



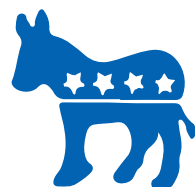
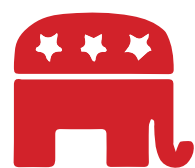
# How Do Presidential Elections Impact The Stock Market?

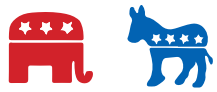
[The Financial Advisor's guide to answering client questions about the election—with downloadable charts and visuals.](#)

Are you or your clients wondering how U.S. presidential elections affect their investments? Every four years, uncertainty about the next president and their policies leads to further uncertainty in the minds of advisors' clients. While you might expect that the president and their political party can move the market, it's unclear to what degree that's actually true. There have been 17 presidential elections since 1950, and each has come with variables that affect the market in a unique way.

**We created this guide to answer the most common, burning questions that financial advisors hear from their clients as an election looms closer.** The findings contained in this guide are data-driven and unbiased, but are not meant to serve as investment advice.

If you would like to share any of the visuals below with your clients or colleagues, click the link below each image for a free download!





## 1 How differently do markets perform when a Democrat or Republican candidate is leading in major polls?

More than anything, the market hates uncertainty: when candidates are tied in polling, the S&P 500's daily and cumulative returns are negative. On average, the market tends to favor a Republican candidate leading major polls.

Two strong examples of this pattern: S&P 500 percent change under poll leaders in the 1988 and 2000 U.S. Presidential elections

S&P 500 Performance by Party Leading Polls

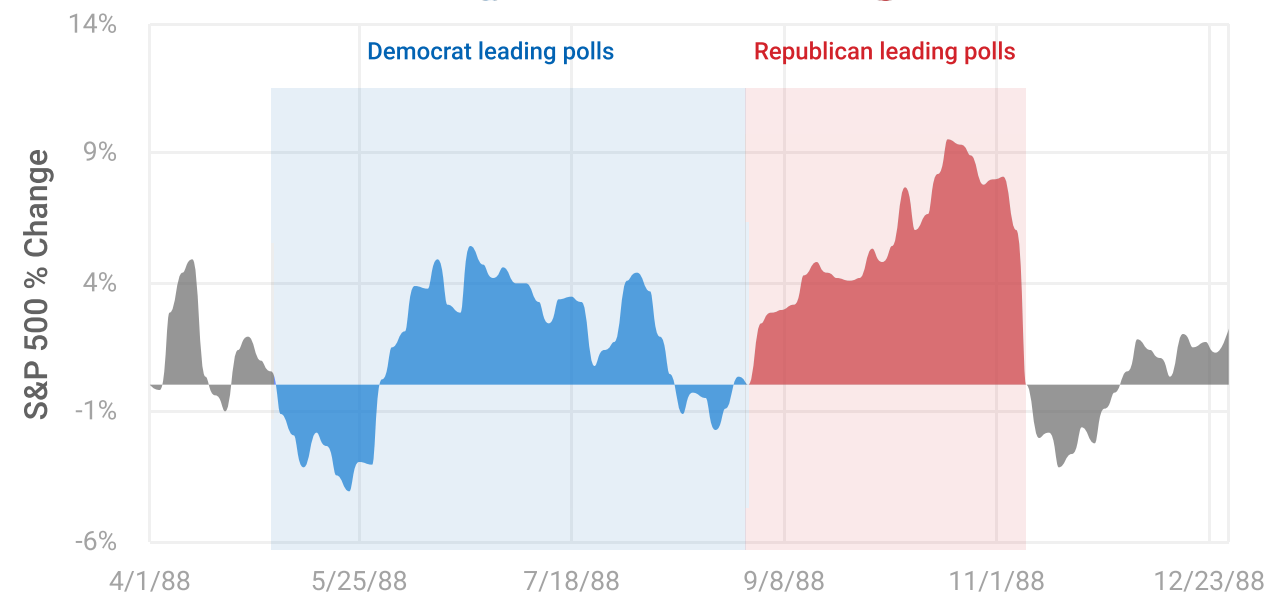
	Avg. Daily Gain	Avg. Cumulative Gain (irrespective of number of days leading polls)	% of Trading Days Leading in Poll
Republican	+0.041%	+1.26%	50%
Democrat	+0.004%	+0.24%	48%
Tied in Polls	-0.009%	-0.21%	2%

