Market Intel Exchange

Market data and insights from Lincoln and industry asset management partners

As of 3/31/2024

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Market intelligence, made easy

Saving you time.
Helping you stay informed.
Providing you valuable insights.

Market Intel Exchange.

The S&P 500 gained 10.2% in the first quarter of 2024. Since 1950, this is the 12th time the index has gained 10% or more in the first three months of a year.

In these instances, the next three quarters were positive 10 of 11 times, with an average additional gain of 6.5% (see page 39).

Did you know?

A special *thank you* to this quarter's featured contributors:

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Capital Group | American Funds
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Hartford Funds — Our benchmark is the investor.
Invesco
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2024 election

Markets and election years

The 2024 United States presidential election will be held on November 5, 2024

Election years have historically generated strong returns.
Stocks have had a positive return in 20 of the last 24 (83%) presidential election years from 1928 to 2023, averaging a 12% return. In all years during this timeframe, stocks rose 73% of the time with an average return of 11% (S&P 500 TR).

Markets have performed well under both parties.
Since 1936, the 10-year annualized return of U.S. stocks (as measured by the S&P 500 Index) made at the start of an election year was 11.2% when a Democrat won and 10.5% in years when a Republican prevailed.

Stocks trend higher over time, regardless of who is in office.
A $1,000 investment in the S&P 500 Index when FDR became president in 1933 would have grown to more than $19 million in 2023. During that time there have been seven Republican and eight Democratic presidents.

We've been here many times before.
The current economic and political challenges may seem unprecedented, but a look back shows that controversy and uncertainty have surrounded every campaign.

What is this chart showing?

This chart highlights key points related to election years and market performance — a timely and relevant topic given the U.S. presidential election that is upon us in 2024.

Why is it important?

Investors may be thinking about how the added uncertainty that comes with an election year could impact markets, and their portfolios.

The highlighted points can help ease concerns and reinforce the fact that while near-term events like presidential elections can bring short-term volatility, it is often short-lived.

Therefore, the best approach for many is to tune the noise out and stay focused on their long-term goals.

Source: DFA matrix book for S&P total returns, Invesco, Capital Group, Hartford Funds.

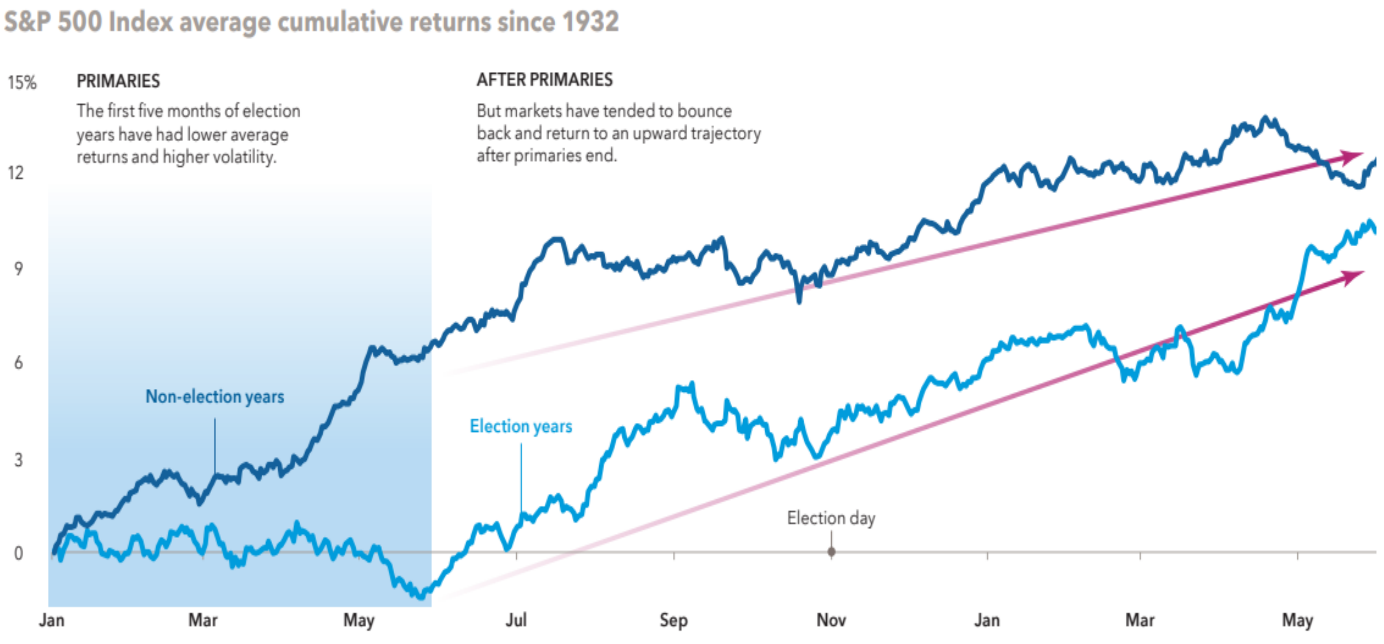
Past performance is not indicative of future returns. Index performance is for illustrative purposes only. You cannot invest directly in the index.

