How do Politics Affect the Stock Market?

Does a specific political party in office or Congress play a factor in the average stock market return? Read further to find out more.

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Overview

We all know that the stock market is constantly changing because of many influencing outside factors. One factor not talked about enough, and is soon approaching in November, is the influence that politics has on the market. We can gain insight by looking throughout history and past elections, to understand the market fluctuations when a particular party occupies the office to help prepare for the future.

This insight provides the effects that politics have on the stock market, the stock performance based on political party, and the volatility of the stock market. If you or someone you know are looking for guidance, safeguarding, clarity and confidence with your hard-earned wealth with the next upcoming election approaching, The Quirini Wealth Group at Monere Investments, Inc. is eager to help you. Please call or email us to help with your individual/family goals and concerns today, at (312) 585-3850 or squirini@monereinvestments.com.

S&P 500 Index Performance vs. Political Party

When looking at the index performance of Standard and Poor's 500, from 1928-2020, compared to a political party that is in office, we can conclude the following:

- Since 1952, the S&P 500 has had an average gain of 7% during election years no matter who is in the presidency and 12.2% in years when a president is running to be re-elected according to *U.S. News & World Report*.
- Over the past 90 years, the S&P 500 Index has shown more positive results for return than negative results. Within the past 24 election years, 83% have resulted in a positive performance. In other words, 20 out of the 24 election years have brought in a positive stock market return. Of the four election years that have concluded in a negative S&P 500 return, 3 of those elections resulted in a Democratic President, but there have been major economic, financial, and market strains those years.
- This data highlights that elections have minimal long-term effects on the U.S. stock market performances, showing **resiliency** and the steady positive returns throughout the years.

Historical U.S. Presidential Election Results vs S&P 500 Index Total Return (1928-2020)

Election Year	President Elected	S&P 500 Index Total Return
2024	???	???
2020	Joe Biden	18.40%
2016	Donald Trump	12.00%
2012	Barack Obama	16.00%
2008	Barack Obama	-37.00%
2004	George W. Bush	10.90%
2000	George W. Bush	-9.10%
1996	Bill Clinton	23.10%
1992	Bill Clinton	7.70%
1988	George H. W. Bush	16.80%
1984	Ronald Reagan	6.30%
1980	Ronald Reagan	32.40%
1976	Jimmy Carter	23.80%
1972	Richard Nixon	19.00%
1968	Richard Nixon	11.10%
1964	Lyndon B. Johnson	16.50%
1960	John F. Kennedy	0.50%
1956	Dwight D. Einsenhower	6.60%
1952	Dwight D. Einsenhower	18.40%
1948	Harry S. Truman	5.50%
1944	Franklin D. Roosevelt	19.80%
1940	Franklin D. Roosevelt	-9.80%
1936	Franklin D. Roosevelt	33.90%
1932	Franklin D. Roosevelt	-8.20%
1928	Herbert Hoover	43.60%

Average Return while Democrat was Elected:	8.48%
Average Return while Republican was Elected:	15.27%

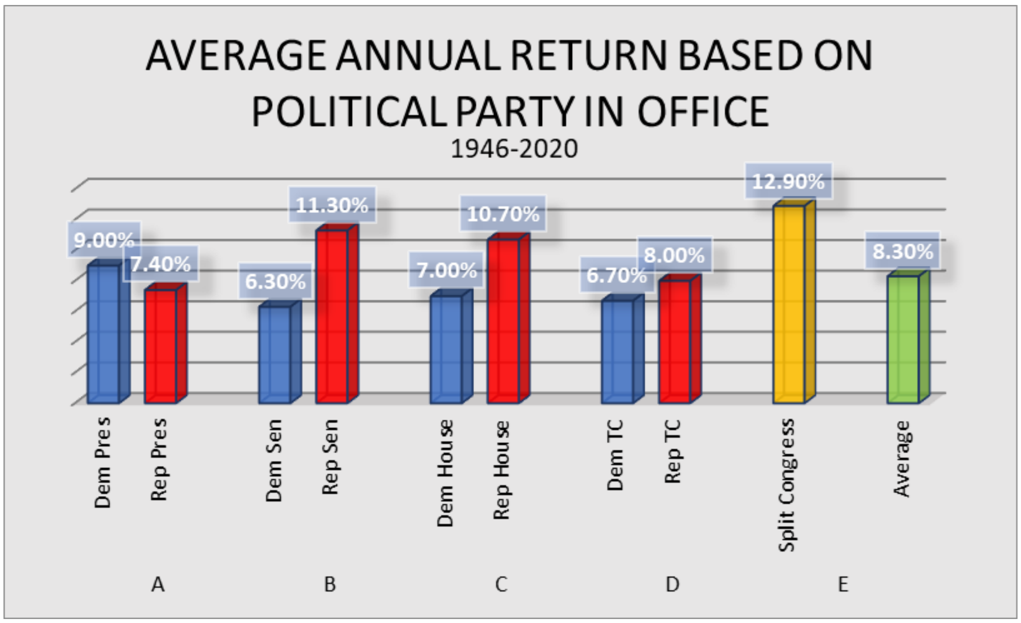
Effects on the Dow Jones Industrial Average Stock Market

Using the Dow Jones Industrial Average as our benchmark, a total return of 8.3% annualized over the last 75 years. The chart below is broken down into 5 sections to correlate the average stock market performance compared to political party in office.

- Section A: Democratic vs Republican President
- Section B: Democratic vs Republican Senate

- Section C: Democratic vs Republican House
- Section D: Democratic vs Republican Total Control
- Section E: Split Congress & Benchmark

This 2021 study resulted that no matter who was in office or Congress the market still performs well, so we cannot assume which political party brings in the highest return from the stock market with this information alone. Investors need to examine the other circumstances at play, such as wars, crises, inflation, taxes, corporate taxes, pro-innovation policies, and pandemics that have occurred during this period, to conclude how specific political parties respond to these dangers with regard to stock market return.



Volatility

Volatility is the fast price fluctuations that create uncertainty over a given period, usually to the downside. Volatility is not uncommon in capital markets, especially during election years. Historically, the volatility of the market during election years tends to be lower on average, except around the months before and just after election. While volatility is unsettling, it is normal, natural, and healthy for capital markets to function. If this is a concern or pain point for you, please talk to us about how to be comfortable with your family goals, holdings or shifting account values.

Conclusion

There is no strong evidence to suggest that one party brings in more returns than the other while they are in office. Instead, multiple outside factors influence the market more than a specific political party in the office over time. The most important consideration is time in the market rather than timing the market.

Major influences on the stock market movements include corporate earnings, human behavior, innovation, market supply and demand, money liquidity and outside influences such as wars and recessions. Many investors have great expectations that the stock market will continue to grow, but these examples could arise at any time, changing the directions of financial markets. While these are variables outside the investor's control, there are many things' investors **CAN** control such as diversified business models, dependability of earnings, durability of services/goods and our reaction to price movements.

Although these fluctuations in the market can be unsettling, that's why it is critical to establish a consistent and mutual relationship with your advisor so you can communicate concerns, values, and goals with them to create a long-term plan for these uncertain times. Here at Quirini Wealth Group, we will be with you every step of the way to protect, conserve, and grow your wealth together, no matter the uncertainty or conditions of the market or economy. To learn more, visit quiriniwealthgroup.com/insights or email us at squirini@monereinvestments.com.

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