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How Do Presidential Elections Impact The Market?

The Financial Advisor's guide to answering client questions about the election—with downloadable charts and visuals.

Are you wondering how the presidential election could affect your investments? Every four years, uncertainty about the next president and their policies leads to more uncertainty in the minds of advisors and their clients. 2024 is no exception, given the extraordinary move by a sitting president to withdraw from the race.

We created this guide to answer the most commonly asked questions that financial advisors hear from clients during an election year. The findings contained in this guide are purely data-driven and do not serve as investment advice.

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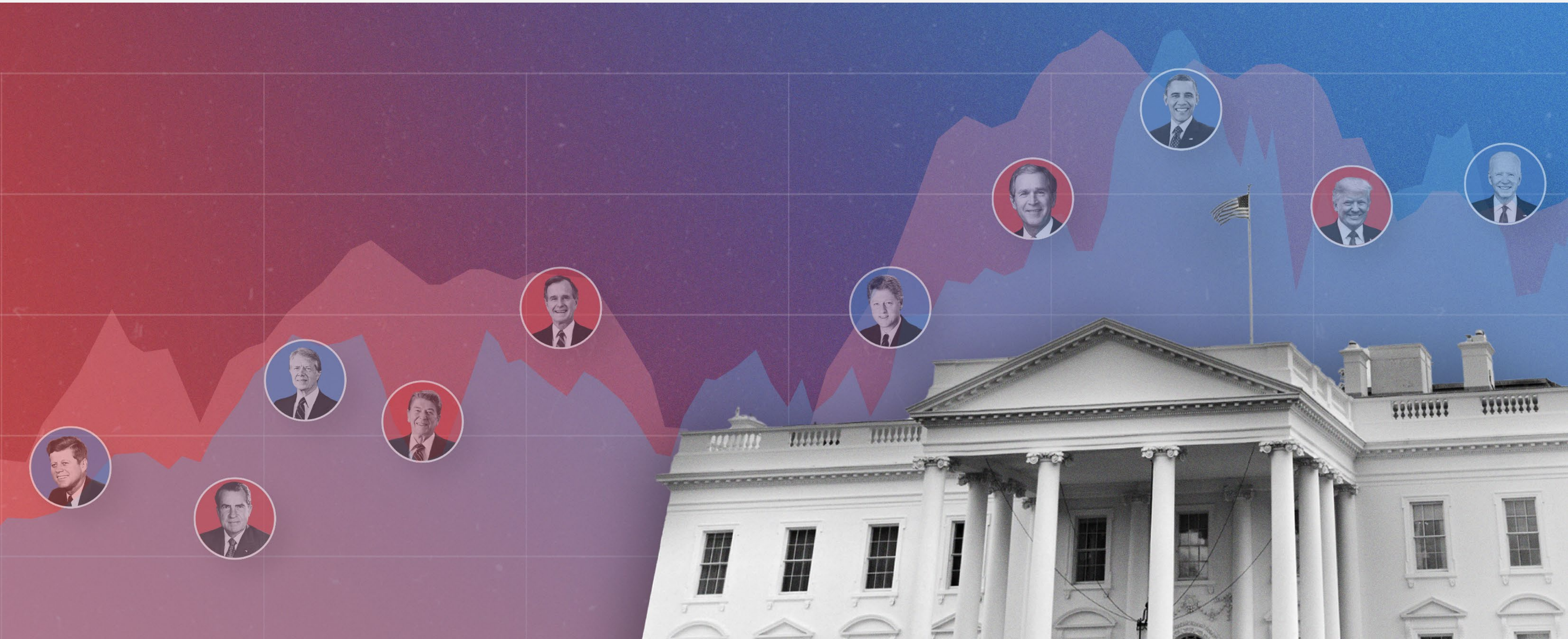
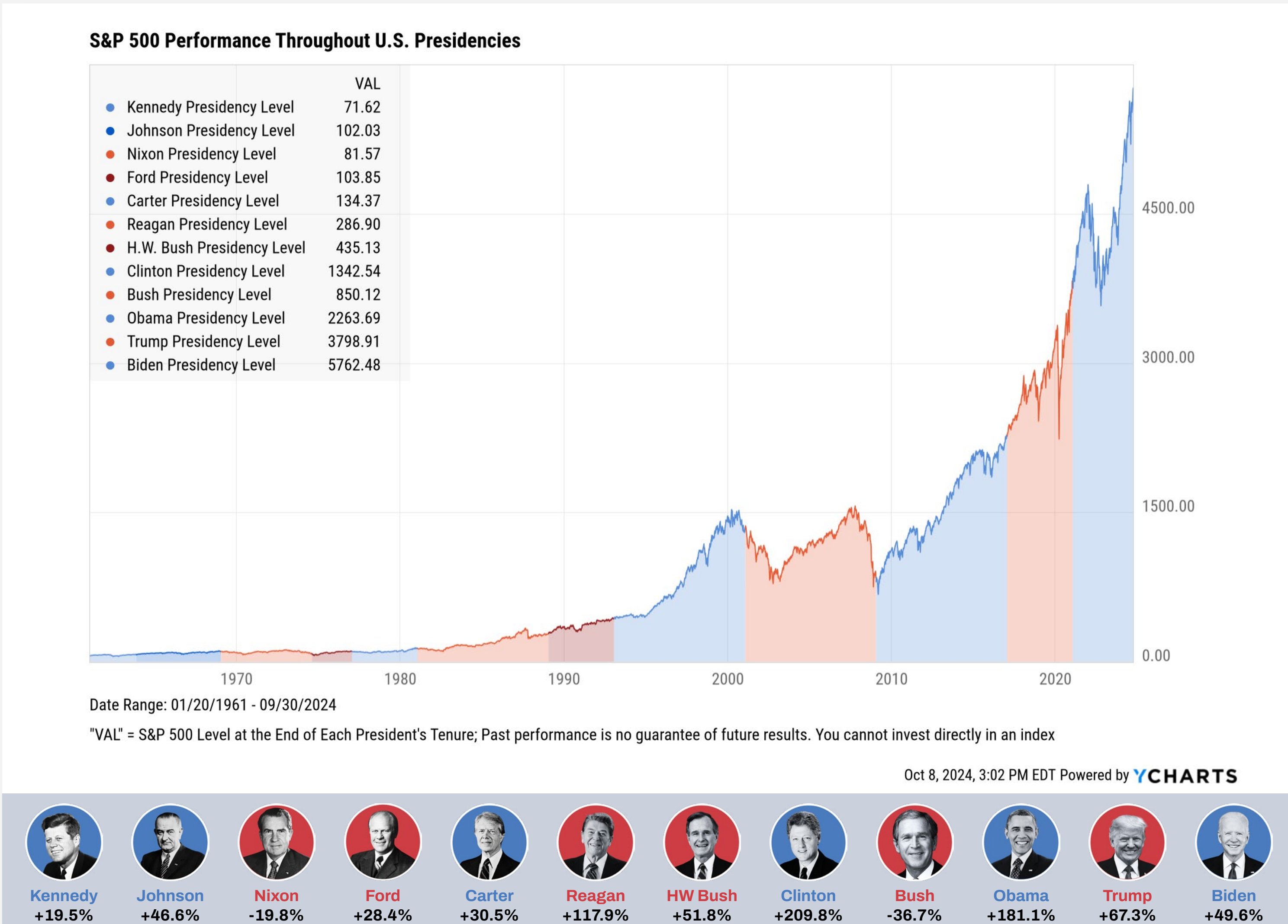


How have markets performed under various presidents?

Dating back to John F. Kennedy's inauguration in 1961, the S&P 500 posted a negative return during only two presidencies: Richard Nixon and George W. Bush.

The S&P 500 has consistently grown in value over the long term, no matter who's in office.



