

# [***Insider Q&A: Yes, politics affect markets. No, you may not be able to profit on that***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6B6T-V9Y1-DYMD-63DD-00000-00&context=1516831)

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**Body**

NEW YORK — Every election year, investors rush to make bets in financial markets on what they think will happen. Policies from Washington, after all, have a big impact on the economy from corporate tax rates to subsidies for certain industries.

But hoping to make a profit off such hunches may be more foolish than expecting partisans to stop demonizing each other. So says Rich Weiss, who oversees the team managing target-date retirement funds and other investments that own a mix of different assets for American Century Investments.

He spoke recently with The Associated Press about how difficult it is to benefit from political bets in markets. The conversation has been edited for clarity and length.

**Q: Every election, investors consider making changes to protect themselves from upcoming surprises or to profit from expected shifts in policy. Why is that a bad idea?**

A: Betting on elections is the equivalent of trying to get a trifecta in horse racing, where you get the first-, second- and third-place horses, which is really, really hard to do. It’s a parlay bet.

You’re making three independent bets. You have to be correct in who wins the election, you have to pick the winner. But aside from that, your pick also has to be better than the market's pick. The market is already discounting the probability of who’s going to win. So if you pick the winner and the market has already done that, there’s no return. It’s a waste for you

And last: Who says that’s going to have an effect economically, with whether they can pass bills through Congress or change tax rates, because it doesn’t always happen that way. That's three different bets you’re making. It's almost impossible to hit them all, and it's just not worth it.

**Q: Do all the people you're investing for believe that too?**

A: Every four years, clients ask us the same thing: How are we positioning ahead of an election? Our response is: We don’t manage our investment portfolios based on that. We prefer to rely on sound economic and financial variables, not the vagaries of ***politics***.

The relationship between election cycles and the markets, there is none, at least none that you should bet on with statistical significance.

**Q: But *politics* surely have an effect on the economy?**

A; Clearly presidents get into the White House or Congress gets a majority in one party, and they will do things on defense spending or health care or green energy spending that will affect certain industries or companies.

They will have effect on the economy and markets. I’m just saying it’s not something you should bet on in advance. It’s not a winnable bet.

**Q: What about waiting until closer to the election, once proposed policies come into clearer focus?**

A: This isn’t some secret that only you know, once the elections get closer. It’s kind of out there.

**Q: Are markets generally more volatile in the run-up to elections?**

It’s not necessarily the case they are. This year, it’s very possible for a couple reasons. For one, the level of political uncertainty, not only in the U.S. but around the globe.

The stock market also arguably has priced in a lot of good news here. So it’s kind of cruising for a bruising, if you will. The market has definitely assumed earnings are going to come in at healthy rates, and inflation and interest rates are coming down.

**Q: What about the thought that the stakes are so much higher for this election than for past ones, like even the future of democracy is at stake?**

A: That’s a political question. Depending on which station you’re watching, MSNBC or Fox, you’re going to get either side of that. We’ll just stay away from that one.

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