

OCTOBER 2020

# Elections and the Market



## RED, BLUE & GREEN

### PRESIDENTIAL ELECTIONS AND YOUR PORTFOLIO

With the US Presidential election two short weeks away, we thought it would be good to look at historical evidence on how the equity market has reacted over the last century to political leadership changes. As the following research and data suggest, the political party in power matters less in the long-run versus the attention-grabbing headline in the short-term.

The intent of this communication is not to prognosticate who will win the election but to separate the vitriol political environment created by the press, and especially social media, and advance the conversation to what research reveals for the long-term. I think it is fair to expect we will see increased volatility up and through the election, a second wave of COVID notwithstanding, in what will likely turn into election week rather than election night. The market does not like uncertainty, and it is reasonable to expect increased uncertainty with this election.

But is this true? Recall back to the 2000 election and “hanging chads?” Most of us can remember the images of Florida election officials hand-counting votes with magnifying glasses with the fight ultimately decided by the Supreme Court! As humans, our built-in cognitive biases overemphasize more recent events than those in the near or distant past. Making important decisions fueled entirely by emotion usually leads to unintended consequences and potentially a poor outcome - and investing is no different.

Often, I am asked: “should we move our portfolio to cash?” And that answer is always unequivocally, NO! Look no further than the 2016 election and suppose you were a die-hard Democrat and sold your investments the day after Trump was elected. You would have forgone a gain of approximately 60% in Large US stocks on the equity allocation







within your portfolio! Ultimately, what drives performance in the market is not the presidential cycle but the overall macroeconomy.

So, what does all this mean to you and your portfolio? The most important takeaway from the research is not letting short-term emotions deter you from your long-term planning and investing goals. Whether it is an election, a trade war, a global pandemic, or otherwise, it is essential to maintain a fully invested, globally diversified portfolio in all environments. This strategy has proven most effective in giving you and your family the best opportunity to reach your goals.

I hope you find the following research and insights informational, if not somewhat reassuring, as the election unfolds in what is sure to be a contested election.

If you are interested in how Columbus Street Financial Planning can help you increase your chances of meeting your long-term goals through this election year and those to follow, please reach out to us for a no-cost, no-obligation conversation on your current situation.

Shawn Ballinger  
[shawn@columbusstreetfin.com](mailto:shawn@columbusstreetfin.com)  
(614) 662-4250

## MARKET RETURNS & ELECTION YEARS

**It is difficult to identify systematic return patterns in elections years**

**On average, market returns have been positive both in election years and the subsequent year**

**Market expectations associated with election outcomes are embedded in security prices**

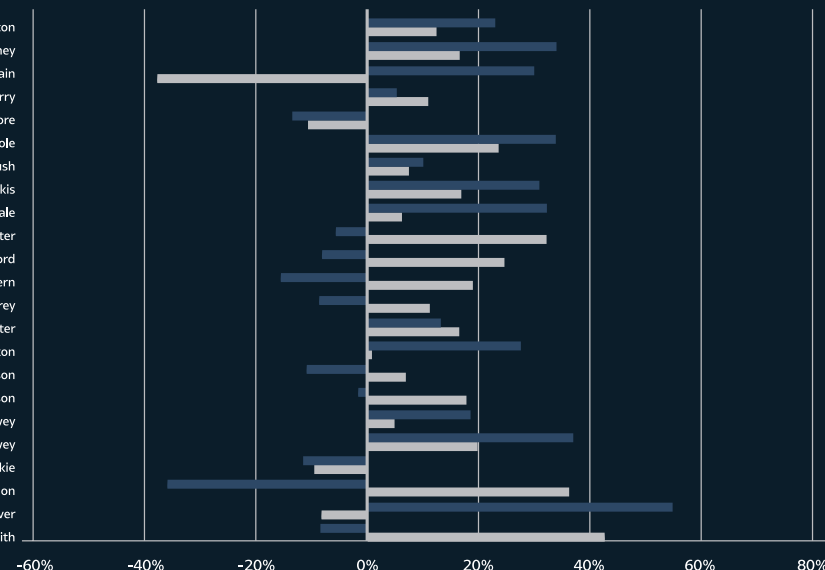




**S&P 500 Index:  
1928-2017  
Returns During &  
After Election Years**

2016: Trump vs. Clinton  
2012: Obama vs. Romney  
2008: Obama vs. McCain  
2004: Bush vs. Kerry  
2000: Bush vs. Gore  
1996: Clinton vs. Dole  
1992: Clinton vs. Bush  
1988: Bush vs. Dukakis  
1984: Reagan vs. Mondale  
1980: Reagan vs. Carter  
1976: Carter vs. Ford  
1972: Nixon vs. McGovern  
1968: Nixon vs. Humphrey  
1964: Johnson vs. Goldwater  
1960: Kennedy vs. Nixon  
1956: Eisenhower vs. Stevenson  
1952: Eisenhower vs. Stevenson  
1948: Truman vs. Dewey  
1944: Roosevelt vs. Dewey  
1940: Roosevelt vs. Willkie  
1936: Roosevelt vs. Landon  
1932: Roosevelt vs. Hoover  
1928: Hoover vs. Smith

■ Average Return Year Subsequent to Election = 9.9%  
■ Average Return During Election Year = 11.3%



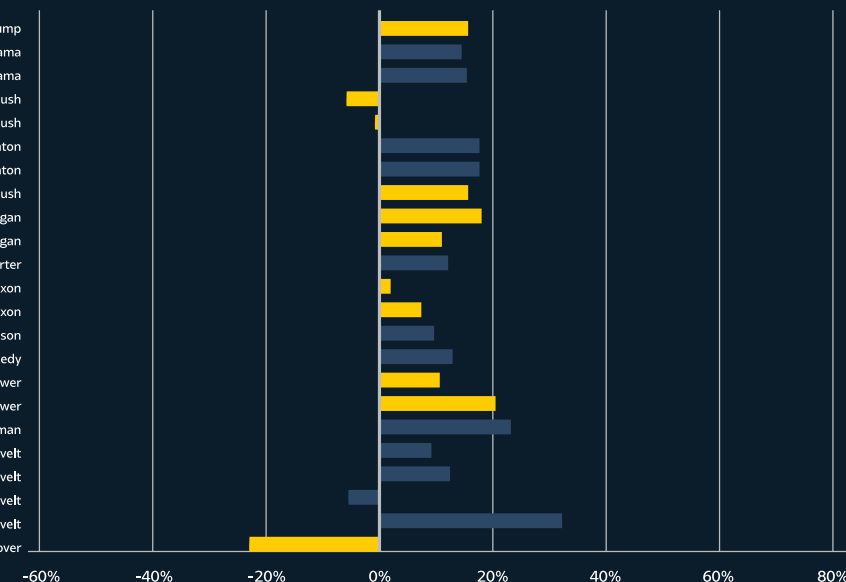
Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Actual returns may be lower. Source: S&P data © 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.



**S&P 500 Index:  
1929-2019  
Annualized  
Returns During  
Presidential Terms**

2017-2019: Trump  
2013-2016: Obama  
2009-2012: Obama  
2005-2008: Bush  
2001-2004: Bush  
1997-2000: Clinton  
1993-1996: Clinton  
1989-1992: Bush  
1985-1988: Reagan  
1981-1984: Reagan  
1977-1980: Carter  
1973-1976: Nixon  
1969-1972: Nixon  
1965-1968: Johnson  
1961-1964: Kennedy  
1957-1960: Eisenhower  
1953-1956: Eisenhower  
1949-1952: Truman  
1945-1948: Roosevelt  
1941-1944: Roosevelt  
1937-1940: Roosevelt  
1933-1936: Roosevelt  
1929-1932: Hoover

