

# Election Years and Equity Market Performance

**A**s we look back on 2019, we will remember it as a year characterized by volatility surrounding the geopolitical headlines that have dominated the news cycle. Looking forward into 2020, we would expect more volatility surrounding these ongoing issues, but with a new wrinkle: A Presidential election in the United States. While investors may worry about the differences between the candidates in each party and how that may impact stock market returns, going back the past twenty elections, history suggests that returns during these years tend to be positive, regardless of which political party wins. As seen in the chart to the left, the annual return of the S&P 500 during election years as well as during the first year of a new presidential term tends to be positive.

On average, going back to 1940, the total return of the S&P 500 during an election year has been 9.5%. When Democrats have been elected, the average return is 6.5%, and when Republicans have been elected, the average return is 12.4%. While it may look easy to conclude that a Republican victory would be better for stock market returns, the opposite has been true for the first year of new terms; when Republicans have been elected, the average return is 3.86%, while the average return has been 17.8% when Democrats have been elected, and average returns regardless of political party have been 10.8%. While we do not have a crystal ball about what the next election will bring, we are encouraged by the fact that historically, equity market returns during times of such uncertainty have been positive.

Though there is some cause for concern that the election cycle may add to the already high level of uncertainty among market participants today, it is important to note that dating back to 1940, there have only been three election years where the S&P has been negative. As the election cycle and geopolitical issues linger, we remain neutral on our overall equity allocation, and we maintain a conservative positioning within fixed income and liquid alternatives that should allow us to both mitigate down markets and participate on the upside. ◀

Election Year	President Elected	S&P 500 Return During Election Year	S&P 500 Return During First Year of New Term
2016	Trump	12.0%	21.8%
2012	Obama	16.0%	32.4%
2008	Obama	-37.0%	26.5%
2004	Bush	10.9%	4.9%
2000	Bush	-9.1%	-11.9%
1996	Clinton	23.0%	33.4%
1992	Clinton	7.6%	10.1%
1988	Bush	16.6%	31.7%
1984	Reagan	6.2%	31.6%
1980	Reagan	32.4%	-4.9%
1976	Carter	23.8%	-7.2%
1972	Nixon	19.0%	-14.7%
1968	Nixon	11.0%	-8.4%
1964	Johnson	16.4%	12.5%
1960	Kennedy	0.5%	26.9%
1956	Eisenhower	6.5%	-10.7%
1952	Eisenhower	18.2%	-0.9%
1948	Truman	5.4%	18.6%
1944	Roosevelt	19.5%	36.3%
1940	Roosevelt	-9.8%	-11.6%

Ladenburg Thalmann Asset Management, Inc (LTAM) is a sub advisor within the Klaas Investment Portfolios (KIP) program of Klaas Financial Asset Advisors, LLC (Klaas). Although this market outlook has been prepared from public and private sources and data that LTAM and Klaas believes to be reliable, LTAM and Klaas makes no representation as to its accuracy or completeness. Any securities, indices, and other financial benchmarks shown are provided for illustrative purposes only, and reflect reinvestment of income, dividends, and other earnings. They do not reflect the deduction of advisory fees. Investment products are subject to investment risk, including possible loss of the principle amount invested and should review the prospectus before investing. The information and views expressed are given as at the date of the writing and are subject to change. This information is not to be used or considered as an offer or the solicitation of an offer to sell or buy any securities mentioned herein. Ladenburg Thalmann Asset Management Inc. is a registered investment advisor and subsidiary of Ladenburg Thalmann Financial Services Inc. which is traded on the NYSE\_MKT: LTS.