



# SIFMA Insights

Market Performance around US Presidential Elections

*A Look at Past Elections and Why This Time is Different*

October 2020

Please see companion note **SIFMA Insights: Volatility around US Presidential Elections**

## Key Takeaways

- YTD Avg (vs. FY19): S&P 500 3,125.75 (+7.3%); DJIA 26,284.87 (-0.4%); Nasdaq 9,730.32 (+22.5%); Russell 2000 1,454.21 (-5.9%)
- Since 2016/CAGR since 1992: S&P500 +49.2%/+7.2%; DJIA +49.2%/+7.2%; Nasdaq +49.2%/+7.2%; Russell 2000 +49.2%/+7.2%
- Incumbent wins? More likely spurs up trends, but not always
- Republican or Democrat? Upward trends after E-Day favors Republicans (inclusive of 2000)
- President Trump a positive for markets in 2016 across all four indexes (slight dip right before E-Day)



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## Executive Summary

As we head in the 2020 U.S. presidential election, we are in an environment of heightened political discourse. We are also heading toward an election where many predict a delay in calling the election due to a substantial increase in mail-in/absentee balloting and a potential for contested results. This is all happening in a year of a roller coaster ride for markets, yet a strong performance overall.

Typically, volatility increases as we head into election day and then comes down after. Market participants are wondering what the 2020 elections will bring for markets and how performance will vary across different market segments represented by: S&P 500, Dow Jones Industrial Average, Nasdaq Composite and Russell 2000. Inside this note, we update trends on the path of market performance in 2020 and compare patterns in prior election years to extrapolate what could happen over the next few weeks.

We highlight the following (through October 19):

- **S&P 500:** average = 3,125.75, +7.3% to FY19; peak = 3,580.84, +10.5% to FY19; trough = 2,237.40, -8.6% to FY19
  - 2019 growth (Dec 31/Jan 2) = +28.7%; 2020 growth (Oct 19/Jan 2) = +5.2%; 2019 to 2020 growth (Oct 19, 2020/Jan 2, 2019) = +36.5%
- **Dow Jones Industrial Average (DJIA):** average = 26,284.87, -0.4% to FY19; peak = 29,551.42, +3.2% to FY19; trough = 18,591.93, -18.0% to FY19
  - 2019 growth (Dec 31/Jan 2) = +22.2%; 2020 growth (Oct 19/Jan 2) = -2.3%; 2019 to 2020 growth (Oct 19, 2020/Jan 2, 2019) = +20.8%
- **Nasdaq Composite:** average = 9,730.32, +22.5% to FY19; peak = 12,056.44, +33.6% to FY19; trough = 6,860.67, +6.1% to FY19
  - 2019 growth (Dec 31/Jan 2) = +34.6%; 2020 growth (Oct 19/Jan 2) = +26.2%; 2019 to 2020 growth (Oct 19, 2020/Jan 2, 2019) = +72.2%
- **Russell 2000:** average = 1,454.21, -5.9% to FY19; peak = 1,705.22, +1.6% to FY19; trough = 991.16, -25.5% to FY19
  - 2019 growth (Dec 31/Jan 2) = +23.1; 2020 growth (Oct 19/Jan 2) = -3.2%; 2019 to 2020 growth (Oct 19, 2020/Jan 2, 2019) = +19.0%
- **Election Year Trends**
  - Incumbent wins? More likely spurs up trends in market prices, but not always
  - Republican or Democrat? A tie for upward trends after E-Day, but favors Republicans when including 2000 (markets went up after the vote counting drama finished)
  - President-elect Trump was a positive for markets in 2016 across all four indexes, after weathering a slight dip right before E-Day around last minute election noise
- **Heading into the 2020 Election**
  - S&P500 already up 49.2% to the last election in 2016; 7.2% CAGR since 1992
  - DJIA already up 49.2% to the last election in 2016; 7.2% CAGR since 1992
  - Nasdaq already up 49.2% to the last election in 2016; 7.2% CAGR since 1992
  - Russell 2000 already up 49.2% to the last election in 2016; 7.2% CAGR since 1992

## Recapping 2020 Market Performance

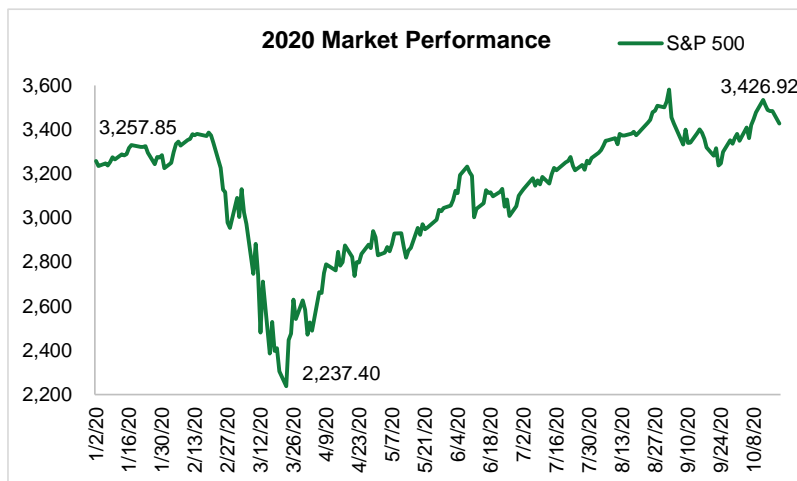
Continuing the work from our August note, SIFMA Insights [Spotlight: The 2020 Market Madness](#), we look back at market performance through October 2020. The emergence of the global pandemic COVID-19 in the first quarter of 2020 caused severe economic and capital markets shocks. Despite continuing economic uncertainty, equity markets continue to perform well, in terms of both rising index prices and functioning efficiently. While the general trend in index prices has been up, market participants expect market metrics to ebb and flow with each economic report or update on developing a virus vaccine, whether positive or negative news.

We started the year in a benign volatility environment, with the VIX at 12.47 on January 2 (-19.0% to the 2019 average). Market indexes were poised to continue their outperformance – we started off this year with the Dow breaking 29,000 and chatter beginning about Dow 30,000. As COVID-19 broke, the markets went on a roller coaster ride.

### YTD 2020 Performance

We highlight the following trends in market performance for YTD 2020 (through October 19):

- **S&P 500**
  - Higher average and peak, lower trough vs. LY; continues growing after a slight blip in September
  - Average = 3,125.75, +7.3% to 2019 average (2,913.36)
  - Peak = 3,580.84, +10.5% to 2019 peak (3,240.02)
  - Trough = 2,237.40, -8.6% to 2019 trough (2,447.89)



Source: Bloomberg (as of October 19)

- **Dow Jones Industrial Average (DJIA)**

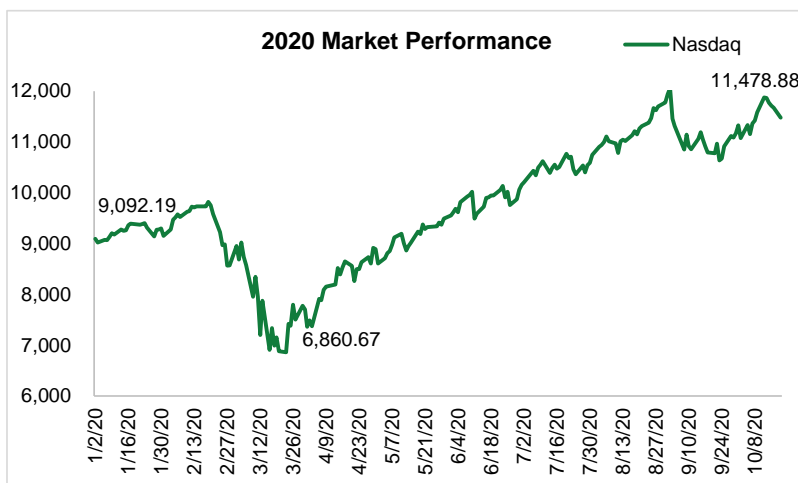
- Higher peak and much lower trough keeps the average slightly down to LY
- Average = 26,284.87, -0.4% to 2019 average (26,379.54)
- Peak = 29,551.42, +3.2% to 2019 peak (28,645.26)
- Trough = 18,591.93, -18.0% to 2019 trough (22,686.22)



Source: Bloomberg (as of October 19)

- **Nasdaq Composite**

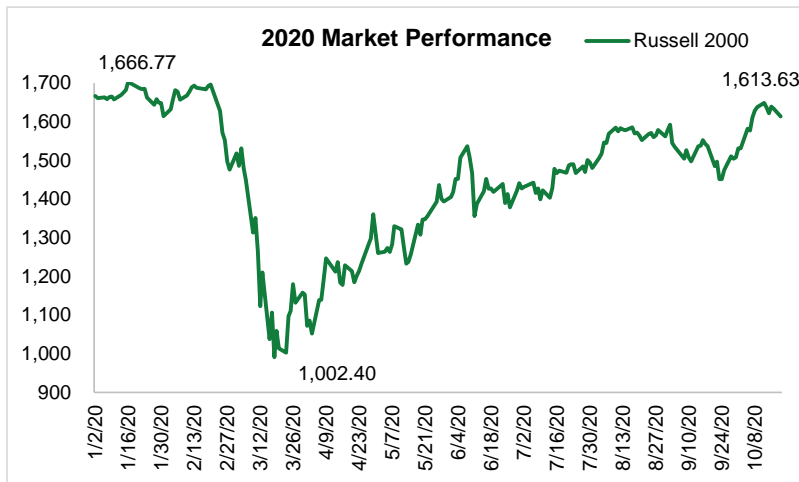
- Tech stocks keep the momentum going – much higher average, peak and trough vs. LY
- Average = 9,730.32, +22.5% to 2019 average (7,940.13)
- Peak = 12,056.44, +33.6% to 2019 peak (9,022.39)
- Trough = 6,860.67, +6.1% to 2019 trough (6,463.50)



Source: Bloomberg (as of October 19)

- **Russell 2000**

- Small cap dependent, U.S. centric – therefore still not recovered to LY
- Average = 1,454.21, -5.9% to 2019 average (1,546.16)
- Peak = 1,705.22, +1.6% to 2019 peak (1,678.01)
- Trough = 991.16, -25.5% to 2019 trough (1,330.83)

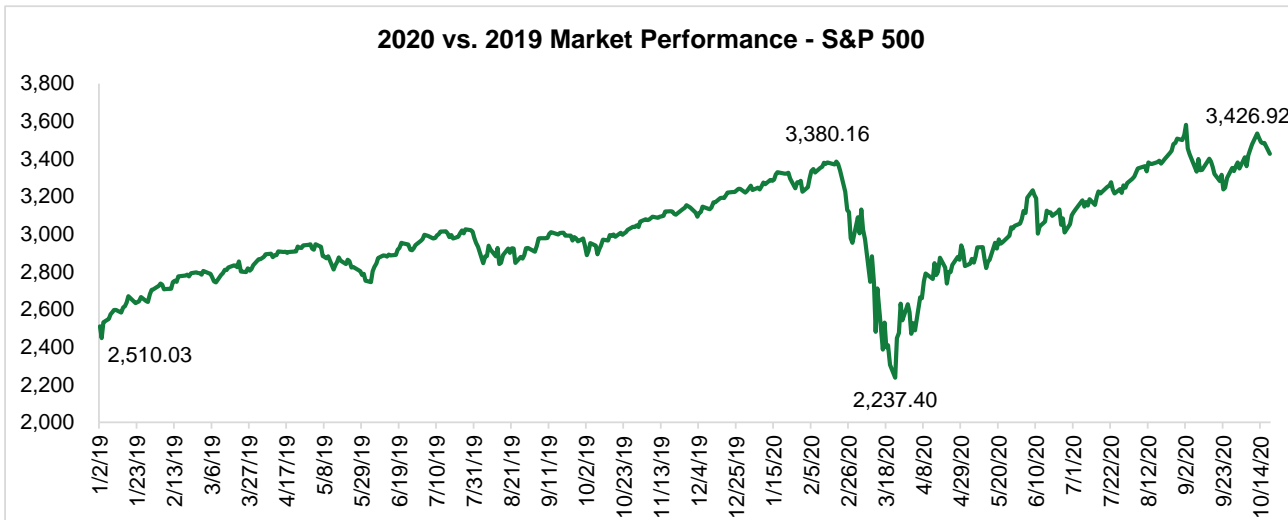


Source: Bloomberg (as of October 19)

2020 vs. 2019

We compare trends in market performance for YTD 2020 (through October 19) versus 2019, highlighting:

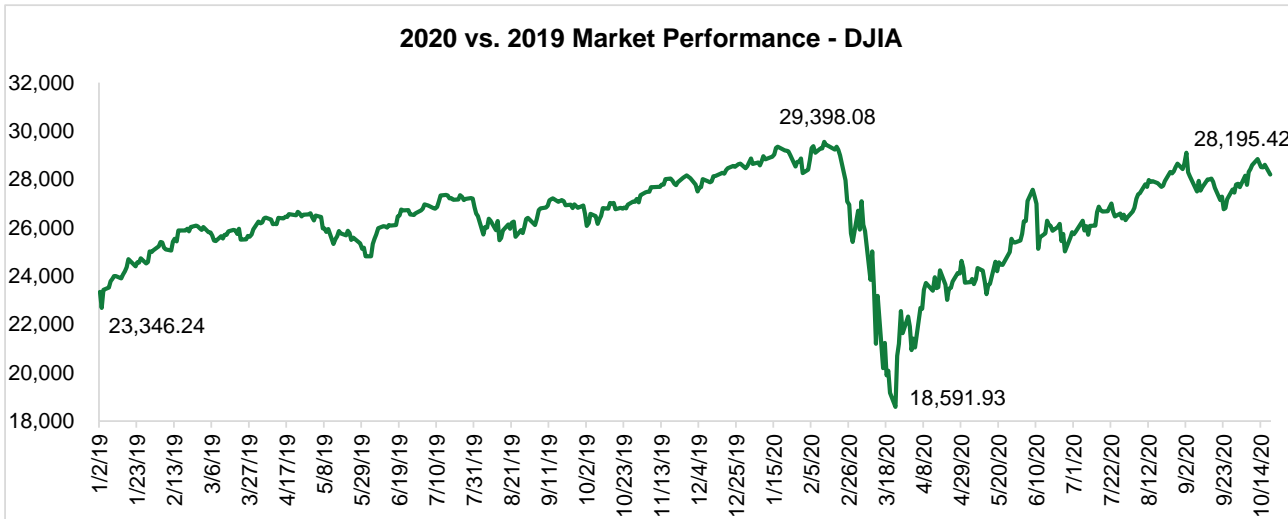
- **S&P 500**
  - 2019 growth (Dec 31/Jan 2) = +28.7%
  - 2020 growth (Oct 19/Jan 2) = +5.2%
  - 2019 to 2020 growth (Oct 19, 2020/Jan 2, 2019) = +36.5%
  - 2020 growth since bottom (Oct 19/trough) = +53.2%



Source: Bloomberg (as of October 19)

• **Dow Jones Industrial Average (DJIA)**

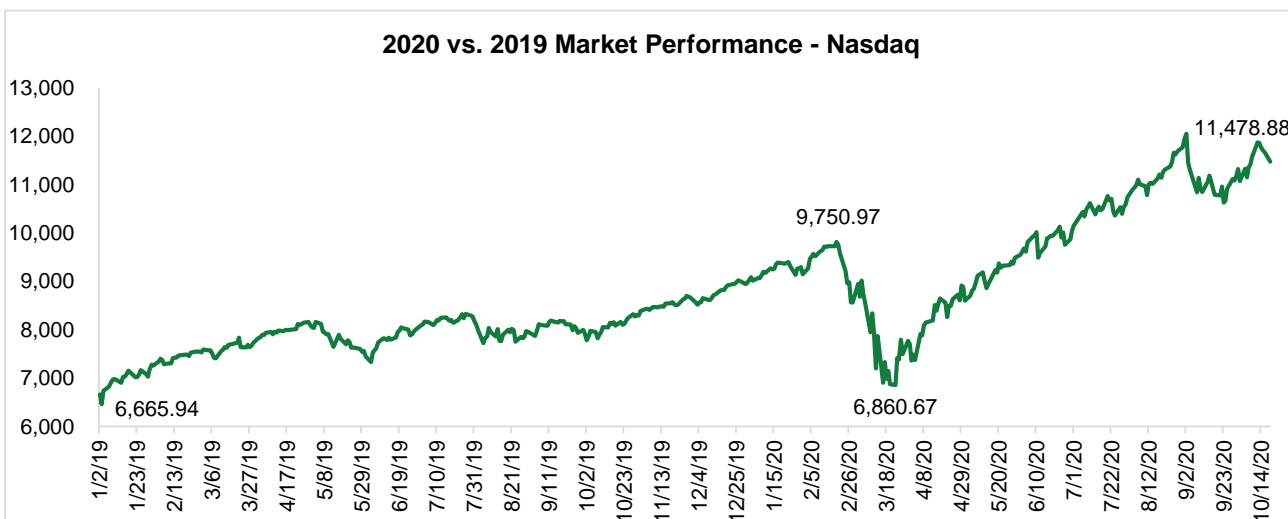
- 2019 growth (Dec 31/Jan 2) = +22.2%
- 2020 growth (Oct 19/Jan 2) = -2.3%
- 2019 to 2020 growth (Oct 19, 2020/Jan 2, 2019) = +20.8%
- 2020 growth since bottom (Oct 19/trough) = +51.7%



Source: Bloomberg (as of October 19)

• **Nasdaq Composite**

- 2019 growth (Dec 31/Jan 2) = +34.6%
- 2020 growth (Oct 19/Jan 2) = +26.2%
- 2019 to 2020 growth (Oct 19, 2020/Jan 2, 2019) = +72.2%
- 2020 growth since bottom (Oct 19/trough) = +67.3%

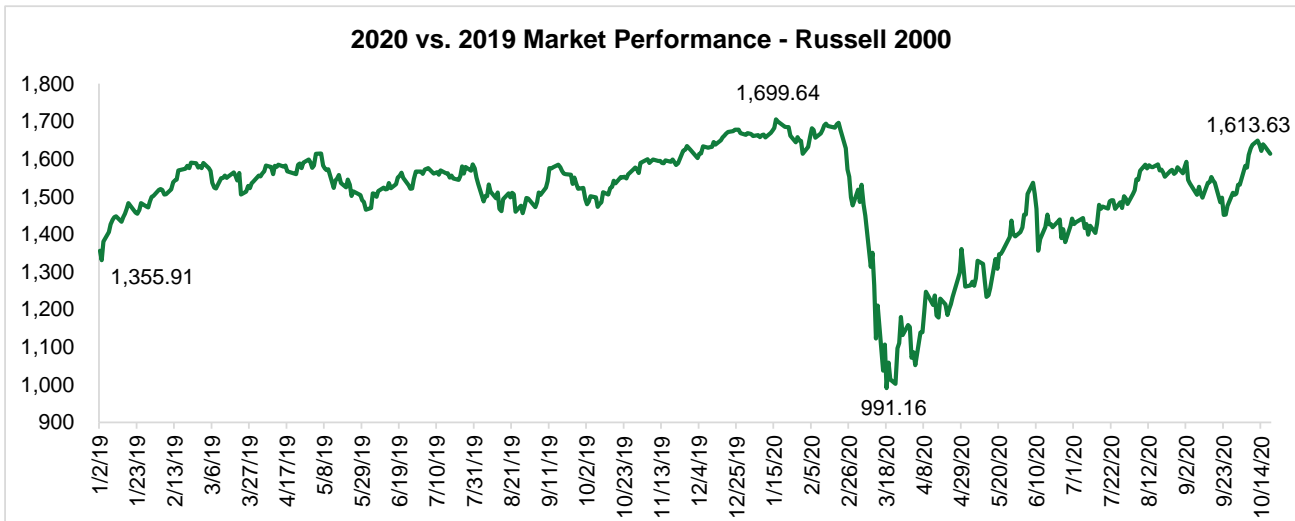


Source: Bloomberg (as of October 19)



- **Russell 2000**

- 2019 growth (Dec 31/Jan 2) = +23.1
- 2020 growth (Oct 19/Jan 2) = -3.2%
- 2019 to 2020 growth (Oct 19, 2020/Jan 2, 2019) = +19.0%
- 2020 growth since bottom (Oct 19/trough) = +62.8%



Source: Bloomberg (as of October 19)

## Election Year Market Performance

Note: E-Day = election day. 2000 = election result delayed for vote counting, finalized December 13. It is difficult to separate election noise from ongoing market turmoil related to 2008 global financial crisis and 2000 Dot.com bubble burst

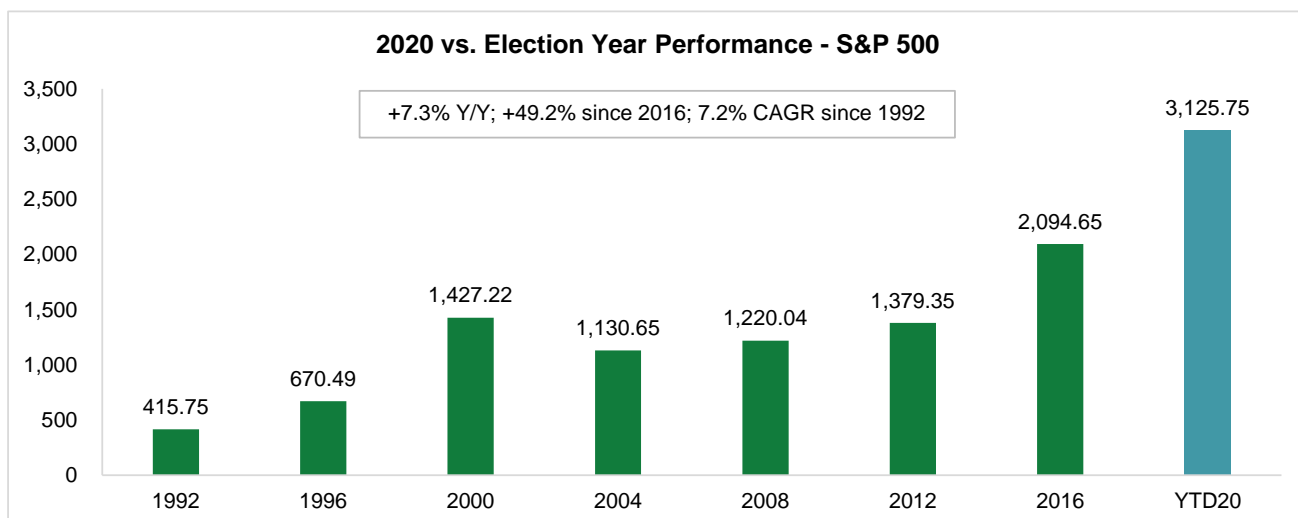
### General Price Action Trends:

- Incumbent wins? More likely spurs up trends, but not always
- Republican or Democrat? A tie for upward trends after E-Day, but favors Republicans when including 2000 (markets went up after the vote counting drama finished)
- President-elect Trump was a positive for markets in 2016 across all four in indexes, after weathering a slight dip right before E-Day around last minute election noise

### S&P 500

We note the following market performance trends during election periods:

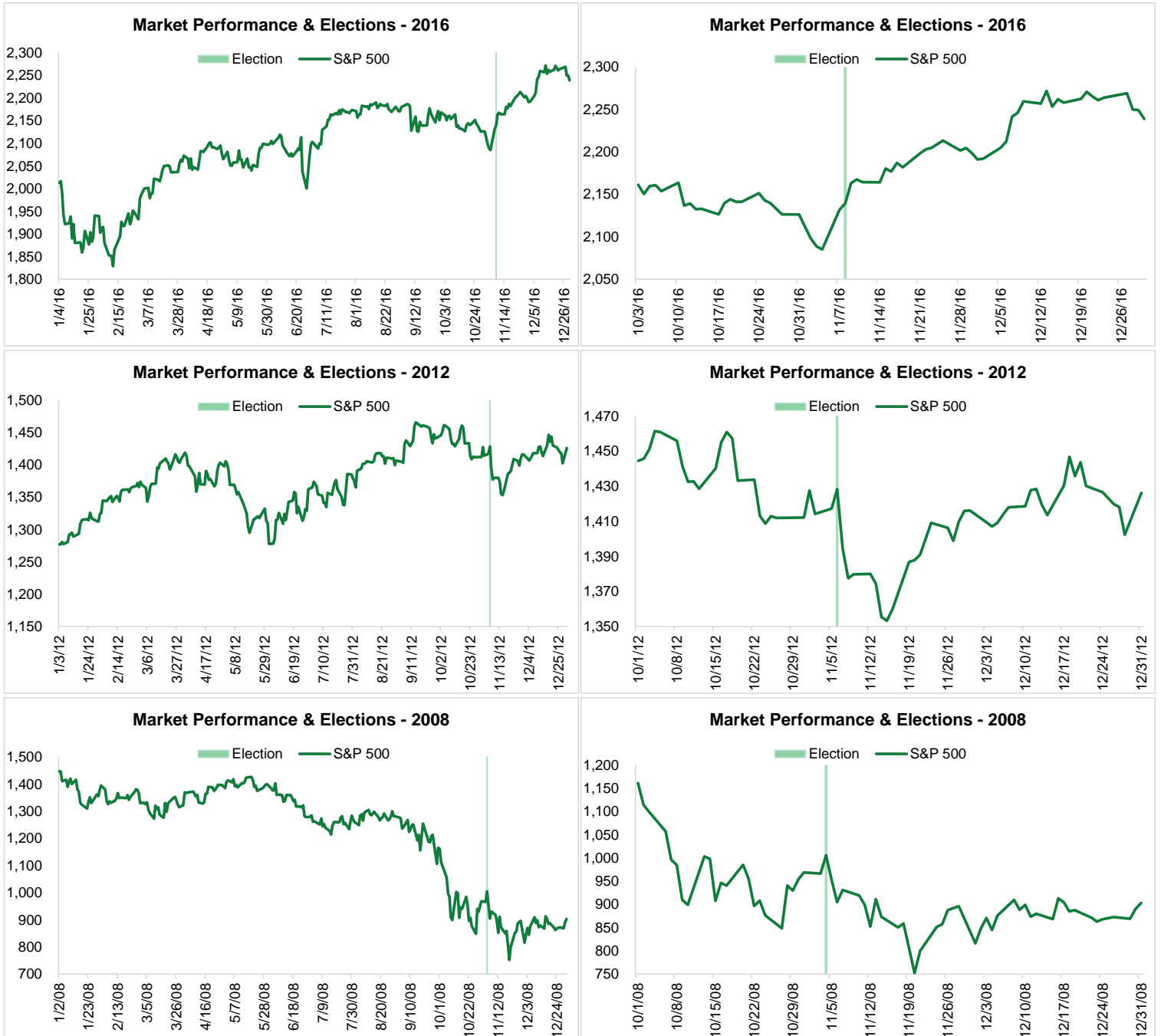
- Index already up 49.2% to the last election in 2016
- Grew at a 7.2% CAGR since 1992
- As compared to +7.3% Y/Y
- Price action patterns
  - Up into/on/after E-Day 3x (1992, 1996, 2004); 2 Democrat winners, 1 Republican; 2 incumbent wins, 1 incumbent loss
  - Dipped into, up on and sharply after E-Day 1x (2016); Republican won
  - Down on/after 3x (2000\*, 2008, 2012); 2 Democrat winners, 1 Republican; 1 incumbent win