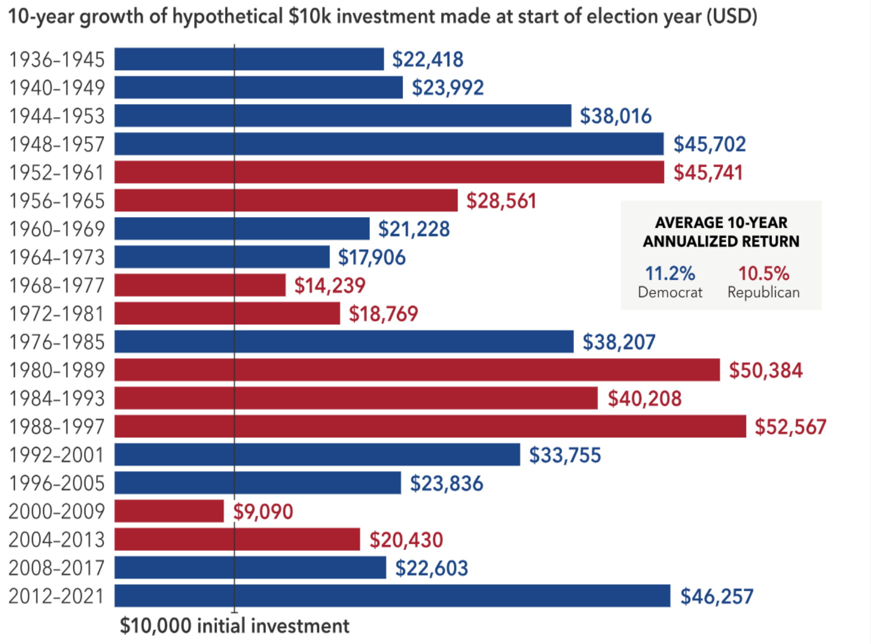
Lincoln Financial Group®

Potential market impact of the presidential election

CAPITAL GROUP® | AMERICAN FUNDS®

The first five months of election years have historically had lower average returns and higher volatility. However, regardless of outcome, markets tended to bounce back and return to an upward trajectory following both primaries and election days, when uncertainty is lifted. Despite the short-term volatility election years often bring, for long-term investors, the political party that wins the White House has had little impact on returns. Since 1936, the 10-year annualized return of an investment in U.S. stocks (as measured by the S&P 500 Index) made at the start of an election year was strong, regardless of whether a Democrat or Republican prevailed.



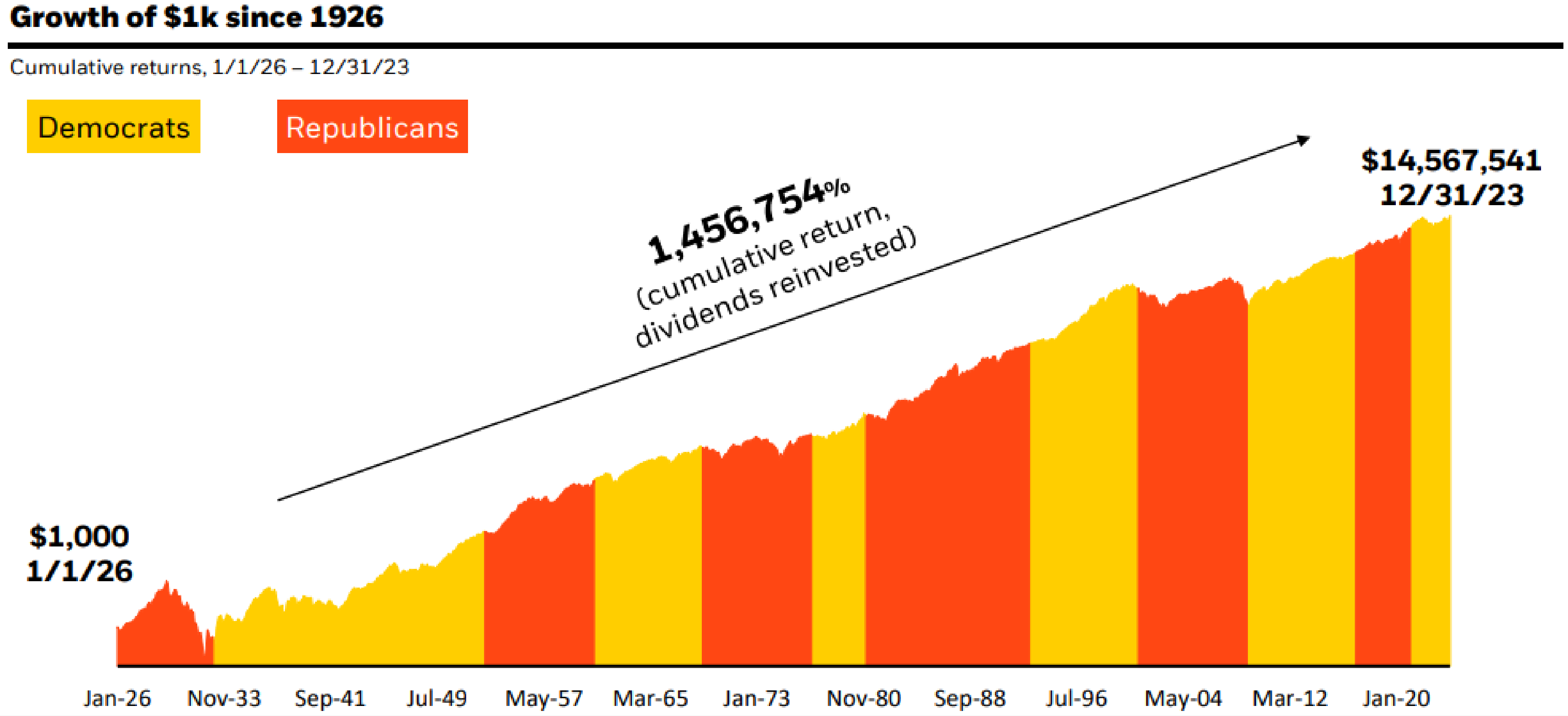


Source: Capital Group, (left chart): *Guide to Investing in an Election Year*. Capital Group, IMES, Standard & Poor's. Includes all daily price returns from January 1, 1932, through December 31, 2022. Non-election years exclude all years with either a presidential or midterm elections. (Right chart): Sources: Capital Group, Standard & Poor's. Each 10-year period begins on January 1 of the first year shown and ends on December 31 of the tenth year. For example, the first period covers January 1, 1936, through December 31, 1945. Figures shown are past results and are not predictive of results in future periods. https://www.capitalgroup.com/advisor/insights/articles/2024-economic-outlook.html?sfid=1995476238&cid=81086127&et_cid=81086127&cgsrc=SFMC&alias=btn-LP-A1cta-advisor.

