



# Investing in an election year

April 30, 2024





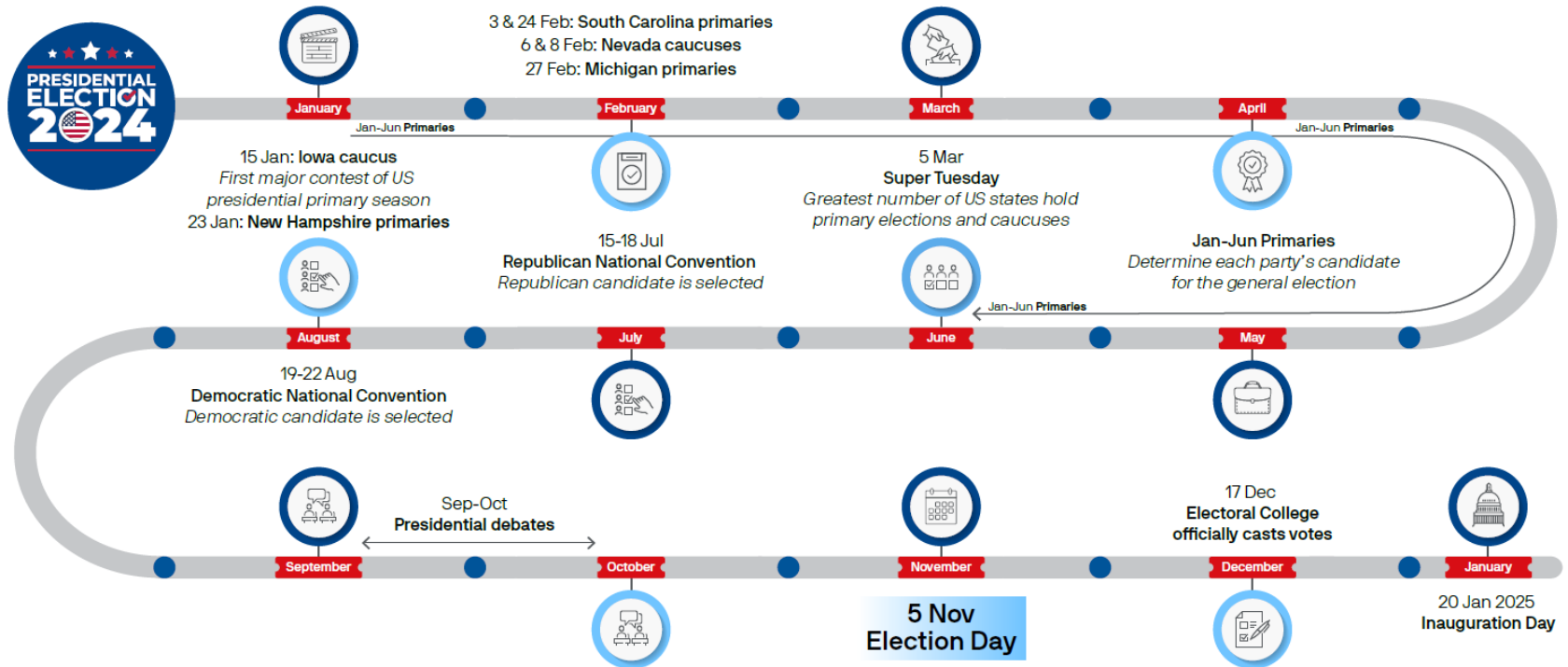
## Agenda

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- **2024 Election landscape**
- Policy implications
- Investing in an election year



# The 2024 Election timeline



Source: 270twin, National Conference of State Legislatures, J.P. Morgan Asset Management. Data are as of April 30, 2024.

