years.*




Source: LPL Research, Bloomberg

Note: Data 1950-2019; as S&P 500 was introduced in 1957, performance back to 1950 incorporates returns of predecessor index, the S&P 90.

Politics has become a deeply emotional subject for many people, and policy can impact our values. There is no question that social policy can change substantively from one President and Congress to another. Economics is an entirely different animal. Does the market tend to perform better when there is a division of power? Yes, it does. Does it tend to perform better than cash and bonds regardless? Yes, it does.

Lots of things will impact market performance over the next four years: Will the vaccine be distributed quickly and work as well as expected? Will the coronavirus mutations set the clock back? Will interest rates rise or decline? Will there be a cyberattack? Will there be a war? Will there be a terrorist attack? Will there be another great technological breakthrough? Will there be inflation? And yes, the market will also be impacted by the policies enacted into law. At the end of the day, the wise investor bets that corporations will make things that people want, people will buy them and those corporations will grow. A multitude of variables goes into that equation. As always, we will be watching economic legislation changes closely, and keep you informed of any investment, financial planning,

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