

Angeles



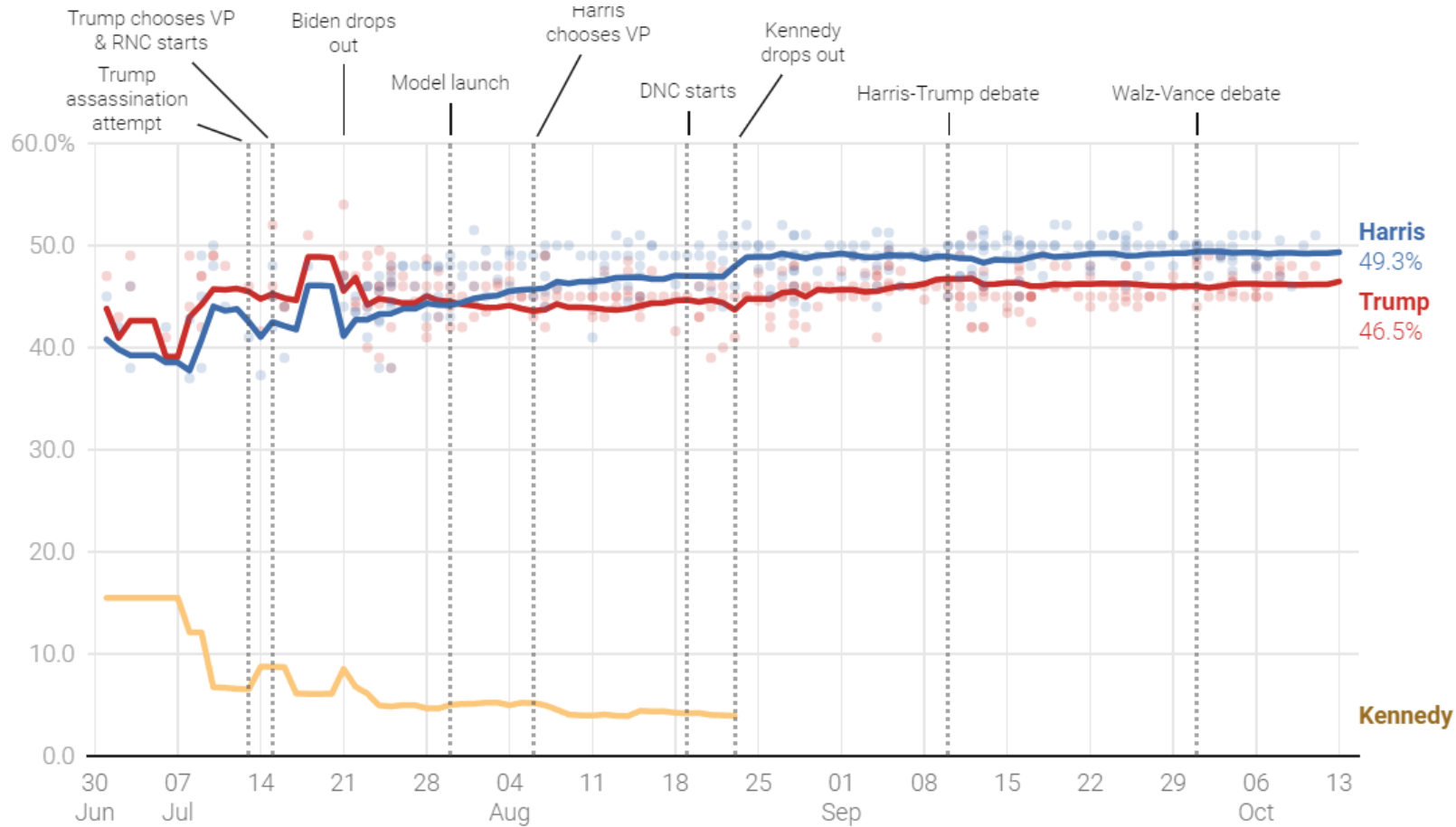
Politics and Profits: What Really Matters to the Markets?

Michael Rosen, Chief Investment Officer
October 2024

Politics



Presidential Polls



Note: Polling averages are adjusted based on trends in both state and national polls.

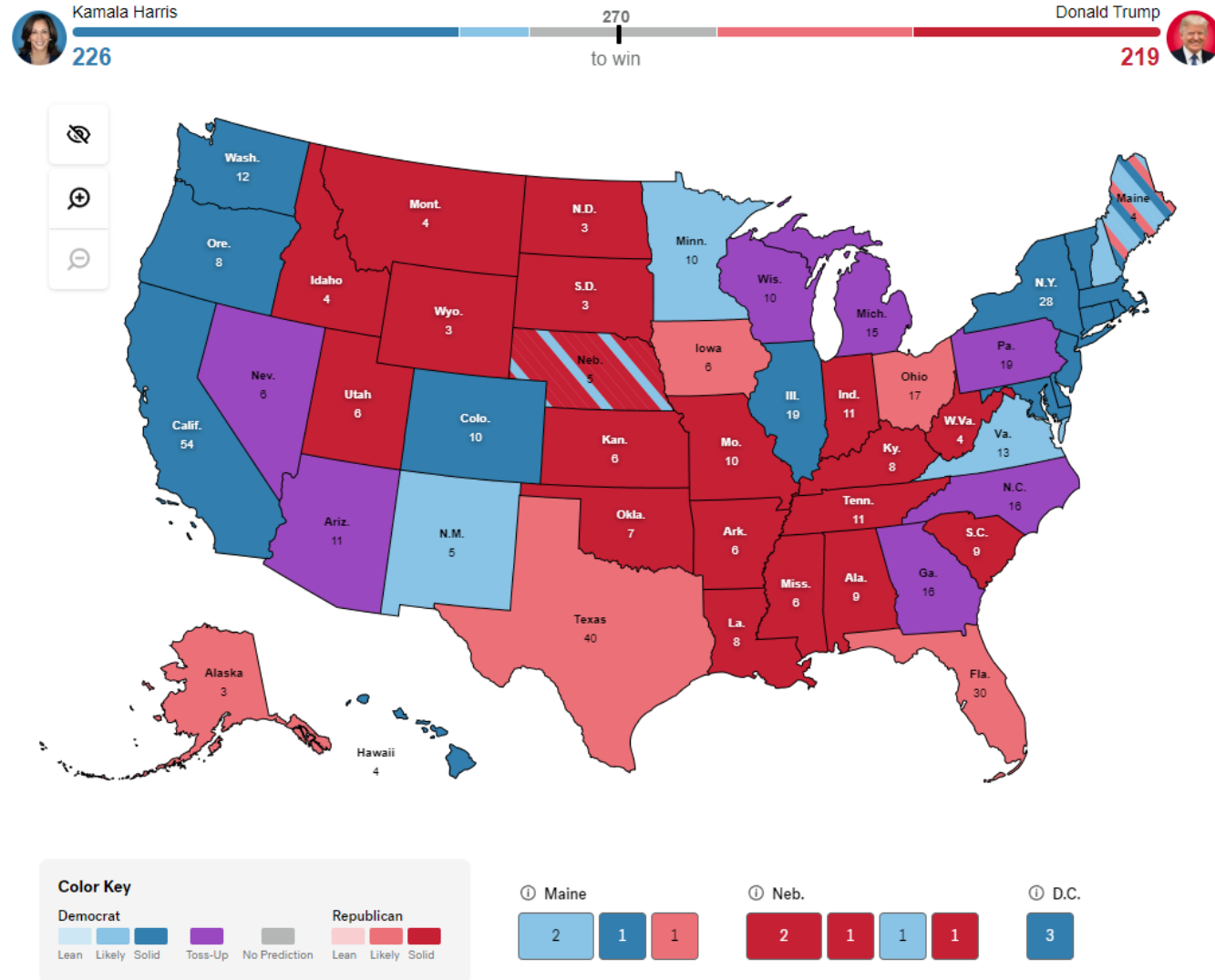
Updated October 13, 2024 • [Get the data](#)

