

2024 election
**Is the second half of
election years bad
for markets?**

Trending Conversations

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Market returns in past election years

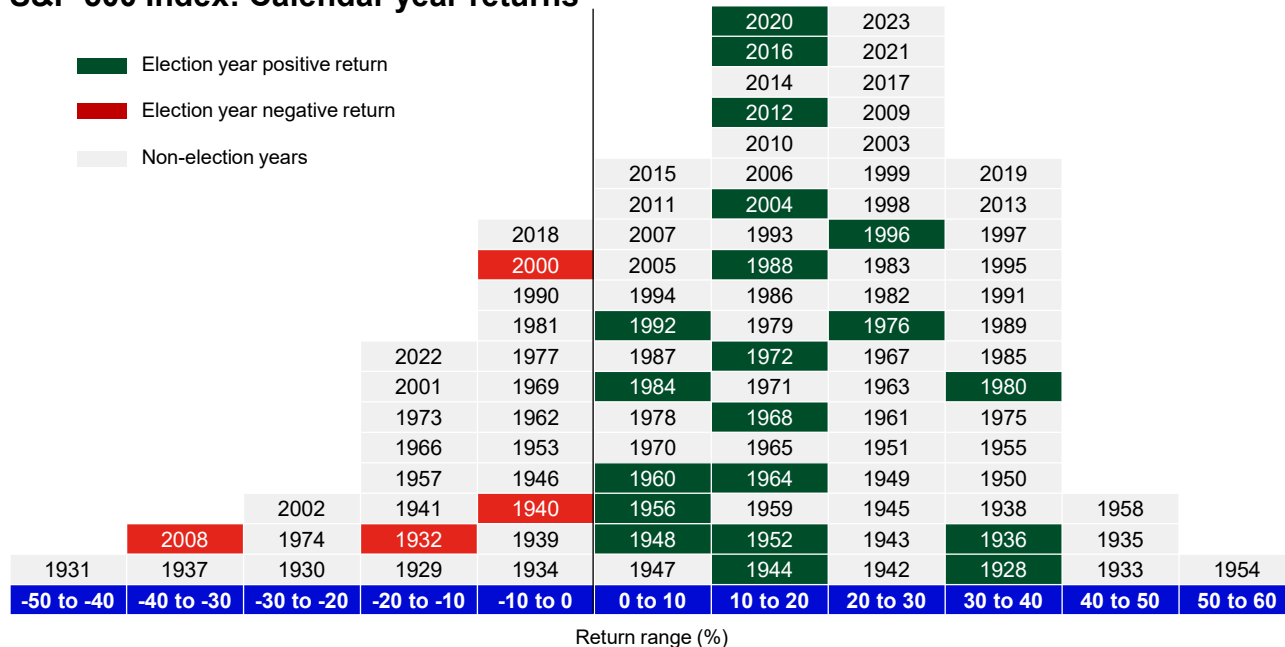
Returns have been positive in most election years

The stock market has been positive in a majority of years, including election years.

The election years when the S&P 500 Index posted a negative return (1932, 2000, and 2008) were all associated with recessions.

S&P 500 Index: Calendar year returns

- Election year positive return
- Election year negative return
- Non-election years



