



BESPOKE  
Investment Group

# Investing and Politics

Eleven simple slides summarizing the impact (or lack thereof) of DC on financial markets.

An independent research and wealth management firm that uses big data to find timely investment ideas.

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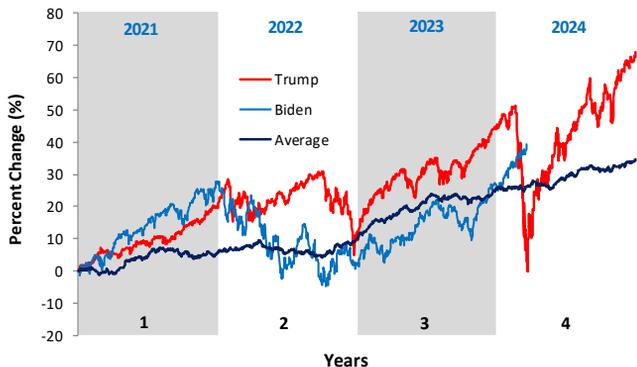
# The Presidential Election Cycle



The chart below shows the average performance of the S&P 500 during the four-year Presidential Election Cycle for all administrations since Roosevelt's first term.

The S&P 500 has tended to see the strongest performance in the last two years of the four-year cycle and ultimately ends with an average gain of 33.6%. Each of the last three four-year cycles have seen the S&P rise by more than 40%.

**S&P 500 Four-Year Presidential Cycle: 1928 - 2024**



**S&P 500 Election Cycle Performance: 1932 - 2024**

Election Year	Winner	S&P 500 % Change	
		Prev Election Day to Election Day	YTD on Election Day
1932	Roosevelt	-67.82	-10.84
1936	Roosevelt	137.15	27.85
1940	Roosevelt	-35.00	-10.43
1944	Roosevelt	16.13	11.05
1948	Truman	28.86	9.15
1952	Eisenhower	47.31	3.49
1956	Eisenhower	93.50	4.66
1960	Kennedy	15.78	-7.98
1964	Johnson	54.56	13.54
1968	Nixon	21.04	6.87
1972	Nixon	10.55	11.65
1976	Carter	-9.55	14.31
1980	Reagan	25.16	19.55
1984	Reagan	32.06	3.32
1988	Bush I	61.46	11.36
1992	Clinton	52.61	0.68
1996	Clinton	70.07	15.94
2000	Bush II	100.50	-2.54
2004	Bush II	-21.04	1.67
2008	Obama	-11.04	-31.51
2012	Obama	42.02	13.58
2016	Trump	49.79	4.68
2020	Biden	57.47	4.28
<b>Average</b>		<b>33.55</b>	<b>4.97</b>
<b>Median</b>		<b>32.06</b>	<b>4.68</b>
<b>% Positive</b>		<b>78.3</b>	<b>78.3</b>

# Republicans or Democrats? Does it Matter?



It has been conventional wisdom over the years that Republicans are better for the stock market than Democrats, but like a lot of conventional market wisdom, it isn't always accurate. Looking strictly at returns of the Dow Jones Industrial Average since the start of 1900, median gross returns have been higher under Democrats (30.9%) than Republicans (22.5%), but there is some nuance to those results.

While median stock market performance has been better for Democratic Presidents, when we look at returns of each President on an annualized basis, the median performance of the Dow under Republican Presidents is slightly higher (7.9%) than Democratic Presidents (7.7%).

Within those median returns, however, there is ton of dispersion, so countless other factors besides who is in the White House have a larger impact on the performance of stocks.

