ISB
TRUST & WEALTH MANAGEMENT

Profit Pulse: Stay Informed, Invest Intelligently

Financial News: Election Years and the Market — December, 2023

With every election, there is some impact to the stock market as investors consider how the elected officials will affect economic policies. But just how much do elections actually affect the stock market?

The year leading up to an election typically shows lower returns as investors cope with uncertainty. However, in the 12 months after an election, the market's performance tends to be stronger than usual, regardless of which party is in office. Elections can have significant implications for the country's direction. So, it's understandable that they can also affect investor sentiment and overall market performance. To understand how elections impact the market, it's helpful to reflect on the performance of the market during past elections.

Of course—as always—there is one caveat: Past performance is no guarantee of future returns. There is always the possibility of the market acting in a completely different way than it has historically. However, looking at past performance can help you understand past patterns. Then you can judge whether the same or at least similar conditions prevail.

Analysts with U.S. Bank looked at the market's performance during past elections to identify patterns that occurred during election cycles. Generally, they found that the stock market's performance is more muted in the 12 months leading up to the election.

Equities. In the year leading up to a presidential election, equities gained an average of less than 6%. During non-election years, the average is more than 8%.

Bonds. Bonds tend to deliver returns of about 6.5% leading up to presidential elections, significantly less than the 7.5% returns they usually deliver.

If a new party is elected to the presidency, the stock market's returns average 5%. When the same president is re-elected or the party retains the presidency, returns were slightly higher, averaging 6.5%.

Regardless of what happens and who is elected, here is what you can do to prepare and protect your finances:

1) Diversify your portfolio
2) Use dollar-cost-averaging
3) Focus on long-term investments
4) Take advantage of higher interest rates
5) Meet with a financial advisor

Forbes
Oct 17, 2023

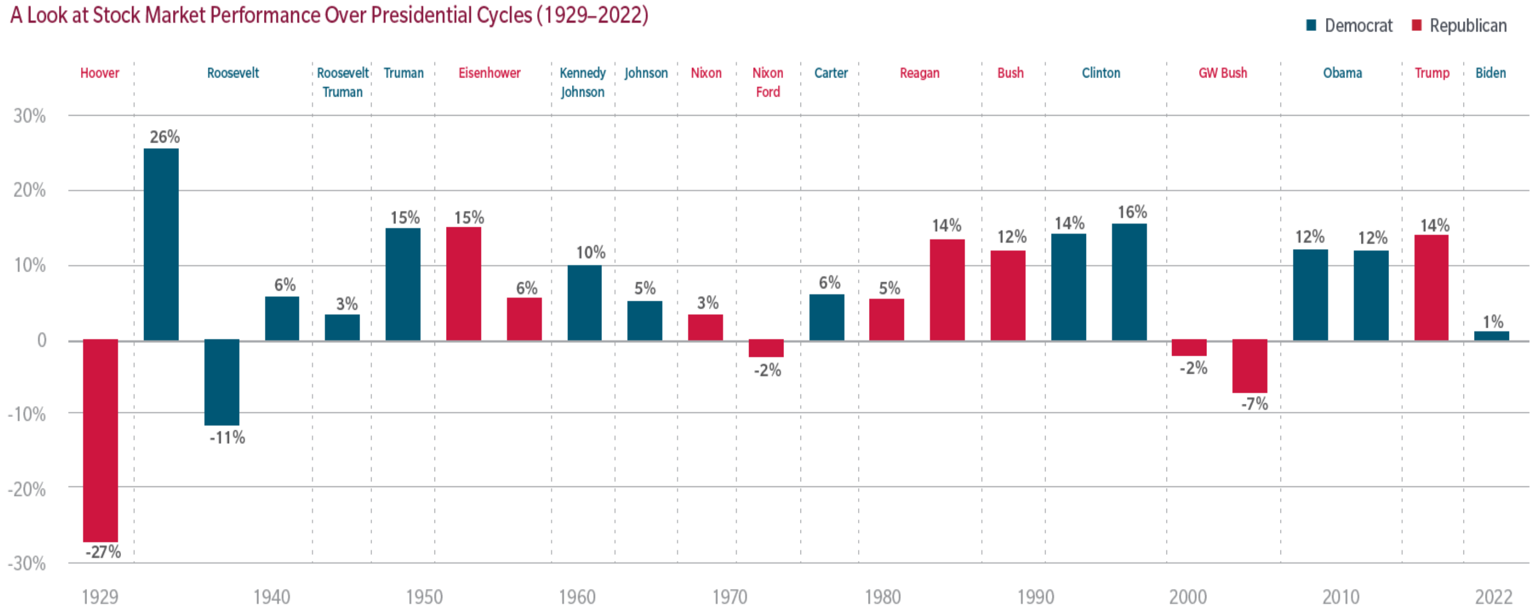
Tip of the Month: Atomic Habits

In "Atomic Habits," James Clear discusses the second law of behavior change, which is to "Make It Attractive." Making habits attractive is all about increasing the perceived pleasure associated with them. Here are some strategies to make habits more appealing based on the concepts from the book:

1) Pair an activity you want to do with an activity you need to do
2) Join a group who will help you keep up your new habits
3) Find immediate rewards for yourself such as a small treat
4) Visualize the long-term benefits, not the short-term discomfort
5) Create a pleasurable environment to make the habit more inviting
6) Turn the new habit into a game with rewards and challenges

It is not your salary that makes you rich; it is your spending habits.
Charles A. Jaffe

Chart of the Month: Stock Market & Presidential Cycles



Source: Factset. Election years from 1929 through 2022. The S&P 500 Price Index measures the broad US stock market. Index performance does not take into account fund fees and expenses. It is not possible to invest directly in an index. Past performance is no guarantee of future results. These data are not intended to represent the performance of any LaSalle St. Securities portfolio. For illustrative purposes only.

Finance 101: Simplifying the Complex

Inverted Yield Curve - What is it and what does it mean?

An inverted yield curve is a term used to describe a situation where the yield on short-term bonds is higher than the yield on long-term bonds of the same credit quality. This is contrary to the normal yield curve, where longer-term bonds typically offer higher yields to compensate investors for locking in their money for a longer period.

An inverted yield curve is a significant indicator that can have important implications for the economy, and it is closely watched by investors, policymakers, and economists. Here's what it generally means for the economy:

1) Predicting a Recession: An inverted yield curve is often seen as a reliable predictor of an upcoming economic recession

2) Reduced Lending Activity: Banks typically borrow short-term and lend long-term, and an inverted yield curve can compress their net interest margins, making lending less profitable.

3) Impact on Consumer Behavior: The anticipation of a recession can influence consumer behavior, making consumers cautious, reduce spending, and start saving more, which can slow down economic growth.

4) Monetary Policy Response: Central banks often monitor the yield curve closely. An inverted yield curve may prompt central banks to adopt more accommodative monetary policies, such as cutting interest rates, to stimulate economic activity and counter the recessionary pressures.

It's important to note that while an inverted yield curve has been a reliable indicator of past economic downturns, it is not a guarantee that a recession will occur. Various factors can influence the economy, and yield curve inversion is just one of many indicators.

Scan the QR code to check out our website, isbwealth.com and our social media platforms!

Dates to Remember!!

Dec. 4th - National Cookie Day
Dec. 7th - Pearl Harbor Remembrance Day
Dec. 13th - National Hot Cocoa Day
Dec. 15th - Bill of Rights Day
Dec. 25th - Christmas Day
Dec. 31st - New Year's Eve