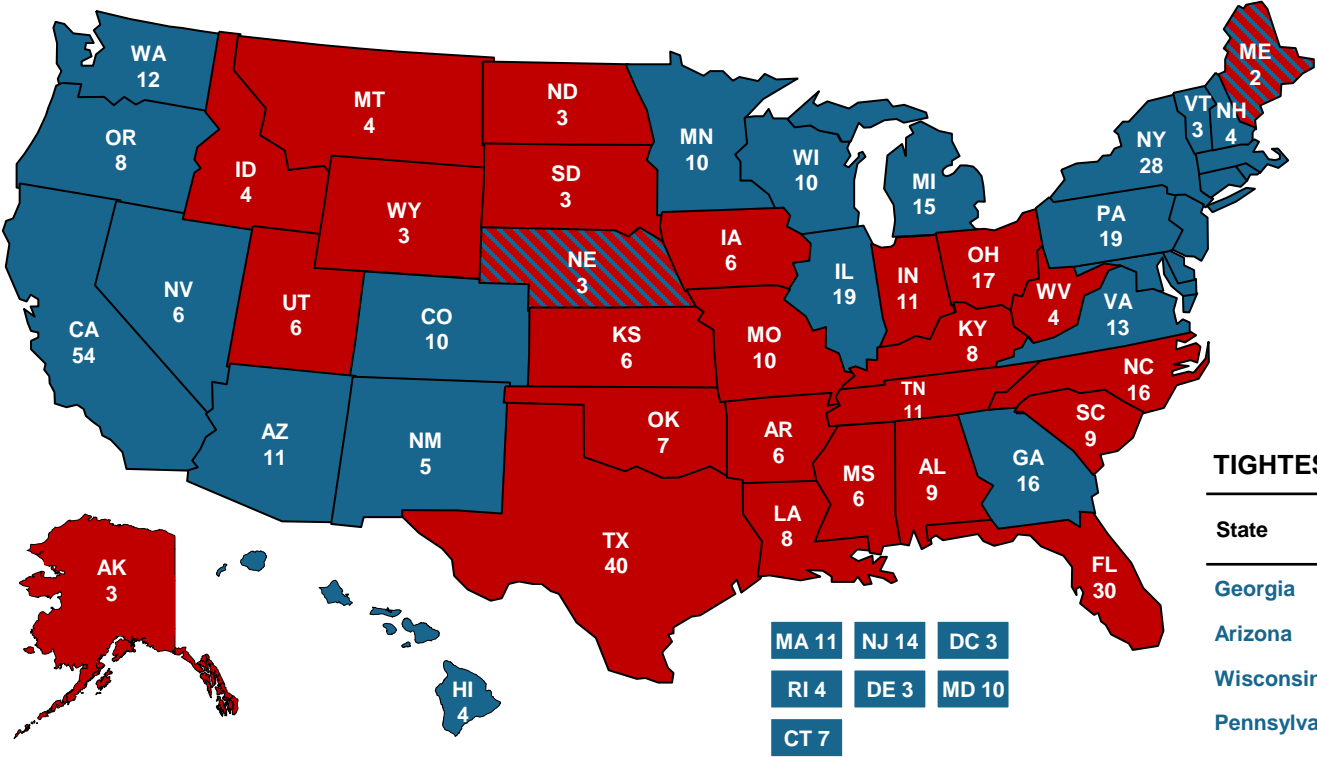


# Only a few states typically determine the presidency.

2020 Electoral College

232 Republicans

306 Democrats



### TIGHTEST RACES OF 2020

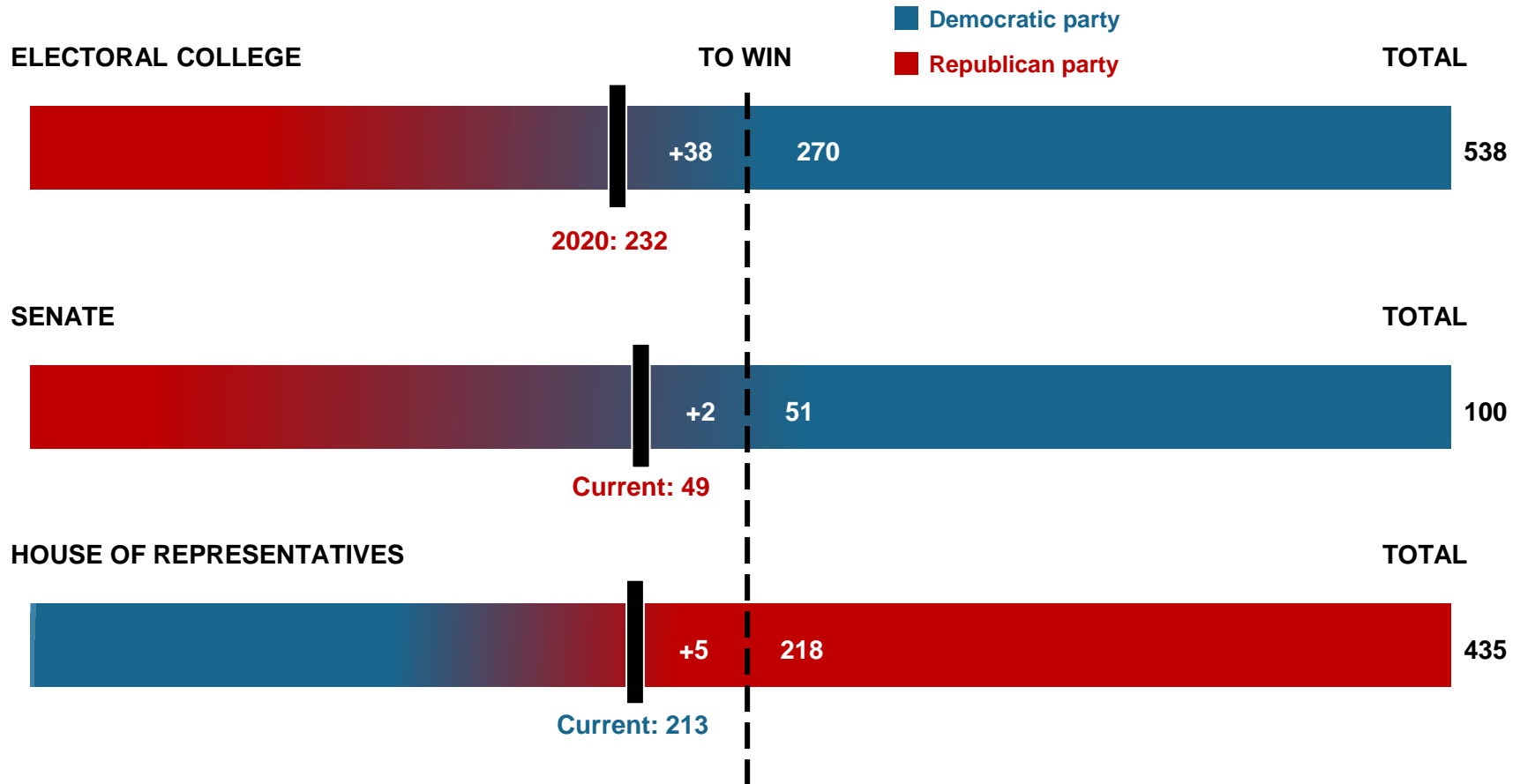
State	Spread (%)	Spread (votes)	Electoral votes
Georgia	0.24%	11,779	16
Arizona	0.30%	10,457	11
Wisconsin	0.63%	20,682	10
Pennsylvania	1.17%	80,555	20
North Carolina	1.34%	74,483	15

Source: 270towin, CNN, Politico, J.P. Morgan Asset Management. Maine and Nebraska allocate electoral votes based on the popular vote attained by each candidate. Colors refer to winner of 2020 election, but numbers represented 2024 electoral college votes available. Data are as of April 30, 2024.