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1988

George H. W. Bush  
Defeats Michael Dukakis

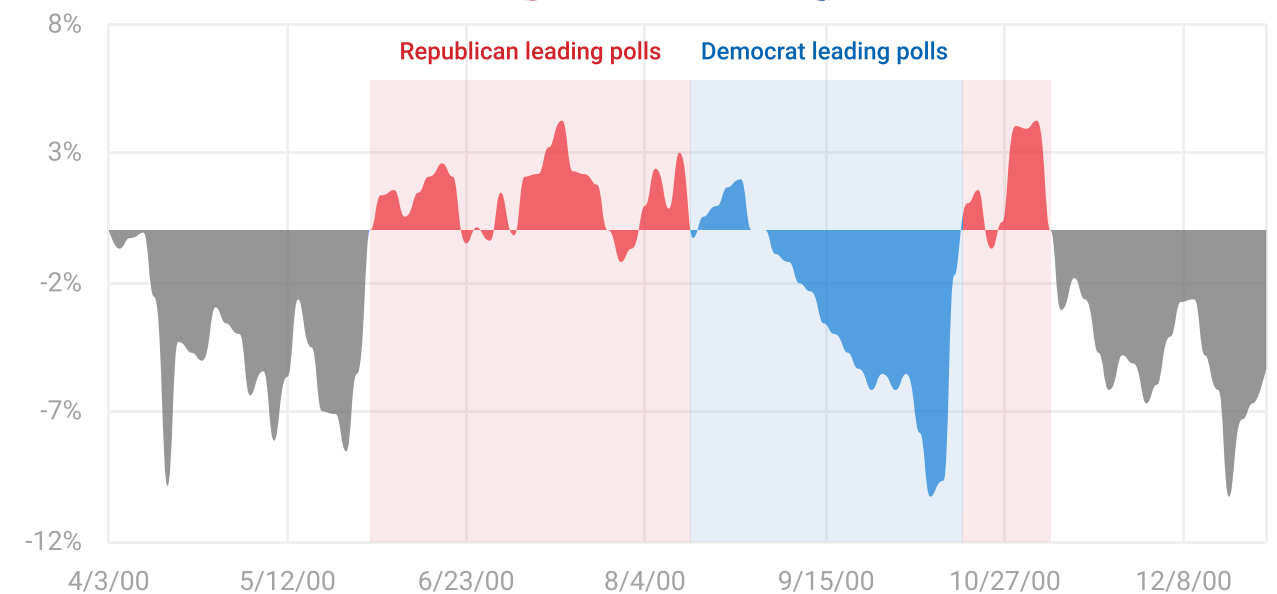


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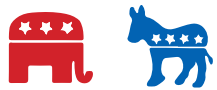
2000

George W. Bush  
Defeats Al Gore



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## 2 When major polls are wrong about the election outcome, how does the market react?

The latest poll before election day has incorrectly predicted the winner only three times since 1950: in 1976, 2012 and 2016. The market initially moved lower following Democrats' two surprise wins, but ended the year up 5.4% and 2.3% in 1976 and 2012, respectively. In 2016, the lone Republican comeback win, the market responded by immediately moving higher and picked up 3.5% between election day and the end of the year.

## 3 Does the market react differently when a Republican or Democrat candidate is elected?

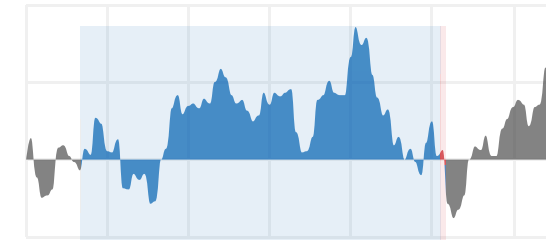
Historically, the market reacts more positively to a Republican president-elect. That reaction is in-line with the common belief that Republican policies are more business-friendly, and therefore more stock market-friendly, than Democrats'. That said, once a president actually takes office, the market has performed better under Democrat presidents, on average.

