

## **Stock Markets and the Electoral Cycle**

There is a theory that stock markets react predictably to progress in elections. Usually, newly elected parties tackle the more painful issues early in their term in power, perhaps making cuts to spending and laying the ground for longer term policies. This should pour oil on markets and little progress is usually made. Then a year or two before an election the political leaders stimulate economic growth to generate a 'feel good' factor that may support their re-election, leading to a rise in markets.

With a snap election called in the UK there simply isn't the time to follow a normal cycle. Furthermore, voters seem to have very little to feel good about.

In the US, President Trump will seek re-election in November 2020. But contrary to the usual cycle we saw stock markets surge in the first year of his presidency partly due to a swift cut in corporation tax. There may be fewer giveaways left for use in the coming year, but if we have learned anything from the past three years, it is to expect the unexpected.

As with all market theories, the electoral cycle is not wholly reliable.