

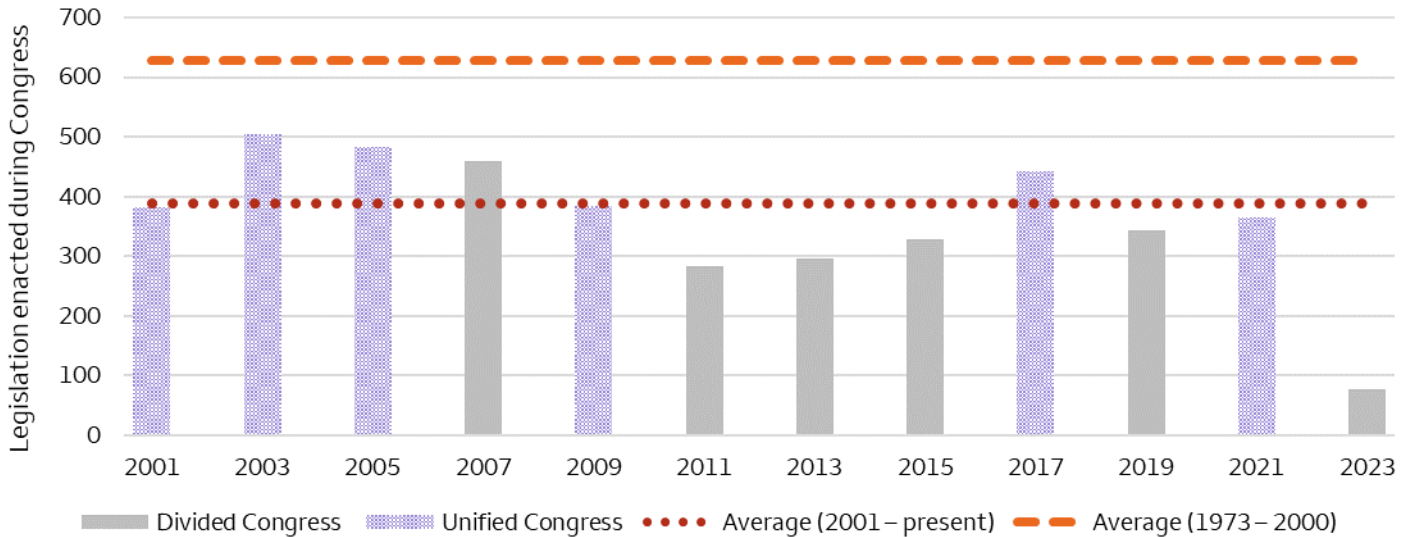


Chart of the Week

Weekly market analysis on key market indexes

September 10, 2024

Implications of political gridlock for markets



Sources: Govtrack.us; History, Art & Archives, U.S. House of Representatives; and Wells Fargo Investment Institute. Data as of September 6, 2024. Years reflect the first year of each two-year Congress. 2001 = Congress 107. 2003 = Congress 108. 2005 = Congress 109. 2007 = Congress 110. 2009 = Congress 111. 2011 = Congress 112. 2013 = Congress 113. 2015 = Congress 114. 2017 = Congress 115. 2019 = Congress 116. 2021 = Congress 117. 2023 = Congress 118. Full date ranges detailed on page 2. Includes enacted bills that were either signed by the president or enacted through a veto override or the 10-day rule (including joint resolutions, which can also be enacted as law).

Number of new laws enacted has been trending lower, suggesting growing gridlock in Congress

As the elections approach, polling remains fluid and is susceptible to shifts from political factors (for example, debate performance and third-party candidates) as well as the ongoing economic slowdown. Congressional elections, however, also matter, given the potential impact on the amount of new legislation enacted.

To this point, the chart above suggests growing gridlock, particularly when Congress has been divided. The number of new pieces of legislation enacted this century is roughly only 60% of its average during the prior 14 two-year sessions of Congress, back to 1973. The chart also shows that the number of new laws enacted has trended lower across the past 12 congressional sessions. We see fewer bills being passed as a sign of growing gridlock, which typically blocks compromise.

What it may mean for investors

Our base case remains for gridlock, with divided government or small majorities unable to pass large, catch-all bills. Given this backdrop and other factors, we think the economy is much more likely to move markets than elections. We therefore prefer to orient our portfolio preferences toward our economic outlook — that is, our expectation for a pivot from a slowdown to a sustained improvement in growth — which we think will be more predictable and important.

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Excerpted from *Institute Alert: Rounding third base in Campaign 2024* (September 6)

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Risk Considerations

Forecasts, estimates, and projections are not guaranteed and are based on certain assumptions and views of market and economic conditions which are subject to change.

Definitions

107th Congress: January 2001 – November 2002. **108th Congress:** January 2003 – December 2004. **109th Congress:** January 2005 – December 2006. **110th Congress:** January 2007 – January 2009. **111th Congress:** January 2009 – December 2010. **112th Congress:** January 2011 – January 2013. **113th Congress:** January 2013 – January 2015. **114th Congress:** January 2015 – January 2017. **115th Congress:** January 2017 – January 2019. **116th Congress:** January 2019 – January 2021. **117th Congress:** January 2021 – January 2023. **118th Congress:** January 2023 – present.

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