Ameriprise Financial

U.S. election guide for investors

A look at the historical impact of U.S. elections on the markets and economy

About this guide

Every four years, American voters cast their ballots at the polls for the next president of the United States. And every four years, investors have questions about how the outcome may affect the broader market, economy and their personal portfolio.

To help you make sense of these potential implications, the Ameriprise Global Asset Allocation Committee put together this investor guide that examines how the market and economy have historically performed under past presidents and political environments. It also examines the unique rhythms that markets tend to abide by during elections years, to help you navigate the upcoming election season with more confidence.

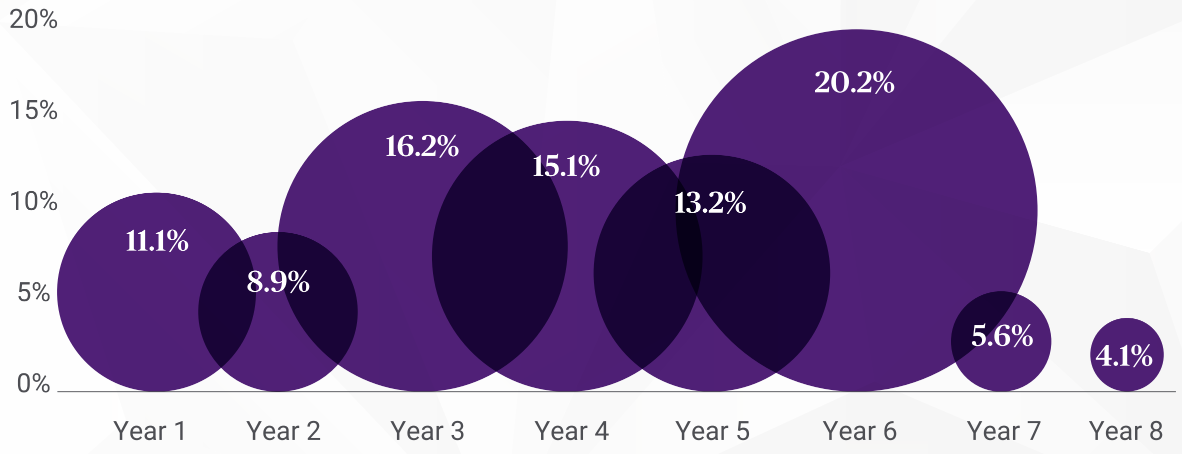
In general, presidential election outcomes have a limited effect on the long-term performance of the broader market. And regardless of who occupies the White House, investors are generally best served by maintaining a well-diversified portfolio and staying the course.

If you have any concerns about the impact of the upcoming presidential election on your financial life, reach out to your Ameriprise financial advisor. They are here to help you navigate the political uncertainty and help keep you on track to your financial goals.

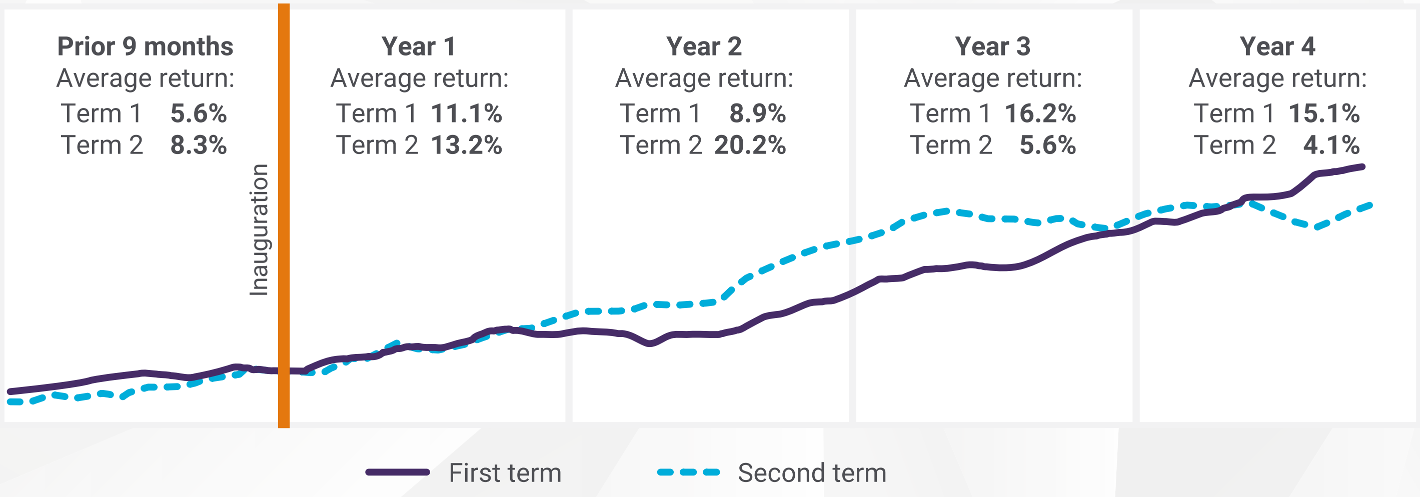
This guide is intended to provide perspective on how potential election outcomes may impact financial markets and the U.S. economy. These insights are not political statements from Ameriprise Financial, nor an endorsement of a particular candidate or political party.