Average Return for Presidential Terms = 10.3%

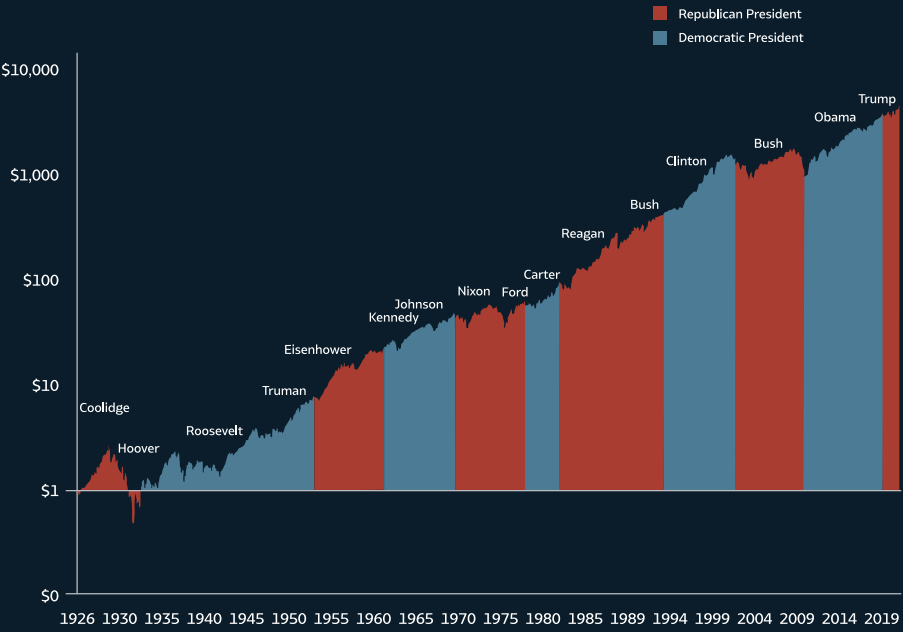


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ELECTIONS & THE MARKET



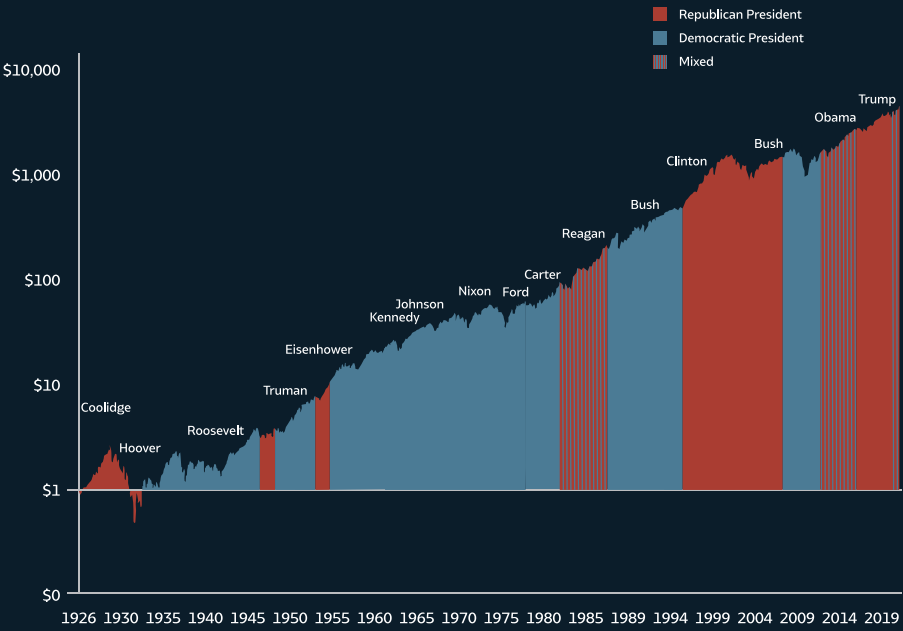
Growth of a Dollar  
Invested in the  
S&P 500:  
Jan 1926-Dec 2019  
**Markets Have  
Rewarded Long-Term  
Investors Under a  
Variety of Presidents**



Past performance is not a guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.  
Source: S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.



Jan 1926-Dec 2019  
**Hypothetical Growth of  
\$1 Invested in the S&P 500  
Index and Party Control  
of Congress**



Past performance is not a guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.  
Source: S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.





## Student of the Market

**1** Stocks have continued higher regardless of presidential party

As elections come up, we tend to get concerned about which party might be better for the market. Historically, the market has continued to rise, regardless of which party is in the White House. Since 1926, \$1,000 invested in the S&P 500 would have grown to \$8.96m as of 6/30/20, with a number of regime changes along the way.

**2** U.S. Stocks across the election cycle

Stocks have historically performed above average in presidential election years. However, they've also tended to post their strongest performance in years where there is no presidential or mid term election.

**3** Investors build cash in election years (especially this year)

During presidential election years, there are usually greater inflows into money market funds than in years with no presidential election. This election year has seen historically large flows, due to the combined effect of the election and coronavirus pandemic.

**4** Divided governments and the U.S. stock market

Stock markets tend to post stronger performance when the White House and Congress are controlled by the same party, on average. We have seen this happen roughly half of all presidential terms throughout history.

**5** Stocks across a presidential term

Over a president's term, the third year is often the highest performing year for the stock market. If a president is lucky enough to be elected to a second term, stock returns tend to reflect those of the first term (roughly 12% on average for each term).

**6** New vs. incumbent presidents

On average, stocks have historically performed better in election years where an incumbent president wins reelection (13.4%) than when a new president is elected (9.3%).

**7** Asset class performance in presidential election years

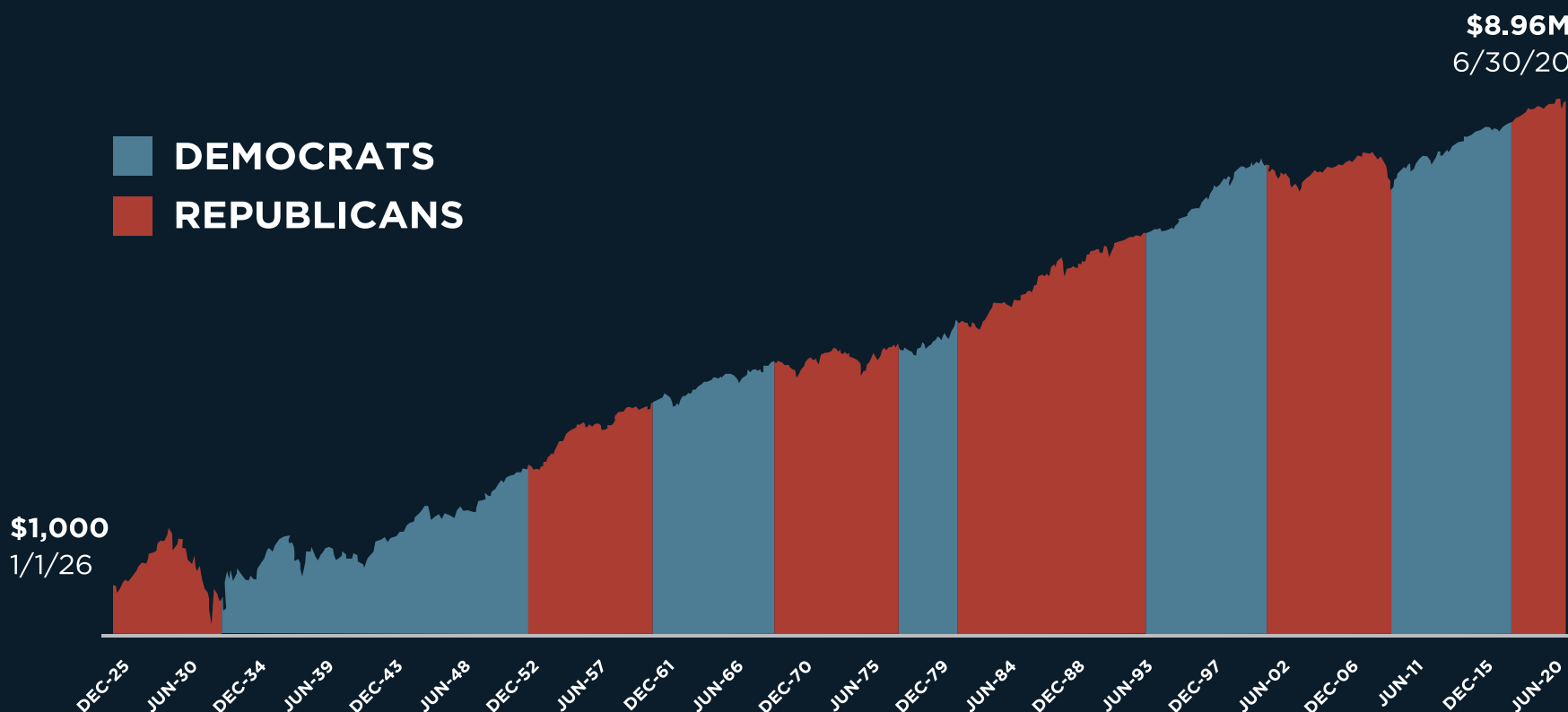
This year, we're seeing asset classes performing much differently than their historical average in election years.

**8** Market seasonality in election years

On average, the period known as "Mommies to Mummies" (May 1 to October 31) have historically performed worse than the period known as "Turkey to Tax" (November 1 to April 30). In election years, however, "Mommies to Mummies" tends to perform better than average, and "Turkey to Tax" tends to perform worse.

