Visualizing Election Impacts:
Sector Shifts and Volatility in Four U.S. Presidential Cycles

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Executive Summary

This paper examines the impact of U.S. presidential elections on the stock market, focusing on the Russell 1000 index and its sector-specific performance across the last four election cycles (2008, 2012, 2016, and 2020). Using data visualizations by Sismo, we explore trends in stock returns, volatility patterns, and sectoral shifts, drawing key insights into how elections create both risks and opportunities in financial markets.

Key findings include:

- Sector Sensitivity: Financial, technology, and energy stocks displayed significant responsiveness to political transitions, with banks showing large pre-election gains in 2020 and sharp reversals post-election, while tech stocks saw unexpected rallies following both the 2016 and 2020 elections.
- Volatility Trends: Election periods are marked by heightened uncertainty, as reflected in increased ex-ante volatility leading up to Election Day. However, volatility often subsides quickly post-election, with the 2008 and 2020 elections standing out due to their occurrence during major economic crises.
- Crisis Context: Elections held in the shadow of economic crises (2008 financial crash, 2020 COVID-19 pandemic) demonstrated market resilience. Despite elevated volatility, sectors with strong post-crisis growth potential, such as tech and energy, led market recoveries.
- Post-Election Market Recovery: Across all four elections, the Russell 1000 generally showed positive returns in the month following Election Day, with sector-specific leadership fluctuating based on the prevailing economic and political environment.

The analysis highlights that while elections introduce short-term volatility and shifts in sector leadership, U.S. markets tend to stabilize quickly, offering opportunities for investors who understand how policy expectations can influence different sectors. The findings provide a comprehensive look at how political uncertainty intersects with market dynamics, helping investors anticipate potential market movements during future elections.

Introduction

U.S. presidential elections are well-known for triggering market volatility and sector-specific disruptions, as investors closely monitor how political transitions influence policies and the broader economy. Each election is set against a unique backdrop that shapes market reactions both domestically and globally. Understanding these market dynamics, particularly in the lead-up to and aftermath of elections, is crucial for investors navigating politically uncertain environments.

Historical trends show that market volatility tends to rise before elections, driven by uncertainty, and typically subsides once a winner is declared. Certain sectors such as financials, energy, and technology are disproportionately impacted by election outcomes as policy expectations shift and regulatory strategies evolve. For instance, the energy sector has shown strong performance under Democratic administrations, bolstered by technological advancements like the fracking revolution, while technology stocks have thrived in periods of innovation, despite concerns over regulatory tightening.

Inflation, fiscal policy, and regulatory challenges also play a pivotal role in shaping market responses during election years. Economic issues, including inflation and interest rates, are often top concerns for voters, and different policy approaches from presidential candidates can lead to market volatility as investors adjust their expectations. Volatility generally peaks before elections as market participants brace for potential changes, and this uncertainty often results in significant sector rotations.

Against this backdrop, the last four U.S. presidential elections provide key insights into market behavior. Each election occurred during a distinct economic and geopolitical context:

2020: The COVID-19 pandemic introduced unprecedented uncertainty, with volatility peaking as markets faced both a health crisis and political transition.

2016: Donald Trump's unexpected victory sparked sharp sector rotations, particularly benefiting energy and financials, amid a low-inflation, low-yield environment.

2012: The U.S. economy was in recovery, marked by relatively low volatility and moderate inflation as Barack Obama secured re-election.

2008: The election took place in the midst of the global financial crisis, with severe market instability overshadowing the political transition.

This paper examines stock market performance, sector leadership, and volatility trends during these four U.S. elections, focusing on the Russell 1000[1]. Through data visualizations, we will explore how various sectors, such as financials, technology, and energy, responded to political shifts and evolving economic expectations. These insights offer valuable lessons for investors preparing for future election cycles.

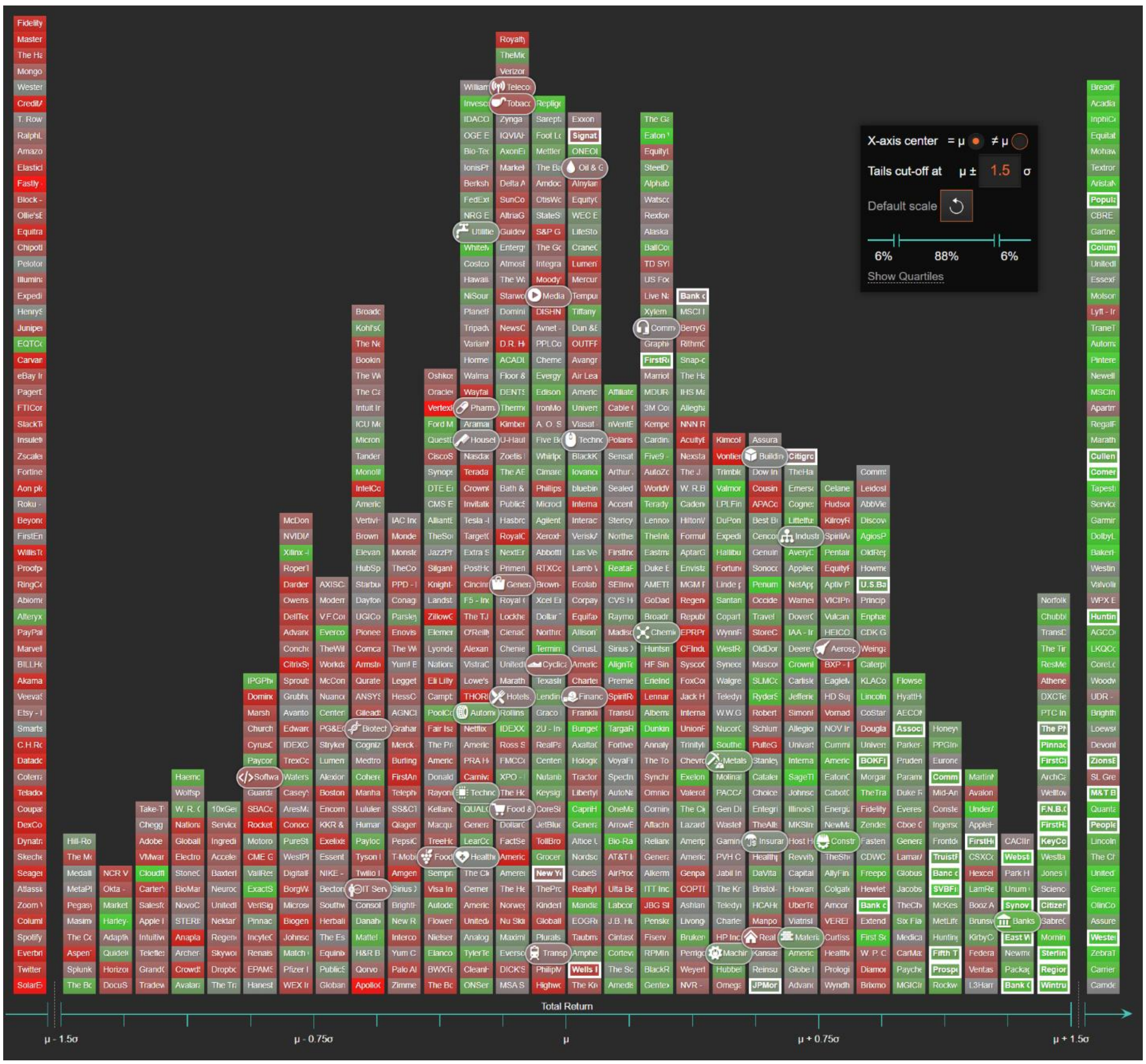
[1] Russell 1000 data is represented by iShares Russell 1000 ETF (Ticker: IWB)

Russell 1000 Market Shifts From the 2020 Election

The distribution of **1-week total returns for stocks in the Russell 1000 on November 3rd 2020** ([around] Election Day) reveals key sector dynamics, particularly in a post-COVID environment where 10-year yields had bottomed out at 0.52% in August 2020 and began rising, reaching 1.74% by March 2021. Sectors like banks, positively correlated with rising interest rates, outperformed during this period, with banks (highlighted in white) showing a remarkable median 1-week return of 8.26%, significantly higher than the overall 1-week median return of 1.41%.

