

What Does the Upcoming Election Mean for Investors?



*Perception of Political Party vs. the
Historical Reality of Returns*

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The forthcoming presidential and congressional elections in November 2020 will attract a lot of attention in the financial and mainstream media. Some long-held beliefs about political party and equity stock market performance do not match the historical data.

To address this, SPADE Indexes has gathered historical stock market performance data from the past 100 years to help evaluate how control of the White House and Congress affects the returns of investors. Among the questions we address are:

- ★ How the market reacts to a president’s 2nd term vs. their 1st?
- ★ Is a split Congress is better than when one party controls both chambers?
- ★ How does the market respond when the White House flips political parties?
- ★ Which presidents were in office during bear markets and stock market crashes?
- ★ How does control of the White House and Congress affect a sector like defense?

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Section 1: Introduction



In November 2020, control of the White House and both houses of Congress will be in play. A number of tight races make it difficult to predict the policies and the politicians that will shape the next four years. While past performance is not indicative of future gains, when investing for the future, one should consider how the market performed under past presidential administrations and congressional control. History can provide insight into whether certain political party combinations or policies have a more positive or negative impact on equity investment returns.

Prelude to the 2020 Election

Early 2020 started with a black swan event that has made even the best of predictions difficult. So much so that many companies decided to forgo providing business forecasts for the rest of the year. When the first quarter of 2020 ended, the economy was in turmoil as businesses and government shut down due to the COVID-19 pandemic. At its trough, the S&P 500 was down more than 31% and the unemployment rate reached 14.7% in April. US GDP for the 1st quarter declined by 4.8%, which was followed by a 2Q20 decline of 32.9%, an all-time high.

Historically, stock market gains during an election year often

predict who wins (See Table 1). Over the past 100 years, this philosophy has held true with three exceptions—FDR won the 1940 election despite a market decline of [9.8%] near the end of the Great Depression. The White House also changed parties in

1968 as the market gained 11.1% during the height of the Vietnam War and lost it in 1976 in a year when the market gained 23.8% as people continued to digest the events leading to the resignation of President Richard Nixon.

TABLE 1: S&P 500 Total Returns During Presidential Election Years

YEAR	RETURN	CANDIDATES
1928	43.6%	Herbert Hoover vs. Al Smith
1932	[8.2%]	Franklin Roosevelt vs. Herbert Hoover
1936	33.9%	Franklin Roosevelt vs. Alf Landon
1940	[9.8%]	Franklin Roosevelt vs. Wendell Willkie
1944	19.8%	Franklin Roosevelt vs. Thomas Dewey
1948	5.5%	Harry Truman vs. Thomas Dewey
1952	18.4%	Dwight Eisenhower vs. Adlai Stevenson
1956	6.6%	Dwight Eisenhower vs. Adlai Stevenson
1960	0.5%	John Kennedy vs. Richard Nixon
1964	16.5%	Lyndon Johnson vs. Barry Goldwater
1968	11.1%	Richard Nixon vs. Hubert Humphrey
1972	19.0%	Richard Nixon vs. George McGovern
1976	23.8%	Jimmy Carter vs. Gerald Ford
1980	32.4%	Ronald Reagan vs. Jimmy Carter
1984	6.3%	Ronald Reagan vs. Walter Mondale
1988	16.6%	George HW Bush vs. Michael Dukakis
1992	7.6%	Bill Clinton vs. George HW Bush
1996	23.0%	Bill Clinton vs. Bob Dole
2000	[9.1%]	George W Bush vs. Al Gore
2004	10.9%	George W Bush vs. John Kerry
2008	[37.0%]	Barack Obama vs. John McCain
2012	16.0%	Barack Obama vs. Mitt Romney
2016	12.0%	Donald Trump vs. Hillary Clinton

Source: Summarizes data from Tables 2

Like in these examples, for a number of reasons, 2020 has not been a typical year. And as we roll toward the end of the third quarter, there is a dichotomy emerging—schools are closed, businesses remain on lockdown with many employees around the nation working remotely...yet, the stock market has rebounded to hit new highs for the year as several large capitalization companies like Apple, Google, Facebook, Tesla, Amazon, etc. dominate. The economy, which is still technically in a recession (defined by a decline in gross domestic product [GDP] for two or more quarters) is slowly rebounding as businesses adjust to what is seen as a “new normal” and some states begin relaxing restrictions. In advance of what may or may not happen if a surge of COVID-19 cases resurfaces in the fall and winter or if there is a particularly bad flu season, investors are being told to factor in another wildcard...a presidential election and races that will determine control of both the US House of Representatives and the US Senate.

As we approach November, the financial media has already begun to feature hundreds, if not thousands, of articles citing which political party will be best for the economy and for specific sectors. Some will feature an inherent bias showing what sectors will benefit if a particular party wins. Some will propagate “conventional wisdom” that one party or another is better for a

particular sector without providing actual numbers.