DJIA Returns Under US Presidents Since 1900					
President	Date of Inauguration	Last Day in Office	DJIA Percent Change (%)		
			Percent Change (%)	Annualized Return (%)	
T Roosevelt	9/14/1901	3/4/1909	21.6	2.7	
Taft	3/4/1909	3/4/1913	-1.3	-0.3	
Wilson	3/4/1913	3/4/1921	-6.9	-0.9	
Harding	3/4/1921	8/2/1923	17.4	6.9	
Coolidge	8/2/1923	3/4/1929	255.9	25.5	
Hoover	3/4/1929	3/4/1933	-82.8	-35.6	
FDR	3/4/1933	4/12/1945	194.4	9.3	
Truman	4/12/1945	1/20/1953	81.7	8.0	
Eisenhower	1/20/1953	1/20/1961	120.3	10.4	
JFK	1/20/1961	11/22/1963	12.2	4.1	
Johnson	11/22/1963	1/20/1969	30.9	5.3	
Nixon	1/20/1969	8/9/1974	-16.5	-3.2	
Ford	8/9/1974	1/20/1977	23.4	8.9	
Carter	1/20/1977	1/20/1981	-0.9	-0.2	
Reagan	1/20/1981	1/20/1989	135.1	11.3	
Bush I	1/20/1989	1/20/1993	45.0	9.7	
Clinton	1/20/1993	1/20/2001	226.6	15.9	
Bush II	1/20/2001	1/20/2009	-24.9	-3.5	
Obama	1/20/2009	1/20/2017	149.4	12.1	
Trump	1/20/2017	1/20/2021	57.3	12.0	
Biden*	1/20/2021	1/20/2025	26.4	7.7	
<b>Median</b>			<b>26.4</b>	<b>7.7</b>	
<b>Median Republican</b>			<b>22.5</b>	<b>7.9</b>	
<b>Median Democratic</b>			<b>30.9</b>	<b>7.7</b>	

\* Performance is through 3/20/24

# Republicans or Democrats? Does it Matter?



Even if we adjust stock market performance for each President based on when they were first elected or assumed office (in cases where they weren't elected) rather than looking at Inauguration Day to Inauguration Day, the difference between Republican and Democratic Presidents doesn't vary widely.

Looking at gross returns, performance again looks much better for Democrats than Republicans, but after adjusting returns on an annualized basis, the performance spread between the two parties is identical.

DJIA Returns Under US Presidents Since 1900				
President	Date Elected or Assumed Office	Date of Next Election	DJIA Percent Change (%)	
			Percent Change (%)	Annualized Return (%)
T Roosevelt	9/14/1901	11/3/1908	23.3	3.0
Taft	11/3/1908	11/5/1912	8.9	2.2
Wilson	11/5/1912	11/2/1920	-5.3	-0.7
Harding	11/2/1920	8/3/1923	3.2	1.1
Coolidge	8/3/1923	11/6/1928	192.0	22.6
Hoover	11/6/1928	11/8/1932	-74.9	-29.2
FDR	11/8/1932	4/13/1945	147.4	7.6
Truman	4/13/1945	11/4/1952	69.2	7.2
Eisenhower	11/4/1952	11/8/1960	121.2	10.4
JFK	11/8/1960	11/23/1963	19.1	5.9
Johnson	11/23/1963	11/5/1968	33.0	5.9
Nixon	11/5/1968	8/10/1974	-17.9	-3.4
Ford	8/10/1974	11/2/1976	24.3	10.2
Carter	11/2/1976	11/4/1980	-3.0	-0.8
Reagan	11/4/1980	11/8/1988	127.0	10.8
Bush I	11/8/1988	11/3/1992	52.9	11.2
Clinton	11/3/1992	11/7/2000	236.7	16.4
Bush II	11/7/2000	11/4/2008	-12.1	-1.6
Obama	11/4/2008	11/8/2016	90.5	8.4
Trump	11/8/2016	11/3/2020	49.9	10.7
Biden*	11/3/2020	11/5/2024	43.4	11.3
<b>Median Overall</b>			<b>33.0</b>	<b>7.2</b>
<b>Median Republican</b>			<b>23.8</b>	<b>6.6</b>
<b>Median Democratic</b>			<b>51.1</b>	<b>6.6</b>

\* Performance is through 3/20/24

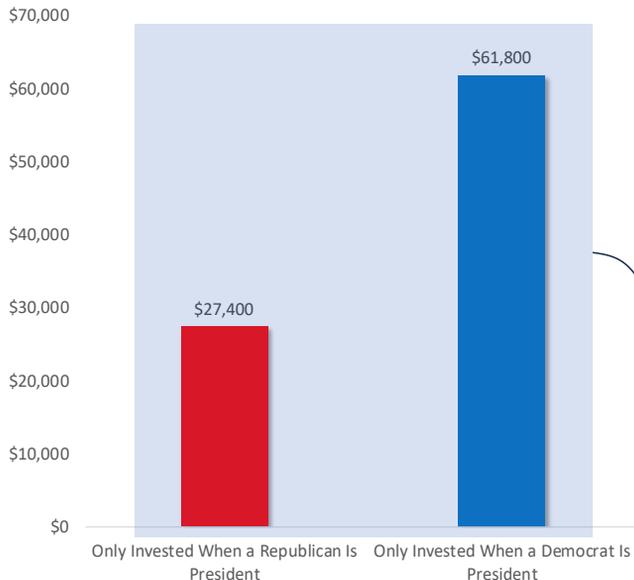
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# Don't Get Political