The color gradient in Exhibit 1 represents 1-month total returns, centered around the average to enhance visual clarity. The 1-month median return is 2.11%, and the color mapping helps track which sectors maintained or reversed their momentum in month prior to the elections. Stocks and sectors shaded in green reflect sustained strength pre-election, while those in red indicate underperformance over the month preceding the elections.

Exhibit 1: 2020 Election Day Sector and Stock Performance in the Russell 1000



Source: Sismo

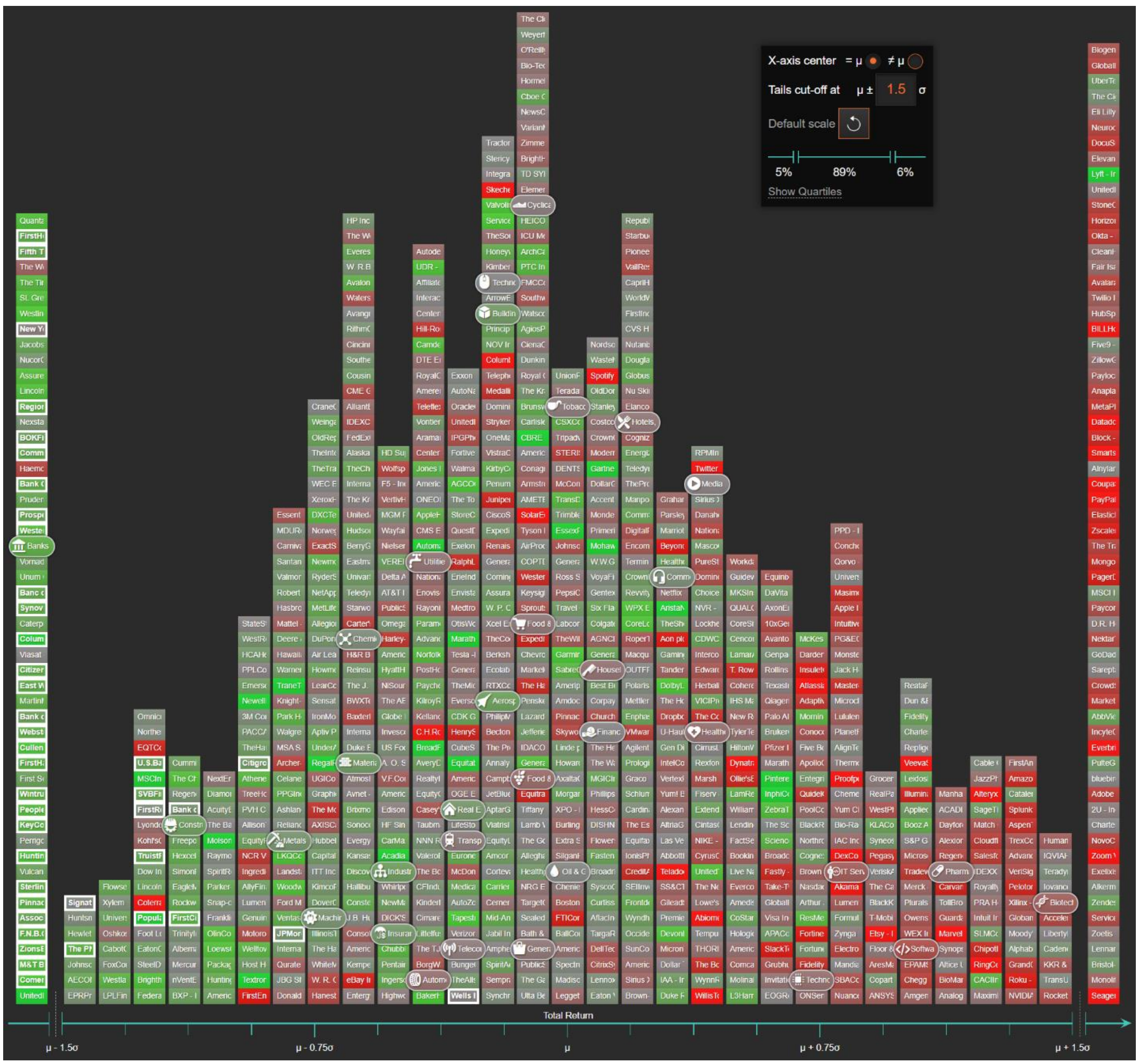
A relatively symmetrical distribution of returns suggests that most stocks hovered near the median, and there was no widespread fear or panic leading up to the election. The absence of major disruptions reinforces the notion that the market was driven by broader economic conditions rather than political uncertainty.

Though most stocks cluster near the median, a tail cutoff at +/- 1.5 standard deviations highlights a few outliers that experienced pronounced volatility. These outliers suggest that certain sectors, especially those more sensitive to potential policy changes, reacted with higher volatility despite the overall market stability.

In essence, the chart offers a comprehensive view of market behavior during the election week, revealing both immediate sector leadership and longer-term performance trends in response to the evolving economic and political landscape.

Exhibit 2 captures **the distribution of daily stock returns on the day following the 2020 U.S. election**, November 4th. With a median return of just +0.22%, the overall market response was relatively subdued as election uncertainty lingered. The color gradient illustrates the 1-week returns from the previous day, November 3rd, highlighting a near-perfect trend reversal in market sentiment.

Exhibit 2: Russell 1000 Sector and Stock Reactions: Post-2020 Election Performance



Source: Sismo

Banks, which had been strong performers leading up to the election, saw a significant decline on November 4th, with a median return of negative 6.99%, placing them on the left tail of the distribution. This sharp reversal reflects how market expectations shifted, as sectors closely linked to rising interest rates, like financials, lost favor once the election outcome became more uncertain.

Conversely, sectors like biotechnology, pharmaceuticals, software, and semiconductors experienced strong gains. Biotech stocks led with a median return of +6.62%, followed by pharmaceuticals at +5.35%, software at +4.71%, and semiconductors at +3.35%. Technology, in particular, stood out, with major tech stocks posting notable gains despite broader expectations of regulatory scrutiny following the election. This outperformance seemed disconnected from the political landscape, as many expected future policy discussions to focus on tighter regulation for Big Tech.

The divergence between the sharp decline in banks and the tech rally underscores the market's complexity in reacting to election outcomes. Investors appeared to weigh both immediate political uncertainty and longer-term trends, such as the continued growth of digital industries. The tech sector's resilience, despite looming regulatory concerns, likely stemmed from the broader economic shift toward digital transformation, accelerated by the pandemic.

Overall, this chart highlights how different sectors responded to evolving election news, with notable sector rotations as investor sentiment shifted. The contrasting performance of financials and technology illustrates the nuanced nature of post-election market behavior, where short-term volatility often drives significant sector realignment.

While the immediate post-election reactions were marked by sharp sector rotations and trend reversals, the market's outlook began to evolve in the following month. As election uncertainty subsided and the market adjusted to the results, longer-term trends took shape. **Exhibit 3** highlights the decile rankings for median 1-month total returns across sectors as of December 3, 2020, compared to their 1-month performance prior to the election on November 3.

Interestingly, although the trend reversal seen on November 4th, where tech and biotech rallied while financials lagged, did not last, several sectors began to solidify their post-election performance. Banks, which saw a sharp decline immediately after the election, rebounded and maintained a top position in both periods, highlighting their ongoing positive correlation with rising interest rates.

A standout in Exhibit 3 is the oil & gas industry, which posted a stellar median 1-month return of +26.2%, propelling it to the top-performing decile by early December. This sector's strong gains reflect renewed investor optimism about energy demand recovery and potential deregulation in a post-election economic environment.

In contrast, other sectors such as semiconductors, automobiles, and technology hardware equipments continued to show strong performance across both periods. These sectors, tied to technological innovation and infrastructure, remained resilient, reflecting broader market confidence in their growth potential.

On the lower end, defensive sectors like telecommunications, food & beverage or general retailers ranked in the bottom deciles, signaling their underperformance during both time frames. This suggests that as the election outcome became clearer, market participants shifted focus to more cyclical and growth-oriented sectors, leaving traditionally defensive industries behind.

Although the immediate post-election reversals in sectors such as tech and financials did not persist, industries like oil & gas experienced a significant surge in the month following the election, driven by policy expectations and broader economic recovery trends. The decile rankings provide insight into how sectors adjusted to the evolving political and economic landscape, with growth-oriented sectors ultimately leading the way as the market transitioned beyond election uncertainty.

