Presidential election uncertainty generally has not produced lower equity returns historically. In presidential elections from 1928 to 2016, a $1,000 investment in the S&P 500 Index at the start of the election year appreciated over the following four years in 20 of the last 23 elections. The average ending account balance grew to $1,530 by the start of the next presidential election year, comparable to non-election year growth over a similar time-period. Investing in equities over the four-year period was unprofitable in only three elections (1928, 2000, 2008) that preceded or coincided with major negative economic events (the Great Depression, the technology bubble, and the Global Financial Crisis).

Democratic Party presidents have served during periods moderately more favorable for equities, with investments growing to $1,585, versus $1,468 for Republicans. The $117 difference is explained by unusually positive returns under President Bill Clinton, a Democrat, and unusually poor equity market returns under Republican Presidents Herbert Hoover (1929-1933) and George W. Bush’s first term in office (2001-2005) following the tech bubble.

The president’s party is unlikely to have explained differences in equity returns, based on the variability in ending account balances. The overall standard deviation is $480 ($450 for Democrats and $530 for Republicans). This level of variability outweighs the $117 difference, suggesting that the president’s party had little explanatory value for equity returns.

*Sources: NYU Stern, Annual Returns on Stock, T.Bonds and T.Bills: 1928 – Curent, Damodoran. Data through 2019*