Source: Bloomberg, SIFMA estimates (as of October 19)

Price Action:

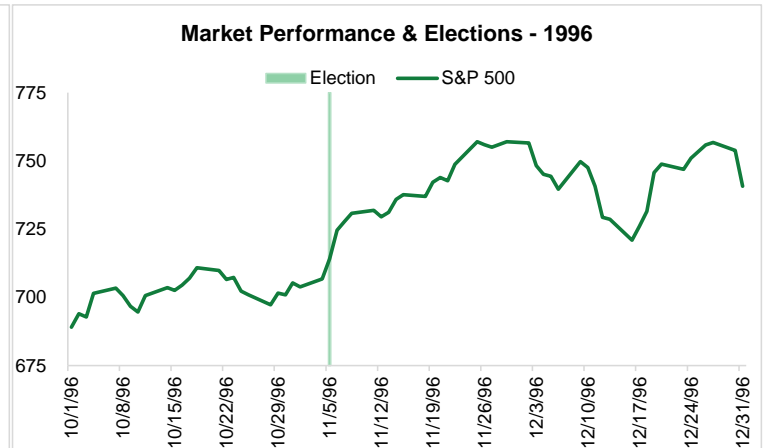
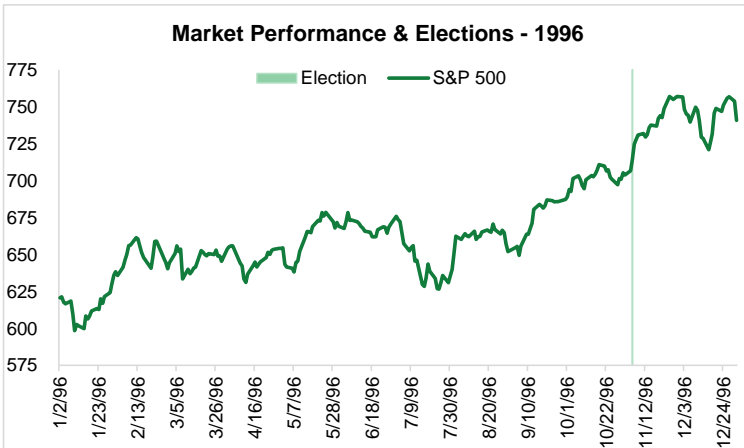
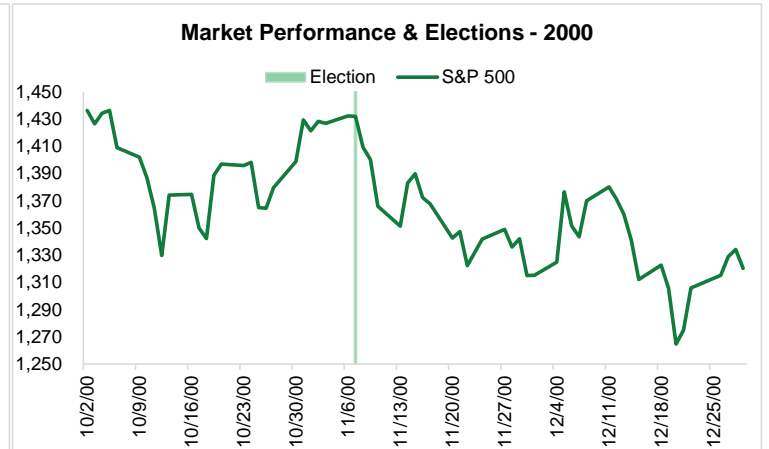
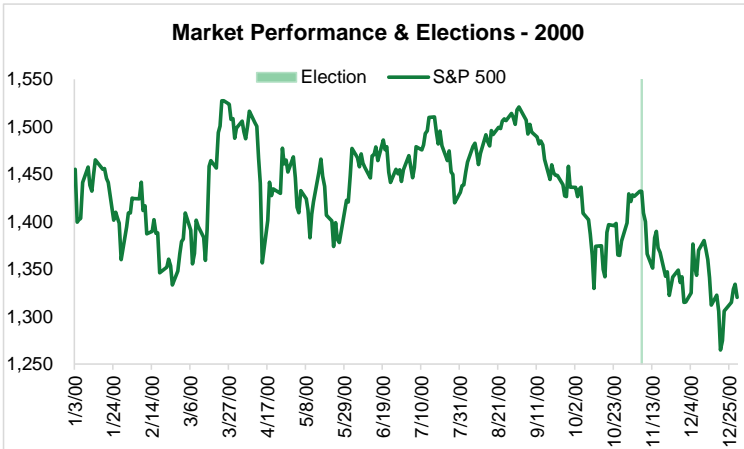
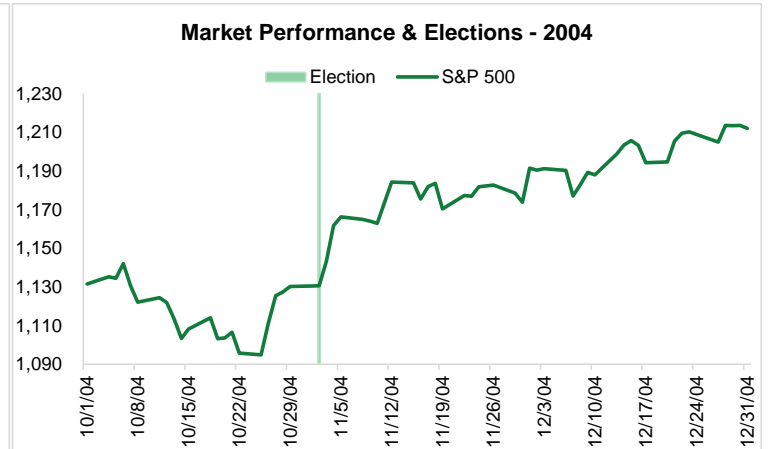
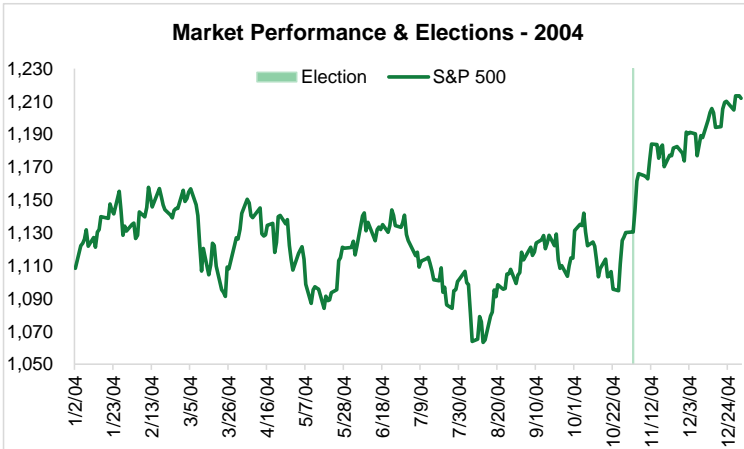
- 2016 (Republican won) – Dipped into E-Day, sharply upward sloping after
- 2012 (Democrat won, Incumbent won) – Down on and right after E-Day, recovered a few weeks later
- 2008 (Democrat won) – Down on and right after E-Day, until flattened



Source: Bloomberg, SIFMA estimates (as of October 19)

Price Action:

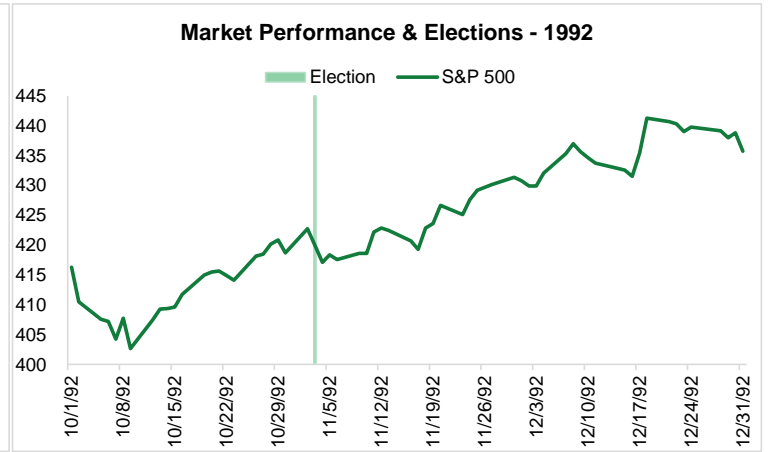
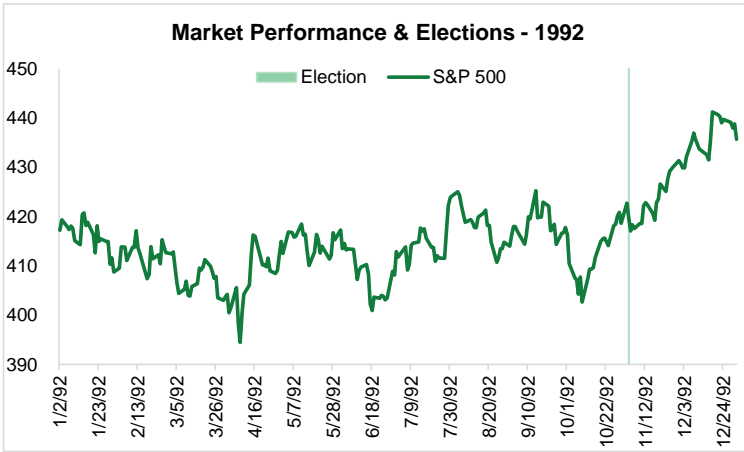
- 2004 (Republican won, Incumbent won) – Up into E-Day and after
- \*2000 (Republican won) – Up into E-Day, down on E-Day and after, recovered a few weeks later
- 1996 (Democrat won, Incumbent won) – Up into E-Day and after



Source: Bloomberg, SIFMA estimates (as of October 19)

Price Action:

- 1992 (Democrat won) – Up into E-Day and after

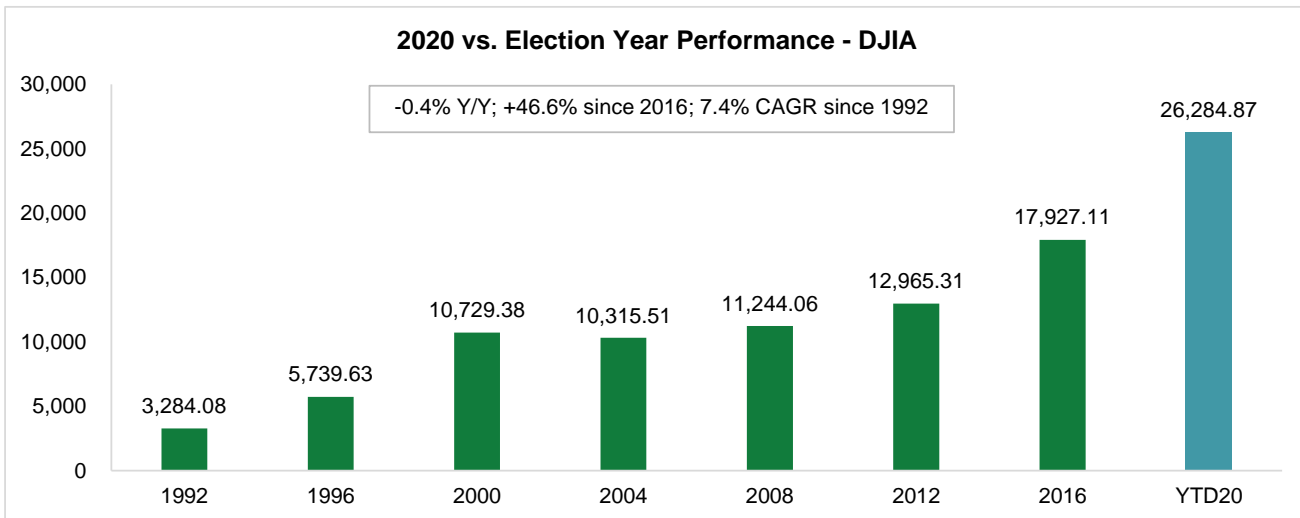


Source: Bloomberg, SIFMA estimates (as of October 19)

### Dow Jones Industrial Average (DJIA)

We note the following market performance trends during elections periods:

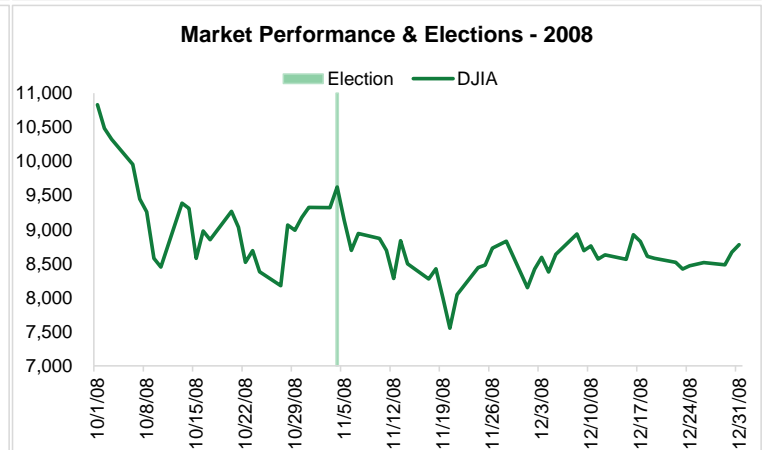
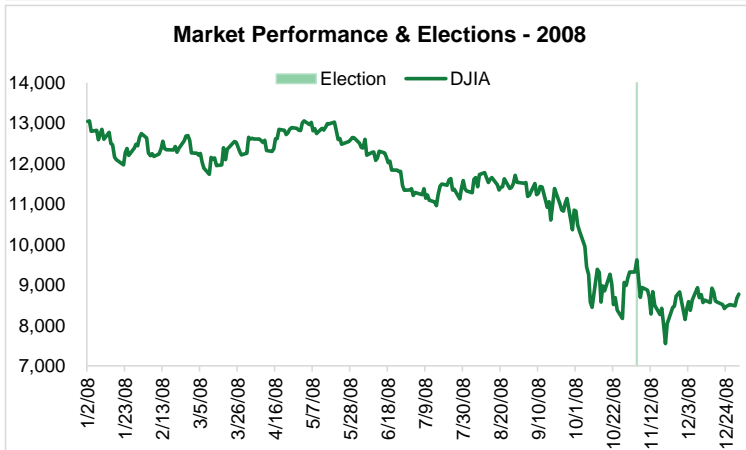
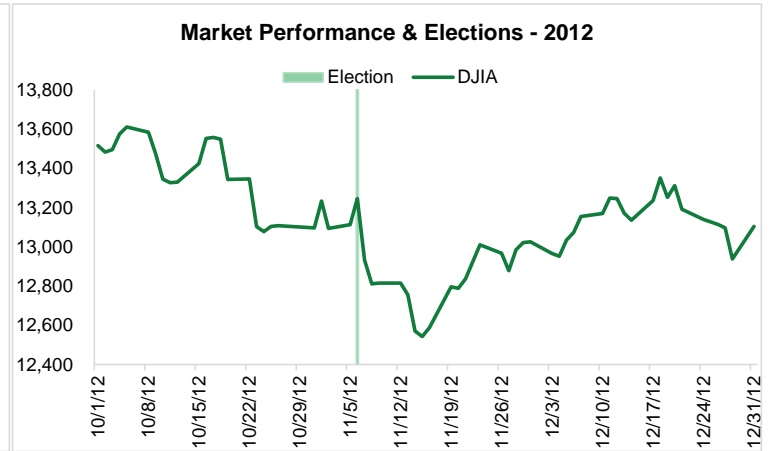
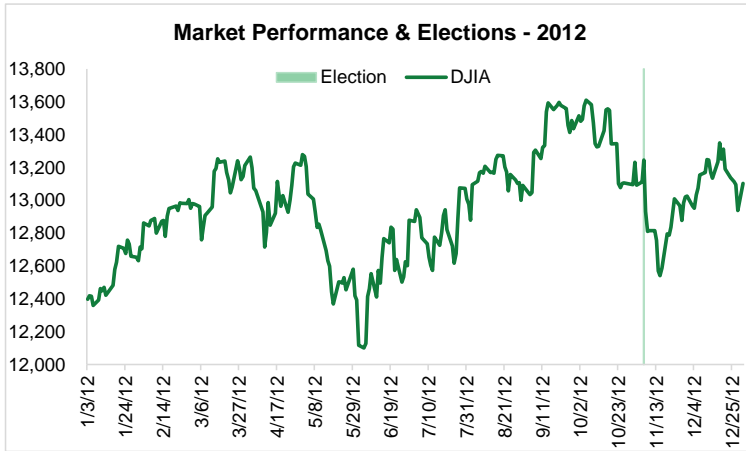
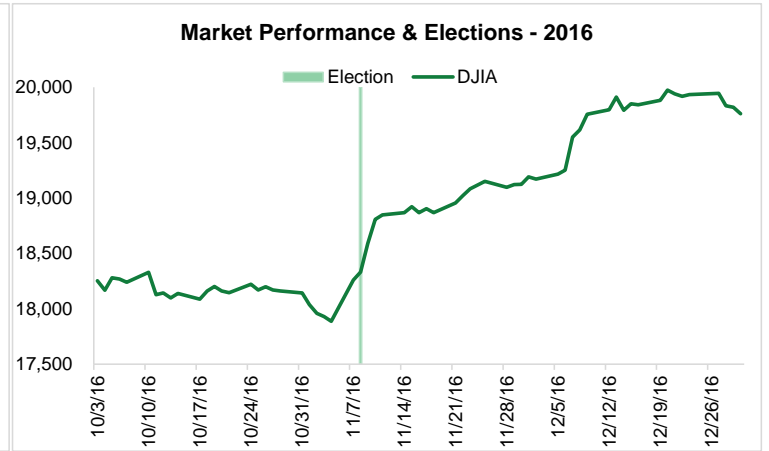
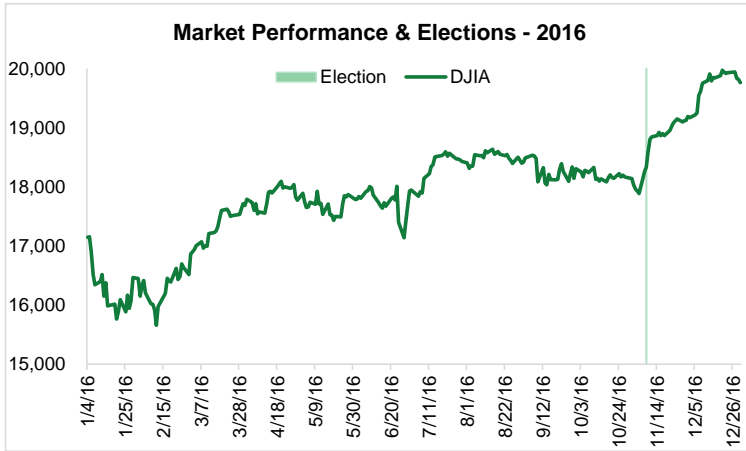
- Index already up 49.2% to the last election in 2016
- Grew at a 7.2% CAGR since 1992
- As compared to +7.3% Y/Y
- Price action patterns –
  - Up into/on/after E-Day 3x (1992, 1996, 2004); 2 Democrat winners, 1 Republican; 2 incumbent wins, 1 incumbent loss
  - Dipped into, up on and sharply after E-Day 1x (2016); Republican won
  - Down after 3x (2000\*, 2008, 2012); 2 Democrat winners, 1 Republican; 1 incumbent win



Source: Bloomberg, SIFMA estimates (as of October 19)

Price Action:

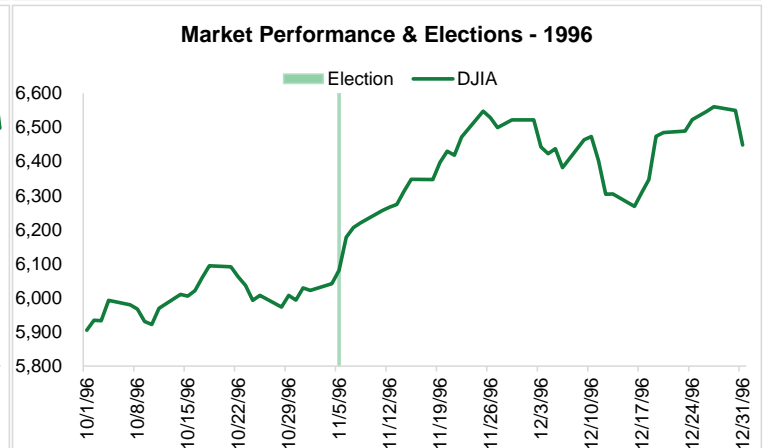
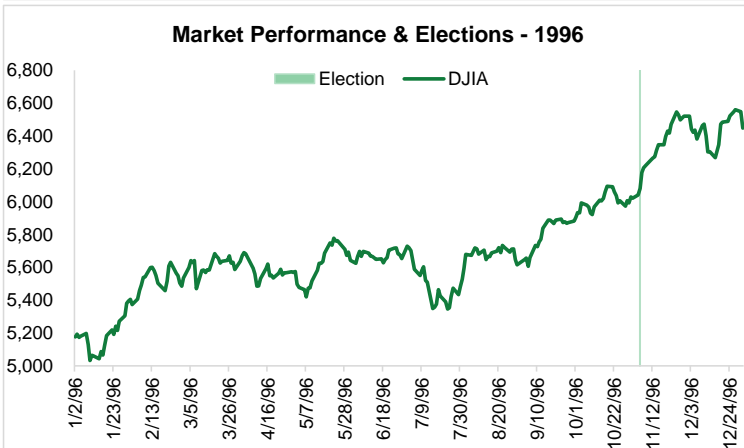
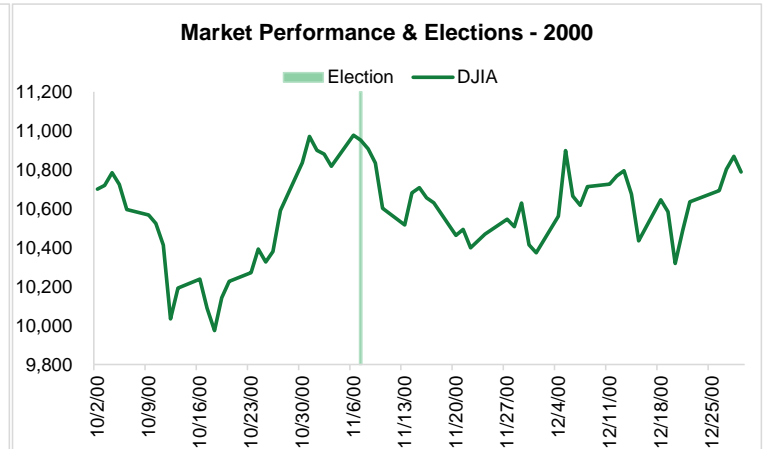
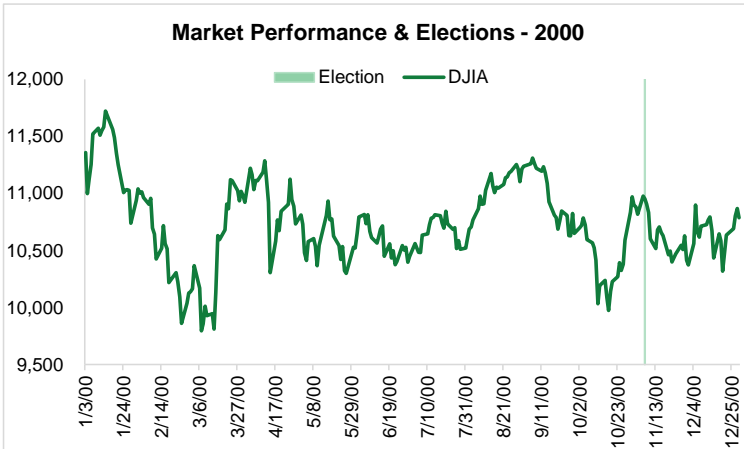
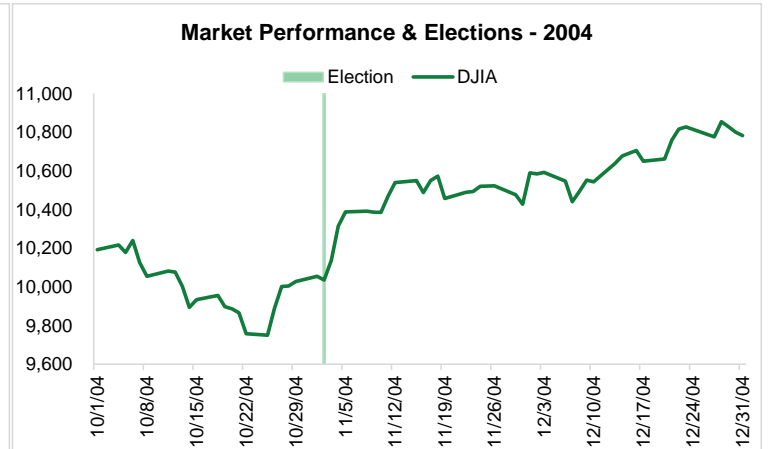
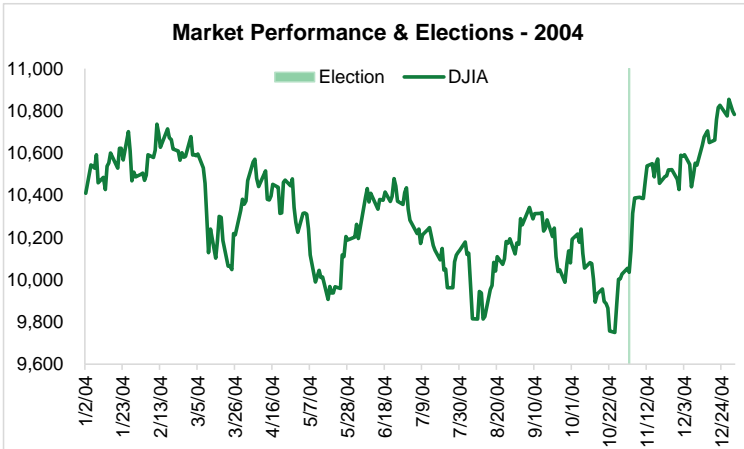
- 2016 (Republican won) – Dipped into E-Day, sharply upward sloping after
- 2012 (Democrat won, Incumbent won) – Down into and on E-Day, up after until flattened
- 2008 (Democrat won) – Slightly up into E-Day, down on and after until flattened



