



**The Premier Partnership Limited**

Your Family Office

January 2024

# A “Polling We Will Go”

Hello and welcome to the first Newsletter of 2024. We hope your Christmas and New year was everything you hoped it would be. The New Year will be positive! Let’s start with that, although as always, it will not be a smooth ride for investment markets.



## Will 2024 Elections Derail Markets?

Would you believe that a staggering 76 countries will be going to the polls in 2024, representing 51% of the global population, meaning 4.2 Billion people will be casting their views via the ballot box. The first will be Taiwan in January, India in April, European elections over the Summer, and of course the

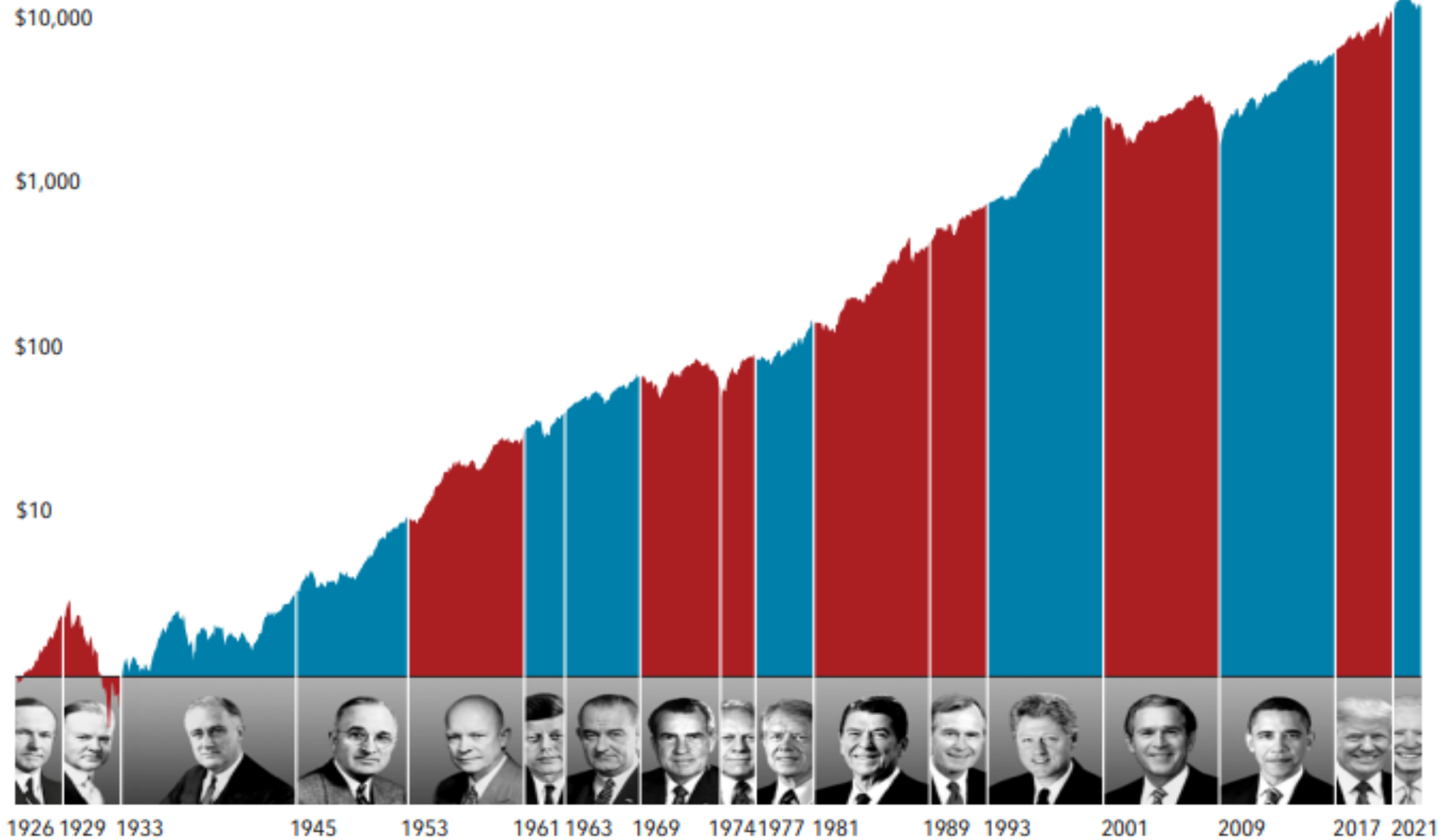
US Elections in November. As for the UK - Rishi Sunak has confirmed the UK election will be 2024 (not 2025), but the date is yet to be announced! Expect to be bombarded by political messaging across all media platforms, if the new Data Protection and Digital Information Bill gets through