1

## Stocks have continued higher regardless of presidential party

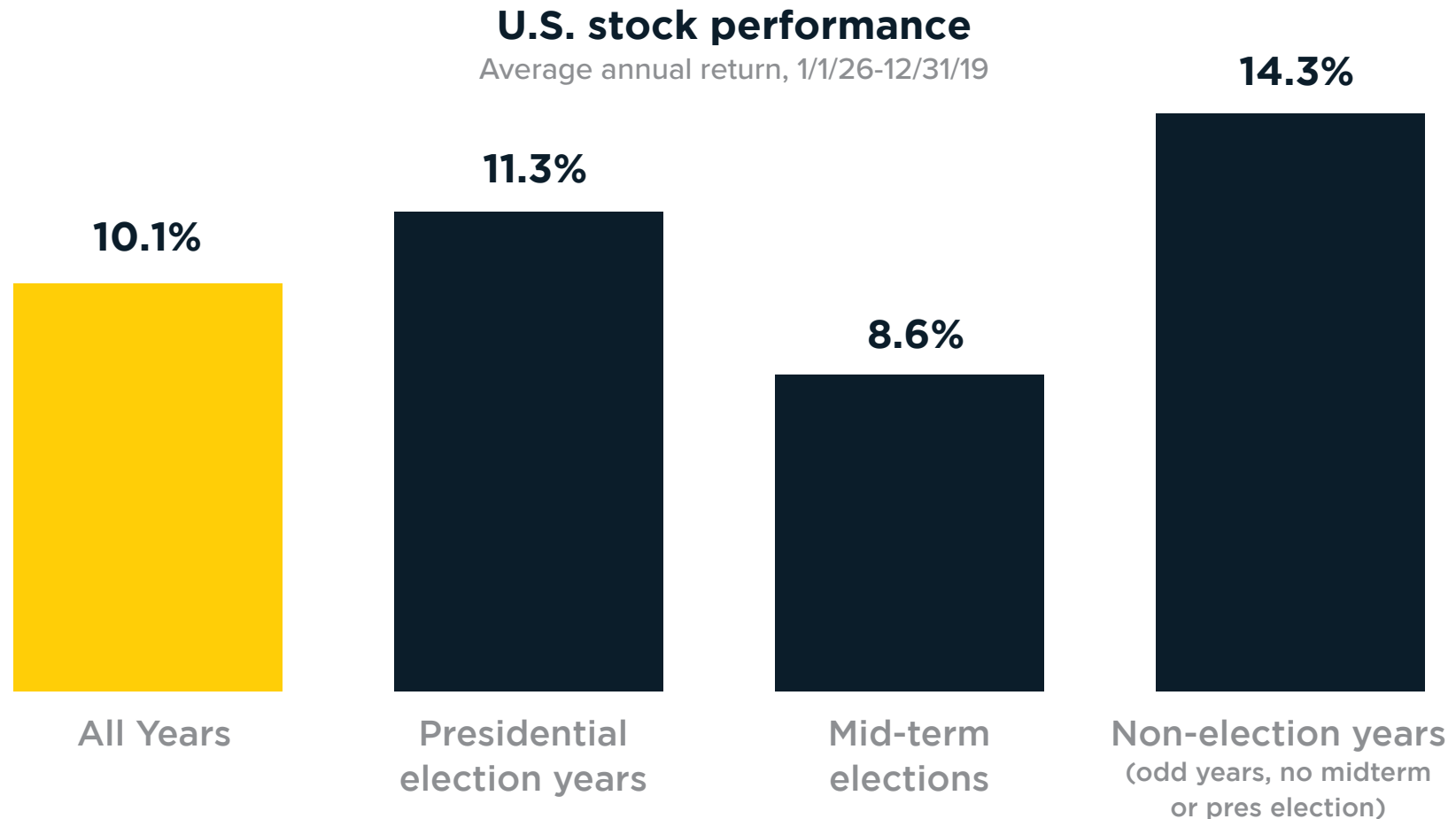


Morningstar as of 6/30/20. Stock market represented by the S&P 500 Index from 1/1/70 to 6/30/20 and IA SBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.



## 2

## U.S. stocks across the election cycle



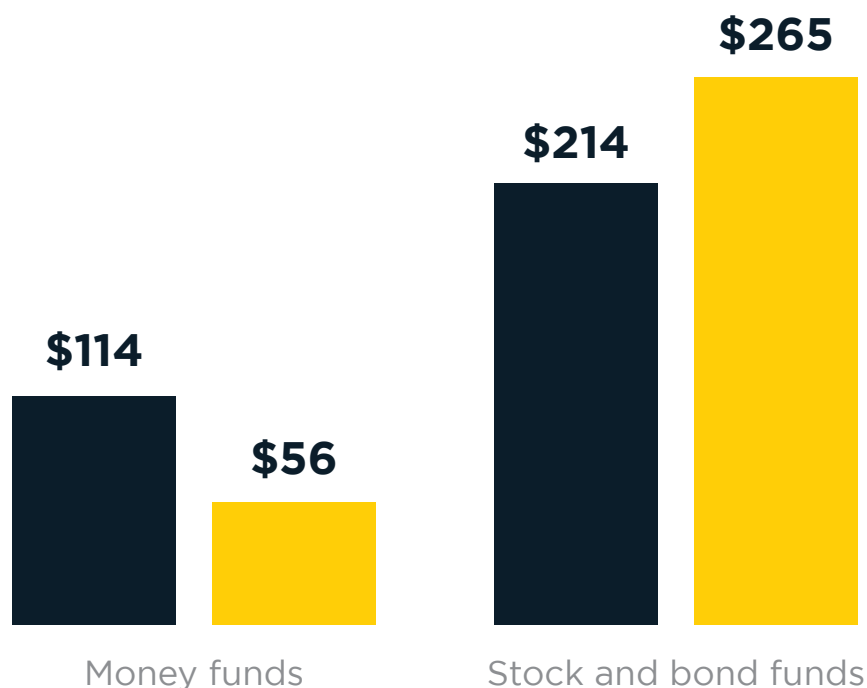
Morningstar as of 6/30/20. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/19 and IA SBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

3

## Investors build up cash in election years (especially this year)

### Fund flows and presidential election years

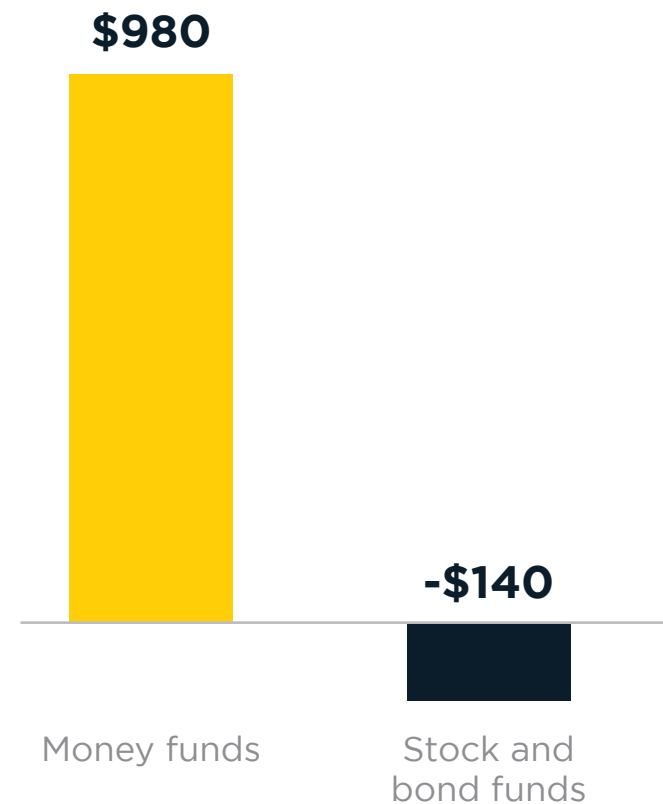
In billions USD, 2/1/93 - 6/30/20



■ Presidential election years  
■ Non-Pres election years

### 2020 flows

In billions USD, 1/1/20 - 6/30/20



Morningstar as of 6/30/20. Money funds, stock funds, and bonds funds are represented by their respective U.S. fund categories as defined by Morningstar. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