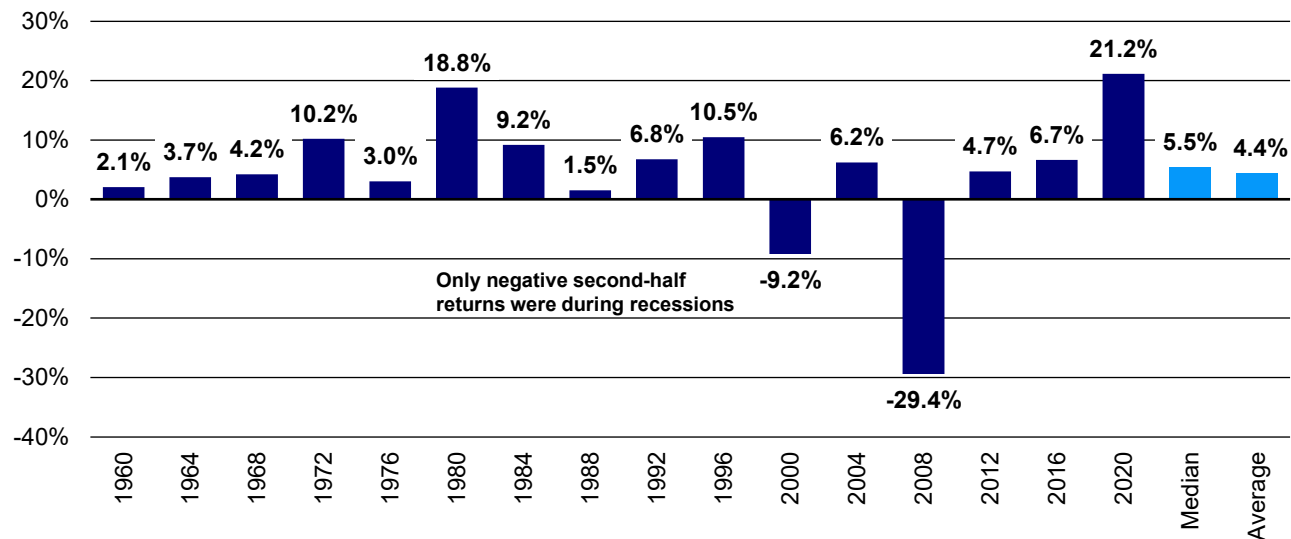
Source: Bloomberg L.P. Yearly S&P 500 Index total return data as of 12/31/23. S&P 500 Index is a market-capitalization-weighted index of the 500 largest US publicly traded companies. An investment cannot be made directly into an index. **Past performance does not guarantee future results.**

Returns have been positive in the second half of 14 out of 16 election years

The stock market has been positive in the second half of most election years. The S&P 500 Index posted a median gain of 5.5% in the second half of election years.

The election years in which the S&P 500 posted a negative second-half return (2000 and 2008) were associated with a recession.

S&P 500 Index: Second-half returns in election years (1960-2020)

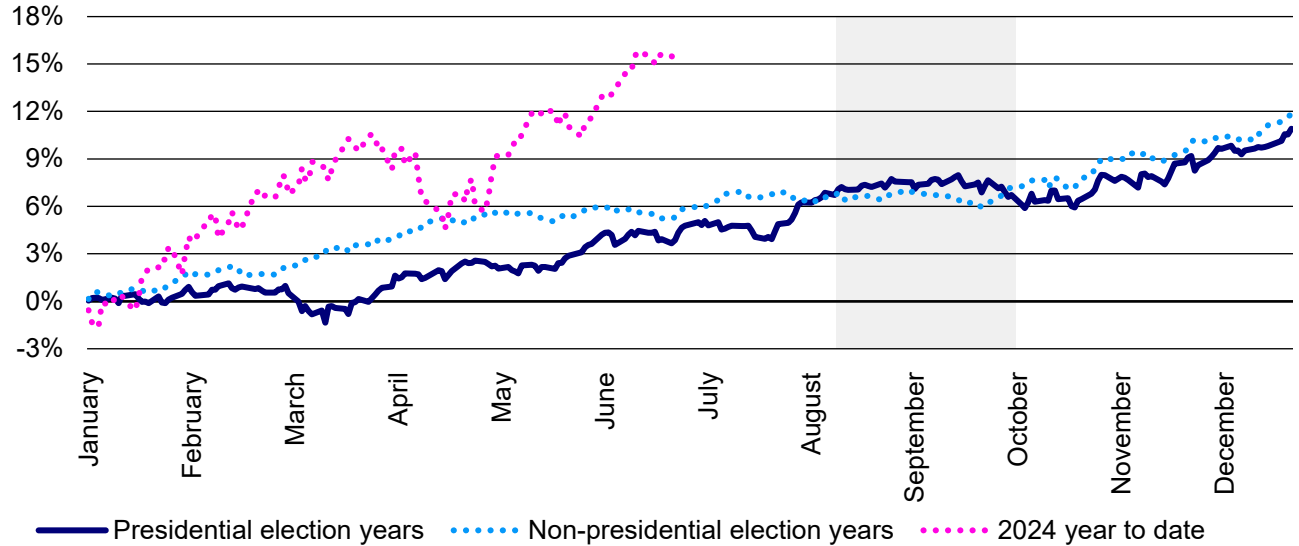


Sources: Bloomberg L.P., Invesco, 5/31/24. Returns are from the last trading day of June in election years through the end of the year. An investment cannot be made directly into an index. **Past performance does not guarantee future results.**

Markets were generally range-bound three months before the election

The stock market in election years has, on average, posted gains in the second and fourth quarters of the year while trading sideways in September and October.