Parliament and onto the statute books. The new Bill will tear up the longstanding conventions on campaigning rules, transforming the process of British elections. Am I going to predict any of the outcomes - No! At the end of the day we will get the politicians we vote for.

**NEWS  
LETTER**

# The Market and US Presidential Elections

HYPOTHETICAL GROWTH OF \$1 INVESTED IN THE S&P 500 INDEX  
1926-2022



Global capital markets do well in election years and post recessions. This fact, along with the added tailwind of a Federal Reserve pivot on interest rates direction, gave us all a Santa Rally to end 2023, with the measure of global stock markets - MSCI All Country World Index recording eight consecutive weekly gains - it's longest run for six years. In fact, Jay Powell - Chairman of the Federal Reserve, couldn't have provided a more jovial or stronger impression of a festive global give away, if he had held his press conference dressed in a red suit, with a fluffy white beard (Miracle on 54th Street anyone?). Even cryptocurrencies joined in the fun. Definitely a good Santa Rally - although Bad Santa is a very funny film, a sort of modern day twist on It's a Wonderful Life.

The recent Fed 'pivot party' however, may not last forever - in fact it will not. Our mantra - 'higher for longer' - will still hold true as we believe that rate peak triumphalism will be short lived. The question is not just will the Fed cut interest rates next year, or will GDP growth remain positive as inflation comes down, it is more about the long term trajectory of interest rates, which really began falling some 40 years ago. For now the market is betting on the Fed having tightened enough to quell inflation, without causing a recession. If long term rates return to pre Global Financial Crisis levels, and real rates of return above inflation stay positive, the implications for fiscal policy and asset valuations will be significant. This is our expected scenario: So 'higher for longer' is dead; Long live 'higher for longer'

## Markets and Elections

Is there a correlation? Is it positive or not? We know markets are cyclical and you can look to history to predict trends. On the other hand you can't always count on future investment returns to be more positive than past results. The facts however M'lud, err on the positive. From 1928 to 2020 there have been a total of 24 election years in the USA. Of those, 20 out of the 24 have been positive for investors, with only 4 providing negative returns. 2 of these 4 have been recent, overseen by Presidents Obama and Bush, However again M'lud, in 2008 (Global Financial Crisis) and 2000 (Dotcom recession) markets were rocked by geopolitical events. But as always there are no guarantees, as there are too many other political and economic forces at play at any one time, that affect market conditions.

As you will see 'Teflon Willy' - Bill Clinton had the best market performance based on the S+P 500, with Calvin Coolidge running second. Some time in the 1600's, Dutch settlers and merchants in New York City built a wall to protect themselves from pirates etc, and this busy thoroughfare became known as Wall Street. Today the New York Stock Exchange is a behemoth with a market capitalisation larger than London, Tokyo and the NASDAQ combined. This is why we quote it so much in our articles.