**SILVER
BULLETIN**

Source: NateSilver.net, 13 October 2024



One Forecast

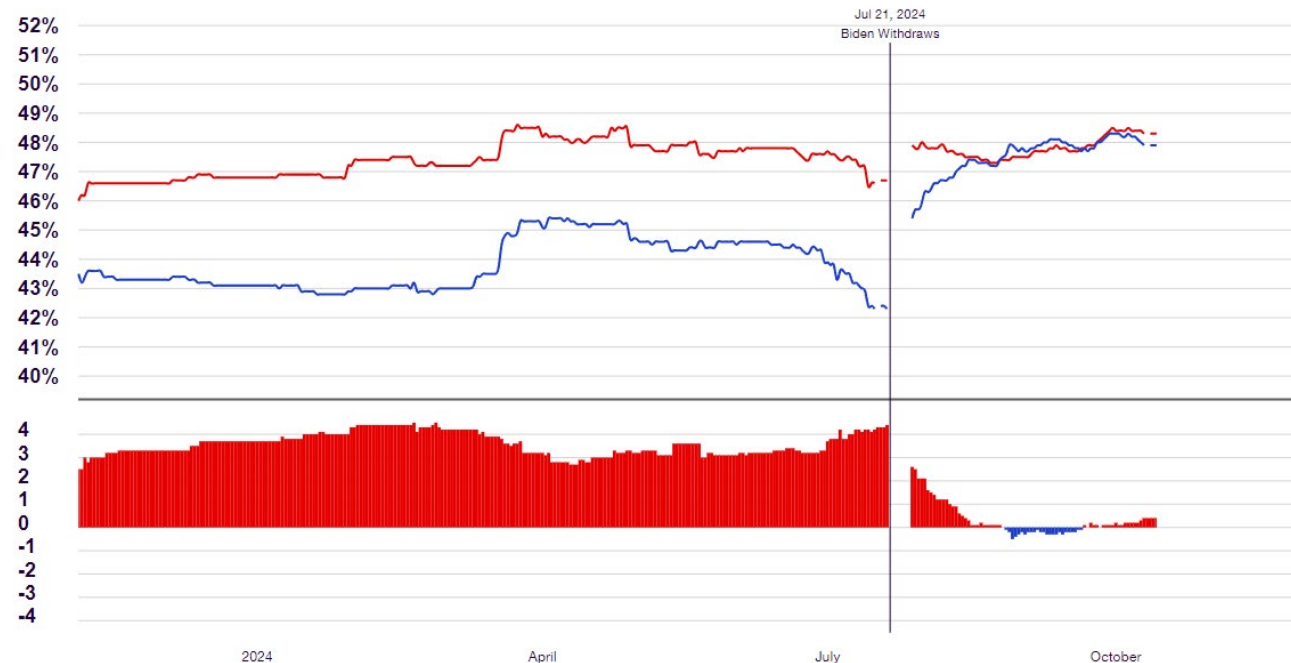


Source: 538, 13 October 2024



Battleground States

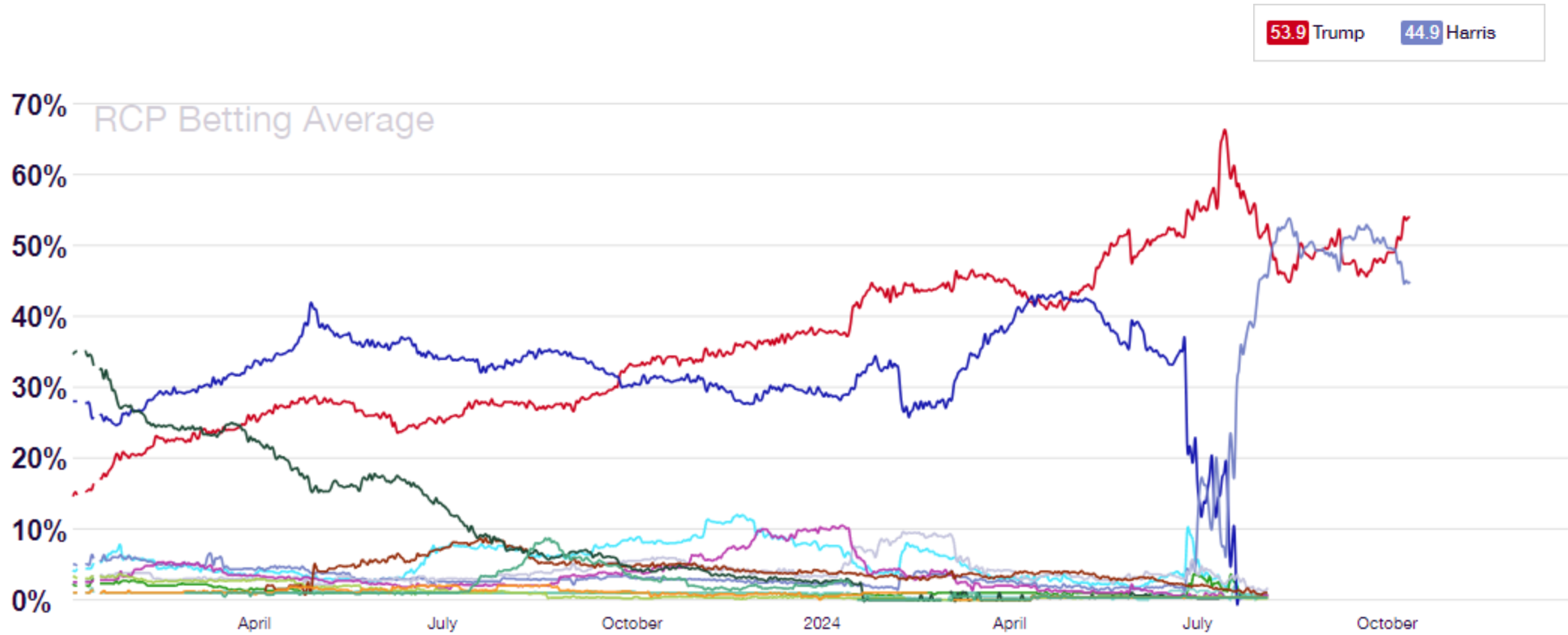
RCP AVERAGE	DATE	TRUMP (R)	HARRIS (D)	SPREAD
Top Battlegrounds	10/13	48.3	47.9	Trump +0.4
Arizona	October 13th	48.4	47.4	Trump +1.0
Nevada	October 13th	48.2	48.0	Trump +0.2
Wisconsin	October 13th	48.0	48.3	Harris +0.3
Michigan	October 13th	48.5	47.6	Trump +0.9
Pennsylvania	October 13th	48.2	48.1	Trump +0.1
North Carolina	October 13th	48.7	48.2	Trump +0.5
Georgia	October 13th	48.3	47.8	Trump +0.5