Election Cycle Theory claims that the stock market follows a pattern based on the year of a president's term

Presidential cycle average S&P 500 total returns by term year since 1945



Historical market performance since 1945



According to this theory, the first two years are focused on political and social interests rather than economic ones.

However, in years three and four, attention turns to economic policies as the president eyes reelection.

Administrations that reach years five and six may view being reelected as an endorsement of their policies, pressing ahead while not surprising investors.

Returns over the final years are more muted as investors and the American public start to debate the next turn for the country.

Market returns in the first year of a presidency tend to be strong following the excitement of promises made during the political campaign.

However, policies can be difficult to pass through Congress, leading to a second-year slump. By year three, presidents are more likely skilled at navigating Congress and better able to accomplish their goals.

If reelected, the president can then lean on their experience, which could lead to a strong second term.

In the final year of a president's second term, the market prepares for the uncertainty of the next administration.

Sources: Bloomberg, S&P Dow Jones Indices. Calculations based on monthly price-return data of the S&P 500 Index and are averaged for each presidential administration during the term that president served, based on monthly observations. Presidential terms are rounded to the nearest month based on the day the president enters and exits office. Not all presidents finish their entire term, not all presidents serve a second term. Data as of 3/31/2024, beginning in April 1945. For illustrative purposes only. An index is not managed. It is not possible to invest directly in an index. **Past performance is not a guarantee of future results.**

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Since 1945, 12 of 14 presidential terms have resulted in positive returns for the stock market

Returns by president since 1945 (annualized)

President	Term	Party	S&P 500 Return
Harry Truman	1945 - 1953	Democrat	16.2%
Dwight Eisenhower	1953 - 1961	Republican	15.9%
John F. Kennedy	1961 - 1963	Democrat	9.5%
Lyndon B. Johnson	1963 - 1969	Democrat	10.3%
Richard Nixon	1969 - 1974	Republican	-1.4%
Gerald Ford	1974 - 1977	Republican	15.5%
Jimmy Carter	1977 - 1981	Democrat	11.8%
Ronald Reagan	1981 - 1989	Republican	15.8%
George H. W. Bush	1989 - 1993	Republican	13.9%
Bill Clinton	1993 - 2001	Democrat	17.6%
George W. Bush	2001 - 2009	Republican	-4.4%
Barack Obama	2009 - 2017	Democrat	16.0%
Donald Trump	2017 - 2021	Republican	15.2%
Joseph Biden	2021 - Current	Democrat	13.3%
		Average President	11.8%
		Average Republican	10.1%
		Average Democrat	13.5%

Sources: Bloomberg, S&P Dow Jones Indices. Calculations based on monthly price-return data of the S&P 500 Index. For calculations, the presidential terms are rounded to the nearest month based on the day the president enters and exits office. Data as of 03/31/2024. For illustrative purposes only. An index is not managed. It is not possible to invest directly in an index. **Past performance is not a guarantee of future results.**

Whether led by a Republican or Democratic president, the market tends to rise in any given year.

