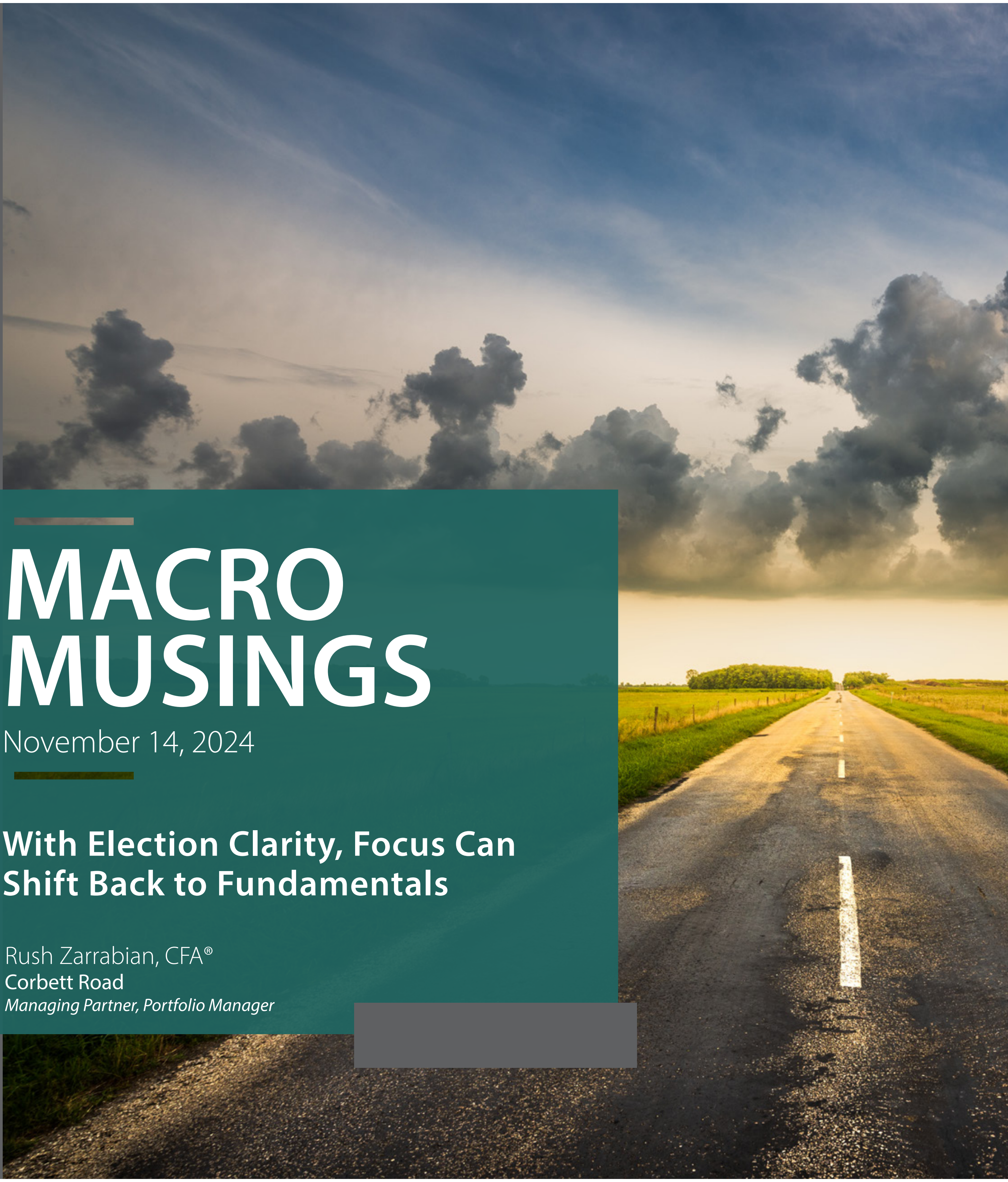
CORBETT ROAD
WEALTH MANAGEMENT



MACRO MUSINGS

November 14, 2024

With Election Clarity, Focus Can Shift Back to Fundamentals

Rush Zarrabian, CFA®
Corbett Road
Managing Partner, Portfolio Manager

CORBETT ROAD
WEALTH MANAGEMENT

SUMMARY

- **macro**cast™ continues to suggest little risk of a recessionary bear market. Our current **micro**cast™ signal remains at an aggressive allocation. Both models reflect a constructive outlook for risk assets.
- The Fed cut rates again as it seeks to deliver a "soft landing", balancing inflation and economic growth. Historically, easing monetary policy amid market highs has been a bullish signal, with stocks averaging 15% gains in past instances. Looking ahead, the Fed projects a median Fed funds rate of 3.4% by the end of 2025, suggesting a gradual pace of rate reductions over the next year.
- While new presidents often spark assumptions about sector "winners" and "losers," historical outcomes tell a different story. Under Trump, energy stocks surprisingly underperformed despite expected policy support; however, they thrived under Biden despite anticipated regulatory pressure. This highlights how sector performance often defies political predictions, driven instead by global trends and market dynamics.
- Republicans are set to take control of Congress and the presidency with anticipated business-friendly policies. Historically, markets perform well regardless of political leadership; the S&P 500 has posted gains in 17 of the last 20 presidential terms. This suggests that stock performance is driven more by economic fundamentals than by shifts in political power.