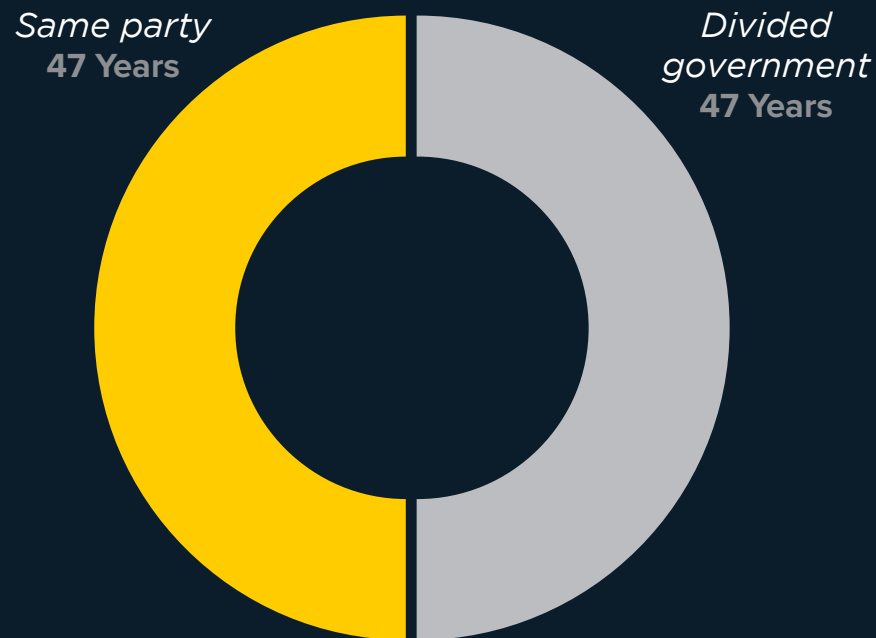


## 4

## Divided governments and the U.S. stock market

### Calendar years of divided government

1/1/26-12/31/19



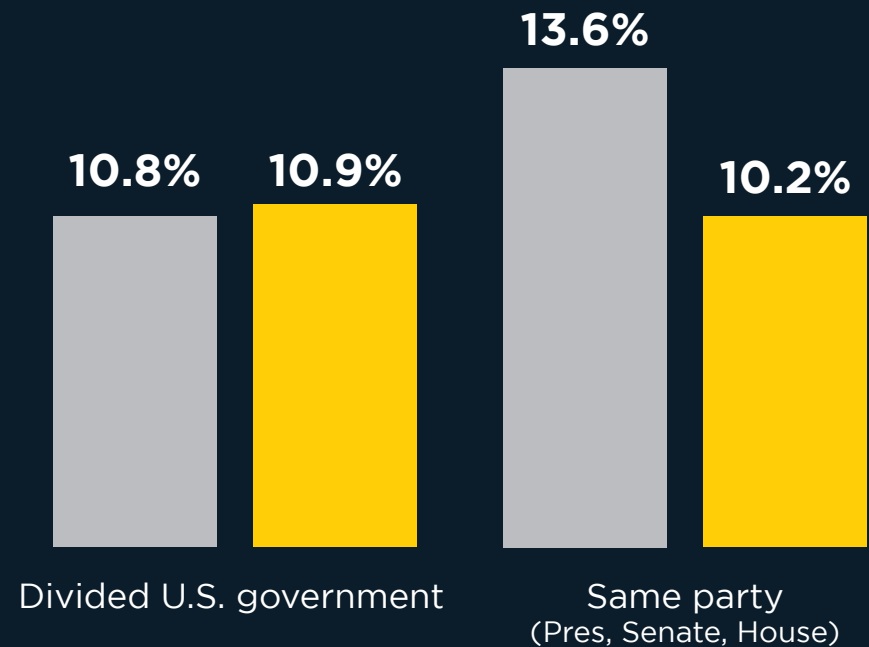
■ Divided government

■ Same party

### Next 1 and 3 years for U.S. stocks

Rolling annual average, 1/1/26-6/30/20

■ 1 Year ■ 3 Years



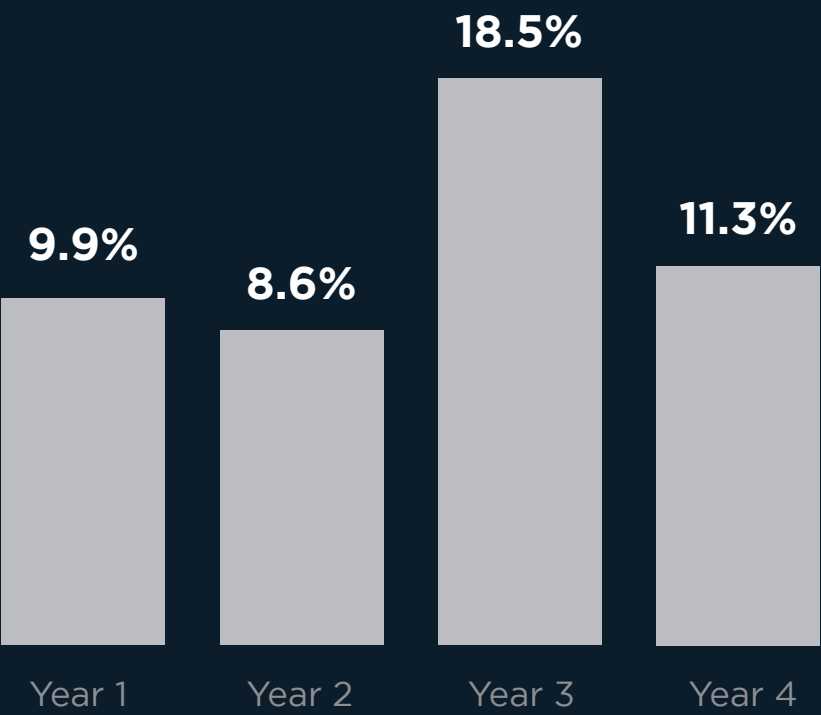
Morningstar as of 6/30/20. Stock market represented by the S&P 500 Index from 1/1/70 to 6/30/20 and IA SBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.



**Stocks across a presidential term**

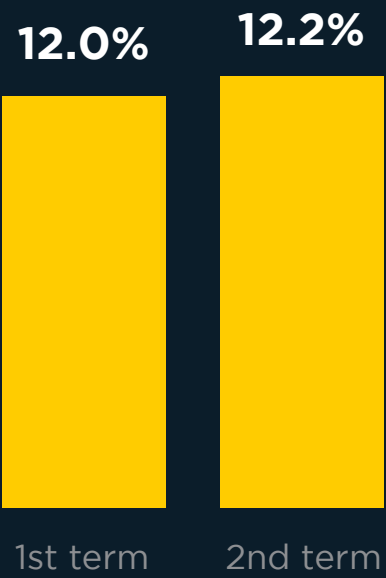
**Years of a presidential term and U.S. stock performance**

1/1/26-12/31/19



**Presidential term and U.S. stock performance**

1/1/26-6/30/20



Morningstar as of 6/30/20. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/19 and IA SBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

