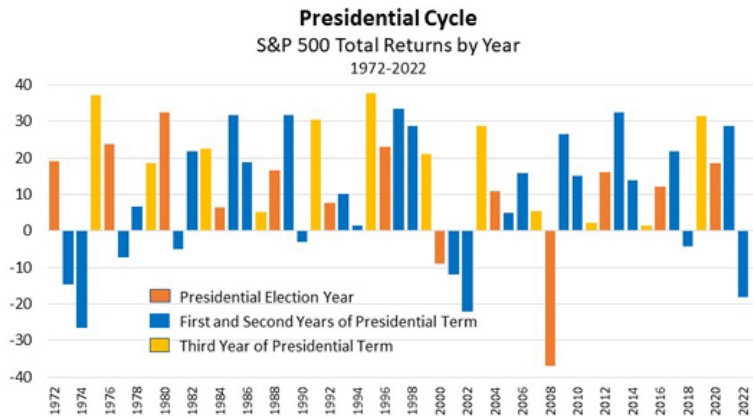




Second Quarter 2023

Does the Presidential Cycle Mean an Up Market for 2023?

The Presidential cycle is a curious, but remarkably persistent trend. The stock market has not closed down in the third year of a president's term since 1939.



Why would this trend persist? One theory is that while there are limits to presidential power and to the ability of the party in power to influence the economy, there is also a strong incentive for individuals in power to do all they can to influence financial markets and the economy to support their re-election. Thus, actions that might have a negative impact on the markets are taken early in the term, followed by actions to support strong market prices nearer the next election. And it does appear that weak markets in the second year of the president's term are almost always followed by strong years.

Another trend favoring good performance in 2023 is the rarity of back-to-back down markets. Since WWII, back-to-back down markets have occurred only in 1973-74, 2000-02.

With that said, past performance is not indicative of future returns. Black swans, those unpredictable events which disrupt expectations, are a very real threat to the best market predictions and trends. In 1939, Hitler invaded Poland, sending markets down worldwide. Investing is never without risk.

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