Exhibit 3: Sector Rankings and 1-Month Total Returns After / Before the 2020 U.S. Election

	Name	MktV €bn	Score	1-Month Total Return at December 3rd 2020	1-Month Total Return at November 3rd 2020
1	Banks [Median]		17	7	10
2	Automobiles & Components [Medi…		17	8	9
3	Technology - Semiconductors [Me…		15	8	7
4	Oil & Gas [Median]		15	10	5
5	Aerospace & Defense [Median]		13	8	5
6	Insurance [Median]		13	6	7
7	Technology - Hardware & Equipm…		13	7	6
8	Metals & Mining [Median]		13	5	8
9	Industrial Conglomerates [Median]		13	6	7
10	Hotels, Restaurants & Leisure [Me…		12	7	5
11	Chemicals [Median]		12	5	7
12	Financial Services [Median]		12	7	5
13	Machinery & Electrical Equipment …		12	4	8
14	Construction & Engineering [Medi…		12	3	9
15	Materials [Median]		12	4	8
16	Transportation [Median]		11	6	5
17	Media & Entertainment [Median]		11	7	4
18	Healthcare Equipment & Services …		10	4	6
19	Commercial & Professional Servic…		10	4	6
20	Building Products & Distributors […		10	4	6
21	Utilities [Median]		9	2	7
22	It Services [Median]		9	5	4
23	Pharmaceuticals [Median]		9	4	5
24	Real Estate [Median]		9	6	3
25	Software [Median]		9	6	3
26	Cyclical Consumer Goods [Median]		9	5	4
27	Household & Personal Products […		9	3	6
28	Food & Drug Retail [Median]		8	3	5
29	Telecommunication Services [Med…		8	5	3
30	Food & Beverage [Median]		8	4	4
31	General Retailers [Median]		8	4	4
32	Tobacco [Median]		8	5	3
33	Biotechnology [Median]		8	3	5

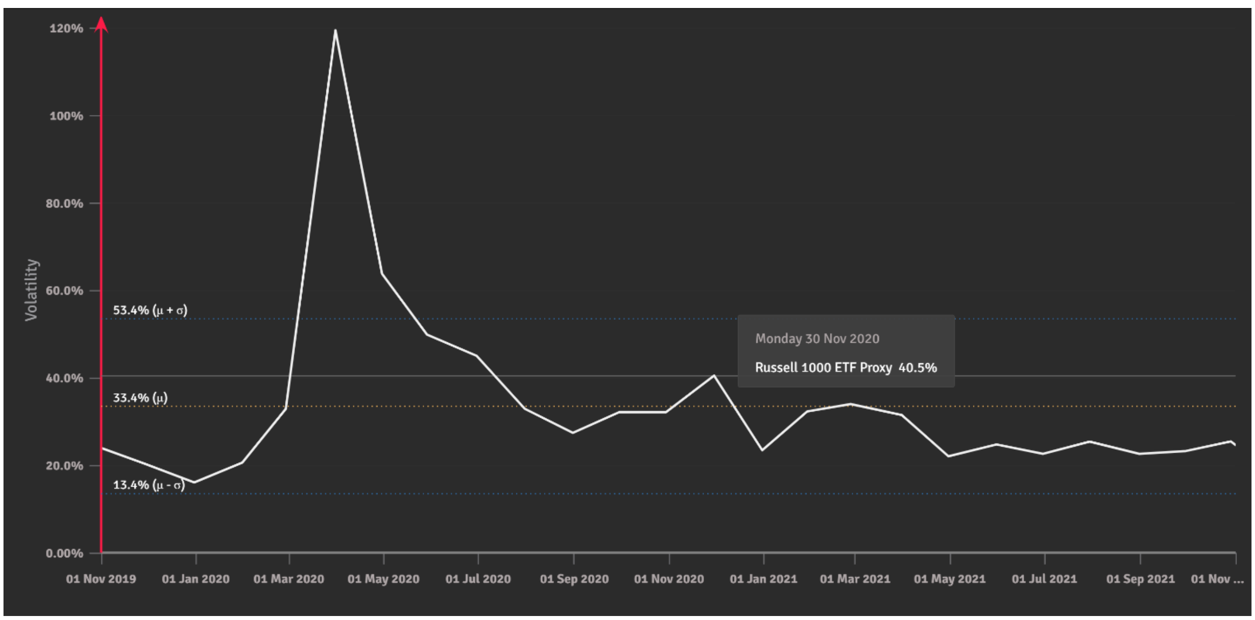
Source: Sismo

As the market adjusted to the evolving post-election landscape, sector performance trends began to solidify, yet uncertainty still loomed, reflected in the broader market's volatility. Exhibit 4 below delves into these fluctuations, offering insight into how investor sentiment responded to both the political transition and the ongoing economic backdrop.

The volatility of the Russell 1000 (measured daily over 1-month and annualized) reached a peak above 40% in November 2020, a clear indication of the uncertainty that surrounded the election. Though this was considerably lower than the levels experienced during the peak of the COVID-19 crisis in March, it remained elevated, surpassing the 2-year average of 33% (Nov. 19 - Nov. 21). The persistence of heightened volatility during this period signals the market's sensitivity to the electoral outcome and the anticipated policy shifts that could reshape economic direction.
As clarity around the election results emerged and political risks began to diminish, volatility gradually receded, following a familiar pattern of post-election stabilization. However, the fact that volatility remained above historical norms suggests that market participants were not only navigating the political transition but also grappling with broader concerns, such as the ongoing economic recovery and pandemic-related uncertainties.

Exhibit 4 underscores how the market, while resilient in the face of election-related volatility, remained on edge throughout the period, balancing between political outcomes and economic recalibration. It highlights the importance of volatility as a barometer for investor sentiment, especially during times of significant political and economic shifts.

Exhibit 4: Volatility Trends Amid the 2020 Election and COVID-19 Recovery (Nov 19 – Nov 21)



Source: Sismo

The analysis of the 2020 election through Sismo's data visualization tool highlights several key takeaways regarding market behavior and investor sentiment. First, sector performance was marked by significant short-term reversals, with banks initially underperforming while tech and biotech rallied post-election, but this dynamic gradually shifted as oil and gas emerged as a top performer in the following month. Meanwhile, market volatility spiked above 40% in November, reflecting the uncertainty surrounding the election outcome, although it was lower than the levels seen during the height of the COVID-19 crisis. As the election results became clearer, volatility began to normalize, though it remained elevated compared to historical averages, indicating persistent investor caution. Overall, the exhibits underscore how political uncertainty and expectations of policy shifts drove sector rotations and heightened volatility, while the market gradually stabilized as these risks subsided.

