



The 2020 “Day After Election Day” & Markets

While markets have historically dropped the next day, it’s still a silly metric

As the country waited, election results were still being counted days after the November 3rd presidential election and might not be completed for weeks. But after four tense days, the major media outlets started pronouncing that former Vice President Joe Biden would be our next president.

So, since the presidential election was called over the weekend, that means that Monday, November 9th could be considered the 2020 Day After Election Day (“DAED”). And what a day the markets had.

By the time markets closed in the U.S., the DJIA finished up 835 points for an almost 3% gain; the S&P finished up 1.2% and is within shouting-distance of a new high; and NASDAQ dropped 1.5%.

Remember the 2016 DAED?

As election results started rolling in on November 8, 2016, it seemed that with every Trump gain, the markets fell:

- Overnight Dow futures plunged almost 800 points.
- Japan’s Nikkei plummeted 5.4%.
- The Mexican currency – the peso – tanked by 11%.
- Gold, often considered a safe haven in turbulent times, was up over 2%.

Then the markets settled. Then they rose. In fact, the S&P 500 rose 1.10% on the 2016 Day After Election

Day. And when the markets closed on November 9th, the rise in the S&P 500 marked the fifth-best performance of any DAED in history. But with 2020 now in the books, 2016’s DAED is now the sixth-best performer.

Historical DAED Results

For perspective, the very best performance from a DAED in history was a 1.77% rise in 1980, when Ronald Reagan defeated Jimmy Carter. And the second best performance for a DAED goes back 80 years to 1936, when FDR was elected to his second term. Both of those have now been pushed down a notch, because 2020’s DAED now owns the best performance record.

And in case you might be suggesting that Wednesday, November 4th should be considered the 2020 DAED instead of Monday, November 9th, consider that on November 4, 2020:

- The DJIA jumped 2.1%, closing at 27,480.03
- The S&P 500 leapt 1.8%, closing at 3,369.16
- NASDAQ jumped 1.9%, closing at 11,160.57

Interestingly, losses for a DAED (as most pundits predicted would occur for the 2016 and 2020 DAED by the way) are much more severe and more common.

The worst DAED performance in history? That would be President’s Obama’s first win in 2008, when the market nosedived 5.27%. The second worst DAED

in history was in 1932, when the market fell 4.42%, when FDR was first elected.

And the average DAED performance, excluding 2020's jump? That would be -0.92%.

So, What Should an Investor Do?

Nothing, unless your personal situation has somehow changed overnight. Trying to time the market is a fool's game – you will likely sell when the market is rising and buy when the market is falling.

Now more than ever, it's important to make investment decisions based on your goals and your tolerance for risk.

Not based on the DAED.