Stocks have continued higher regardless of party holding the presidency

Since 1926, amid repeated shifts of the political landscape, the S&P 500 has produced cumulative returns of 1,456,754%. The market's political agnosticism is also evident on a shorter timeframe: people who stayed invested performed far better than those who only invested when one party was in power.

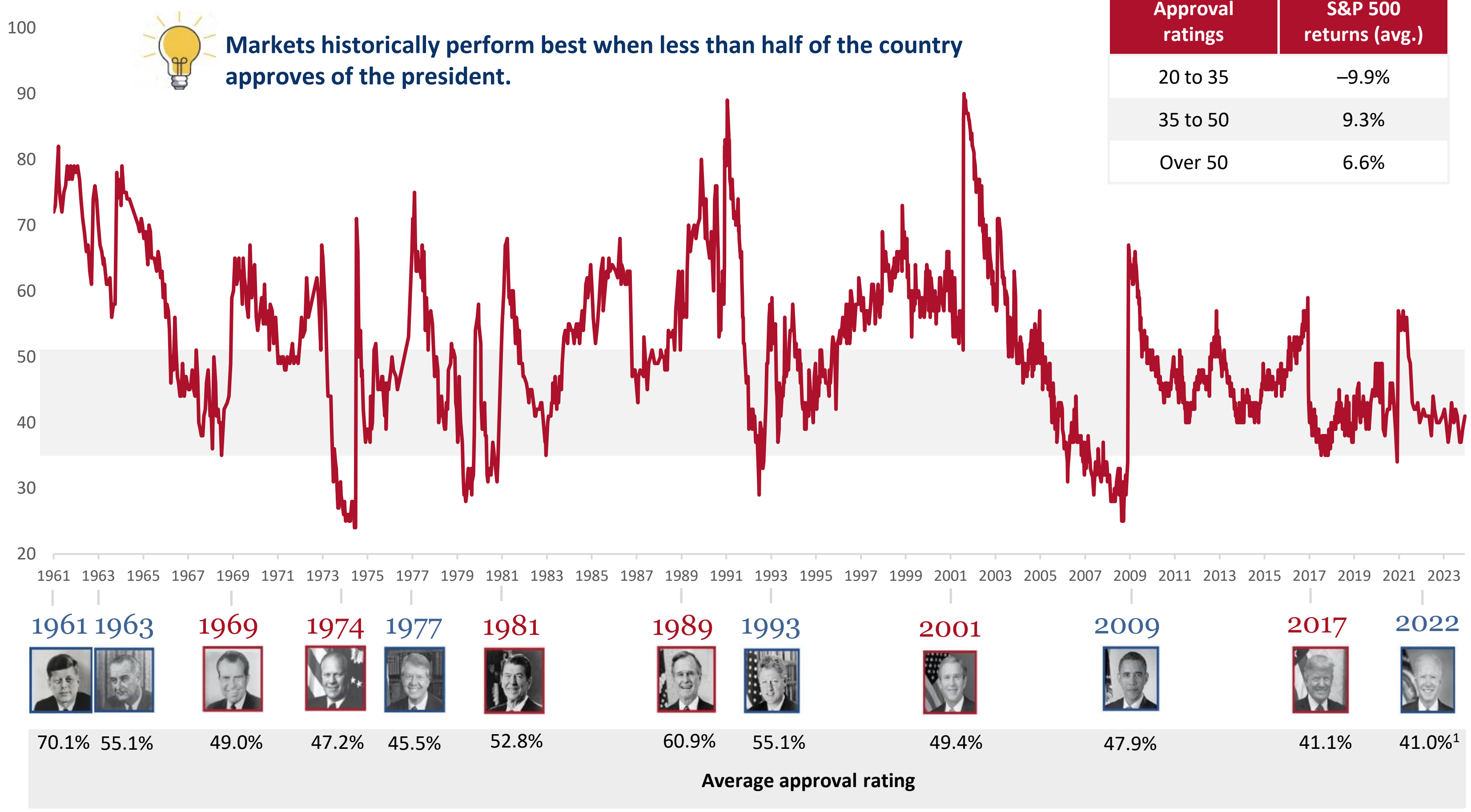
The bottom line is investing based on political beliefs has historically led to underperformance compared to remaining focused on the long term – and staying invested.



Source: BlackRock, Student of the Market. Morningstar as of 12/31/23. Stock market represented by the S&P 500 Index from 1/1/70 to 9/30/23 and IA SBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Presidential approval ratings and market performance

Presidential approval ratings, Gallup poll (%)



Approval ratings	S&P 500 returns (avg.)
20 to 35	–9.9%
35 to 50	9.3%
Over 50	6.6%

What is this chart showing?

This chart shows the average presidential approval ratings from 1961 through January 31, 2024, as well as the average historical market performance under different presidential approval rating ranges.

Why is it important?

Investors don't need to agree with political agendas to do well in the markets. In fact, some of the best returns in the market happened when approval ratings were between 35% and 50%. In other words, strong returns came even when less than half the country approved of the current administration.