# The battle for both houses of Congress will be tight.

Votes or seats in the Electoral College, Senate, and House of Representatives



Source: 270towin, J.P. Morgan Asset Management. The Senate currently consists of 48 Democrats, 49 Republicans, and 3 Independents that vote with the Democrats. Currently, the House of Representatives consists of 219 Republicans, 213 Democrats, and 3 vacant seats (two formerly held by Republicans, one by a Democrat). Data are as of April 30, 2024.



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# Taxes will be the key fiscal policy issue.

The 2017 Tax Cuts and Jobs Act (TCJA) is set to expire at the end of 2025.

## Permanent provisions

- **Corporate tax rate** reduced to 21% from 35%
- Eliminated corporate alternative minimum tax
  - 2022 “Inflation Reduction Act” (IRA) revised this to a 15% min. tax for companies with \$1bn+ in income
- Expanded depreciation deductions

## Expiring provisions

- Reduced **federal income tax rates**, with top tax rate decreasing to 37% from 39.6%
- Raised **alternative minimum tax exemption** to \$70,300 for single filers and \$109,400 for joint filers
- Increased **child tax credit** to \$2,000 per qualifying child and expanded eligible income level
- Doubled **estate tax exemption** to \$11.2 million from \$5.6 million\*
- Expanded **standard deductions**

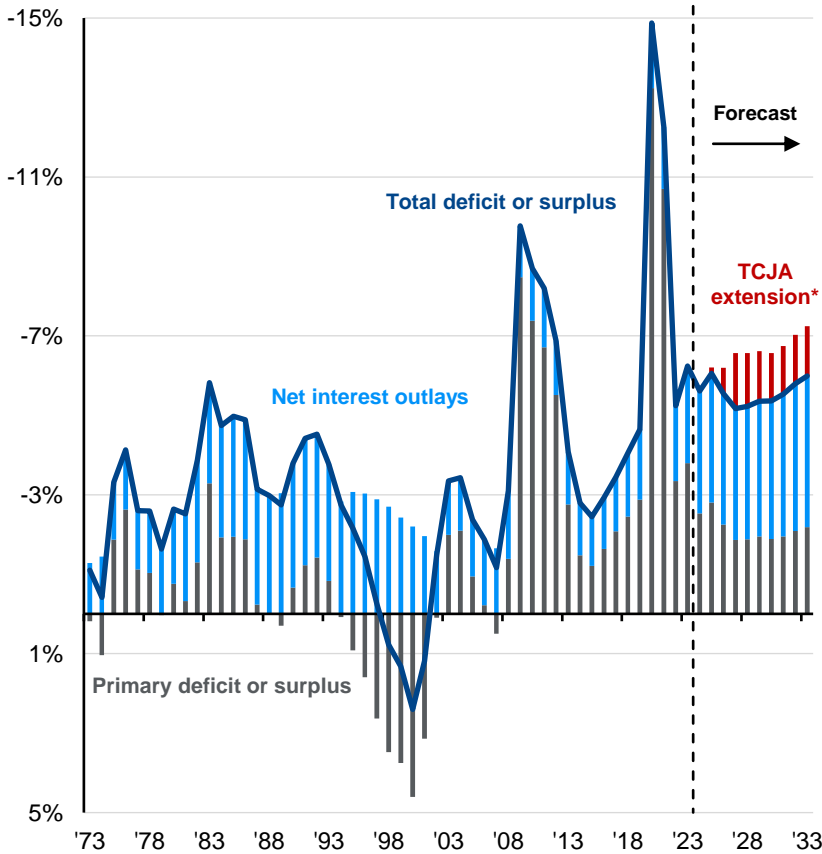
Source: Congressional Budget Office, J.P. Morgan Asset Management.  
\*Estate tax exemption is indexed to inflation and as a result is currently \$13.6 million.  
Data are as of April 30, 2024.



# In either election outcome, deficits will widen.

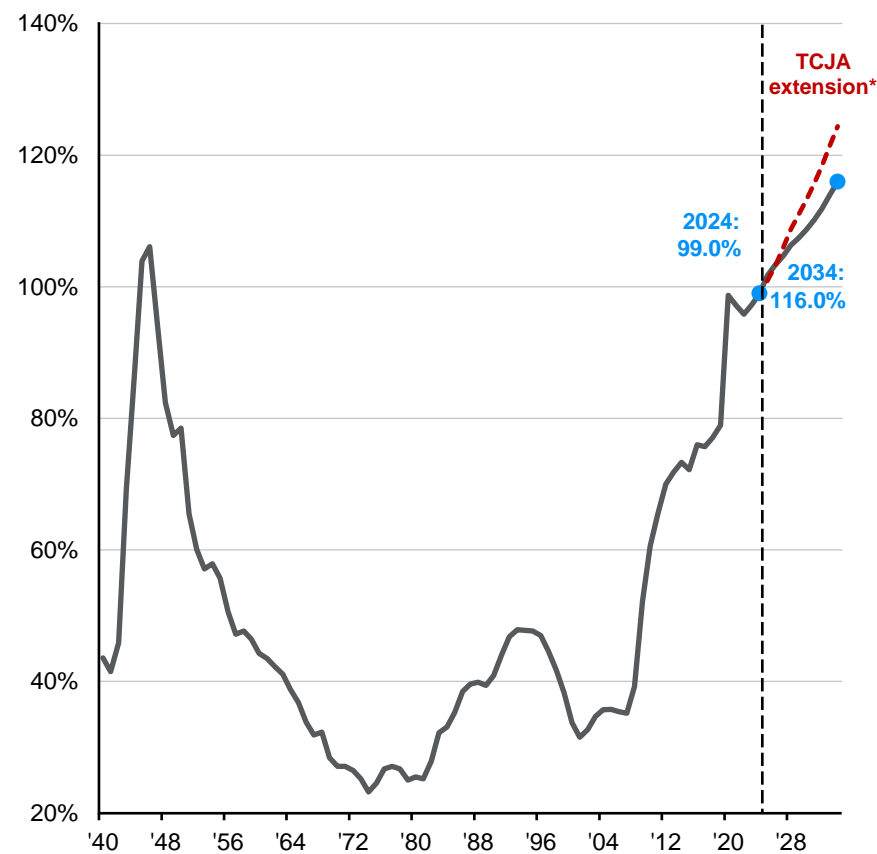
## Federal deficit and net interest outlays