Number of positive years: 62

Democrat at helm: 33
Republican at helm: 29

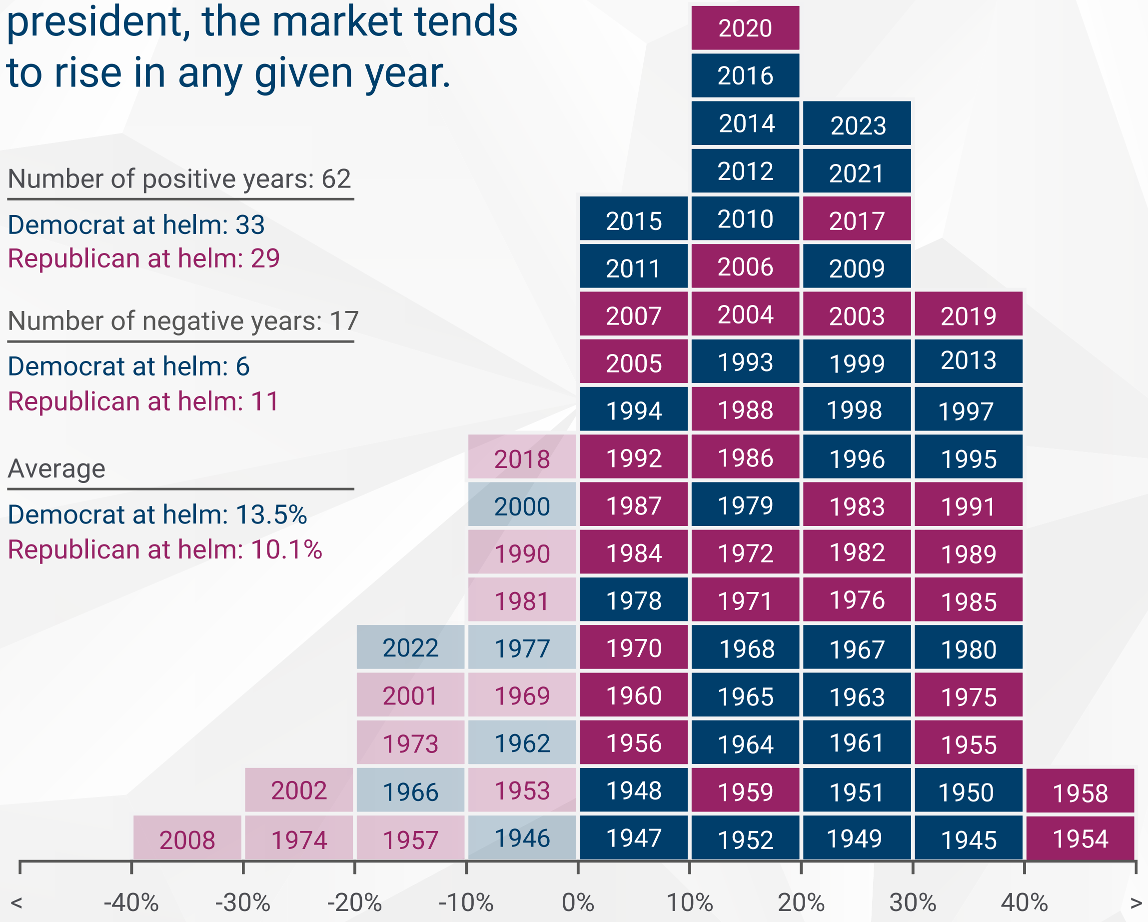
Number of negative years: 17

Democrat at helm: 6
Republican at helm: 11

Average

Democrat at helm: 13.5%
Republican at helm: 10.1%

S&P 500 calendar year returns



Source: Bloomberg, S&P Dow Jones Indices. Each cell above reflects the total return of the S&P 500 for each individual year bucketed by 10% increments. The oldest year is placed at the bottom of each bucketed group and the newest stacked on top. Average returns are based on presidential term, presidential terms are rounded to the nearest month based on the day the president enters and exits office. Data as of 12/31/2023. For illustrative purposes only. An index is not managed. It is not possible to invest directly in an index.
Past performance is not a guarantee of future results.

While factors such as economic growth and corporate profits typically drive market performance longer term, an administration's policies can add to or detract from the market's momentum. Some presidents' results are propelled by global developments or a strong dollar. Others have faced more challenging circumstances. Despite this, average market returns have been positive over time.

Economic conditions are often driven by factors well beyond fiscal and regulatory policies alone

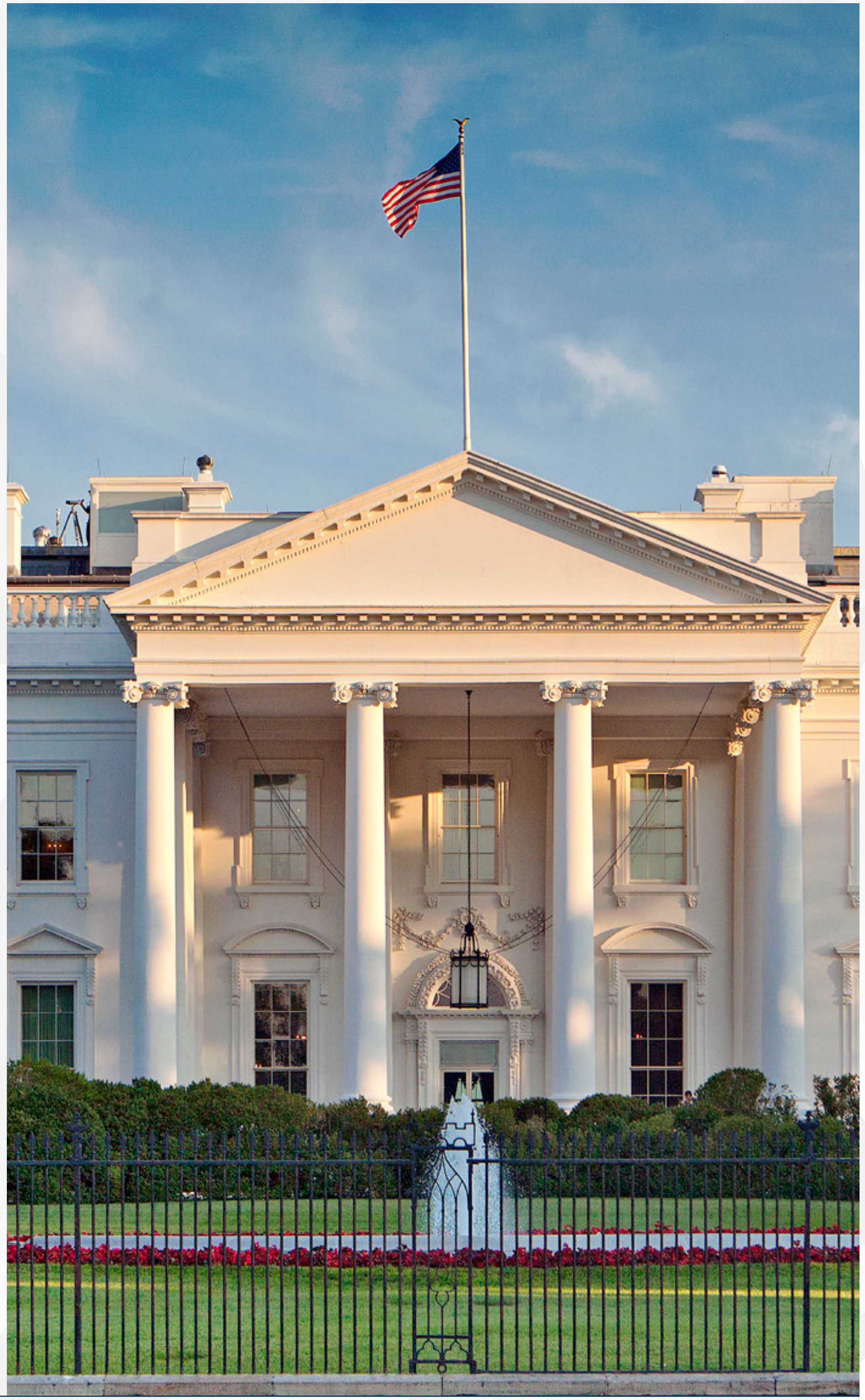
Material policy changes can take considerable time to influence underlying dynamics, making direct time period comparisons challenging.

