Finance

Don’t Like Trump? Your Financial Analysis Might Be Biased

Partisanship should have no place in a corporate-credit rating. A new study says it does.

By Barry Ritholtz
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This man makes some people more bearish. *Photographer: Sarah Pabst/Bloomberg*

The dangers of political bias for investors has long been one of my favorite rants. Politics is tribal, opinionated and typically one-sided. These are emotional hot buttons that lead to biased thinking. And as we have learned from both behavioral finance and decades of experience, those affectations are the enemy of good returns and smart investing.

As a reminder, partisans warned us that if Donald Trump were elected president, the market would tank. (It didn’t). Instead the Standard & Poor's 500 Index rose 37 percent, from Election Day to its September 2018 peak. And recall the warnings that Trump's predecessor, variously described as a socialist, Kenyan or Muslim, was “killing the Dow.” (He didn’t). Instead, the Dow Jones Industrial Average more than doubled during the eight years of Barack Obama's presidency.