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How have markets performed under various presidents? (con't)

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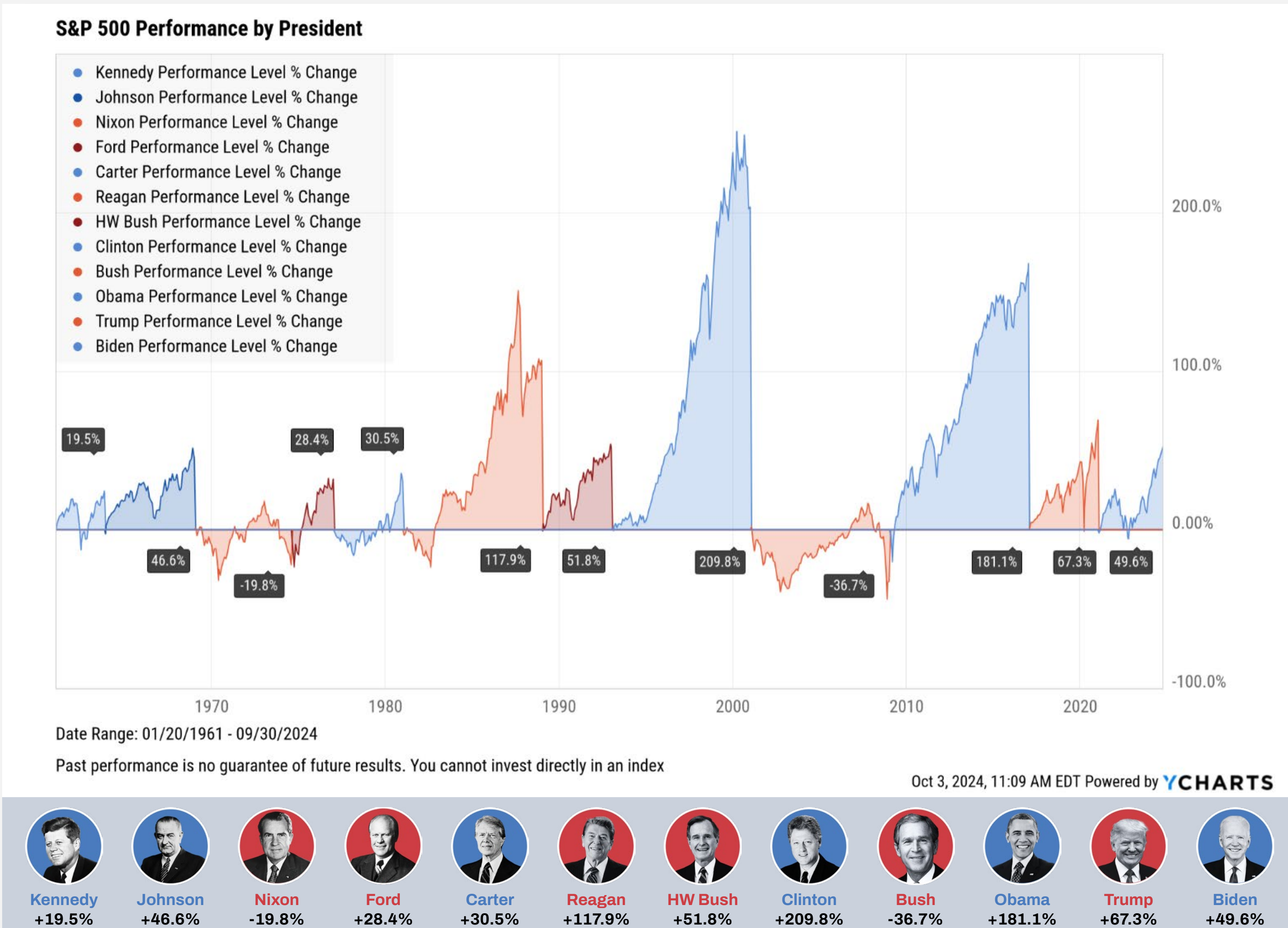