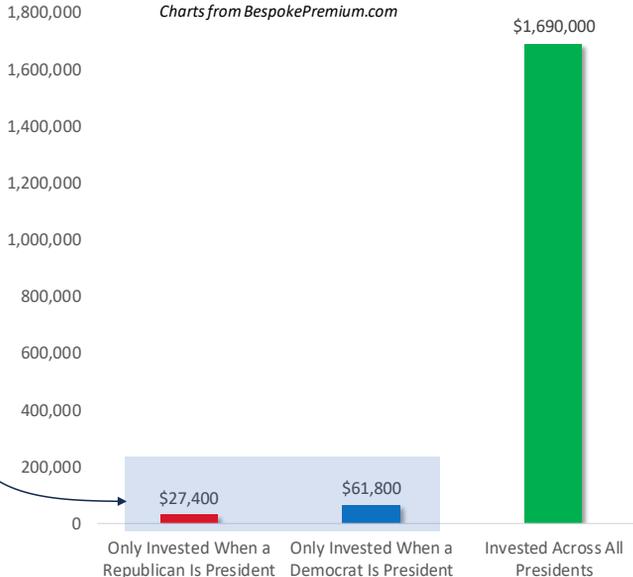


Letting political beliefs get in the way of “Buy and Hold” has been extremely costly to investors. Going back 70 years, \$1,000 invested in the US stock market only when a Republican is President would be worth \$27,400 today. \$1,000 invested only when a Democrat is President would be worth double that at \$61,800. But that \$1,000 would be worth \$1.69 million today for those who put politics aside and stayed invested regardless of who's in charge in Washington DC.

## \$1,000 Invested in S&P 500 Since Eisenhower Inaugurated in 1953



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# Who's In Charge?



As discussed on the previous page, investing based on which party has the Presidency hasn't exactly been a winning strategy historically. Expanding out, in the table below we show the average returns of the Dow for every session of Congress since the start of the 20<sup>th</sup> century based on the various combinations of Republicans and Democrats holding the Presidency, Senate, and House.

It's often argued that gridlock is good, but returns have been better when the same party has controlled the White House, Senate, and House versus periods when control was split.

When Republicans controlled both houses of Congress, returns were modestly better than when Democrats controlled both chambers.

## Average DJIA Performance During Sessions of Congress: 1901 - 2024\*

President	Senate	House	Occurrences	DJIA Change (%)	Annualized Return (%)	% of Time Up
D	D	D	21	16.97	7.44	66.7
D	D	R	2	23.96	11.25	100.0
D	R	D	0			
D	R	R	6	21.46	9.53	66.7
R	D	D	11	9.68	3.92	72.7
R	D	R	1	<b>-21.42</b>	<b>-11.35</b>	0.0
R	R	D	6	7.79	1.29	66.7
R	R	R	14	18.39	7.94	78.6
<b>All Periods</b>			<b>61</b>	<b>15.12</b>	<b>6.34</b>	<b>70.5</b>
<b>DDD &amp; RRR</b>			<b>35</b>	<b>17.54</b>	<b>7.64</b>	<b>71.4</b>
<b>All Possible Combinations of Gridlock</b>			<b>26</b>	<b>11.87</b>	<b>4.58</b>	<b>69.2</b>
<b>Gridlock - Republican President</b>			<b>18</b>	<b>7.32</b>	<b>2.19</b>	<b>66.7</b>
<b>Gridlock - Democratic President</b>			<b>8</b>	<b>22.09</b>	<b>9.96</b>	<b>75.0</b>
<b>Republicans Control Both Houses</b>			<b>20</b>	<b>19.31</b>	<b>8.42</b>	<b>75.0</b>
<b>Democrats Control Both Houses</b>			<b>32</b>	<b>14.47</b>	<b>6.23</b>	<b>68.8</b>
<b>Republican President (By Sessions of Congress)</b>			<b>32</b>	<b>12.17</b>	<b>4.71</b>	<b>71.9</b>
<b>Democratic President (By Sessions of Congress)</b>			<b>29</b>	<b>18.38</b>	<b>8.14</b>	<b>62.5</b>

