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**Analyzing the Impact of U.S. Political
Leadership on the Economy and Markets**

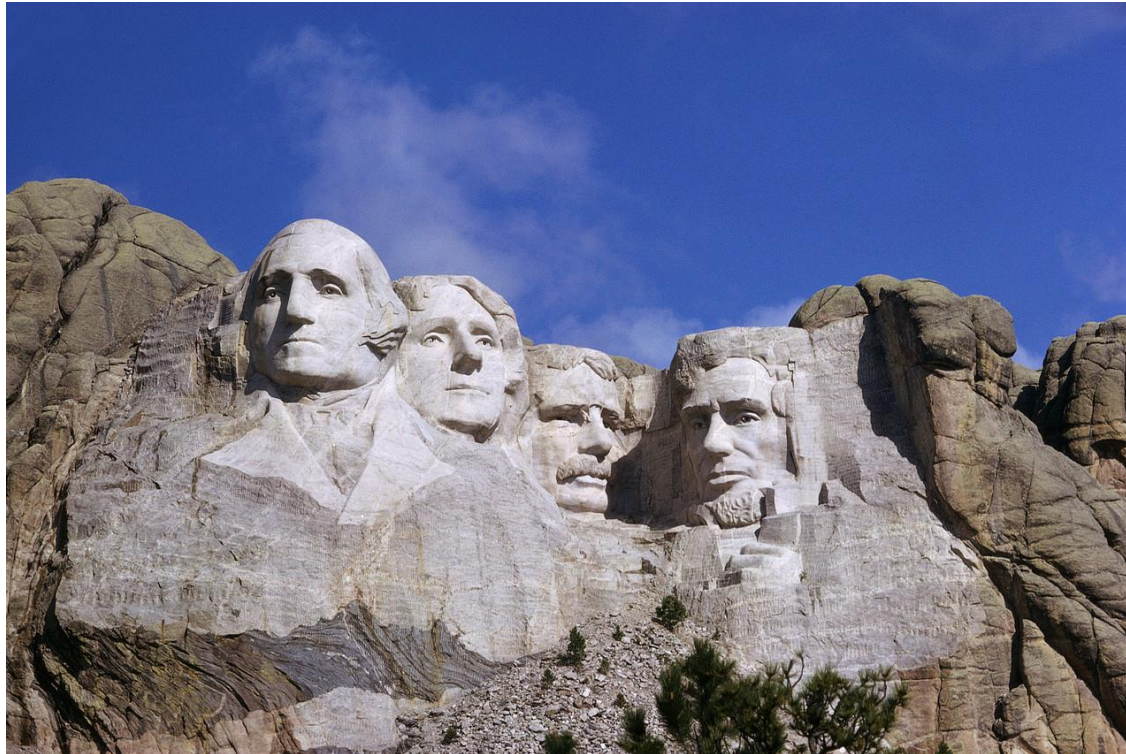
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A few notes...