2016 Election Impact on Russell 1000

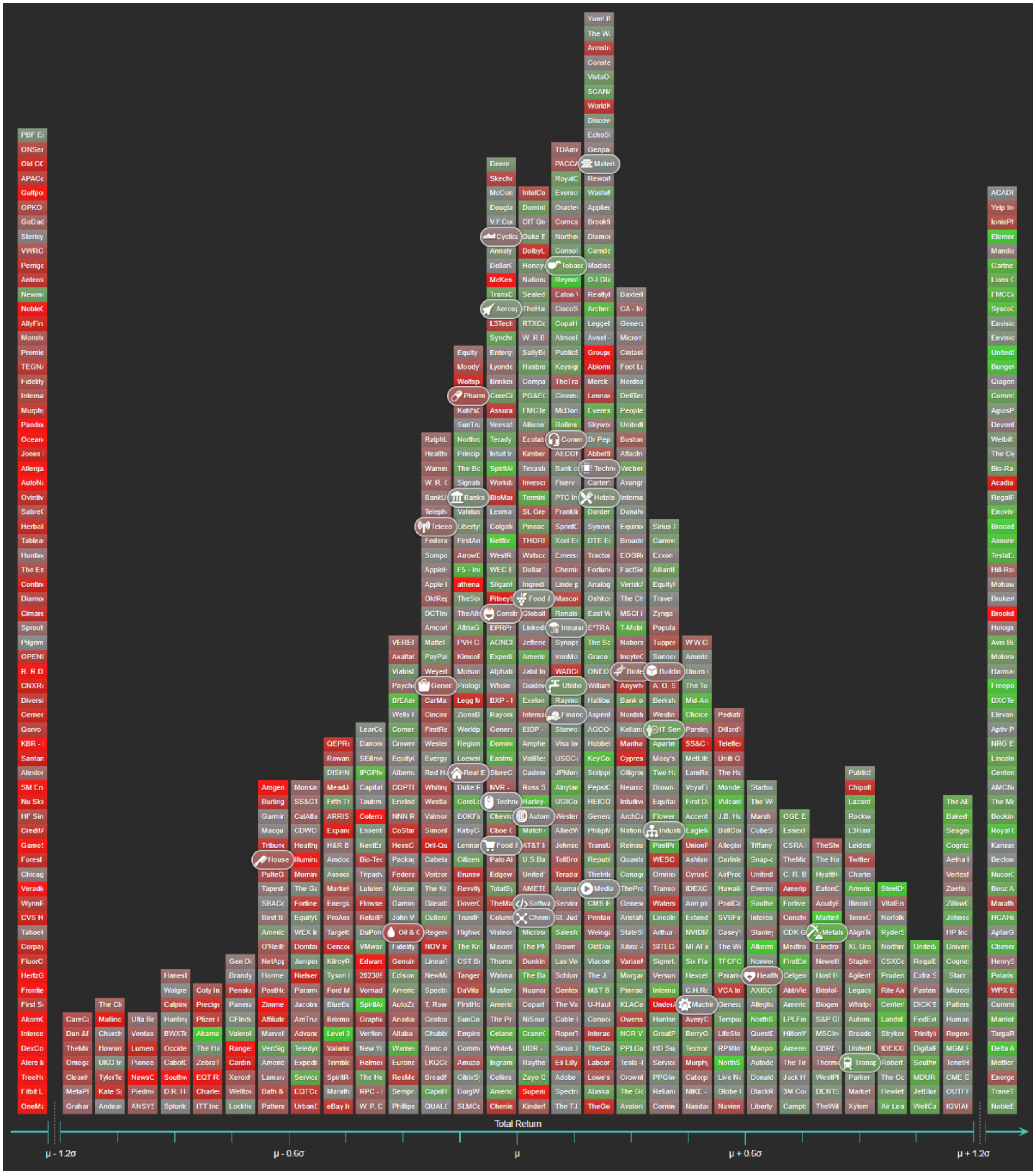
The market's anticipations prior to the 2016 U.S. presidential election is reflected in the distribution of 1-week total returns for stocks in the Russell 1000, captured on Election Day, November 8, 2016 (Exhibit 5). Amid a backdrop of low inflation, sub-2% U.S. Treasury yields, and oil prices under $50 per barrel for WTI crude, the median 1-week return was 1.45%. Transportation stocks emerged as the strongest performers, with a median return of 4.86% (with Avis Budget at 8.65% and Delta Airlines at 6.82%), while other sectors awaited the outcome of a politically charged and uncertain election.

The color gradient in Exhibit 5, which represents 1-month total returns, reveals a more complex longer-term picture. With a median return of -0.70% over the month following the election, the initial optimism faded for some sectors as the broader market adjusted to the unfolding political and economic realities. The distribution of returns and the color gradient suggest no significant fear or disruption leading up to Election Day, with market movements being driven primarily by a recalibration of policy expectations. Oil & Gas stocks ranked last with a median 1-month total return of -7.86% and median 1-week total return of -0.30%.

Donald Trump's unexpected victory triggered a swift sector rotation, particularly benefiting energy and financials, both of which had been weighed down by a low-yield, low-growth environment. Investors quickly reassessed their expectations, anticipating deregulation and more business-friendly policies that would favor these sectors, leading to a strong rally in the days following the election.

This analysis highlights the rapid realignment of sector performance following the election, as politically sensitive industries like energy and financials capitalized on the anticipated policy shifts. While the immediate post-election rally signaled investor confidence, the longer-term picture remained more uncertain, illustrating how political outcomes can drive short-term market exuberance followed by a more measured reflection on economic fundamentals.

Exhibit 5: 2016 Election Day Sector and Stock Performance in the Russell 1000

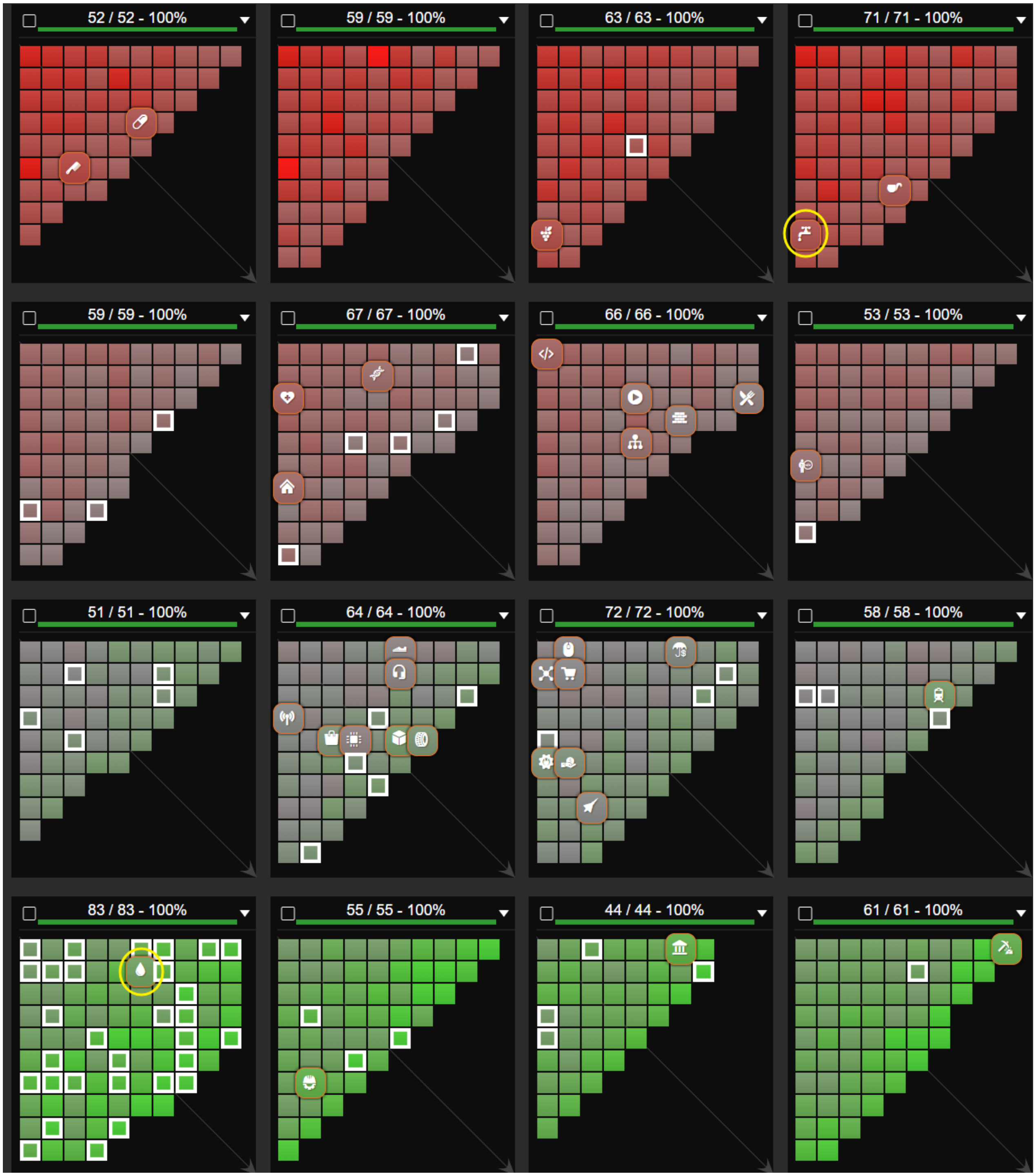


Source: Sismo.

Exhibit 6 provides a nuanced view of the market's performance in the month following Donald Trump's election. It illustrates the distribution of 1-month total returns as of December 8, 2016, with returns progressing from top to bottom, lower to higher, and color-coded from red (weaker returns) to green (stronger performance). The median total return during this period was 7.23%, while the average return stood at 8.97%, signaling a broadly positive market sentiment in the wake of the election.

