

ELECTION 2020

WHAT ELECTION AND STOCK MARKET DATA TELL US

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With Election Day 2020 fast approaching, here is a review of relevant election and stock market performance data.

Presidential Candidates' Popular and Electoral Votes (%)				
	Presidential Candidate	Political Party	Popular Vote %	Electoral Vote %
1952	Dwight Eisenhower	Republican	55.18%	83.20%
	Adlai Stevenson	Democrat	44.33%	16.80%
1956	Dwight Eisenhower	Republican	57.37%	86.10%
	Adlai Stevenson	Democrat	41.97%	13.70%
1960	John Kennedy	Democrat	49.72%	56.40%
	Richard Nixon	Republican	49.55%	40.80%
1964	Lyndon Johnson	Democrat	61.05%	90.30%
	Barry Goldwater	Republican	38.47%	9.70%
1968	Richard Nixon	Republican	43.42%	55.90%
	Hubert Humphrey	Democrat	42.72%	35.50%
1972	Richard Nixon	Republican	60.67%	96.70%
	George McGovern	Democrat	37.52%	3.20%
1976	James Carter	Democrat	50.08%	55.20%
	Gerald Ford	Republican	48.01%	44.60%
1980	Ronald Reagan	Republican	50.75%	90.90%
	James Carter	Democrat	41.01%	9.10%
1984	Ronald Reagan	Republican	58.77%	97.60%
	Walter Mondale	Democrat	40.56%	2.40%
1988	George Bush	Republican	53.37%	79.20%
	Michael Dukakis	Democrat	45.65%	20.60%
1992	William Clinton	Democrat	43.01%	68.80%
	George Bush	Republican	37.45%	31.20%
1996	William Clinton	Democrat	49.23%	70.40%
	Robert Dole	Republican	40.72%	29.60%
2000	George W. Bush	Republican	47.87%	50.40%
	Albert Gore Jr.	Democrat	48.38%	49.40%
2004	George W. Bush	Republican	50.73%	53.20%
	John Kerry	Democrat	48.26%	46.70%
2008	Barack H. Obama	Democrat	52.86%	67.80%
	John S. McCain, III	Republican	45.60%	32.20%
2012	Barack H. Obama	Democrat	51.01%	61.70%
	Willard Mitt Romney	Republican	47.15%	38.30%
2016	Donald J. Trump	Republican	45.93%	56.50%
	Hillary Clinton	Democrat	48.02%	42.20%

Highlighted percentages are wins by less than the popular-vote majority
(Source: Janney Investment Strategy Group)

In the most recent election, President Donald Trump won the 2016 presidential election with less than a majority of the popular vote (45.93%), which prompted another outcry to eliminate the Electoral College, which Trump won by a 56.50% to 42.20% margin. Achieving less than a majority of the popular vote, however, is not uncommon. Six of the 17 post-1950 elections were won by the successful candidate getting less than 50% of the popular vote. President William Clinton holds the distinction of winning the White House without getting a majority of the popular vote in either of his two elections. He, however, garnered the eighth-largest Electoral College percentage in his successful 1996 re-election.

S&P 500 Index Results in Year After Election Since 1944 (in order from highest Electoral College margin)

Election Year	Elected President	Political Party	Electoral College	S&P 500 % Result Year After Election
1984	Ronald Reagan	Republican	97.60%	26.33
1972	Richard Nixon	Republican	96.70%	(17.37)
1980	Ronald Reagan	Republican	90.90%	(9.73)
1964	Lyndon Johnson	Democrat	90.30%	9.06
1956	Dwight Eisenhower	Republican	86.10%	(14.31)
1952	Dwight Eisenhower	Republican	83.20%	(6.62)
1944	Franklin Roosevelt	Democrat	81.40%	36.44

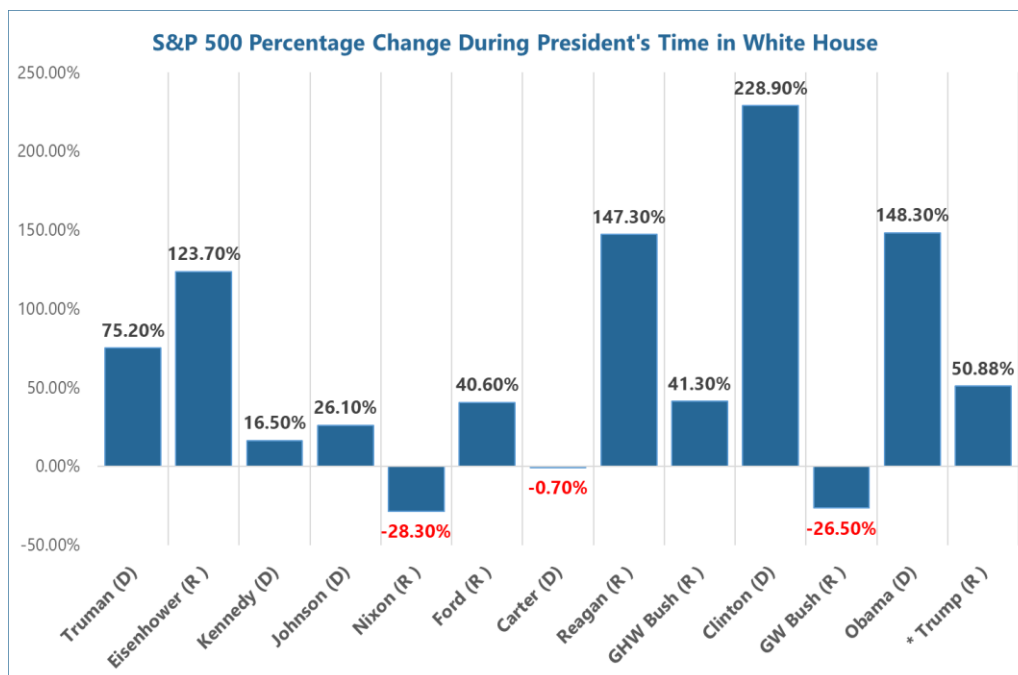
(Source: Janney Investment Strategy Group)