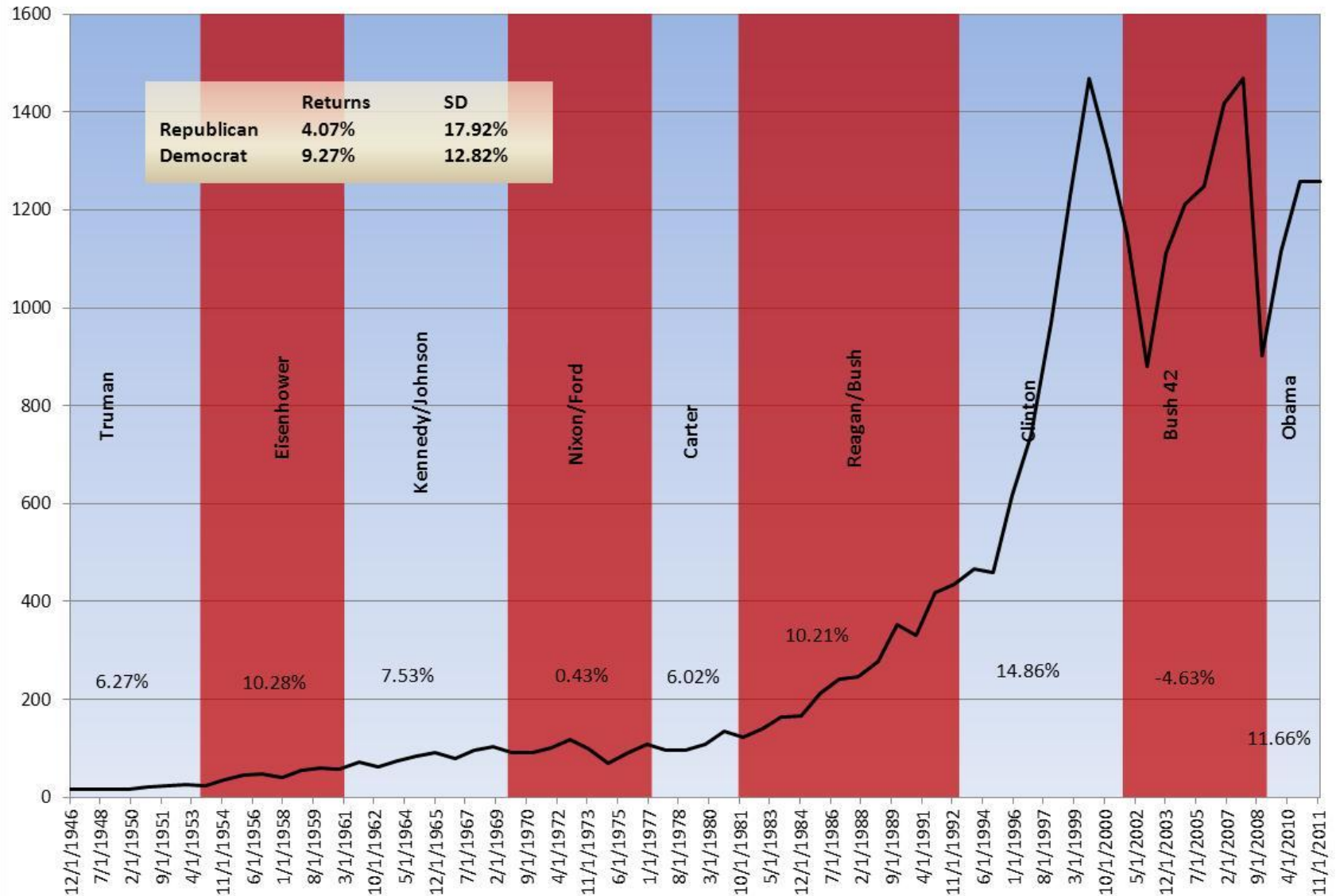
- MB Financial Bank does not endorse any political candidate or party
- The data used in this presentation is taken from Bloomberg over the post World War II period ('46-'11)
- This study was approached from a completely objective, non-partisan standpoint
- The scope of this study is to analyze key economic indicators and their behavior under three different leadership scenarios:
 - Executive (Presidential) Leadership Only
 - Legislative (Senate & House) Leadership Only
 - The combination of Executive & Legislative Leadership