S&P 500 Index: Average daily cumulative return (1960-2024)



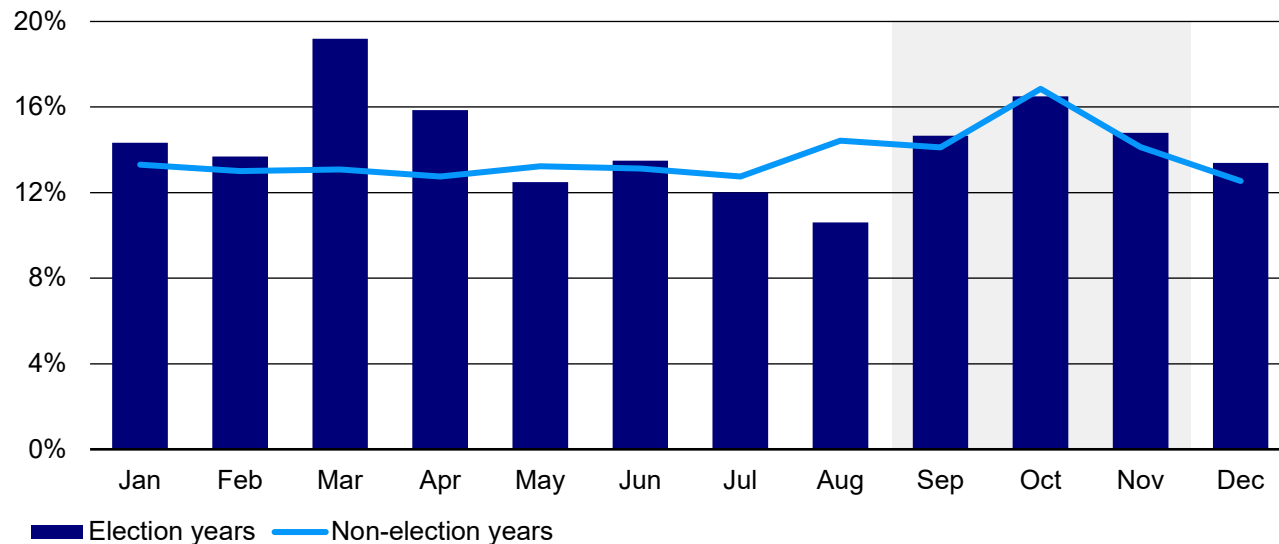
Sources: Bloomberg L.P., Invesco, 6/30/24. An investment cannot be made directly into an index. **Past performance does not guarantee future results.**

Market volatility in past election years

Election or not, volatility has tended to increase in late summer/early fall

Average stock market volatility since 1960 tended to be higher in September, October, and November. That has been the case in both election and non-election years.

S&P 500 Index: Average monthly volatility (1960-2023)



Sources: Bloomberg L.P., Invesco, 12/31/23. Based on the average annualized standard deviation of daily returns from each specific month from 1960 to 2023. Standard deviation measures the range of total returns in a portfolio or index in comparison to the mean. An investment cannot be made directly into an index. **Past performance does not guarantee future results.**