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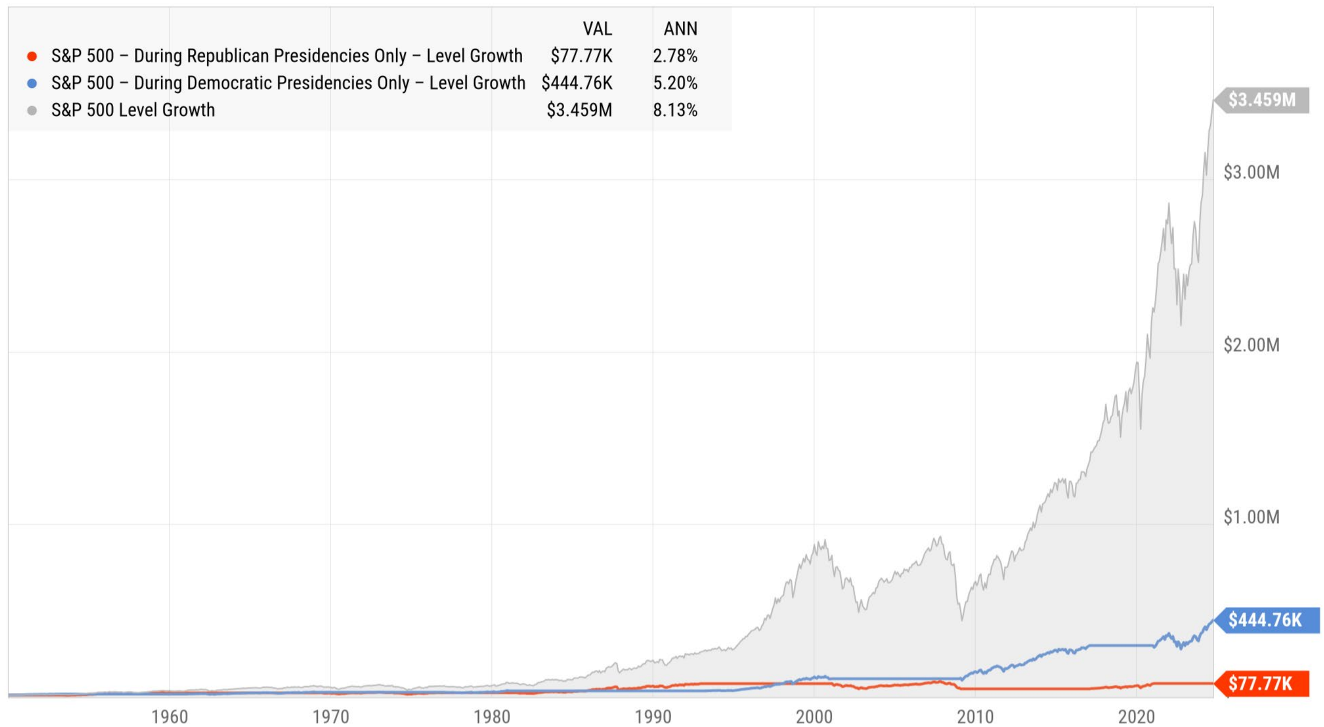
How would your investments perform if you only invested during presidencies of one political party?

Making major investment decisions based on a president's political party–i.e. being invested only during Democratic presidencies, then moving to cash for Republican tenures, or vice versa–is probably hurting your portfolio more than helping it.

Regardless of the party occupying the Oval Office, staying invested is the most prudent long-term strategy.

