



## **All these Debates but the real story is the Fed**

Many Americans have been fixated on the Presidential and Vice-Presidential Debates in a very contentious political environment.

Many of these viewers also happen to be invested in the markets so you know what kind of questions I have been receiving such as....

“If candidate X or Y gets elected will the markets go up or down?”

Oh boy... time to shine up the crystal ball!

To the chagrin of those asking, my answers aren't exactly what they are looking for.

Instead of answering “if X candidate wins then the markets should do Y” they typically get, “In my experience the most important factor during the election cycles and post-election periods is what the Federal Reserve is doing.”

Huh? Not a very popular answer....

While we do recognize certain political affiliations may favor certain industries or sectors we fortunately don't view the markets in a political sense much like many pundits that might have political leanings. In our experience we try to look past the politics to get a better sense for where and how we should be investing and a lot of that simply has to do with the Federal Reserve.

“Don't fight the Fed” is an old Wall St. adage that sometimes gets lost in the political news flow, especially during intense political periods such as the Great Recession in 2008.

But what does “Don't fight the Fed” mean?

Very simply if the Federal Reserve wants to slow down the economy/inflation they may raise interest rates which can sometimes slow down a rising stock market. Which means an investor might need to review their asset allocation and perhaps lighten up their investments in stocks instead allocating more into stocks.

However, if the Federal Reserve is trying to revive the economy they may want to lower interest rates to help spur growth. Usually this is done during very chaotic times such as the Great Recession where investors have experienced periods of greater than usual volatility.

If one believes the saying has validity then an investor might consider an increase in their allocation towards stocks, not decrease it.

Through our experience, whether we are dealing with heightened volatility or a contentious political environment, we rely on “Don’t fight the Fed” to be the beacon for cloudy markets.

Take care,

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