As an example, the following table and commentary appeared on page 18 of the summer 2020 issue of TD Ameritrade’s *thinkMoney* magazine.

stability and growth, as well as safety and security concerns. These non-political factors tend to have a greater influence over stock market returns than any person or political party. The historical data shows that while some sectors may be impacted

Excerpt from the Summer 2020 *thinkMoney* magazine

	<i>If a Democrat Wins</i>	<i>If a Republican Wins</i>
Which sectors could do well	Utilities Consumer Staples Alternative Energy	Energy Defense Materials Financials
Which sectors could suffer	Pharma Consumer Discretionary Energy	Consumer Staples Alternative Energy

“Republican agendas, the thinking goes, often help industries like energy and financials because they’re more likely to ease regulatory brakes. Defense contractors get a boost because the party tends to favor higher military spending. On the other hand, a Democratic agenda would likely push for climate-change legislation and something akin to a ‘Green New Deal’...Further, if Democrats focus on their preferred regulatory and tax initiatives, financials, health care, and carbon-based energy could all face pressure. Yet, under this scenario, defensive sectors like Utilities and Consumer Staples might benefit.”

But does political party truly make a difference or is there a disconnect between perception and reality? The article from TD Ameritrade (and many like it) offers what is considered to be “conventional wisdom” based on logical assumptions of how we believe the political parties will govern. There are a lot of moving parts including the state of the economy, world events impacting economic

in the short-term based on if a Democrat or Republican is in control, the total return of the stock market as a whole can’t be summed up simply by which party is setting the agenda.

TABLE 2: S&P 500 Total Returns by House Term

YEARS	HOUSE	SENATE	WHITE HOUSE	1 ST YEAR'S RETURN	2 ND YEAR'S RETURN
1933-34	Democrat	Democrat	Franklin Roosevelt	53.99%	[1.44%]
1935-36	Democrat	Democrat	Franklin Roosevelt	47.67%	33.92%
1937-38	Democrat	Democrat	Franklin Roosevelt	[35.03%]	31.12%
1939-40	Democrat	Democrat	Franklin Roosevelt	[0.41%]	[9.78%]
1941-42	Democrat	Democrat	Franklin Roosevelt	[11.59%]	20.34%
1943-44	Democrat	Democrat	Franklin Roosevelt	25.90%	19.75%
1945-46	Democrat	Democrat	Franklin Roosevelt/Harry Truman	36.44%	[8.07%]
1947-48	Republican	Republican	Harry Truman	5.71%	5.50%
1949-50	Democrat	Democrat	Harry Truman	18.79%	31.71%
1951-52	Democrat	Democrat	Harry Truman	24.02%	18.37%
1953-54	Republican	Republican	Dwight Eisenhower	[0.99%]	52.62%
1955-56	Democrat	Democrat	Dwight Eisenhower	31.56%	6.56%
1957-58	Democrat	Democrat	Dwight Eisenhower	[10.78%]	43.36%
1959-60	Democrat	Democrat	Dwight Eisenhower	11.96%	0.47%
1961-62	Democrat	Democrat	John Kennedy	26.89%	[8.73%]
1963-64	Democrat	Democrat	John Kennedy/Lyndon Johnson	22.80%	16.48%
1965-66	Democrat	Democrat	Lyndon Johnson	12.45%	[10.06%]
1967-68	Democrat	Democrat	Lyndon Johnson	23.98%	11.06%
1969-70	Democrat	Democrat	Richard Nixon	[8.50%]	4.01%
1971-72	Democrat	Democrat	Richard Nixon	14.31%	18.98%
1973-74	Democrat	Democrat	Richard Nixon/Gerald Ford	[14.66%]	[26.47%]
1975-76	Democrat	Democrat	Gerald Ford	37.20%	23.84%
1977-78	Democrat	Democrat	Jimmy Carter	[7.18%]	6.56%
1979-80	Democrat	Democrat	Jimmy Carter	18.44%	32.42%
1981-82	Democrat	Republican	Ronald Reagan	[4.91%]	21.55%
1983-84	Democrat	Republican	Ronald Reagan	22.56%	6.27%
1985-86	Democrat	Republican	Ronald Reagan	31.73%	18.67%
1987-88	Democrat	Democrat	Ronald Reagan	5.25%	16.61%
1989-90	Democrat	Democrat	George HW Bush	31.69%	[3.10%]
1991-92	Democrat	Democrat	George HW Bush	30.47%	7.62%
1993-94	Democrat	Democrat	Bill Clinton	10.08%	1.32%
1995-96	Republican	Republican	Bill Clinton	37.58%	22.96%
1997-98	Republican	Republican	Bill Clinton	33.36%	28.58%
1999-2000	Republican	Republican	Bill Clinton	21.04%	[9.10%]
2001-02	Republican	Democrat	George W Bush	[11.89%]	[22.10%]
2003-04	Republican	Republican	George W Bush	28.68%	10.88%

YEARS	HOUSE	SENATE	WHITE HOUSE	1 ST YEAR'S RETURN	2 ND YEAR'S RETURN
2005-06	Republican	Republican	George W Bush	4.91%	15.79%
2007-08	Democrat	Democrat	George W Bush	5.49%	[37.00%]
2009-10	Democrat	Democrat	Barack Obama	26.46%	15.06%
2011-12	Republican	Democrat	Barack Obama	2.11%	16.00%
2013-14	Republican	Democrat	Barack Obama	32.39%	13.69%
2015-16	Republican	Republican	Barack Obama	1.38%	11.96%
2017-18	Republican	Republican	Donald Trump	21.83%	[4.38%]
2019-20	Democrat	Republican	Donald Trump	31.49%	6.09%*

Source: Dimensional Funds Matrix Book



Section 2: The White House



Presidents don't deserve all the credit or blame in the market, yet they wield enormous power when it comes to policymaking and working with Congress to pass legislation that can impact the economy.