Party of the President



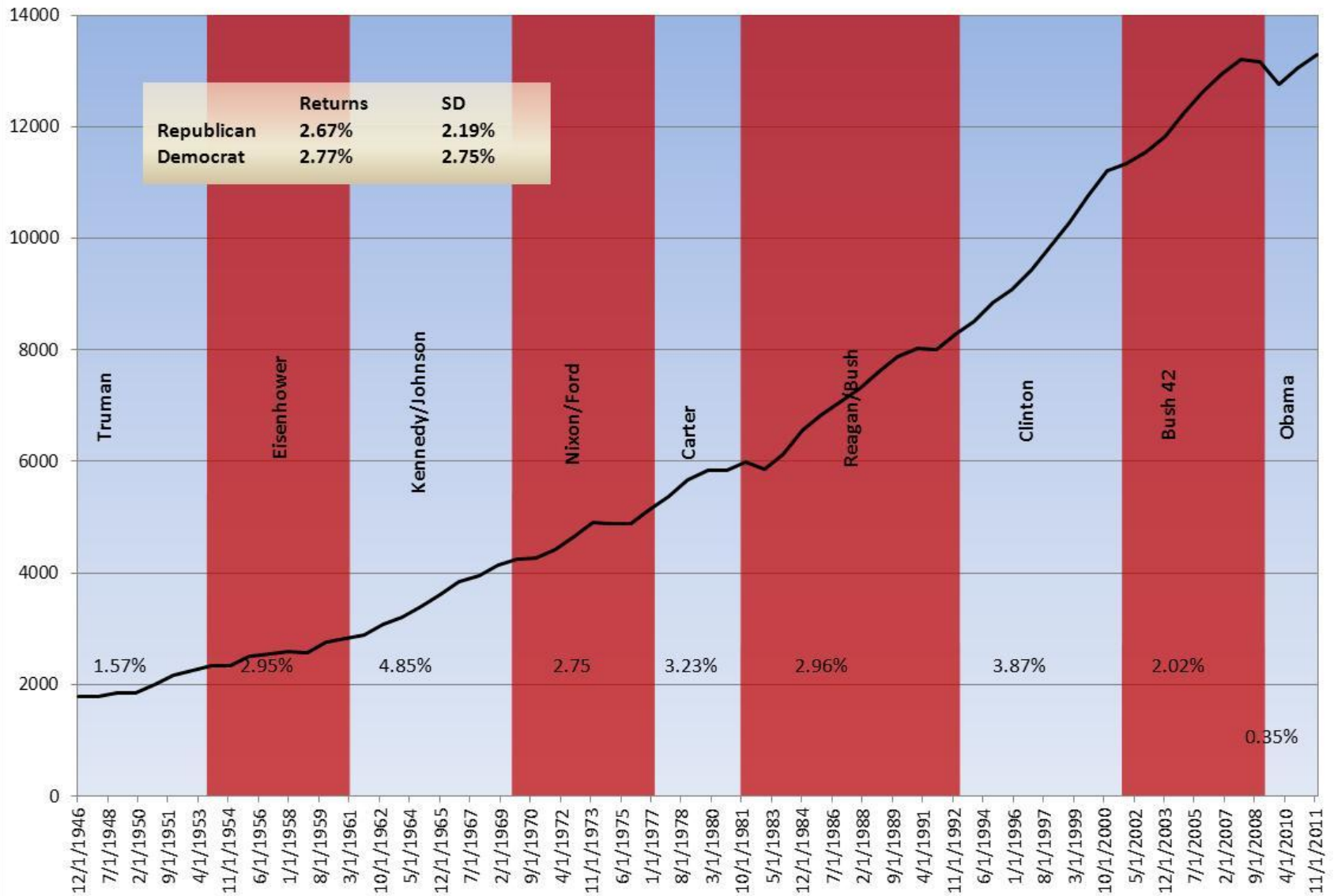
The U.S. stock market has superior performance during democratic presidencies, but is a very end point dependent measure and has flip flopped in the last few presidencies.

S&P 500 and Party of the President



The economy grows irrespective of which party holds the presidency. Democrats have a higher growth rate, but with more volatility.