Economic data by president

President	Party	Annualized GDP growth	Federal net debt growth	Net debt to GDP at start of term	Net debt to GDP at end of term	Corp profit growth	Unemployment at start of term	Unemployment at end of term
Dwight Eisenhower	Republican	2.6%				2.3%	2.9	6.6
John F. Kennedy	Democrat	5.8%				14.3%	6.6	5.5
Lyndon B. Johnson	Democrat	5.8%				10.0%	5.5	3.4
Richard Nixon	Republican	3.0%				16.5%	3.4	5.1
Gerald Ford	Republican	2.5%	20.3%	5.5%	8.0%	10.8%	5.1	7.5
Jimmy Carter	Democrat	3.6%	11.9%	8.0%	10.4%	10.4%	7.5	7.5
Ronald Reagan	Republican	3.9%	22.0%	10.4%	21.8%	3.9%	7.5	5.4
George H. W. Bush	Republican	2.1%	12.3%	21.8%	30.1%	5.0%	5.4	7.3
Bill Clinton	Democrat	4.3%	1.0%	30.1%	24.2%	8.5%	7.3	4.2
George W. Bush	Republican	1.9%	12.4%	24.2%	41.9%	12.5%	4.2	7.8
Barack Obama	Democrat	2.4%	13.8%	41.9%	74.1%	10.2%	7.8	4.7
Donald Trump	Republican	2.1%	13.3%	74.1%	104.8%	7.6%	4.7	7.9
Joseph Biden*	Democrat	2.9%	8.2%	104.8%	118.9%	5.8%	6.4	3.9
Average Republican (full horizon)		2.6%	16.1%	27.2%	41.4%	8.4%	4.7	6.8
Average Republican (from 2001)		2.0%	12.8%	49.2%	73.4%	10.1%	4.5	7.9
Average Democrat (full horizon)		4.1%	8.7%	46.2%	56.9%	9.9%	6.9	4.9
Average Democrat (from 2001)		2.7%	11.0%	73.4%	96.5%	8.0%	7.1	4.3

The data presented here should be viewed as informational only.

Sources: Bloomberg, U.S. Bureau of Economic Analysis (BEA), St. Louis Federal Reserve. *Represents most recent data available with unemployment data as of 02/29/2024 and all other economic data as of 9/30/2023. Economic data is calculated quarterly, beginning in 1953. Corp profit growth represents period-over-period growth in corporate profits after tax (without IVA and CCAdj) as defined by the BEA.

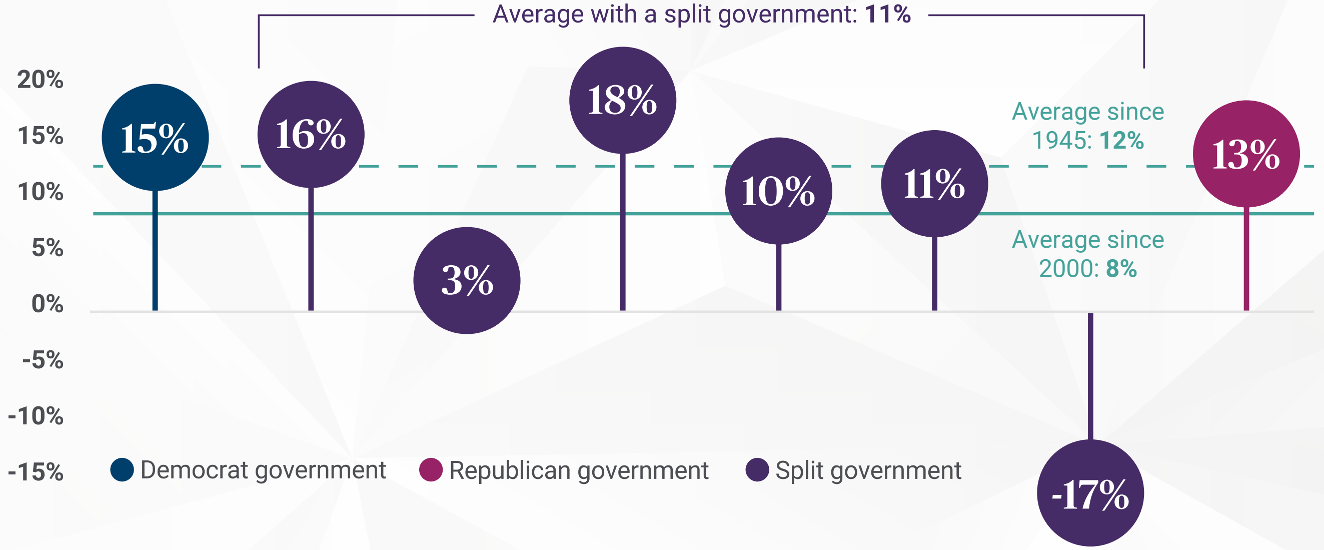


The makeup of Congress matters

Different political environments have different market returns

Divided government typically results in fewer material changes to fiscal policy or the regulatory environment.