In reviewing the historical data found in Tables 3 through 5-B, the belief that the stock market will benefit under Republican control of the White House is not a definitive. Dwight D. Eisenhower, Ronald Reagan, and George HW Bush presided over some very good investment years while Richard Nixon and George W Bush were president during some of the worst periods for investors. Likewise, several of the best years for performance of the stock market were when Bill Clinton and Barack Obama were in office.

How Does Historical Stock Market Performance Compare Between a President's First and Second Term?

Except for Ronald Reagan, stock market performance historically has been better during presidential first terms than second terms.

What Happens When There Is a Flip in Political Party Control of the White House ?

In all cases except one, the market was higher during the following presidential administration.

- Eisenhower-Kennedy 44.3%
- HW Bush-Clinton 79.2%
- Johnson-Nixon 16.8%
- Clinton-W Bush [12.5%]
- Ford-Carter 27.9%
- Bush-Obama 84.5%
- Carter-Reagan 30.1%
- Obama-Trump TBD

What Is the Impact After a Single Term Presidency?

There have been only two instances in 60+ years—Jimmy Carter and George HW Bush! Both times the stock market saw higher-than-median gains during the following administration.

In Any Given Year, Which Party Historically Had the Best Equity Market Returns?

As seen in Table 3, when a Democrat occupies the White House the market historically has tended to performing better and tended to have a lesser chance of performing worse.

However, this is based upon the stated thresholds of 20%, 8%, and negative returns. The stock market, in any given year, has ranged from a high of 53.99% to a low of [37.00%].

TABLE 3: Summary of Equity Market Returns by Party in the White House (1933-Present)

PARTY IN THE WHITE HOUSE	Number of Years with:		
	20%+ RETURNS	8%+ RETURNS	NEGATIVE RETURNS
Democrat	20 (42%)	32 (67%)	10 (21%)
Republican	13 (33%)	20 (50%)	11 (27%)

20 (42%) = 20 individual years of greater than 20% returns, representing 42% of the total years that party held the White House

Source: Summarizes data from Tables 4-A and 4-B

TABLE 4-A: S&P 500 Price Change by Presidential Term (1953-Present)*Ordered by Date*

PRESIDENTIAL TERM	DATE RANGE	4-YEAR PRICE CHANGE
Dwight Eisenhower (1 st)	20 Jan 53 – 20 Jan 57	70.7%
Dwight Eisenhower (2 nd)	20 Jan 57 – 20 Jan 61	34.3%
John Kennedy/Lyndon Johnson (1 st)	20 Jan 61 – 20 Jan 65	44.3%
Lyndon Johnson (2 nd)	20 Jan 65 – 20 Jan 69	17.4%
Richard Nixon (1 st)	20 Jan 69 – 20 Jan 73	16.8%
Richard Nixon (2 nd)/Gerald Ford	20 Jan 73 – 20 Jan 77	[13.3%]
Jimmy Carter	20 Jan 77 – 20 Jan 81	27.9%
Ronald Reagan (1 st)	20 Jan 81—20 Jan 85	30.1%
Ronald Reagan (2 nd)	20 Jan 85 – 20 Jan 89	67.3%
George HW Bush	20 Jan 89 – 20 Jan 93	51.2%
Bill Clinton (1 st)	20 Jan 93 – 20 Jan 97	79.2%
Bill Clinton (2 nd)	20 Jan 97 – 20 Jan 01	72.9%
George W Bush (1 st)	20 Jan 01 – 20 Jan 05	[12.5%]
George W Bush (2 nd)	20 Jan 05 – 20 Jan 09	[31.5%]
Barack Obama (1 st)	20 Jan 09 – 20 Jan 13	84.5%
Barack Obama (2 nd)	20 Jan 13 – 20 Jan 17	52.9%
Donald Trump*	20 Jan 17 – 21 Aug 20	49.6%

* Returns through 21 August 20

Source: S&P500 Investopedia/YCharts

TABLE 4-B: S&P 500 Price Change by Presidential Term (1953-Present)*Ordered by Price Change*

PRESIDENTIAL TERM	DATE RANGE	4-YEAR PRICE CHANGE
Barack Obama (1 st)	20 Jan 09 – 20 Jan 13	84.5%
Bill Clinton (1 st)	20 Jan 93 – 20 Jan 97	79.2%
Bill Clinton (2 nd)	20 Jan 97 – 20 Jan 01	72.9%
Dwight Eisenhower (1 st)	20 Jan 53 – 20 Jan 57	70.7%
Ronald Reagan (2 nd)	20 Jan 85 – 20 Jan 89	67.3%
Barack Obama (2 nd)	20 Jan 13 – 20 Jan 17	52.9%
George HW Bush	20 Jan 89 – 20 Jan 93	51.2%
Donald Trump *	20 Jan 17 – 21 Aug 20	49.6%
John Kennedy/Lyndon Johnson (1 st)	20 Jan 61 – 20 Jan 65	44.3%
Dwight Eisenhower (2 nd)	20 Jan 57 – 20 Jan 61	34.3%
Ronald Reagan (1 st)	20 Jan 81 – 20 Jan 85	30.1%
Jimmy Carter	20 Jan 77 – 20 Jan 81	27.9%
Lyndon Johnson (2 nd)	20 Jan 65 – 20 Jan 69	17.4%
Richard Nixon (1 st)	20 Jan 69 – 20 Jan 73	16.8%
George W Bush (1 st)	20 Jan 01 – 20 Jan 05	[12.5%]
Richard Nixon (2 nd)/Gerald Ford	20 Jan 73 – 20 Jan 77	[13.3%]
George W Bush (2 nd)	20 Jan 05 – 20 Jan 09	[31.5%]