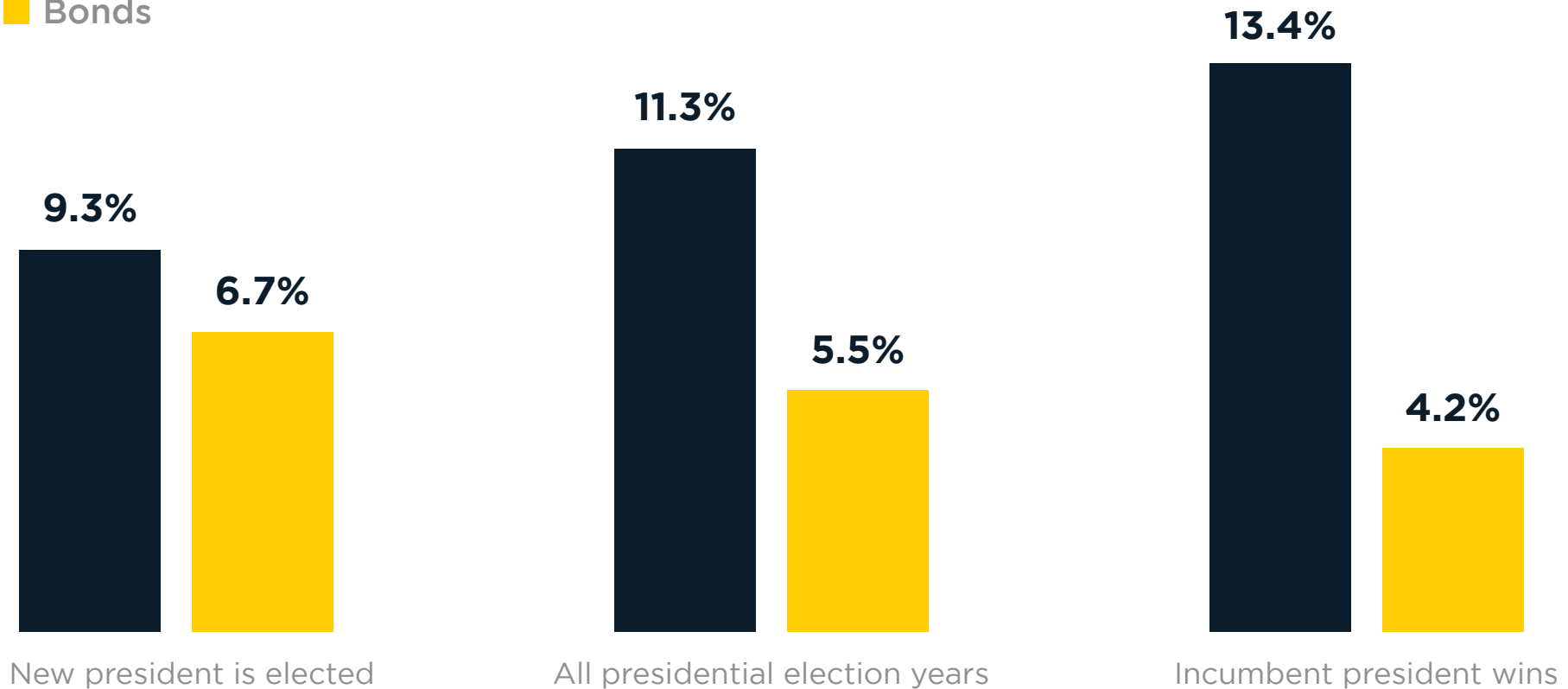
6

## New vs. incumbent presidents

Calendar year performance during  
presidential election years (1/1/28-12/31/16)

■ Stocks

■ Bonds



Morningstar as of 6/30/20. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/16 and IA SBBI U.S. large cap stocks index from 1/1/28 to 1/1/70.  
US Bonds represented by the BbgBarc US Aggregate Bond Index from 1/1/76 to 12/31/16 and the IA SBBI US IT Bond Index from 1/1/28 to 1/1/76.  
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7

## Asset class performance in presidential election years

■ Presidential election years

■ Non-Pres election years

### Average election year performance by asset class

(1/1/80-6/30/20)

Asset Class	Calendar year performance since 1980				YTD 6/30/2020
	Election year average	One year after election	Republican president	Democratic president	
Technology	2.2	17.4	8.5	27.0	14.7
Diversified Emerging Mkts	-3.0	28.9	11.5	10.5	9.8
Large Growth	4.7	17.2	8.9	17.5	7.8
Health	8.2	23.7	12.8	20.1	5.8
Intermediate Core Bond	5.1	8.3	8.2	5.5	5.7
Short-Term Bond	4.7	6.8	7.0	4.3	1.7
Muni	3.2	5.7	6.6	3.9	1.2
Multisector Bond	7.4	8.9	7.3	8.1	-2.0
High Yield Bond	5.9	12.3	8.4	9.2	-5.2
Foreign Large Blend	2.2	17.5	9.6	10.6	-10.9
Mid Cap	10.0	19.2	10.1	16.8	-12.6
Large Value	9.4	16.7	9.3	14.7	-15.2
Real Estate	12.4	14.0	8.5	14.1	-16.2
Small Cap	11.5	18.9	10.1	16.4	-16.9
Financial	16.5	21.7	11.5	17.5	-23.3
Equity Energy	13.3	20.8	6.2	13.3	-37.8

Morningstar as of 6/30/20. All asset classes represented by their respective Morningstar category.

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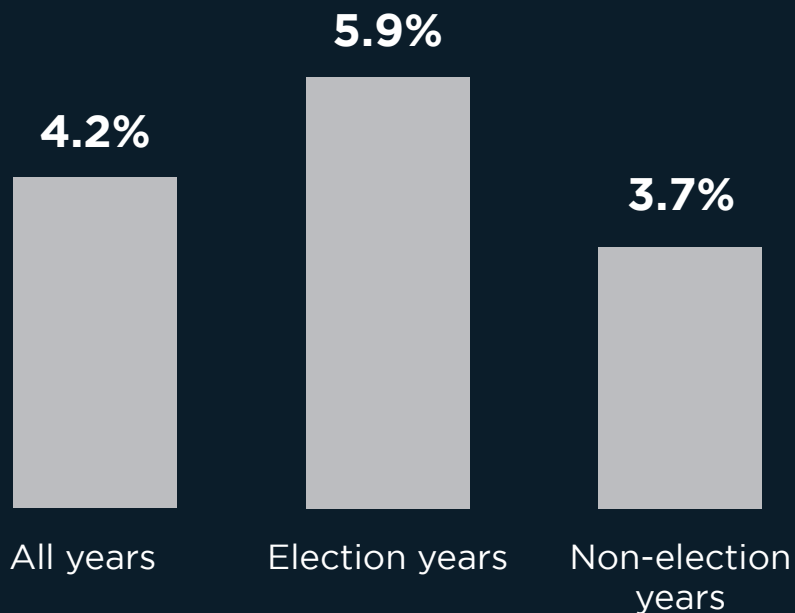
## 8

## Market seasonality in election years

Election years have historically caused disruptions to market seasonality

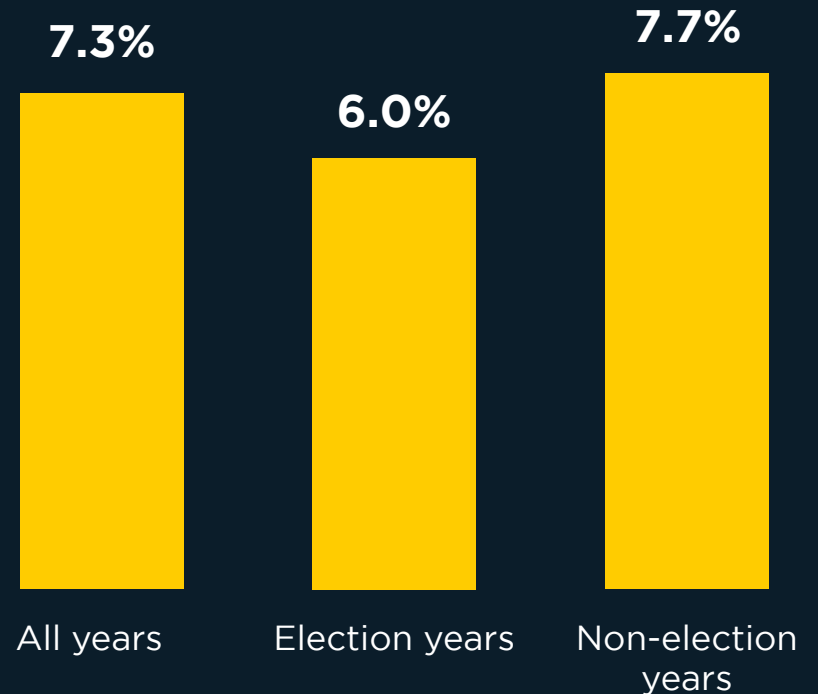
### “Mommies to mummies” (May 1 to Oct 31)

Six months prior to the election (1/1/26-12/31/19)



### “Turkey to tax” (Nov 1 to Apr 30)

Six months after the election (1/1/26-4/30/20)



Morningstar as of 6/30/20. Stock market represented by the S&P 500 Index from 1/1/70 to 4/30/20 and IA SBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.



