Autumn 2020

In 2009, a few days after President Obama was inaugurated, a group of Republicans, including House Whip Eric Cantor, was invited to the White House to discuss the administration's stimulus package in response to the financial crisis. Cantor, along with his colleagues in the House Republican Economic Recovery Working Group, had crafted their own, which, according to Cantor, centered on a 20 percent reduction in taxes for small business. The group was hopeful the President would give its ideas consideration.

By all accounts, President Obama was initially receptive to what the Republicans had to say. As the meeting progressed, however, and details were debated, the President drew a line. "Elections have consequences," he told Cantor. "And at the end of the day, I won."

The former president was right about elections—most significantly when it comes to social issues. (Trump, you may recall, also used "Elections have consequences" in the most recent debate, when defending his putting forward a Supreme Court nominee so close to the election.) However, when it comes to the shape of your portfolio and investment future, presidents have far less influence over the economy than we're led to believe. In fact, presidents we historically think of as strong (or weak) on the economy were simply the recipients of good (or bad) luck, taking office at a fortuitous (or unlucky) period in the economic cycle.

It's a point we've made prior to past elections, but bears repeating, especially in this hyper-partisan era. Before we make that case, however, let's first address, and take into account, the pandemic, something we've never in our lifetimes had to consider prior to a presidential election. Whether Trump has done a good job, or Biden will do a better job, addressing the crisis is an issue for voters to weigh. But it matters little when it comes to your long-term earnings.

While havoc has been wreaked on global economies, the markets are close to pre-pandemic levels, due mostly to technology and consumer companies bolstered by the crisis. And opportunities abound. Those companies still hurting are trading well below their February value. When they, and we, emerge from this unprecedented instability, economies around the globe will experience above-average growth, and global GDP rates will likely reach highs not seen in many years. Though timelines on FDA approval and widespread dissemination vary, experts agree vaccines will soon be available, likely early in the next president's term.

Which brings us back to the election, and your investments. To exemplify the mistake of putting too much stock, if you'll pardon the pun, in who wins in November, let's consider our most recent presidents, Obama, whose policies we can safely assume align with Biden's, and Trump. If the former's politics caused one to eschew the stock markets, they'd have lost out on a 174% gain over those eight years. If one sold their stocks when our current president was elected, they'd have missed out on an over 45% gain, and counting. Put in an annualized perspective, both equal more than 13% on average (this includes the unforeseen pandemic).

A big part of how we measure a president's economic success is by the amount of growth during their time in office. President George H.W. Bush, for example, was handed an economy with an unemployment rate of 5.4 percent and a peak expansion rate. So it wasn't surprising he lost an election four years later, when unemployment had predictably risen two points, and the country was just starting to emerge from a recession. For a more recent look at the impact of timing, President Obama (and Vice President Biden) took office when the economy was plunging (hence the meeting with Cantor). After eight years, job growth had risen over 8%. However, had Obama/Biden taken office 13 months earlier, the rate would have been just 3.4%. If they'd taken office in February 2010, the unemployment's rock-bottom for that period, they'd have been credited with a growth of a whopping 14%.

What can be gleaned from this? The battered global economy is in the midst of resetting, likely at or near its nadir. Which means whoever takes or retakes office in January is likely to be credited with tremendous growth over the next four years. One thing is certain, they, whoever they are, will take all the credit.

Between now and November 3, we're going to hear from folks of all political persuasions how critical this election is, and how important it is we vote. And, at a time when hyperbole rules, these people won't be wrong. Just keep in mind, when checking your ballot, at home or in person, your financial wellbeing is in good hands, regardless of the outcome.