

Election's Over – Now What? Stay Focused

Whew, the election is finally over—and the world didn't end. People returned to work the next day, some celebrating, others feeling disheartened. But life moves on, and with it, our new leader for the next four years is in place. For those who are disappointed by the outcome, it's easy to let emotions drive investment decisions. However, acting on emotion can be detrimental to long-term financial goals. That's why we believe having a financial professional by your side is so important—they can help remove the emotional component from your decisions and keep your strategy on track. In this week's "Three on Thursday", we look at past presidential cycles along with stock market and economic performance. With the election behind us, what can we expect moving forward? To provide some context, we've included three charts to help offer perspective

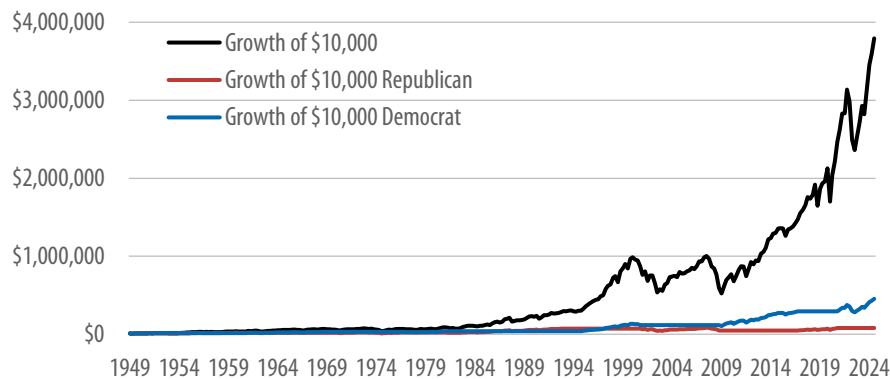
Value vs. Growth: Performance Following Presidential Elections Since 1980

Months After Election Day	Value	Growth	Value Beat Growth By
1 Month	1.93%	0.53%	1.40%
2 Months	6.78%	4.72%	2.05%
3 Months	5.84%	3.52%	2.32%
4 Months	6.34%	1.82%	4.52%
5 Months	7.44%	1.81%	5.63%
6 Months	10.82%	5.76%	5.06%
Average	6.52%	3.03%	3.50%

Source: Bloomberg, First Trust Advisors. Data as of 9/30/2024. **Value** stocks are represented by the Russell 1000 Value Total Return Index. **Growth** stocks are represented by the Russell 1000 Growth Total Return Index.

Looking back over the past 11 presidential elections, value stocks have consistently outperformed growth stocks in the six months following each election over the last 40 years. We believe this trend is likely to continue, particularly when considering the current valuation gap between growth and value stocks. Through the end of September, the forward price-to-earnings (P/E) multiple for pure growth stocks stands at 29.3—significantly higher than the 23-year average of 23 since 2001. In contrast, the P/E for pure value stocks is 12.9, which is below the historical average of 13.7 over the same period.

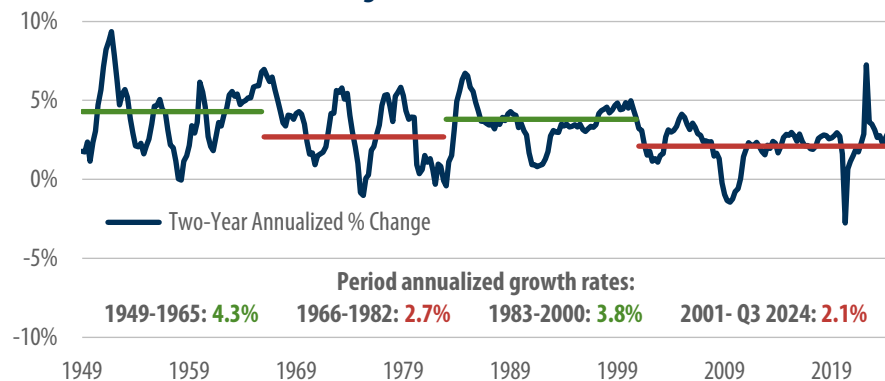
Growth of \$10,000 in the S&P 500 Index Since 1949



Source: Standard & Poor's, First Trust Advisors. Data is quarterly from 3/31/1949-9/30/2024.

Using the S&P 500 Index as a market gauge, consider this: if you had invested \$10,000 only when a Republican was president and went to cash when a Democrat was in office, your \$10,000 would have grown to just \$83,360 by the end of Q3 2024, a 2.8% annualized gain. Conversely, if you only invested during Democratic presidencies, your \$10,000 would have grown to \$454,807, a 5.2% annualized gain. However, if you ignored political factors entirely and stayed invested throughout, your \$10,000 would be worth an astonishing \$3.8 million by the end of Q3 2024! An 8.2% annualized gain. This illustrates the importance of maintaining a long-term, non-partisan investment strategy.

Real GDP Growth in Small vs. Big Government Eras



Source: Bureau of Economic Analysis, First Trust Advisors. Quarterly from 3/31/1949-9/30/2024.

Following years of record inflation and surging deficits, we anticipate that a key focus of the future Trump administration will be addressing the large expansion of government over the past two decades. As Elon Musk recently emphasized to voters, "Your money is being wasted, and the Department of Government Efficiency is going to fix that." Historically, the economy has flourished during periods of reduced government spending. If spending priorities shift as they did in the late 1970s and early 1980s, we believe the economy could once again enter a period of robust growth.

Past performance is no guarantee of future results. The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The **Russell 1000 Value Total Return Index** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The **Russell 1000 Growth Total Return Index** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. Index data is for illustrative purposes only and not indicative of any actual changes. These returns were the result of certain market factors and events which may not be repeated in the future.

investment. Indices are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future.

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