Brian C. Ulch, CES MBA
Senior Portfolio Manager
Managing Member

Aventail Wealth Management

353 Ave C. SW
Winter Haven, FL 33880
BrianUlch@AventailWM.com
(863) 412-7336

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Aventail Wealth Management White Paper:

The Presidential Elections and the Markets

It seems like every year that the presidential election rolls around, nearly everyone agrees that it's the most interesting election of all time. There is no doubt that we have seen some very interesting battles recently, such as the election in 2000 where some news stations reported Gore as the next president, whereas Bush and some hanging chads said "not so fast". Certainly, the election of Obama for his first term was historic. No matter what side of these battles you may have fallen on you can't deny they weren't interesting. Nevertheless, I strongly feel 2016 is the most interesting yet. As of this writing, Trump is riding a wave of momentum and even with his lack of some strengths one might expect from a US Presidential candidate, has barley slowed him a bit. Hillary seems poised to be the Democratic nominee at this point despite a recent upset by team Sanders. But I am no political scientist, I am a wealth manager, so what does all of this mean in terms of the markets? In my opinion, after some research, I have two primary findings. The first finding is that the question is much harder to answer than one might expect. For example, do you include the Great Depression? If yes, then a Democratic president holds a pretty nice advantage. However, if you don't, the spread on an annual basis is only slightly more than 1%. The second finding, statistically speaking, is I didn't find any strong correlation to any political elections having major impacts on the markets.

There is one correlation that is very strong, and that is the markets have performed the best when a democratic president is in office, and when republicans hold the Senate and House. To me the markets are screaming what we already know, the markets like situations that promote predictability.

In conclusion, simple logic would suggest that the election of the President of the United States would have a great impact on the market (incorrect), and logic would definitely lead one to conclude that the markets would react much better to a Republican President opposed to a Democratic one (significantly incorrect).

Stated simply, the markets and economy is a great predictor of the outcome of a presidential election. However, what occurs in a presidential election lends us nearly no value at all in predicting the markets.

Best regards,

Brian C. Ulch, CES
Senior Portfolio Manager
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