

# **How Do Presidential Election Cycles Correlate To the Stock Market?**

**By Bob Deitrick, ChFC**

**May 5<sup>th</sup>, 2016**

*National election cycles, those years when we vote for our President, are always fascinating. This year will likely be one of the more captivating years we've witnessed in several decades. **Trump v. Clinton** may resemble **the Ali-Frazier fight of 1971** and could play out to be the heavyweight political bout of the century. Time will tell so hold onto your seat.*

*From an investment perspective, an interesting question is whether Presidential election cycles, like this one, are positive years for the stock market or not? As many of you know, **Polaris Financial Partners** has done considerable research in this area, and as an investment advisor and historian, we have also done this research through the prism of my book - written with our friend and client Lew Goldfarb: **Bulls Bears and the Ballot Box**. Here are some results you might find compelling as we move toward Election Day this November:*

*If we roll back to 1964 and review the past 52 years of Presidential election history, using the S&P 500 as our guide, the stock market has produced positive returns in 11 of the last 13 election cycles. **In fact, the equity markets have created a positive return 85% of the time during these cycles with the mean return being an impressive 16.41%. Not too shabby.***

***There have been only two negative years when the stock market has underperformed in a Presidential election cycle in this analysis going back to 1964.** You will recall most recently what happened during the Great Recession in 2008. The other negative year was in 2000 at the end of one of most significant bull market cycles in American history. With only those two exceptions, the S&P 500 has appreciated and been positive in every cycle since 1964.*

*Of course, there are no guarantees to the stock market, but history is often our best prognosticator of the future and these unique cycles do tend to be positive as the party in power strives to remain in power. So what does 2016 have in store and how does it compare to other Presidential cycles when we have had with a very negative start to the year as we did this January? We will address that specific topic in our upcoming newsletter in June. Have a terrific month and enjoy the beautiful spring weather and our political process this year. It should be a dandy... And to all of our Mom's out there this weekend: Steven and I wish you:*

**A Very Happy Mother's Day!**