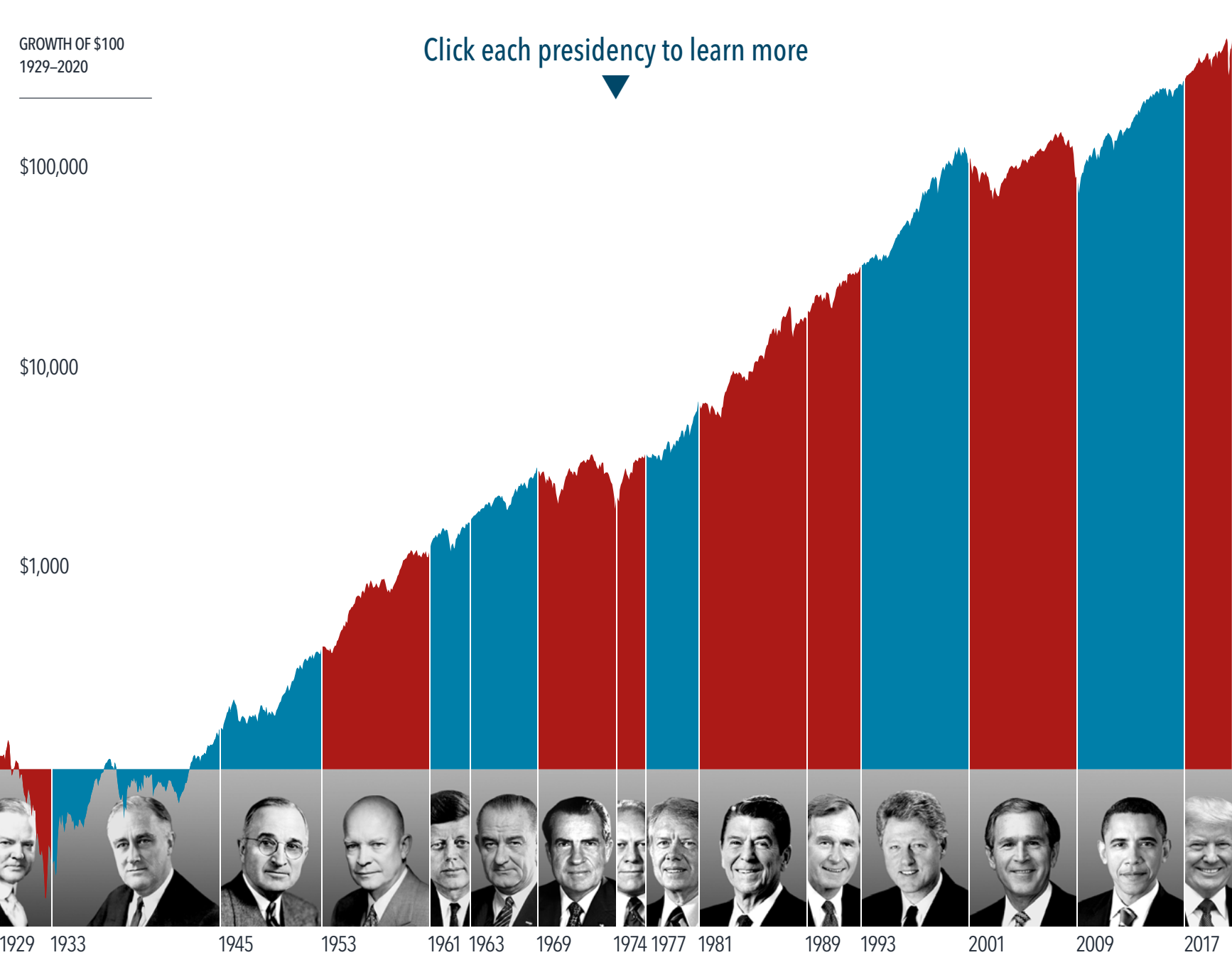
# How Much Impact Does the President Have on Stocks?

The anticipation building up to elections often brings with it questions about how financial markets will respond. But the outcome of an election is only one of many inputs to the market. Our interactive exhibit examines market and economic data for nearly 100 years of US presidential terms and shows a consistent upward march for US equities regardless of the administration in place. This is an important lesson on the benefits of a long-term investment approach.



GROWTH OF \$100  
1929-2020

Click each presidency to learn more





# Herbert Hoover

1929-1933

REPUBLICAN

Terms

1

Senate Control

REPUBLICAN

House of Rep. Control

MIXED

Maximum Unemployment

25.4%

Annualized Inflation

-7.0%

Deficit/Surplus as % of GDP

-3.7%

Average GDP Growth

-9.3%

Growth of Wealth for Fama/French  
Total US Market Research Index

Election Day  
11/06/28

\$100

1929 Inauguration Day

Recession

Election Day  
11/08/32

\$36

1929

1930

1931

1932

Past performance is no guarantee of future results.



1929

1933

1945

1953

1961

1963

1969

1974

1977

1981

1989

1993

2001

2009

2017



# Franklin D. Roosevelt

1933-1945



DEMOCRAT

Terms

3+

Senate Control

DEMOCRATIC

House of Rep. Control

DEMOCRATIC

Maximum Unemployment

25.6%

Annualized Inflation

2.9%

Deficit/Surplus as % of GDP

-91.3%

Average GDP Growth

9.3%

Growth of Wealth for Fama/French  
Total US Market Research Index

■ Recession

Election Day  
11/08/32

\$100

1933 Inauguration Day

\$416

Term Ends  
04/12/45  
(Death)

1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945

Past performance is no guarantee of future results.



1929 1933 1945 1953 1961 1963 1969 1974 1977 1981 1989 1993 2001 2009 2017





# Harry S. Truman

1945-1953



DEMOCRAT

Terms

1+

Senate Control



House of Rep. Control



Maximum Unemployment

7.9%

Annualized Inflation

5.4%

Deficit/Surplus as % of GDP

-21.4%

Average GDP Growth

1.3%

Growth of Wealth for Fama/French  
Total US Market Research Index

Inauguration Day  
04/12/45

Election Day  
11/04/52

\$100

\$252

Recession

1946

1947

1948

1949

1950

1951

1952

Past performance is no guarantee of future results. Annual real GDP growth and federal budget are calculated from 1945 to 1952.



1929 1933

1945

1953

1961

1963

1969

1974

1977

1981

1989

1993

2001

2009

2017



# Dwight D. Eisenhower

1953-1961

REPUBLICAN

Terms

2

Senate Control



House of Rep. Control



Maximum Unemployment

7.5%

Annualized Inflation

1.4%

Deficit/Surplus as % of GDP

-4.1%

Average GDP Growth

3.0%

Growth of Wealth for Fama/French  
Total US Market Research Index

Election Day  
11/04/52

\$100

1953 Inauguration Day

Recession

Election Day  
11/08/60

\$312

Past performance is no guarantee of future results.



1929 1933 1945 1953 1961 1963 1969 1974 1977 1981 1989 1993 2001 2009 2017



# John F. Kennedy

1961-1963



DEMOCRAT

Terms

<1

Senate Control

DEMOCRATIC

House of Rep. Control

DEMOCRATIC

Maximum Unemployment

7.1%

Annualized Inflation

1.2%

Deficit/Surplus as % of GDP

-2.5%

Average GDP Growth

4.4%

Growth of Wealth for Fama/French  
Total US Market Research Index

Election Day  
11/08/60

\$100

1961 Inauguration Day

\$141

Term Ends  
11/22/63  
(Death)

Recession

1961

1962

1963

Past performance is no guarantee of future results. Annual real GDP growth and federal budget are calculated from 1961 to 1963.



1929

1933

1945

1953

1961

1963

1969

1974

1977

1981

1989

1993

2001

2009

2017





# Lyndon B. Johnson

1963-1969



DEMOCRAT

Terms

1+

Senate  
Control

DEMOCRATIC

House of Rep.  
Control

DEMOCRATIC

Maximum  
Unemployment

5.7%

Annualized  
Inflation

2.8%

Deficit/Surplus  
as % of GDP

-5.2%

Average GDP  
Growth

5.3%

Growth of Wealth for Fama/French  
Total US Market Research Index

Election Day  
11/05/68

Inauguration  
Day  
11/22/63

\$100

\$181

1964

1965

1966

1967

1968

Past performance is no guarantee of future results. Annual real GDP growth and federal budget are calculated from 1964 to 1968.



1929

1933

1945

1953

1961

1963

1969

1974

1977

1981

1989

1993

2001

2009

2017



# Richard M. Nixon

1969-1974



REPUBLICAN

Terms

1+

Senate Control

DEMOCRATIC

House of Rep. Control

DEMOCRATIC

Maximum Unemployment

6.1%

Annualized Inflation

6.0%

Deficit/Surplus as % of GDP

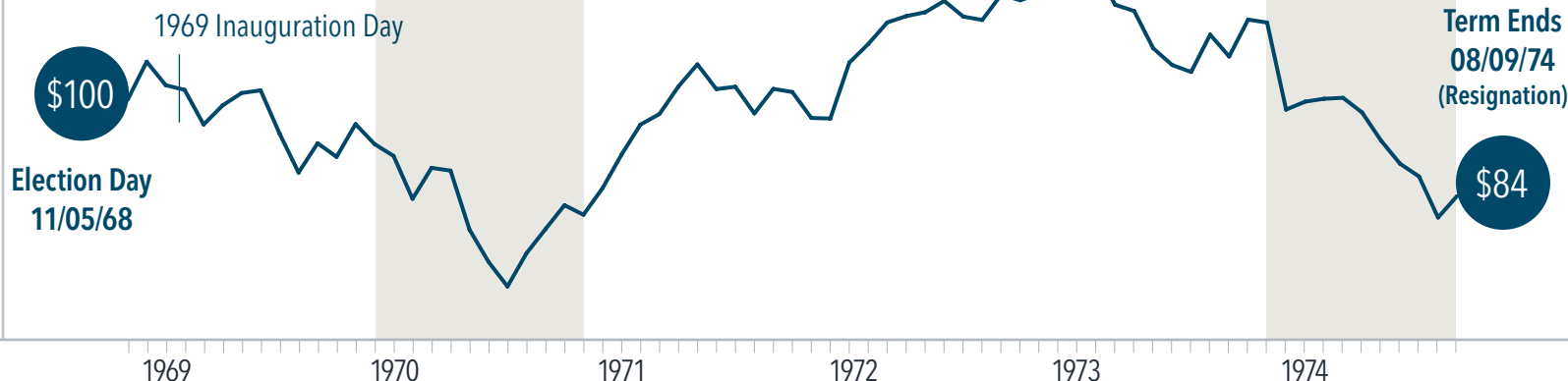
-5.2%

Average GDP Growth

2.8%

Growth of Wealth for Fama/French  
Total US Market Research Index

■ Recession



Past performance is no guarantee of future results. Annual real GDP growth and federal budget are calculated from 1969 to 1974.



