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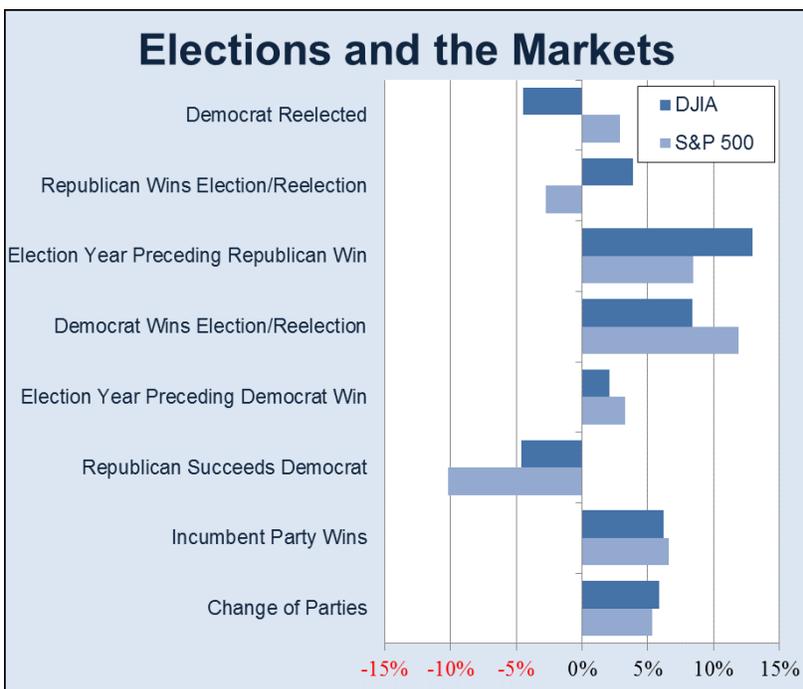
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The Impact of Politics on the Markets

Global financial turmoil, geopolitical uncertainty and heated political rhetoric at home have provoked more consternation about our country and our economy's future than any in recent memory. In light of these concerns, it's natural to wonder: What impact might presidential electioneering and administration policies have on the markets?

We took a look at election years and those following them from 1901 up through the last presidential cycle for the Dow Jones Industrial Average and the S&P 500 index (1929 on) to see how the markets performed in various situations. The good news for investors is that in pretty much every scenario we analyzed, the market showed gains on average. However, we'd caution against using any of the "statistics" that follow to make changes in your portfolio—the sample size is simply too small to justify changing a disciplined investment plan.



Note: Chart shows average calendar-year price returns from 1901 through 2013 for the Dow Jones Industrial Average (DJIA) and from 1929 through 2013 for the S&P 500 Index.

Sources: Morningstar Direct; Analysis: Adviser Investments.

The chart shows that one could make a convincing argument for either party based on which data points are cherry-picked. Need a case for voting for a Democrat? When a GOP candidate succeeds a Democrat president, the S&P 500 has lost 10.2% and the Dow Jones Industrial Average (DJIA) has lost 4.6% on average in the calendar year following the election. Want to

make the case for a Republican president? During the election year leading up to a Republican victory, the S&P 500 has averaged a gain of 8.5% and the DJIA has seen a 13.0% return.

Markets have returned much less, on average, in the year preceding a win by Democrats, with average annual gains of 3.3% and 2.1% for the S&P 500 and DJIA, respectively. However, in the year following an incumbent party's victory, the S&P 500 has risen 6.6% and the DJIA has advanced 6.2% on average, compared to average returns of 5.3% and 5.9% for the indexes with a change of parties.

As you can see from this sampling and the above chart, political parties on both sides of the aisle can find market-return data as proof that their candidate is the best for investors going forward. However, as we mentioned above, markets tend to rise regardless of which party prevails.

Here at Adviser Investments, we've always taken a long-term investment view. Investors will have their personal opinions, but making investment decisions based on ideological or emotional beliefs about one presidential candidate or election cycle rather than on the underlying economic and market cycles is not the recipe for sustainable wealth-building.

To read more about the impact of political rhetoric on Wall Street and how the election may affect your portfolio, we encourage you to read our exclusive Special Report, *Focus on Market Cycles, Not Election Cycles*. This report compares more than a century of U.S. stock market returns during Democratic and Republican presidential terms and puts them into an investment context. [Click here to download it today!](#)

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