Stocking Presidents

Brute Force Project Summary

Brian Groce, Diane Scherpereel, Roger J. Albarran

Question One:

Does the President have an impact on the stock market?

Based on our research, we do not believe that the President has a noticeable effect on the Dow Jones Industrial Average. Over the term of each president analyzed, we observed only a minimal difference in the percent of positive trading days and the mean daily point change. We did observe that the market experiences the greatest volatility during the period from election day through inauguration day.

Question two:

Is there a difference between the frequency of positive or negative days when comparing presidents?

The frequency of positive close days during a president’s term is only minimally different than the overall average of the stock market. The overall market had an average of 53.38% positive days during the 20-year period we observed. The president with the greatest difference from the market average was Bush term one with an average of 50.74%.

Question three:

What are the changes to the Dow Jones Industrial Average from election to inauguration day and within a president's term?

We performed a Wald-Wolfowitz runs test and discovered that the overall market is not independent. There is a wide swing in volatility from election day to inauguration when compared to the President’s full term. We also noted that the percentage of positive days is consistent over time regardless of who is in office.