FED CONTINUES **EASING WITH SECOND RATE CUT**

Last week, the Federal Reserve lowered interest rates by 0.25%, bringing the target range to between 4.50% and 4.75%. This is the second rate cut in a row, following a 0.50% cut in September. The Fed continues to ease monetary policy in an effort to achieve a "soft landing"—keeping inflation in check while maintaining healthy levels of employment and growth.

Notably, this is the second consecutive rate reduction while equities hover near record highs—a dynamic that has historically led to further gains. According to an analysis by Bespoke Investment Group, whenever the Fed has eased policy while the market traded within 1% of a one-year high, stocks saw an average gain of 15% over the following year, with gains occurring 100% of the time.

Looking into 2025, the Fed anticipates a cautious yet steady path of rate reductions, forecasting a target rate of approximately 3.4% by the year's end. This outlook reflects confidence in the ongoing moderation of inflation and signals a gradual approach to stimulating growth without risking overheating.

We will share more on our economic outlook and expectations for 2025 in next month's Macro Musings.

CHALLENGING **THE POST ELECTION SECTOR MYTHS**

When a new president takes office, it's common to assume that certain sectors will benefit or suffer based on expected policy shifts. However, history shows these assumptions are often wrong. Relying exclusively on anticipated "winners" can mislead investors, as presidential agendas tend to evolve in response to legislative gridlock, changing priorities, and unexpected global events.

When Trump first took office, conventional wisdom suggested that energy and cyclical sectors would benefit from pro-business policies, and initial market reactions mirrored these expectations. Similarly, when Biden assumed office, many anticipated increased regulation of fossil fuels, expecting this would weigh on the energy sector.

Please see important disclosures at the end of this article

The table below highlights the performance of the different sectors and major asset classes during each administration, providing a clear view of the actual outcomes that sharply contrasts with initial expectations (from Carson Group):

Market Returns Under Trump and Biden Have Not Matched Partisan Expectations

	Post-Election Trump Presidency		Post-Election Biden Presidency	
	Selected Index Returns 11/8/2016 to 11/3/2020		Selected Index Returns 11/3/2020 to 11/5/2024	
Rank	Index	Return	Index	Return
1	S&P Technology Select Sector	26.4%	S&P Energy Select Sector	37.7%
2	Russell Top 200 Growth	23.0%	S&P Technology Select Sector	20.1%
3	NASDAQ Composite Index	22.4%	S&P Financial Select Sector	19.3%
4	S&P Consumer Discretionary Select Sector	18.7%	Russell Top 200 Growth	18.0%
5	Russell Midcap Growth	18.6%	Russell Top 200	16.7%
6	Russell Top 200	15.7%	MSCI USA ESG Leaders	16.6%
7	S&P Communication Services Select Sector Index	14.9%	S&P 500	16.2%
8	Russell 2000 Growth	14.5%	S&P Industrial Select Sector	16.0%
9	MSCI USA ESG Leaders	14.4%	Russell Top 200 Value	14.5%
10	S&P 500	14.3%	NASDAQ Composite Index	14.2%
11	S&P Health Care Select Sector	13.5%	Russell 2000 Value	14.0%
12	DJ Industrial Average	13.3%	Russell Midcap Value	13.8%
13	S&P Materials Select Sector	11.2%	DJ Industrial Average	13.6%
14	Russell Midcap	11.2%	S&P Communication Services Select Sector Index	12.7%
15	S&P Utilities Select Sector	10.9%	Russell Midcap	12.1%
16	S&P Industrial Select Sector	10.7%	Bloomberg Commodity Index	11.4%
17	Bloomberg Gold	9.3%	S&P Materials Select Sector	11.2%
18	Russell 2000	9.3%	S&P Health Care Select Sector	10.7%
19	MSCI EM (Emerging Markets)	8.5%	Russell 2000	10.2%
20	S&P Consumer Staples Select Sector	8.2%	MSCI EAFE	9.5%
21	S&P Financial Select Sector	7.9%	S&P Consumer Discretionary Select Sector	9.3%
22	Real Estate Select Sector Index	7.6%	Real Estate Select Sector Index	9.2%
23	Bloomberg U.S. Government: Long	7.4%	Russell Midcap Growth	8.9%
24	Russell Top 200 Value	6.9%	S&P Consumer Staples Select Sector	8.8%
25	MSCI EAFE	6.1%	Bloomberg Gold	8.8%
26	Russell Midcap Value	5.8%	S&P Utilities Select Sector	8.3%
27	Bloomberg US Corporate Investment Grade	5.6%	Russell 2000 Growth	6.3%
28	Bloomberg US Aggregate	4.1%	MSCI EM (Emerging Markets)	3.3%
29	Russell 2000 Value	3.7%	Bloomberg U.S. Government: Intermediate	-0.7%
30	Bloomberg U.S. Government: Intermediate	2.9%	Bloomberg US Corporate Investment Grade	-1.0%
31	Bloomberg Commodity Index	-2.3%	Bloomberg US Aggregate	-1.7%
32	S&P Energy Select Sector	-15.4%	Bloomberg U.S. Government: Long	-9.1%

