



**SULLIVAN & ASSOCIATES**

AN INDEPENDENT REGISTERED INVESTMENT ADVISOR

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**The Olympics, Leap Days, and  
the Elections**

**Morals & Ethics and Why They  
Matter**

**What Should Investors Expect  
From the Market This Election  
Cycle?**

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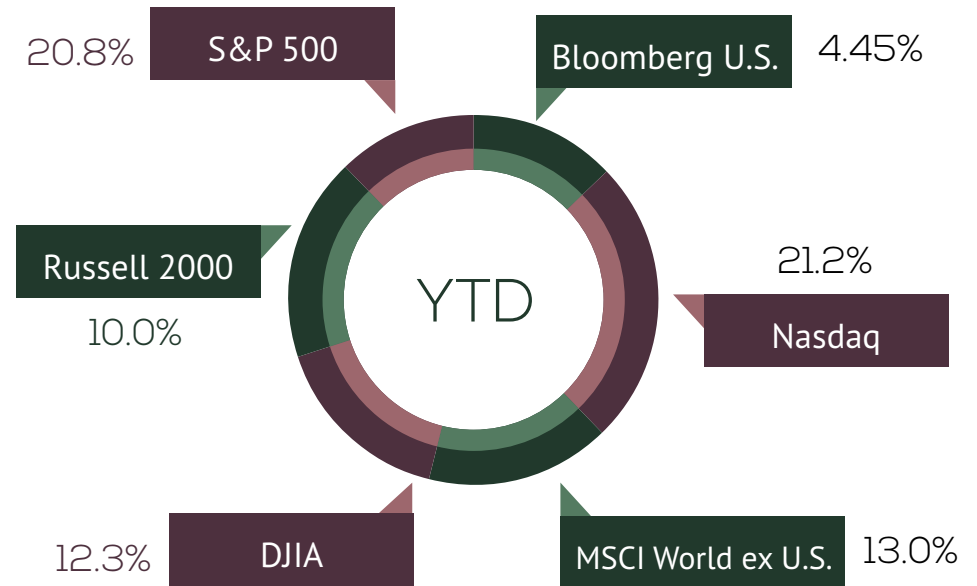
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Front cover photo taken by Patrick L. Sullivan

## ECONOMIC SNAPSHOT



Source: WSJ, 10/01/2024 & FactSet, 09/30/2024. Inclusion of these unmanaged indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will effect actual investment performance. Individual investor results will vary. Past performance does not guarantee future results. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing the stocks of 30 companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Nasdaq composite is an unmanaged index of securities traded on the Nasdaq system. (The Dow Jones Global ex US is a stock market index measuring equity securities traded globally in 64 countries, excluding the U.S.). The Bloomberg US Aggregate Bond Index is a benchmark index composed of US securities in Treasury, Government-related, Corporate, and Securitized sectors. The Russell 2000 index measures the performance of the 2000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

## KEVIN'S VIEW

### THE OLYMPICS, LEAP DAYS, AND THE ELECTIONS

Three things happen every four years. The first is the Summer Olympics, which started in 700 B.C. and was reborn as the modern Olympics in 1896. The Winter Olympics would not start until 1924. The second is a Leap Year. In 45 B.C. Julius Caesar came up with the rule that every four years we would add a leap day to February to try to keep our calendar consistent with the seasons. About 1600 years later, the Catholic Church noticed that Easter and the Vernal Equinox (Spring Equinox) were drifting apart, so they added another rule that skips leap years every 400 years or so. Don't worry; the next leap year we skip won't be for another 76 years. Finally, given our country's founding in 1776 (a leap year), the U.S. presidential race also occurs every four years, during the same year as the Olympics and the Leap Day. In just a few months' time, we will select our next President of the United States. As I have had a lot of questions regarding the upcoming election, I thought it might be a good idea to give you our thoughts on it from an investor's point of view.

Before we dive in, I'd like to address the point I hear a lot regarding the election: that "it's different this time." Which is, of course correct; we've never had the election we are about to go through, but that is also true of

every previous election. While this election is different, we should still look to how financial markets viewed previous presidential elections as a guide.

The reality is while markets pay attention to presidential elections, they are rarely moved by them much. Certainly, some market participants will try



to "hedge their bets" beforehand in case their side loses, but these tend to be not market moving. After the election, there can be a knee-jerk reaction where the losing side views disaster coming and leaves the markets, but that is usually offset by participants on the winning side moving in. While, to some, it may be tempting to make large trades right before or after

November 5th, it is rarely a good long-term strategy.

