

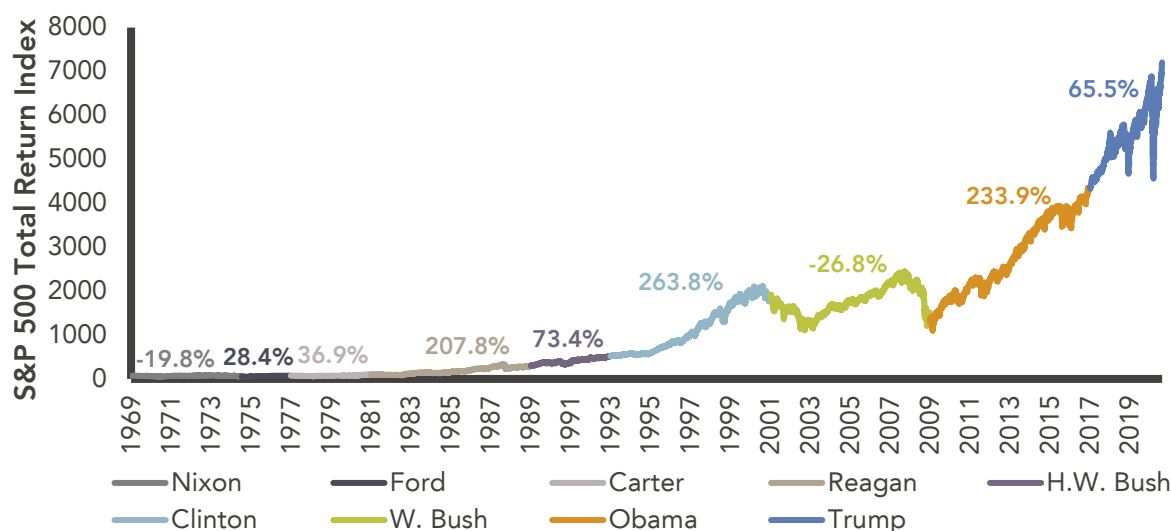
Chart of the Week

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Do Presidents Play a Role in Equity Performance?

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Over the last nine presidents, the S&P 500 has averaged a 10% annual return



Source: Bloomberg

With market volatility already heightened due to the COVID-19 pandemic, the U.S. presidential election this year poses another layer of uncertainty that investors may view as added risk to their portfolios. In particular, there is inevitable speculation about how the market will react upon which candidate or political party wins the election. This week's chart illustrates equity performance over the last nine presidents since 1969.

The question most asked is how the stock market will perform under Republican or Democratic leadership in the White House. Based on the data above,¹ the equity markets have averaged 14% annualized total returns when the president has been a Democrat, and 8% when a Republican has been president. However, we caution that equity markets are subject to many market forces and most importantly, the sample size from this data set is not large enough to support these trends in a statistically significant manner. The good news is that regardless of political party, the stock market has averaged 10% a year over the time period shown in the chart.

As we look towards the November election, it is critical to understand the platforms of each candidate and how they can broadly impact the economy and by extension, equity markets. Understanding each candidate's position on a variety of economic and social issues will inform the market's likely reaction to the election results and help formulate expectations for investors. In the coming weeks, we will release a paper that examines these very topics in greater depth to establish baseline expectations of each candidate's policies, market impact, and historical market performance of political party leadership in Washington across the White House, Senate, and House of Representatives. If nothing else, we know the election will be contentious and scrutinized, with market participants closely watching the ultimate result. ■

¹For measuring equity performance, a total return index was used to account for shares that pay dividends and represent more accurate performance by reinvesting dividends back into the index.

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