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In the Markets Now

Politics and investing

The volatility of the last few months has been nearly unprecedented. Here, we aim to recap the action and provide some perspective to investors.

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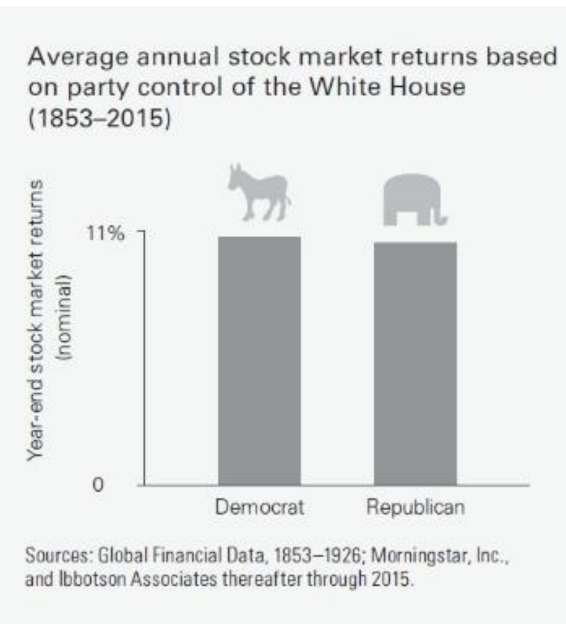
ON IGNORING THE POLITICAL NOISE AND STAYING INVESTED FOR THE LONG-TERM

Though COVID-19 has rightfully demanded much of our attention the past few months, we are now somehow less than 150 days from the 2020 Presidential election – as if this year weren't volatile enough. A lot rests on this race; our nation is embroiled in a devastating pandemic, heightened geopolitical tensions, and country-wide social unrest. The next four years are critical to America's future. But there is one major thing that shouldn't rely on an election outcome – your portfolio.



True or not, the partisan divide in our country feels as wide as ever. The debate is noisier, the rhetoric is harsher, and social media has a way of amplifying the loudest and most controversial voices. Politics is an emotional game. Unfortunately, some of our worst biases and behavioral mistakes show up when we let emotions drive our decision-making.

This is particularly true in investing. I've heard too many stories about Republicans going to cash in 2008, or Democrats selling out in 2016. **The stock market has no party.** The chart to the left says it all – equities have historically trended higher regardless of which party held the Presidency, and regardless of the timeframe used to measure. Presidents get far too much credit for the good and far too much blame for the bad when it comes to the economy and stock market.

That is not to say policies don't matter. Tax rates, tariffs, geopolitical uncertainty – all affect the bottom line of US companies to varying extents. A Democratic sweep presents the possibility of higher corporate tax rates, while a Trump reelection may mean more tariffs and trade skirmishes. Both sides offer obvious negatives and positives to markets.

Put simply, the historical results speak for themselves. The long-term stock market trend is higher regardless of the party in power, and nearly anyone who sold out due to a presidential election going against their favorite candidate has been far worse for the wear. Politics are impassioned and intense whereas investing should be rational and fact-based. They do not, and should not, mix.

Still, if you are worried about your portfolio heading into November, reach out to your Baird Financial Advisor today. Volatility is higher during election years, and political intrigue can gyrate the stock market at times. We just lived through the fastest bear market in 100 years, and now we face a heated presidential election season – this is not an easy time to invest. Your advisor is here to help navigate this challenging environment and keep you on the path to your long-term financial goals.

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