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## Facts Over Fear: Decoding the Stock Market's Election Year Behavior

“How will the stock market be impacted by the upcoming 2024 presidential election?”

It's a common concern we're hearing from investors lately. So, we decided to do some research to get a historical perspective. Good News! In past election years, the S&P 500 Index has seen more positive performance than negative, and the stock market cares a lot less about elections than the news would have you believe.

If we take a step back and look at historical data, there have been 23 elections since the S&P 500 Index began. In these election years:

- **19 of 23 years (83%) provided positive performance**
- **When a Democrat was in office, and a new Democrat was elected, the total return for the year averaged 11.0 %**
- **When a Democrat was in office, and a Republican was elected, the total return for the year averaged 12.9 %**

It appears there isn't a strong correlation between political party and stock performance. A quick glance at the adjacent chart shows the stock market has proven to be "agnostic" when it comes to which party is voted into the Oval Office (Republican candidates are in red and Democratic candidates are in blue).\*

A bit of explanation around election politics, as opposed to policy, may be helpful. Policy DOES matter. However, tagging policy outcomes to candidates merely by party is problematic. Policy proposals from candidates of the same party may vary dramatically from one election to another. Reagan-era Republican policy was very different than current Republican policy. Clinton-era policy was very different policy proposals from earlier Democratic candidates.

Additionally, policy proposals do not translate directly to outcomes. Most policies require legislation, which is much more of a bi-partisan process. Of sizable importance to markets is Federal Reserve policy, which is independent of the White House and Congress.

While commentators operating in today's 24/7 news cycle may offer differing opinions, past elections indicate there is NO correlation in election years between stock market performance and which political party is elected into office. In the words once spoken by political strategist James Carville during the 1992 presidential election, as far as the stock market is concerned; "It's the economy, stupid."

### Historical U.S. Presidential Election Results

Election Year	President Elected	S&P 500 Index Total Returns
2020	Biden	18.4%
2016	Trump	12.0%
2012	Obama	16.0%
2008	Obama	-37.0%
2004	Bush W.	10.9%
2000	Bush W.	-9.1%
1996	Clinton	23.1%
1992	Clinton	7.7%
1988	Bush H.W.	16.8%
1984	Reagan	6.3%
1980	Reagan	32.4%

\*Source: Morning Star/Ibbotson Associates

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