Source: Presidential portraits. Library of Congress, https://www.loc.gov/free-to-use/presidential-portraits. Invesco. Bloomberg, Gallup. Data as of 1/31/2024. [1]Biden approval rating as of 1/31/2024. **Past performance is not indicative of future returns.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

A look at market performance during U.S. presidential election years

PIMCO

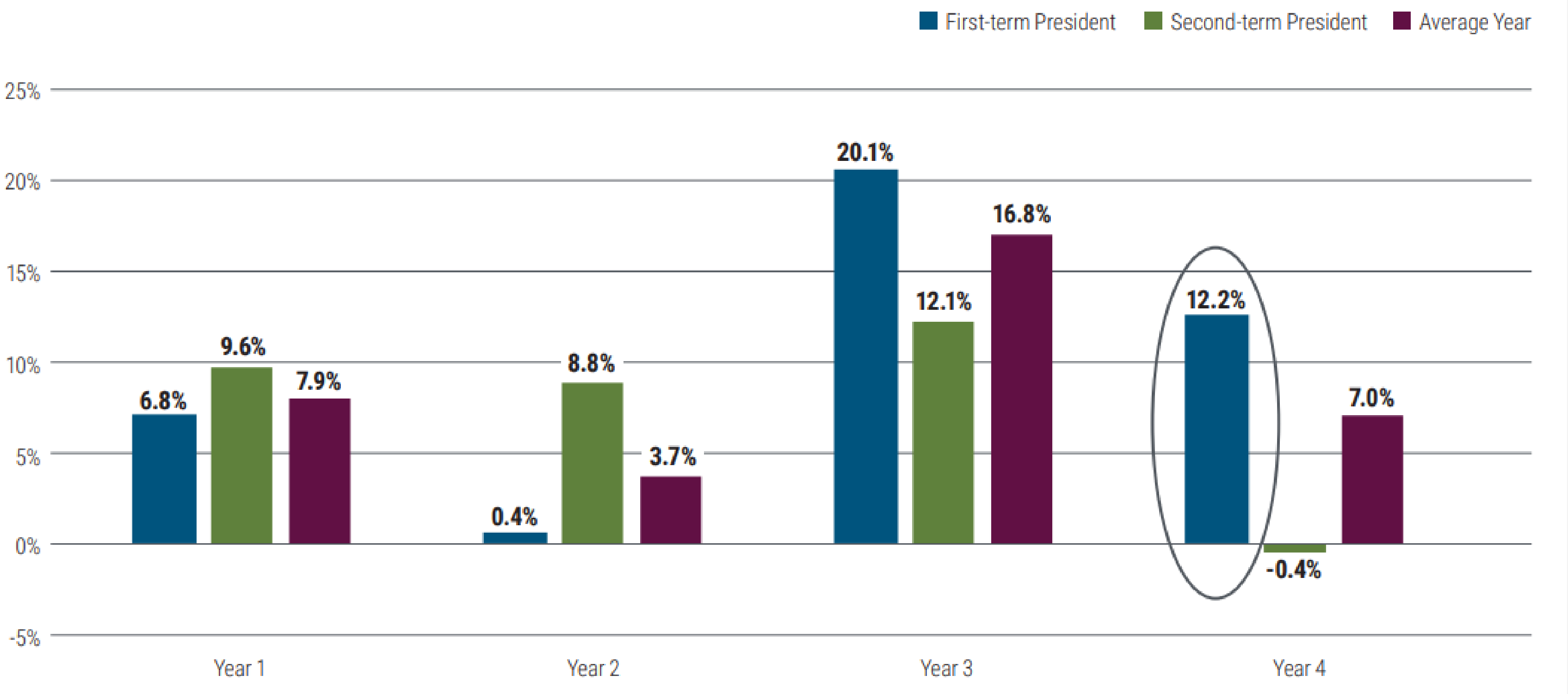
While past performance is not necessarily a predictor of future returns, a look at market performance in past U.S. presidential election years can be nevertheless instructive.

Historical data shows that risk markets, such as the stock market, have typically shaken off election year concerns, especially during the election of an incumbent president (circled) – as is the case this year.

After all, there is arguably less uncertainty about policy changes when an incumbent president is seeking reelection vs. an open presidential election when two new candidates are running.

Source: PIMCO, LPL Research, FactSet. Data as of December 5, 2023.

S&P 500 Index Returns based on 4-year presidential cycle (1955-2023)



Source: PIMCO. Past performance is no guarantee of future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Small-caps have historically outperformed large-caps in presidential election years

