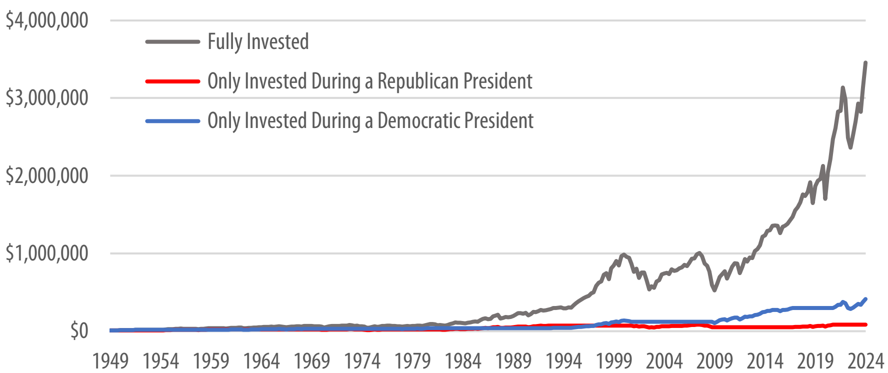
First Trust

June 6, 2024

The election year is in full swing, bringing with it the usual drama. We all have that one family member who insists they'll sell everything and go to cash if a certain candidate wins the election. The truth is, letting politics drive our investment decisions can be detrimental. That's why we believe having a financial professional is crucial—they can help remove emotion from investment decisions. In today's Three on Thursday, we examine past presidential cycles and their implications for investing. Every four years, the convergence of politics and finance seems more pronounced, leading many to make decisions they later regret. Amid all the drama and political uncertainty with an election right around the corner, what does this mean for the markets moving forward? We've provided the three charts below to offer more perspective.

Growth of $10,000 in the S&P 500 Index Since 1949

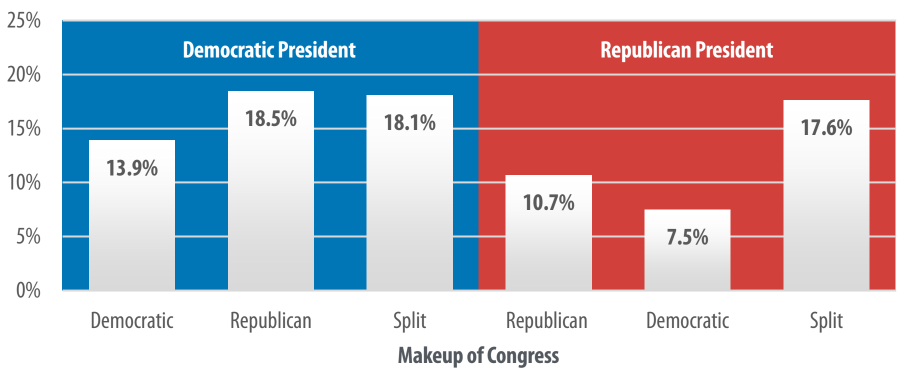


Source: Standard and Poor's, First Trust Advisors. Quarterly data Q1 1949 – Q1 2024.

Using the S&P 500 Index as a market gauge, consider this: if you only invested when a Republican was president and went to cash when a Democrat was in office, your $10,000 would have grown to just $83,360.22 by the end of Q1 2024. Conversely, if you only invested during Democratic presidencies, your $10,000 would have grown to $414,703.12. However, if you ignored political factors entirely and stayed invested throughout, your $10,000 would be worth an astonishing $3.46 million by the end of Q1 2024! This illustrates the importance of maintaining a long-term, non-partisan investment strategy.

S&P 500 Index Performance by President and Makeup of Congress

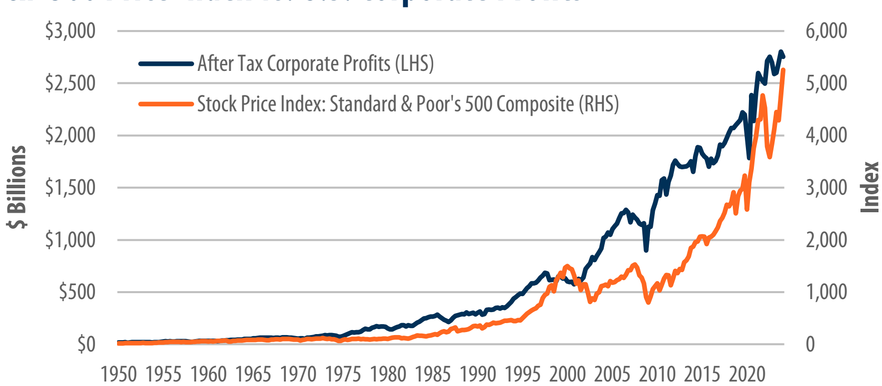
Average S&P 500 Index Total Return Annual Performance 1949-2023



Source: Federal Reserve Board, First Trust Advisors. **Past performance is no guarantee of future results.** The chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future.

An analysis of the makeup of the presidency and Congress since World War II reveals that the stock market has performed positively on average, regardless of the political mix. Surprisingly, the best average performance has occurred with a Democratic president and a Republican Congress, although that result might be due to the relatively small sample of years when that's happened. Contrary to what many Democrats and Republicans might believe, full control by one party has not yielded the best returns. In fact, some of the lowest average returns come from scenarios where one party has a complete sweep: 13.9% for a Democratic sweep and 10.7% for a Republican sweep. This suggests that a balanced political landscape may be more conducive to market growth.

S&P 500 Price Index vs. U.S. Corporate Profits



Source: Standard and Poor's, Bureau of Economic Analysis, First Trust Advisors. Quarterly data Q1 1950 – Q1 2024.

The reality is that the market grows over time because companies consistently innovate, create, and drive increasing profits. It's easy to let politics cloud our judgment, but history has shown that regardless of who is President or what policies are enacted, entrepreneurs and companies find ways to adapt and thrive within or around the rules. Innovation and creativity are the true engines of market growth over time.