

October Surprise

and S&P Returns

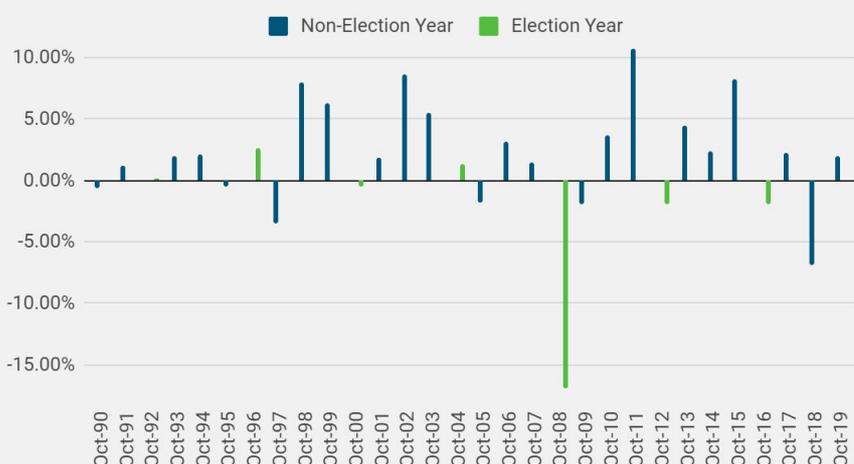
- In U.S. political jargon, an **October Surprise** is a news event that may influence the outcome of an upcoming election (particularly one for the U.S. presidency), whether deliberately planned or spontaneously occurring.
- It refers to a game-changing event that can irreparably damage one candidate's chances and boost the other's. It can come in the form of a calculated political attack -- still a "surprise" to the public and the candidate it's brought against -- or something unplanned that can critically change the course of an election.
- Because the date for national elections (as well as many state and local elections) is in early November, events that take place in October have greater potential to influence the decisions of prospective voters; thus, relatively last-minute news stories could either change the course of an election or reinforce the inevitable.
- The term "**October Surprise**" was coined by William Casey when he served as campaign manager of Ronald Reagan's 1980 presidential campaign. That year, Reagan was facing President Jimmy Carter, and the overarching headline all year was the continuing Iran hostage crisis, when a group of Iranian students stormed the US Embassy in Tehran and took a group of Americans hostage. Casey feared that Carter would announce a breakthrough in negotiations right before Election Day. According to Smithsonian Magazine, Reagan and his campaign staff wanted to preempt such a late-stage victory in the polls -- an "October surprise." Reagan won the election, and minutes after he was inaugurated in January 1981, the Iranian government freed American hostages who'd been held in Tehran for over a year, the magazine reported.
- In 2016, **October Surprise** included Washington Post publishing the 2005 video of Trump discussing locker room stories and the New York Times reported he likely avoided paying federal taxes for nearly two decades. The FBI reopened an investigation into Democratic nominee Hillary Clinton's staff and their use of a private email server which in some opinion cost her the election.

So now let us see how the US equity markets perform in the month of October preceding a National Election versus October month return in a Non-Election Year. We look at 30 years of data of S&P500 starting in October 1990.

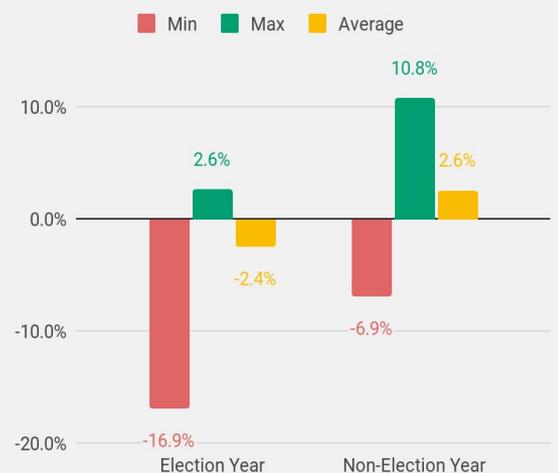
On average the S&P returns -2.4% in the month of October of an Election year versus +2.6% in a Non-Election Year. The Max and Min returns also favour a Non-Election Year.

Last three elections, US markets witnessed losses in October month. It will be interesting to see whether this trend will continue.

October Month Returns of S&P500



October Month Stats of S&P500



Source: Wikipedia, CNN news articles, Bloomberg