* Returns through 21 August 20

Source: S&P500 Investopedia/YCharts

Table 5-A and 5-B, Kiplinger Note on Data: Returns data are price only (not including dividends), which tends to favor more recent presidents. Over the past half-century, dividends have become a smaller portion of total returns due to their unfavorable tax treatment. Data is not adjusted for inflation. This will tend to favor presidents of inflationary times (Richard Nixon, Jimmy Carter, Gerald Ford, etc.) and punish presidents of disinflationary or deflationary times (Franklin Roosevelt, George W. Bush, Barack Obama, etc.) Presidents from Hoover to the present are ranked using the Standard & Poor's 500-stock index, whereas earlier presidents were ranked using the Dow Jones Industrial Average due to data availability.

TABLE 5-A: Average Yearly Return by Administration (1889-Present)
Ordered by Date

PRESIDENTIAL ADMINISTRATION	DATES IN OFFICE	AVG. YEARLY RETURN
Benjamin Harrison	4 Mar 1889 – 4 Mar 1893	[1.4%]
Grover Cleveland	4 Mar 1893 – 4 Mar 1897	[4.9%]
William McKinley	4 Mar 1897 – 14 Sept 1901	11.3%
Teddy Roosevelt	14 Sept 1901 – 4 Mar 1909	2.2%
William Taft	4 Mar 1909 – 4 Mar 1913	[0.01%]
Woodrow Wilson	4 Mar 1913 – 4 Mar 1921	3.1%
William Harding	4 Mar 1921 – 2 Aug 1923	6.9%
Calvin Coolidge	2 Aug 1923 – 4 Mar 1929	26.1%
Herbert Hoover	4 Mar 1929 – 4 Mar 1933	[30.8%]
Franklin Roosevelt	4 Mar 1933 – 12 Apr 1945	6.2%
Harry Truman	4 Apr 1945 – 20 Jan 1953	8.1%
Dwight Eisenhower	20 Jan 1953 – 20 Jan 1961	10.9%
John Kennedy	20 Jan 1961 – 22 Nov 1963	6.5%
Lyndon Johnson	22 Nov 1963 – 20 Jan 1969	7.7%
Richard Nixon	20 Jan 1969 – 9 Aug 1974	[3.9%]
Gerald Ford	9 Aug 1974 – 20 Jan 1977	10.8%
Jimmy Carter	20 Jan 1977 – 20 Jan 1981	6.9%
Ronald Reagan	20 Jan 1981 – 20 Jan 1989	10.2%
George HW Bush	20 Jan 1989 – 20 Jan 1993	11.0%
Bill Clinton	20 Jan 1993 – 20 Jan 2001	15.2%
George W Bush	20 Jan 2001 – 20 Jan 2009	[5.6%]
Barack Obama	20 Jan 2009 – 20 Jan 2017	13.8%
Donald Trump*	20 Jan 2017 – 21 Aug 2020	12.4%

* Returns through 21 August 20

Source: Kiplinger

TABLE 5-B: Average Yearly Return by Administration (1889-Present)
Ordered by Average Returns

PRESIDENTIAL ADMINISTRATION	DATES IN OFFICE	AVG. YEARLY RETURN
Calvin Coolidge	2 Aug 1923 – 4 Mar 1929	26.1%
Bill Clinton	20 Jan 1993 – 20 Jan 2001	15.2%
Barack Obama	20 Jan 2009 – 20 Jan 2017	13.8%
Donald Trump*	20 Jan 2017 – 21 Aug 2020	12.4%
William McKinley	4 Mar 1897 – 14 Sept 1901	11.3%
George HW Bush	20 Jan 1989 – 20 Jan 1993	11.0%
Dwight D. Eisenhower	20 Jan 1953 – 20 Jan 1961	10.9%
Gerald Ford	9 Aug 1974 – 20 Jan 1977	10.8%
Ronald Reagan	20 Jan 1981 – 20 Jan 1989	10.2%
Harry S. Truman	4 Apr 1945 – 20 Jan 1953	8.1%
Lyndon B. Johnson	22 Nov 1963 – 20 Jan 1969	7.7%
William Harding	4 Mar 1921 – 2 Aug 1923	6.9%
Jimmy Carter	20 Jan 1977 – 20 Jan 1981	6.9%
John F Kennedy	20 Jan 1961 – 22 Nov 1963	6.5%
Franklin D. Roosevelt	4 Mar 1933 – 12 Apr 1945	6.2%
Woodrow Wilson	4 Mar 1913 – 4 Mar 1921	3.1%
Teddy Roosevelt	14 Sept 1901 – 4 Mar 1909	2.2%
William Taft	4 Mar 1909 – 4 Mar 1913	[0.01%]
Benjamin Harrison	4 Mar 1889 – 4 Mar 1893	[1.4%]
Richard Nixon	20 Jan 1969 – 9 Aug 1974	[3.9%]
Grover Cleveland	4 Mar 1893 – 4 Mar 1897	[4.9%]
George W Bush	20 Jan 2001 – 20 Jan 2009	[5.6%]
Herbert Hoover	4 Mar 1929 – 4 Mar 1933	[30.8%]

* Returns through 21 August 20

Source: Kiplinger



Section 3: Congress



According to the US Constitution, Congress controls the power to allocate the federal budget and pass laws. The question becomes...what impact does political party and the makeup of Congress have on stock market performance? Does a unified Congress and White House lead to outsized gains or does a political party split between the House and Senate lead to more moderate policy decisions that benefits stock market performance?