*Performance Includes 118th Congress through 3/25/24.*

# Who's In Charge?



Like the previous page, below we show the average annualized performance of the S&P 500 and each of its eleven sectors during each session of Congress *since 1940* broken down by the various possible outcomes of gridlock or party control. Again, equities have typically risen regardless of whether there was gridlock or if Republicans or Democrats were in charge.

S&P 500 Sector Annualized Performance During Sessions of Congress: 1940 - 2024

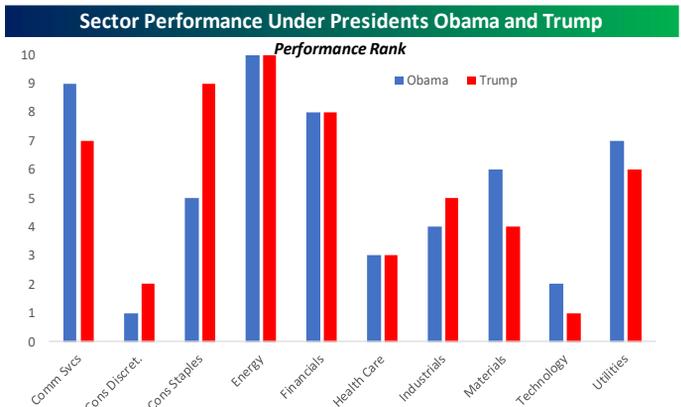
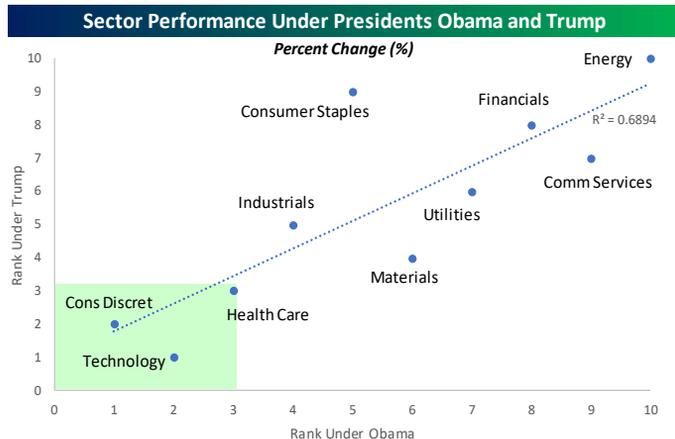
	D	D	D	D	R	R	R	R	Full Control (DDD & RRR)	All Gridlock	Gridlock - Republican President	Gridlock - Democrat President	Republicans Control Congress	Democrats Control Congress	Republican President	Democrat President	All Periods
President	D	D	D	D	R	R	R	R									
Senate	D	D	R	R	D	D	R	R									
House	D	R	R	D	D	R	D	R									
Occurrences	14	3	5	0	11	1	4	4	18	24	16	22	9	25	20	22	42
Annualized Average Performance During Session of Congress (%)																	
S&P 500	8.3	14.0	12.9	n/a	3.9	-17.9	14.0	11.3	9.0	7.8	5.1	4.8	12.2	6.4	6.3	10.1	8.3
Comm. Svcs.	-1.7	13.1	13.9	n/a	2.8	-27.2	17.3	1.2	-1.1	7.6	4.6	4.9	8.2	0.3	3.9	3.8	4.6
Cons. Discret.	11.5	18.5	11.4	n/a	4.6	-14.8	26.1	16.4	12.6	10.6	8.8	5.1	13.6	8.5	10.3	12.4	11.4
Energy	16.8	3.5	10.4	n/a	4.0	-11.1	-0.7	12.9	15.9	3.9	1.9	2.8	11.5	11.2	4.1	13.5	9.0
Cons. Staples	6.1	9.3	8.5	n/a	12.1	-4.1	19.4	5.7	6.0	11.6	12.9	3.2	7.3	8.8	11.5	7.1	9.2
Financials	5.8	10.6	15.9	n/a	0.6	-13.0	14.2	8.5	6.4	6.7	3.1	5.1	12.6	3.5	4.2	8.8	6.6
Health Care	8.4	15.5	12.6	n/a	11.7	-12.5	17.2	7.2	8.1	12.2	11.5	5.0	10.2	9.8	10.7	10.3	10.5
Industrials	9.1	12.2	12.8	n/a	4.1	-16.6	12.6	11.2	9.6	7.5	4.9	4.6	12.1	6.9	6.2	10.4	8.4
Materials	6.9	6.8	3.3	n/a	3.3	-1.8	15.8	12.1	8.1	5.6	6.1	1.7	7.2	5.3	7.3	6.1	6.7
Real Estate	10.9	8.5	2.9	n/a	-9.1	-7.8	9.9	13.6	11.5	-1.2	-4.3	1.8	7.6	2.1	-0.7	8.8	4.8
Technology	12.9	20.5	22.3	n/a	8.3	-33.3	18.5	17.7	14.0	12.7	8.3	7.9	20.3	10.9	10.1	16.1	13.3
Utilities	4.7	5.4	5.5	n/a	2.8	-28.6	12.9	11.9	6.3	4.1	3.4	2.0	8.4	3.9	5.1	5.0	5.0