% of GDP, 1973-2033, CBO Baseline Forecast incl. TCJA extension



## Federal net debt (accumulated deficits)

% of GDP, 1973-2033, CBO Baseline Forecast incl. TCJA extension



Source: CBO, J.P. Morgan Asset Management; (Top and bottom right) BEA, Treasury Department. Estimates are based on the Congressional Budget Office (CBO) February 2024 An Update to the Budget Outlook: 2024 to 2034. \*Adjusted by JPMAM to include estimates from the CBO May 2023 report "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues" on the extension of TCJA provisions. Assumes the following provisions from the TCJA are extended: changes to individual income tax provisions, higher estate and gift tax exemptions, changes to the tax treatment of investment costs, and maintaining certain businesses tax provisions going into effect in 2023. *Guide to the Markets – U.S.* Data are as of April 30, 2024.

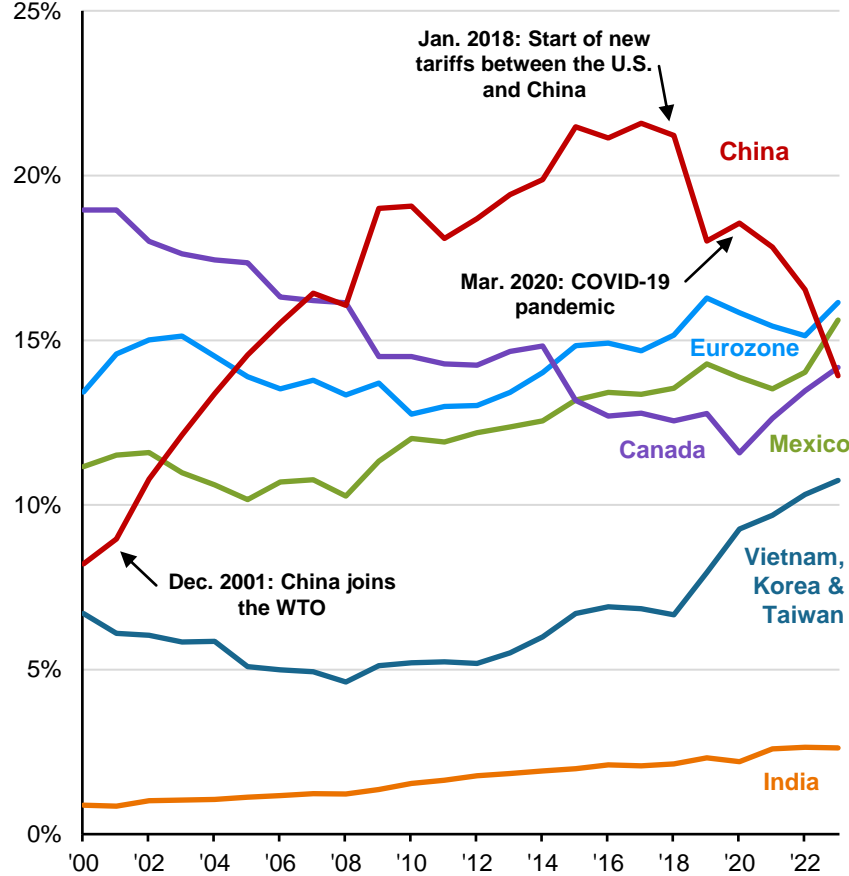




# Supply chain reorganization will continue.

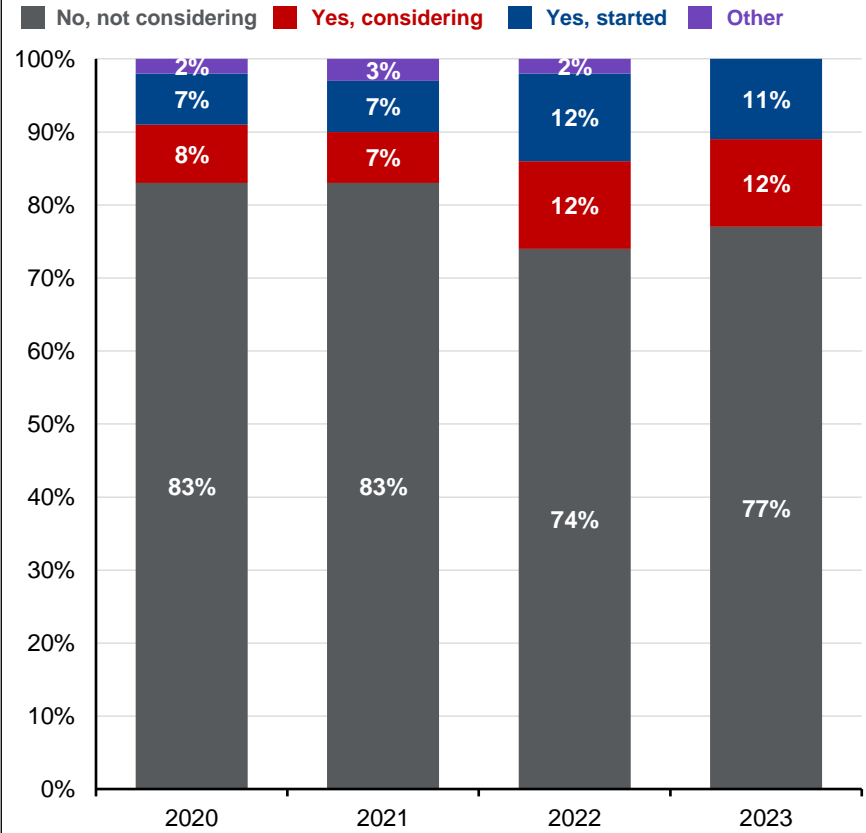
## U.S. goods imports by location

% of total imports, yearly



## Plans to relocate out of China

Is your company considering, or has it already begun relocating manufacturing or sourcing outside of China?\*