Who Controls Congress

Over the past 44 election cycles (two-year periods):

- ★ **Democrats** controlled both chambers of Congress **28** times.
- ★ **Republicans** controlled both chambers of Congress **9** times.
- ★ Control was split between a **Democratic House** and **Republican Senate** **4** times.
- ★ Control was split between a **Republican House** and **Democratic Senate** **3** times.

TABLE 6: Party Control of Congress and White House (1933-Present)

	HOUSE	SENATE	WHITE HOUSE
Democrat	32	31	24
Republican	12	13	20

Since the early part of the 1900s, the Republican Party has more often captured the White House than controlled the House of Representatives or the Senate (See Table 6).

TABLE 7-A: Summary of Stock Market Return Matrix by Political Party (1933-Present)

CONGRESSIONAL CHAMBER BY PARTY	Number of Years with:		
	20%+ RETURNS	8%+ RETURNS	NEGATIVE RETURNS
Democrat House/ Democrat Senate	20 of 56	33 of 56	15 of 56
Republican House/ Republican Senate	8 of 18	11 of 18	3 of 18
Democrat House/ Republican Senate	4 of 8	5 of 8	1 of 8
Republican House/ Democrat Senate	1 of 6	3 of 6	2 of 6

Source: Summarizes data from Table 7-B

Stock Market Performance Since the Great Depression

Between the Great Depression and 1980, a single party held control of both the House and the Senate every year. Similarly, there have been only 14 instances of a split House/Senate leadership vs. 74 instances of a unified Congress. This imbalance in the availability of data makes it difficult to draw conclusions (See Table 7-B).

TABLE 7-B: Stock Market Return Matrix by Political Party (1933-Present)

CONGRESS	DEMOCRAT IN WHITE HOUSE	REPUBLICAN IN WHITE HOUSE				
	34 instances	22 instances				
Democrat House/ Democrat Senate	53.99%	22.80%	6.56%	43.36%	14.31%	0.47%
	47.67%	20.34%	1.32%	37.20%	11.96%	[3.10%]
	36.44%	19.75%	[0.41%]	31.69%	7.62%	[8.50%]
	33.92%	18.79%	[1.44%]	31.56%	6.56%	[10.78%]
	32.42%	18.44%	[7.18%]	30.47%	5.49%	[14.66%]
	31.71%	18.37%	[8.07%]	23.84%	5.25%	[26.47%]
	31.12%	16.48%	[8.73%]	18.98%	4.01%	[37.00%]
	26.89%	15.06%	[9.78%]	16.61%		
	26.46%	12.45%	[10.06%]			
	25.90%	11.06%	[11.59%]			
	24.02%	10.08%	[35.03%]			
	23.98%					
		10 instances	8 instances			
Republican House/ Republican Senate	37.58%	21.04%	5.50%	52.62%	15.79%	[0.99%]
	33.36%	11.96%	1.38%	28.68%	10.88%	[4.33%]
	28.58%	5.71%	[9.10%]	21.83%	4.91%	
	22.96%					
	[Zero] instances	8 instances				
Democrat House/ Republican Senate				31.73%	21.55%	6.09%*
				31.49%	18.67%	[4.91%]
				22.56%	6.27%	
	4 instances	2 instances				
Republican House/ Democrat Senate	32.39%	13.69%	2.11%			
	16.00%					[11.89%] [22.10%]

Source: Summarizes data from Table 2

What is the Impact of a Divided Congress?

The answer is difficult to ascertain. While there is limited data on the impact of a divided Congress, in terms of how often the market is positive, it appears to have had little impact historically. Market positivity has ranged from 74%-79%.

TABLE 8: Summary of Stock Market Return Matrix by Political Party (1933-Present)

STATUS	MARKET WAS POSITIVE/ TOTAL INSTANCES	PERCENT
When Democrats controlled all three branches	25 of 34	74%
When Republicans controlled all three branches	6 of 8	75%
When there was a split inside Congress	11 of 14	79%
When the opposition party controlled Congress	25 of 32	78%

Source: Summarizes data from Table 2



Section 4: Unfavorable Markets



The following tables (9 through 13) provide details on unfavorable market conditions including recessions, bear markets, stock market crashes, and 30%+ declines. Recessions and bear markets can occur for any number of reasons including internal economic and trade policies or outside factors such as war, pandemic, or global economic circumstances. Of note, recessions and bear markets have historically occurred more frequently during Republican presidential administrations. Thirty percent drops, like that which occurred in early 2020, are infrequent, with roughly half occurring during the Great Depression.

