



## How Will The Presidential Cycle Influence The Financial Markets?

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by John Rothe

With the economy on the brink of a recession, the stock market down and multiple failures of both banks and brokerage firms, will the US stock market provide us with a year end rally? History says yes.

The Presidential Cycle has historically provided a positive return for the stock markets. In past, the markets have risen as elections approach and the current administration tries to stimulate the economy. The goal is to have voters go to the voting booths with jobs and feeling good about the economy. These increases the odds that the party in power will stay in power.

The Presidential Cycle in past elections has provided a positive return for the stock markets. US financial markets have risen in the past as elections approach and the current administration tries to stimulate the economy. The idea is to have voters with jobs and feeling good about the economy when they go to vote. These increases the odds that the party in power will stay in power.

But past markets have shown this can be a temporary effect. Typically, the two years following an election are often the hardest on the stock market. Stimulus packages need to be paid for and tough economic decisions need to be made.

This may prove to be the case again as a similar pattern emerges today. Currently US leaders are trying to revive our economic markets. Restrictions against short sellers in almost 800 stocks have helped to keep a temporary floor on the stock market. These restrictions have caused much volatility and numerous news stories, but the net effect to the markets have produced a negative or positive impact during the past few weeks.

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