

COMMENTARY



Economic Uncertainty During Elections:

A long game strategy

Election seasons are often marked by heightened anxiety as people wonder how the outcomes will affect the economy. While elections can cause short-term volatility in financial markets, the long-term impact is typically minimal. For day traders, the unpredictability can present opportunities, but for the average long-term investor, elections are often no more than a temporary disruption. Let's examine the economic impact of elections, the best investment strategies for long-term investors, and how businesses and consumers can prepare for potential changes.

Outlook: elections and the economy

Historically, elections are known to create short-term economic fluctuations. Stock market volatility often rises in the months leading up to an election, driven by the uncertainty around potential policy changes. Investors become cautious, reacting to political discourse about taxation, regulation, and economic priorities that lead to market swings.

Despite these fluctuations, markets typically stabilize within three to six months after the election results. Long-term economic fundamentals like corporate earnings, interest rates, and global trade continue to

play a more significant role in market performance than election outcomes.

Unless an unexpected or extreme event occurs, elections themselves rarely have long-term economic consequences. Policy changes can affect specific sectors, but it usually takes years for these changes to fully materialize. Markets adjust to new political realities over time, making the election a relatively short-lived concern for long-term investors.

Long-term investment strategy: stay the course

For the average investor with a long-term outlook, the best strategy during an election cycle is simple: stay the course.

Reacting to every fluctuation in the market can be tempting, but impulsive decisions often do more harm than good. Investment professionals consistently stress the importance of maintaining a disciplined, long-term perspective. History shows that despite short-term political or economic volatility, markets have rewarded patience. Election cycles come and go, but markets tend to grow over time, even through periods of war, recessions, and political turmoil.



“Reacting emotionally to election-driven volatility can backfire, while patience and flexibility lead to success.”

The best approach for long-term investors is to stick to a diversified portfolio aligned with their goals and risk tolerance. This diversification helps cushion any election-related volatility and positions investors for growth over the long run.

Moreover, trying to time the market—buying or selling based on political predictions—is a risky endeavor. Markets are forward-looking, and election results, while impactful in the short term, are just one of many factors that influence market dynamics. Investors should continue regular contributions to their portfolios, whether through retirement accounts, savings plans, or other investment vehicles, without allowing political events to derail their strategy.

Business preparedness: flexibility is key

For businesses, elections bring uncertainties that can impact operations. Policy changes regarding taxation, regulation, trade, and labor laws can all have significant effects, depending on the outcome. However, businesses should avoid reacting emotionally and instead focus on preparing for different possible outcomes.

A pragmatic approach involves assessing potential policy changes that could arise depending on the election results. Businesses can then develop flexible strategies to adapt quickly if needed. For example, if a candidate likely to increase corporate taxes is leading in the polls, businesses might start exploring ways to optimize their tax strategy.

Policy shifts can also impact specific sectors. For example, a shift toward renewable energy policies could benefit the clean energy industry, while sectors like fossil fuels may face new regulations. Businesses need to stay nimble by conducting risk assessments and developing contingency plans.

Ultimately, flexibility is the key to success. By preparing for different policy scenarios, businesses can adapt to new realities and minimize disruptions, no matter which political party comes to power.

Consumer behavior: inflation, credit, and financial health

Consumer behavior plays a crucial role in shaping the economy, particularly during election cycles. The economy is largely driven by consumer spending, and consumer confidence can be influenced by political developments, inflation, and broader economic conditions.

One major concern for consumers during election cycles is inflation. If consumers anticipate higher inflation following an election, they may cut back on spending, affecting the broader economy. Similarly, consumers tend to become more cautious about credit usage during uncertain times. Reduced spending on big-ticket items such as homes, cars, and luxury goods can have ripple effects on businesses.

On the other hand, if election promises include economic stimulus or policies aimed at reducing interest rates, consumer confidence might rise,

leading to increased spending.

For individuals, managing personal finances during election cycles is critical. Consumers should stay vigilant about their financial health by managing debt carefully, budgeting for potential inflation, and avoiding impulsive decisions based on political rhetoric.

Market resilience and the long-term approach

History shows that markets are resilient, recovering and growing despite political turmoil, wars, recessions, or pandemics. This resilience is driven by several factors: market diversity, where gains in some industries balance losses in others; innovation, with companies adapting to changing conditions; and the global economy, which buffers local political shocks.

For long-term investors and businesses, maintaining a steady, diversified strategy is key. Reacting emotionally to election-driven volatility can backfire, while patience and flexibility lead to success. By focusing on long-term goals and preparing for various scenarios, both investors and businesses can thrive, regardless of political changes

About Jeremy Blair

Jeremy Blair is the senior vice president of finance and chief investment officer at Mountain America Credit Union. In this role, he is responsible for overseeing corporate investments, liquidity management and interest rate risk management. Blair also serves as a financial advisor to the CEO and executive team to support strategic planning and develop methods for tracking revenue and expenses. He is an expert at growth strategy and processing organizations' financial activities to maximize profits. Blair's expertise also includes data analysis, which he uses to advise executives on how to act on data-backed

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Blair graduated from the University of North Texas with a bachelor of arts in finance and received an MBA in strategic management.