S&P 500 Performance by President's Party

	Market Reaction (PERIOD FROM ELECTION TO INAUGURATION)	Time In Office	Time In Office - Annualized
Republican Average	+1.5%	22.5%	3.5%
Democrat Average	+0.9%	47.6%	12.0%

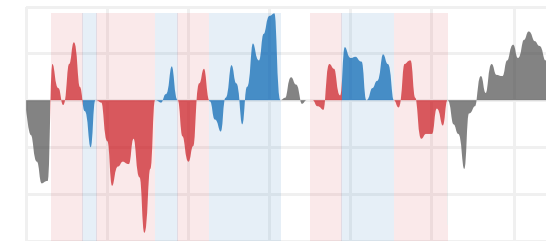
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1976  
Jimmy Carter  
Defeats Gerald Ford



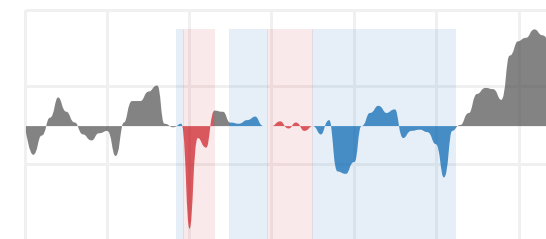
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2012  
Barack Obama  
Defeats Mitt Romney



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2016  
Donald Trump  
Defeats Hillary Clinton



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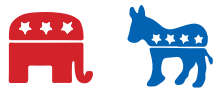
## 4 How does the market react when an incumbent president is re-elected? What about when the challenger wins?

The market's initial reaction is more positive when the incumbent president is re-elected. When comparing political parties, the most positive reactions have come when Democrat incumbents and Republican challengers are elected. But over presidents' full terms in office, the market has outperformed under challengers who unseated a president seeking re-election, on average.

Market Reaction to Incumbents and Challengers Being Elected  
(PERIOD FROM ELECTION TO INAUGURATION)

	Republican	Democrat	Either Party
Incumbent	+1.1%	+4.8%	+2.7%
Challenger	+2.0%	+1.5%	+1.7%
Neither	+1.8%	-5.6%	-0.3%

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## 5 How have other major asset classes performed under recent presidents?

U.S. and Emerging Market Equities have been among the best performing major asset classes since Bill Clinton's 1993 inauguration. In the last 30 years under four different presidents, U.S. and International Equities handily outperformed under the Democrats, and Emerging Markets have slightly outperformed under the Republican presidents. (Performance through Sept. 14, 2020 for Donald Trump)

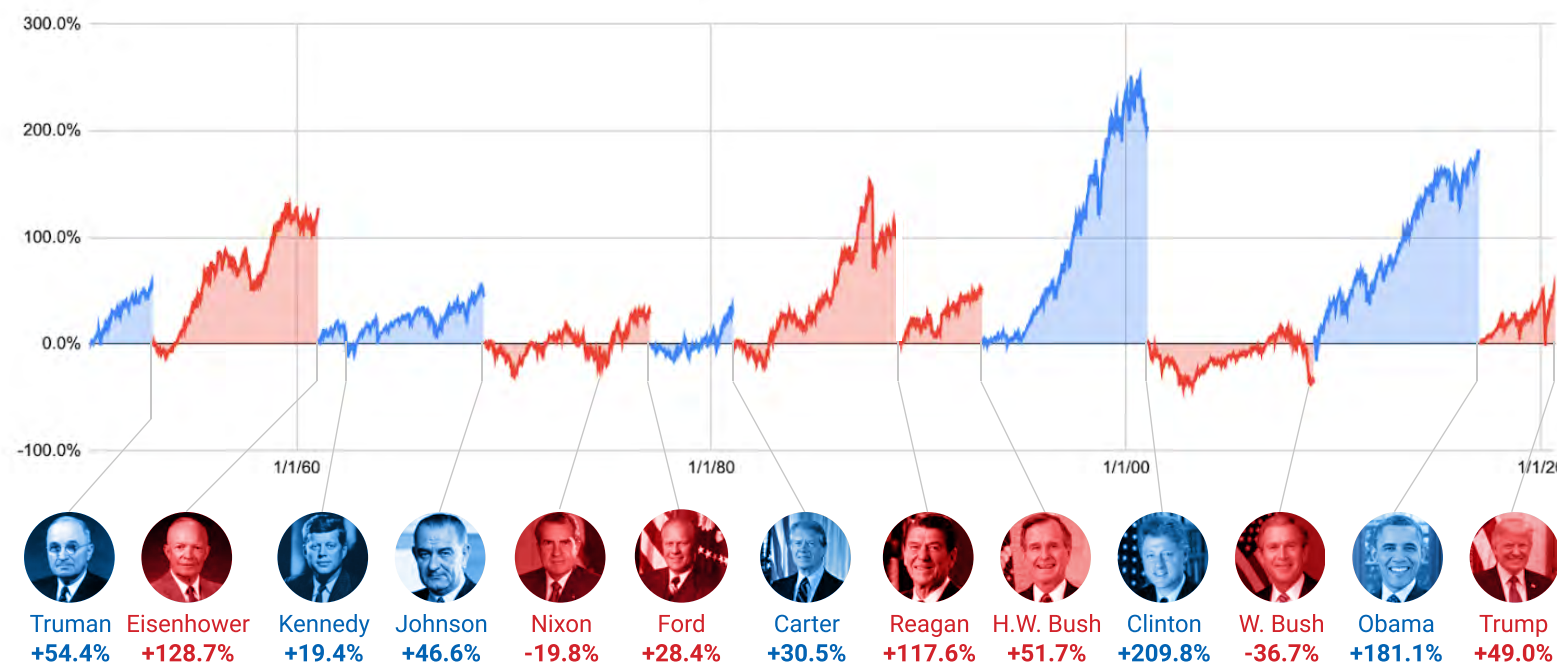
Annualized Asset Class Returns During Each President's Tenure in Office