GDP and Party of the President

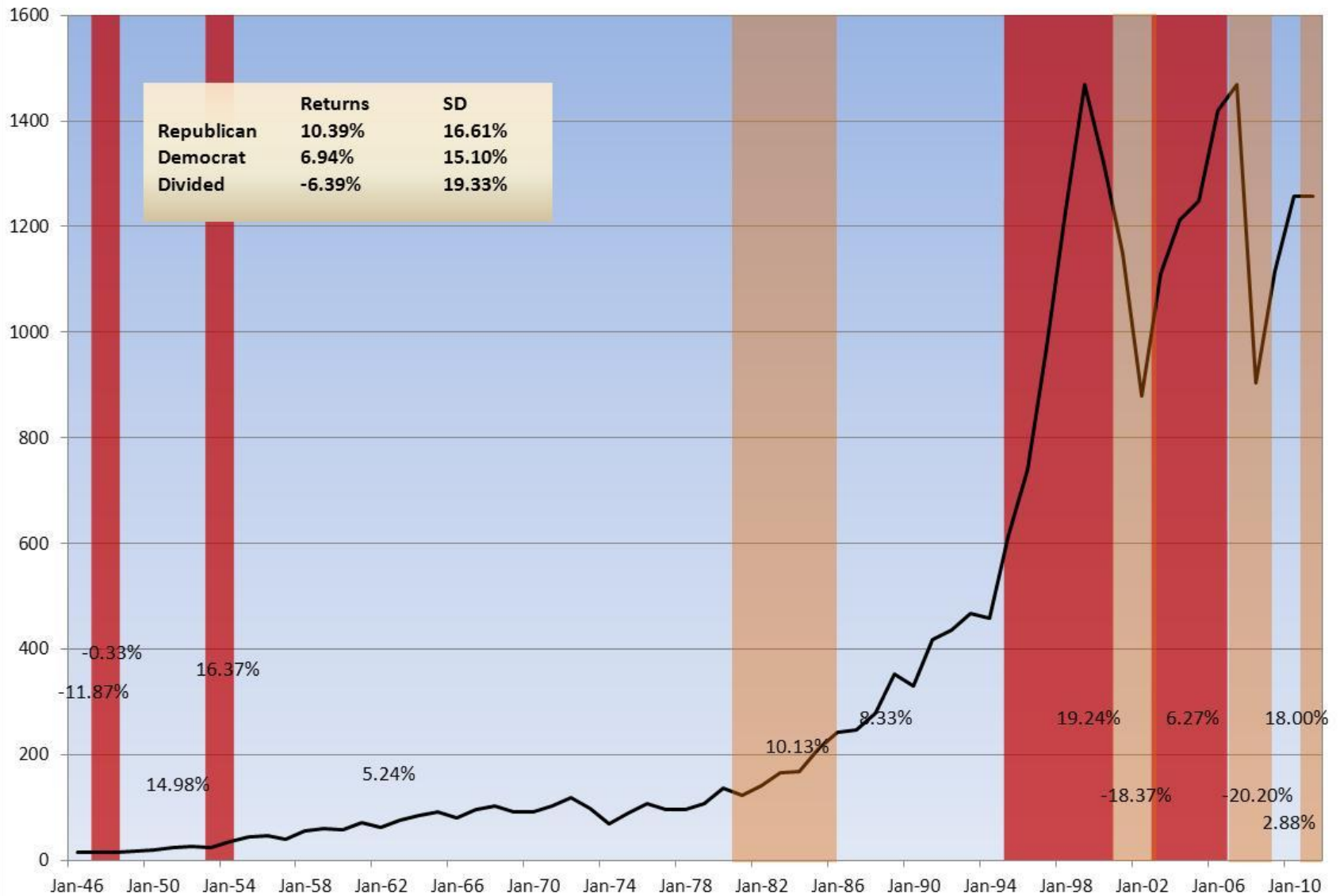


Party Control of Congress



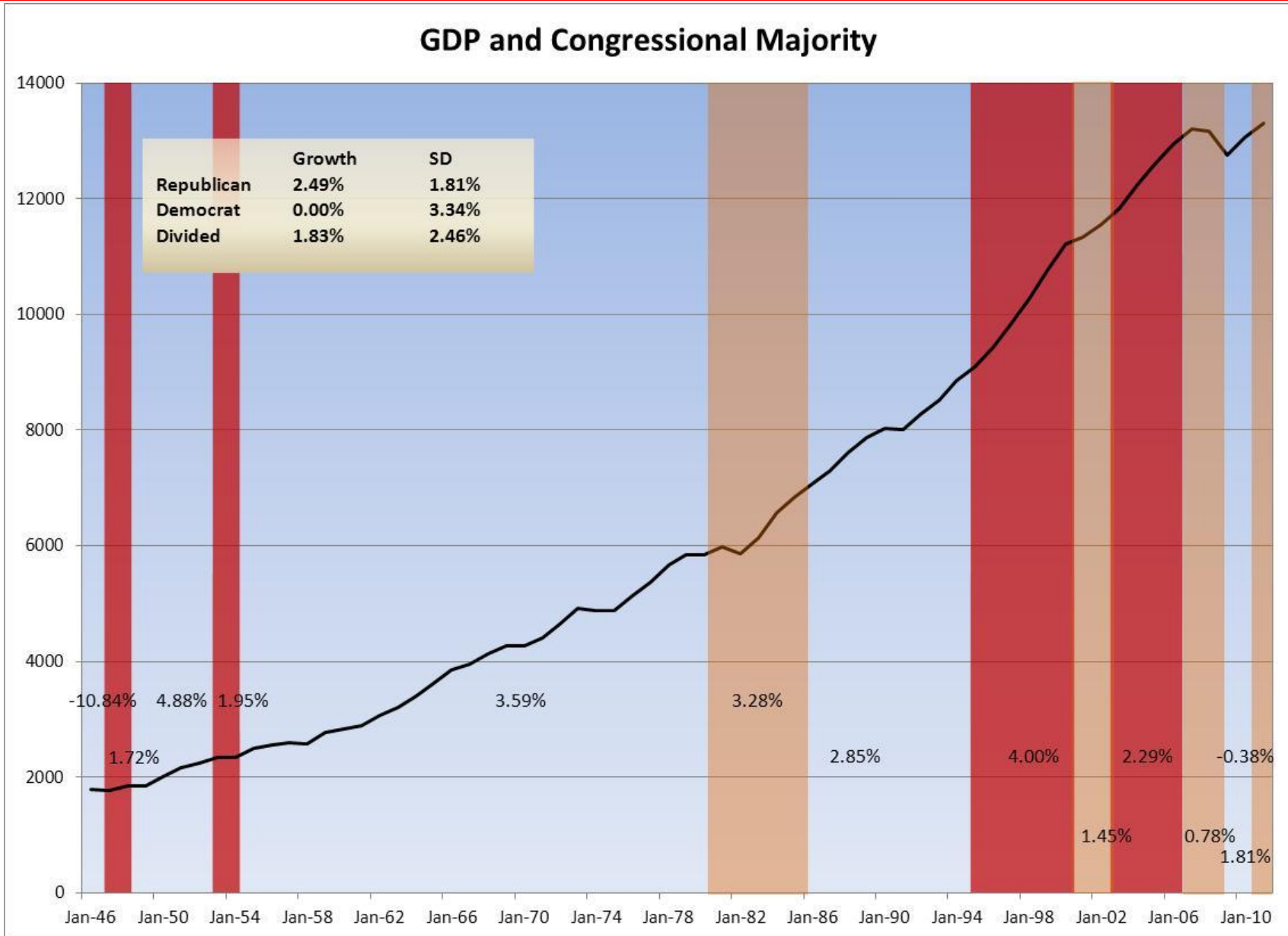
Equities fare better under Republican congresses, have average returns under Democrats, and are negative when divided. But the lack of data makes these conclusions difficult to prove.