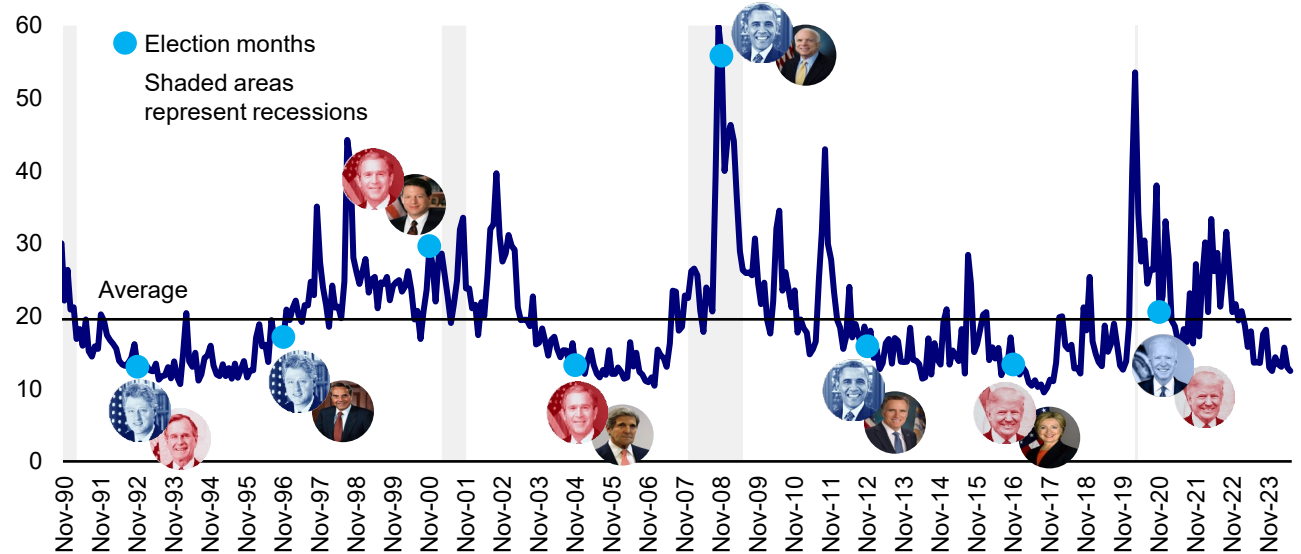
Recessions, not elections, caused noticeably higher volatility

The stock market hasn't been more volatile the month of an election.

Market volatility, using the CBOE Volatility Index (VIX), has been below or near the long-term average during six of the past eight election months.

Volatility was meaningfully above average in November 2000 and 2008, but both months were associated with recessions.

CBOE Volatility (VIX) Index: 6-month moving average



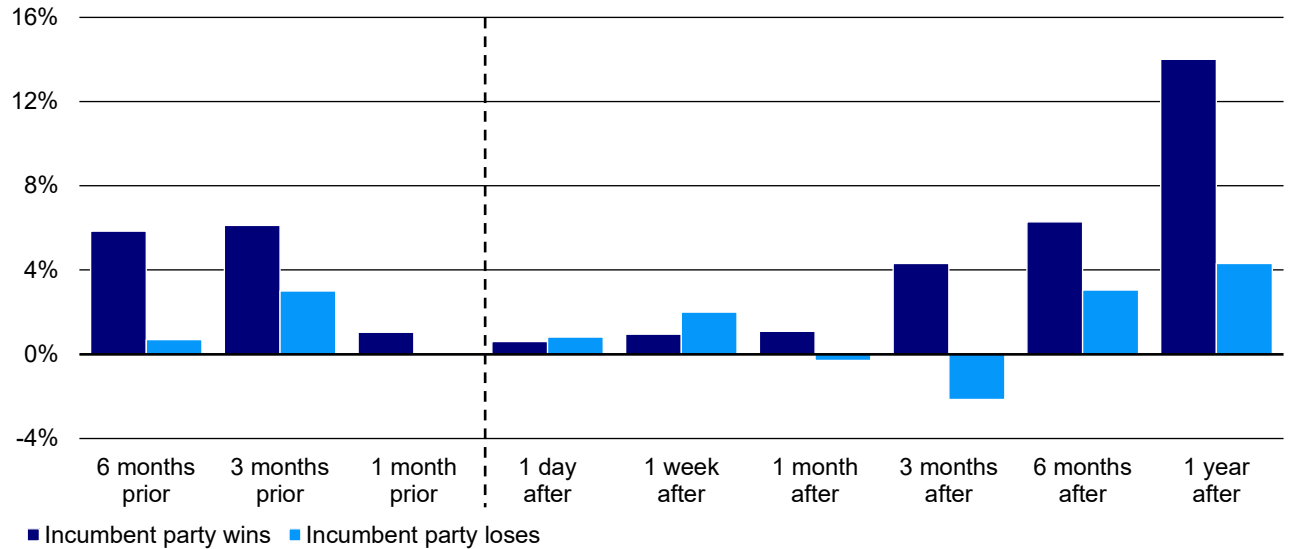
Sources: Bloomberg L.P., Invesco, 6/30/24. The CBOE Volatility Index VIX Index is a financial benchmark designed to be an up-to-the-minute market estimate of the expected volatility of the S&P 500® Index and is calculated by using the midpoint of real-time S&P 500 Index (SPX) option bid/ask quotes. The bid price refers to the highest price a buyer will pay for a security. The ask price refers to the lowest price a seller will accept for a security.