After the election dies down, then we move into policies. Presidential candidates throughout history like to talk about all sorts of policies they want to enact. They range from the sensible, to more often than not, to the outlandish. But as the very old joke goes, “How can you tell if a politician is lying? Their lips are moving.” In today’s world, our memories are very short, somehow made shorter by social media, and not many politicians are held to their campaign promises. Even if they are, there are a few very big complications to navigate through to get those policies and promises enacted. Those complications include both houses of Congress and the U.S. court system.

Starting with the U.S. Congress, it appears, as of now, that the likelihood of both houses of Congress and the President being of one party is fairly low. Compromises will have to be made, watering down any grand promises made on the campaign trail. Even if one party were to sweep everything, they are not likely to have such a large majority to ignore the moderates within their own party and enact sweeping changes. Then comes the U.S. court system, which takes time and effort (and money) to get anything through, further delaying changes.

Of course, some changes will be enacted. Executive orders will still be issued, and some campaign promises will be fulfilled, although maybe not to their fullest extent. So, what are investors to do as they face the coming

election? The first answer is, of course, to research and VOTE, especially on the “down-ballet” issues and candidates. It is sometimes easy to get caught up in the circus that is the presidential race and forget that your local candidates often have more of an effect on your daily life. After that, we must look at the long-term effects of the policies that are enacted and try to glean from them who will be the winners and losers in the financial markets. That is our goal here at Sullivan & Associates; whoever comes out a winner in November, our goal is to try to place our clients in the best position to either weather the storm or ride the wave.

Stepping away from politics, one significant change happened in the last quarter. The United States Federal Reserve lowered interest rates for the first time since March of 2020. Typically, interest rate movements take around nine months to fully move through the economy. Although this has had a more immediate impact on fixed income securities and money markets, we currently see the likelihood of further cuts before the end of the year to be high.

As always, we appreciate your trust, and if you have any concerns or questions, please don’t hesitate to reach out.

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you let your families and friends know about us.  
Referrals Welcome!**

## DID YOU KNOW?

Presidents of the United States, often remembered for their leadership and historical decisions, also have intriguing quirks and lesser-known facts that reveal a more personal side to these iconic figures. From unusual hobbies and surprising achievements to fascinating anecdotes about their lives before or after their presidencies, these fun facts offer a unique glimpse into the lives of those who have shaped the nation. Exploring these tidbits not only enhances our understanding of American history but also highlights the human side of these esteemed leaders.

- Jimmy Carter, the 39th president, was a peanut farmer. Ronald Reagan, the 40th president, was a famous movie star. And Abraham Lincoln, the 16th president, once worked chopping rails for fences.
- Before Theodore Roosevelt came to office in 1901, the White House wasn't called the White House. People called the building the President's Palace, the President's House, and the Executive Mansion. Roosevelt officially named it the White House.
- The 18th president of the United States, Ulysses S. Grant, was given a \$20 speeding ticket for riding his horse and buggy too fast down a street in Washington, D.C.
- The White House's first website went online in October 1994 during President Bill Clinton's administration.

- Lincoln was widely known for his skills as a wrestler and had only one recorded defeat in 12 years. Better yet, in 1992, Lincoln was inducted into the National Wrestling Hall of Fame as an "Outstanding American" in the sport.
- James Garfield is best known for being one of the four assassinated U.S. presidents, but don't let that grim fact overshadow his other talents. His fluidity with writing and languages was quite fascinating. Garfield was ambidextrous and multilingual, and he was able to write in Greek with one hand and Latin in the other at the same time. Multitasking has never looked so impressive.

### Dates to Remember:

- Dec. 31: New Year's Eve is the year-end charitable gift deadline for check and wire transfers.
- Dec. 26: Last day to call our office to take annual required minimum distribution, unless you turned 73 in the current year.



### FALL/WINTER 2024 MARKET CLOSURES

Nov. 28: Thanksgiving Day

Dec. 25: Christmas Day

Jan. 1: New Years Day

Jan. 20: Martin Luther King Jr. Day

Source: National Geographic Kids. (2022, November 2). U.S. Presidential Fun Facts. History., Saks, S. (2024, February 20). Top 10 tidbits you didn't know about us presidents.