Source: RealClearPolitics, 13 October 2024



Presidential Betting Odds



Source: RealClearPolitics, 13 October 2024



US Senate Map

Democrats

45

Toss Ups

5

Republicans

50



51 Seats Needed For Majority ([Create Your Own Map](#))

LIKELY DEM	LEANS DEM	TOSS UP	LEANS GOP	LIKELY GOP
NJ: Menendez (D) VA: Kaine (D)	AZ: Open (D) MD: Open (D) NV: Rosen (D) NM: Heinrich (D)	FL: Scott (R) MI: Open (D) OH: Brown (D) PA: Casey (D) WI: Baldwin (D)	MT: Tester (D) TX: Cruz (R)	MO: Hawley (R) NE1: Fischer (R)
SOLID DEMOCRATS		SOLID REPUBLICANS		
CA: Open (D) CT: Murphy (D) DE: Carper (D) HI: Hirono (D) ME: King (I) MA: Warren (D)	MN: Klobuchar (D) NY: Gillibrand (D) RI: Whitehouse (D) VT: Sanders (I) WA: Cantwell (D)	IN: Open (R) MS: Wicker (R) ND: Cramer (R) TN: Blackburn (R)	UT: Open (R) WV: Open (D) WY: Barrasso (R) NE2: Ricketts (R)	



US House Map

Democrats

196

Toss Ups

32

Republicans

207



LIKELY DEM (2R)	LEANS DEM (0R)	TOSS UP (19D, 13R)		LEANS GOP (0D)	LIKELY GOP (0D)
AL2	AKAL	AZ1	NM2	CA22	CA3
CA49	FL23	AZ6	NY17	CO3	CA40
GA2	FL9	CA13	NY19	MI10	CO5
KS3	IL17	CA27	NY22	NJ7	FL27
LA6	MD6	CA41	NY4	VA2	IA1
NJ3	MI3	CA45	OH13	WI3	IA2
NJ5	NH2	CA47	OR5		IA3
NY18	NV1	CT5	PA10		MO2
NY3	NV3	IN1	PA7		MT1
OH1	NV4	ME2	PA8		NY1
OR4	OH9	MI7	TX34		PA1
PA17	OR6	MI8	VA10		SC1
TX28		MN2	VA7		TX15
		NC1	WA3		VA1
		NE2	WA8		
		NH1	CO8		

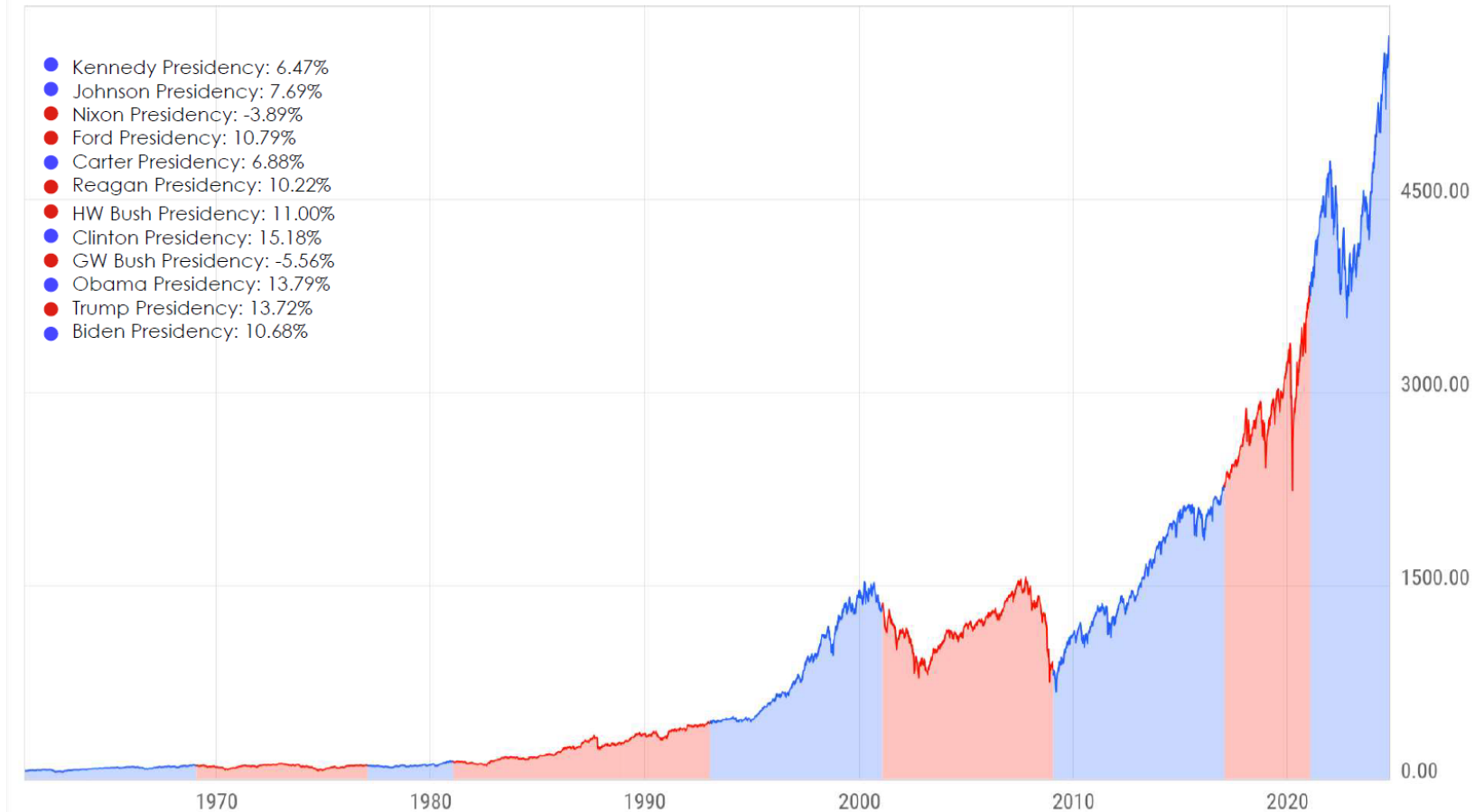
Source: RealClearPolitics, 13 October 2024



Better Under Democrats

S&P 500 Returns by Political Party

Democratic Party Average Annualized Return: 10.12%
Republican Party Average Annualized Return: 6.05%



Disclosures: All performance data represents price returns of the S&P 500. Past performance is no guarantee of future results. Chart data is generated by YCharts. Presidential returns annualized from inauguration date. Average values calculated using the arithmetic mean of presidential party returns from 1/20/1961 – 9/30/2024.