RECESSIONS

TABLE 9: Presidential Administrations During Recessions from the Free Banking Era through the Great Depression

RECESSION PERIOD	PRESIDENTIAL ADMINISTRATION(S)	RECESSION PERIOD	PRESIDENTIAL ADMINISTRATION(S)
1836 – 1838	Andrew Jackson/ Martin van Buren	7/1890 – 5/1891	Benjamin Harrison
1839 – 1843	Martin Van Buren/ William Harrison/ John Tyler	1/1893 – 6/1894	Benjamin Harrison/ Grover Cleveland
1845 – 1846	John Tyler/ James Polk	12/1895 – 6/1897	Grover Cleveland
1847 – 1848	James Polk	6/1899 – 12/1900	William McKinley
1853 – 12/1854	Franklin Pierce/ James Buchanan	9/1902 – 8/1904	Theodore Roosevelt
6/1857 – 12/1858	James Buchanan	5/1907 – 6/1908	Theodore Roosevelt
10/1860 – 6/1861	James Buchanan/ Abraham Lincoln	1/1910 – 1/1912	William Taft
4/1865 – 12/1867	Andrew Johnson	1/1913 – 12/1914	William Taft/ Woodrow Wilson
6/1869 – 12/1870	Ulysses S. Grant	8/1918 – 3/1919	Woodrow Wilson
10/1873 – 3/1879	Ulysses S. Grant/ Rutherford B. Hayes	1/1920 – 7/1921	Woodrow Wilson/ Warren Harding
3/1882 – 5/1885	Chester Arthur	5/1923 -6/1924	Calvin Coolidge
3/1887 – 4/1888	Grover Cleveland	10/1926 – 11/1927	Calvin Coolidge

* Harrison and Tyler were members of the Whig Party; Johnson, the National Union Party.

Source: National Bureau of Economic Research / Wikipedia

TABLE 10: Presidential Administrations During Recessions from the Post-Great Depression Era to the Present Day

RECESSION PERIOD	PRESIDENTIAL ADMINISTRATION(S)	RECESSION PERIOD	PRESIDENTIAL ADMINISTRATION(S)
8/1929 – 3/1933	Herbert Hoover	11/1973 – 3/1975	Richard Nixon/ Gerald Ford
5/1937 – 6/1938	Franklin D. Roosevelt	1/1980 – 7/1980	Jimmy Carter
2/1945 – 10/1945	Harry S. Truman	7/1981 – 11/1982	Ronald Reagan
11/1948 – 10/1949	Harry S. Truman	7/1990 – 3/1991	George HW Bush
7/1953 – 5/1954	Dwight D. Eisenhower	9/2001 – 11/2001	George W. Bush
8/1957 – 4/1958	Dwight D. Eisenhower	12/2007 – 6/2009	George W. Bush/ Barack Obama
4/1960 – 2/1961	Dwight D. Eisenhower	2/2020 – present	Donald Trump
12/1969 – 11/1970	Richard Nixon		

Source: National Bureau of Economic Research / Wikipedia

US STOCK MARKET CRASHES

TABLE 11: US Stock Market Crashes Since the Great Depression

EVENT	DATE	16-DAY CHANGE	PRESIDENT
Wall Street Crash of 1929	29 Oct 1929	-33.6%	Herbert Hoover
Black Monday	19 Oct 1987	-31.3%	Ronald Reagan
End of Gold Standard	5 Oct 1931	-26.7%	Herbert Hoover
Lehman Crisis	20 Nov 2008	-25.2%	George W Bush
World War II	21 May 1940	-24.6%	Franklin Roosevelt
COVID-19	12 Mar 2020	-20.7%	Donald Trump
Dot com Bubble	23 Jul 2002	-19.3%	George W Bush
Post WWII Demand Shock	10 Sep 1946	-16.9%	Harry Truman
US Debt Downgrade	8 Aug 2011	-16.7%	Barack Obama
Great Financial Crisis	4 Mar 2009	-13.8%	Barack Obama
Long Term Capital Management	5 Aug 1998	-8.7%	Bill Clinton

Source: CNBC, Bank of America Global Investment Strategy, Bloomberg

TABLE 12: Fastest 30% Pullbacks

STARTING DATE	DAYS OF PULLBACK	PRESIDENT
19 February 2020	22	Donald Trump
6 February 1934	23	Franklin Roosevelt*
9 November 1931	24	Herbert Hoover*
16 September 1929	31	Herbert Hoover*
25 August 1987	38	Ronald Reagan
26 June 1931	63	Herbert Hoover*
24 February 1931	68	Herbert Hoover*
10 April 1930	126	Herbert Hoover*
4 January 2002	136	George W Bush
25 October 1939	142	Franklin Roosevelt*
9 November 1938	145	Franklin Roosevelt*
9 October 2007	250	George W Bush
10 March 1937	271	Franklin Roosevelt*
7 November 1940	354	Franklin Roosevelt*
29 November 1968	361	Lyndon Johnson
24 March 2000	369	Bill Clinton
11 January 1973	373	Richard Nixon

* Great Depression; Outside the Great Depression, the market has pulled back by 30%+ only 7 times.

