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Mapping US Presidential Terms with S&P500 Index: Time Series Analysis Approach

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ABSTRACT

This paper maps the US presidential terms with price dynamics in US stock markets by focusing on the S&P500 index. Fractional integration techniques, which are more general than other standard methods, are used and the results obtained produce interesting findings. It was found that during the second presidential terms, S&P500 stock market is less efficient and present higher degrees of persistence in its volatility. This is observed independently of the political affiliations of the president in power. The volatility, in general, reflects the spillover of economic excesses at the end of the first presidential term when seeking re-election into the second term in office. Expansionary monetary and fiscal policies at the end of the first term may create disequilibria in the economy which are amplified in the second term through a transmission mechanism resulting in contractionary interventionist policies in a situation where no incentive for re-election exists by the incumbent. The existence of stock's price cycles as induced by US presidential terms contradicts market efficiency theory but this helps investors decisions.

Keywords: Estate, property, web, map, Geospatial, GIS, Google, location, management.

JEL Classification: C22; H54.

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The data that support the findings of this study are openly available in Yahoo Finance database at https://finance.yahoo.com/quote/%5EGSPC/history?period1=222562800&period2=1566860400&interval=1d&filter=history&frequency=1d