S&P 500 Investment During Only Republican Presidencies since 1950	**2.78%** Annualized Return
S&P 500 Investment During Only Democratic Presidencies since 1950	**5.20%** Annualized Return
S&P 500 Investment During All Presidencies	**8.13%** Annualized Return



Date Range: 01/03/1950 - 09/30/2024

Initial Investment: $10,000. Past performance is no guarantee of future results. You cannot invest directly in an index

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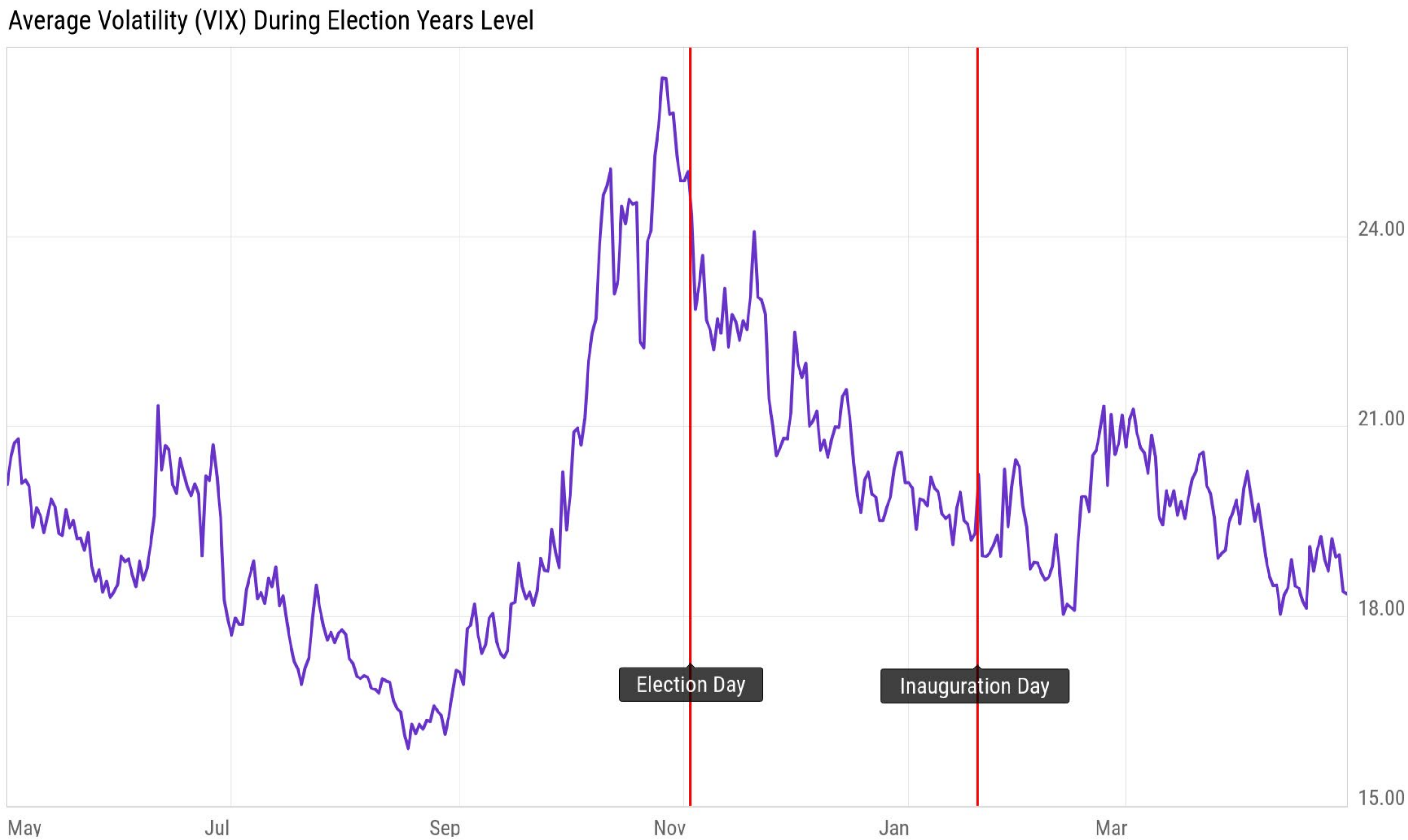
How volatile are markets leading up to and after an election?

Investor anxiety has generally risen leading up to Election Day in the last eight cycles, as illustrated by the **CBOE Volatility Index**.

