BLOG POST
Election Year Forecasts
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For investors who look to the stars or tea leaves or past cycles to forecast returns, 2019 played out as expected. The 3rd year in the Presidential Election cycle has historically been the best performing year by a wide margin. The 2nd best year in the four year cycle has typically been year 4. There is some rationale for this particular timing strategy. Presidents are elected on the promises they make that do not necessary lead to stronger economic growth. Think about healthcare and a border wall; they were promises that would not necessarily impact growth. When Presidents go back into campaign mode (many would argue Trump never left this) the focus is on the economy and jobs resulting in rising earnings and higher stock market prices.

- According to CFRA data, if the stock market is positive from July 31 to October 31 in election years, the party in the White House wins reelection. If stocks fall during that period, 86% have lost reelection.

- In 2016, the stock market fell 2.1% between July 31 and October 31, providing a signal to political watchers that Trump would win because the party in control would lose in their attempt to retain the White House.

- The Trump presidency has followed the pattern to a T so far with a strong first year, flat 2nd year (2018), and 3rd year posting the strongest gains. Time will tell on year 4.