THE
COOK REPORT

Volume 34 | Number 4 | October 2024

MAINTAIN AN EVEN KEEL

Since our last edition of *The Cook Report,* events have unfolded that leave the mind spinning. The June 27 Presidential debate between President Biden and former President Trump was a fresh memory. A mere 24 days later President Biden exited the race and soon after Vice President Kamala Harris became the Democratic Party's standard-bearer. On July 8, former President Trump survived an assassination attempt, with another attempt thwarted in early September. If those events were not dizzying enough, international crises and mixed signals about the direction of the U.S. economy have upset the calm that began the year.

Hopefully by now our usual counsel to keep your eye on the long-term has been absorbed. Better yet, you engaged with the thought experiment we proposed in our last edition and have wrestled with the waypoints of your financial journey.

If you were understandably side-tracked by events, we are here to navigate you back to calm waters. In this edition of *The Cook Report,* we explore market behavior after U.S. presidential elections and discuss the Federal Reserve's recent rate cut. Despite the turbulent surface, we remain even keeled and maintain our long-term optimism regardless of the election's outcome.

MARKETS AND ELECTIONS

At this time in the cycle of U.S. politics, we often receive questions about what we think the markets will do given a certain election outcome. Our answers are usually along the lines of "we don't know" with an added dollop of "don't worry about it." Remember, we don't allow short-term events to dictate long-term plans. While we stand by these answers, we point you to some added context provided by a recent [study] done by U.S. Bank Asset Management Group.

In "How presidential elections affect the stock market," U.S. Bank analysts looked at how the S&P 500 index performed in the three months after parties took control of different branches of government, versus the average 3-month return during the full analysis history, using data dating back to 1948. They looked at the political composition of the White House and Congress and used a t-test to determine if they have a measurable effect on the average three-month returns of the S&P 500. Their results can be seen in the table at the top of the next page.

As you can see, "sweep" scenarios where one party controls the White House and both houses of Congress did *not* have a statistically significant impact on market performance. Nevertheless, there are three instances where divided government had a statistically significant effect on market performance. When the Democratic Party candidate wins the White House and the Republican Party controls both houses or one house of Congress, there were positive absolute returns in excess of long-term average returns. A Republican White House and Democratic Congress (both houses) resulted in modestly lower returns compared to long-term averages.

Interestingly, the results show that regardless of election outcomes, the long-term average return for the S&P 500 for any given 3-month period since 1948 is *positive*. The study goes on to show that factors such as economic and inflation trends have a stronger and more consistent relationship with market returns than control of government. Keep your eye on the long-term and don't worry about the results of November's election.

INSIDE THIS ISSUE:

attcook.com

The Cook Report is published for our clients and friends.

The Albert T. T. Cook Company is an independent registered investment adviser committed to meeting client objectives with comprehensive, unbiased financial advisory services.

Clients accepted by referral or self-referral.

The Albert T. T. Cook Company
Impartial. Independent. Since 1984.

Albert T. T. Cook, Jr.
alcook@attcook.com

Timothy M. M. Cook
timcook@attcook.com

MAINTAIN AN EVEN KEEL (cont.)

Historical election outcome scenarios and market performance

Scenario	White House Control	Congress Control	Outcome	Average 3-month S&P 500 return during period	Average 3-month return relative to all periods	Statistically significant (>95%)?
1	Democrat	Democrat	One Party (D)	2.20%	0.02%	No
2	Democrat	Republican	Divided	3.85%	1.67%	Yes
3	Democrat	Republican/ Democrat	Divided	3.93%	1.75%	Yes
4	Republican	Democrat	Divided	1.19%	-0.99%	Yes
5	Republican	Republican	One Party (R)	2.67%	0.49%	No
6	Republican	Republican/ Democrat	Divided	1.62%	-0.67%	No
			All one Party (D or R)	2.33%	0.15%	No
			All divided	2.08%	-0.10%	No

Source: U.S. Bank Asset Management Group

MONETARY POLICY

In September, the Federal Reserve's Federal Open Markets Committee (FOMC) cut the federal funds rate by 0.50% to a range between 4.75% and 5.00%. This marked the first rate cut since rates were 0-0.25% at the height of the Covid pandemic.

The FOMC noted in its accompanying press release that inflation is approaching their preferred level of 2% and that unemployment remains low despite some slowing in job gains.

While there have been signs of a weakening labor market and related declines in consumer confidence, the trends until September were mostly positive. The Fed's rate cut and expectations for one or two more cuts in 2024 could provide enough of a boost to prevent a sustained weakening of the economy. We are optimistic that the rate cut will continue to allow for positive economic growth and attendant market gains in the coming months.

TOWARD CALMER WATERS

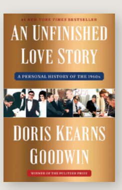
As the saying goes, we live in interesting times. Years from now, it will be fascinating to look back on the summer of 2024 and compare our real-time reactions and perceptions with historical analyses. When our next newsletter comes out the results of the U.S. election will be known and markets will hopefully have sustained their momentum to finish 2024 on a high note.

If you find yourself stressing over current events, we encourage you to maintain a steady focus on the long-term, working to control what you can about your financial situation. Undertake the 10-year thought experiment we proposed in July. Doing so will not only help you control how events affect you, but will lay out an aspirational roadmap for where you want to be beyond the immediate craziness.

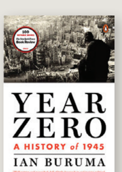
As the year approaches an end, we hope you have time to celebrate families, friendships, and new opportunities. Cheers!

"How presidential elections affect the stock market," U.S. Bank Asset Management Group (September 6, 2024). https://www.usbank.com/investing/financial-perspectives/market-news/how-presidential-elections-affect-the-stock-market.html.

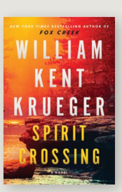
READER'S CORNER



An Unfinished Love Story, by Doris Kearns Goodwin (Simon & Schuster, New York, 2024) chronicles the immensely important role that her husband, Richard Goodwin, played as a speech writer for JFK and later for LBJ. He put into words the goals of both presidents that led to many of their signature legislative accomplishments.



Year Zero: A History of 1945, by Ian Buruma (Penguin Press, New York, 2013) details the changes in European and Asian regimes that resulted from the end of WWII. A very difficult period of readjustment.



Spirit Crossing, by William Kent Krueger (Atria Books, New York, 2024) is the latest in the Cork O'Connor series, focusing on the vulnerability and abuse of young Native American women — very insightful.

IN THE NEWS

- "Are You Using the Right Tax Breaks to Boost Investment Returns," by Laura Saunders (*The Wall Street Journal,* August 16, 2024) focuses on the benefits of tax-sheltered accounts.
- "Changes in Retirement Savings Rules to Know Before Year's End," by Leonard Sloane (*The Wall Street Journal,* July 31, 2024) features new rules regarding Roth IRAs and RMDs.
- The Future of Everything/The Artificial Intelligence Issue" (*The Wall Street Journal,* August 30, 2024) deals with the increasingly important issues and contributions of AI.
- "The Fed Made its Move. Why Didn't I?," by Jason Zweig (*The Wall Street Journal,* September 27, 2024) failed to move a 401k cash transfer to an IRA, to a diversified equity portfolio, missing out on gains.
- "Journal Report/Cybersecurity" (*The Wall Street Journal,* August 19, 2024) provides important tips on protecting your digital life!