Source: J.P. Morgan Asset Management; (Left) FactSet, U.S. Census Bureau. WTO = World Trade Organization. (Right) The American Chamber of Commerce in China 2024 China Business Climate Survey Report. \*Survey conducted yearly between 2020-2023. Extended answers: 1) No, we are not considering relocating manufacturing or sourcing out of China, 2) Yes, we are considering relocating but have not taken active steps to relocate manufacturing or sourcing outside China yet, 3) Yes, we have started the process of relocating manufacturing or sourcing outside of China, 4) Other.

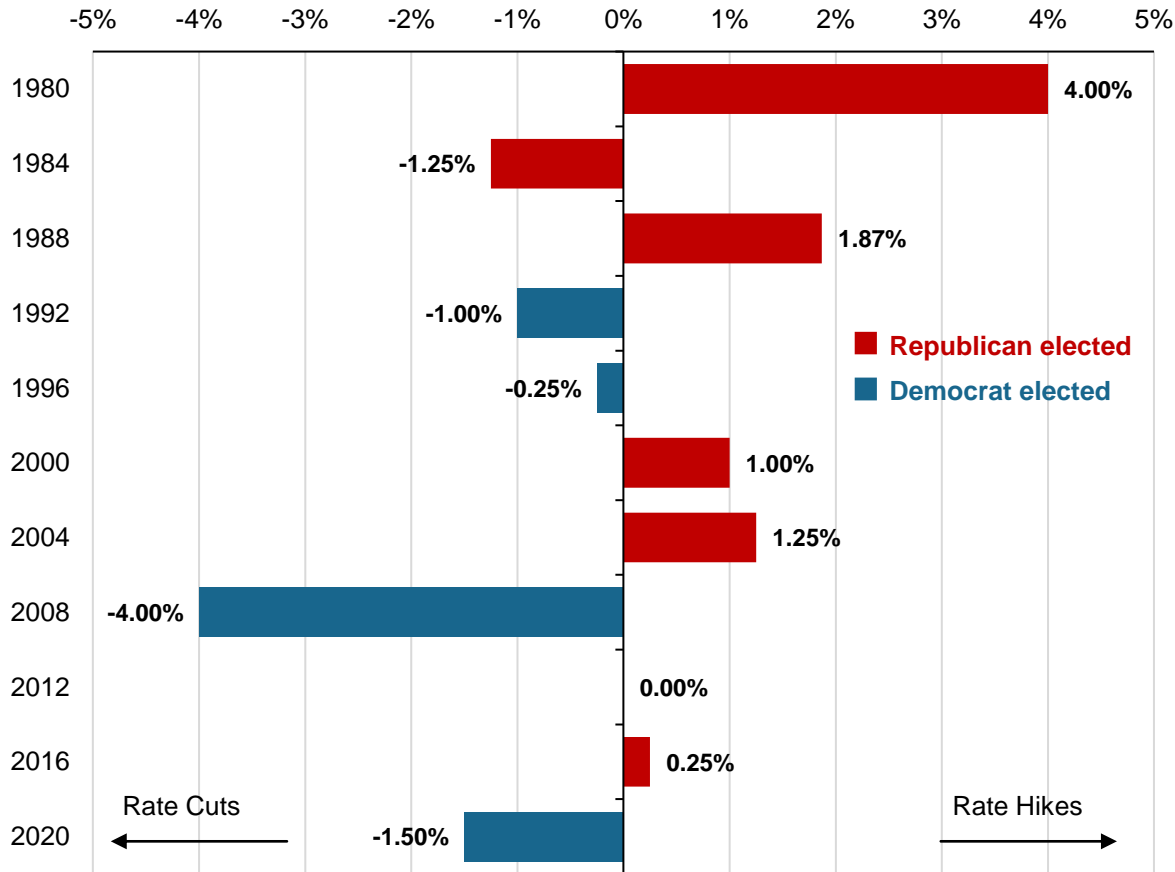
Guide to Investing in Asia. Data are as of April 30, 2024.



# The Federal Reserve continues to pursue its dual mandate during election years.

## Monetary policy changes in an election year

Net change in federal funds rate, %



## Reason for policy action

1980	Volcker tightening
1984	Inflation steadying
1988	Elevated inflation and strong growth
1992	Continued recession cuts
1996	Slower growth, soft landing
2000	Rising inflation
2004	Rising inflation
2008	Global financial crisis
2012	Weak growth
2016	Improved growth, inching above zero-lower bound
2020	Covid-19 Pandemic

Source: Federal Reserve, J.P. Morgan Asset Management. Data are as of April 30, 2024.