S&P 500 annualized total returns in different political environments



Occurrences:	17	3	1	4	11	5	1	6
Presidential party	Democrat	Democrat	Democrat	Democrat	Republican	Republican	Republican	Republican
Senate majority	Democrat	Democrat	Republican	Republican	Democrat	Republican	Split	Republican
House majority	Democrat	Republican	Democrat	Republican	Democrat	Democrat	Republican	Republican

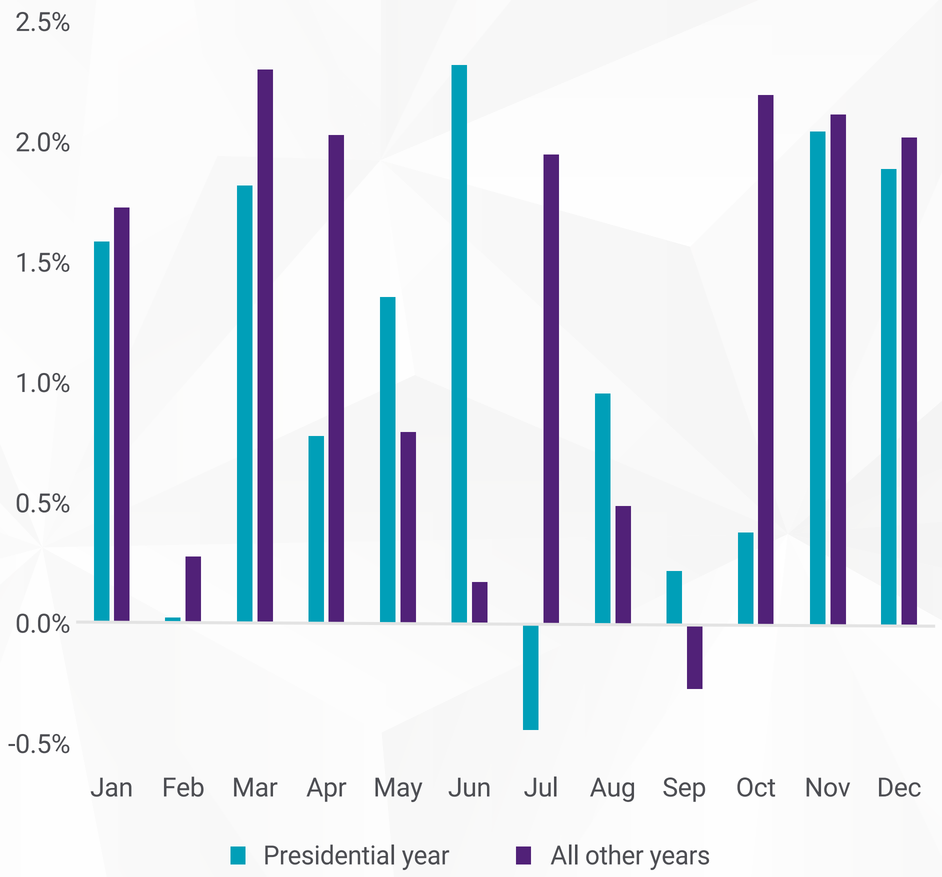
Source: Bloomberg, S&P Dow Jones Indices. Performance is calculated based on a January – December calendar year. Data as of 12/31/2022, beginning in 1945.
For illustrative purposes only. An index is not managed. It is not possible to invest directly in an index. **Past performance is not a guarantee of future results.**

Markets tend to have their own pattern during presidential election years

Monthly returns in the S&P 500 Index can vary throughout the year as investors respond to seasonal catalysts, summer slowdowns and holiday factors.

Election years tend to have their own rhythm as well. Based on history, the S&P 500 tends to see lower performance during the winter and early spring compared to non-presidential election years, as primaries are in full force. S&P 500 performance also tends to slump in the fall and leading up to the election before returning to form heading into year-end and once results are known.