Stocks are organized horizontally according to their 1-month returns prior to Election Day, from left left to right, lower to higher. Notably, those aligned along the diagonal line demonstrate consistency in their relative positioning, indicating stable performance across both periods.

Exhibit 6: Sectoral Realignment and Market Reactions After the 2016 U.S. Election



Source: Sismo

One of the most striking outcomes is the outperformance of oil & gas stocks, which experienced a median gain of 18%, highlighted in the lower-left corner and framed in white. This reflects the sector's immediate rally in response to expectations of pro-energy, deregulation-focused policies under the new administration. The energy sector, buoyed by rising oil prices and the anticipated rollback of environmental regulations, became a clear beneficiary of the political shift.

In contrast, utilities, situated in the opposite diagonal, underperformed with a median return of -1.84%. As a defensive sector, utilities were more vulnerable to the prospect of higher interest rates and less favorable regulatory conditions, as the market rotated toward growth-oriented and cyclical industries.

This data visualization vividly captures the post-election sector rotation, with a stark divergence between sectors that stood to benefit from policy changes and those that were negatively impacted. The distribution underscores how political transitions can catalyze sharp shifts in market leadership, with sectors like energy and financials surging, while traditionally defensive industries struggled to keep pace.

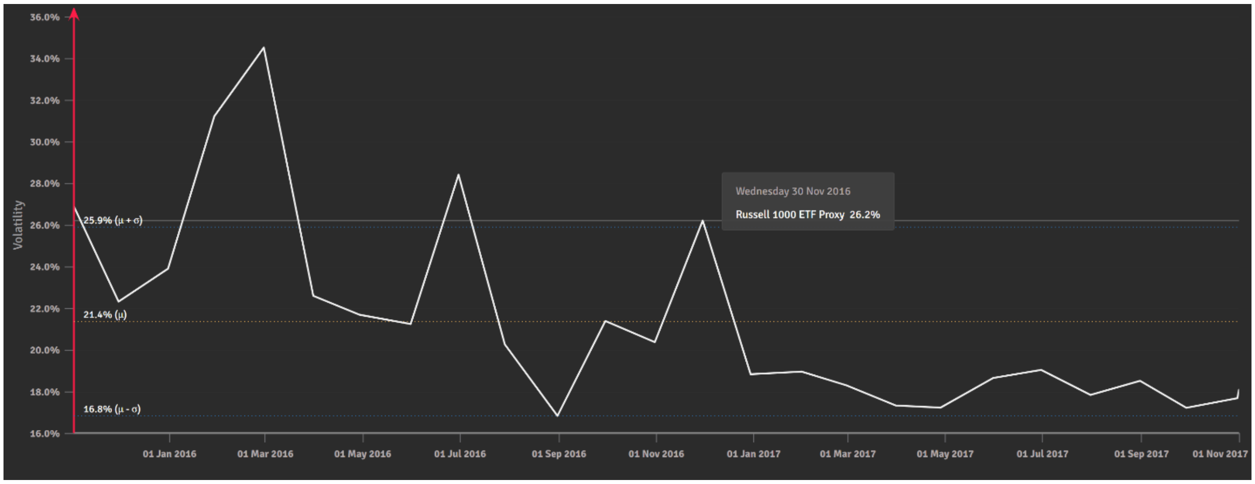
The volatility trends from the 2016 election period further demonstrate the market's relatively contained reaction to Donald Trump's unexpected victory. While there was a notable uptick in volatility immediately following the election, the increase remained measured compared to more extreme market events. As shown in the exhibit, the median daily ex-post volatility for the Russell 1000 in November 2016 reached 26.2%, a marked increase from prior months but not as elevated as volatility spikes seen in past crises or major events.

This relatively limited surge in volatility suggests that, while the election results were unexpected, market participants were quick to adjust their expectations and begin pricing in the policy implications of the Trump administration. Investors likely balanced the potential benefits of pro-growth, pro-business policies, including tax cuts and deregulation, against the uncertainties surrounding trade and fiscal policy. The market's reaction, as reflected in the moderate volatility increase, indicates a smooth transition as the post-election environment became clearer.

Although the Russell 1000 saw a brief period of heightened volatility through late November, Exhibit 7 shows a stabilization in the following weeks, further supporting the notion that, after the initial shock, markets settled as policy expectations and the economic outlook took shape. The lack of extreme volatility underscores how certain political events, while disruptive, may not induce the same levels of market stress as more systemic crises.

In sum, the volatility response to the 2016 election was notable but not excessive, reflecting the market’s ability to absorb and adjust to political changes with relative stability. This dynamic contrasts sharply with previous periods of heightened volatility, such as during economic crises, and speaks to the resilience of the market when faced with political uncertainty balanced by clear economic policy signals.

Exhibit 7: Moderate Volatility Surge Following the 2016 U.S. Election and Market Resilience (1-month daily volatility annualized – Nov. 2015-Nov. 2017)



Source: Sismo.

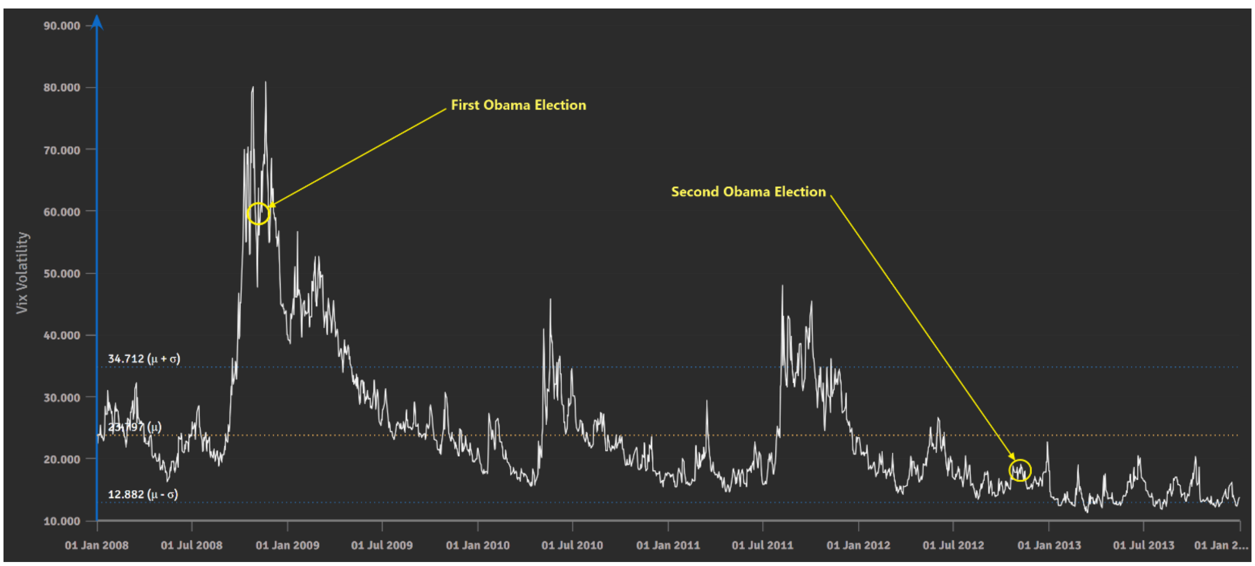
The analysis of the 2016 U.S. election across the three charts highlights the market's sectoral shifts, volatility trends, and overall performance following Donald Trump's unexpected victory. Initially, there was a sharp rotation in sectors, with oil & gas and financials rallying due to expectations of deregulation and business-friendly policies, while utilities underperformed. The 1-month total return data reveals a positive median return of 7.23%, with sectors like energy benefiting the most. Despite this sectoral realignment, the surge in market volatility remained moderate, with ex-post volatility peaking at 26.2% in November 2016, reflecting the market's resilience and quick adjustment to the new political landscape. While there was an initial spike in volatility, it was relatively contained, signaling that investors were optimistic about the policy direction, balancing the benefits of potential growth initiatives with broader uncertainties.