1929 1933 1945 1953 1961 1963 1969 1974 1977 1981 1989 1993 2001 2009 2017



# Gerald R. Ford

1974-1977



REPUBLICAN

Terms

<1

Senate Control

DEMOCRATIC

House of Rep. Control

DEMOCRATIC

Maximum Unemployment

9.0%

Annualized Inflation

6.5%

Deficit/Surplus as % of GDP

-7.1%

Average GDP Growth

2.6%

Growth of Wealth for Fama/French Total US Market Research Index

Inauguration Day  
08/09/74

Election Day  
11/02/76

\$100

\$141

Recession

1975

1976

Past performance is no guarantee of future results.



1929

1933

1945

1953

1961

1963

1969

1974

1977

1981

1989

1993

2001

2009

2017





# James Carter

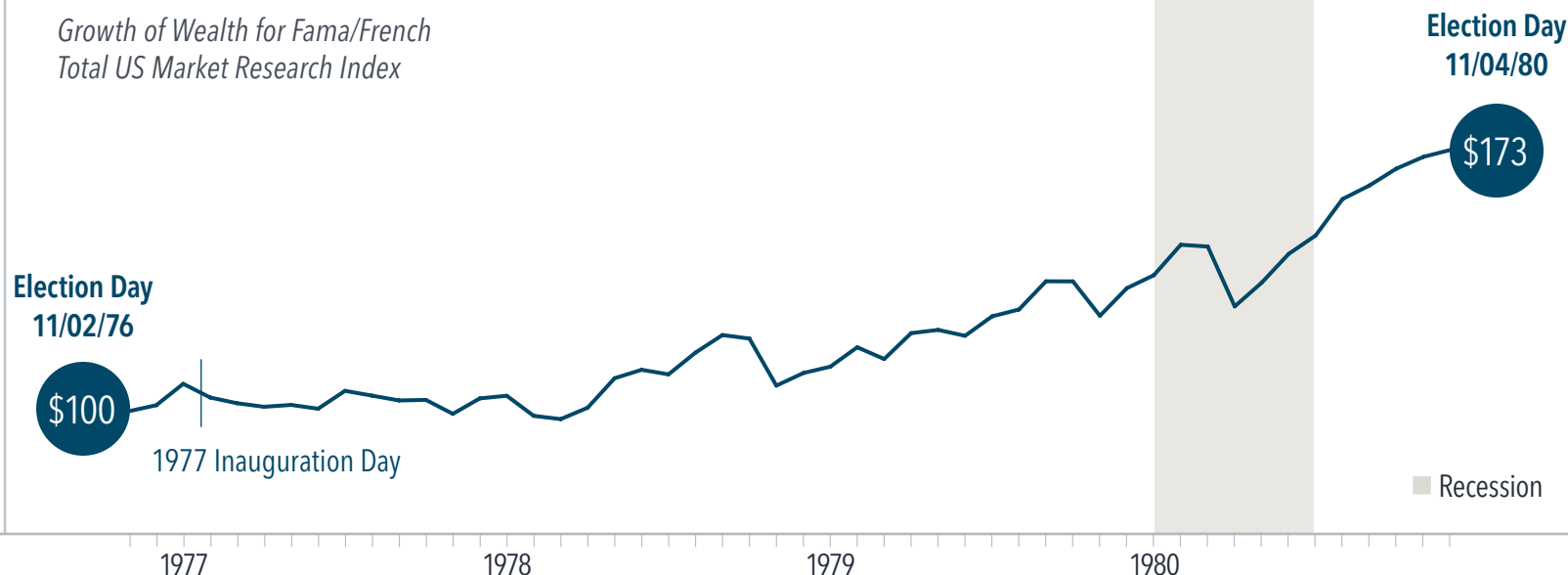
1977-1981



Terms	Senate Control	House of Rep. Control	Maximum Unemployment	Annualized Inflation	Deficit/Surplus as % of GDP	Average GDP Growth
1	DEMOCRATIC	DEMOCRATIC	7.8%	10.2%	-0.2%	3.3%

DEMOCRAT

Growth of Wealth for Fama/French  
Total US Market Research Index



Past performance is no guarantee of future results.



1929 1933 1945 1953 1961 1963 1969 1974 1977 1981 1989 1993 2001 2009 2017



# Ronald Reagan

1981-1989

REPUBLICAN

Terms

2

Senate Control



House of Rep. Control



Maximum Unemployment

10.8%

Annualized Inflation

4.2%

Deficit/Surplus as % of GDP

-32.4%

Average GDP Growth

3.5%

Growth of Wealth for Fama/French  
Total US Market Research Index

Election Day  
11/04/80

\$100

1981 Inauguration Day

Election Day  
11/08/88

\$285

Recession

Past performance is no guarantee of future results.



1929 1933 1945 1953 1961 1963 1969 1974 1977 1981 1989 1993 2001 2009 2017



# George H. W. Bush

1989-1993



REPUBLICAN

Terms

1

Senate Control

DEMOCRATIC

House of Rep. Control

DEMOCRATIC

Maximum Unemployment

7.8%

Annualized Inflation

4.0%

Deficit/Surplus as % of GDP

-15.2%

Average GDP Growth

2.3%

Growth of Wealth for Fama/French  
Total US Market Research Index

Election Day  
11/08/88

\$100

1989 Inauguration Day

Election Day  
11/03/92

\$173

Recession

Past performance is no guarantee of future results.



1929 1933 1945 1953 1961 1963 1969 1974 1977 1981 1989 1993 2001 2009 2017





# William J. Clinton

1993-2001



DEMOCRAT

Terms

2

Senate  
Control



House of Rep.  
Control



Maximum  
Unemployment

7.3%

Annualized  
Inflation

2.5%

Deficit/Surplus  
as % of GDP

-5.9%

Average GDP  
Growth

3.9%

Growth of Wealth for Fama/French  
Total US Market Research Index

Election Day  
11/03/92

\$100

1993 Inauguration Day

Election Day  
11/07/00

\$386

1993

1994

1995

1996

1997

1998

1999

2000

Past performance is no guarantee of future results.



1929 1933

1945

1953

1961

1963

1969

1974

1977

1981

1989

1993

2001

2009

2017



# George W. Bush

2001-2009



REPUBLICAN

Terms

2

Senate Control



House of Rep. Control



Maximum Unemployment

7.8%

Annualized Inflation

2.3%

Deficit/Surplus as % of GDP

-15.4%

Average GDP Growth

2.2%

Growth of Wealth for Fama/French  
Total US Market Research Index

Recession

Election Day  
11/07/00

\$100

2001 Inauguration Day

\$82

Election Day  
11/04/08

2001

2002

2003

2004

2005

2006

2007

2008

Past performance is no guarantee of future results.



1929 1933

1945

1953

1961

1963

1969

1974

1977

1981

1989

1993

2001

2009

2017



# Barack Obama

2009-2017



DEMOCRAT

Terms

2

Senate Control



House of Rep. Control



Maximum Unemployment

10.0%

Annualized Inflation

1.7%

Deficit/Surplus as % of GDP

-45.8%

Average GDP Growth

1.6%

Growth of Wealth for Fama/French  
Total US Market Research Index

Election Day  
11/04/08

\$100

2009 Inauguration Day

Election Day  
11/08/16

\$266

Recession

Past performance is no guarantee of future results.