Source: Bloomberg, SIFMA estimates (as of October 19)

Price Action:

- 2004 (Republican won, Incumbent won) – Up into E-Day and after
- \*2000 (Republican won) – Up into E-Day, down on E-Day and after until flattened
- 1996 (Democrat won, Incumbent won) – Up into E-Day and after

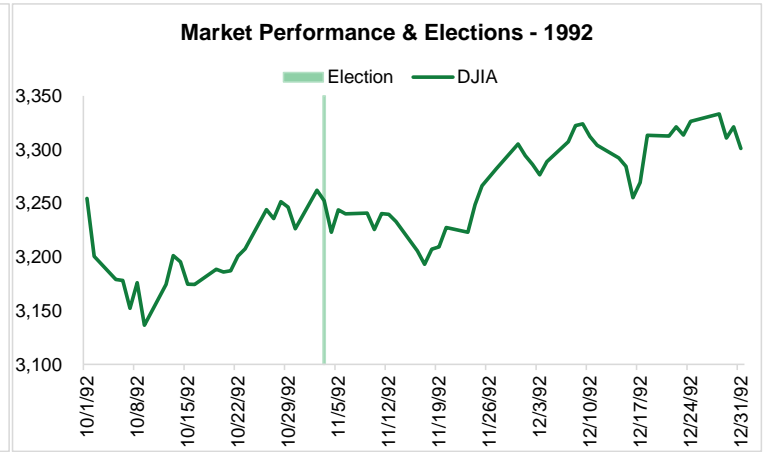
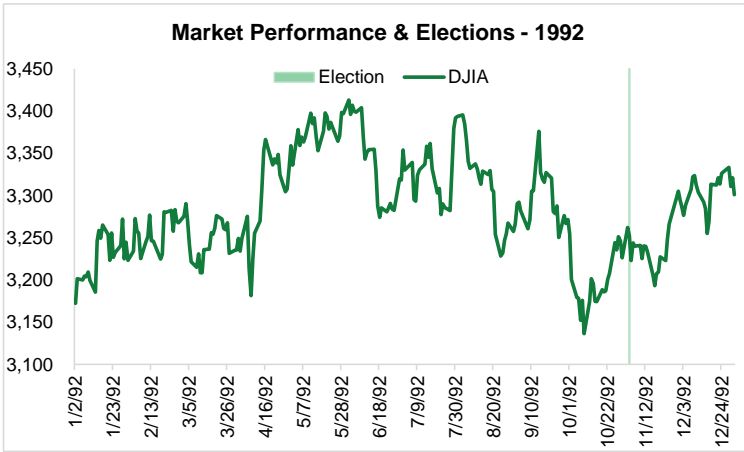


Source: Bloomberg, SIFMA estimates (as of October 19)



Price Action:

- 1992 (Democrat won) – Up into E-Day, flattened around the day until began increasing

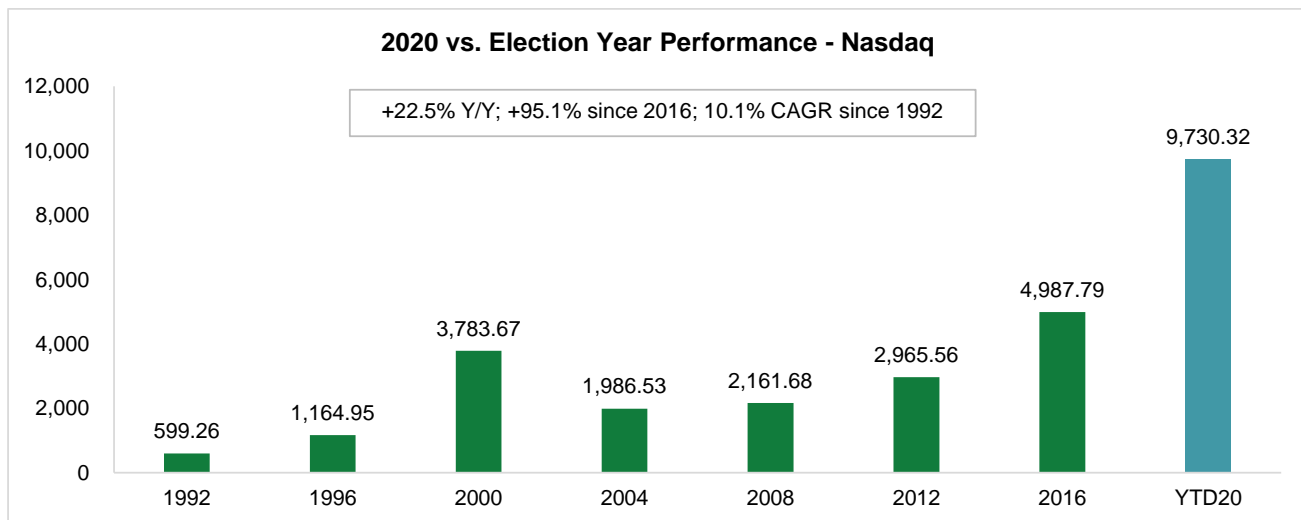


Source: Bloomberg, SIFMA estimates (as of October 19)

## Nasdaq Composite

We note the following market performance trends during elections periods:

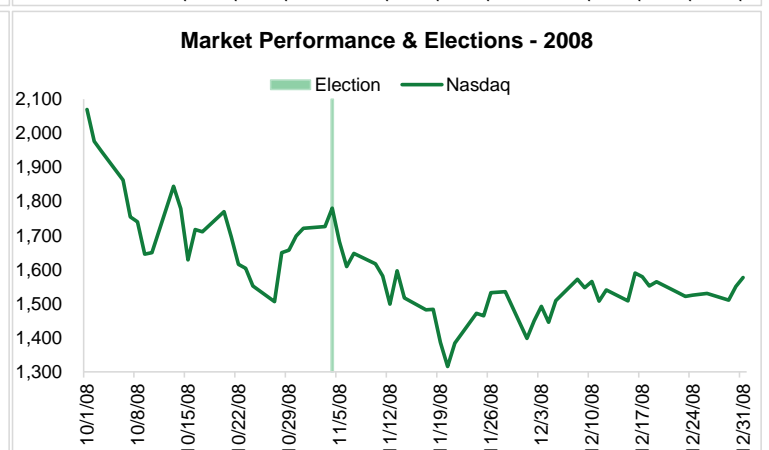
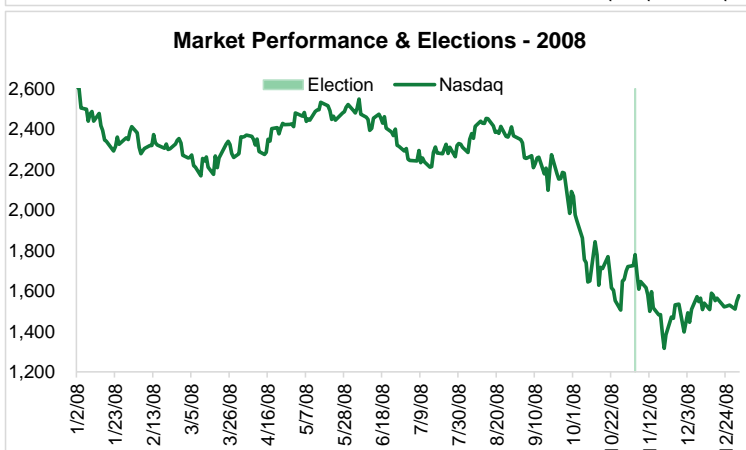
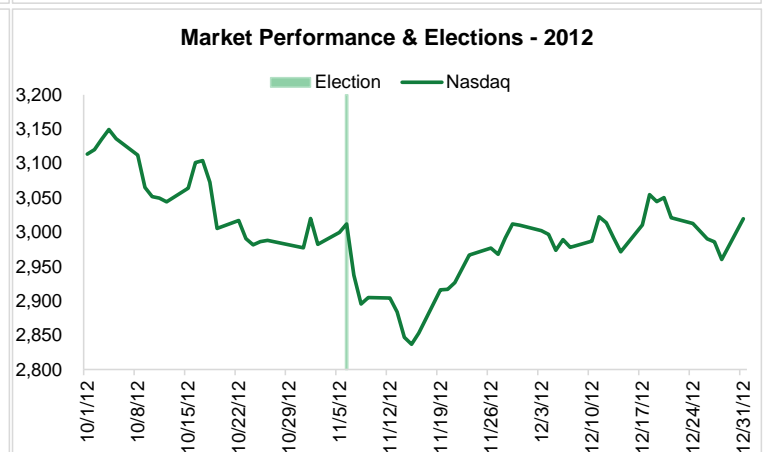
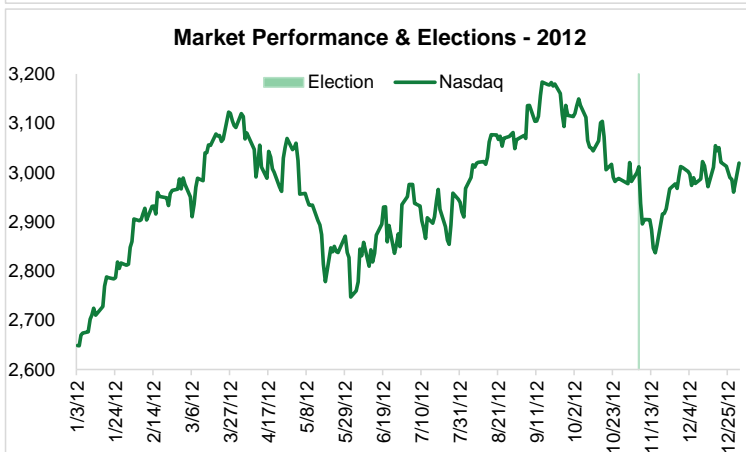
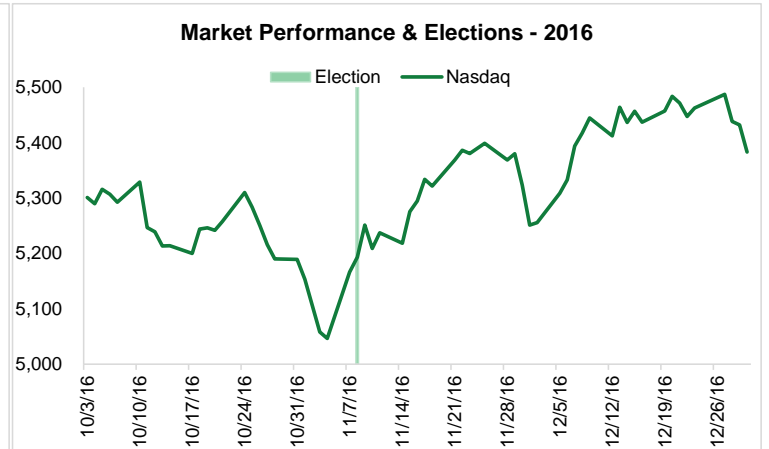
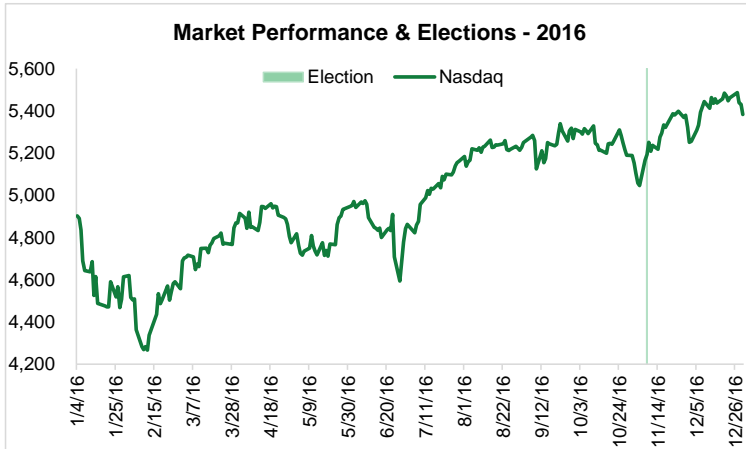
- Index already up 49.2% to the last election in 2016
- Grew at a 7.2% CAGR since 1992
- As compared to +7.3% Y/Y
- Price action patterns –
  - Up into/on/after E-Day 3x (1992, 1996, 2004); 2 Democrat winners, 1 Republican; 2 incumbent wins, 1 incumbent loss
  - Dipped into, up on and sharply after E-Day 1x (2016); Republican won
  - Down on/after 3x (2000\*, 2008, 2012); 2 Democrat winners, 1 Republican; 1 incumbent win



