

# IT'S TRUMP!!!

## CONGRATS AMERICA!



**NOVEMBER 8, 2016**

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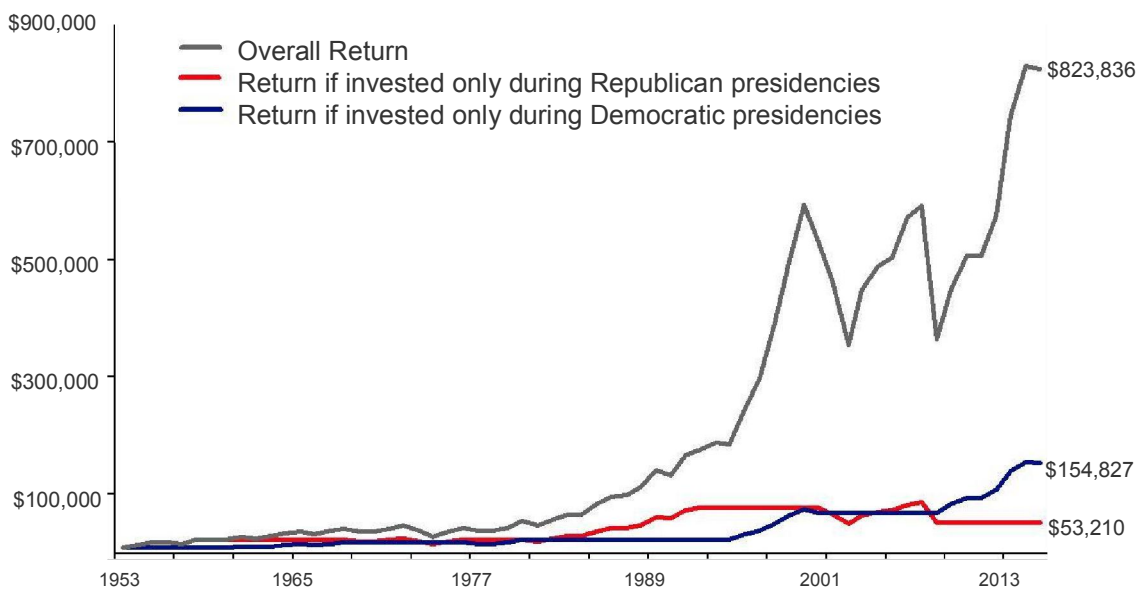
...BUT DOES IT MATTER...?

### HOW MUCH DOES POLITICS AFFECT YOUR MONEY?

Over the past year, the United States has remained deeply divided over who should be President – a Republican or a Democrat. Now that it has been decided, what can we expect? Is it time to invest or pull-back? Take a minute to digest the chart below....

#### S&P 500 Index: Growth of \$10,000

Data from 1953 to 2015



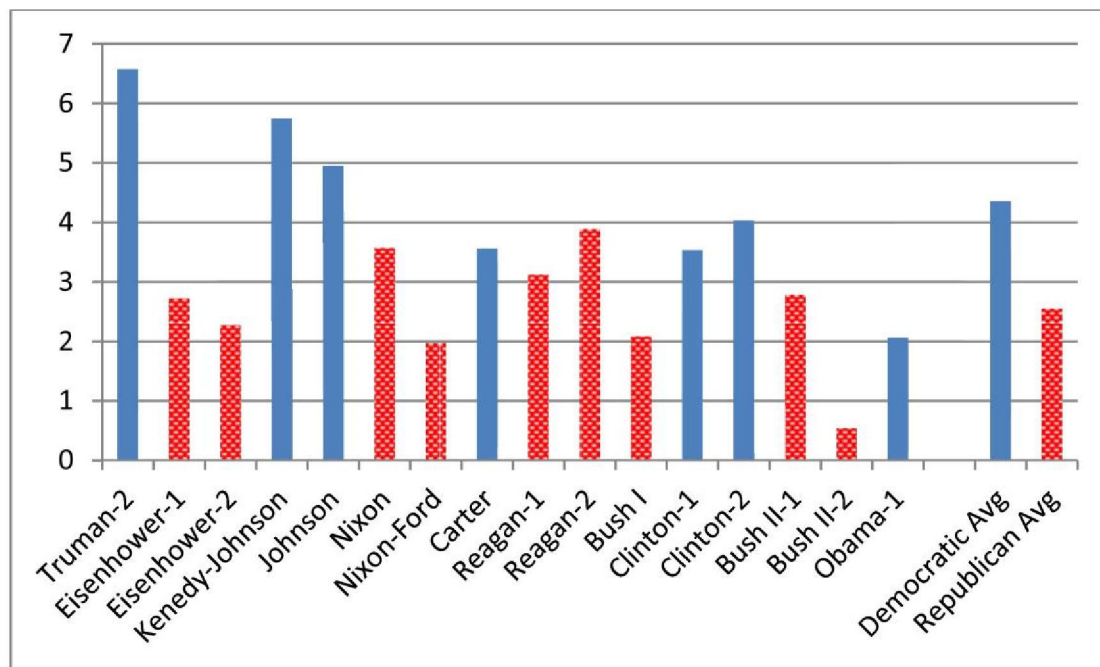
Source for data: FactSet

Source of chart: Nationwide Mutual Insurance Company capital markets insight presentation 2016

There's a simple lesson here – Don't invest the way you vote. Now that the bitter Presidential politics are over (thank God!), let's start focusing on making money. To do this, the chart above suggests that we should throw partisan politics out the door and stay invested in the markets diligently managing our assets...regardless of who is President. If we consider Republican and Democratic presidencies as "investments", both would be historical under-performers.

It has already been widely publicized and discussed in the media that Democrats perform better than Republicans on the economy. The data clearly suggests this trend. The strongest validation comes from Professor Alan S. Binder and Professor Mark W. Watson of Princeton University who performed a study which showed historically, US GDP growth was 1.8% point higher under Democratic leadership than Republican. (*Presidents and the US Economy: An Econometric Exploration, July 2014*)

**A. Average annualized GDP growth, by term**



What's the reason for this? Professor Binder and Watson state in their conclusion:

*"Democrats would no doubt like to attribute the large D-R growth gap to macro-economic policy choices, but the data do not support such a claim....It seems we must look instead to several variables that are mostly "good luck", with perhaps a touch of "good policy."*

Binder and Watson referred to "good luck" as exogenous events such as oil shocks, productivity shocks, wars, international conditions, etc. So basically, the difference in GDP performance between Democrats and Republicans did not have anything to do with Democratic or Republican leadership ... but simply LUCK ...lucky that oil was cheap, or wars were contained, or the digital economy boom occurred!

I had a hard time at first accepting that LUCK was the differentiating factor leading to higher growth for the Democrats. But hey folks, this is coming from the top minds at Princeton, and Binder, by the way, was a former Vice Chairman of the Federal Reserve. If I knew that luck was the main factor, I could have saved myself from all those economic policy arguments I had over this election!!!

I know that electing a President is more than just about economics. It is also about values and culture. But I do not give advice on values and culture; I give advice on wealth. The key point from both charts, in my opinion, is that if you stay in the market and stay engaged in your investment decisions, you're much better off financially than worrying about who's going to be President. In a unique and historical election marked by deep divisiveness, the real question is not "Who's better for my money?" but more importantly, "Does it matter at all?"

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