Potential indicators of election results

Market has performed better before election if incumbent party ultimately wins

The stock market has historically been a predictor of election results. The S&P 500 Index has, on average, posted strong returns three and six months ahead of elections, which were won by the incumbent party.

Average S&P 500 Index returns: Presidential elections (1957–June 2024)



Sources: Bloomberg L.P., Invesco, daily S&P 500 Index data as of 6/30/24. An investment cannot be made directly into an index. **Past performance does not guarantee future results.**













Misery Index has tended to be a decent predictor of incumbent success

The direction of the Misery Index (inflation rate plus unemployment rate) also has a solid, albeit not perfect, record of determining election results. Opposition candidates have tended to win elections in years in which the Misery Index has been climbing.















Currently, the Misery Index may not be particularly helpful. It's essentially flat the past year because the unemployment rate has risen, and the inflation rate has fallen.

US Misery Index (inflation + unemployment rates) and select presidential outcomes

Misery Index climbing: Opposition wins

	Incumbent party candidate	Opposition party candidate	
1960		 <input checked="" type="checkbox"/>	
1968		 <input checked="" type="checkbox"/>	
1980		 <input checked="" type="checkbox"/>	
2000		 <input checked="" type="checkbox"/>	
2008		 <input checked="" type="checkbox"/>	
2016		 <input checked="" type="checkbox"/>	

Misery Index declining: Incumbent wins

	Incumbent party candidate	Opposition party candidate
1964	 <input checked="" type="checkbox"/>	
1972	 <input checked="" type="checkbox"/>	
1984	 <input checked="" type="checkbox"/>	
1988	 <input checked="" type="checkbox"/>	
1996	 <input checked="" type="checkbox"/>	
2004	 <input checked="" type="checkbox"/>	
2012	 <input checked="" type="checkbox"/>	

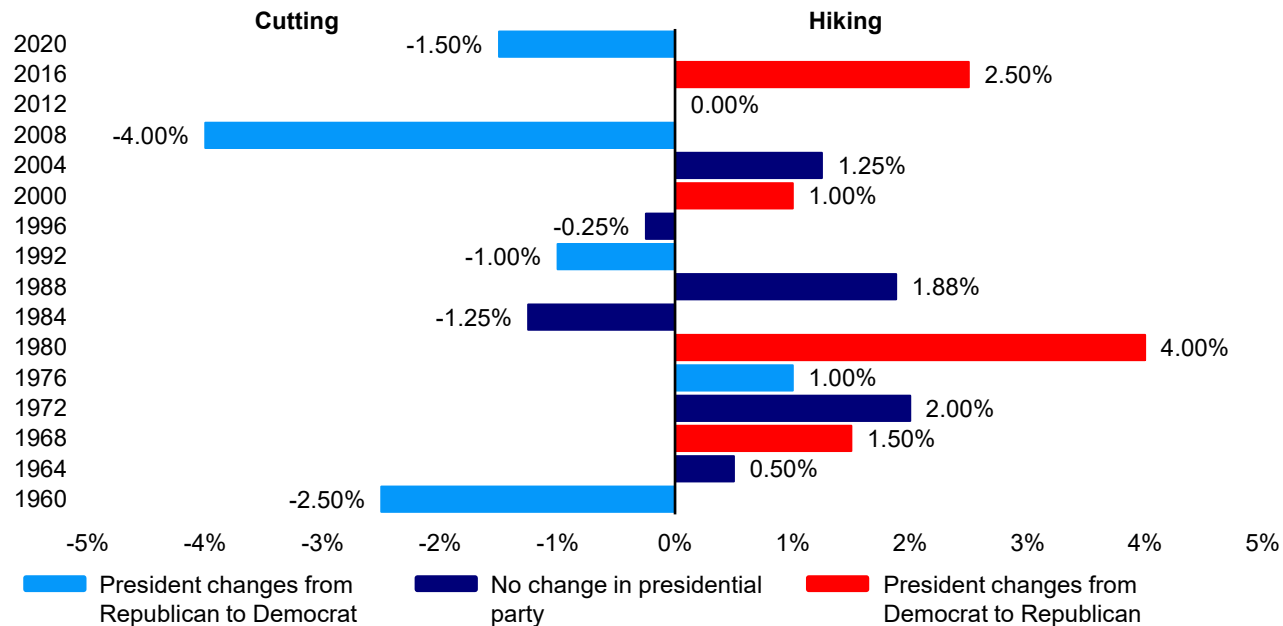
Source: US Bureau of Labor Statistics, 6/30/24. The Misery Index was unchanged in 1968, 1976, 1992, and 2020 and exceptions are not shown. The US Misery Index is 7.3% as of 6/20/24 compared to 7.7% on 6/30/23. The US Misery Index tracks the mood of the country by adding the unemployment and inflation rate.