Bill Clinton	George W. Bush	Barack Obama	Donald Trump	Democrat Average	Republican Average
US Equities ^SPXTR 15.2%	Emerging Market Equities ^MSEMTR 7.5%	US Equities ^SPXTR 13.8%	US Equities ^SPXTR 11.5%	US Equities ^SPXTR 14.5%	Emerging Market Equities ^MSEMTR 8.3%
International Equities ^MSEAFETR 10.8%	US Treasuries ^BBUSTTR 6.4%	Emerging Market Equities ^MSEMTR 10.0%	Emerging Market Equities ^MSEMTR 9.0%	International Equities ^MSEAFETR 10.0%	US Equities ^SPXTR 3.0%
Emerging Market Equities ^MSEMTR 4.1%	US Invst Grade Bonds ^BBUSATR 5.7%	International Equities ^MSEAFETR 9.2%	US Corporate Bonds ^BBUSCOTR 6.9%	Emerging Market Equities ^MSEMTR 7.1%	International Equities ^MSEAFETR 2.9%
US Invst Grade Bonds ^BBUSATR n/a	US Corporate Bonds ^BBUSCOTR 4.8%	US Corporate Bonds ^BBUSCOTR 6.8%	International Equities ^MSEAFETR 6.4%		
US Corporate Bonds ^BBUSCOTR n/a	International Equities ^MSEAFETR -0.6%	US Invst Grade Bonds ^BBUSATR 3.9%	US Invst Grade Bonds ^BBUSATR 5.2%		
US Treasuries ^BBUSTTR n/a	US Equities ^SPXTR -5.5%	US Treasuries ^BBUSTTR 2.3%	US Treasuries ^BBUSTTR 5.1%		

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S&P 500 Performance Under Republican and Democrat Presidents



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### The Bottom Line...

If you made major investment decisions based on the President's political party—such as by investing more or less money during Republican or Democrat presidencies—you're probably hurting your portfolio more than helping it. Shown in the chart to the left, the S&P 500 has consistently grown in value over the long-term, no matter who's in office.

The most important takeaway for financial advisors and their clients: the party occupying the White House is just one of many variables that can impact your investments. For example, the Dot-com bubble bursting in 2001 and the 2008 Financial Crisis greatly impacted the markets beyond the control of Presidents Bush and Obama, respectively. While elections may create some short-term uncertainty in the market, long-term investing goals and risk tolerances should always be the most important factors in your investment decision making.



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## Data & Disclaimers

Historical market performance for the S&P 500 and other asset classes accessed via [ycharts.com](https://ycharts.com)

Presidential term dates can be found [here](#).

Polling sources: 1952-2012 elections: Gallup; 2016-2020 elections: Marist College, Monmouth University, Siena College/The New York Times Upshot, ABC News/The Washington Post ([A+ rated pollsters by FiveThirtyEight](#)). Data was aggregated by YCharts with the end-date of each poll's collection period serving as the charted poll date.

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