Source: Y Charts



Sector Returns Not What You Would Expect

Presidential Cycles & Annualized Total Return by S&P 500® Sector ⁽¹⁾					
Bush Sr. ^(**)	Clinton	Bush Jr.	Obama	Trump	Biden ^(****)
Cons Stpl 19%	Info Tech 29%	Energy 8%	Cons. Disc 22%	Info Tech 31%	Energy 28%
HlthCare 14%	HlthCare 22%	Materials 3%	Info Tech 20%	Cons. Disc 21%	Info Tech 20%
Utilities 11%	Financials 21%	Cons Stpl 3%	Financials 19%	HlthCare 16%	Financials 14%
Financials 11%	S&P 500® 18%	Utilities 1%	Industrials 17%	S&P 500® 16%	Industrials 13%
Cons. Disc 10%	Industrials 17%	HlthCare -2%	S&P 500® 16%	Materials 13%	S&P 500® 13%
S&P 500® 10%	Energy 16%	Industrials -3%	HlthCare 16%	Industrials 11%	Cons Stpl 11%
Comm. Svcs 9%	Cons. Disc 14%	S&P 500® -4%	Materials 15%	Utilities 10%	HlthCare 10%
Industrials 8%	Comm. Svcs 14%	Cons. Disc -5%	Cons Stpl 14%	Financials 10%	Comm. Svcs 9%
Energy 6%	Cons Stpl 13%	Comm. Svcs -7%	Comm. Svcs 13%	Comm. Svcs 10%	Utilities 9%
Materials 5%	Utilities 12%	Info Tech -11%	Utilities 11%	Cons Stpl 9%	Materials 8%
Info Tech 3%	Materials 7%	Financials -12%	Energy 8%	Real Estate 8%	Real Estate 8%
				Energy -8%	Cons. Disc 4%