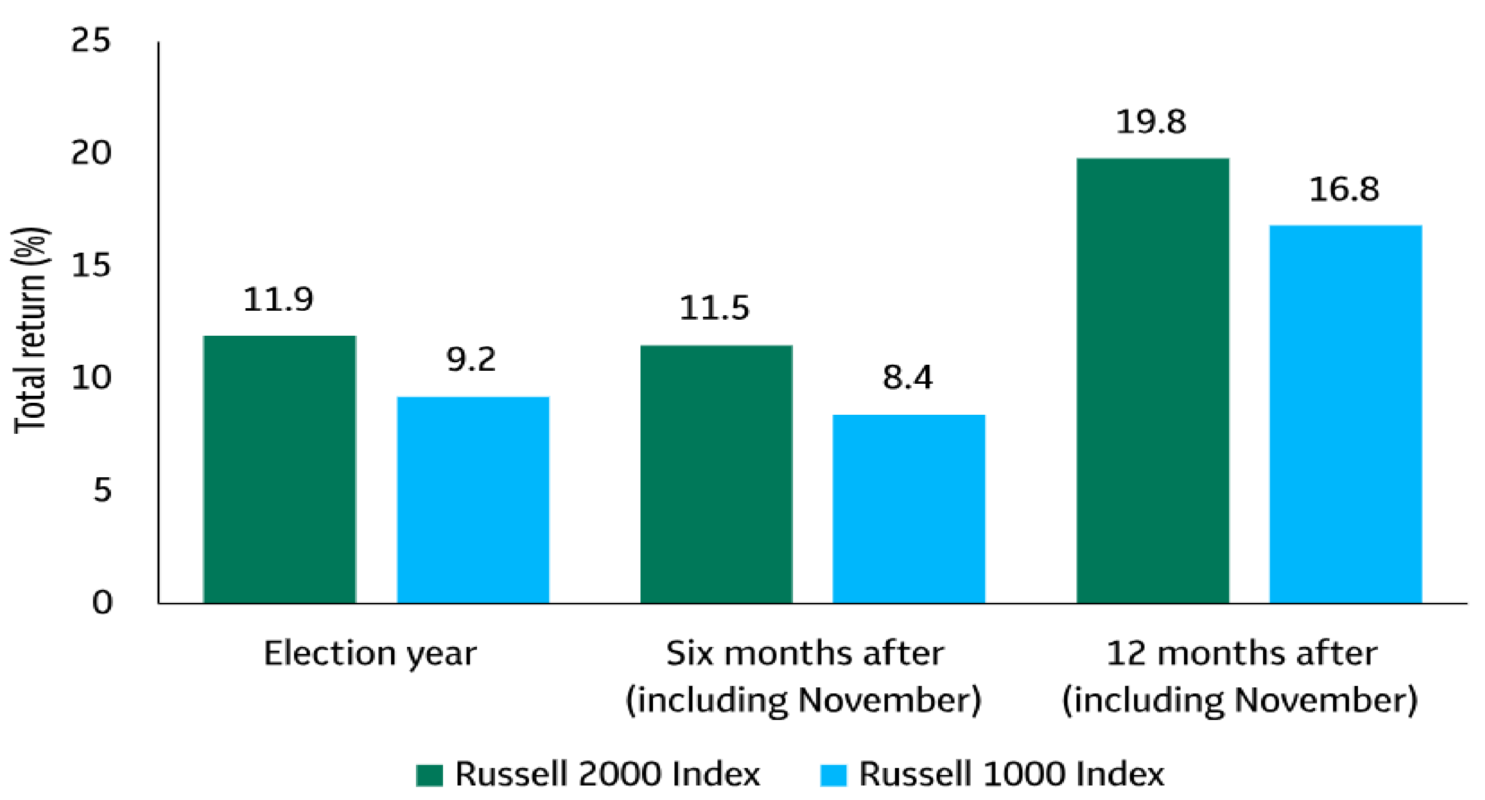
MACQUARIE

Since 1980, U.S. small-caps have outperformed U.S. large-caps in 7 of 11 presidential election years. Furthermore, small-caps have outpaced large-caps in the 6 and 12 months following the election.

These small companies typically generate a greater percentage of their revenue in the U.S., providing the opportunity to benefit more from policy changes or economic growth relative to large companies.

This may provide a compelling opportunity for investors seeking to rebalance their portfolios by allocating to small-caps.

Source: Macquarie, Morningstar.



Source: Macquarie. **Past performance is no guarantee of future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.**

Global elections to watch in 2024

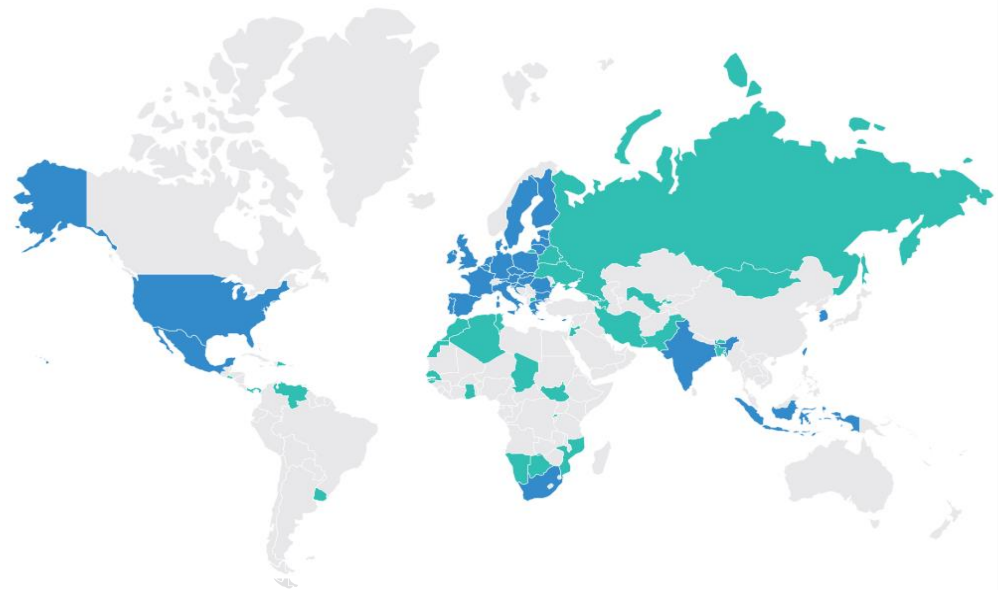
FRANKLIN TEMPLETON

More than 50 countries are expected to hold national elections in 2024. That number includes presidential and legislative elections, but also local government elections that are national in nature and will impact domestic politics.

Investors will be focused on the elections held in the countries that are most relevant to their investment portfolios, and those countries where a binary election outcome has the potential to generate investment profits or losses, depending on the capital markets' assessment of a country's future economic prospects.

Source: Franklin Templeton. Notes: Population and GDP data as of 2022. Figures exclude elections for European Parliament. Sources: Analysis by Franklin Templeton Institute, World Bank, Department of Household Registration of Taiwan, IMF, Macrobond.