SP500 and Congressional Majority

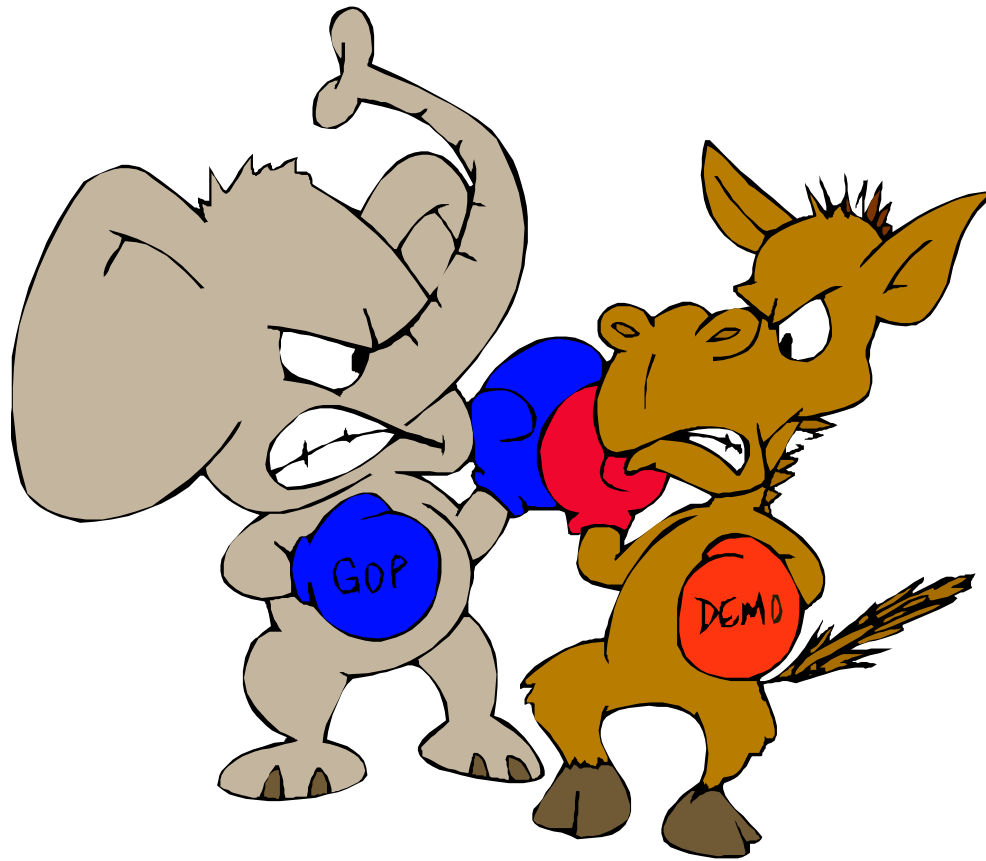


| | Returns | SD |
|------------|---------|--------|
| Republican | 10.39% | 16.61% |
| Democrat | 6.94% | 15.10% |
| Divided | -6.39% | 19.33% |

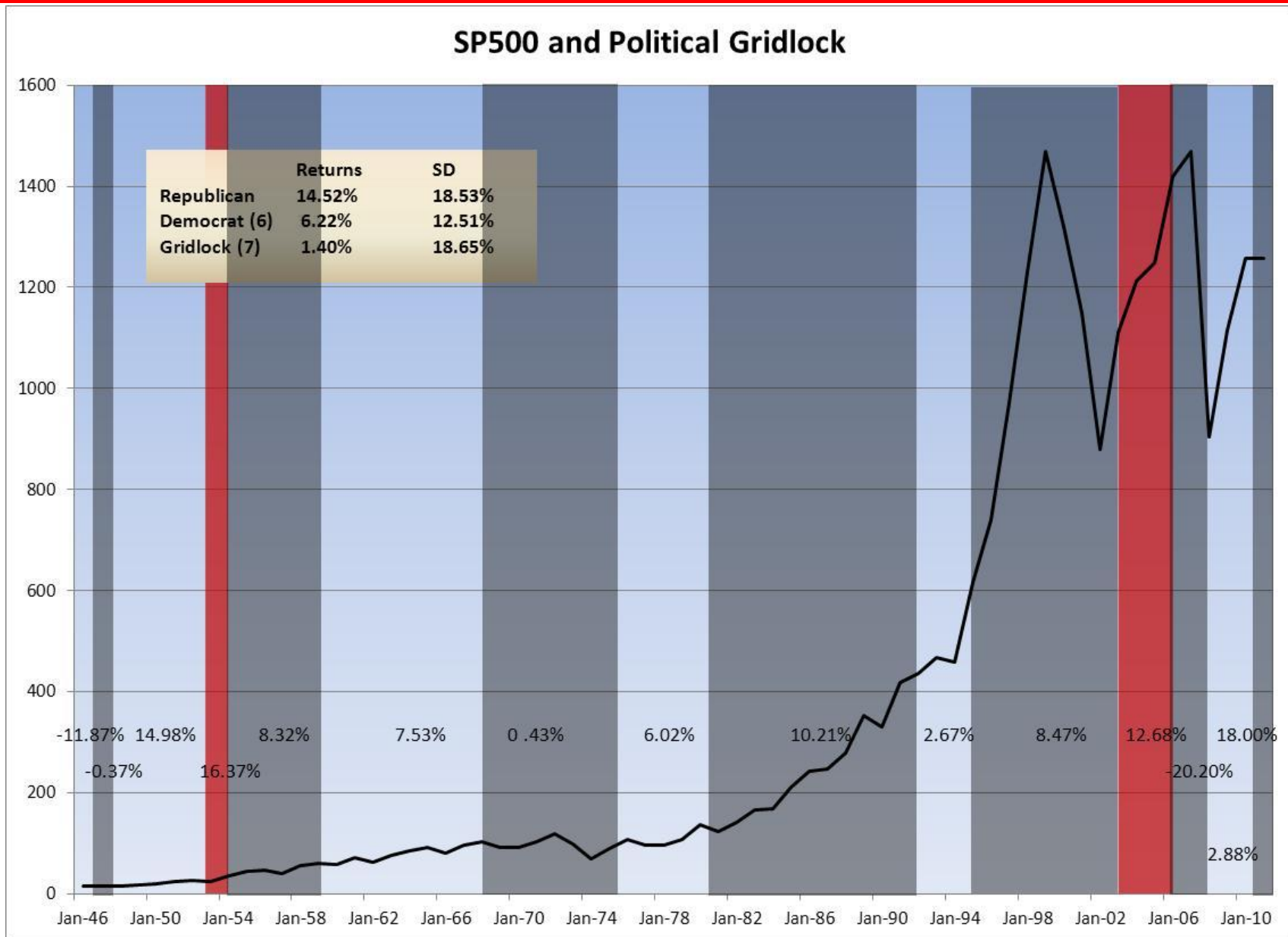
GDP grows faster under Republican majorities and divided congresses. But there is limited data, and the 1946 for Democrats is an outlier.