Source: Richard Bernstein Advisors

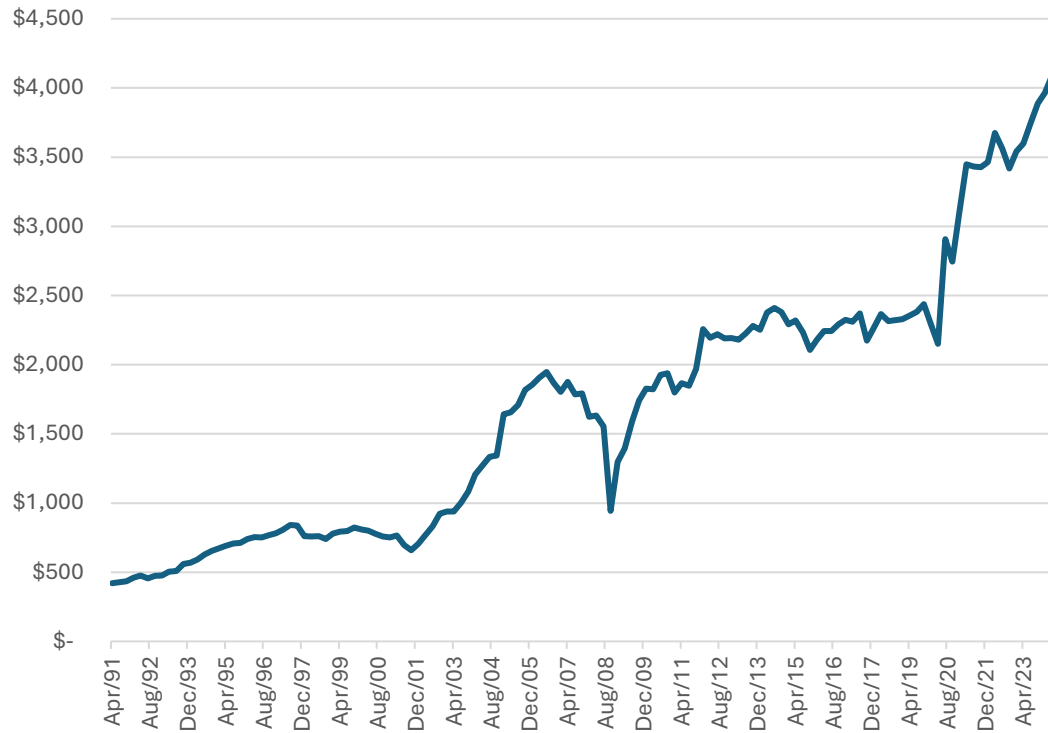


Profits

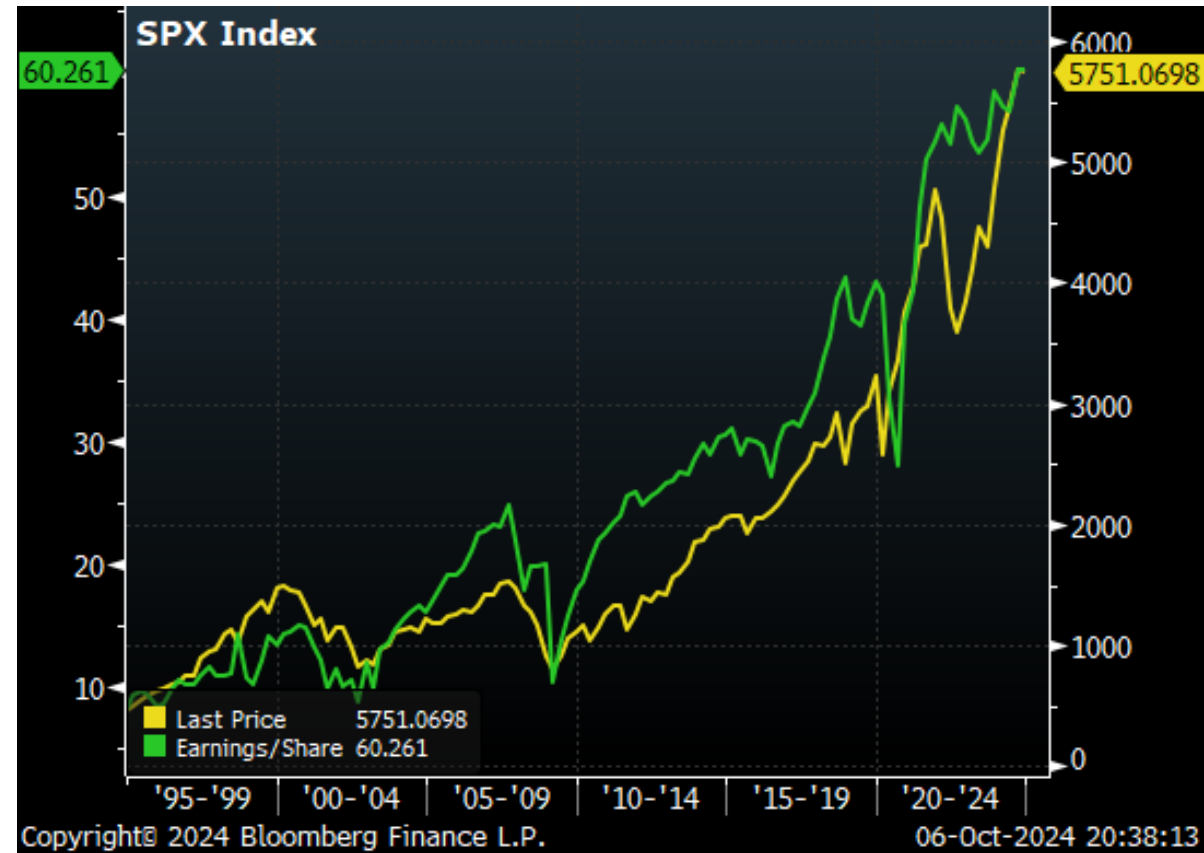


Profits, Profits, Profits

Corporate Profits Before Tax, 1991-2024



S&P 500 Index Price and EPS, 1995-2024

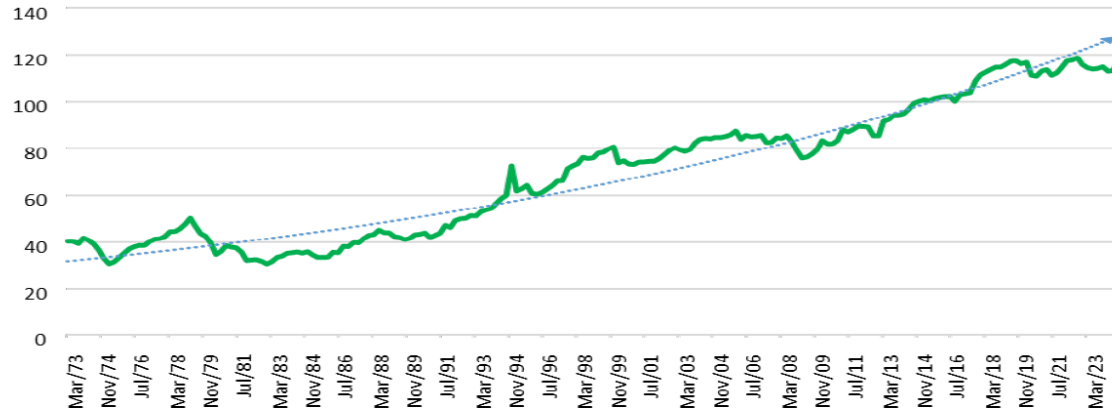


Source: US Bureau of Economic Analysis



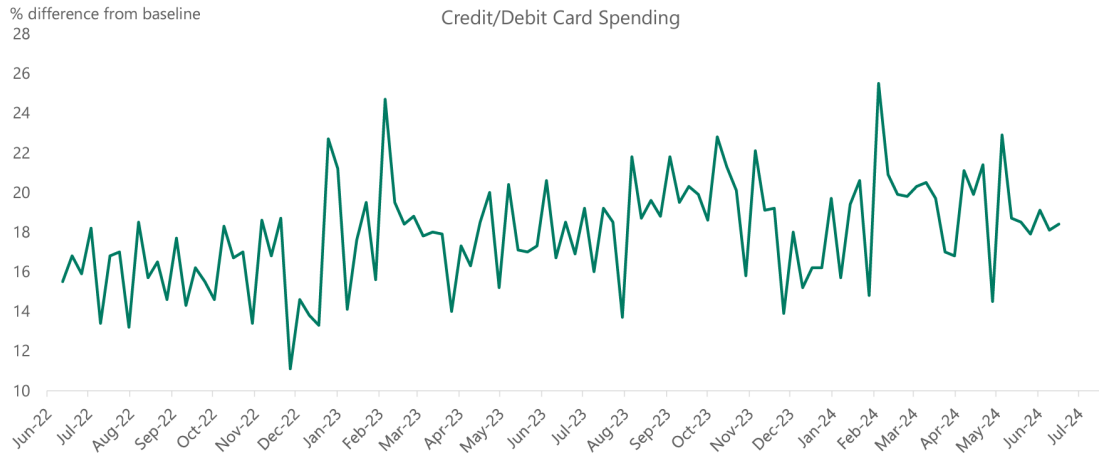
Economy Humming

Truck Tonnage Index, 1973-2024



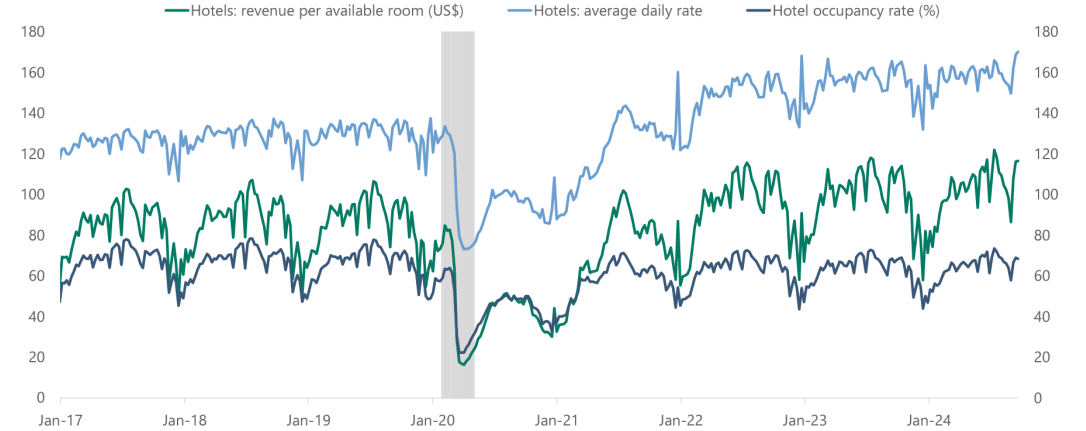
Source: American Trucking Association

Weekly Credit and Debit Card Spending, 2022-2024

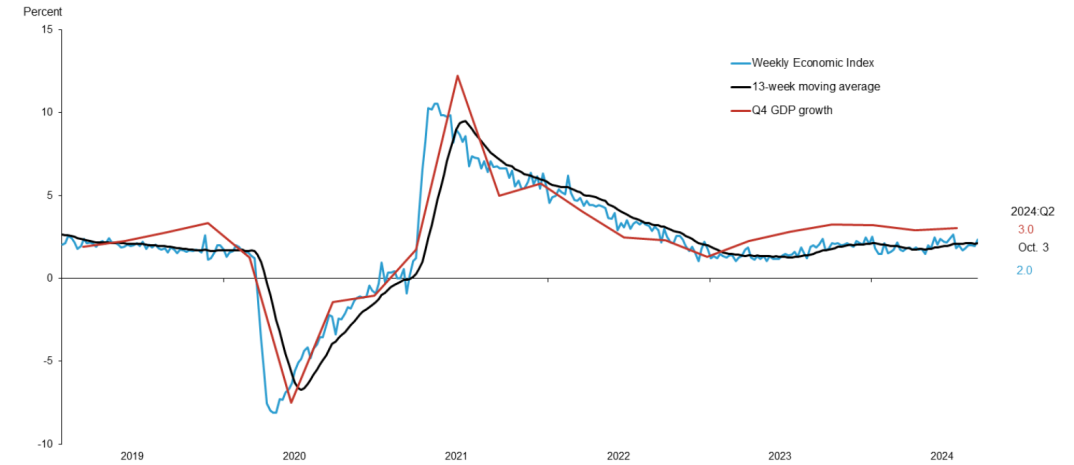


Source: Affinity solutions via Opportunity Insights, Haver Analytics, Apollo Chief Economist. Note: Baseline is January 2020

