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Executive Summary

The purpose of all research that we do is to find the truth and to seek out the facts; ending the cycle of misinformation sharing and providing resources to better educate those that take the time to listen.

In this study we explore the relationship between elections, the economy and markets. What was intriguing about this subject initially was the amount of theories that exist and the conviction with which people attach to certain beliefs. Individuals are uncomfortable in the unknown and seek comfort in having a definitive conclusion, sometimes resulting in a false belief and eventually misinformation sharing. It's this misinf ormation sharing that drove me to start my research. What I found, although many will not like it and I'm giving the answer away, is that when it comes to determining how elections, markets and economies interact there is not a conclusion that we can consistently rely upon. The past can provide us with insight and potential outcomes, but the past is not indicative of the future. However, in my research, I have been able to narrow in on certain observations that tend to be more reliable or consistent.

Consistent observations of the relationship between elections, economies and markets
A subject we are all interested in, but can tend to make some eyes glaze over, especially given the information overload that we have to navigate. See below for the more consistent observations;

- Economies follow a four-year election cycle, consisting of low economic growth in the first half of a leaders time as the head of government, and notably stronger growth in the second half, in particular the third year.
- Elections drive leadership decisions that impact economic environments. For example; focusing on less favourable policies at the start of leadership so that more favourable changes can be highlighted in the lead up to an election. However, we must pay attention to the important of the electoral system and the possibility of majority governments, which impacts decision making ability.
- Overall, the sample size of elections to observe are large, but there are too many variables. Variables that cannot be controlled, to isolate what we want to test, so we are unable to draw conclusions that we can consistently rely upon.

How the current economy impacts election outcomes

- The state of the economy matters and will impact a president's approval rating. We can see consistent observations that when the state of a country's economy is strong and its citizens are happy, voters do not seek a change in leadership. However, as always, there are exceptions.

How election outcomes impact the economy
Does a right or left leaning leader impact the economy and market differently?
If the incumbent party vs. opposition party wins, does it impact the economy and market differently?

- What we can see in the data is that which party gets elected has little impact on economic or market performance. There are no consistent observations despite the popular belief that a more right wing leader is better for the economy.
- However, what we can see is that a change in leadership does seem to create volatility. Markets hate uncertainty and change, thus it makes sense that candidates on completely different ends of the spectrum, or if the current head of government is required to step down, would create higher levels of volatility on average. In contrast, markets tend to respond favourably when the incumbent party wins.