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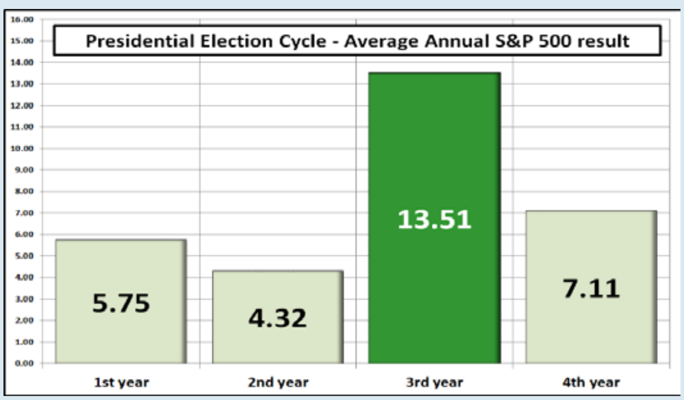
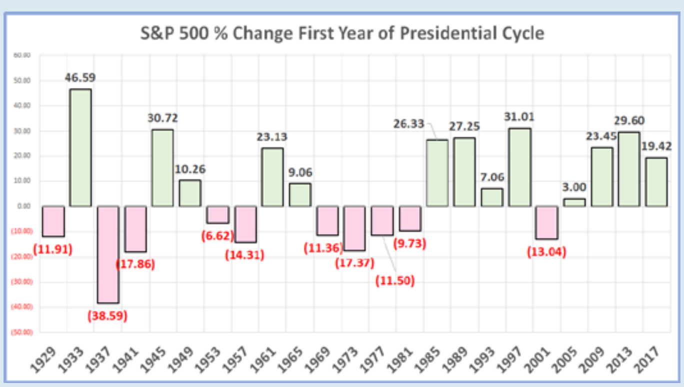
JUST WHEN YOU HEARD ENOUGH ABOUT ELECTIONS

With the inauguration of the 46th President of the United States only a week away, investors should consider the market pattern through the presidential election cycle.



(Source: Janney Investment Strategy Group)



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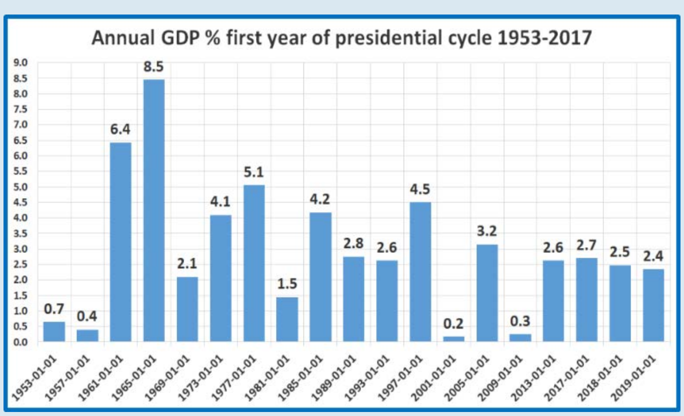


(Source: Janney Investment Strategy Group)

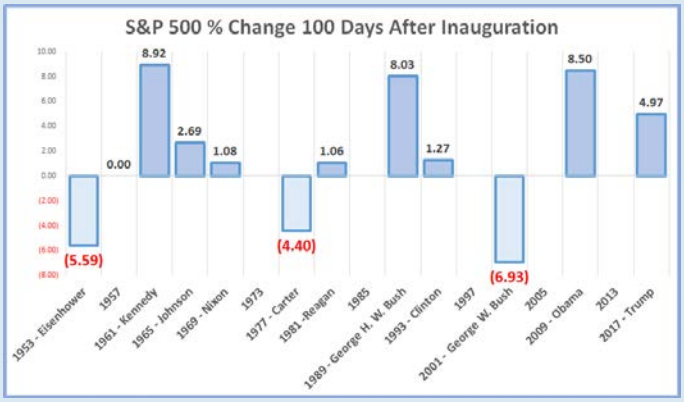
The first year of a presidential term on average is not the best of the four-year cycle for the stock market. The S&P 500 ended lower in the first year after 10 of the 23 elections since 1928. However, the S&P 500 posted an average 22.07% advance in the first year of 13 presidential terms when the market had a gain.

Between 1950 and 2019, the stock market had annual gains 73% of the time. In year three of the presidential election cycle, the S&P 500 had an annual increase 88% of the time. In contrast, the market gained only 56% and 64% of the time, respectively, during years one and two of presidential terms.

Some of the market's results in the first years of presidential terms are appropriate. For example, the year after the 1928 election the market ended lower. The market drop on "Black Monday" October 28 was the year's defining event.

On the other hand, in 1933 when nearly half of America's banks had failed, and the unemployment rate approached 30%, the S&P 500 posted a record-best gain for a post-election year. The 1933 market rise was large enough that taking it out of the calculation of the average market result for first years of a term would make the first year the worst of the four years of the cycle.

Due to the wide variability of results and only 23 data points, it is a mistake to focus on market results for the first and second years of a presidential term. The predictive value of the third year, however, is better due to far greater consistency.



(Source: Janney Investment Strategy Group)

As far back as 1933 when Franklin D. Roosevelt began his first term in the White House, the initial 100 days of a new administration often offers a view of a newly elected president's primary objectives. This most often is represented by legislative proposals made by the new administration, which eventually can affect the stock market.

The chart on the left shows the S&P 500 price change in the 100 days after inauguration of a president's first term only, which is the time when a president is most likely to get the benefits of a compliant Congress.

These first 100 days of a new president's term often have been filled with key events. For example, facing the Great Depression, Roosevelt's "New Deal", which included 15 major pieces of legislation, was passed in the first 100 days. The infamous Bay of Pigs invasion came 87 days into President John F. Kennedy's first and only term. President Gerald Ford's first 100 days in office included a full pardon for Richard Nixon following his involvement in the Watergate scandal.

	Avg. change	Years	% Frequency of advance
Unified Government	10.60%	30	77
Democratic President	9.80%	22	77
Republican President	12.90%	8	75
Unified Congress	7.40%	32	66
Dem Pres/Rep Congress	13.00%	10	60
Rep. Pres./Dem. Congress	4.90%	22	68
Split Congress	8.60%	13	69
Democratic President	13.60%	4	75
Republican President	6.30%	9	67
All Years	8.90%	75	71

(Source: Janney Investment Strategy Group)

The table on the left illustrates market results under varying governmental configurations. This and numerous seasonal coincidences often are portrayed as having predictive value. Within the averages, however, there are wide variances that render most seasonal patterns as curiosity items unworthy of offering consistently useful guidance.

In every historic market analysis, the state of the economy is the deciding factor as to how the equity market fares. This largely is why our view of the market in 2021 remains solidly positive, as the economy looks like it potentially is on a long runway through this year and probably into 2022, which could make 2021 the 14th first year of a presidential term when the S&P 500 ends with a gain.