Source: Bloomberg, SIFMA estimates (as of October 19)

Price Action:

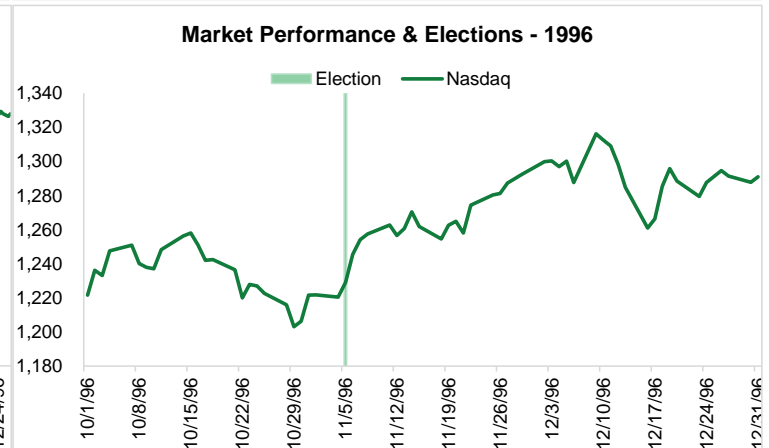
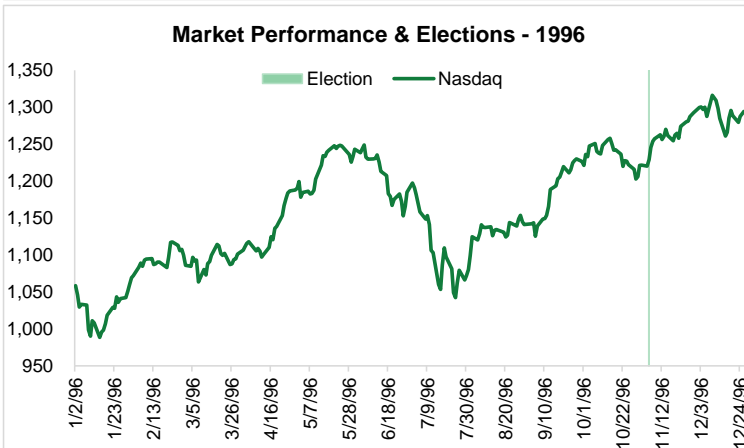
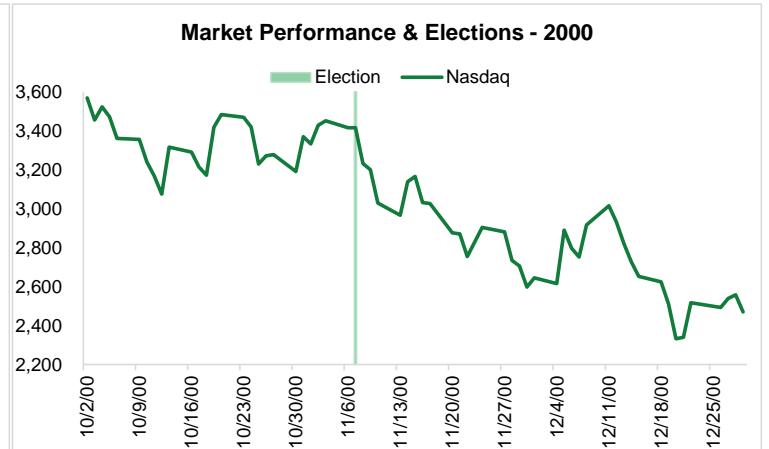
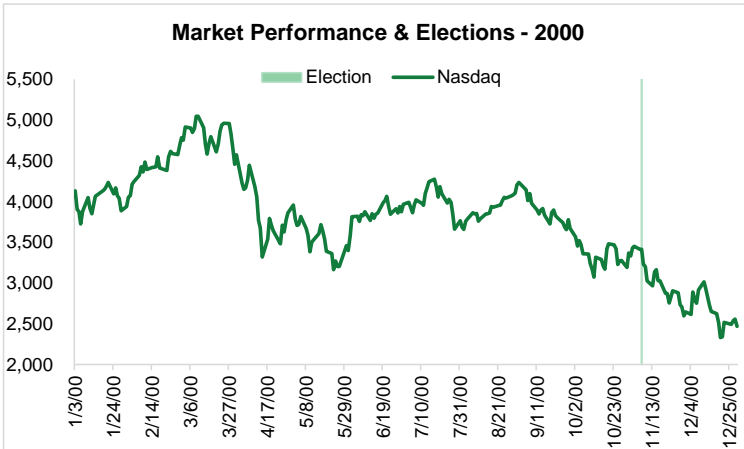
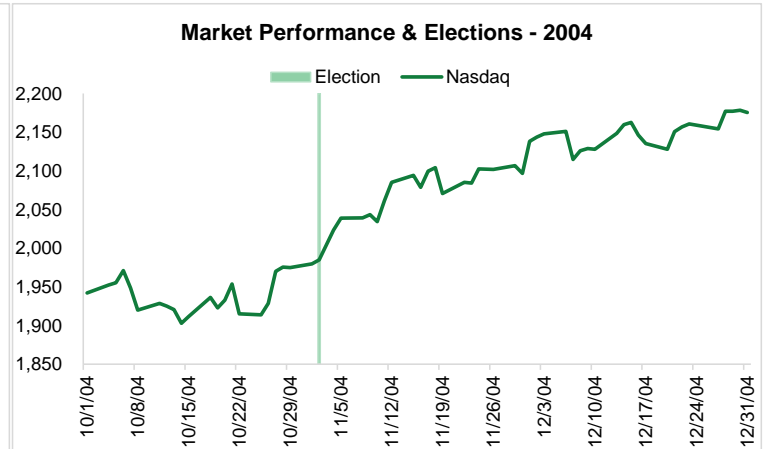
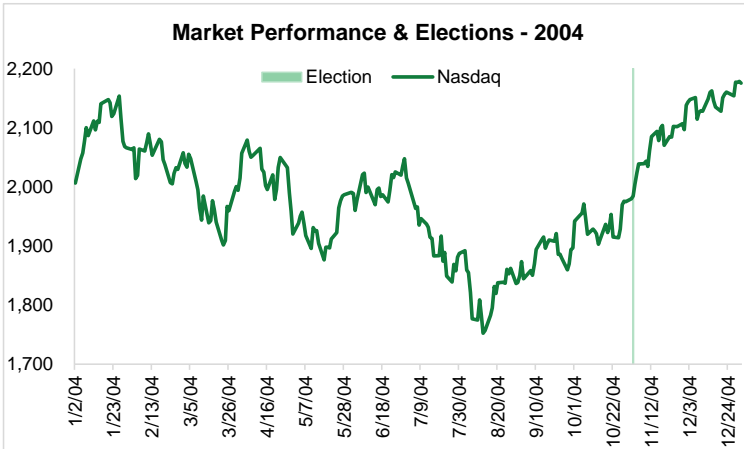
- 2016 (Republican won) – Dipped into E-Day, sharply upward sloping after
- 2012 (Democrat won, Incumbent won) – Up into E-Day, down on E-Day and after, recovered later
- 2008 (Democrat won) – Up into E-Day, down on E-Day and after until flattened



Source: Bloomberg, SIFMA estimates (as of October 19)

Price Action:

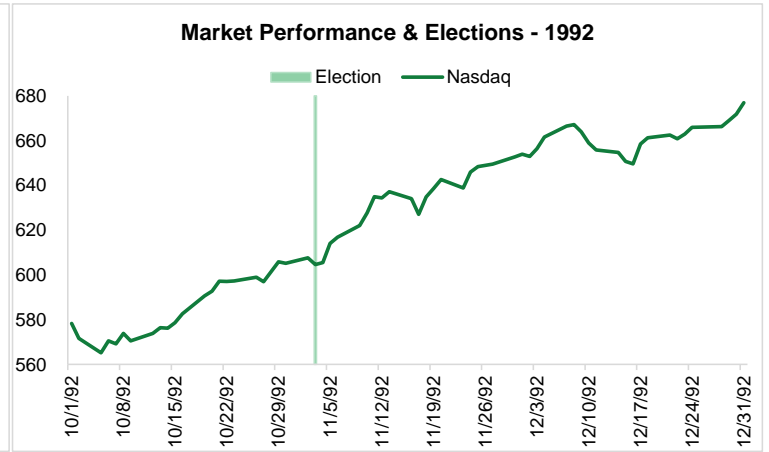
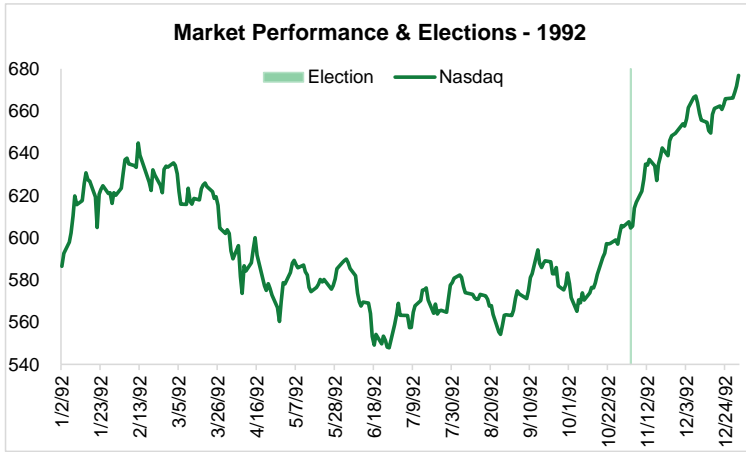
- 2004 (Republican won, Incumbent won) – Up into E-Day and after
- \*2000 (Republican won) – Flat into E-Day, down on/after until flattens few weeks later
- 1996 (Democrat won, Incumbent won) – Up into E-Day and after



Source: Bloomberg, SIFMA estimates (as of October 19)

Price Action:

- 1992 (Democrat won) – Up into E-Day and after

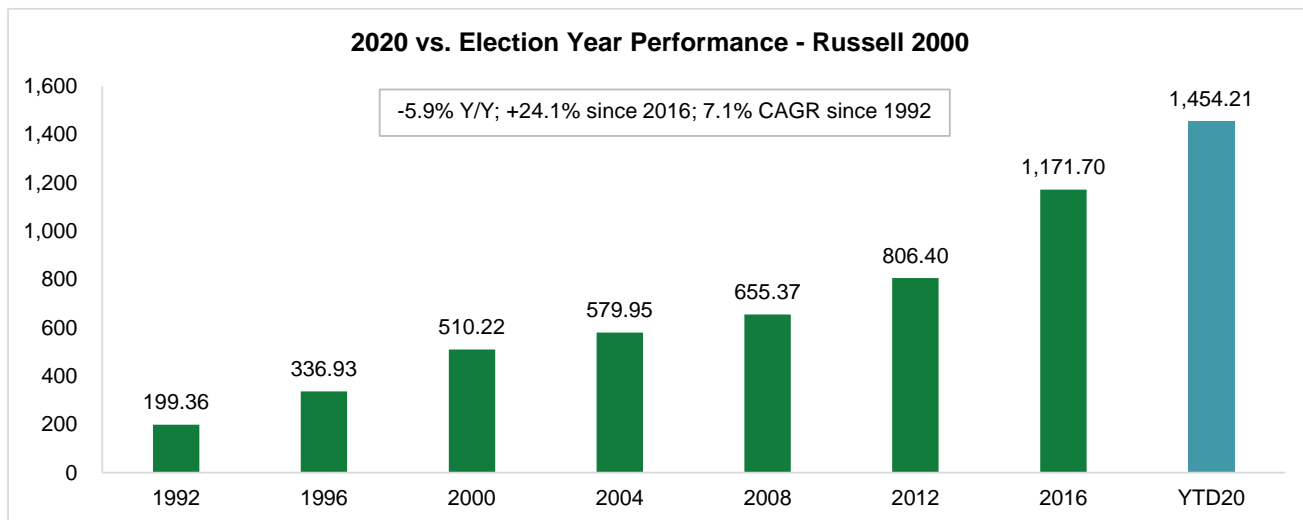


Source: Bloomberg, SIFMA estimates (as of October 19)

**Russell 2000**

We note the following market performance trends during elections periods:

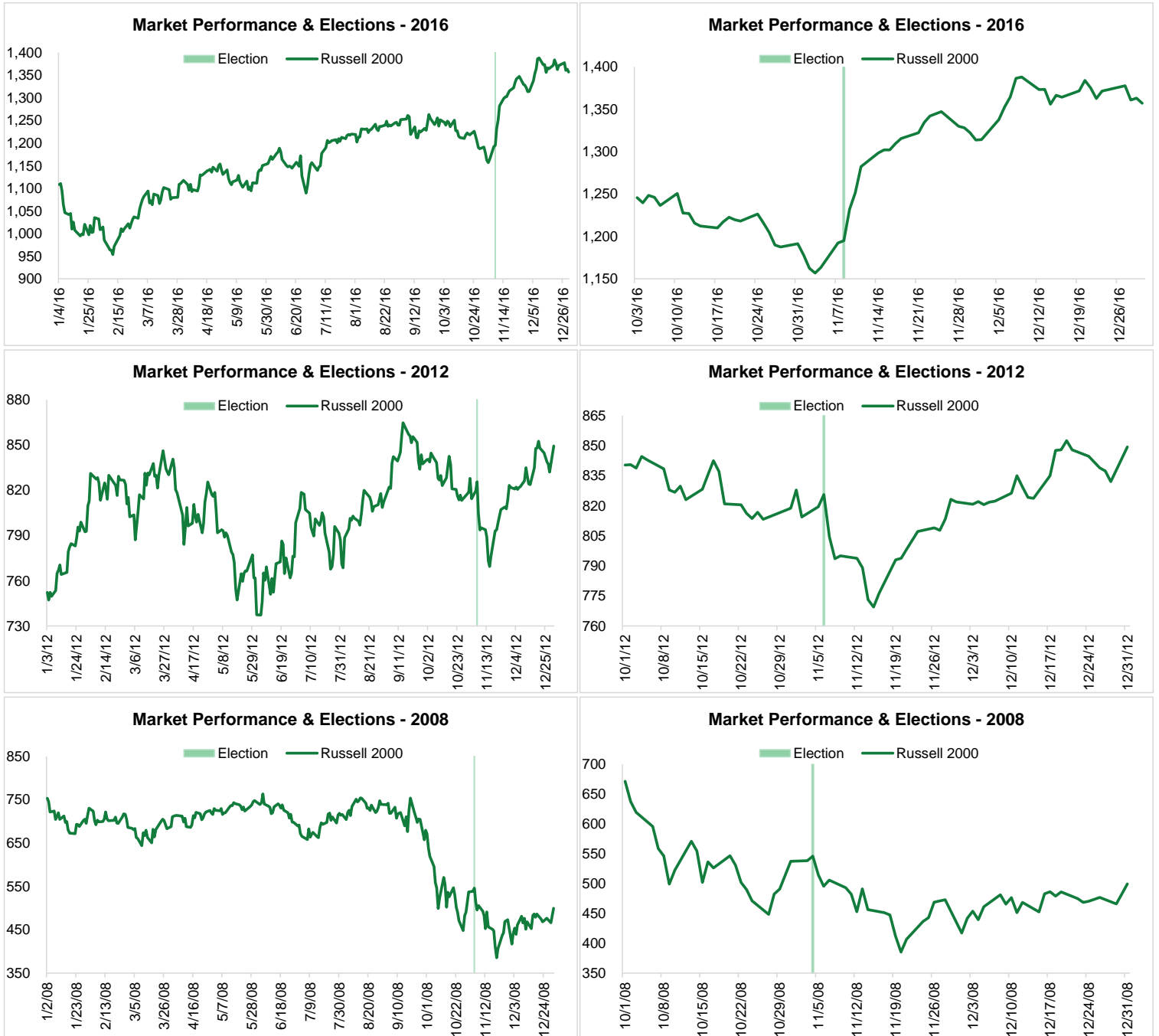
- Index already up 49.2% to the last election in 2016
- Grew at a 7.2% CAGR since 1992
- As compared to +7.3% Y/Y
- Price action patterns –
  - Up into/on/after E-Day 3x (1992, 1996, 2004); 2 Democrat winners, 1 Republican; 2 incumbent wins, 1 incumbent loss
  - Dipped into, up on and sharply after E-Day 1x (2016); Republican won
  - Down on/after 3x (2000\*, 2008, 2012); 2 Democrat winners, 1 Republican; 1 incumbent win



Source: Bloomberg, SIFMA estimates (as of October 19)

Price Action:

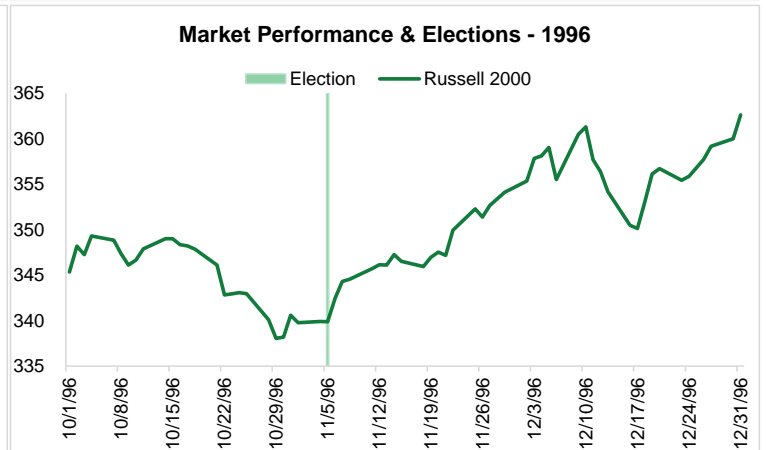
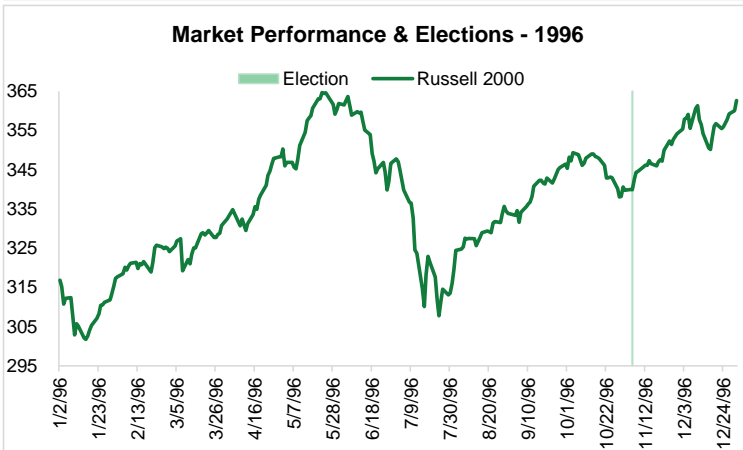
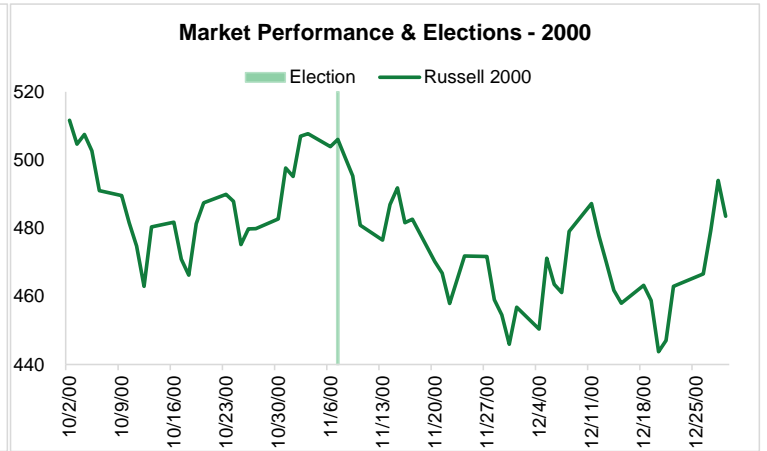
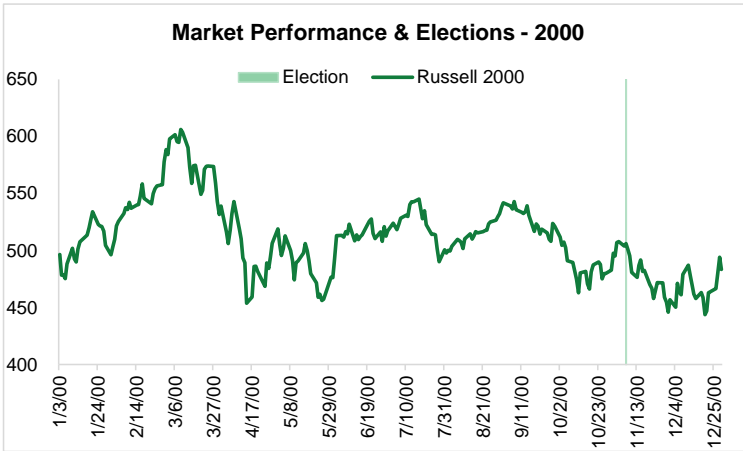
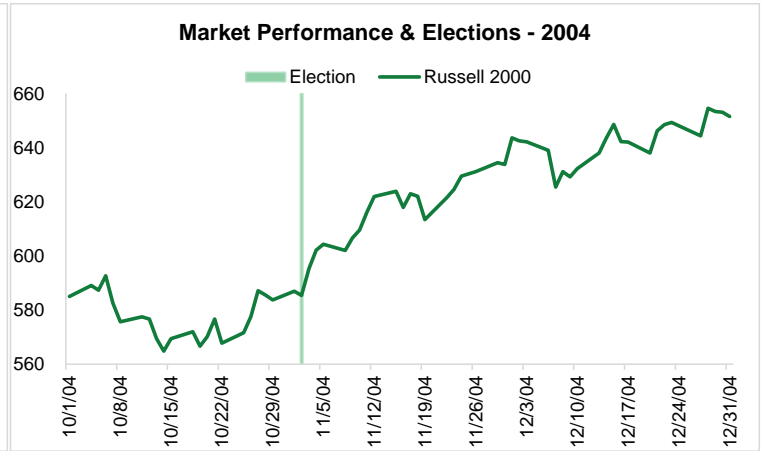
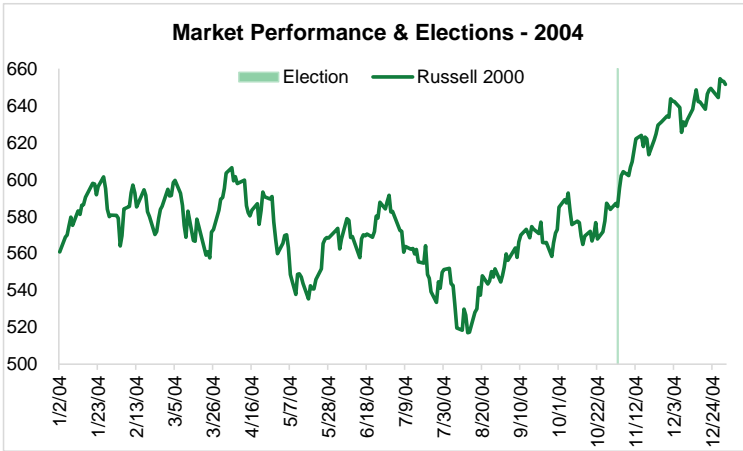
- 2016 (Republican won) – Dipped into E-Day, sharply upward sloping after
- 2012 (Democrat won, Incumbent won) – Down into/on/after E-Day, recovered later
- 2008 (Democrat won) – Slightly up into E-Day, down on and after until flattened



Source: Bloomberg, SIFMA estimates (as of October 19)

Price Action:

- 2004 (Republican won, Incumbent won) – Up into E-Day and after
- \*2000 (Republican won) – Slightly up into E-Day, down on and after until flattened
- 1996 (Democrat won, Incumbent won) – Up into E-Day and after

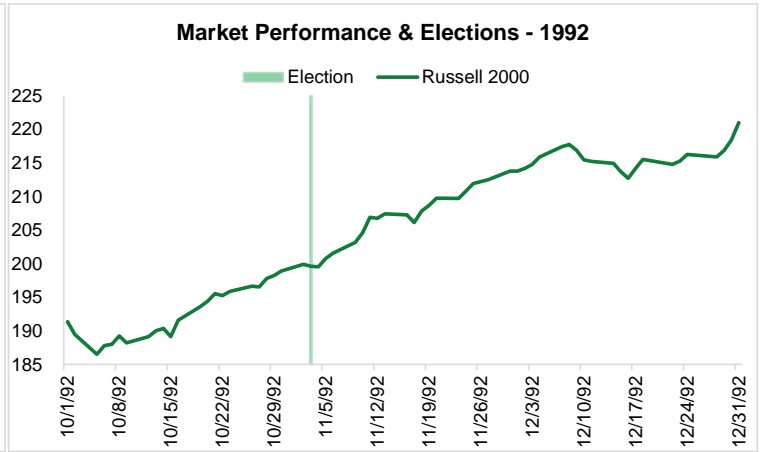
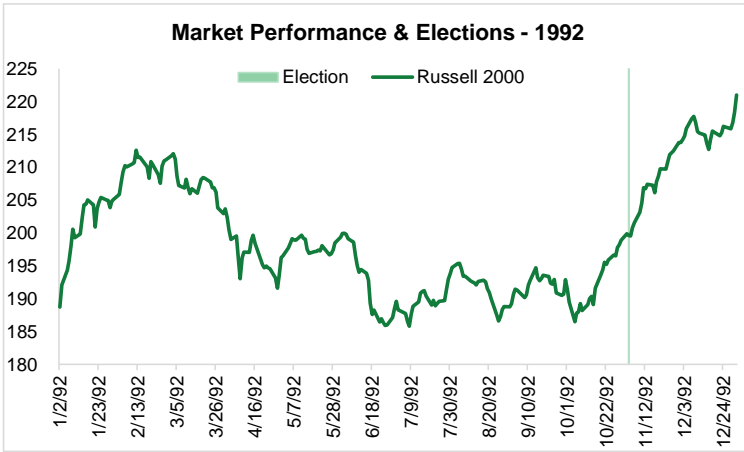


