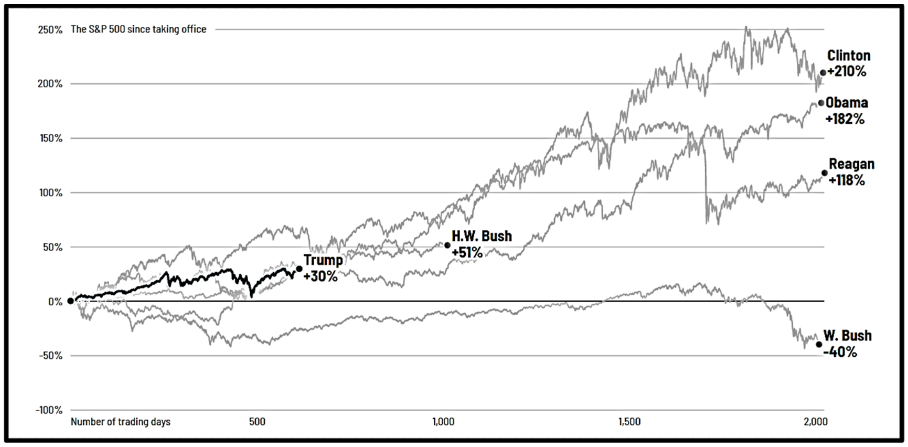
Market Performance by President

As the 2020 election season is beginning, it raises questions about politics and investing. Politics is often emotional and one-sided. Investing requires an unbiased evaluation of the economy and economic indicators. Investors are familiar with the perils of letting their emotions determine whether to buy or sell. Often these emotions push investors to buy high and sell low. The opposite of what should be done.

So, what about political emotions? There is a danger in letting political bias interfere with investing strategy. People have beliefs about which party will be better for the economy. Even professional hedge fund investor performance has been shown to be influenced when their party is not in office (Moszoro 2019).

The chart below shows the stock market performance during the tenures of the past 6 presidents. While politicians will often tout that their president/party is better for the economy, there are many factors that affect the stock market. These factors may be out of the control of the president or congress and may be influenced by global factors or the overall state of the economy they inherited.



https://www.cnn.com/interactive/2019/business/stock-market-by-president/index.html

The best approach is to focus on your long-term goals, investment strategy, and risk tolerance that can help you achieve those goals. Politics will come and go but the fundamentals of the economy will determine investment performance. Political predictions are best set-aside when making investment decisions.

Moszoro, Marian W., The Party Politics of Stock-Market Investing (March 25, 2019). Available at SSRN: https://ssrn.com/abstract=2811350 or http://dx.doi.org/10.2139/ssrn.2811350

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