

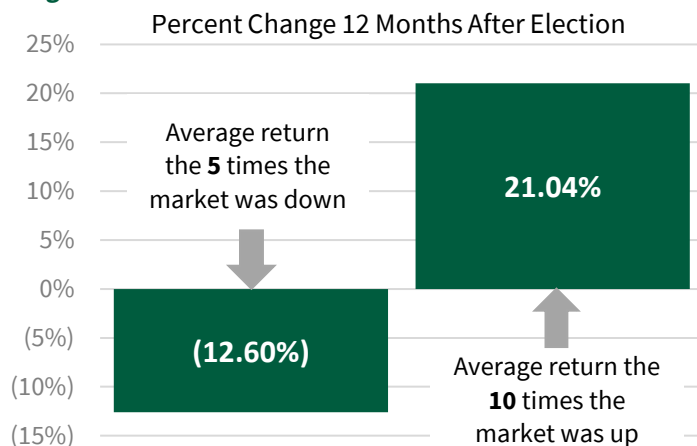
Timely insights that you can use.

How have the outcomes of the past presidential elections impacted the stock market in the short-run?

The stock market can be a volatile investing environment, especially in the short-term. Presidential elections can affect expectations for taxes, trade, regulation, and government spending, which may cause markets to rise and fall on a minute-to-minute basis. Looking back to the election won by Lyndon Johnson in 1964, 5 out of 15 times the S&P 500 Index was negative over the 12 months following the election, meaning that 10 out of 15 times it was positive. The average loss for the five negative events was (12.60%). The average gain for the ten positive events was 20.04%.

Economic growth, inflation, interest rates, corporate earnings, valuations, and unexpected events can be more important drivers of investment results. Keep in mind that if you're investing in the stock market, you really should have a much longer investment time horizon than just 12 months.

Figure 1

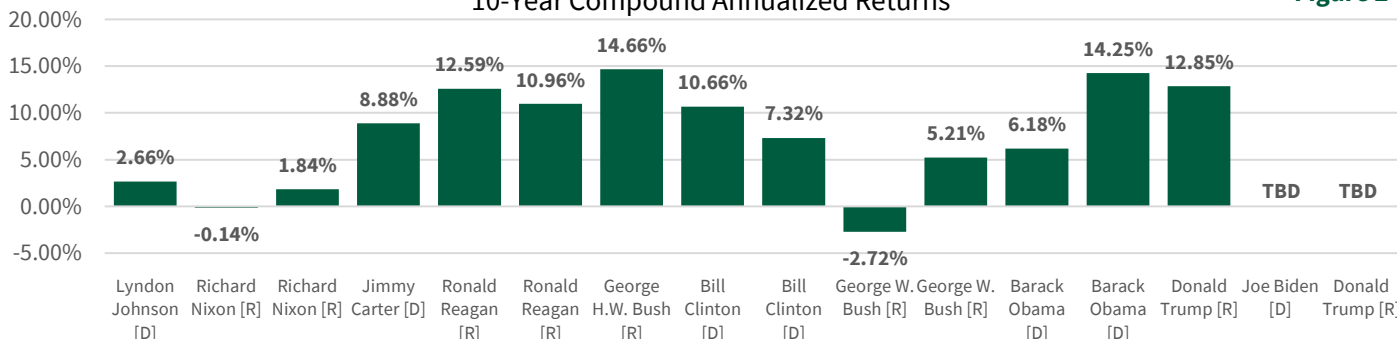


How have the outcomes of past presidential election impacted the stock market in the long-run?

Investors in the stock market have historically been rewarded for remaining invested over long periods of time. Looking at the chart below, investors who remained invested in the S&P 500 for the 10 years following each presidential election experienced positive annualized returns in 12 of 14 periods. The average 10-year compound annualized return (including dividends) following these elections was approximately 7.51%. Results ranged from a low of -2.72% annualized following George W. Bush's 2000 election to a high of 14.66% following George H.W. Bush's 1988 election. More recently, investors who stayed invested during the decade following Barack Obama's 2008 and 2012 elections earned annualized returns of 6.18% and 14.25%, respectively.

10-Year Compound Annualized Returns

Figure 2



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While return outcomes varied considerably across administrations, the results were driven primarily by economic growth, inflation, interest rates, corporate earnings, productivity, and innovation rather than by the political party occupying the White House. The consistency of positive long-term returns across every completed election cycle reinforces a key lesson for investors: market performance has historically depended far more on economic and business fundamentals than on which candidate wins an election, highlighting the value of staying invested through changing political environments.