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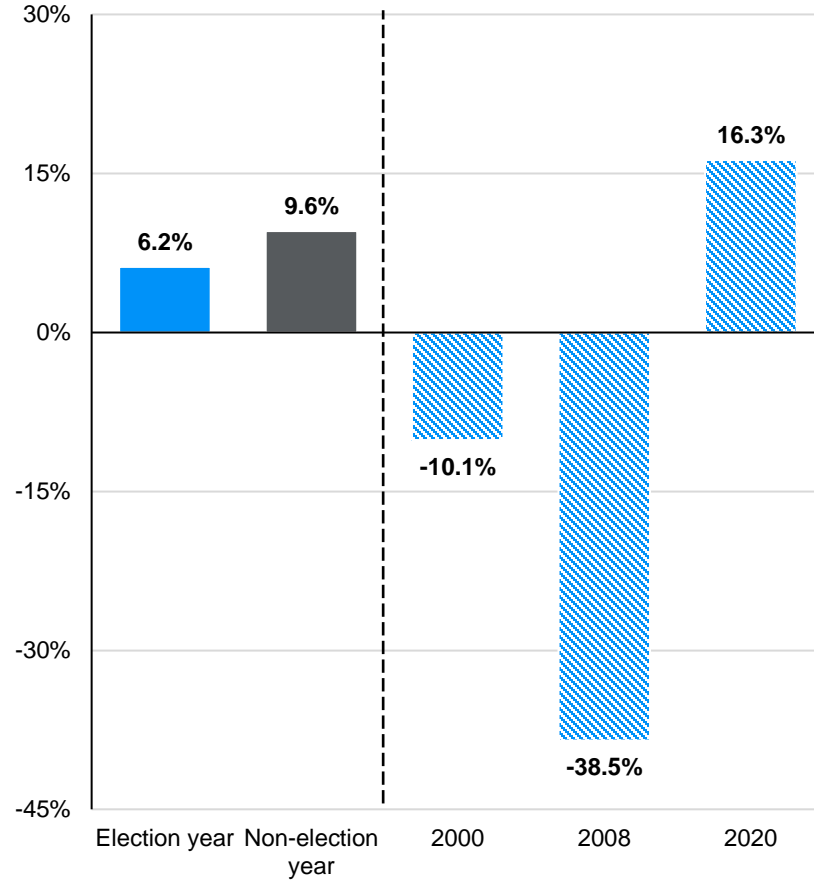
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# Past performance indicates little about future results.

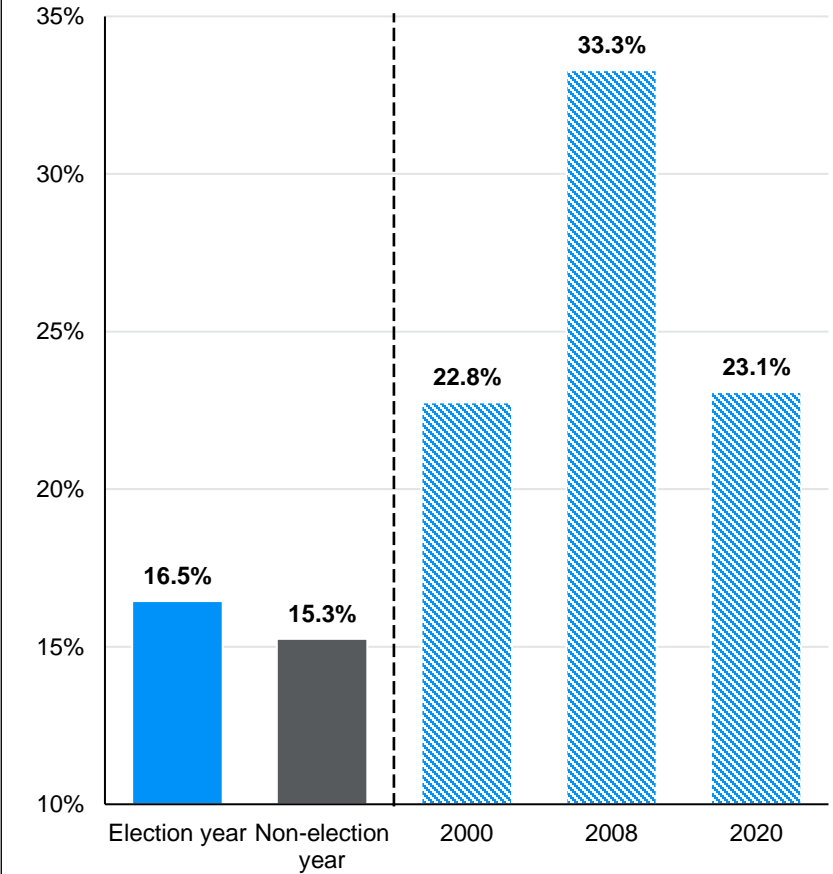
## Returns during election, non-election years