## S&P 500 Annual Stock Market Returns During Election Years

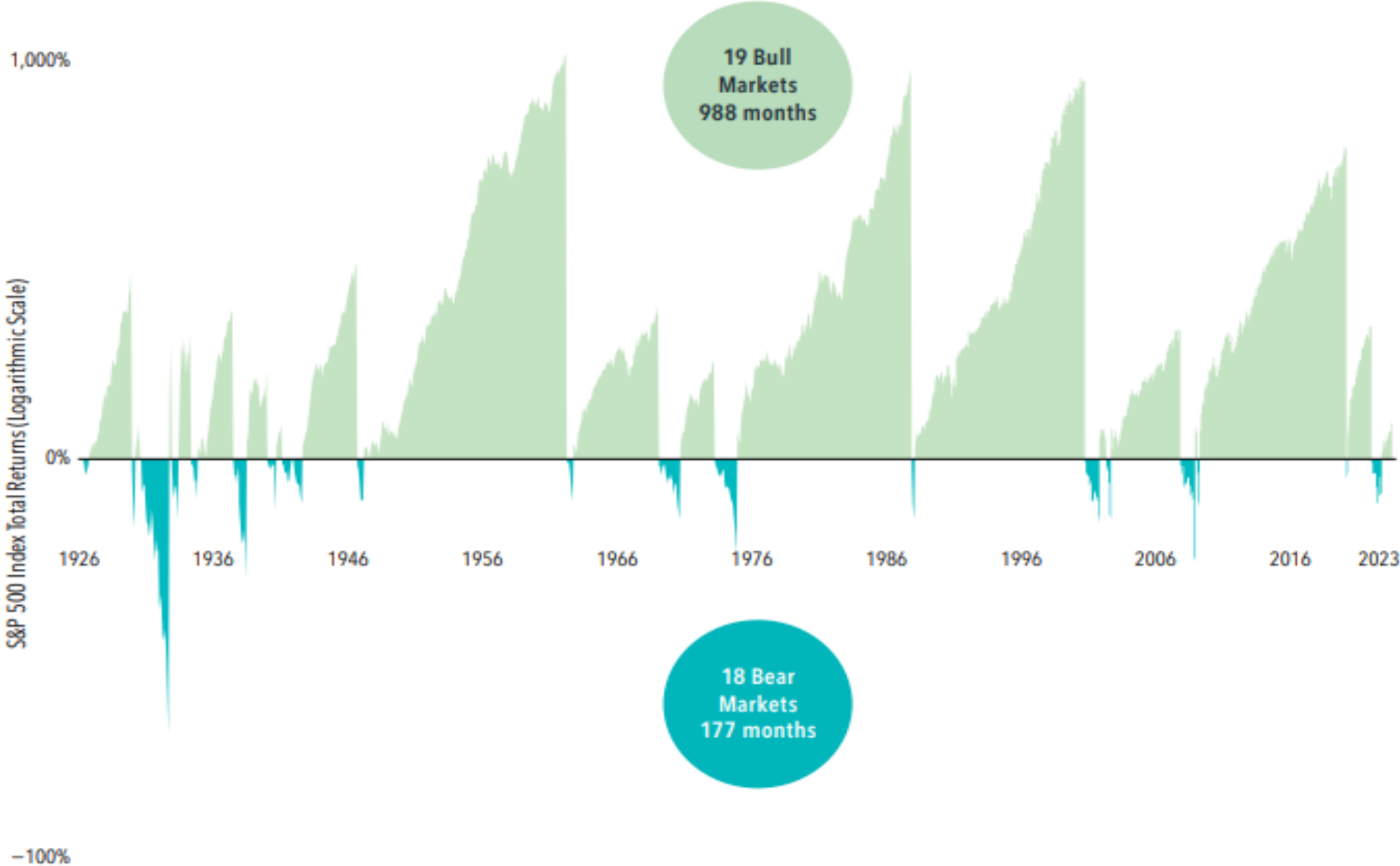
Year	Return	Candidates
1928	43.6%	Hoover vs. Smith
1932	-8.2%	Roosevelt vs. Hoover
1936	33.9%	Roosevelt vs. Landon
1940	-9.8%	Roosevelt vs. Willkie
1944	19.7%	Roosevelt vs. Dewey
1948	5.5%	Truman vs. Dewey
1952	18.4%	Eisenhower vs. Stevenson
1956	6.6%	Eisenhower vs. Stevenson
1960	0.5%	Kennedy vs. Nixon
1964	16.5%	Johnson vs. Goldwater
1968	11.1%	Nixon vs. Humphrey
1972	19.0%	Nixon vs. McGovern
1976	23.8%	Carter vs. Ford
1980	32.4%	Reagan vs. Carter
1984	6.3%	Reagan vs. Mondale
1988	16.8%	Bush vs. Dukakis
1992	7.6%	Clinton vs. Bush
1996	23.0%	Clinton vs. Dole
2000	-9.1%	Bush vs. Gore
2004	10.9%	Bush vs. Kerry
2008	-37.0%	Obama vs. McCain
2012	16.0%	Obama vs. Romney
2016	12.0%	Trump vs. Clinton
2020	18.4%	Biden vs. Trump