Two Starkly Different Obama Elections

The two U.S. presidential elections of Barack Obama, in 2008 and 2012, occurred against dramatically different market backdrops, both of which are reflected in the volatility, stock, and sector performance data across these periods. Exhibit 8 shows the stark difference between the two elections in terms of market fear and uncertainty, as measured by VIX. During the first Obama election in November 2008, the VIX was at its peak, reflecting extreme market volatility due to the global financial crisis. At its highest point, the VIX soared above 80, signaling unprecedented levels of uncertainty and making it difficult to distinguish the election's specific impact on market behavior. The sheer magnitude of the crisis overshadowed typical market responses, and the election did little to alleviate the chaos engulfing the financial system.

By contrast, the second Obama election in November 2012 saw a completely different volatility landscape. By that time, the VIX was below its historical average, showing that markets had stabilized significantly compared to the chaos of 2008. As seen in the volatility exhibit, the 2012 election did not trigger any significant spikes in market fear, indicating a much more subdued response. Investors had already priced in the likelihood of continuity with Obama's re-election, and the market was no longer gripped by the existential threats that defined the earlier period.

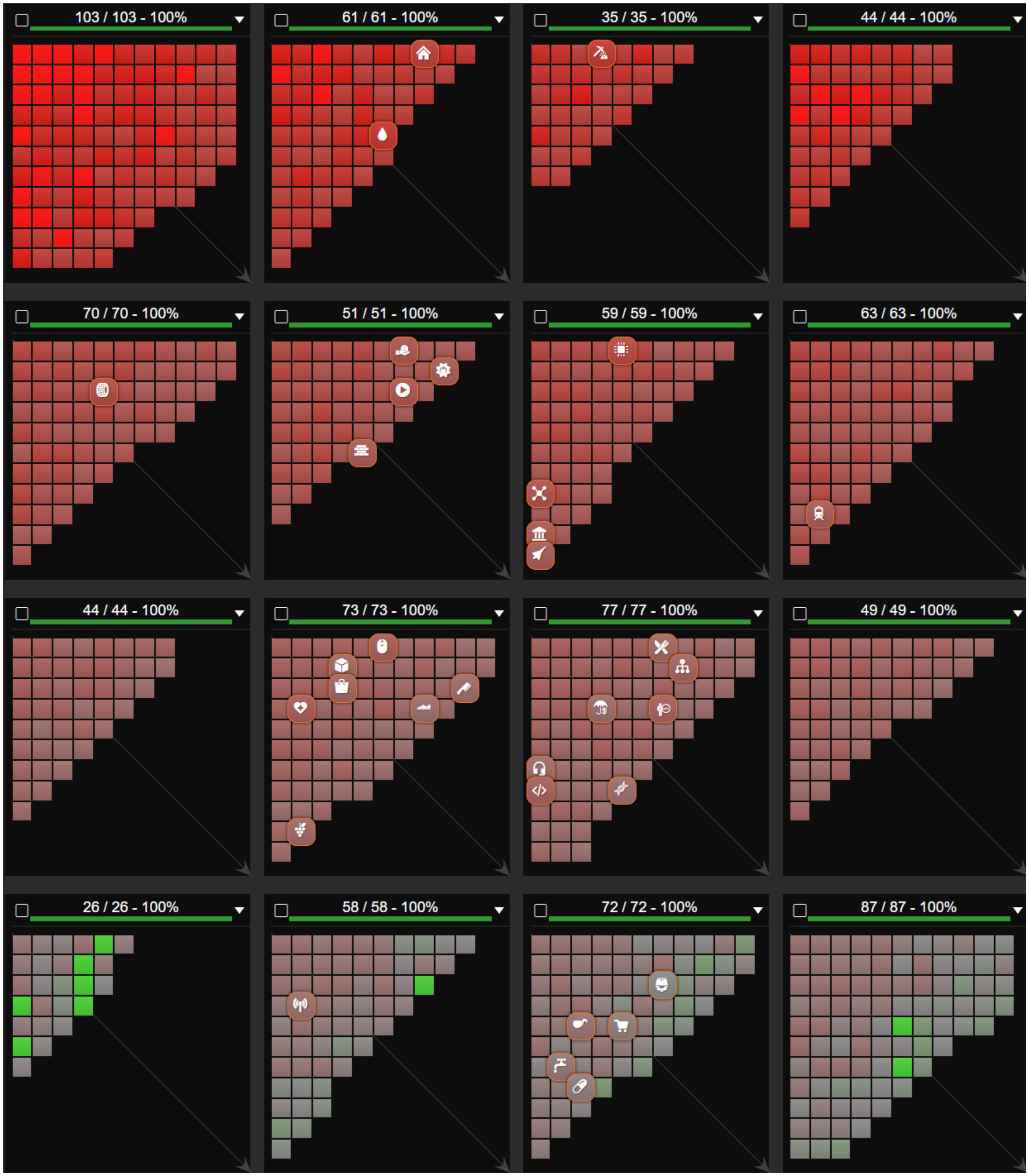
Exhibit 8: Volatility Trends During the 2008 and 2012 Obama Elections



Source: Sismo

In terms of sector performance, Exhibit 9 reinforces this narrative for the 2008 election. Market-wide declines dominated the scene, with no sector able to rise above the turmoil. Stocks are distributed from left to right and lowest to highest per their 1-month total return prior to election date and from top to bottom and lowest to highest per their 1-month total return a month after election date, on Dec. 4. The median 1-month total return post-election was -18.9%, and sector positioning reveals no clear winners or outperformance. In the upper left part, Oil & Gas, Real Estate and Automobiles stand out as the most beaten sectors, in the month prior to or after Election date. The global financial crisis was so pervasive that any typical election-related sector rotations were muted or nonexistent, with industries such as financials and industrials hit particularly hard.

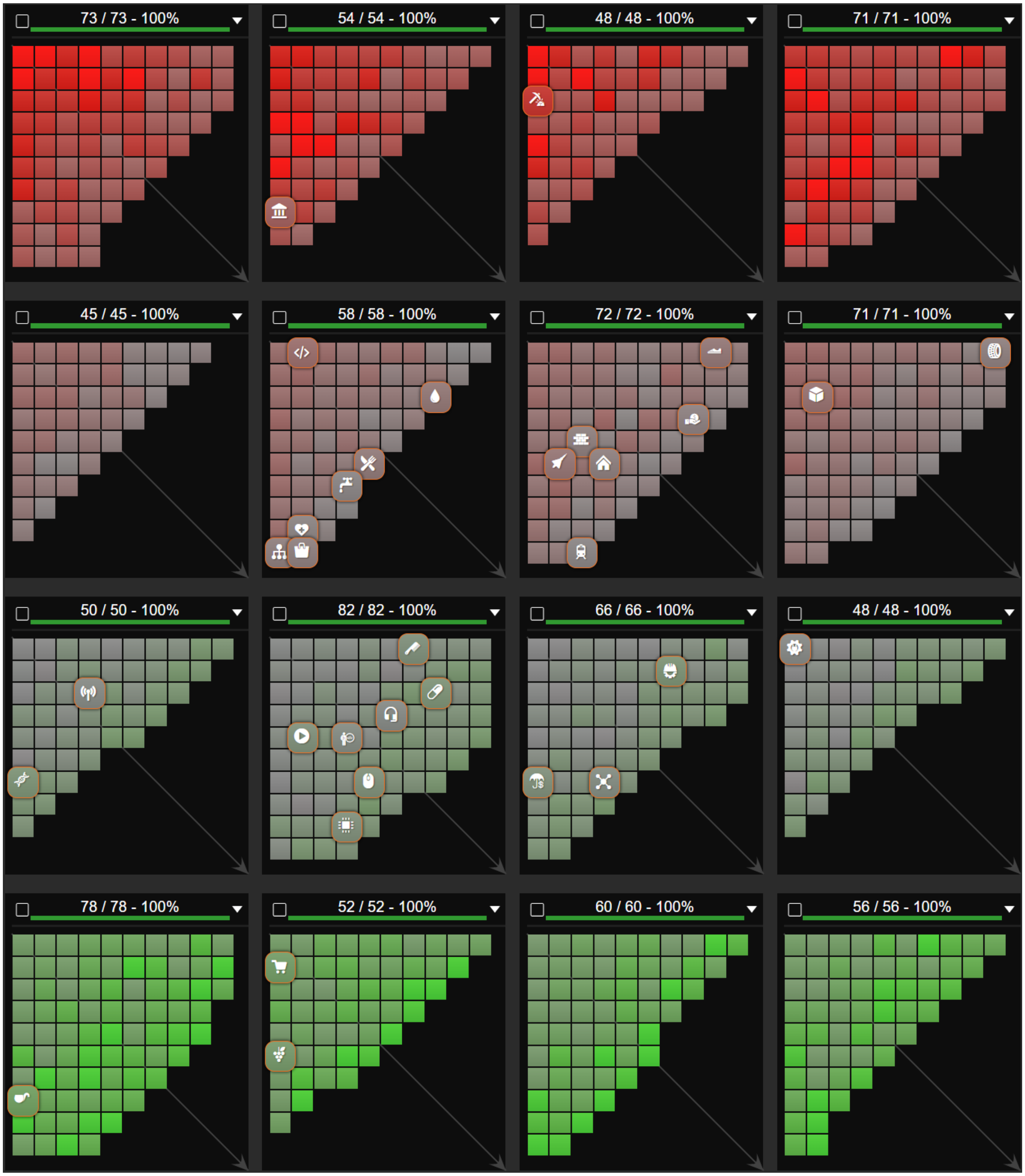
Exhibit 9: Market Declines and Sector Performance During the 2008 Election



Source: Sismo.