However, volatility often cools down once the election is over and in the roughly two-month period leading up to Inauguration Day.



Average Daily VIX Levels During Presidential Election Years Since 1992. You cannot invest directly in an index

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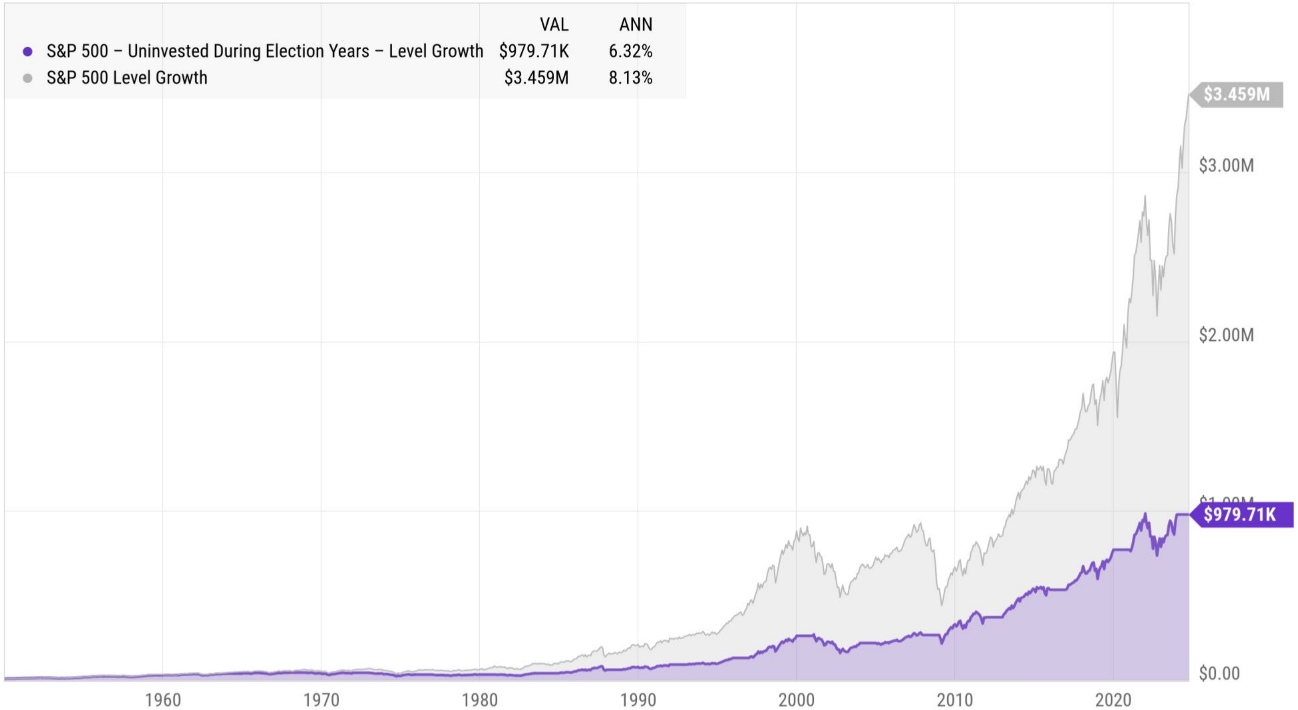
What is the impact of moving to cash during presidential election years?

Just as making investment decisions based on a preferred political party can negatively impact portfolios, pulling investments out of the market and moving to cash during election years can be equally detrimental.

Despite short-term volatility in election years, remaining invested for the long-term is the most prudent strategy.

S&P 500 Investment During Only Non-Election Years since 1950 (Moving to Cash During Election Years)	**6.32%** Annualized Return
S&P 500 Full Investment since 1950	**8.13%** Annualized Return

Sitting Out Election Years vs. Staying Invested



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How does the market react after elections?