Source: Bloomberg, SIFMA estimates (as of October 19)



Price Action:

- 1992 (Democrat won) – Up into E-Day and after



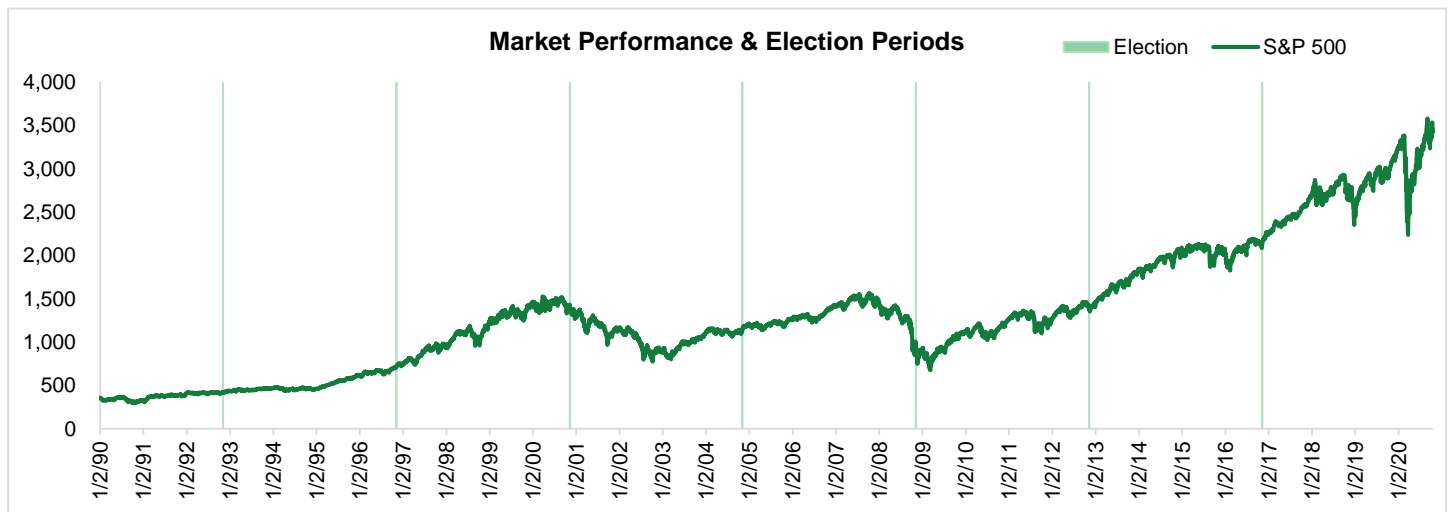
Source: Bloomberg, SIFMA estimates (as of October 19)

## Historical Election Market Performance

For reference, we provide graphs for each election period back to 1992, showing annual market performance and more granularly the October performance heading into the election through the end of the year.

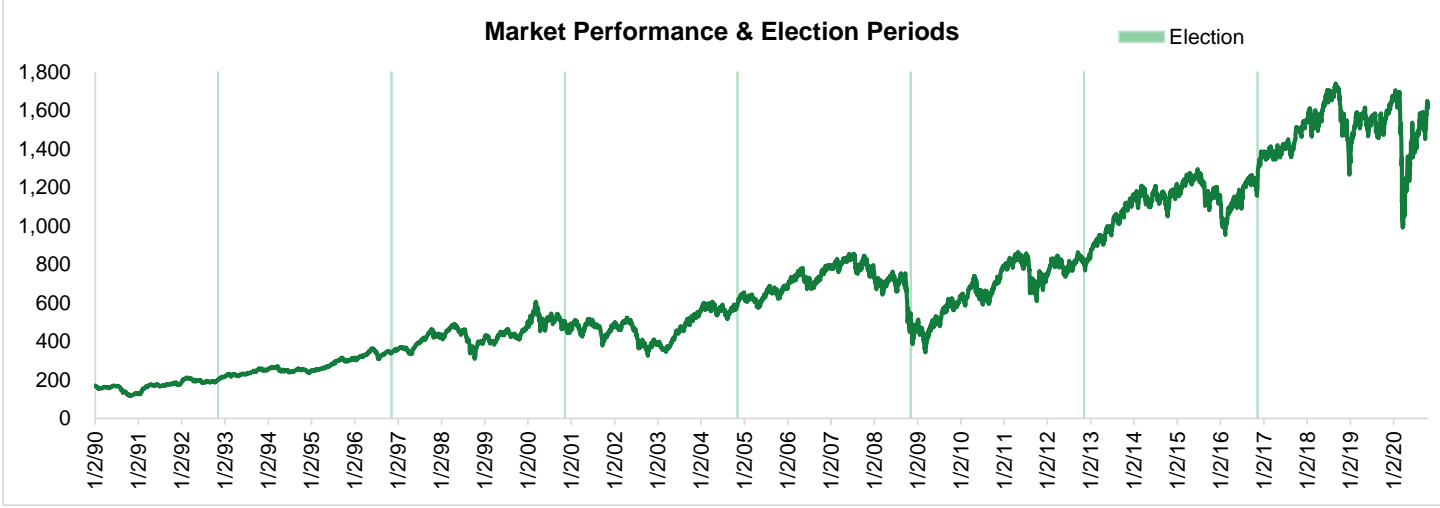
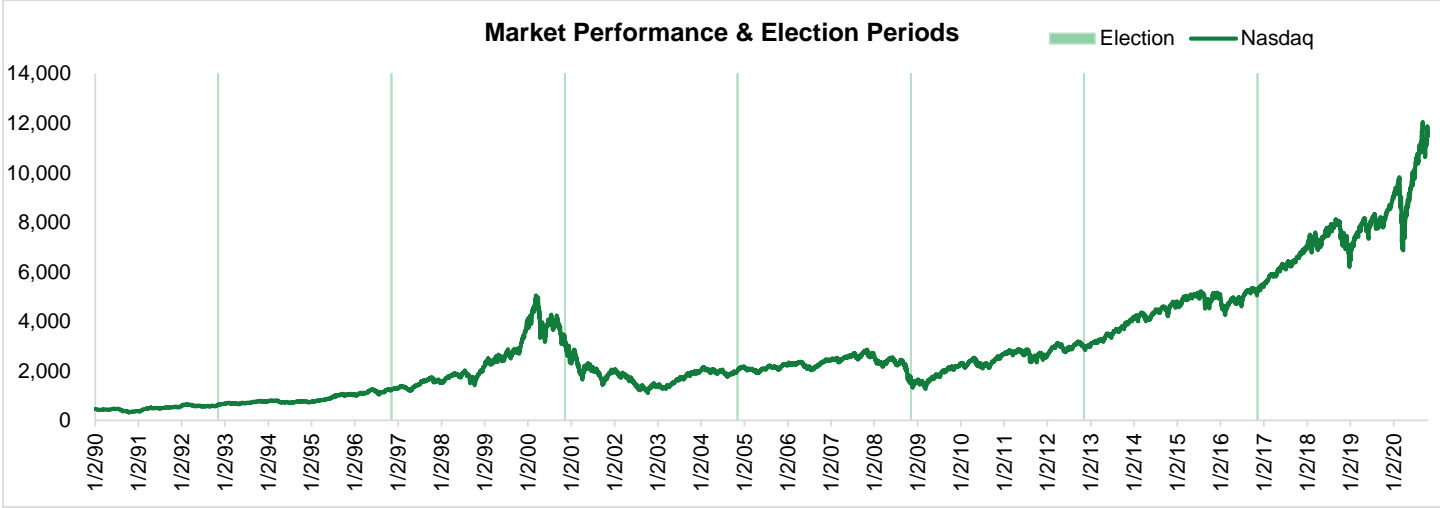
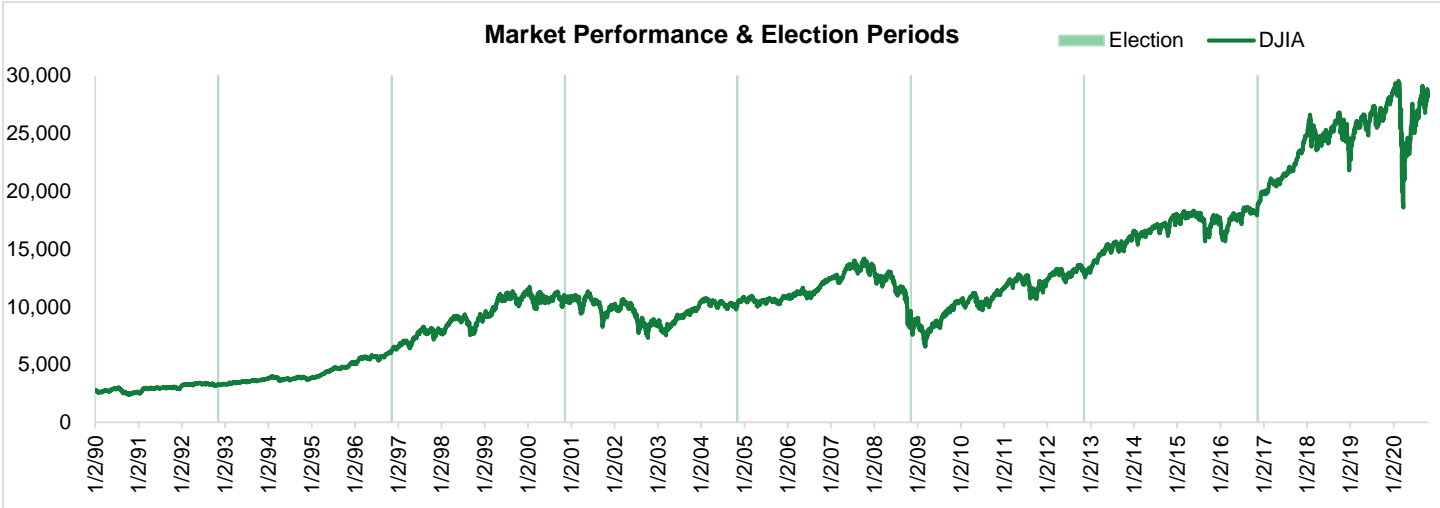
### US Presidential Elections

- **1992:** Bill Clinton (Democrat) defeated George H. W. Bush (Republican, incumbent)
- **1996:** Bill Clinton (Democrat, incumbent) defeated Bob Dole (Republican)
- **2000:** George W. Bush (Republican) defeated Al Gore (Democrat)
- **2004:** George W. Bush (Republican, incumbent) defeated John Kerry (Democrat)
- **2008:** Barack Obama (Democrat) defeated John McCain (Republican)
- **2012:** Barack Obama (Democrat, incumbent) defeated Mitt Romney (Republican)
- **2016:** Donald Trump (Republican) defeated Hillary Clinton (Democrat)
- **2020, TBD:** Donald Trump (Republican, incumbent) versus Joe Biden (Democrat)
- Wins by
  - Democrats = 4/7, 57%
  - Republicans = 3/7, 43%
  - Incumbents = 3/4, 75%



Source: Bloomberg, SIFMA estimates (as of October 19)

Historical Election Market Performance



Source: Bloomberg, SIFMA estimates (as of October 19)

## Appendix: Market Index Definitions

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- **Dow Jones Industrial Average (DJIA):** A price weighted index that tracks 30 large, publicly-owned companies trading on U.S. exchanges. It is a widely-watched benchmark index for U.S. blue-chip stocks.
- **S&P 500:** A market capitalization weighted index of the 500 largest U.S. publicly traded companies. The index is regarded as the best gauge of large-cap U.S. equities.
- **Nasdaq Composite (Nasdaq):** A market capitalization weighted index made up of over 2,500 common equities listed on the Nasdaq stock exchange. Its composition is nearly 50% technology (this percentage has come down over the years), followed by consumer services, health care and financials.
- **Russell 2000:** A market capitalization weighted index made up of the bottom two-thirds of the Russell 3000 index, a larger index of 3,000 publicly traded companies that represents nearly 98% of the investable U.S. stock market. The index is regarded as a gauge of small cap, U.S. centric companies.
- **CBOE Volatility Index (VIX):** A real-time market index that represents the market's expectation of 30-day forward looking volatility, as derived from the price inputs of S&P 500 index options. It measures market risk and investor sentiment (fear, stress) and is often called the fear index

## Appendix: SIFMA Insights Research Reports

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SIFMA Insights Market Structure Primers: [www.sifma.org/primers](http://www.sifma.org/primers)

- Global Capital Markets & Financial Institutions
- Electronic Trading
- US Capital Formation & Listings Exchanges
- US Equity
- US Multi-Listed Options
- US ETF
- US Fixed Income
- SOFR: The Transition from LIBOR
- The Evolution of the Fintech Narrative

SIFMA Insights: [www.sifma.org/insights](http://www.sifma.org/insights)

- Market Structure Download
- A Deeper Look at US Listed Options Volumes
- The Cboe Trading Floor Reopened – Revisiting Volume Data
- NYSE Goes All Electronic – What Does It Mean?
- The NYSE Trading Floor Reopened – Revisiting Market Share Data
- COVID-19 Related Market Turmoil Recap: Part I (Equities, ETFs, Listed Options & Capital Formation)
- 2020, the Year of the SPAC
- The 2020 Market Madness
- The VIX's Wild Ride
- The 10th Anniversary of the Flash Crash
- DTCC's Important Role in US Capital Markets

## Author

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