



Ropes Wealth Wonders “Cui Bono?” as Washington Punts Another Four Weeks

On Wednesday I spent the late afternoon and evening volunteering at Rosie’s Place for the dinner shift. Rosie’s was founded 50 years ago in 1974 by the extraordinary Kip Tiernan as the first women’s shelter in the U.S. While serving dinner I encountered two guests that made their mark on me. One was a Russian immigrant who had lived in the U.S. for 30 years and now in her 80s has fallen on hard times. She remarked to me how wonderful the U.S. is, how generous, and how good we have it. She also suggested to me we could wash the plastic forks to save some money and help even more guests. The other guest was a 12-year-old who asked politely if she could have a second cupcake before leaving the shelter for the night. My twin sons are 12 too, and when I tucked them in that night that young girl was very much on my mind.

We have a lot of work to do as a country to think through the problems we face. Problems that demand strong leadership. It is hard to feel triumphant with last night’s news that Congress was able to pass a stopgap bill to avert a government shutdown, buying us time only until March 8 and March 22. Like many others, I am anticipating the probable Joe Biden-Donald Trump election rematch with limited enthusiasm. Many of you are likewise expressing worries about the upcoming election and what it will mean for our future and for your portfolios.

On the latter question, it feels like a good time to look at history for some insight. In the 23 elections since the S&P 500 Index began, 19 of the 23 years delivered positive market performance, to the tune of 7.5%. It is also notable that markets do not have a very strong preference for either Democrat or Republican candidates. We have seen booms and busts on both sides of the aisle; the economic backdrop tends to matter more. For instance, in the last presidential election in 2020, it was the tides of lockdown and reopening from the COVID-19 pandemic that impacted broad markets most, rather than the differing ideologies between now-President Biden and then-President Trump. Or consider 2008 when Democrat Barack Obama ran against Republican John McCain: the unfolding Global Financial Crisis was the predominant driver, rather than opposing candidate views on the war in Iraq and healthcare policy. The good news for us in 2024 is that the economy is overall in good shape, and interest rates are poised to fall by some amount this year.

There is no question though, that election years do tend to be more volatile than most, especially in the lead-up to voting day. Notably, the average election year since 1980 has seen an intra-year drawdown of about -17% versus -13% in non-election years. Volatility is a feature of investing in any year, but it tends to be more pronounced in election years as households grapple with more uncertainty. For this reason, it is a good time in this period of market strength to shore up your allocation to the cash and bonds needed for your near-term expenses, and review areas of your portfolio that might have drifted to lower weightings, like small cap stocks as one example. The last forty years of elections have shown us that stocks are higher a year later on average as markets tend to rally as the uncertainty fades.

While politics can evoke strong emotions, please try not to lose sight of your long-term investment goals. We believe the economy will remain the predominant driver of monetary policy decisions and financial markets broadly. Economic data is still solid. That said, this week we saw some cooling in data on new home sales, durable goods, and business investment. There was also an uptick in the Personal Consumption Expenditure (PCE) which increased by 0.4% from the prior month. Year-over-year, though, inflation trended at a 2.8% annualized rate, edging closer to the 2% target the Fed desires. With this kind of improvement, and corporate earnings expected to grow by an average of 11% in 2024, financial markets are likely to persevere through any volatility even the most divisive election process may create.

One of Kip Tiernan's most notable quotes was this, "*Cui Bono? Who sets the terms of the debate around poverty and homelessness? Who decides who gets the condo and who gets the cardboard box?*" I can offer you reassurances that your portfolio will survive the uncertainty of this election year, and all the ones to come. But the broader uncertainty about justice, the future of democracy, and how we address the huge challenges we face is an open question for all of us to contemplate. To me, there is only one thing to do: roll up our sleeves and try to offer whatever we can of ourselves. It is time to try something different and work together with hope for a better world.

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