Weekly Data for Hotel Demand, 2017-2024



Weekly Economic Index, 2019-present





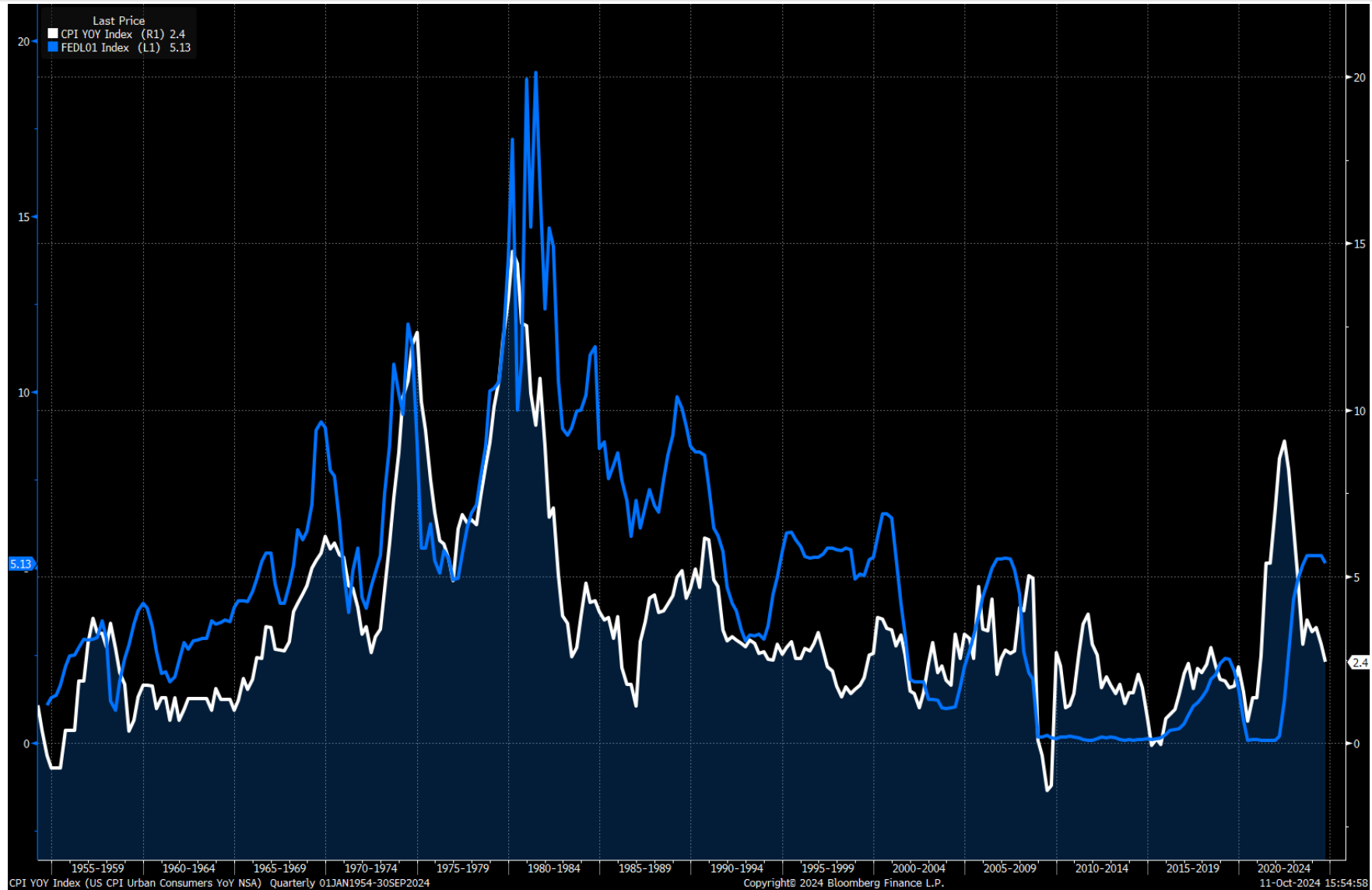
NOTE: Annual real GDP growth (four-quarter moving average) is based on the latest quarterly GDP data release from the Bureau of Economic Analysis. SOURCES: Authors' calculations based on data from Haver Analytics, Redbook Research, Rasmussen Reports, the Association of American Railroads and Booth Financial Consulting.