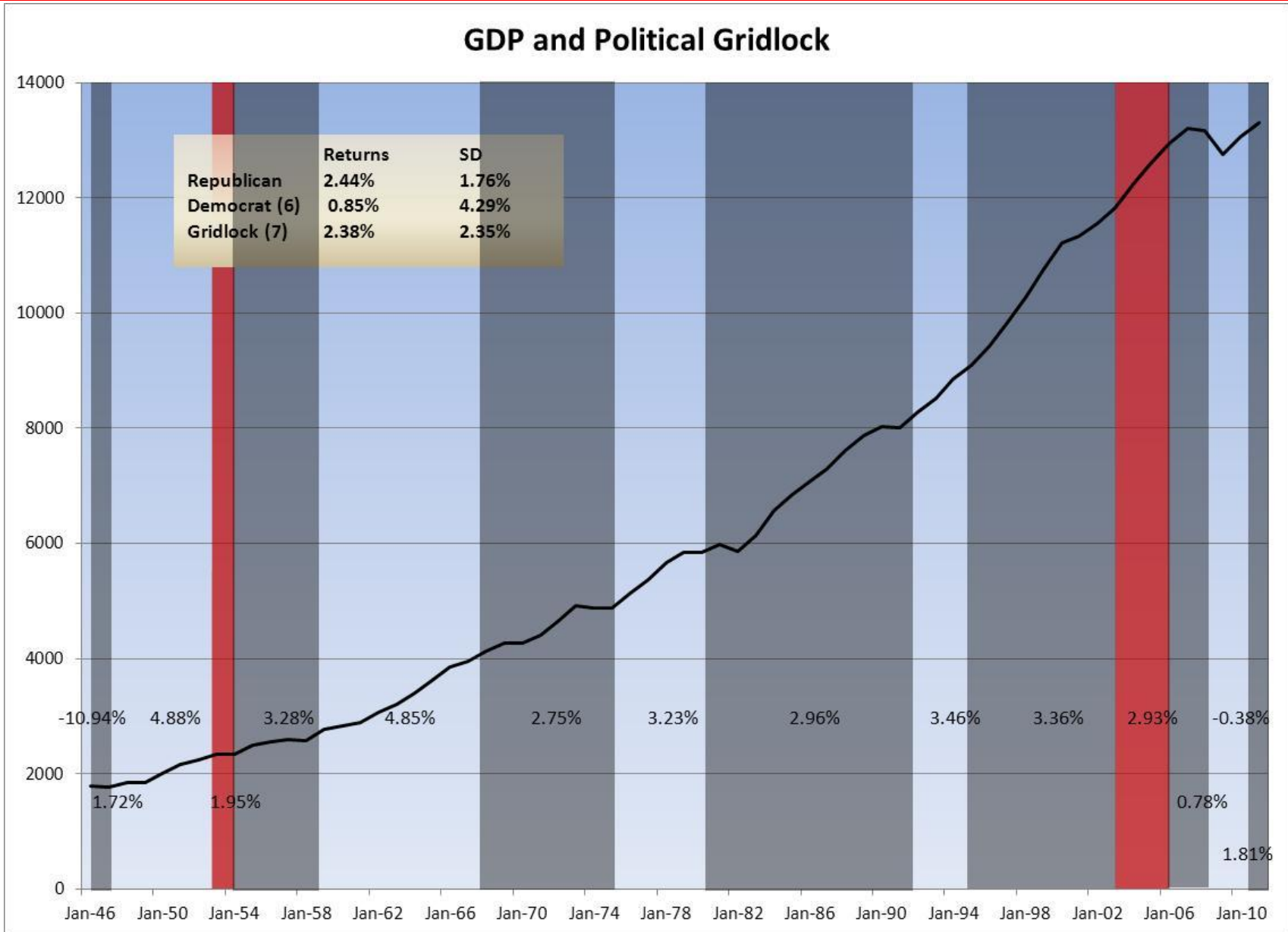
Gridlock



When there is gridlock, returns are low and volatile. Republican control, only 2 periods, has high and volatile returns. Democratic control has mediocre returns with the lowest volatility.



GDP growth has been higher with Republican control and gridlock. Up until the last Democratic period ('09-'10) their growth was stronger. With only 2 Republican periods, it's tough to praise their record.



Summary – Equity Returns

| President | Avg Return | Std Dev |
|---------------------------|-------------------|----------------|
| Republican | 4.07% | 17.92% |
| Democrat | 9.27% | 12.82% |
| Congress | | |
| Republican | 10.39 | 16.61 |
| Democrat | 6.94 | 15.10 |
| Divided | -6.39 | 19.33 |
| Gridlock | | |
| Republican control | 14.52 | 18.53 |
| Democrat control | 6.22 | 12.51 |
| Total | 1.40 | 18.65 |
| Gridlock | | |

Summary – GDP Growth

| President | Growth Rate | Std Dev |
|---------------------------|--------------------|----------------|
| Republican | 2.67% | 2.19% |
| Democrat | 2.77 | 2.75 |
| Congress | | |
| Republican | 2.49 | 1.81 |
| Democrat | 0.00 | 3.34 |
| Divided | 1.83 | 2.46 |
| Gridlock | | |
| Republican control | 2.44 | 1.76 |
| Democrat control | 0.85 | 4.29 |
| Total | 2.38 | 2.35 |
| Gridlock | | |

Conclusions and Highlights

- Based on a review of the limited data, the following conclusions and highlights
- Stocks have fared better under Democratic presidents and Republican congresses.