Federal Reserve has made moves in election years

Contrary to popular belief, it's not unusual for the Federal Reserve (Fed) to adjust monetary policy in presidential election years.

When it did, the incumbent party has lost more than half the time. This is likely because changes in monetary policy often stem from worsening economic conditions, including slowing growth and/or rising inflation.

Change in federal funds rate during election years



Sources: Bloomberg L.P., Invesco, 6/30/24. The federal funds rate is the rate at which banks lend balances to each other over night.

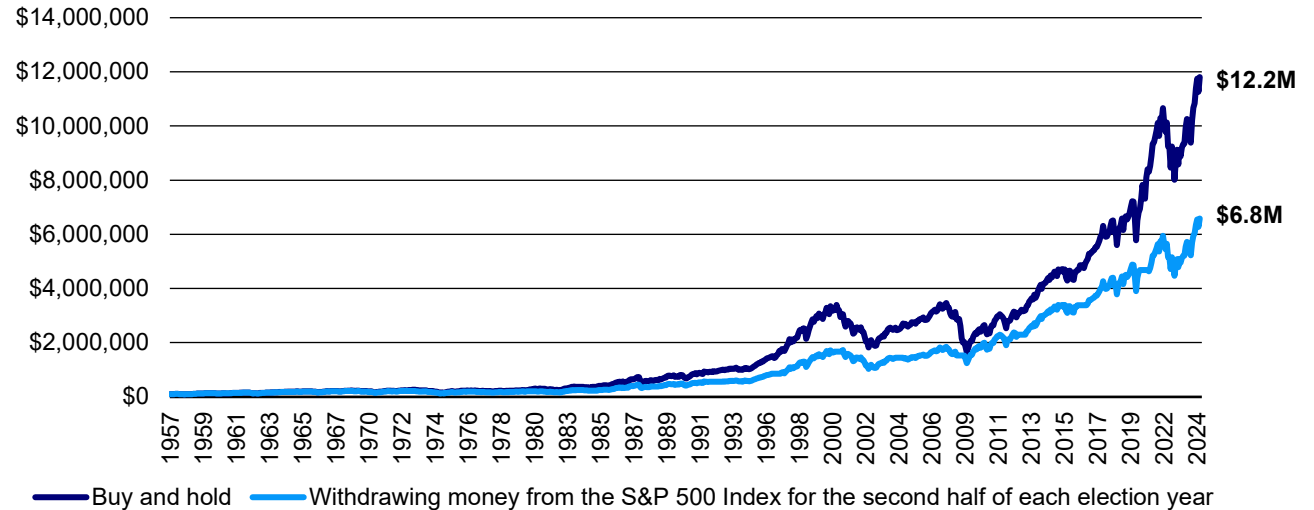
Exiting market in the second half of election years hasn't been a good strategy

Investors have been better served by staying the course rather than adjusting their portfolios based on the political calendar.

A hypothetical buy-and-hold strategy in the S&P 500 since 1957 would have meaningfully outperformed a strategy in which the investor removed their money from the market for the second half of each election year.

S&P 500 Index: Growth of \$100,000

(Fully invested vs. withdrawing the money the second half of each election year)



Sources: Bloomberg L.P., Invesco, 6/30/24. This is a hypothetical illustration and doesn't represent the performance of an actual account. It assumes the entire portfolio amount is withdrawn at the end of June during a presidential election year and then reinvested in the S&P 500 Index at the beginning of January the following year. An investment cannot be made directly into an index. **Past performance does not guarantee future results.**

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Past performance does not guarantee future results.

Risks

- All investing involves risk, including the risk of loss.
- In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic and political conditions.

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For US audiences

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