S&P 500 price index, average return, 1932 – 2023



## S&P 500 realized volatility

S&P 500 price index, 52-week standard deviation, 1932 – 2023

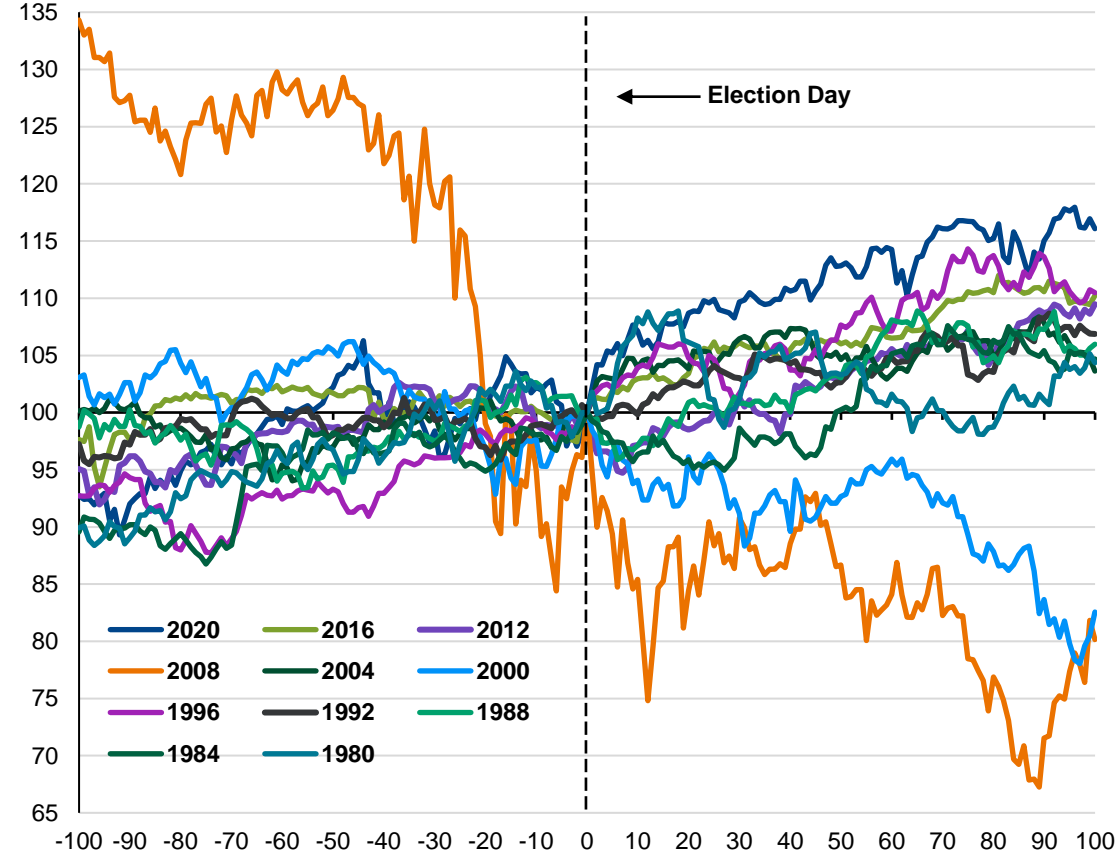


Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management. Election years are presidential election years. Data are as of April 30, 2024.



# Markets don't like uncertainty; elections almost always reduce it.

**S&P 500 Price index 100 days prior to and following a presidential election**  
Election Day = 0, 1980-2020



**Quarterly returns during election years**  
S&P 500 price index

Year	Q1	Q2	Q3	Q4
2020	-20%	20%	8%	12%
2016	1%	2%	3%	3%
2012	12%	-3%	6%	-1%
2008	-10%	-3%	-9%	-23%
2004	1%	1%	-2%	9%
2000	2%	-3%	-1%	-8%
1996	5%	4%	2%	8%
1992	-3%	1%	2%	4%
1988	5%	6%	-1%	2%
1984	-3%	-4%	8%	1%
1980	-5%	12%	10%	8%
1976	14%	1%	1%	2%
1972	5%	0%	3%	7%
1968	-6%	10%	3%	1%
1964	5%	3%	3%	1%
1960	-8%	3%	-6%	9%
1956	7%	-3%	-3%	3%
1952	3%	2%	-2%	8%
1948	-1%	11%	-7%	-2%
1944	3%	8%	-2%	4%
1940	-2%	-18%	7%	-1%
1936	11%	-1%	8%	7%
<b>Average</b>	<b>0.6%</b>	<b>2.3%</b>	<b>1.5%</b>	<b>2.5%</b>
<b>Median</b>	<b>1.6%</b>	<b>1.7%</b>	<b>2.4%</b>	<b>3.1%</b>

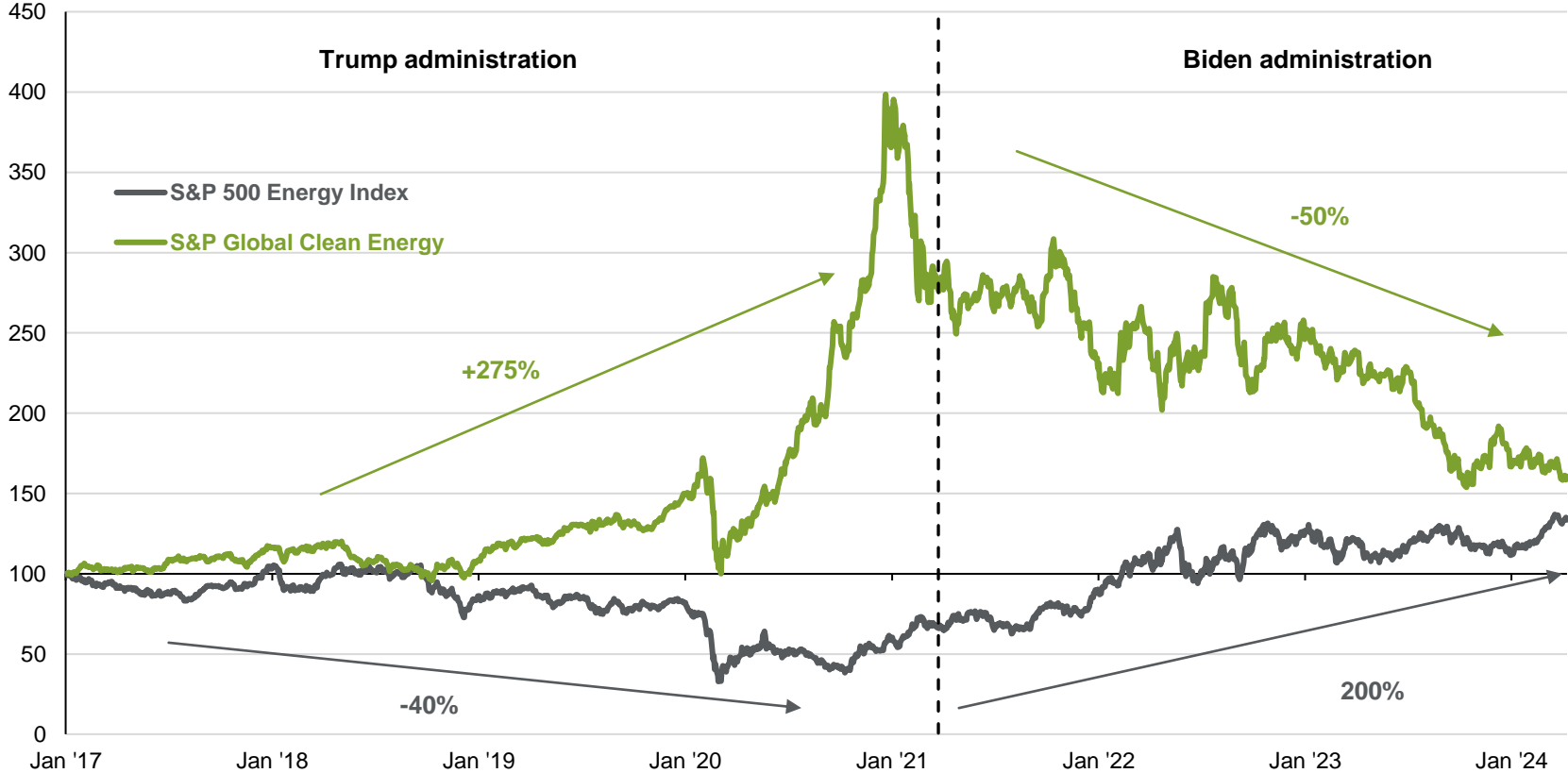
Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management.  
Data are as of April 30, 2024.