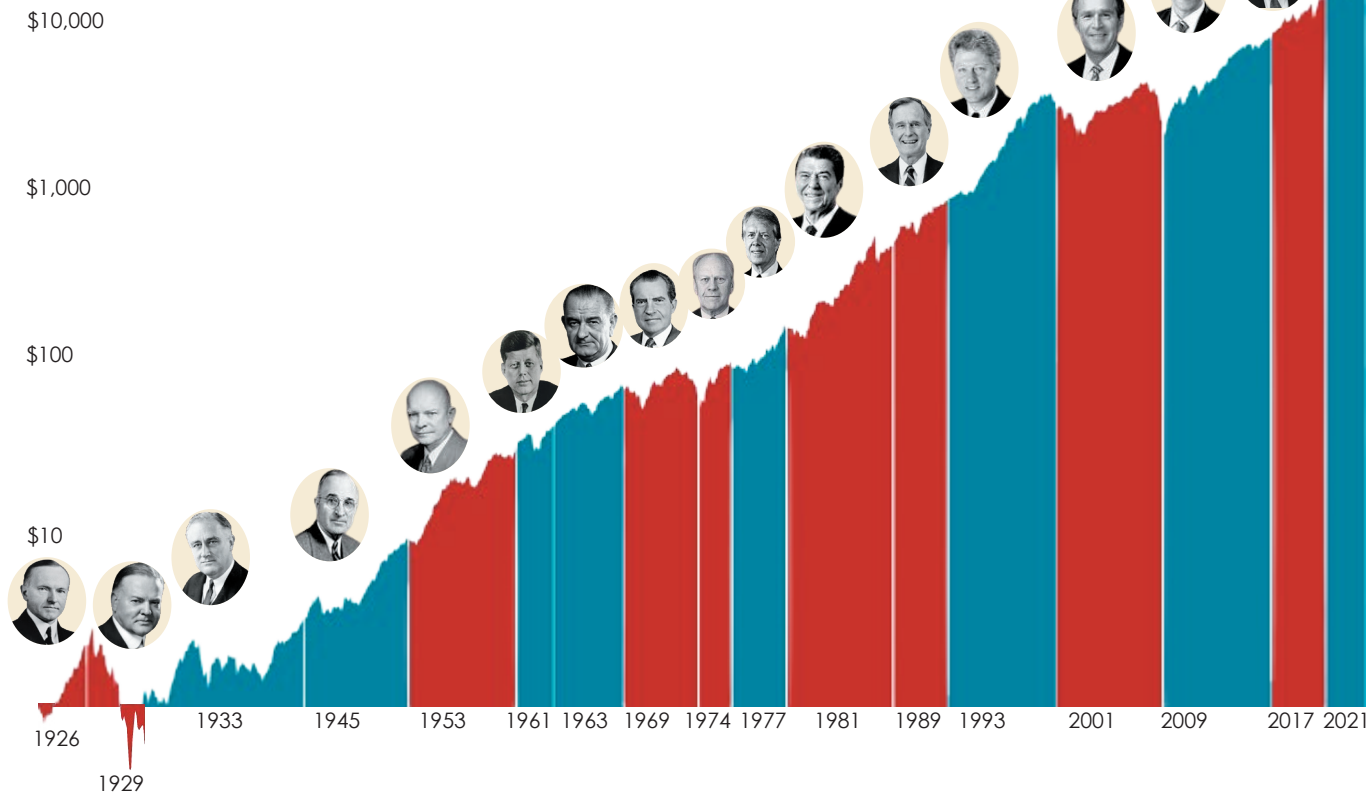
Top 10 tidbits you didn't know about US presidents - The Cavalier Daily - University of Virginia's Student Newspaper.



# The Market and US Presidential Elections



## HYPOTHETICAL GROWTH OF \$1 INVESTED IN THE S&P 500 INDEX 1926-2023



It's natural for investors to look for a connection between who wins the White House and which way stocks will go. But regardless of who wins, nearly a century of returns shows that stocks have trended upward.

- Shareholders are investing in companies, which focus on serving their customers and growing their businesses, regardless of who is in the White House.
- U.S. presidents may have an impact on market returns, but so do many other factors—the actions of foreign leaders, interest rate changes, changing oil prices, and technological advances, just to name a few.