Dimensional. "Matrix Book 2021."

# Bulls, Bears and the Long-Term Benefits of Stock Investing

## S&P 500 INDEX TOTAL RETURNS

January 1926–June 2023



# 2024 - Will The Dog Bark This Time?



**The dog we refer to is recession. We expected a recession in 2023, and although close - it never actually came. We still believe we will see a UK recession, however shallow in 2024.**

The reason no recession came, was resilient growth across many economies in 2023, which we expect to slow. Inflation has come down sharply in most countries, as energy, food and consumer goods prices have come down. However, because core prices have been slower to fall, we do not see Central Bank targets being achieved before the end of 2024 or early 2025. We still have uncertainty about the timing of interest rate cuts,

but our best estimate is Q2-Q3 2024 for the start of cuts. There are widening differences between the performance of the US economy, and those of UK/Europe. We expect this gap to widen further in 2024. In Europe, their specific vulnerability to energy prices, has caused manufacturing weakness in Germany and had big effects on France and Italy as well.

## Markets and Recessions

**There have been 5 major stock market crashes in American history, proving nothing goes up in a straight line and all came as part of, or prior to, recession.**

### 1869

After the Civil War the American Government needed money to rebuild the country, so they bought massive amounts of public debt, which the public believed would be bought back with Gold. Everyone jumped on the bandwagon and bought Gold which skyrocketed, selling shares to do so and thus causing the first great crash.

### 1929

After the roaring 20's, came the Black Tuesday crash of 29 October 1929. Thousands of Banks went bust, Millions were ruined, unemployment numbers went soaring up, creating the Great Depression which wasn't solved until the late 1930's and it took a war to end that malaise.

### 1987

I remember this one, being on the trading floor of The London Stock Exchange at the time. This marked the end to the spectacular stock market performance of 'The Thatcher Years', and was the largest one day fall in stock market value in history. Markets overall fell in excess of 30%.

### 1999 - Dot Com Bust

This ended the first 'information era', when highly speculative technology issues from the early internet companies went bust. A belief that the new technology would create a new economy caused mass speculation, driving company values way beyond any normal expectations. The then

fledgling NASDAQ Index fell 4000 points in 2 hours, and the recession of 2000 - 2003 was upon us.

### 2010 - Flash Crash

On 6th May 2010, the Dow Jones Industrial average fell 1000 points in 20 minutes, and fully recovered 30 minutes later. Technology was blamed, and the public became hesitant to trust computers with their money.

