

In the Markets Now

One last investing and election article

We believe in the old saying: a picture is worth a thousand words. Here, we aim to recap recent market action and provide some perspective to investors.

PWM Equity & Fixed Income Research

Ross Mayfield, CFA
Investment Strategy Analyst

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ON IGNORING THE MARKET THE DAY AFTER AN ELECTION

While we like to think we offer sound, unbiased, and practical advice on politics and investing, I don't blame a single person who sees yet ANOTHER article about the election and rolls their eyes. It has been the dominant story for the last year (or longer), amplified by a global pandemic and widespread social unrest. For most of us, November 3rd probably can't come soon enough.

But Election Day finally passing may bring even more anxiety—who will win, will the election be contested, will it be a peaceful transfer of power (if needed), what will the Senate look like? While we don't have the answers to those questions (spoiler alert: nobody does), one that we want to address head on is “what will happen in the market the day after the election?” **For that, we do have a definitive answer: it doesn't matter.**

By that, I simply mean it hasn't historically been an important indicator of longer-term returns. Whether the S&P 500 closes up or down, by a lot or a little, it has had nearly no predictive power for performance when looking farther out. We display the last fifteen presidential elections to the right. Some saw big gains the day after, only to be down a year later (1980), while others sold off steeply, only to reverse course and finish positive by the same time the next year (2012). But even if day-after market moves aren't a good gauge of longer-term returns, it won't stop many from treating them as a sign of something larger to come.

Even day-of, markets aren't always sure what they want. When it became clear that President Trump could win late on November 8, 2016, stock futures sold off as much as 4.0%. But by the end of the next day, they were up 1.1%, and would go on to gain over 21% in his first term. Markets may wobble on uncertainty, but the long-term trend of the stock market is driven by far more than who occupies the White House.

I won't take up too much more of your time. Our feelings about elections and long-term investing are well-covered [in our August piece](#) (to sum it up, they mix about as well as toothpaste and orange juice). But the day after an election can be an uneasy time—the headlines will be inflammatory, social media will be worse, and the discourse may be ugly. It's a day of change, ambiguity, and for many, victory or defeat; it will almost certainly be emotional. But do not let those emotions drive your investment decisions—call your Baird Advisor today to discuss this or any other concerns you may have.

S&P 500 Return

	One day after election	One year after election
2016	1.1%	21.3%
2012	-2.4%	24.0%
2008	-5.3%	4.1%
2004	1.1%	7.4%
2000	-1.6%	-22.1%
1996	1.5%	32.0%
1992	-0.7%	10.3%
1988	-0.7%	22.9%
1984	-0.7%	13.1%
1980	2.1%	-3.3%
1976	-1.1%	-12.0%
1972	-0.6%	-7.2%
1968	0.2%	-5.3%
1964	0.0%	8.4%
1960	0.4%	28.6%
Avg:	-0.4%	8.1%

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