Source: Carson Investment Research, FactSet 10/10/2024

Returns are annualized.

@bgilbert3142

CARSON

Interestingly, energy was the worst-performing sector during Trump's first term, despite the widely-held view that the administration's policy support for fossil fuels would benefit the sector. Conversely, it became the top performer under Biden despite forecasts for increased regulatory pressure. Similarly, the S&P Global Clean Energy Index, a thematic index tracking the performance of renewable, clean energy stocks, rose 161% during Trump's tenure and declined 29% during Biden's term. This performance reversal highlights the unpredictable influence of external factors, like global energy demand and supply chain shifts, over purely policy-driven outcomes.

Value stocks, which include many cyclical and industrial businesses, similarly underperformed growth stocks from 2016 to 2020, despite assumptions that pro-cyclical policies would favor them. Financial stocks—another sector with significant regulation—

Please see important disclosures at the end of this article

also saw stronger performance during Biden's term, defying expectations that regulatory policies would dampen their returns.

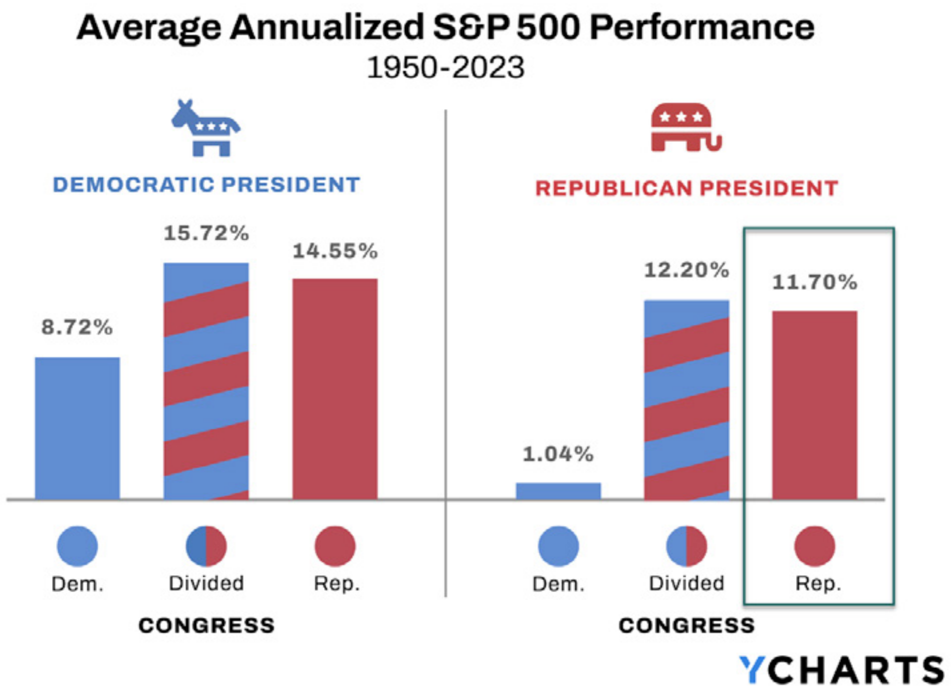
These trends reveal that while policy direction has some impact, sector performance is shaped by a broader set of influences—often independent of anticipated political agendas.

THE EXPECTED MAKEUP OF GOVERNMENT HAS **HISTORICALLY BEEN POSITIVE FOR RISK ASSETS**

Come January, Republicans are expected to control both the House and the Senate, as well as the presidency.

