Wishing on Washington

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ASSETMARK

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THE STORY

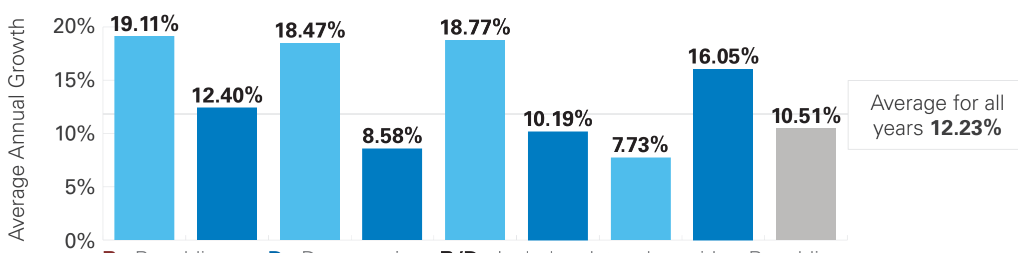
Judging from recent quotes attributed to executives of financial services companies, some Wall Street executives would like to see one of the houses of Congress shift to the Democrats. The theory goes that political gridlock is good for markets. With a tax cut and fiscal stimulus already achieved, gridlock might be even more welcome by Wall Street in the current environment.

THE REALITY

On average, the US equity market has not performed well when a Republican leads a split Congress. In fact, of the various permutations of Presidency and leadership of the Senate and House since 1953, the worst market performance has been associated with a Republican leading a split Congress.

Administration Composition

President	R	D	D	R	R/D	R/D	R	D	R/D	President
Senate	R	D	R	D	R	D	Split Congress	Split Congress	Split Congress	Senate
House	R	D	R	D	R	D				House



R - Republican · **D** - Democratic · **R/D** - Includes data when either Republicans or Democrats were in control.

Sources: Standard & Poor's Corporation, Crandall Pierce.

THE BOTTOM LINE

To be fair, we do not have enough data to create a truly scientific study. There are only four instances of a Republican leading a split Congress—three under Reagan in the early 1980s and one (which included the Dot Com bust) under G.W. Bush. But a qualitative assessment of the underlying data suggests that above-average and below-average markets are possible regardless of the power structure in Washington.

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Important Information

The views expressed here are those of AssetMark's Chief Economist, Jason Thomas. Mr. Thomas is also CEO and CIO of Savos Investments. Savos Investments is a division of AssetMark.

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