- A divided congress has produced negative returns with much volatility.
- GDP grows about the same for presidents, but stronger with Republican congresses.
- When Republicans control both the Presidency and Congress (twice) equity returns and GDP growth have been very strong.
- When there is gridlock (different parties for president and congress) GDP grows, but equities are flat.

The Presidential Election Year Cycle

- It has been believed that the year of a presidential term has an impact on equity returns.
 - Since Presidents wish to be re-elected, they want to “get the recession out of the way early.”

| Year of Term | SP500 Return |
|--------------|--------------|
| First | 4.80% |
| Second | 1.84% |
| Third | 17.25% |
| Fourth | 10.18% |

Presidential Term, continued

- 1st term vs. 2nd?
- Republican vs. Democrat?
- Combination?

| Term Year | SP500 Return | Rep | Dem | Rep (stacked) | Dem (stacked) |
|-----------------|--------------|--------|--------|---------------|---------------|
| 1 st | 3.18% | -2.70% | 10.53% | -1.76% | 13.24% |
| 2 nd | 1.84% | 5.96% | -2.27% | 7.37% | 2.99% |
| 3 rd | 17.25% | 21.44% | 13.06% | 16.97% | 15.16% |
| 4 th | 10.18% | 6.55% | 14.59% | 2.60% | 9.66% |
| 5 th | 6.88% | -0.59% | 16.84% | | |
| 6 th | 10.26% | 9.15% | 11.75% | | |
| 7 th | 14.51% | 11.04% | 18.66% | | |
| 8 th | -0.09% | -2.48% | 3.10% | | |
| Term1 | 8.19% | 7.84% | 8.58% | | |
| Term2 | 7.89% | 4.37% | 12.59% | | |