# Policy agendas can have little bearing on sector performance.

## Traditional and renewable energy performance

Indexed to 100 on 1/20/2017

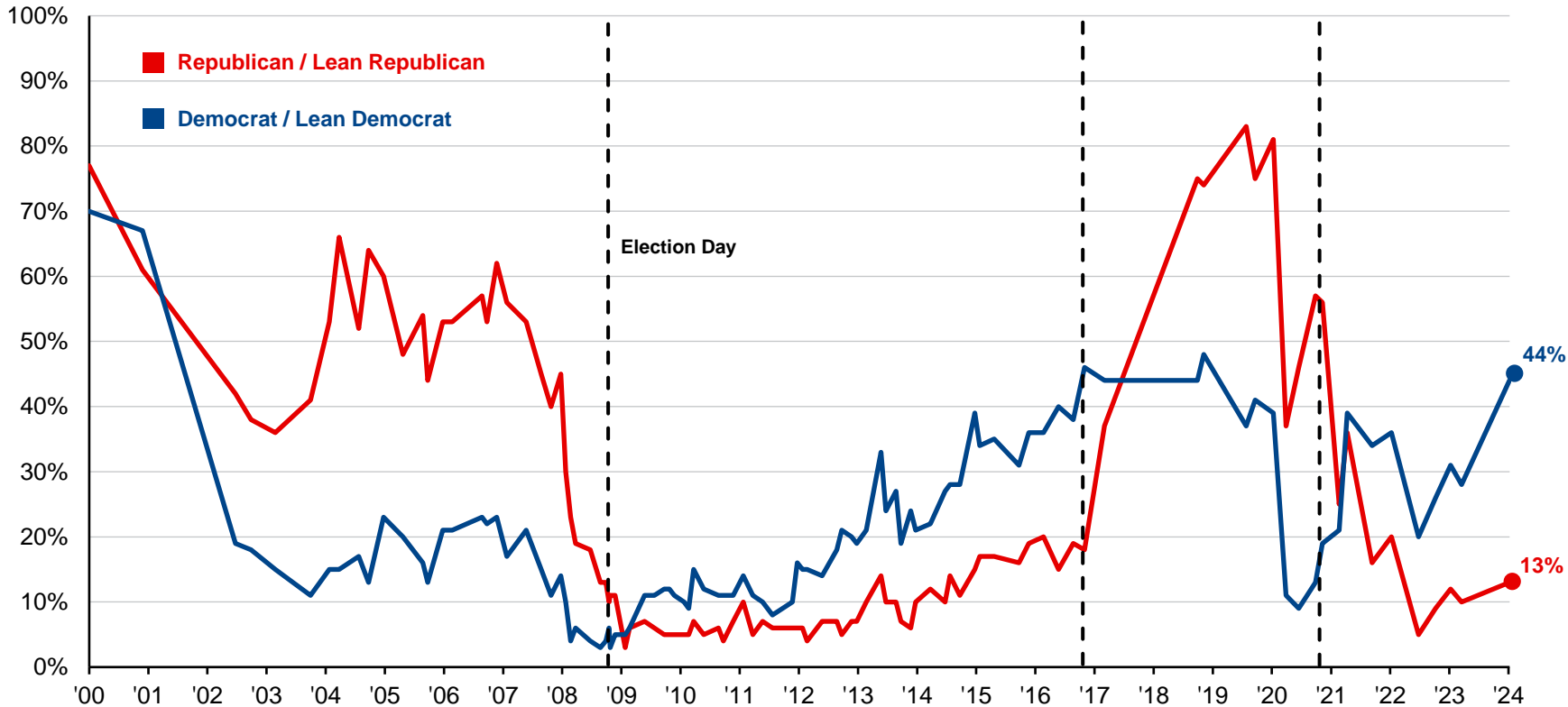


Source: FactSet, J.P. Morgan Asset Management. Data are as of April 30, 2024.



# Don't let how you feel about politics overrule how you think about investing.

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



Administration	Bush	Obama	Trump	Biden
Dates in office	Jan '01 – Jan '09	Jan '09 – Jan '17	Jan '17 – Jan '21	Jan '21 – Today
S&P 500 return	-4.5%	16.3%	16.0%	12.0%
Real GDP growth	1.9%	2.2%	1.8%	2.9%

Source: Pew Research Center, J.P. Morgan Asset Management. The survey was last conducted in January 2024, "Americans More Upbeat on the Economy; Biden's Job Rating Remains Very Low." Pew Research Center asks the question: "Thinking about the nation's economy, How would you rate economic conditions in this country today... as excellent, good, only fair, or poor?". S&P 500 returns are average annualized total returns between presidential inauguration dates. Real GDP growth are average annualized GDP growth rates. Guide to the Markets – U.S. Data are as of April 29, 2024.



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