

TABELL'S MARKET LETTER

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We have recently been asked, as we are often asked at about this time in election years, what might be the most likely course for the stock market assuming one Presidential candidate or the other is elected next month. Very often the asker of this question is an avid Republican or Democrat who is interested in proving the thesis that his party offers the better hope for the market and/or the economy. Presented below are some statistics which should please partisans of neither stripe.

The table shows the percentage change in the stock market for one, two, three, and six-month periods and one, two, three, and four-year periods following the October close of each Presidential election year since 1900. Summarized at the bottom of the table are a number of averages. The first shows the average percentage change in the market for all years since 1897 over the periods in question. The second shows the average change for the various periods following election years. Following this are averages for periods following election years which elected a) a Republican, and b) a Democrat; and periods following election years in which a) the incumbent party was returned to power, and b) a new party was installed in power.

| YEAR | PRESIDENT | PTY | PERCENT CHANGE OVER | | | | | | | |
|------------------|------------|-----|---------------------|--------|--------|--------|--------|--------|--------|--------|
| | | | 1 MNTH | 2 MNTH | 3 MNTH | 6 MNTH | 1 YEAR | 2 YEAR | 3 YEAR | 4 YEAR |
| 1900 | Mckinley | R | 12.79 | 19.77 | 13.16 | 28.39 | 9.16 | 11.89 | -23.56 | 6.76 |
| 1904 | Roosevelt | R | 14.26 | 10.44 | 13.17 | 20.70 | 32.91 | 47.41 | -8.46 | 30.94 |
| 1908 | Taft | R | 5.78 | 4.39 | 1.89 | 6.98 | 20.04 | 2.71 | -8.17 | 9.91 |
| 1912 | Wilson | D | 1.36 | -3.13 | -7.71 | -13.42 | -13.68 | -21.27 | 44.50 | 57.42 |
| 1916 | Wilson | D | 1.30 | -9.19 | -8.78 | -10.88 | -28.78 | -18.26 | 13.68 | -18.79 |
| 1920 | Harding | R | -10.49 | -15.30 | -10.38 | -7.19 | -13.82 | 13.14 | 4.21 | 22.50 |
| 1924 | Coolidge | R | 7.03 | 15.81 | 18.41 | 15.33 | 50.41 | 44.51 | 74.64 | 142.32 |
| 1928 | Hoover | R | 16.35 | 18.97 | 25.92 | 26.62 | 8.47 | -27.29 | -58.19 | -75.45 |
| 1932 | Roosevelt | D | -8.97 | -3.18 | -1.62 | 25.46 | 42.42 | 50.82 | 125.75 | 186.25 |
| 1936 | Roosevelt | D | 3.40 | 1.53 | 4.83 | -1.65 | -22.02 | -14.37 | -14.28 | -24.03 |
| 1940 | Roosevelt | D | -2.68 | -2.59 | -7.79 | -14.17 | -12.47 | -15.26 | 2.72 | 8.86 |
| 1944 | Roosevelt | D | 0.55 | 3.95 | 4.87 | 12.91 | 27.35 | 15.44 | 23.65 | 28.72 |
| 1948 | Truman | D | -9.24 | -6.00 | -5.04 | -7.67 | 0.49 | 19.29 | 39.09 | 42.74 |
| 1952 | Eisenhower | R | 5.36 | 8.42 | 7.63 | 2.05 | 2.44 | 30.80 | 68.95 | 78.23 |
| 1956 | Eisenhower | R | -1.47 | 4.09 | -0.14 | 3.02 | -8.09 | 13.21 | 34.75 | 20.95 |
| 1960 | Kennedy | D | 2.91 | 6.12 | 11.69 | 16.95 | 21.29 | 1.62 | 30.13 | 50.44 |
| 1964 | Johnson | D | 0.27 | 0.12 | 3.41 | 5.64 | 10.05 | -7.56 | 0.76 | 9.08 |
| 1968 | Nixon | R | 3.43 | -0.91 | -0.67 | -0.23 | -10.12 | -20.66 | -11.91 | 0.33 |
| 1972 | Nixon | R | 6.56 | 6.75 | 4.55 | -3.57 | 0.11 | -30.38 | -12.50 | 0.98 |
| 1976 | Carter | D | -1.84 | 4.12 | -1.09 | -3.94 | -15.19 | -17.87 | -15.47 | -3.37 |
| AVERAGES | | | | | | | | | | |
| All Years | | | 0.52 | 1.96 | 2.94 | 4.27 | 6.46 | 12.98 | 17.68 | 23.92 |
| Election Years | | | 2.33 | 3.21 | 3.32 | 5.07 | 5.05 | 3.90 | 15.52 | 28.74 |
| Repub. Elected | | | 5.96 | 7.24 | 7.35 | 9.21 | 9.15 | 8.53 | 5.98 | 23.75 |
| Dem. Elected | | | -1.29 | -0.82 | -0.72 | 0.92 | 0.94 | -0.74 | 25.05 | 33.73 |
| Incum. Re'lected | | | 4.22 | 5.23 | 5.27 | 6.28 | 6.74 | 3.18 | 4.93 | 14.08 |
| New Party | | | -1.18 | -0.55 | -0.31 | 2.81 | 1.91 | 5.23 | 35.17 | 55.97 |

The line showing average performance for all election years tends to suggest a positive outlook from now until early 1981. One, two, and three-month periods following October in election years are significantly better than the average of all years. On the other hand, the same line demonstrates that the first halves of Presidential terms tend to show below-average stock market results, as demonstrated by the sub-par one and two-year performances following past Octobers when a Presidential election was held.

Republicans will be delighted to know that, for the first two years of a Presidential term, the stock market tends to perform considerably better if a Republican is elected than if a Democrat is elected. Democrats, on the other hand, will not be reluctant to point out that, over three and four-year periods following elections, the market has acted considerably better under Democratic administrations than under the GOP.

Before either party draws much comfort from these statistics, however, it should also be pointed out that the market tends to perform well over the short term when the incumbent party is returned, but poorly over the longer term. By contrast, the installation of a new party tends to produce poor short-term stock-market results but very good stock markets over the first three years and the four years of the new President's term.

The election of Mr. Reagan, in other words, should be bullish for the short term and bearish for the long term since he is a Republican, but just the opposite since he will, if elected, be replacing an incumbent President. Mr. Carter's election, by contrast, may be viewed as bearish for the short term since he is a Democrat but also bullish for the short term since he is the incumbent. His party makes the long-range outlook following his election optimistic, but his incumbency suggests the opposite view.

None of this, we are afraid, seems to prove very much except that the stock market is a complex beast. As noted, we doubt that partisans of either side can draw much ammunition from the above statistics.

Dow-Jones Industrials (12:00 PM) 957.42
S & P Composite (12:00 PM) 131.87
Cumulative Index (10/16/80) 1025.46
AWT:sla

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