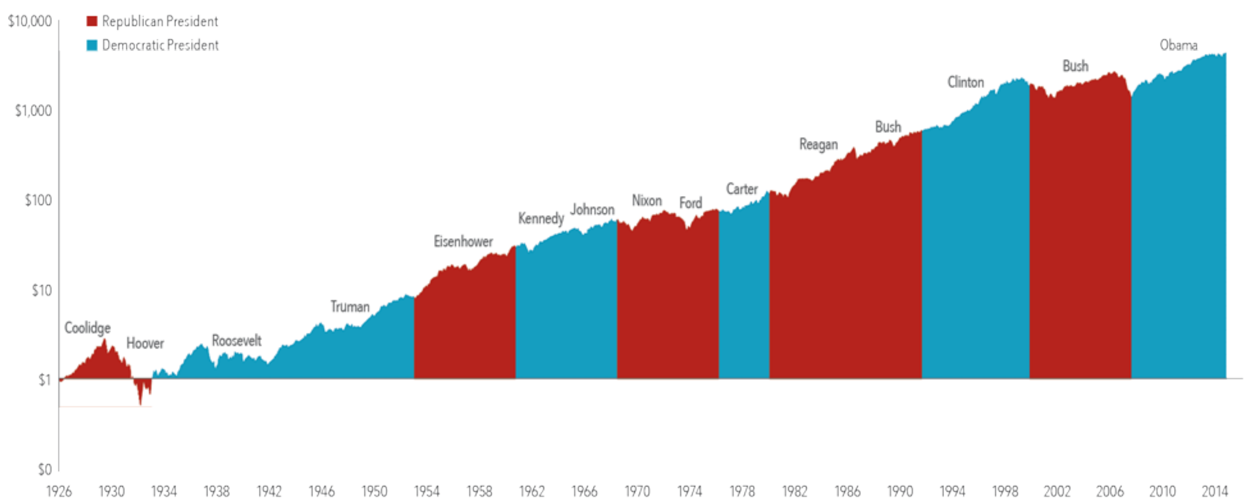
TULETT, MATTHEWS & ASSOCIATES

Presidential elections and the stock market

Long-term investing: bulls & bears ≠ donkeys & elephants

Predictions about presidential elections and the stock market often focus on which party or candidate will be "better for the market" over the long run. Exhibit 1 shows the growth of one dollar invested in the S&P 500 Index over nine decades and 15 presidencies (from Coolidge to Obama). This data does not suggest an obvious pattern of long-term stock market performance based upon which party holds the Oval Office. The key takeaway here is that over the long run, the market has provided substantial returns regardless of who controlled the executive branch.

Exhibit 1. **Growth of a Dollar Invested in the S&P 500, January 1926–June 2016**



Conclusion:

Equity markets can help investors grow their assets, but investing is a long-term endeavor. Trying to make investment decisions based upon the outcome of presidential elections is unlikely to result in reliable excess returns for investors. At best, any positive outcome based on such a strategy will likely be the result of random luck. At worst, it can lead to costly mistakes. Accordingly, there is a strong case for investors to rely on patience and portfolio structure, rather than trying to outguess the market, in order to pursue investment returns.

Source: *Dimensional Fund Advisors Canada ULC. All expressions of opinion are subject to change. This information is intended for educational purposes, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, products, or services.*