1929 1933 1945 1953 1961 1963 1969 1974 1977 1981 1989 1993 2001 2009 2017



# Donald J. Trump

2017-Present



REPUBLICAN

Terms

Sitting

Senate Control

REPUBLICAN

House of Rep. Control

MIXED

Maximum Unemployment

14.7%

Annualized Inflation

1.7%

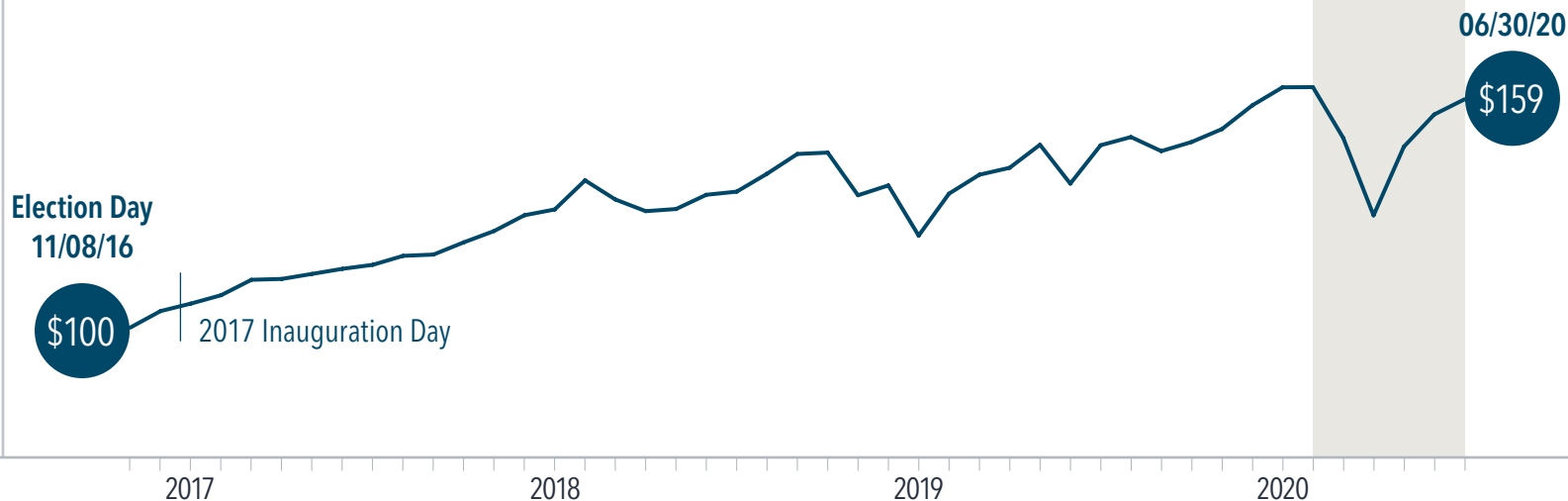
Deficit/Surplus as % of GDP

-11.8%

Average GDP Growth

-2.5%

Growth of Wealth for Fama/French  
Total US Market Research Index



Past performance is no guarantee of future results. Annual real GDP growth and federal budget are calculated from 2017 to 2019.



1929 1933 1945 1953 1961 1963 1969 1974 1977 1981 1989 1993 2001 2009 2017



## NOTES AND DATA SOURCES

- This material is in relation to the US market and contains analysis specific to the US.
- In US dollars. Stock returns represented by Fama/French Total US Market Research Index, provided by Ken French and available at [http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data\\_library.html](http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html). This value-weighted US market index is constructed every month, using all issues listed on the NYSE, AMEX, or Nasdaq with available outstanding shares and valid prices for that month and the month before. Exclusions: American depositary receipts. Sources: CRSP for value-weighted US market return. Rebalancing: Monthly. Dividends: Reinvested in the paying company until the portfolio is rebalanced.
- Growth of wealth shows the growth of a hypothetical investment of \$100 in the securities in the Fama/French US Total Market Research Index. Growth of wealth for the full sample from March 4, 1929, through June 30, 2020. Growth of wealth for each presidential term starts on the election day of each president up to but not including the election day of a successor. For presidents who are not initially elected, the growth of wealth period starts from the day of inauguration up to but not including the successor's election day.
- Federal surplus or deficit as a percentage of gross domestic product, inflation, and unemployment data from Federal Reserve Bank of St. Louis (FRED). GDP Growth is annual real GDP Growth, using constant 2012 dollars, as provided by the US Bureau of Economic Analysis. Unemployment data not reported prior to April 1929. Federal surplus or deficit as a percentage of gross domestic product data is cumulative.
- US Government Presidential and Congressional data obtained from the History, Art & Archives of the United States House of Representatives. US Senate data is from the Art & History records of the United States Senate.
- For Herbert Hoover, the federal budget is calculated from 1929 to 1932. Annual real GDP growth is calculated from 1930 to 1932; GDP data not available prior to 1930.



# Elections matter, but not so much to your investments

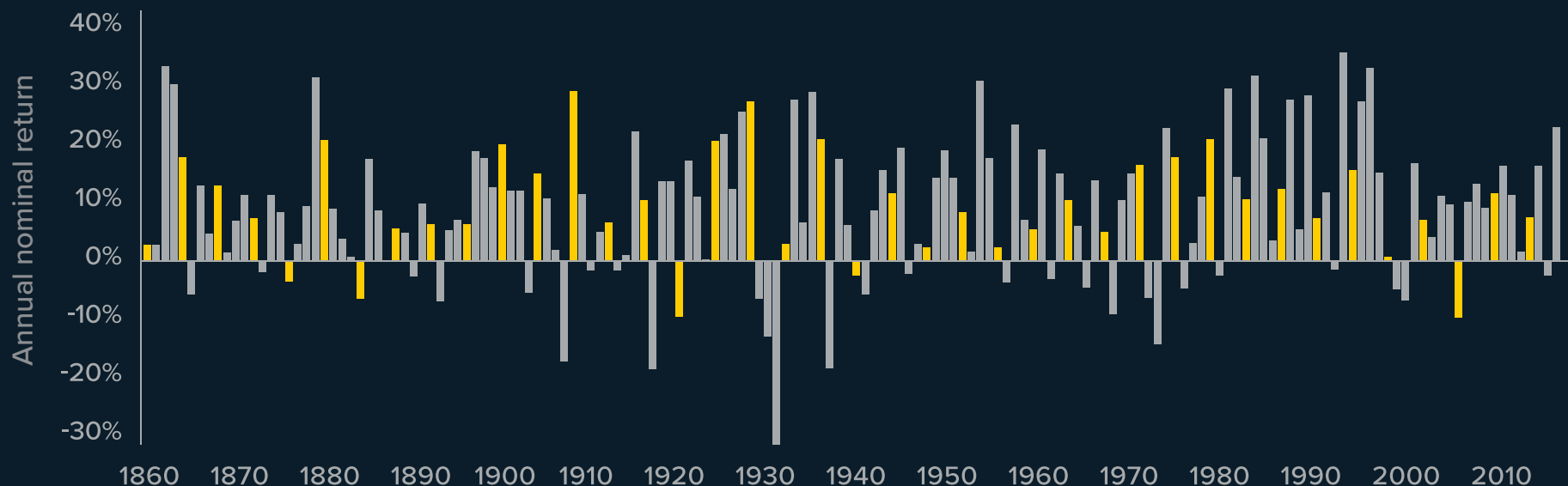
Election years can be fraught with uncertainty as developments surrounding the candidates, their platforms, and their predicted effects on the economy and markets dominate the news. But should you let this stream of political information influence how you and I manage your investment portfolio?

A lengthy history of empirical research suggests not.

Elections matter, just not in all the ways you might think to an investor. Of course, they hold great importance in upholding the U.S. tradition of democratic, representative government. However, their impact on market returns has historically proven to be negligible, as shown in the chart on the following page.

## Comparing election years versus nonelection years:

60% stock//40% bond portfolio returns show no significant statistical difference



**8.9%**

Average return during  
election years (40 periods)

**8.1%**

Average return during  
nonelection years (120 periods)

Given the horse-race nature of political campaigns, you may think that in the months closest to an election, there is a noticeable uptick in volatility. Think again. In actuality, the opposite has been true. From January 1, 1964, to December 31, 2019, the Standard & Poor's 500 Index's annualized volatility was 13.8% in the 100 days both before and after a presidential election, which was lower than the 15.7% annualized volatility for the full time period.



## **Volatility and the vote:** Markets tend to ignore elections

S&P 500 Index annualized volatility

Full time period: 15.7%



Source: Vanguard calculations of S&P 500 Index daily return volatility from January 1, 1964, through December 31, 2019, based on data from Thomson Reuters.

Note: Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

The bottom line: Elections are another one of those events that generate lots of headlines but that should not sway you from following the financial plan we created. It's understandable to have concerns about the election. But as far as your portfolio and the markets are concerned, history suggests it will be a nonissue.

Part of successful investing is understanding what you can control, and letting your emotions take a backseat to the financial plan we put in place. By maintaining perspective, discipline, and a long-term outlook, you can sustain progress toward your financial goals, despite the short-run uncertainty that events such as elections can create.



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**Shawn Ballinger, CFP®**

565 Metro Place South, Ste 300  
Dublin, Ohio 43017

(614) 662-4250

**[shawn@columbusstreetfin.com](mailto:shawn@columbusstreetfin.com)**