# A Tale of Two Presidencies



The performance of sectors during the Presidencies of Obama and Trump shows that the impact of the person in the Oval Office may not be as significant as often assumed. While the two were polar opposites in terms of policy and style, the stock market sectors that led and lagged during each President's tenure were largely the same.

In President Obama's eight years, the three top performing sectors were Consumer Discretionary, Technology, and Health Care. For Trump, the three top performing sectors were the same. Likewise, Energy was the worst performing sector for both Presidents, and Financials was in the bottom three. Besides Consumer Staples, no other sector's rank is different by more than two spots for each President.

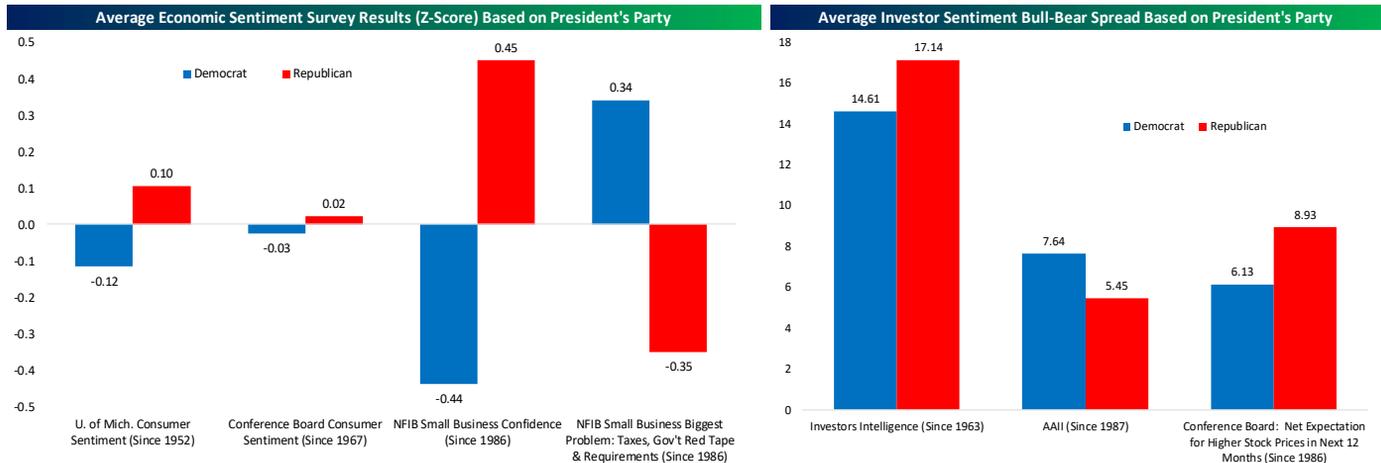


# Consumer and Investor Favoritism



Having biases is typical human behavior, especially when it comes to one's political leanings. Republicans are typically viewed as more business friendly than Democrats, and that shows through economic sentiment data. In the left chart below, we show the average standardized consumer and business sentiment readings across a variety of surveys based on which party holds the Presidency.

