

# POLITICS AND MARKETS

BY ERIK FORD

Now with the election behind us and the new administration and Congress moving forward, investors are wondering what it may all mean for stock returns. The history of returns may provide some insight, but we suggest putting more emphasis on other factors as well.

The history of stock returns when breaking down which party is in the White House versus each house of Congress tells an interesting story. Going back to the Carter Administration, returns have been highest during periods when control of Congress was split between the parties. Perhaps this reflects the public's view that a divided Congress will have a hard time getting anything done and will therefore "do no harm".

The record for presidents favors democratic administrations, but a closer review indicates that this may be due more to where we were in the economic cycle rather than the party of the administration. Economic cycles go from

early cycle growth as we come out of a recession to a mid-cycle peak. Markets tend to perform well during this period. As the cycle matures, things slow down and eventually turn down, possibly resulting in a recession. Returns are low to negative in the latter phases of the cycle. Over the last twenty presidential elections, seven republican presidents were elected late in the economic cycles versus four for the democrats. On the other hand, four democrat presidents have come to office early in the economic cycle compared to only one for a republican president out of the last twenty elections. As returns are weakest following late economic cycles and better in the period going into the early part of the economic cycle, it may be that the returns are more a factor of the economic cycle than the party in power.

So, how have stocks done when the president and both houses of Congress are in the hands of a single party? Since the late 1970's, when all three were in the hands of democrats, the returns are modest and nearly the same regardless of which party holds all the cards. Is that what we should expect going forward from here? Perhaps, but consider that while republicans control both houses of Congress, their margin is as small as ever. Particularly in the House of Representatives, the republican majority is smaller than their majority in the Senate. This may be more like a divided Congress than one party controls, as every vote counts.

Going back to where we are in the economic cycle, one source postulates that we may be experiencing a backing up from being late-cycle to return to mid-cycle if the "soft landing" is successfully achieved. In addition, the current administration is working on drawing in investment dollars to the US economy. We are always careful to use history as a guide. Not only are situations always different regardless of the similarities on the surface, but we also have our prior experience to affect our reaction. The one lesson we can count on is that regardless of party in control of the Congress and/or the administration, the equity market has continued higher over time.

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## REAL ESTATE RESOURCE

This is your neighborhood Real Estate Resource page. This information can be useful when trying to compare property values or for just keeping a pulse on the real estate market in our area. For questions regarding the properties listed, or about real estate in general, consult a real estate professional.

The information contained herein has been obtained through sources deemed reliable by Neighborhood Networks Publishing, Inc., but cannot be guaranteed for its accuracy. Any information of special interest should be obtained through independent verification. Dates: January 1st to January 31st. Supplied by Cindy Purdom-Team Purdom and Co/ RE/MAX Suburban

Address	Neighborhood	List Price	Sale Price	DOM	Beds	Baths	SqFt	Parking	Style
2N653 Diane Ave		\$350,000	\$350,000	2	3	2	1,958		1 Story
1N736 Goodrich Ave		\$350,000	\$365,000	5	4	2	2,500		Raised Ranch
138 S Park Blvd		\$399,500	\$399,500	6	3	1.1	1,730		Split Level
2N228 Highland Ave		\$390,000	\$405,000	4	3	2	1,547		Split Level
22W046 McCormick Ave		\$490,000	\$458,200	65	4	2.1	2,184		2 Story
74 N Kenilworth Ave		\$469,900	\$470,000	7	3	2	1,601		Split Level
777 Western Ave		\$525,000	\$535,000	4	3	2	1,290		2 Story
651 Riford Rd		\$550,000	\$550,000	325	3	2	2,429		1 Story
111 N Kenilworth Ave		\$550,000	\$550,000	17	5	3	3,419		2 Story
447 Lowell Ave		\$574,000	\$550,000	2	3	1.1	1,319		1 Story
84 Stephanie Ln		\$750,000	\$780,000	20	4	2.1	2,481		2 Story
311 Merton Ave		\$924,900	\$900,000	17	4	3.1	2,836		2 Story
176 Jonathan Ct		\$899,900	\$904,500	5	4	3.1	3,255		2 Story
937 Waverly Rd		\$1,000,000	\$921,000	90	4	3.1	3,692		2 Story
1038 Deer Glen Ct		\$950,000	\$960,000	3	4	4.1	4,075		2 Story
880 Sheehan Ave		\$1,100,000	\$1,050,000	6	5	5.1	3,659		2 Story
249 Hillside Ave		\$1,055,000	\$1,055,000	6	4	4.1	3,016		2 Story
980 Oxford Rd		\$1,350,000	\$1,385,000	10	4	4.1	4,064		2 Story
444 Cottage Ave		\$1,200,000	\$1,402,000	8	4	3.1	2,577		2 Story
728 N Main St		\$2,799,000	\$2,600,000	66	5	5.2	6,846		3 Story

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