Does the winning party determine investment results?

Looking beyond the party occupying the White House, historical data suggests that the broader structure of government may have had a modest relationship with market returns. According to research from Carson Group covering 1951 through 2023, the S&P 500 generated an average annual return of 9.9% during periods of divided government, compared to 8.0% when a single party controlled both the White House and Congress.

Figure 3

Government Configuration	Average Annual Return	Years Observed Since 1964
Democratic President + Republican Congress	16.30%	8
Democratic President + Divided Congress	15.70%	5
Republican President + Divided Congress	13.70%	8
Democratic President + Democratic Congress	8.60%	20
Republican President + Republican Congress	6.70%	10
Republican President + Democratic Congress	4.90%	22
Unified Government	8.00%	30
Divided Government	9.90%	43

However, returns were positive under a wide range of political configurations. For example, the highest average annual returns occurred when a Democratic president served alongside a Republican Congress (16.3%) and when Congress itself was divided (15.7% to 13.7%, depending on the presidency).

Looking at year by year results, you can see (Figure 4) that returns were typically positive, regardless of who was in office. When evaluated over full presidential terms (Figure 5), that general conclusion still holds true.

Figure 4

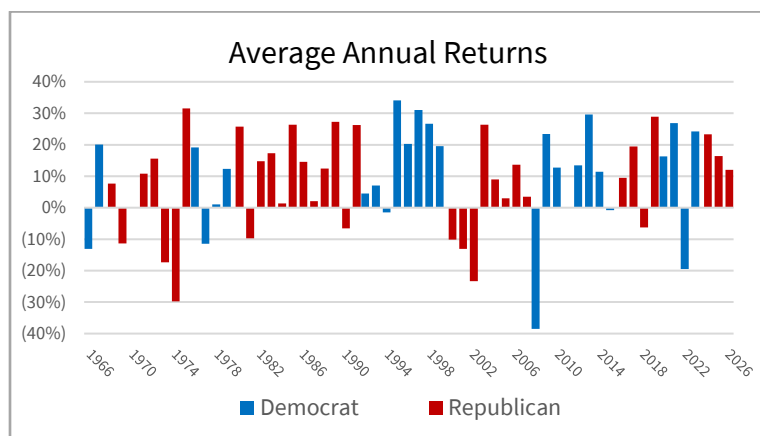
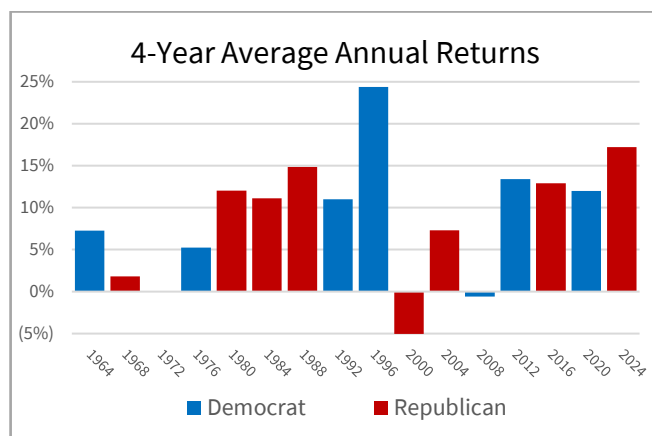


Figure 5



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While these figures may be interesting from a historical perspective, they do not establish a causal relationship between political structure and investment performance. Instead, they reinforce the broader theme that markets have historically been capable of producing positive returns under

many different political environments, suggesting that economic growth, corporate earnings, interest rates, and other fundamental factors remain more important drivers of long-term investment outcomes than the specific configuration of government.

A long-term plan should therefore be built around goals, risk capacity, diversification, costs, and time horizon rather than a forecast of which party will win.