S&P 500 median return by month
Presidential election year vs. other years

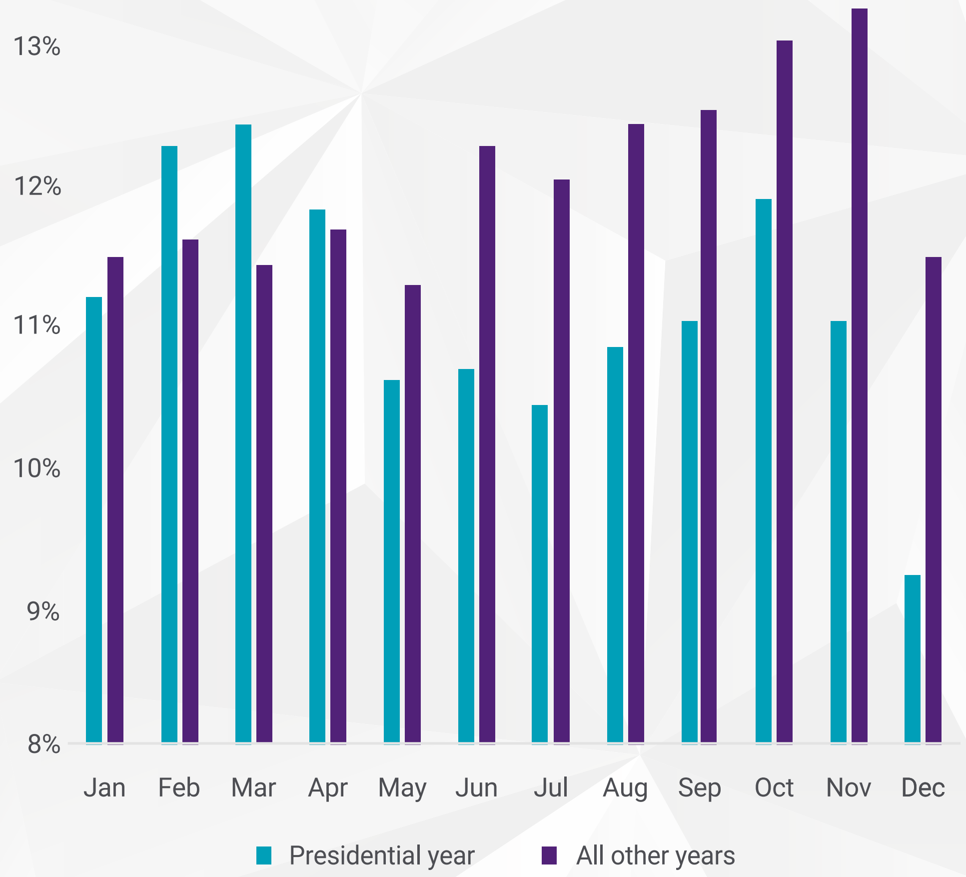


Market volatility tends to rise in the fall during both election years and non-election years.

However, presidential election years tend to have higher volatility in the spring as voters participate in primaries, and there are often a number of candidates running for office.

Volatility in presidential election years tends to decrease in the summer, as the presidential field typically narrows, which interestingly runs counter to non-election years, where volatility elevates into December.

S&P 500 median 30-day volatility
Presidential election year vs. other years

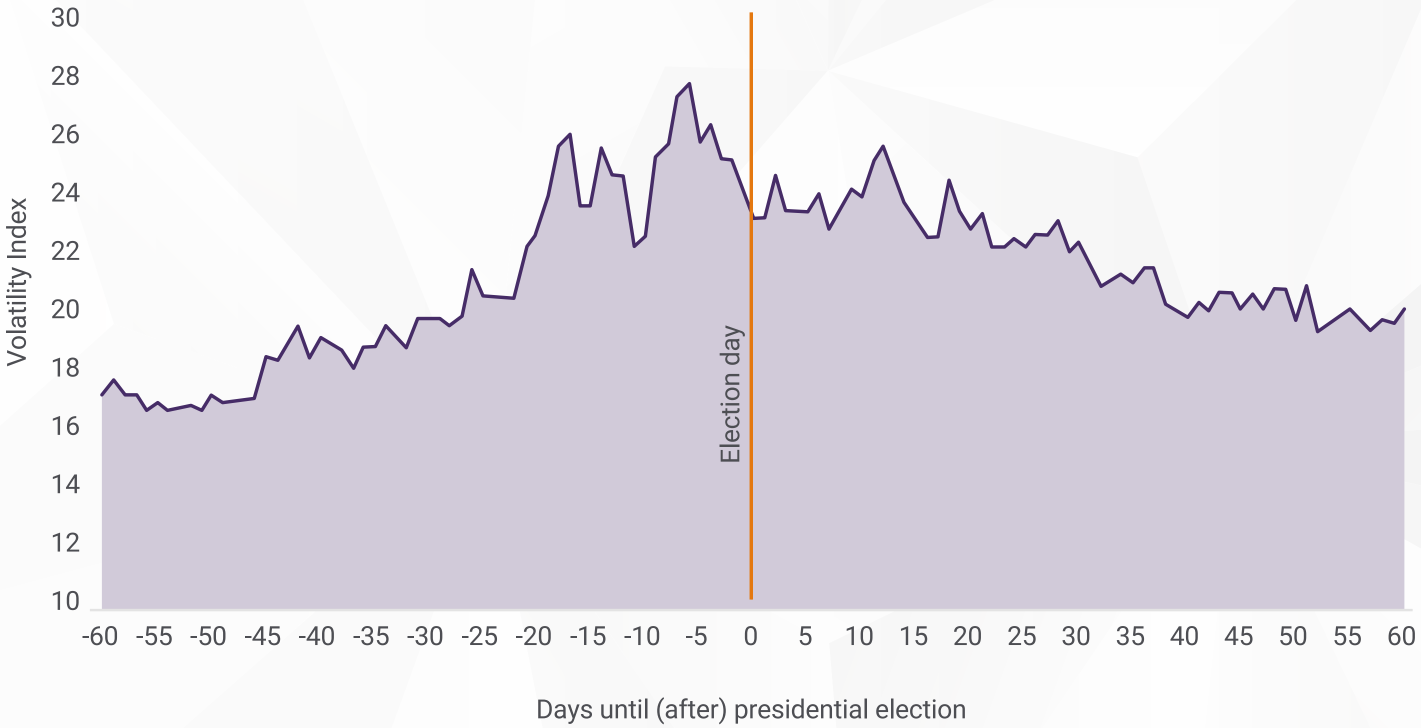


Sources: Bloomberg, S&P Dow Jones Indices. S&P 500 market returns during election years based on calendar month. Election years reflect only years with a presidential election. Non-election years include all years without a presidential election. Data as of 03/31/2024, beginning with the 1944 presidential election year. For illustrative purposes only. An index is not managed. It is not possible to invest directly in an index. **Past performance is not a guarantee of future results.**

