WELLS FARGO
Investment Institute

Market Commentary

Weekly perspective on current market sentiment | **September 11, 2024**

Scott Wren
Senior Global Market Strategist

Last week's S&P 500 Index: -4.3%

Paying closer attention

Key takeaways

- Historically, only rarely do investors start truly paying attention to upcoming presidential-election rhetoric before mid-to-late September.
- There are major policy/ideological differences between the two major parties, but there are also notable divisions within each party.

In this strategist's nearly 40 years watching markets and election cycles, only rarely do investors start truly paying attention to upcoming presidential-election rhetoric before mid-to-late September. Instead, the focus tends to be on the economy and corporate earnings, as is the case during most years. But now, starting with this week's debate, the markets are going to spend a lot more time trying to digest the policies of the candidates, the potential effect on the economy, and the polls that are going to hopefully give us a feel as to which candidate will assume the presidency on January 20 and which party might control each chamber of Congress.

The polling shows that the upcoming election is a lot closer since President Biden decided to not seek a second term. That also could be interpreted to mean that the ultimate control of Congress is more uncertain now. We believe the highest probability outcome is a divided Congress. But even if one party holds a majority in both chambers, it is likely to be very thin. And we know there are major policy/ideological differences between the two major parties, but there are also notable divisions within each party. These intraparty divisions lessen the chance of big legislative packages being signed into law even if both houses of Congress and the presidency are under one-party rule. Don't forget that without a 60-seat, filibuster-proof majority in the Senate, legislation can easily be derailed.

We expect both parties to push for additional spending but to differ on tax policy. Large changes to the tax code look unlikely to us, mainly because of the difficulty of passing such legislation in a very divided Congress. But the 2017 tax cuts do have a chance to be extended — including lower personal income-tax rates and more favorable estate-tax provisions — if Congress can rekindle the House compromise on those issues from earlier this year. Either way, investors who have concerns about tax rates and estate-tax provisions may want to talk to their tax advisors before the end of 2025.

Other policies with potential financial-market impacts include new tariffs on imports, especially from China, and regulatory changes. But these issues have less common ground between the two parties. Another likely effort from both candidates is aimed at small businesses and overlap somewhat in terms of taxation and reducing regulatory headwinds. Issues with less overlap between the two candidates that have market-moving impact include housing affordability, the cost of living outside of housing, immigration, and regulation.

We strongly favor not trying to guess either who will win or what the new government's priorities and leverage will be in the new year. Our regular readers know that we favor making portfolio investments and any necessary adjustments based on where the economy is likely to go rather than on who one believes will be sitting at the Resolute Desk in January.

For our detailed outlook on the elections and potential issues for markets, please see our September 6 report, "Rounding Third Base in Campaign 2024."

Risk considerations

All investments are subject to market risk which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors due to numerous factors some of which may be unpredictable.

Wells Fargo and its affiliates are not legal or tax advisors. Be sure to consult your own legal or tax advisor before taking any action that may involve tax consequences. Tax laws or regulations are subject to change at any time and can have a substantial impact on individual situations.

General Disclosures

Global Investment Strategy (GIS) is a division of Wells Fargo Investment Institute, Inc. (WFII). WFII is a registered investment adviser and wholly owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.

The information in this report was prepared by Global Investment Strategy. Opinions represent GIS' opinion as of the date of this report and are for general information purposes only and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally. GIS does not undertake to advise you of any change in its opinions or the information contained in this report. Wells Fargo & Company affiliates may issue reports or have opinions that are inconsistent with, and reach different conclusions from, this report.

The information contained herein constitutes general information and is not directed to, designed for, or individually tailored to, any particular investor or potential investor. This report is not intended to be a client-specific suitability or best interest analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities. Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. The material contained herein has been prepared from sources and data we believe to be reliable but we make no guarantee to its accuracy or completeness.

Wells Fargo Advisors is registered with the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority, but is not licensed or registered with any financial services regulatory authority outside of the U.S. Non-U.S. residents who maintain U.S.-based financial services account(s) with Wells Fargo Advisors may not be afforded certain protections conferred by legislation and regulations in their country of residence in respect of any investments, investment transactions or communications made with Wells Fargo Advisors.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company. PM-03102026-7003474.1.1