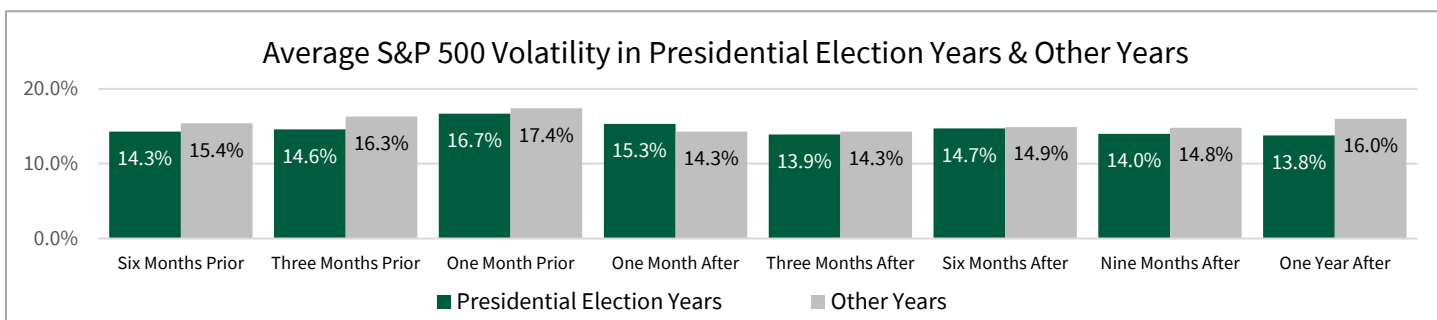
Should I just sit things out on the sidelines until everything is over? Won't the election make things riskier?

While presidential elections often receive significant media attention and can create short-term uncertainty, history suggests they have had relatively little impact on overall stock market volatility. As illustrated below, the S&P 500's average volatility during election years was generally similar to or lower than volatility experienced during non-election years both before and after Election Day. In fact, volatility was lower during election years in seven of the eight time periods shown. This historical pattern suggests that broader economic and market fundamentals, rather than election outcomes themselves, have been the primary drivers of market behavior over time. For long-term investors, maintaining focus on those fundamentals has generally been more important than attempting to anticipate election-related market movements.

Figure 6

Driver of Long-Term Stock Returns	Relative Influence	Impact	Influence
Corporate earnings growth	██████████	Long-Term	Drives profit growth & cash flows
Economic growth/productivity	██████████	Long-Term	Fuels business growth & value
Interest rates & monetary policy	██████████	Long-Term	Affects valuations & economic activity
Inflation	██████████	Long-Term	Impacts profits and demand
Valuation starting point	██████████	Long-Term	Shapes future return potential
Tax policy	██████	Variable	Influence after-tax profits
Trade policy	██████	Variable	Affects costs, growth, inflation, earnings
Regulatory policy	██████	Short-Term	Impacts industry-specific business profitability
Presidential elections	██	Short-Term	Primarily affects sentiment

Figure 7



December 31, 1927, to December 31, 2023.

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What has changed since the last release in 2024?

Since the original release of this article in 2024, the S&P 500 delivered total returns of 25.02% in 2024 and 17.88% in 2025, while the Federal Reserve lowered its target federal funds rate range to 3.50% to 3.75%, before recently raising it to 3.75% to 4.00% on September 16, 2026. Despite significant attention surrounding the 2024 election, market performance continued to be driven primarily by economic growth, corporate earnings, inflation trends, and interest-rate expectations rather than political outcomes. These results reinforce a key theme of this analysis: while elections can influence short-term sentiment, long-term investment success has historically depended more on economic and market fundamentals than on which party occupies the White House.

Summary

Elections matter for public policy and can affect market expectations, but history does not provide a reliable formula for turning election outcomes into short-term trades. The evidence is more consistent with maintaining a diversified portfolio, matching risk to the investor's goals and time horizon, and evaluating policy changes through their effects on earnings, inflation, interest rates, and economic growth. Investors should avoid treating a small number of election observations as a prediction about the next market cycle.

Practical planning takeaways

- **Building and maintaining an emergency reserve is important.** A common target is three to six months of essential spending in a safe, liquid, accessible account, adjusted for job stability, insurance coverage, household obligations, and other available resources.
- **Let asset allocation do the heavy lifting.** A diversified mix of stocks, bonds, and cash aligned with the goal and risk profile is generally more consequential than an election forecast.
- **Allow dollar-cost averaging to potentially take some of the edge off the pain.** Regular investing can reduce the pressure to choose a single entry point, although it does not prevent losses or guarantee a profit.
- **Match the investment to the time horizon.** Money needed soon may call for lower-volatility, more liquid holdings. Long-term goals can often tolerate more market fluctuation.
- **Have a plan.** A financial plan can define rebalancing rules, spending needs, tax considerations, and decision triggers before headlines test investor discipline.

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