Source: Bank of America Global Research

US BEAR MARKETS

TABLE 13: US Bear Markets Since the Great Depression

BEAR MARKET PERIOD†	LENGTH (MONTHS)†	MAXIMUM DECLINE†	1 YEAR AFTER TROUGH‡	PRESIDENT
3 Sep 1929 – 8 Jul 1932	34	[86.00%]	124%	Herbert Hoover
6 Mar 1937 – 28 Apr 1937	61.8	[60.00%]	59%	Franklin Roosevelt
29 May 1946 – 13 Jun 1949	36.5	[29.60%]	42%	Harry Truman
2 Aug 1956 – 22 Oct 1957	14.7	[21.50%]	31%	Dwight Eisenhower
12 Dec 1961 – 26 Jun 1962	6.5	[28.00%]	33%	John Kennedy
9 Feb 1966 – 7 Oct 1966	7.9	[22.20%]	33%	Lyndon Johnson
29 Nov 1968 – 26 May 1970	17.8	[36.10%]	44%	Richard Nixon*
11 Jan 1973 – 3 Oct 1974	20.7	[48.20%]	38%	Richard Nixon
28 Nov 1980 – 12 Aug 1982	20.4	[27.10%]	58%	Ronald Reagan*
25 Aug 1987 – 4 Dec 1987	3.3	[33.50%]	23%	Ronald Reagan
16 Jul 1990 – 11 Oct 1990	2.9	[19.90%]	29%	George HW Bush
24 Mar 2000 – 9 Oct 2002	30.5	[49.10%]	34%	Bill Clinton
9 Oct 2007 – 9 Mar 2009	17	[56.80%]	68%	George W Bush
20 Sep 2018 – 24 Dec 2018	3.1	[20.00%]	37%	Donald Trump
19 Feb 2020 - TBD	TBD	[0.354%]	TBD	Donald Trump

* President at beginning or a dominant portion of the bear market (those starting in the post post-election period were assigned to next administration)

Sources:

†S&P Dow Jones Indexes, CNBC

‡Fidelity, ISI, Bloomberg, National Bureau of Economic Research, Haver Analytics, FMR (Co) – 2/26/2020



Section 5: Defense Sector



It is widely believed that defense spending benefits under a Republican administration and that it declines under a Democratic one. Yet these generalizations have typically failed to specify which party controls the two houses of Congress nor consider other factors which better correlate to sector performance.

Prior research by SPADE Indexes has indicated that the level of defense spending and how companies who operate in the sector perform in the stock market depends on how safe and secure people feel—not which party controls the White House.

Although the world has its attention focused on the COVID-19 pandemic, Uppsala University in Sweden has documented 55 ongoing conflicts which accounted for more than 100,000 deaths in 2019. This includes four wars (Afghan, Yemen, Syria, Mexican War on Drugs) which took more than 10,000 lives in 2019. Additionally, there were nine conflicts that caused 1,000-9,999 deaths; 16 that resulted in 100-999 deaths; and 20 that accounted for less than 100 deaths.

Heightened tensions between the US and China, Russia, and Iraq as well as actions by ISIS,

religious extremists, and home-grown terrorists; all continue to impact our perception of safety.

In this environment, a failure by government to maintain a state of readiness could lead to a loss of power for the party in charge. Challenging nations pursuing aggressive actions, preventing less-than-friendly nations from obtaining a nuclear capability, and funding the development of new technologies to defend against hypersonic weapons, are critical. When it comes to defense spending, fear—real or perceived—is the primary driver, not political party.

TABLE 14: Defense Budget Growth by Administration (FY1962 - FY2021)

PRESIDENTIAL ADMINISTRATION	BUDGET YEAR	BUDGET, FIRST YEAR	BUDGET, FINAL YEAR	PERCENT CHANGE	NOTES
John Kennedy/ Lyndon Johnson	FY62 – FY65	\$48B	\$52B	8.3%	
Lyndon Johnson	FY66 – FY69	\$64B	\$81B	26.6%	War in Vietnam
Richard Nixon	FY70 – FY73	\$80B	\$78B	[2.5%]	
Gerald Ford	FY74 – FY77	\$86B	\$100B	16.3%	
Jimmy Carter	FY78 – FY81	\$109B	\$170B	56.0%	Iran hostage crisis
Ronald Reagan	FY82 – FY89	\$213B	\$304B	42.7%	Buildup to bring down the Soviet Union
George HW Bush	FY90 – FY93	\$306B	\$297B	[2.9%]	Beginning of the “peace dividend”
Bill Clinton	FY94 – FY01	\$288B	\$313B	8.7%	
George W Bush	FY02 – FY09	\$357B	\$669B	87.4%	Post 9-11 spending surge
Barack Obama	FY10 – FY17	\$698B	\$606B	[13.2%]	Declined, but nearly 2x the budget under Clinton
Donald Trump	FY18 – FY21	\$649B	\$671B	3.4%	

Source: US Department of Defense

Defense Sector Performance Mirrors World Events

The conventional wisdom is that the Democratic Party is weak on defense and Republican Party control benefits the defense sector.

To disprove that thesis one only needs to review recent history since the mid-20th century. Twentieth century wars—WWII, Korea, Vietnam—all took place while a Democrat controlled the White House. Looking at the defense sector through the lens of world events—spending increased by almost \$100 Billion under Ronald Reagan as he sought to bring down the Soviet Union. With the fall of the Berlin Wall, the defense budget began to decline during Republican George HW Bush's administration. It continued through the early years of Democrat Bill Clinton's White House as a reallocation of funds was seen by many to be a "peace dividend." By the final years of the Clinton administration,

defense spending began to rise and greatly accelerated, nearly doubling, following the terrorist attacks of 9-11-2001 when Republican George W. Bush was in office (See Table 14).