The countries in blue will hold the most consequential elections for investors



2024 Elections	Total	Global Share %
Number of countries	50+	26%
Population	3.5 billion	44%
Gross Domestic Product (GDP)	US$45.6 trillion	46%

Notable elections in 2024	
January 13	Taiwan
February 14	Indonesia
March 17	Russia
April	India
May 29	South Africa
June 2	Mexico
June 6	European Union
November 5	United States
TBD	United Kingdom

Source: Franklin Templeton.

Despite the headlines…it's always a good time to invest for the long term

Year	Worrisome event	Cumulative Returns[1]
2000	Tech wreck; bubble bursts	410.9%
2001	September 11	462.1%
2002	Dot-com bubble; market down -49%	537.9%
2003	War on Terror – U.S. invades Iraq	718.9%
2004	Boxing Day Tsunami kills 225,000+ in Southeast Asia	536.4%
2005	Hurricane Katrina	473.9%
2006	Not a bad year, but Pluto demoted from planet status	447.0%
2007	Subprime meltdown	372.4%
2008	Global Financial Crisis; bank failures	347.8%
2009	GFC; market down –56%; depths of despair	610.8%
2010	Flash crash; BP oil spill; QE1 ends	462.1%
2011	S&P downgrades U.S. debt; 50% write-down of Greek debt	388.5%

Year	Worrisome event	Cumulative Returns[1]
2012	Second Greek bailout; existential threat to Euro	378.4%
2013	Taper Tantrum	312.4%
2014	Ebola epidemic; Russia annexes Crimea	211.5%
2015	Global deflation scare; China FX devaluation	174.0%
2016	Brexit vote; U.S. election	170.3%
2017	Fed rate hikes; North Korea tensions	141.4%
2018	Trade war; February inflation scare	98.1%
2019	Trade war; impeachment inquiry, global growth slowdown	107.2%
2020	Covid-19 pandemic; U.S. presidential election	57.6%
2021	Omicron variant, China regulatory crackdown	33.1%
2022	Russia invasion of Ukraine, inflation hits 40-year high	3.4%
2023	Fed rate hikes; bank failures, recession concerns	26.3%

What is this chart showing?

This chart shows annual worrisome events, along with the cumulative returns from the beginning of each year through 2023.

Why is it important?

It always feels like there are compelling reasons not to invest. This is just a sampling of worrying headlines over the past two decades.

Bad news may make short-term waves, but over time, those waves tend to smooth out and not disturb the long-term trajectory of markets.

[1]Cumulative total returns for S&P 500 Index are calculated from December 31 of the year prior to December 29, 2023, sourced from Morningstar. Worrisome events sourced from J.P. Morgan Private Bank from 2000-2021, Lincoln Financial Group for 2022 and 2023. You cannot invest directly in an index. **Past performance does not guarantee or predict future performance.**

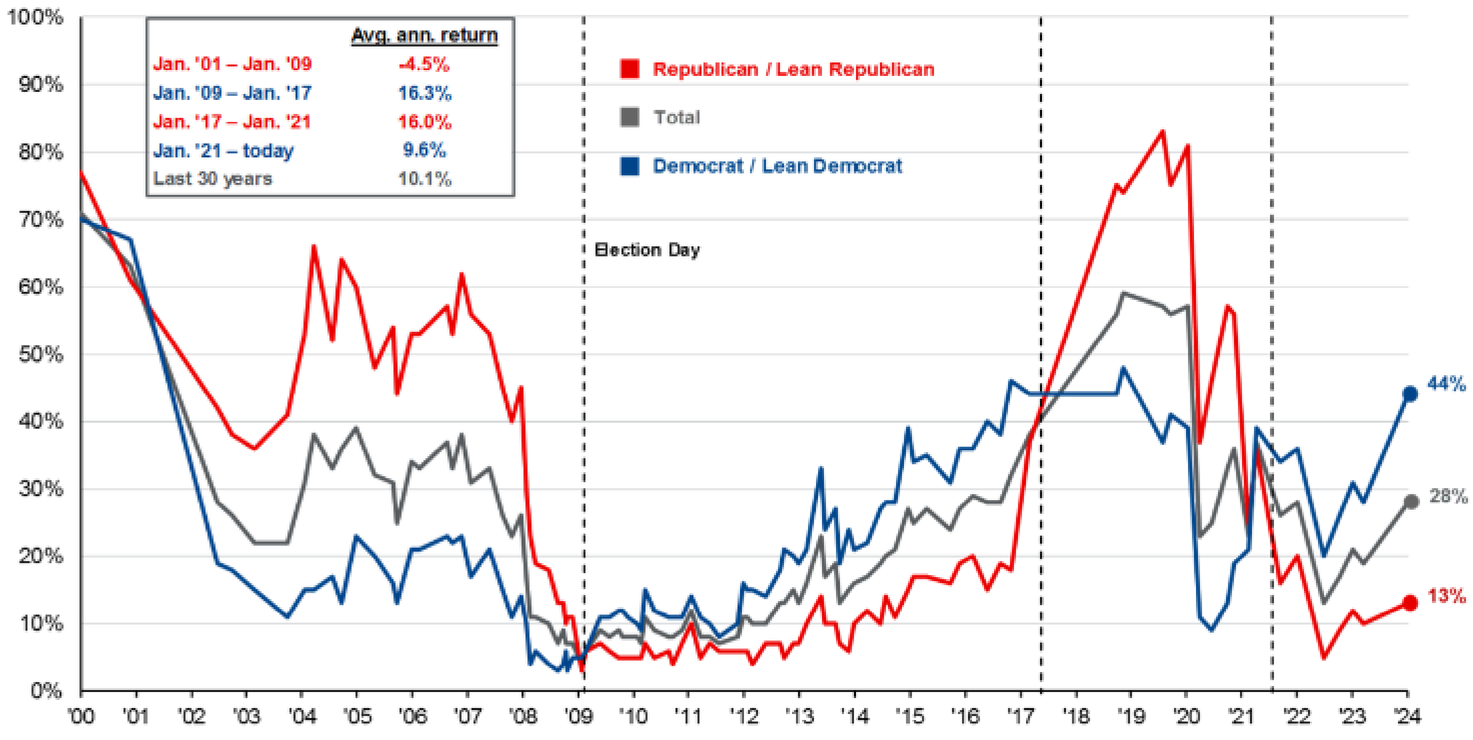
Consumer confidence by political affiliation