*Stocks have rewarded disciplined investors for decades, through both Democratic and Republican presidencies.*

Source: Dimensional. (n.d.).

Past performance is not a guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. In USD. Growth of wealth shows the growth of a hypothetical investment of \$1 in the securities in the S&P 500 index. S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Data presented in the growth of wealth chart is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The chart is for illustrative purposes only and is not indicative of any investment. Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission. Investment products: • Not FDIC Insured • Not Bank Guaranteed • May Lose Value. Dimensional Fund Advisors does not have any bank affiliates.

# KATEE'S KORNER

## MORALS & ETHICS AND WHY THEY MATTER

This summer a neighbor walked up and down our street (approx. 30 houses) asking neighbors if they would be okay having a Block Party. This way, we could get to know our newer neighbors, as there are several. He told everyone where the boundaries would be for the block party, as the street would be closed off to traffic. We all thought this was a great idea, until it wasn't. You see, this neighbor failed to mention that he was also going to invite the greater part of our entire neighborhood, which includes 948 homes. He also posted this to our Facebook page, which has 2,000 people on it. He didn't want to actually "get to know" his neighbors, he was looking for a cheap way to promote his son's band. Frustrating, to say the least. He really didn't see anything wrong in his approach and tried to defend it. Several neighbors notified him they did not agree and did not attend. And yes, this included my family. When thinking about what topic to broach during this newsletter, it was easy - Morals and Ethics. Thanks neighbor!

As the election season intensifies, understanding the perspectives of women on key issues of morals, ethics, and political engagement becomes increasingly vital. Women represent a significant portion of the voting population, and their diverse viewpoints can shape the outcome of elections and influence policy directions. These are some common themes and concerns

that resonate with many women voters.

**Equality and Fairness:** This includes advocating for policies that promote equal pay, combat workplace discrimination, and support equal opportunities in various sectors. The drive for equality extends to representation in political offices, with many women supporting initiatives that aim to increase female participation in governance.

**Integrity and Honesty:** Integrity and honesty in political leaders are highly valued. Women, like many voters, seek candidates who demonstrate ethical behavior, transparency, and trustworthiness. The desire for leaders who



act with integrity is paramount, as it impacts the overall trust in the political system and its institutions.

**Safety and Justice:** Issues related to safety, justice, and gender-based violence are high priorities. Women often support reforms to prevent domestic violence, sexual harassment, and assault. Ensuring that the legal system protects and empowers victims is a key concern.

It is crucial to recognize that women's perspectives are not monolithic. They vary widely based on race, socioeconomic status, religion, geographic location, and personal experiences. For instance, women of color may prioritize issues of racial justice alongside gender equality, while rural women might focus on agricultural policies and local economic development. Respecting this diversity is essential in understanding the full range of women's views and priorities in the political landscape — as there are too many to list here.

Women's perspectives on morals, ethics, and the election are deeply influential and multifaceted. By addressing their concerns and valuing their input, political leaders and policymakers can create more equitable and responsive governance. As the election approaches, understanding and engaging with the diverse viewpoints of women voters will be crucial for any candidate seeking to build broad-based support and drive meaningful change. And of course, women can drive home their own change at the polls this November!

## S&A NEWS

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## WHAT SHOULD INVESTORS EXPECT FROM THE MARKET THIS ELECTION CYCLE?

Investors shouldn't fret about the upcoming presidential election. And they definitely shouldn't let politics upend their long-term financial plans. Why? Because historically, financial markets have rewarded investors who stay the course. And while it may seem counterintuitive, in the past, U.S. stocks were less likely to incur losses during election years versus non-election years. These charts can help explain what investors should expect from the stock market this election cycle.