The 2012 election tells a different story, as seen in Exhibit 10, with stocks distributed from left to right per their total returns in the month prior to the election and from top to bottom (and red to green) per their total returns in the month following Election date. By this time, the market had largely recovered from the crisis, with similar median returns in the month prior to Election date (+0.07%) and in the month post-election at Dec. 6th 2012 (-0.20%). Yet, despite the improved environment, there were no drastic sector rotations or significant market reactions. Most sectors remained clustered in the center of the performance spectrum, itself quite narrow, indicating a largely indifferent market response to the political event.

Exhibit 10: Sector Stability and Modest Gains Following the 2012 Election



Source: Sismo.

Taken together, these exhibits highlight how external economic conditions can dominate market responses to elections. In 2008, the financial crisis overshadowed any election impact, while in 2012, the relative market calm reflected a more measured and stable environment. Political continuity in 2012 had little impact on an already stabilized market, in contrast to the overwhelming market distress seen in 2008.

Stock Volatility Trends Surrounding Each Election

The next set of exhibits provide a comparative analysis of the median 1-month daily volatility for Russell 1000 stocks, spanning from three months before to three months after each of the four U.S. presidential elections in 2008, 2012, 2016, and 2020. These visualizations offer further insight into how market volatility responded to political transitions during each election cycle, revealing key patterns in investor sentiment and market uncertainty. Despite different market environments and mean volatility levels surrounding each election period measured, there was a significant volatility spike for stocks on average.

Exhibit 11 highlights the extreme volatility surrounding the first Obama election in November 2008, during the height of the global financial crisis. Leading up to the election, volatility surged well beyond its mean of 68.5%, peaking above 100%, more than one standard deviation above the period average. This reflects the intense uncertainty caused by the collapse of major financial institutions, global credit market disruptions, and unprecedented government interventions. The heightened volatility was driven less by the election itself and more by the broader economic crisis engulfing the markets. Although volatility began to decline after the election, it remained significantly elevated, signaling continued market anxiety over systemic risks. The slow reduction in volatility over the following months underscores how deeply the financial crisis overshadowed the election's political transition, as the market grappled with one of the most severe economic challenges in modern history.

In contrast, the 2012 election, which resulted in Obama's re-election, occurred in a much more stable economic environment. As Exhibit 12 demonstrates, the median 1-month daily volatility of stocks during this period was significantly lower than in 2008, reflecting the financial system's recovery and a more measured market response to political continuity. Market sentiment remained calm, with only a brief uptick in volatility reaching around 24.4%, just slightly above one standard deviation from the mean of 20.5%. Unlike the sharp spikes seen in 2008, there were no major volatility surges before or after the 2012 election, underscoring the market's relative confidence and stability at the time.

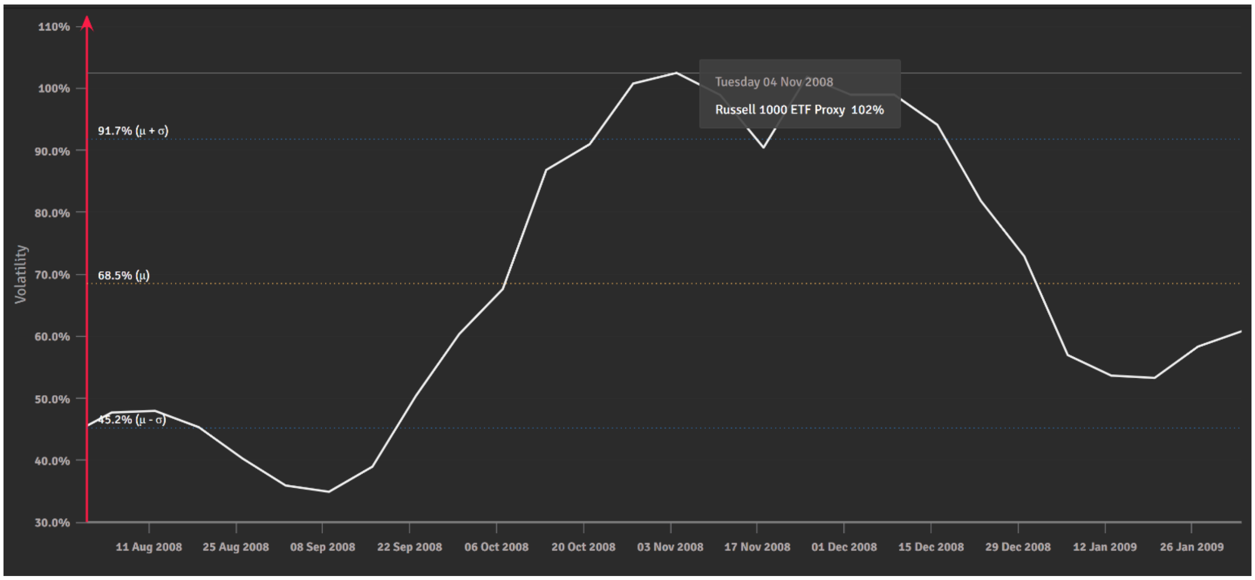
Heading into the 2016 election, stock volatility remained relatively calm, but Donald Trump's surprise victory caused a sharp divergence in market expectations. This quickly drove volatility beyond the mean of 20.5% and past the one standard deviation mark of 23.6%, peaking at 28.2%. As shown in Exhibit 13, the uncertainty surrounding the unexpected political outcome did trigger a noticeable uptick in volatility, despite the moderate levels in the months leading up to the election. However, this increase was relatively contained compared to previous crises, and markets quickly adjusted to the anticipated policy shifts under the Trump administration, reflecting a rapid adaptation to the new political landscape.

Finally, Exhibit 14 illustrates the volatility of stocks leading up to the 2020 U.S. presidential election, which resulted in Joe Biden's victory. Volatility hovered around 31.7%, reflecting moderately elevated market uncertainty amid the COVID-19 pandemic, economic disruptions, and the highly polarized political environment. As the election neared, volatility got closer to the one standard deviation mark of 37.0%, indicating the heightened anticipation and uncertainty surrounding the outcome and its potential policy implications.

After Biden's victory was confirmed, volatility gradually continued to rise up to 43.8% but declined gradually from ongoing market concerns related to both the pandemic and the anticipated political transition. The persistent volatility in the weeks following the election reflects the broader uncertainty about how the new administration's policies might address economic recovery, fiscal stimulus, and pandemic management. However, by early 2021, volatility stabilized, suggesting that markets were adjusting to the new political landscape and focusing on the post-election environment. Exhibit 14 underscores how the 2020 election, against the backdrop of the pandemic, triggered significant volatility, making it one of the most volatile election periods in recent history.