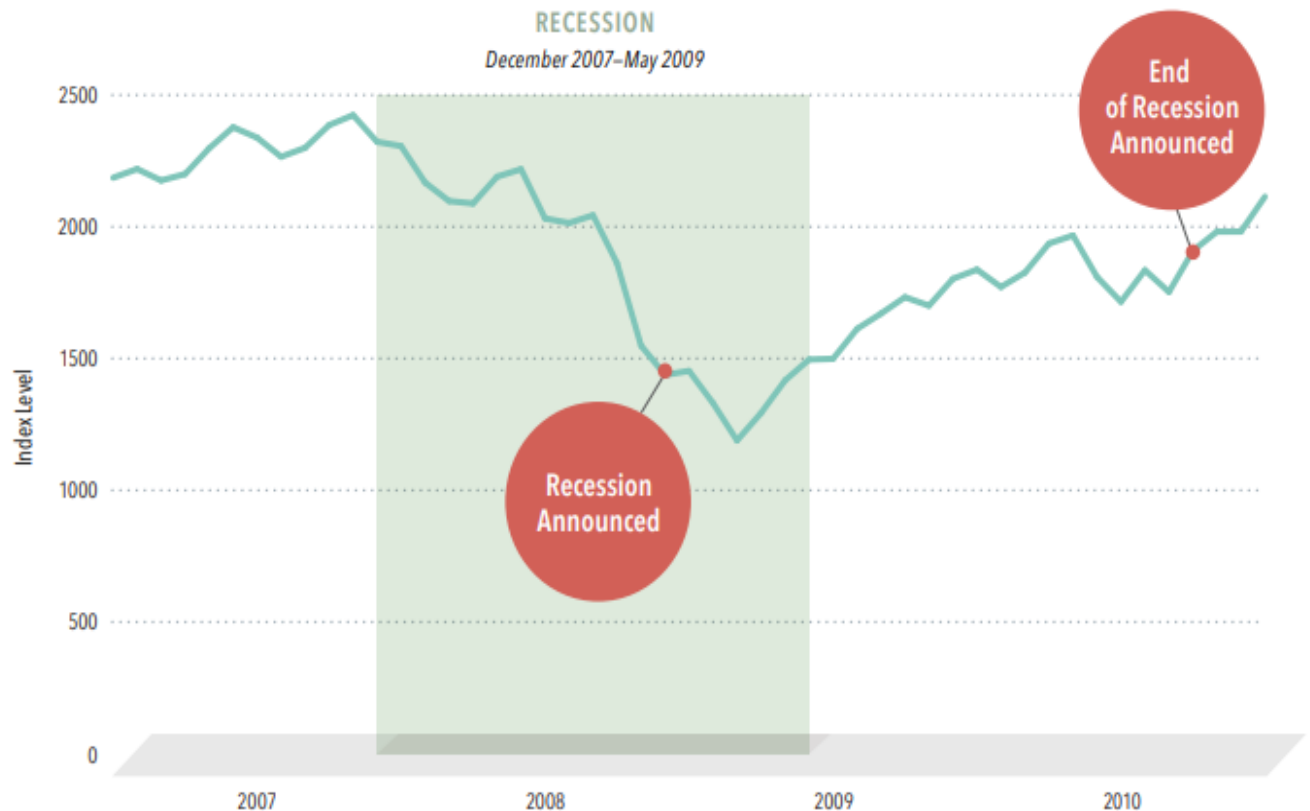
## So why am I telling you this?

Well it's so I can show you the next two pictorials of what happened after these recessions, and how that fits into long term investing. Remember, investment markets do not operate long term on emotions. They may knee jerk at times, but in the long run investing fundamentals will bring positive returns.

## Markets Don't Wait for Official Announcements

US RECESSION AND STOCK PERFORMANCE DURING THE GLOBAL FINANCIAL CRISIS

S&P 500 Index, January 2007–December 2010



# The Bumpy Road to the Market's Long-Term Average

ANNUAL RETURNS FOR S&P 500 INDEX  
1926–2022



To summarise, the US and Euro area will have different policy tests in 2024. Can the US push the envelope fiscally and maintain funding, and can Europe demonstrate solidity on it's monetary and fiscal tightening, without crashing economies? We shall see.

