

Much has been written over the years about the relationship between stock returns and presidential elections. At first glance, we might casually assume that equity returns are more volatile during elections, given the potential uncertainty about either an incoming president or an incumbent getting reelected. Given that we are reaching new highs for most major equity indexes, and some economists are suggesting that stocks are overvalued, it stands to reason to be somewhat inquisitive about past performance around the election cycle. The historical record, however, doesn't seem to suggest that there's any more (or less) volatility around presidential elections.

- Based on the historical record, as shown in the table to the left, there have been 23 elections going back to 1928 (Hoover vs Smith). Out of these 23 elections, there have been four instances where the S&P 500 Index has delivered a negative return, with the worst calendar year return coming during the financial crisis of 2008 (equities lost roughly -37% for the year).
- The volatility of annual returns during election years, however, isn't necessarily higher than the long-run average volatility of all equity returns going back over the same time period. In other words, an election on its own doesn't seem to lead to higher volatility of returns. An administrative change (i.e. a new president) doesn't seem to tilt the scales all that much either. Overall, an election year shouldn't be a determining factor for investing in equities.

Year	S&P 500 Index	Candidates
1928	43.6%	Hoover versus Smith
1932	-8.2%	Roosevelt versus Hoover
1936	33.9%	Roosevelt versus Landon
1940	-9.8%	Roosevelt versus Wilkie
1944	19.8%	Roosevelt versus Dewey
1948	5.5%	Truman versus Dewey
1952	18.4%	Eisenhower versus Stevenson
1956	6.6%	Eisenhower versus Stevenson
1960	0.5%	Kennedy versus Nixon
1964	16.5%	Johnson versus Goldwater
1968	11.1%	Nixon versus Humphrey
1972	19.0%	Nixon versus McGovern
1976	23.9%	Carter versus Ford
1980	32.5%	Reagan versus Carter
1984	6.3%	Reagan versus Mondale
1988	16.6%	Bush versus Dukakis
1992	7.6%	Clinton versus Bush
1996	23.0%	Clinton versus Dole
2000	-9.1%	Bush versus Gore
2004	10.9%	Bush versus Kerry
2008	-37.0%	Obama versus McCain
2012	16.0%	Obama versus Romney
2016	12.0%	Trump versus Clinton

Sources: Morningstar and Wells Fargo Investment Institute, November 5, 2019. For illustrative purposes only. **Past performance is no guarantee of future results.** An index is not managed and not available for direct investment.