The most significant point to consider is that, regardless of political alignment, the market generally trends upward over time. The S&P 500, for instance, has finished higher in 17 of the past 20 presidential terms.

That said, history shows that full Republican control has correlated with solid market gains (from YCharts):



There is some evidence that suggests markets tend to perform best under a split government, mainly by reining in policy shifts and producing a predictably slower legislative pace. Investors generally like gridlock because it reduces the risk of sweeping, disruptive policy changes, providing a stable environment for long-term planning.

Please see important disclosures at the end of this article

There are, however, notable exceptions. The Global Financial Crisis (GFC) occurred under a split government, with a Republican president and a Democrat-controlled Congress. This crisis, rooted in financial system vulnerabilities rather than political division, triggered a major market crash that skews the average returns for periods with this specific political alignment.

In the end, the forces driving market performance lie beyond simple party control and are a result of broader economic fundamentals—monetary policy, earnings growth, and investor confidence—making party lines a secondary, often overemphasized factor.

To summarize, both **macro**cast™ and **micro**cast™ point to a constructive outlook for risk assets, with little indication of recessionary risk on the horizon. The Fed's recent rate cuts align with a soft-landing approach, and historical data suggests a bullish environment when easing coincides with market highs. Finally, while new political leadership often brings speculation on sector impacts, history shows that economic fundamentals and global dynamics hold greater influence over market performance than political shifts alone.

Thank you for reading and for your continued support and trust in Corbett Road. Be sure to check out next month's Macro Musings, where we'll share our 2025 outlook.

Upcoming Webinar

Please see important disclosures at the end of this article

IMPORTANT DISCLOSURES

The chart(s)/graph(s) shown is(are) for informational purposes only and should not be considered as an offer to buy, solicitation to sell, or recommendation to engage in any transaction or strategy. Past performance may not be indicative of future results. While the sources of information, including any forward-looking statements and estimates, included in this (these) chart(s)/graph(s) was deemed reliable, Corbett Road Wealth Management (CRWM), Spire Wealth Management LLC, Spire Securities LLC and its affiliates do not guarantee its accuracy.

The views and opinions expressed in this article are those of the authors as of the date of this publication, are subject to change without notice, and do not necessarily reflect the opinions of Spire Wealth Management LLC, Spire Securities LLC or its affiliates.

All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. ***macro****cast™ and* ***micro****cast™ are proprietary indexes used by Corbett Road Wealth Management to help assist in the investment decision-making process. Neither the information provided by* ***macro****cast™ or* ***micro****cast™ nor any opinion expressed herein considers any investor's individual circumstances nor should it be treated as personalized advice. Individual investors should consult with a financial professional before engaging in any transaction or strategy. The phrase "the market" refers to the S&P 500 Total Return Index unless otherwise stated. The phrase "risk assets" refers to equities, REITs, high yield bonds, and other high volatility securities.*

Use of Indicators

Corbett Road's quantitative models utilize a variety of factors to analyze trends in economic conditions and the stock market to determine asset and sector allocations that help us gauge market movements in the short- and intermediate term. There is no guarantee that these models or any of the factors used by these models will result in favorable performance returns.

Individual stocks are shown to illustrate market trends and are not included as securities owned by CRWM. Any names held by CRWM is coincidental. To be considered for investment by CRWM, a security must pass the Firm's fundamental review process, meet certain internal guidelines, and fit within the parameters of the Firm's quantitative models.

Spire Wealth Management, LLC is a Federally Registered Investment Advisory Firm. Securities offered through an affiliated company, Spire Securities, LLC, a Registered Broker/Dealer and member FINRA/SIPC. Registration does not imply any level of skill or training.

CORBETT ROAD
WEALTH MANAGEMENT

Washington, D.C.
7901 Jones Branch Dr
Suite 800
McLean, VA 22102
Local: 703.748.5836

Boston, MA
101 Arch St
8th Floor
Boston, MA 02110
Local: 617.600.7930

Los Angeles, CA
1901 Avenue of the Stars
Suite 200
Century City, CA 90067
Local: 310.591.5674

Fort Lauderdale, FL
2598 E. Sunrise Blvd
Suite 2104
Ft. Lauderdale, FL 33304
Local: 954.507.6028

Knoxville, TN
800 S. Gay St
Suite 700
Knoxville, TN 37929
Local: 865.444.4520

Phoenix, AZ
2375 E. Camelback Rd
Suite 600
Phoenix, AZ 85016
Local: 602.807.1145

St. Louis, MO
7777 Bonhomme Ave
Suite 1800
Clayton, MO 63105
Local: 314.463.0132

Toll Free: 844.688.4955
info@corbettroad.com
www.corbettroad.com
linkedin.com/company/corbettroad