Consumer sentiment has historically held a small positive bias for Republican administrations. For small business sentiment and the rate at which those firms report the government as their biggest problem, the dichotomy is even more pronounced. Similarly, save for the AAll investor survey, expectations for higher stock prices tend to be stronger during Republican administrations than Democratic ones (right chart).

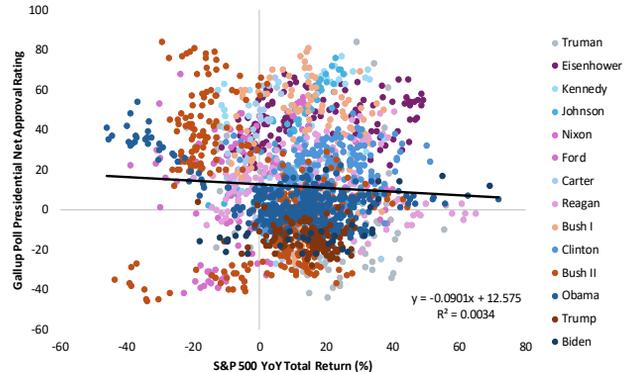


# Stocks Don't Approve or Disapprove

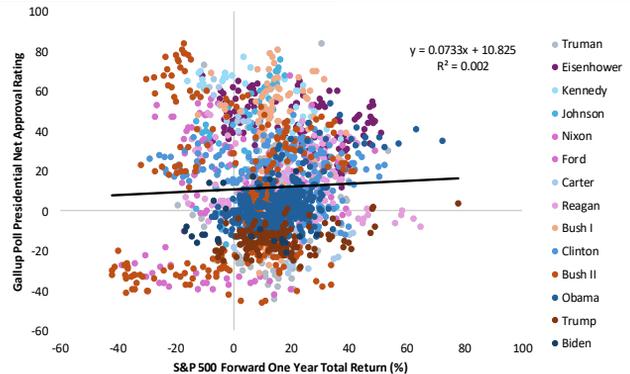


The Commander-in-Chief gets most of the political attention in the US, and since the mid-1940s, Gallup has been surveying Americans on their approval of the President. As shown at right, going back to the Truman administration, there has been little correlation between approval ratings and S&P 500 returns both over the trailing 12-month and forward 12-month periods. Similarly, breaking approval ratings down by decile (chart below) shows little in the way of a clear trend. Forward returns have been the weakest when approval ratings have been both at their strongest and weakest.

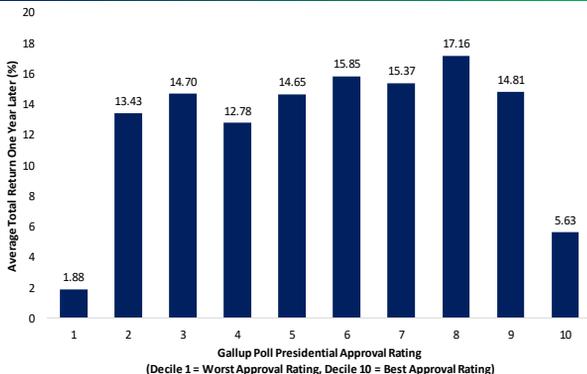
Gallup Poll Presidential Approval Rating vs. S&P 500 One Year Total Return (%)



Gallup Poll Presidential Approval Rating vs. S&P 500 Forward One Year Total Return (%)



S&P 500 Deciles: Presidential Approval Ratings



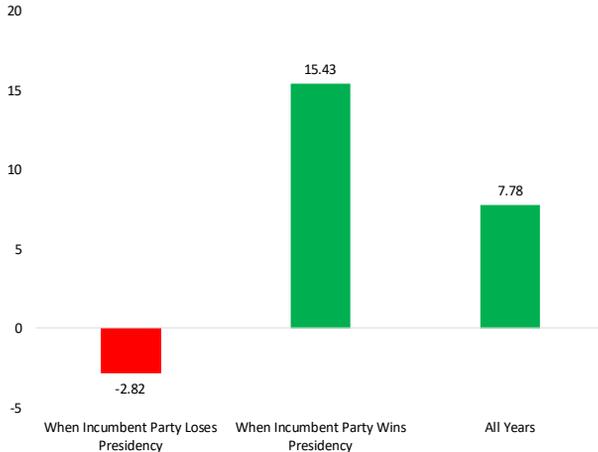
\* Based on monthly Presidential approval ratings from Gallup since the Truman administration.

