Election Cycles and the Stock Market

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Abstract

- Stock market reaction to election cycles
- Micro vs macro scale
- Finding: no significant impact

Maps courtesy of Mark Newman
Introduction: Background

- Internet changed elections and the stock market
- Nine major events during the election
- Three major indices value & volume from one
Introduction: Research Questions

- Do the events we chose produce predictable and consistent results?
- Is there an increase in volatility as the election approaches?
- Was there an increase in trading volume as the election cycle progressed?
- Does this increase in volume throughout the election cycle result in an increase in the value of the indices?
Literature Review

- Power of the president
- Voter forecasts
- Incumbents
Literature Review

- High volume of research
- Mixed results
- 2-Year cycle
- International impact
Methods

- Timeline & Significant Events
- Three Major Indices
- Volatility measurements
- Selection of significant events

<table>
<thead>
<tr>
<th>#</th>
<th>Event</th>
<th>Location</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>DNC</td>
<td>LA, California</td>
<td>Aug 14, 2000 – Aug 17, 2000</td>
</tr>
<tr>
<td>27</td>
<td>DNC</td>
<td>Boston, Massachusetts</td>
<td>Jul 26, 2004 – Jul 29, 2004</td>
</tr>
<tr>
<td>29</td>
<td>DNC</td>
<td>Charlotte, NC</td>
<td>Sep 4, 2012 – Sep 6, 2012</td>
</tr>
<tr>
<td>31</td>
<td>RNC</td>
<td>Cleveland, OH</td>
<td>Jul 18, 2016 – Jul 21, 2016</td>
</tr>
<tr>
<td>33</td>
<td>RNC</td>
<td>St. Paul, Minnesota</td>
<td>Sep 1, 2008 – Sep 4, 2008</td>
</tr>
<tr>
<td>34</td>
<td>RNC</td>
<td>NY, NY</td>
<td>Aug 30, 2004 – Sep 2, 2004</td>
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<tr>
<td>35</td>
<td>RNC</td>
<td>Philadelphia, PA</td>
<td>July 31-August 3, 2000</td>
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</tbody>
</table>
Methods

- Super Tuesday impacted results
- Most events individually did not have wide impact on indices
- Reelection years differed from others slightly
Results

- Large sample size of data from Jan 2000 to Dec 2016
- Returns combined all indices, volume looked at solely Nasdaq

<table>
<thead>
<tr>
<th></th>
<th>Mean of Returns</th>
<th>SD of Returns</th>
<th>Mean of Volume</th>
<th>SD of Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>0.02%</td>
<td>1.37%</td>
<td>1,899,097,732</td>
<td>402,718,501.89</td>
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<tr>
<td>Election Cycle</td>
<td>0.06%</td>
<td>1.24%</td>
<td>1,799,764,285</td>
<td>404,768,863.22</td>
</tr>
<tr>
<td>Election Day</td>
<td>-0.55%</td>
<td>1.92%</td>
<td>1,950,737,368</td>
<td>392,938,476.66</td>
</tr>
</tbody>
</table>
1. Do events associated with the presidential election cycle produce predictable and consistent results in each election year on the three major stock indices values?

2. Is there an increase in volatility as the election approaches?

3. Was there an increase in trading volume as the election cycle progressed?

4. Does this increase in volume throughout the election cycle result in an increase in the value of the indices? NO
Discussion

- Technology and the stock market
- Elections and their worldly state
- Other market influencers
Conclusion: Limitations

- Dates and influence of technology
- Parallel dates
- Sentiment analysis
Conclusions

- Investment decisions
- Financial planning
- Multivariable analysis
- Other countries
- Pre-2000 analysis
Thank you!