Sources: Bloomberg, S&P Dow Jones Indices. S&P 30-day volatility during election years based on calendar month. Data as of 03/31/2024, beginning with the 1944 presidential election year. For illustrative purposes only. An index is not managed. It is not possible to invest directly in an index. **Past performance is not a guarantee of future results.**

Market volatility has a history of peaking ahead of an election, then fading back to normal levels thereafter

Market volatility 60 trading days leading into the election



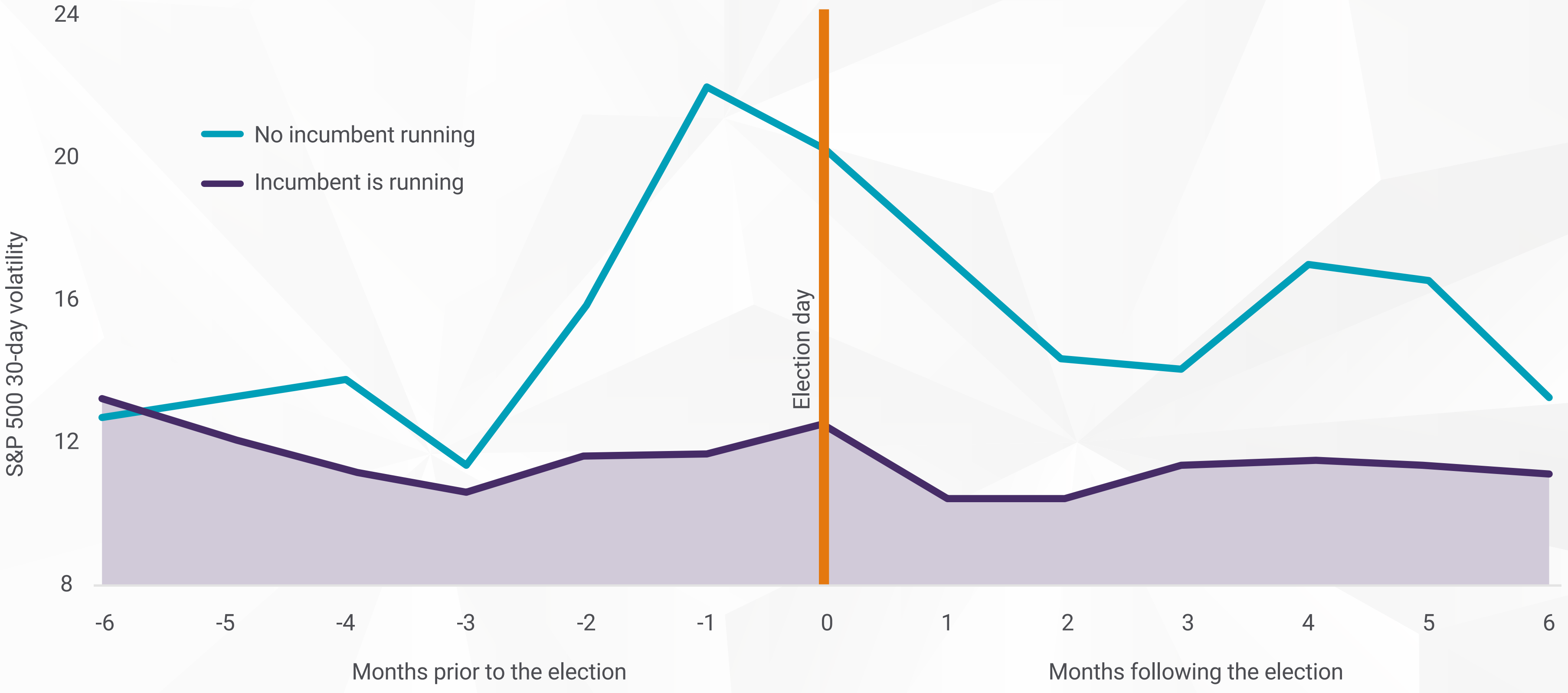
Sources: Bloomberg, S&P Dow Jones Indices and Chicago Board of Options Exchange (CBOE) Volatility Index. Average S&P 500 total return 30-day volatility, 60 trading days prior to elections and 60 trading days after the election. Data begins with the 1992 election cycle and ends with the 2020 election cycle.

Market volatility is typically heightened ahead of an election when voters have to choose between two first-time candidates

Historically, the S&P 500 has seen higher returns heading into an election when an incumbent is in the race.