Of the 18 presidential election years since 1952, 9 of them saw the market turn positive on the first trading day following Election Day.

The average of -0.23% was heavily influenced by the 2008 and 2012 elections, where the S&P 500 logged one-day returns of -5.27% and -2.37%, respectively.

Markets turned higher in the last two elections, greeting the prospects of a Biden presidency in 2020 with more enthusiasm than Trump's electoral victory in 2016. However, the post-election period generally produced higher returns, as the S&P 500 was positive during the roughly 2-month period leading up to inauguration day for 11 of the last 18 elections.

S&P 500 Performance:	Day after Election	~2 Months After Election Day *(Day After Election Through Inauguration Day)*
Average of All Elections Since 1952	-0.23%	2.00%
Most Positive Market Reaction	2.20% 11/04/2020	14.33% 11/04/2020 - 1/20/2021
Most Negative Market Reaction	-5.27% 11/05/2008	-19.94% 11/05/2008 - 1/20/2009
Trump 2016	1.11% 11/09/2016	6.16% 11/09/2016 - 1/20/2017
Biden 2020	2.20% 11/04/2020	14.33% 11/04/2020 - 1/20/2021

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How does the market react when an incumbent president is re-elected?

What about when the challenger wins?

In most cases, the S&P 500 posted positive returns between election day and inauguration day, regardless of who wins the presidency.

Since 1952, Democratic presidents winning reelection has historically led to the most significant S&P 500 returns in this post-election period. However, lower returns have tended to occur when the winning candidate was neither an incumbent nor a challenger, such as in election cycles that replace a termed-out president.

As of July 21st, 2024, the 2024 election falls into the "Neither" category; historically, these have produced the lower pre-inauguration returns, especially if a Democratic candidate is elected.

Market Reaction to Incumbents and Challengers Being Elected

Day After Election Through Inauguration Day (since 1952)

	Republican	Democrat	Either Party
Incumbent	+1.07%	+4.82%	+2.68%
Challenger	+2.02%	+5.80%	+4.86%
Neither	+1.80%	-5.57%	-0.31%

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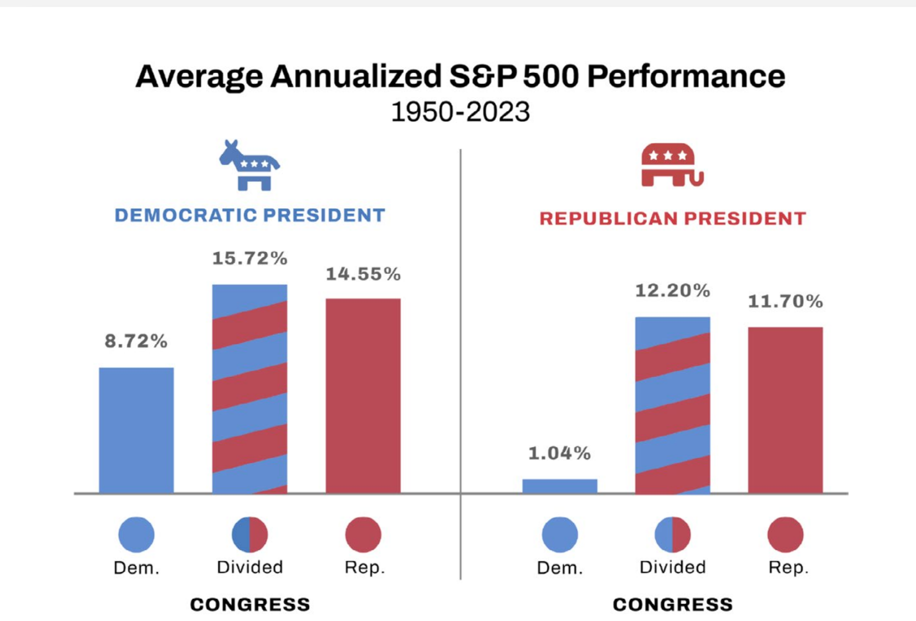
How does one-party control or a divided Congress impact market returns?

