



Financial Services, LLC

250 Commercial Street
Suite 3005-G
Manchester, New Hampshire 03101
Tel: 603-641-1010
Fax: 603-641-0707
e-mail: fdemaio@jtdfinancial.com
www.jtdfinancial.com

STOCKS & PRESIDENTIAL ELECTIONS

What does history show - and should we value it?

Provided by Frank DeMaio*

As an investor, you know that past performance is no guarantee of future success. Expanding that truth, history has no bearing on the future of Wall Street.

That said, stock market historians have repeatedly analyzed market behavior in presidential election years, and what stocks do when different parties hold the reins of power in Washington. They have noticed some interesting patterns through the years which may or may not prove true for 2012.

The Dow hasn't done that well when the presidency has changed hands. A new research report from MFS Investment Management details the history of the blue chips in presidential election years from 1900-2008. It notes that the DJIA has on average lost 4.4% in election years in which the incumbent party in the White House loses. On the other hand, in years when the status quo was maintained, the Dow gained an average of 15.1%. Of course, much of these yearly gains and losses could also be chalked up to macroeconomic factors having nothing to do with a presidential race.¹

Overall, election years have been good for the blue chips. On average, the Dow has advanced 7.6% in the 28 election years since 1900. When Republicans have won a presidential election, the average annual gain of the index has been 10.3%. When Democrats have won the White House, the average annual gain has been 3.9%.¹

Do stocks respond if a particular party has control of Congress? Many House and Senate seats will be decided in November as well, and so MFS also looked for any history of effect on the S&P 500 when a single party had or lacked a majority in Congress from 1961-2010.

In that period, MFS notes that when the White House and Congress were controlled by the same party, the S&P annually returned 12.1% on average. In years with a Democratic President and a Republican-controlled Congress, it returned an average of +21.3%. In years when a Republican President contended with a Democrat-controlled Congress, the annual return of the index averaged +4.5%. In years in which Congress was split - regardless of who was President - the S&P went 7.1%+ on average.¹

* Registered Principal Offering Securities through UNITED PLANNERS' FINANCIAL SERVICES OF AMERICA, A Limited Partnership. Member: FINRA, SIPC. JTD Financial Services and United Planners' are not affiliated.

Could the Dow actually help determine who wins the White House? James Stack, president of InvesTech Research, chooses to look at this through the other end of the telescope. In his view, the performance of the Dow between Labor Day and Election Day exerts a powerful influence on who wins in November.

Stack notes that in 25 of the 28 presidential elections held since 1900, the incumbent party in the White House either a) lost the presidency when the Dow retreated within that time frame or b) retained the White House when the Dow advanced between Labor Day and Election Day. Of course, other factors may have been considerably more influential in these elections, such as a given president's approval rating and the unemployment rate.²

Bulls have run in many fourth quarters of election years. As the *Stock Trader's Almanac* cites, the S&P 500 advanced in the last seven months of 15 out of the 18 election years from 1952-2008.³

How much weight does history ultimately hold? Perhaps not much. It is intriguing, and some analysts would instruct you to pay more attention to it rather than less. Historical "norms" are easily upended, however. Take 2008, the election year that brought us a bear market disaster. The year 2000 also brought an S&P 500 loss. While a presidential election undoubtedly affects Wall Street every four years, it is just one of many factors in determining a year's market performance.¹

Frank DeMaio, CPF®, CFA is a Registered Representative offering securities through UNITED PLANNERS' FINANCIAL SERVICES OF AMERICA, a Limited Partnership, Member FINRA, SIPC. Frank may be reached at 603-641-1010. JTD Financial Services and United Planners' are not affiliated.*

This material was prepared by MarketingLibrary.Net Inc., and does not necessarily represent the views of United Planners Financial Services. All information is believed to be from reliable sources; however we make no representation as to its completeness or accuracy. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Citations.

- 1 - https://www.mfs.com/wps/FileServerServlet?articleId=templatedata/internet/file/data/sales_tools/mfse_elect_sfl&servletCommand=default [9/12]
- 2 - www.usatoday.com/money/markets/story/2012/09/18/will-dows-gyrations-determine-race-for-white-house/57797628/1 [9/18/12]
- 3 - www.usatoday.com/money/perfi/columnist/krantz/story/2011-12-11/stocks-during-presidential-election-years/51770758/1 [12/9/11]