In some circles, this year's Democratic candidate's surge in the polls prompted concern about the impact on the stock market if the Democratic Party won the White House, retained a majority in the House of Representatives, and managed to wrench control of the Senate from the Republicans. The so-called "blue wave" is not inconceivable as the Republican margin in the Senate is only 53 to 45, but 12 seats held by Democrats and 23 seats held by Republicans are up for election this year. A switch of only five seats could give Democrats practical control of the Senate, while six seats changing hands would give them an absolute majority.

Since 1950, single-party control has happened six times. Single-party control of the executive and legislative branches of the government has not been bad for the equity market. Fourteen months after the elections, the S&P 500 was down only once.

Congressional Makeup and S&P 500 Index Performance - Election Day, End of Election Year, and Year After Election								
Years	President	House of Representatives		Senate		S&P 500 close	S&P 500 % change	S&P 500 % change
		Democrats	Republicans	Democrats	Republicans	Election Day	12/31 of election year	12/31 of year after the election
1953-54	Eisenhower (R) followed Truman's (D) end of partial second term	213	221	47	48	24.60	8.09	0.65
1961-62	Kennedy (D) followed Eisenhower's (R) end of second term	263	174	64	36	55.35	4.99	29.27
1977-78	Carter (D) defeated Ford (R)	292	143	62	38	103.1	4.23	(7.76)
1993-94	Clinton (D) defeated G.H.W Bush (R)	258	176	57	43	422.75	3.07	10.34
2009-10	Obama (D) followed G.W. Bush's (R) end of second term	257	178	60	40	873.59	(4.56)	23.11
2017-18	Trump (R) followed end of Obama's (D) second term	194	241	46	52	2139.56	4.64	24.96

(Source: Janney Investment Strategy Group)



Concern about who occupies the White House always has been overdone. Since 1952, the S&P 500 has been down only during the tenure of three presidents:

S&P 500 % Change by 12/31 of Year After Election		
1969-70	Nixon	(10.71)
1981-82	Reagan	(5.03)
2001-02	G.W. Bush	(18.93)

However, there is the argument that a new president facing a mixed Congress would not be able to get anything done, which might negatively affect the stock market. During the three times this has happened, the concern seemed to be justified. In all three instances, however, major non-election issues riled the market.