★ **1998-1999:** The defense sector was positive but underperformed the market as technology IPOs and stocks soared in advance of the market bubble bursting. In 2000, the sector rebounded as investors sought more stable firms and sectors.

★ **2001-2007:** Defense and security stocks soared in the aftermath of the 9/11 attacks and the subsequent conflicts in Iraq and Afghanistan.

★ **2008-2015:** During Obama's first term, defense stocks gained but underperformed the market as the defense budget declined and some investors cashed out their gains. Despite this, during his second term, defense stocks continued their run higher from earlier in the decade.

★ **2016-Present:** In the current Trump Administration, defense stocks continued to perform strongly before giving back gains in 2020 due to a combination of COVID-19 (effectively shutting down the commercial airline business), profit taking during the market decline, and Boeing's design issues in the aftermath of two crashes of its 737Max aircraft.

Outperformance Over Time

Defense stocks have gained during each presidential administration since 1960 (See Table 15-A).

In each of the prior two decades [2000-2009] and [2010-2019], the SPADE Defense Index outperformed the S&P500 by 12,053 bps and 12,118 bps (See Table 15-B).

TABLE 15-A: Price Performance: SPADE Defense Index (1993-Present)

PRESIDENT	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Bill Clinton (1 st Term)	42.33% (1993)	6.09% (1994)	63.13% (1995)	23.36% (1996)
Bill Clinton (2 nd Term)	12.86% (1997)	6.63% (1998)	15.31% (1999)	4.98% (2000)
George W Bush (1 st Term)	0.94% (2001)	[2.87%] (2002)	37.27% (2003)	20.47% (2004)
George W Bush (2 nd Term)	5.30% (2005)	19.33% (2006)	22.17% (2007)	[38.03%] (2008)
Barack Obama (1 st Term)	21.71% (2009)	9.62% (2010)	[2.75%] (2011)	16.30% (2012)
Barack Obama (2 nd Term)	48.27% (2013)	11.77% (2014)	3.23% (2015)	17.95% (2016)
Donald Trump*	28.92% (2017)	[8.15%] (2018)	38.49% (2019)	[21.37%] (2020)

*Through 21 August 2020

Source: SPADE Indexes. 1993-97 back test estimated.

TABLE 15-B: Performance: SPADE Defense Index vs. S&P 500 (bps) (1993-Present)

PRESIDENT	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Bill Clinton (1 st Term)	3225 (1993)	477 (1994)	2555 (1995)	40 (1996)
Bill Clinton (2 nd Term)	[2050] (1997)	[2004] (1998)	[422] (1999)	1512 (2000)
George W Bush (1 st Term)	1488 (2001)	2050 (2002)	1089 (2003)	1148 (2004)
George W Bush (2 nd Term)	230 (2005)	571 (2006)	1864 (2007)	46 (2008)
Barack Obama (1 st Term)	[174] (2009)	[316] (2010)	[275] (2011)	289 (2012)
Barack Obama (2 nd Term)	1867 (2013)	38 (2014)	396 (2015)	842 (2016)
Donald Trump*	949 (2017)	191 (2018)	961 (2019)	[1461] (2020)

*Through 21 August 2020

Source: SPADE Indexes. 1993-97 back test estimated.

Comparative Performance Over Time

As mentioned earlier, regardless of which party controlled the White House and Congress, the defense sector has outperformed the broader US equity market in each of the prior two decades, [2000-2009] and [2010-2019], by more than 120%.

Displayed here is the Invesco Aerospace & Defense ETF (NYSE: PPA) [black line] versus the S&P 500 [lower, dark gold line] from October 2005 to August 2020.



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Section 6: Conclusions



While the past does not guarantee future returns with accuracy, investors should pay attention to the trends and lessons of the past. Each administration is unique with regards to the circumstances in which it operates. Our perceptions of what influences the market and its returns is guided by the information presented to us by media outlets and other investors. The reality is that data doesn't lie, only our interpretation of it. Even when we don't understand why, trends and correlations might exist that can aid us in how we invest for the future.

A case in point is the performance of companies operating in the defense sector. The SPADE Defense Index—the benchmark for companies involved with defense and homeland security sectors—gained under every presidential administration over the past 30 years. Although its performance in individual years varied, it outperformed the broader market by 120% in each of the past two decades. This was a period of time that featured both Democratic and Republican presidents as well as single party and split party control of Congress.

Likewise, when you look back at the stock market since the Great Depression, it reveals that circumstance—periods of inflation, conflicts and security, the timing of technological innovations, etc.—and how we address it, have more to do with the performance than which political party controls the White House and Congress. As the historical data reveals, one cannot draw conclusions about future stock market performance based solely and simply on political party.



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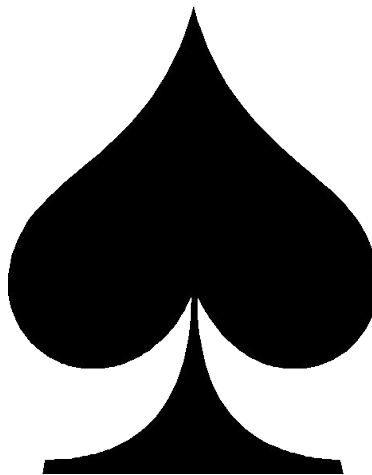
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