## Global Diversification Can Make a World of Difference

### Markets Overall

**UK** - Modest returns and modest growth.

**Europe** - Weaker growth and lower inflation.

**USA** - Economy slowing but no recession.

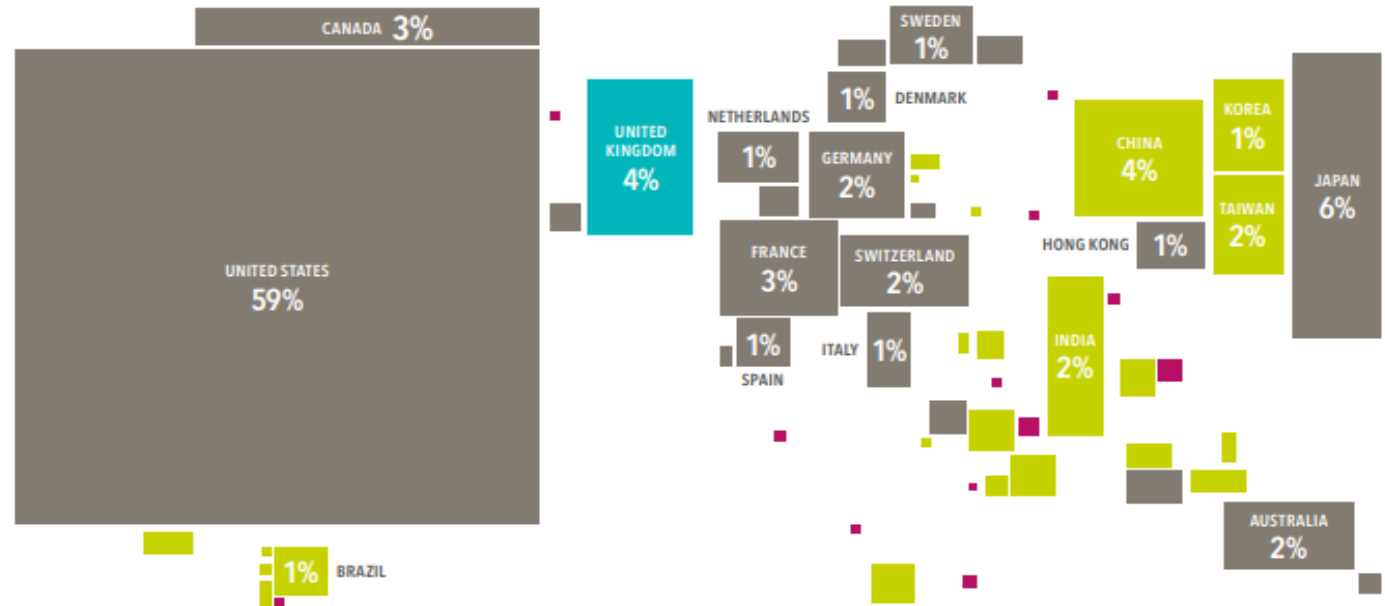
**Japan** - Slow growth moving to slightly higher inflation.

**China** - Should grow faster backed by supportive measures and eventually increasing external demand.

**Well, that's all for now folks, except to wish you a very Happy, Healthy and Prosperous New Year from all the team here at The Premier Partnership Limited.**

#### PERCENT OF WORLD EQUITY MARKET CAPITALIZATION

As of December 31, 2022



UK	Developed ex UK	Emerging	Other
- 595 companies	- 9,442 companies	- 8,618 companies	- 1,498 companies
- £2 trillion	- £48 trillion	- £7 trillion	- £344 billion
- 4% of world market cap	- 83% of world market cap	- 12% of world market cap	- 0.6% of world market cap

Please remember that past performance is not a guide to future performance. The value of investments and the income from them can go down as well as up and investors may not get back any of the amount originally invested. Exchange rate changes may cause the value of overseas investments to rise or fall.

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