Sources: American Trucking Association, Apollo, FRB Dallas



Room to Ease

CPI 
Fed Funds 



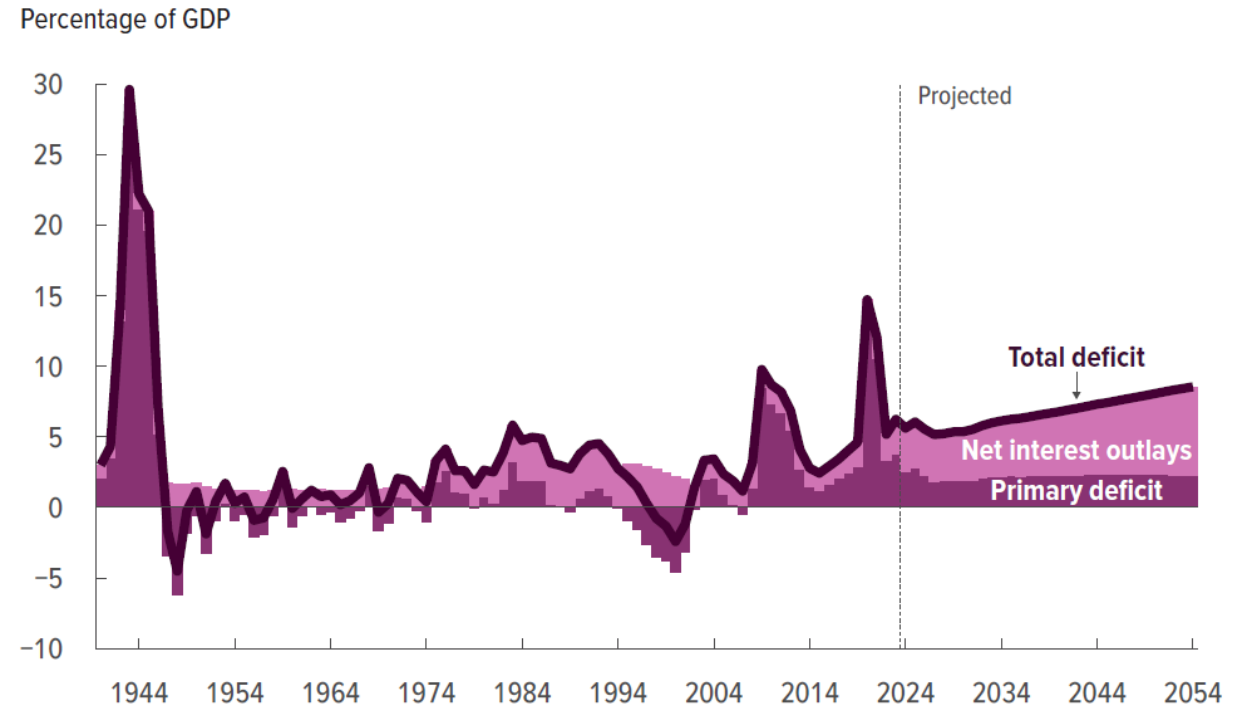
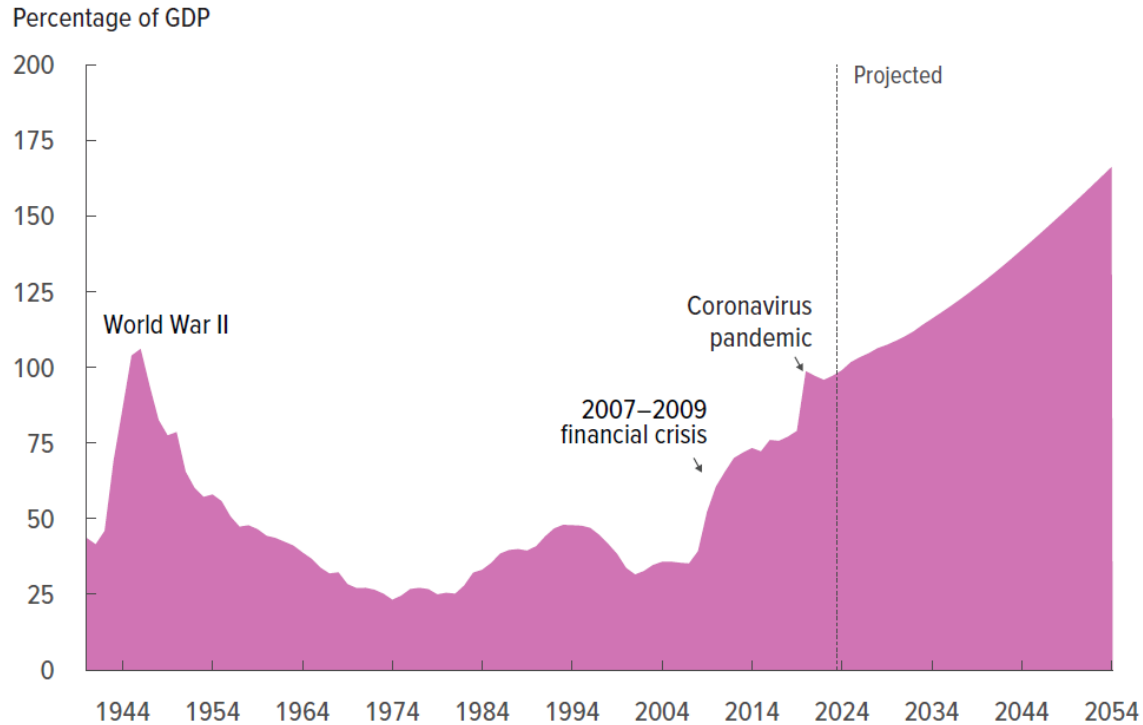
Source: Bloomberg



Debt



But...Deficits As Far As The Eye Can See



By 2054, the total deficit is projected to 8.5% of GDP, 6.3% of which is net interest.



Consequences of Large and Growing Debt

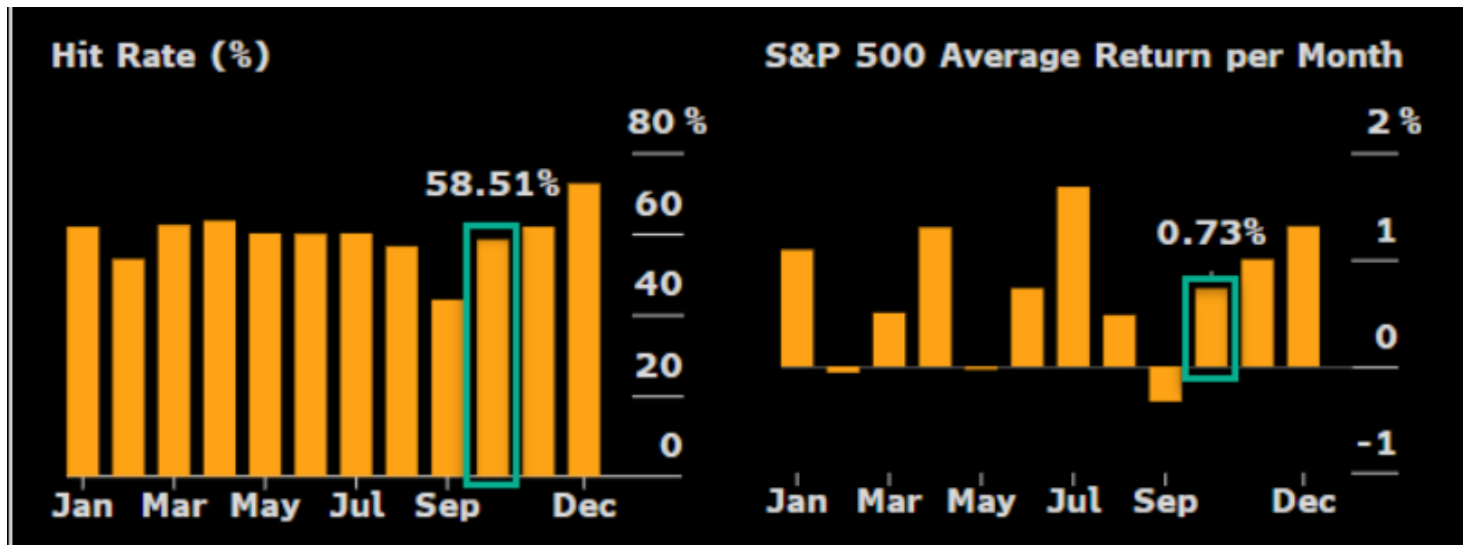
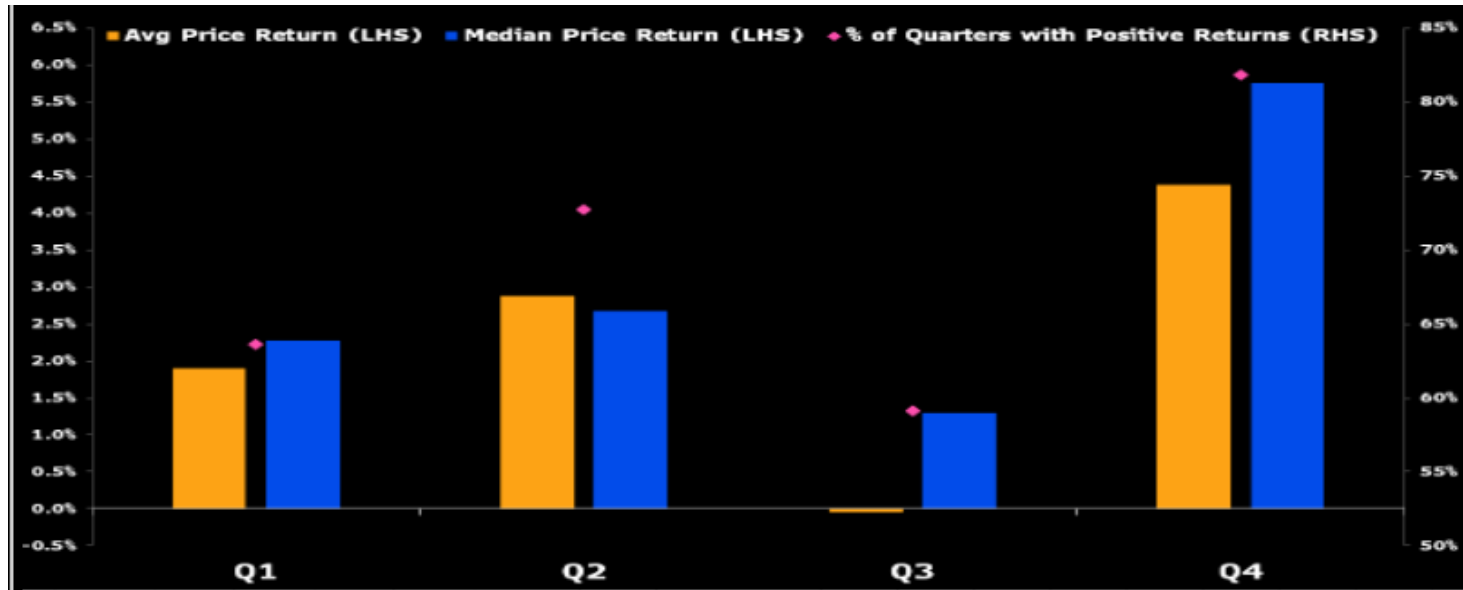
- Borrowing costs throughout the economy would rise, reducing private investment and **slowing the growth** of economic output.
- Rising interest costs associated with that debt would drive up interest payments to foreign holders of U.S. debt and thus **decrease national income**.
- The risk of a **fiscal crisis**—that is, a situation in which investors lose confidence in the value of the U.S. government's debt—would increase. Such a crisis would cause interest rates to rise abruptly and other disruptions to occur.
- The likelihood of other **adverse outcomes** would also increase. For example, expectations of higher inflation could erode confidence in the U.S. dollar as the dominant international reserve currency.
- The United States' fiscal position would be **more vulnerable** to an increase in interest rates, because the larger debt is, the more an increase in interest rates raises debt-service costs.
- Lawmakers might feel **constrained from using fiscal policy** to respond to unforeseen events or for other purposes, such as to promote economic activity or strengthen national defense.



