

Washington Policy Research

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This year features a US presidential election as well as numerous elections abroad (roughly 40% of the world's GDP will elect a head of government). In the US, as in most places, the economy will play a key role in the election, and policymakers are likely to go all in on stimulus ahead of November 5.

Strategas Washington Research

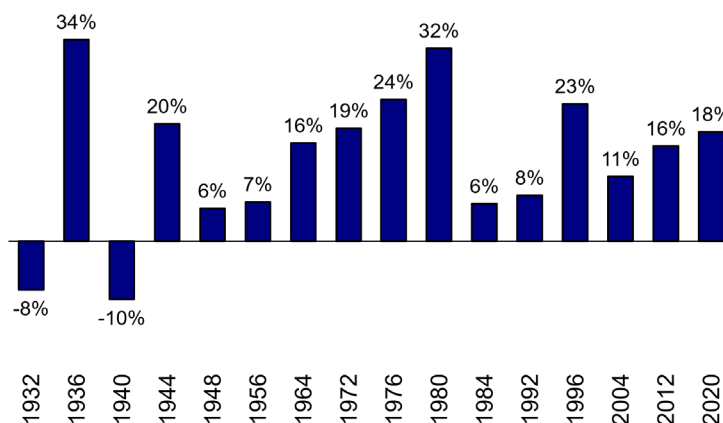
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KEY POLICY THEMES FOR 2024

This year looks to be the largest global election year in history, and the US election is expected to have a global impact. With so many elections happening across the world in 2024, this year is likely to be the largest election year in world history (defined by the number of people who will vote in 2024). Our research calculates that roughly 70% of the world's stock market capitalization will be voting for a head of government in 2024. At the same time, the US election results are likely to have a global impact all on their own, with big implications for specific countries given the wide differences among candidates on foreign policy, tariffs, and economic regulation. Given the large divergence on trade policy in particular, we expect non-US markets highly levered to US trade policy to correlate with the odds of potential US election winners.

The S&P 500 has increased in 13 consecutive presidential re-election years. Despite the noise of elections, stocks have done well in presidential election years – and, more specifically, in years in which an incumbent president ran for re-election. In fact, the S&P 500 has not declined in a presidential re-election year since 1940. We believe this happens because presidents use the tools available to them to boost the economy ahead of their re-elections. Even in recession years, these actions mitigated the severity of the downturn. We expect these tools to be used in 2024, as well – things like additional infrastructure spending, cutting student loan payments, boosting US oil production, and financing the deficit on the short end of the Treasury curve. In addition, Congress is likely to consider tax measures this year and the Federal Reserve is likely to cut interest rates.

S&P 500 total return in election years in which an incumbent president is on the ballot



Stimulus moves from consumer aid toward investment programs. The considerable consumer aid enacted during the Covid-19 pandemic is ending, removing support for the US consumer heading into an election period. Most notably, spending on food stamps (SNAP) is rolling off at a rapid pace as the program is normalized back to its pre-pandemic form. Medicaid spending is also rolling off, student loan payments have resumed, and tax refunds are coming down. However, as spending on these programs continues to wind down, new investment spending is coming online to build up US infrastructure. This includes funding for the already enacted bipartisan infrastructure law, the Inflation Reduction Act (renewable energy tax credits), and the CHIPS & Science Act (semiconductor manufacturing). These legislative measures passed in 2021 and 2022, but the money does not really start to flow until this year given the long lag times for funding to get out the door. We expect approximately \$80 billion in these funds to be spent in 2024.

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