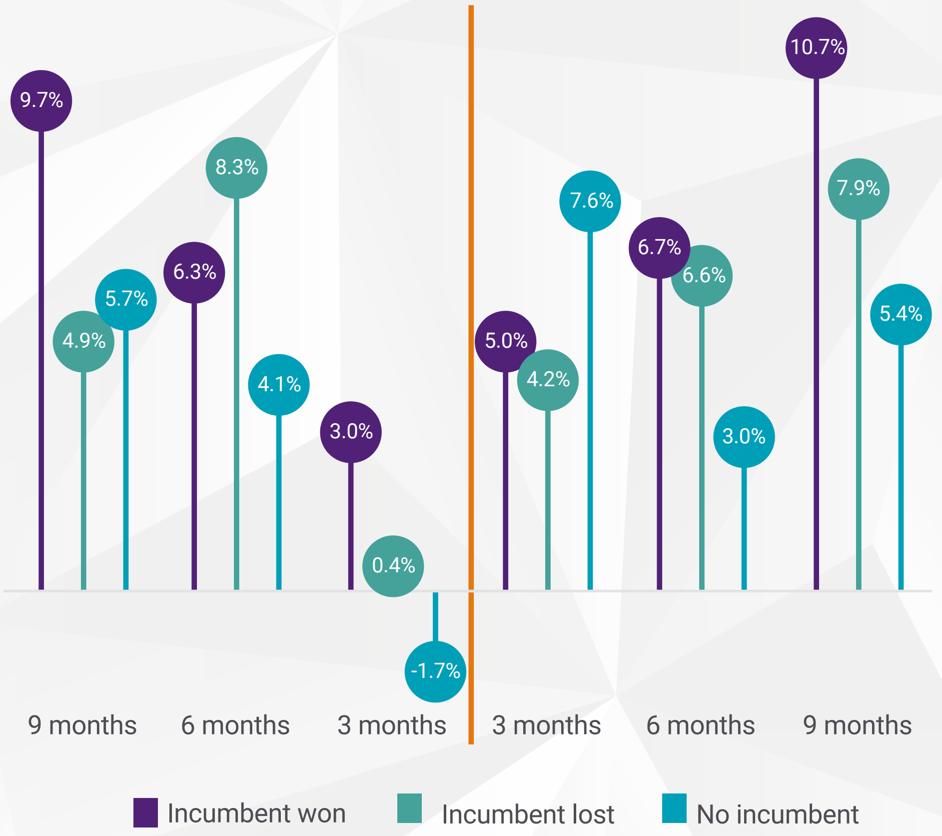
Likewise, the market generally has better near-term results if an incumbent is reelected.

Average S&P 30-day volatility heading into/out of an election since 1944



Sources: Bloomberg, S&P Dow Jones Indices. Average S&P 500 total return 30-day volatility, 6 months prior to the election and 6 months after the election. Data as of 12/31/2020. Data based on monthly data beginning, with the 1944 presidential election year. The y-axis represents the 30 days volatility, a measure of the risk of price moves calculated from the standard deviation of day-to-day logarithmic historical price changes. The 30-day price volatility equals the annualized standard deviation of the relative price change for the 30 most recent trading days closing price, expressed as a percentage.

S&P 500 total return, before and after an election
Median results based on whether incumbent was reelected



Sources: Bloomberg, S&P Dow Jones Indices. Data based on calendar months, begins with the 1992 election cycle and ends with the 2020 election cycle. For illustrative purposes only. An index is not managed. It is not possible to invest directly in an index. **Past performance is not a guarantee of future results.**

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Thomas L. Crandall, CFA, CFP®, CAIA, GMT
Asset Allocation

William Foley, ASIP
Equity Research

Jun Zhu, CFA, CAIA
Asset Allocation

Ameriprise Asset Allocation Analysts

Sumit Chugh, CFA
Asset Allocation

Amit Tiwari, CFA
Asset Allocation

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Index definitions

DEFINITIONS
Unless otherwise noted the following indices were used throughout this document.

S&P 500 Index — The S&P 500 Index is a basket of 500 stocks that are considered to be widely held. The S&P 500 index is weighted by market value (shares outstanding times share price), and its performance is thought to be representative of the stock market as a whole. The S&P 500 index was created in 1957 although it has been extrapolated backwards to several decades earlier for performance comparison purposes. This index provides a broad snapshot of the overall U.S. equity market.

MSCI EAFE Index — The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 21 developed market country indexes: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom, as of June 2017.

Dow Jones Industrial Average — The Dow Jones Industrial Average (DJIA) is likely the most widely known measure of American stock market indicators. The index is more than 100 years old, includes only 30 individual stocks and is comprised of the largest, most established firms across a broad range of industries. The DJIA is calculated based on share price — providing a greater weighting within the index to those companies with a higher share price. Due to the small number of issues contained in the index, it does not always provide the most accurate measure of aggregate stock market performance.

U.S. Dollar Index — The U.S. Dollar Index (USDX) indicates the general international value of the US Dollar. The USDX does this by averaging the exchange rates between the USO and other major world currencies.

Chicago Board of Options Exchange Volatility Index® — The Chicago Board of Options Exchange (CBOE) Volatility Index® (VIX®) is based on real-time prices of options on the S&P 500® Index (SPX) and is designed to reflect investors' consensus view of future (30-day) expected stock market volatility.

INDEX DEFINITIONS
An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

Definitions of individual indices mentioned in this report are available on our website at ameriprise.com/legal/disclosures in the Additional Ameriprise research disclosures section, or through your Ameriprise financial advisor.

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