Historically, higher average annualized returns have occurred during a divided Congress, where one party controls the House or Senate and the other party holds a majority in the second chamber. Lower returns have come during Democratic majorities in both the House and Senate, while higher returns have taken place under Republican control of both congressional chambers. In any case, **the market has historically been positive under all six government compositions.**

Under the current government of Democratic president and divided Congress, the **S&P 500 has advanced** 50.08% (26.06% annualized) between January 3rd, 2023–when this current Congress was sworn in–and September 30th, 2024, outperforming the 15.72% annualized return historically generated during this legislative formation.



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How did asset classes perform under the last two presidents?

Equities have performed considerably well under both presidents, with the exception of Emerging Markets (EM). EM rose 72.1% during Trump's presidency, but has fallen 6.5% through Q3 2024 of Biden's tenure. Bond indices also advanced under Trump but have underperformed during Biden's presidency thus far.

Commodities were the worst performing and only negative asset class under Trump, but have performed the best under Biden.

Trump
1/20/2017 - 1/19/2021

Asset Class	Cumulative Total Return	Annualized Total Return
US Growth	135.8%	23.9%
S&P 500	80.8%	16.0%
Emerging Markets	72.1%	14.6%
US Small	68.0%	13.9%
World exUSA	43.5%	9.5%
US Value	39.3%	8.6%
US Real Estate	25.8%	5.9%
Muni Bonds	20.2%	4.7%
Aggregate Bonds	20.2%	4.7%
US Treasuries	17.8%	4.2%
Commodities	-13.4%	-3.5%

Biden
1/20/2021-9/30/2024

Asset Class	Cumulative Total Return	Annualized Total Return
Commodities	68.7%	15.2%
S&P 500	58.3%	13.2%
US Growth	57.3%	13.0%
US Value	45.0%	10.6%
US Real Estate	32.1%	7.8%
World exUSA	28.1%	6.9%
US Small	8.5%	2.2%
Muni Bonds	1.0%	0.3%
Aggregate Bonds	-5.0%	-1.4%
Emerging Markets	-6.5%	-1.8%
US Treasuries	-6.7%	-1.9%

Past performance is no guarantee of future results. You cannot invest directly in an index

**Data as of 9/30/2024*

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The Bottom Line

The parties occupying the White House and Legislature are just one of many variables that can affect investments. For example, the 2008 Financial Crisis created systematic risk for Presidents Bush and Obama, while the global pandemic in 2020 impacted the market beyond the control of Presidents Trump and Biden.

The most important takeaway for financial advisors and their clients: while elections may create some short-term uncertainty, **focusing on long-term investing goals should always be the most important factor** in investment decision-making.

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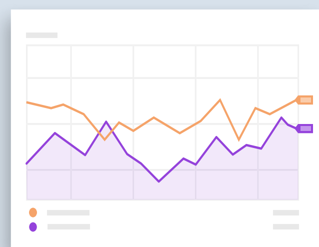
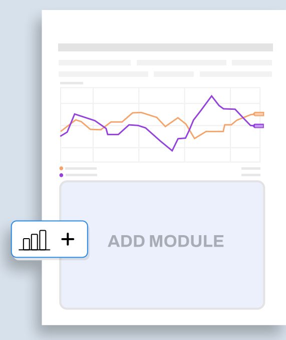


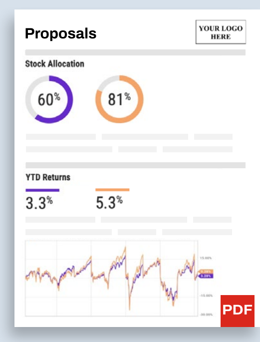
Charting and Scenario Tools

Interactive, downloadable visuals that illustrate the impact of market movements and real-life events



Report Builder

Create your ideal reports with an intuitive drag-and-drop functionality



Proposals

Highlight the benefits of your recommended strategy vs. a prospect's current portfolio