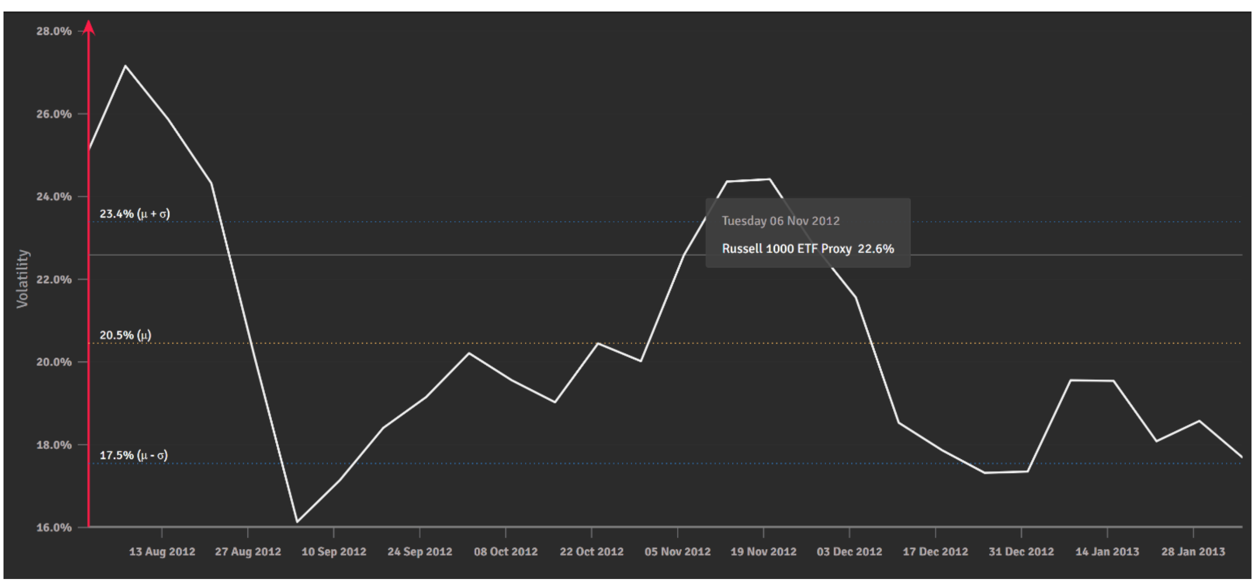
While the 2008 election exhibited the highest levels of market volatility due to the financial crisis, the Biden election in 2020 triggered the most significant volatility outside of a systemic economic crisis. This comparison highlights how political uncertainty and broader economic conditions interact, with certain elections, especially those during periods of crisis or unexpected outcomes, leading to heightened market volatility. In contrast, the 2012 and 2016 elections saw more moderate responses, reflecting either political continuity or relatively stable economic conditions.

Exhibit 11: Volatility Trends During the 2008 Financial Crisis and Obama Election



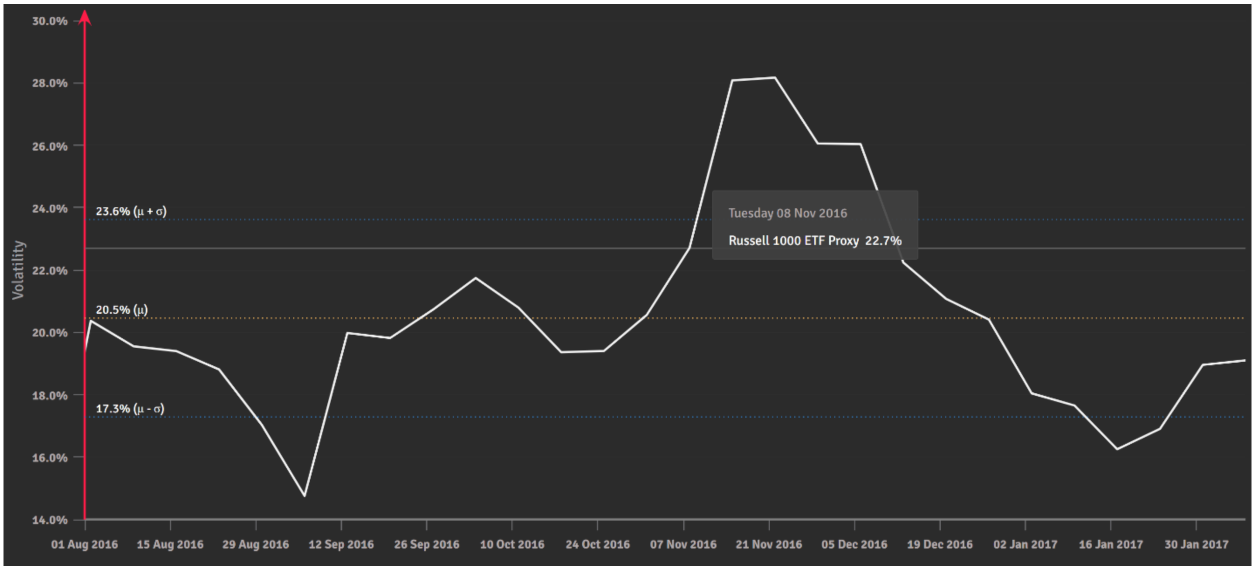
Source: Sismo

Exhibit 12: Moderate Stock Volatility Surrounding the 2012 Election



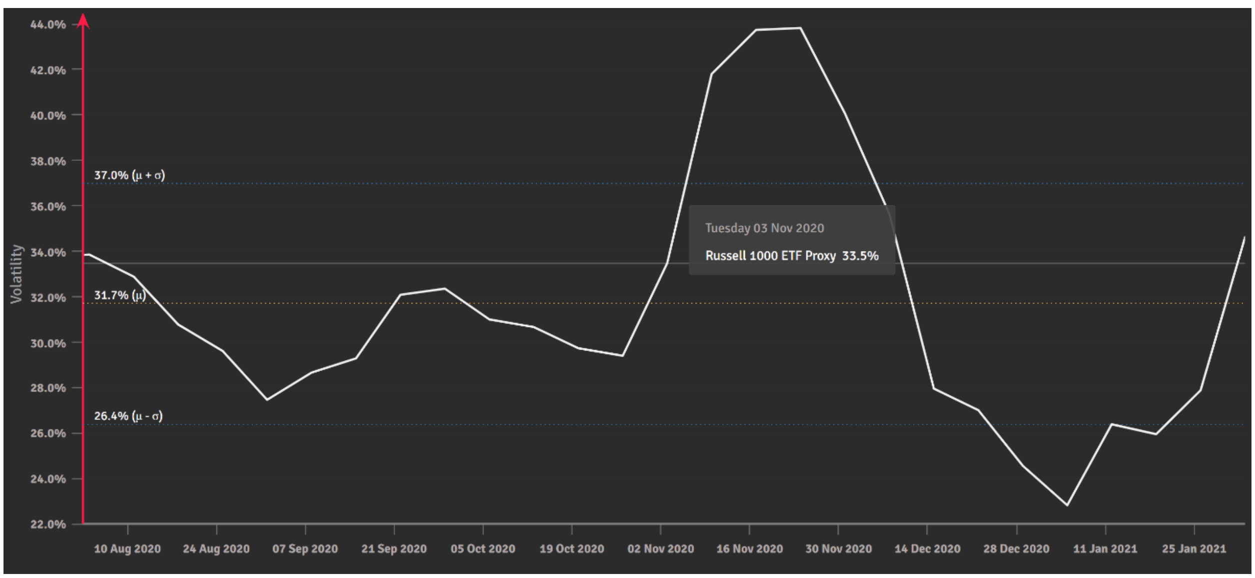
Source: Sismo

Exhibit 13: Stock Volatility Rises Quickly After the 2016 Election, Then Moderates



Source: Sismo

Exhibit 14: 2020 Triggered Significant Volatility Beyond the Systemic Economic Crisis



Source: Sismo

Conclusion

The analysis of the four U.S. presidential elections from 2008 to 2020 provides valuable insights into how market volatility, sector rotations, and broader economic conditions intersect with political transitions. The results demonstrate that elections held in periods of economic crises, such as the 2008 financial crash and the 2020 COVID-19 pandemic, tend to trigger heightened market volatility and significant shifts in sector performance. Energy, financials, and technology emerged as particularly responsive sectors across multiple election cycles, reflecting how policy expectations can shape market behavior. Notably, while volatility generally rises leading up to elections due to uncertainty, the market has historically stabilized quickly once political outcomes become clear, offering opportunities for investors who anticipate sectoral shifts. The findings suggest that political uncertainty, while disruptive in the short term, is often outweighed by underlying economic conditions, highlighting the importance of context when navigating election-driven market dynamics. Overall, the research underscores the resilience of U.S. markets in adapting to political transitions, with volatility serving as a critical gauge of investor sentiment during these key moments.

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