### What To Expect From The S&P 500 During The Presidential Election

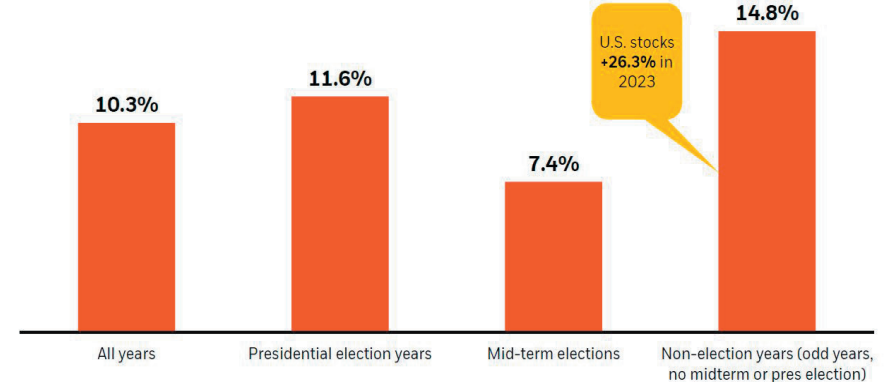
Besides loads of campaign ads, investors should expect increased market volatility from September to Election Day. But that's no reason to panic. The U.S. stock market has gone up over time—regardless of who is running for office. And while past performance isn't indicative of future results, investors should find comfort in the wealth of data we have about financial markets and elections.

While historically stocks did better (on average) when there wasn't an election, years that ended with losses were far less common during an election year. According to data from a Wall Street firm, the U.S. stock market was nearly twice as likely to experience losses during a non-election year (30% of the time) versus an election year (17%). When considering annual re-

turns have been negative roughly 26% of the time across all years, election years don't seem quite so scary.

### U.S. Stock Performance across the election cycle

Average annual return, 1/1/26 – 12/31/23



### What To Expect From The Stock Market After The Election

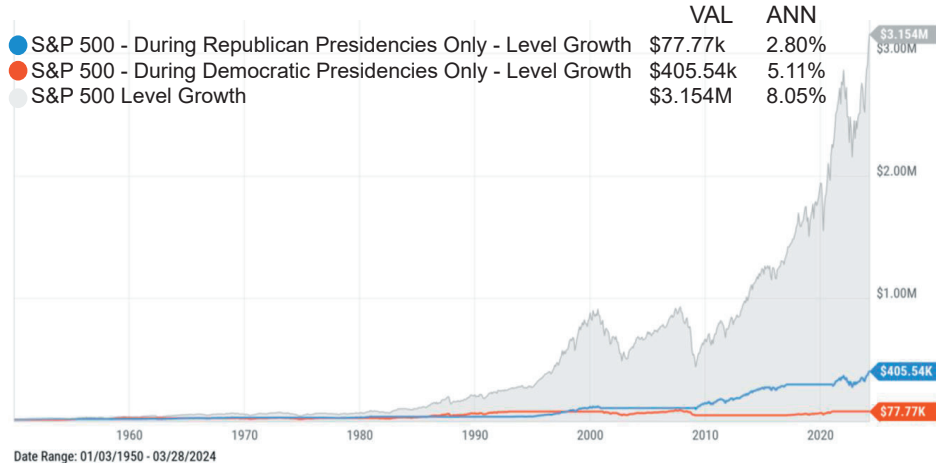
According to data from Dimensional Fund Advisors, on average, the S&P 500 performed almost 1% better during an election year compared to the year after. However—in both cases, just staying invested yielded double-digit returns. Returns during and after an election year were even slightly higher than the average returns across all years over the same pe-

riod. Again, the current administration isn't the main driver of financial markets. Yes, the market hates uncertainty, including political ambiguity. But performance of stocks and bonds are influenced more by other factors, such as the economy, interest rates, geopolitical shocks, and the health of the broad-based financial system.

### Don't Let Political Preferences Derail Your Financial Plan

Regardless of your political preferences, there's an abundance of evidence to suggest investors should consider leaving politics out of their portfolios. According to YCharts, a \$10,000 investment in the S&P 500 back in 1950 would equal over \$3 million by March 2024 (excluding dividends) for an

#### Investing Based on Preferred Political Party (growth of \$10,000)



Source: McKenna, K. (2024, June 4). What should investors expect from the market this election cycle?. Forbes.

average annual return of roughly 8%.

However, if only investing during Republican presidencies, the average annual return would sink below 3%. Only investing during Democratic terms would improve average returns to about 5%. But still nearly 3%—per year—less than staying invested during all presidencies.

### What Should Investors Do To Survive The Election Cycle?

The media makes it hard to ignore the political noise, especially as the election nears. But investors shouldn't lean into doomsday headlines, either. It's also important to try and separate your investment portfolio from the party or person you vote for. Investments should be evaluated on their own merits, without the cloud of emotion.

And remember, the outcome of the election may have no real impact on your portfolio—even if you're disappointed by the results. □

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