

Presidential Election Cycles

HOW NEW

ADMINISTRATIONS CAN

AFFECT YOUR INVESTMENTS

There's no way to be certain how the stock market will react once our new president takes office, but history may offer some insight. The "presidential election cycle" — an analysis of market performance during each year of each four-year term going back to Andrew Jackson in 1833 — shows that there may be a pattern to stock performance.

As the Cycle Turns

The stock market tends to play out in distinctly different ways over the course of a presidential term:

Year One Weakest of the four, with the market more often down than up

Year Two A moderate recovery

Year Three Strongest of the four

Election Year Only slightly weaker than Year Three.¹

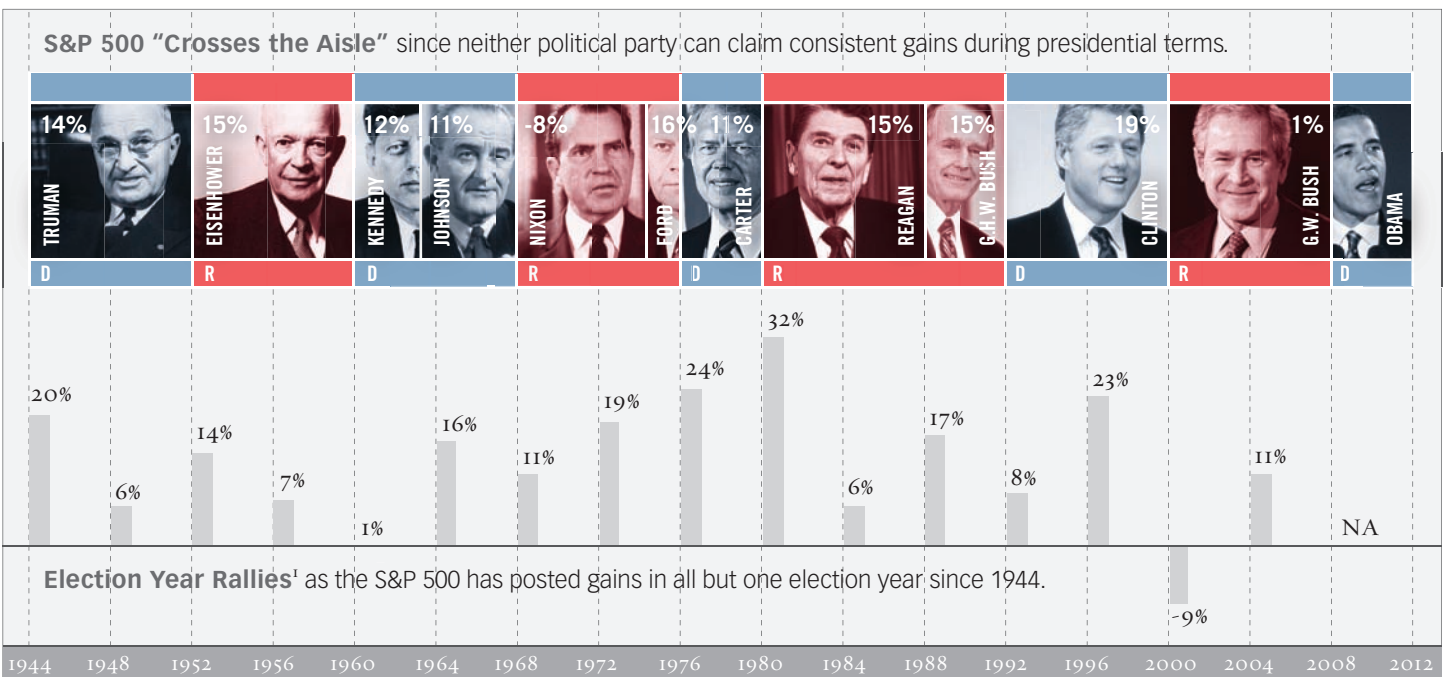
Understanding the Cycle

The stock market often withers early in a new term because that's when administrations tend to introduce new, and sometimes harsh, initiatives. Stocks tend to rally later as administrations do all they can to fire up economic growth ahead of the next election. Of course, the past is never a definitive guide to the future. For example, stocks should have gained in the year 2000. However, 2000 marked the start of a bear market, following the collapse of the dot-com boom.²

Stay Focused on the Long Term

So far, 2008 has been rough for stocks. Still, based on past statistics of the presidential cycle, stocks have a chance of finishing the year with at least a modest gain. Except for 2000, stocks generated gains in every election year since 1944.³

Elections are short-term events, while saving for retirement is a long-term commitment. Try not to let elections or the volatility of the stock market alter your investment perspective.



¹"The Presidential Election/Stock Market Cycle: The 174-Year Saga Continues," *Stock Trader's Almanac* 2008 edition by Jeffrey A. Hirsch and Yale Hirsch. Market performance is based on annualized changes in the Dow Jones Industrial Average. ²Ibbotson *Stocks, Bonds, Bills and Inflation 2008 Classic Yearbook*. Stocks are represented by the Standard & Poor's 500-stock index.