J.P.Morgan
Asset Management

This chart shows a survey from the Pew Research Center asking Americans how they feel about economic conditions. The results show that Republicans often feel better about the economy under a Republican president, while similarly Democrats often feel better about the economy under a Democratic president. Yet, average annual returns on the S&P 500 during the Obama administration of 16.3% and during the Trump administration of 16.0% were almost identical and higher than the average return over the last 30 years.

Source: Pew Research Center, J.P. Morgan Asset Management. Pew Research Center, “Republicans, Democrats Move Even Further Apart in Coronavirus Concerns.” Question: Thinking about the nation’s economy, how would you rate economic conditions in this country today… as excellent, good, only fair, or poor? The survey was last conducted in January 2024.

Percentage of Republicans and Democrats who rate national economic conditions as excellent or good

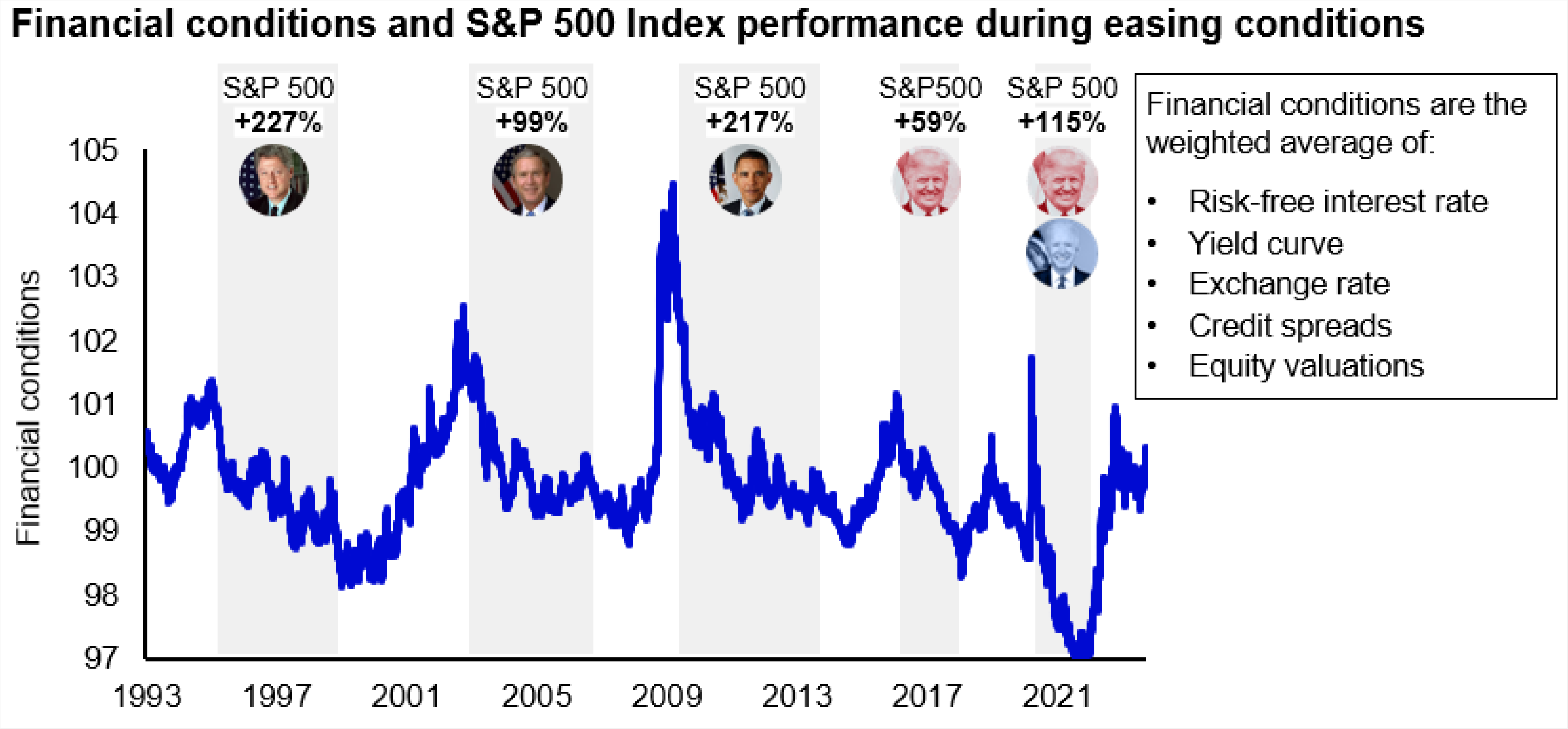


Source: J.P. Morgan. *Guide to the Markets* – U.S. Data are as of January 31, 2024.

Monetary policy matters more

For all the focus on the executive branch, historically, it's been monetary policy that's mattered more for markets.

Presidents have often been helped or hurt by whether the Federal Reserve has been working to ease or tighten financial conditions.