# Do Stocks Predict Elections?

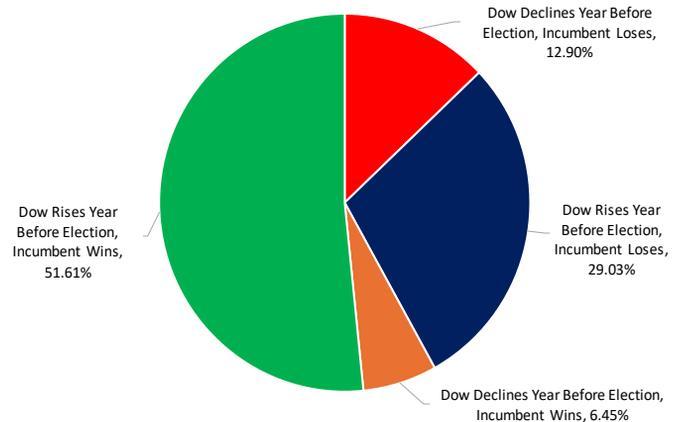


There are a multitude of reasons why a candidate may or may not make their way into office, but the stock market's performance in the year leading up to Election Day is a pretty good tell. As shown in the left chart below, when an incumbent party has won the Presidency, the Dow has averaged a 15.4% gain in the year leading up to the election. That compares to an average *decline* of 2.8% in election years when the incumbent party has lost.

Average Dow % Change in Year Before Election



Election Outcomes and Dow Performance Since 1900

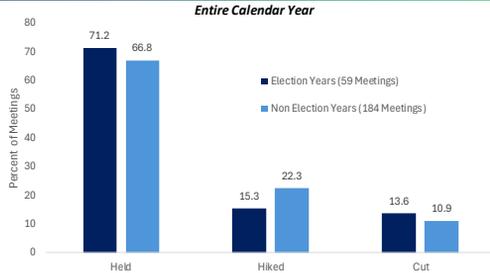


# Is The Fed Political?

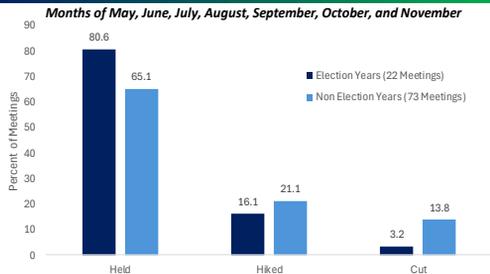


It's hard to imagine any aspect of society being apolitical these days, but the Federal Reserve has maintained a pretty middle stance. Since 1994, when its decisions were made public in real-time, the Fed has been more likely to stay *on hold* during Presidential election years, especially as Election Day gets closer. The Fed has hiked rates in an election year during the months of May through November just 16% of the time compared to 21% for all other years, and they've only cut rates 3% of the time compared to 14% of the time in other years.

## Fed Rate Actions in Election and Non Election Years: 1994 - 2024



## Fed Rate Actions in Election and Non Election Years: 1994 - 2024



The only time the Fed cut rates in May or later during an election year was in October 2008 when the economy was in free-fall and neither candidate was up for re-election.

## Fed Rate Cuts and Hikes in Election Years: Since 1994

### Rate Cuts During Election Years

Year	Date	Month	Rate (Mid Point)	Size of Move (bps)
1996	1/31	1	5.250%	-25
2008	1/30	1	3.000%	-125
2008	3/18	3	2.250%	-75
2008	4/30	4	2.000%	-25
2008	10/29	10	1.000%	-100
2008	12/16	12	0.125%	-87.5
2020	3/3	3	1.125%	-50
2020	3/15	3	0.125%	-100

### Rate Hikes During Election Years

Year	Date	Month	Rate (Mid Point)	Size of Move (bps)
2000	2/2	2	5.750%	25
2000	3/21	3	6.000%	25
2000	5/16	5	6.500%	50
2004	6/30	6	1.250%	25
2004	8/10	8	1.500%	25
2004	9/21	9	1.750%	25
2004	11/10	11	2.000%	25
2004	12/14	12	2.250%	25
2016	12/14	12	0.625%	25

  = Actions taken between May and November

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