Market



Tis the Season



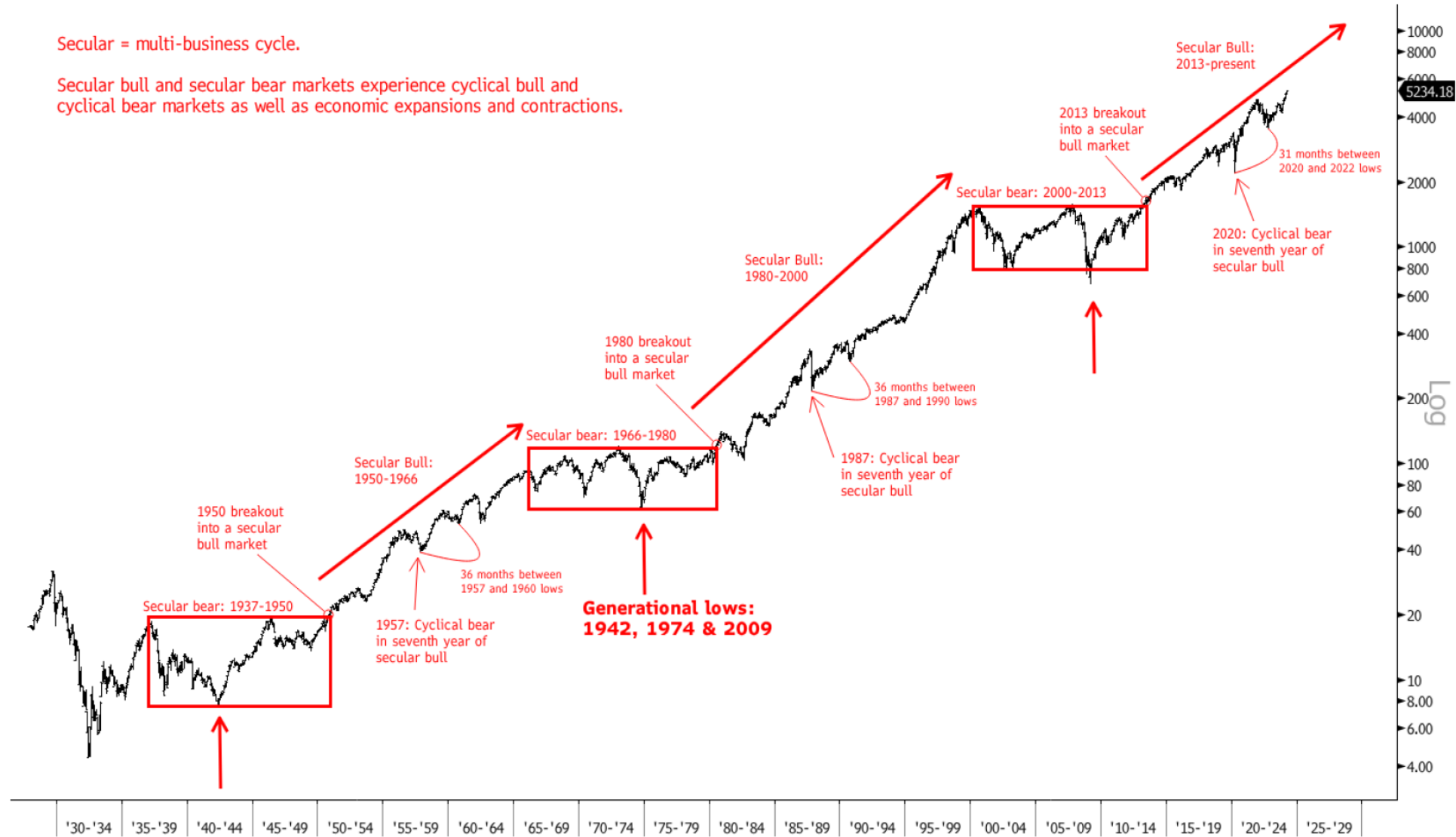
Source: Bloomberg



The Big Picture

Secular = multi-business cycle.

Secular bull and secular bear markets experience cyclical bull and cyclical bear markets as well as economic expansions and contractions.



Source: BofA



The Big Picture



Source: BofA



Summary

- The race is a toss-up with a few weeks to go.
 - Senate likely to switch to Republicans; House and Presidency too close to call.
- Profits Over Politics.
 - Politics matter on many levels, just not so much for the stock market.
 - Profits drive equity markets.
- The economy is strong, profits will continue to rise.
- The Fed will continue to ease monetary policy.
 - But rising debt make government bonds unattractive as long-term investments.
- We are in a structural bull market until proven otherwise.



Michael A. Rosen

Chief Investment Officer
October 2024

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