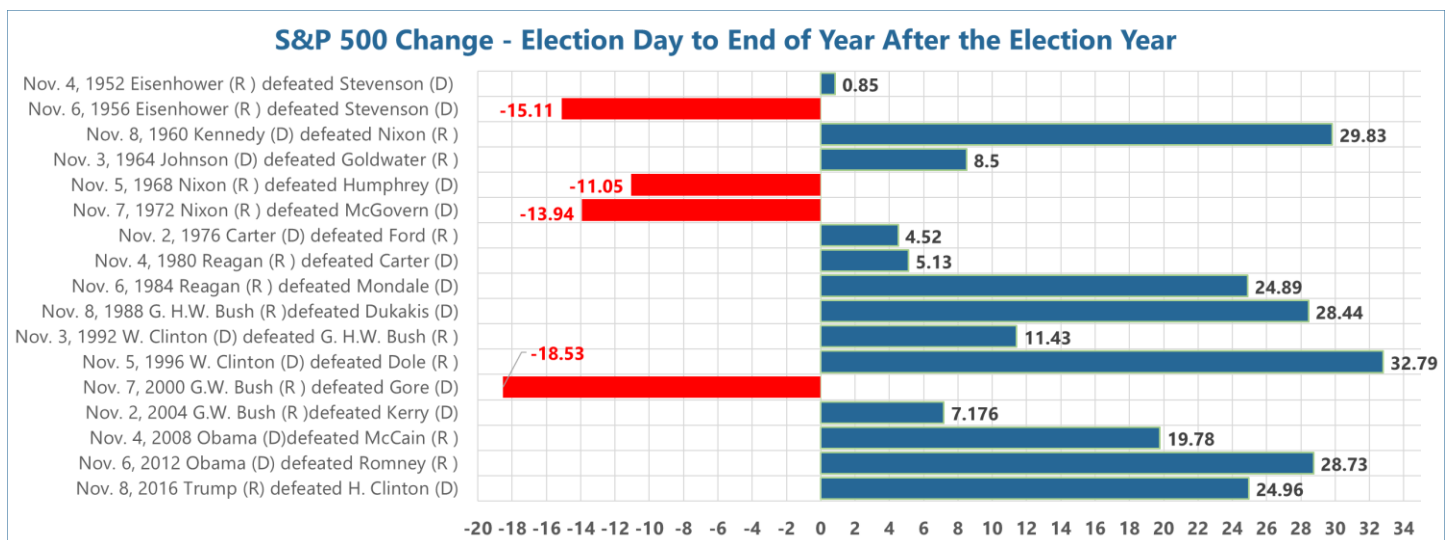
*Data through October 19, 2020

(Source: Janney Investment Strategy Group)

Several times, our election report series has noted that what the S&P 500 does between July 31 and October 31 has an accuracy rate of more than 80% of correctly predicted the election outcome. If the S&P 500 has gain of any magnitude in this period, the incumbent, or his political party, will retain the White House. Conversely, an S&P 500 loss means the sitting president will need to seek a new residence. Through the relevant period this year, the S&P 500 has a gain of 5.4%, which suggests that President Trump would be re-elected. A more-than-5.4% market drop in the next two weeks, however, is not impossible and the 2020 election could become one of the few exceptions to this election pattern.

Regardless of what polls may suggest, the equity market is not likely to approach Election Day without concerns about the outcome. This might cause trading to be erratic near November 3. Regardless of the election results, we think equity prices are destined to go higher as we move into 2021. If the equity market pulls back, either before or after the election, we would advocate increasing equity exposure.

The following general reference data have been in previous election reports.



(Source: Janney Investment Strategy Group)

S&P 500 Calendar-Year Price Returns and Governmental Scenarios Since 1945

Scenarios	Avg. change	Years	% Frequency of Advance
Unified Government	10.60%	30	77%
Democratic President	9.80%	22	77%
Republican President	12.90%	8	75%
Unified Congress	7.40%	32	66%
Dem. Pres./Rep. Congress	13.00%	10	60%
Rep. Pres./Dem. Congress	4.90%	22	68%
Split Congress	8.60%	13	69%
Democratic President	13.60%	4	75%
Republican President	6.30%	9	67%
All Years	8.90%	75	71%

(Source: S&P DJ Indices)

This table breaks down all the potential governmental mixes. There are periods in all of these configurations when the equity market fared quite well.

S&P 500 Percentage Results Each Year by President Since 1953

1953	(6.62)	Eisenhower	1970	0.10	Nixon	1987	2.03	Reagan	2004	8.99	GW Bush
1954	45.02	Eisenhower	1971	10.79	Nixon	1988	12.40	Reagan	2005	3.00	GW Bush
1955	26.40	Eisenhower	1972	15.63	Nixon	1989	27.25	GHW Bush	2006	13.62	GW Bush
1956	2.62	Eisenhower	1973	(17.37)	Nixon	1990	(6.56)	GHW Bush	2007	4.24	GW Bush
1957	(14.31)	Eisenhower	1974	(29.72)	Nixon-Ford	1991	26.31	GHW Bush	2008	(38.91)	GW Bush
1958	38.06	Eisenhower	1975	31.55	Ford	1992	4.46	GHW Bush	2009	23.45	Obama
1959	8.48	Eisenhower	1976	19.15	Ford	1993	7.06	Clinton	2010	12.78	Obama
1960	(2.97)	Eisenhower	1977	(11.50)	Carter	1994	(1.54)	Clinton	2011	(0.00)	Obama
1961	23.13	Kennedy	1978	1.06	Carter	1995	34.11	Clinton	2012	13.41	Obama
1962	(11.81)	Kennedy	1979	12.31	Carter	1996	20.26	Clinton	2013	29.60	Obama
1963	18.89	Kennedy-Johnson	1980	25.77	Carter	1997	31.01	Clinton	2014	11.39	Obama
1964	12.97	Johnson	1981	(9.73)	Reagan	1998	26.67	Clinton	2015	(0.73)	Obama
1965	9.06	Johnson	1982	14.76	Reagan	1999	19.53	Clinton	2016	9.54	Obama
1966	(13.09)	Johnson	1983	17.27	Reagan	2000	(10.14)	Clinton	2017	19.42	Trump
1967	20.09	Johnson	1984	1.40	Reagan	2001	(13.04)	GW Bush	2018	(6.24)	Trump
1968	7.66	Johnson	1985	26.33	Reagan	2002	(23.37)	GW Bush	2019	28.88	Trump
1969	(11.36)	Nixon	1986	14.62	Reagan	2003	26.38	GW Bush	2020 *	6.07	Trump

*Data through October 19, 2020

(Source: Janney Investment Strategy Group)

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