Source: Invesco, "Trending Conversations: People Care About Elections. Markets Don't," 9/30/23. Goldman Sachs, Bloomberg L.P., 9/30/23. An investment cannot be made in an index. **Past performance does not guarantee future results.**

Additional information

Index Descriptions

S&P 500 Index is a market-cap weighted index that measures the performance of 500 widely held large capitalization stocks in the U.S. equity market. It is regarded as the best gauge of the U.S. equity market.

Russell 2000 Index measures the performance of the small cap segment of the U.S. equity universe. It is a subset of the Russell 3000.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that measures equity market performance in large and mid cap representation across 27 emerging market countries.

MSCI EAFE Index is a free float-adjusted equity index that captures large and mid cap representation across 21 developed market countries, excluding the U.S. and Canada.

MSCI All Country World Index (ACWI) is a free float-adjusted market capitalization index that captures large and mid cap representation across 23 developed markets and 27 emerging market countries.

Bloomberg Commodity Total Return Index is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13-week (3-month) U.S. Treasury bills.

Bloomberg Barclays Global High Yield Index is a multicurrency flagship measure of the global high yield debt market. The index represents the union of the U.S. High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices.

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

The FTSE Nareit All Equity REITs Index is a free float-adjusted market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The Bloomberg Barclays U.S. Treasury Bills 1–3 Month Index includes all publicly issued zero coupon U.S. Treasury bills that have a remaining maturity of less than three months and at least one month, are rated investment-grade, are U.S.-dollar denominated, nonconvertible, and have $300 million or more of outstanding face value.

University of Michigan (UoM) Inflation Expectations measures the percentage that consumers expect the price of goods and services to change during the next 12 months.

Capital Market Expectations

- BlackRock: https://www.blackrock.com/institutions/en-us/insights/charts/capital-market-assumptions, as of February 2024. 10-year return time period.
- J.P. Morgan Asset Management, 2024 Long Term Capital Market Assumptions: https://am.jpmorgan.com/us/en/asset-management/adv/insights/portfolio-insights/ltcma/.
- StateStreet: https://www.ssga.com/us/en/intermediary/ic/insights/long-term-asset-class-forecasts-q2-2023, as of May 2023. 10+ year return time period.
- Goldman Sachs: Goldman Sachs: US Q4 2023 Multi-Asset Solutions (MAS) Team Strategic Long-Term Assumptions. 10-year return time period, as of December 31, 2023. https://visit.lfg.com/GSMAS

Sources and Methodology for Economic Dashboard

- CEO Confidence via. The Conference Board. The Conference Board Measure of CEO Confidence™ is a barometer of the health of the U.S. economy from the perspective of U.S. chief executives. The Measure of CEO Confidence™ is based on CEOs' perceptions of current and expected business and industry conditions. The survey also gauges CEOs' expectations about future actions their companies plan on taking in four key areas: capital spending, employment, recruiting, and wages. A reading below 40 indicates that CEOs maintain a negative outlook regarding what's ahead for the economy. A measure in the range of 40–50 indicates that CEOs maintain a cautious outlook regarding what's ahead for the economy. A reading above 50 indicates that CEOs maintain a positive outlook regarding what's ahead for the economy.
- Inflation: Based on the 3-month moving average trend (last 3 observations) in headline CPI as of Feb. 2024 via. the U.S. Bureau of Labor Statistics. 2024 expectations based on PCE inflation median projection from the Mar. 2024 FOMC Summary of Economic Projections.
- Economic Growth: Based on 3-quarter trend in U.S. GDP (percent change seasonally adjusted annual rate as of Q4 2023) via. the U.S. Bureau of Economic Analysis. 2024 expectations based on median projection from the Mar. 2023 FOMC Summary of Economic Projections.
- Labor market: Based on the 3-month moving average trend (last 3 observations) in total nonfarm job additions and the 3-month moving average trend (last 3 observations) in unemployment rate via. the U.S. Bureau of Labor Statistics as of data available on Mar, 2024.
- Consumer finances: Household debt service payments as a percent of disposable personal income as of Q4 2023 via. The Board of Governors of the Federal Reserve System. Pre-pandemic level defined as ratio value in Q1 2020. Credit card delinquencies as of Q4 2023 and based on 3-quarter trend in delinquency rate on credit card loans, all commercial banks via. the Board of Governors of the Federal Reserve System.
- Retail spending: Based on the 3-month moving average trend (last 3 observations) in year-over-year retail sales growth as of Feb. 2024 via the U.S. Census Bureau, and the 3-month moving average trend (last 3 observations) in consumer confidence as measured by the Conference Board Consumer Confidence Index as of Mar. 2024.

Economic and Market Indicators

- Consumer sentiment based on month-end data, starting in Jan. 1978 to March 2024. +/- 1 std. deviation of historical value range from 98.16% to 71.71%.
- Economic expansion (CQOQ Index) based on QOQ % change data of quarterly data, starting in June 1947 to December 2023. +/- 1 std. deviation of historical value range from 7.75% to –1.38%.
- Inflation (CPI) based on YOY % change of monthly CPI seasonally adjusted data, starting in Jan. 1947 to February 2024. +/- 1 std. deviation of historical value range from 7.02% to 0.46%.
- Market volatility (VIX) based on average daily closing values for the month of the CBOE VIX index from Jan. 1990 to March 2024. +/- 1 std. deviation of historical value range from 25.55% to 11.20%.
- Unemployment based on month-end data, starting in Jan. 1948 to February 2024. +/- 1 std. deviation of historical value range from 7.41% to 3.99%.
- 10Y U.S. Treasury yield based on daily data, starting in Jan. 1962 to March 2024. +/- 1 std. deviation of historical value range from 8.83% to 2.89%.

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The MSCI EAFE Price Return Index follows the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

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