Early Post-Election Takeaways: Comparing 2024 to 2016

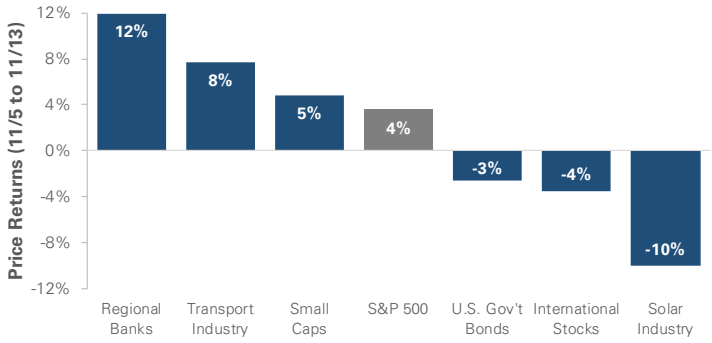
The election is over, and global markets are analyzing the outcome and starting to adjust portfolios. Republicans are set to control the White House, Senate, and House, but the results are also notable for a historical reason: the president-elect, Donald Trump, is returning to office after a previous election loss—a rare political comeback not seen since Grover Cleveland in 1892. As a result, investors are looking to Trump's first term as a roadmap for how this administration's policies may impact markets.

The early returns in Figure 1 show that investors expect a repeat of Trump's first term. Bank stocks are rising due to expected deregulation, and small-cap stocks are trading higher in anticipation of tax cuts, deregulation, and protectionist trade policies that may favor domestically focused companies. In contrast, international stocks have declined due to concerns about the impact of tariffs on global trade. Renewable energy stocks have declined as well, with investors expecting Trump to roll back clean energy policies and subsidies. In the bond market, Treasury yields have risen due to concerns that tax cuts will keep the federal deficit high. These early trends reflect a mix of the prior administration's policies and recent campaign messaging.

The market's initial reaction, modeled after the first Trump administration, is understandable. However, Figure 2 shows the economic and financial landscape has changed since then. In 2016, the U.S. economy was emerging from the 2015 industrial slowdown with sluggish manufacturing and weak growth. Today, the economy is quite different: growth is stronger, unemployment is lower, consumer spending is robust, and the federal deficit is bigger. Additionally, the Federal Reserve is cutting interest rates rather than raising them, and the pandemic has reshaped the global economy. In the equity market, the S&P 500 returned +36% in the 12 months before this election, compared to only +2% before 2016. Stock market valuations are more expensive, interest rates are higher, and credit spreads are tighter.

The market appears to be in "copy-paste" mode, using Trump's first term to guide investment decisions. However, investing is rarely that straightforward. The second Trump administration will impact markets, but fundamentals and economic data will continue to be the primary drivers. The key point: Trump 2.0 doesn't necessarily imply Markets 2.0. The president is the same, but the economy and markets are different.

FIGURE 1 – Post Election Market Performance



Source: Past performance does not guarantee future results. SPDR Regional Banks (KRE), SPDR S&P Transportation (XTN), iShares Russell 2000 (IWM), SPDR S&P 500 (SPY), Vanguard Treasury (VGLT), iShares ACWI ex U.S. (ACWX), Global X Solar (RAYS).

FIGURE 2 – Market & Economic Landscape: 2016 vs 2024

Metric	2016	2024	Commentary
S&P 500 NTM P/E	16.5x	21.4x	More expensive valuations
S&P 500 LTM Return	+2%	+36%	Higher last 12-month return
Fed Funds Rate	0.50%	4.75%	Higher interest rate environment
High-Yield Credit Spread	4.9%	2.9%	Historically tight credit spreads
GDP Growth (Q/Q%)	2.2%	2.8%	Stronger GDP growth
Unemployment Rate	4.9%	4.1%	Lower unemployment
Headline CPI (Y/Y%)	1.7%	2.4%	Higher inflation
Prior Fiscal Year Deficit	-$497 Bil	-$1,833 Bil	Significantly larger fiscal deficit
Fed Interest Rate Policy	Raising	Cutting	Lowering rates instead of raising

Source: Federal Reserve, Bureau of Economic Analysis, Department of Labor, U.S. Treasury, Standard & Poor's. LTM = Last 12 Month Performance. Latest data as of 10/31/2016 and 10/31/2024.

Firm Disclosures

PUREfi Wealth, LLC ("PUREfi") is a registered investment adviser with the Securities and Exchange Commission. Any reference to the terms “registered investment adviser” or “registered” does not imply that PUREfi or any person associated with PUREfi has achieved a certain level of skill or training. A copy of PUREfi’s current written disclosure statement discussing our advisory services and fees is available for your review upon request.

The information provided is for informational purposes only and advisers should determine for themselves whether a particular service or product is suitable for their clients’ investment needs.

The information contained herein should not be construed as an attempt to sell or solicit any products or services of PUREfi or any investment strategy, nor should it be construed as legal, accounting, tax or other professional advice. This material is proprietary and may not be reproduced, transferred, modified or distributed in any form without prior written permission from PUREfi. PUREfi reserves the right, at any time and without notice, to amend, or cease publication of the information contained herein.

Certain information contained herein has been obtained from third-party sources and has not been independently verified. It is made available on an "as is" basis without warranty. Any strategies or investment programs described in this presentation are provided for educational purposes only and are not necessarily indicative of securities offered for sale or private placement offerings available to any investor. The views expressed in the referenced materials are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance; actual results or developments may differ materially from those projected. Any projections, market outlooks, or estimates are based upon certain assumptions and should not be construed as indicative of actual events that will occur.

Historical performance results for investment indices and/or product benchmarks have been provided for general comparison purposes only, and do not include the charges that might be incurred in an actual portfolio, such as transaction and/or custodial charges, investment management fees, or the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results.