

The Impact of the Presidential Election on IPOs

By Marcela Verástegui, LL.M. Candidate 2017 | November 4, 2016

The uncertainty of the 2016 presidential election is impacting investors and IPOs, especially due to Americans' wide dislike for both candidates. Given the political climate, investors feel unstable and insecure. As a result, the stock market has slowed down considerably this year. However, according to the [Presidential Election Cycle Theory](#), once the presidential election has passed, stock markets are predicted to behave normally during the first year of the new presidency. This is so because investors are going to feel renewed stability and therefore they will begin to invest and move the economy.

IPOs, especially tech IPOs, are having a very slow year. Kirk Krappe, CEO of SaaS application provider Apptus assigns this decline to the two presidential candidates. On a [post on VentureBeat](#), Krappe writes, "I've worked with investors closely and consistently over the past decade, and each has agreed that the presidential election plays a very important role and influences decision-making for a very specific reason: stability is king. And with this election, Americans are feeling more uneasy than ever." In fact, a look at the [last seven](#) presidential elections, starting in 1988, reveals historical evidence of presidential elections continuously having an important impact on tech IPOs.

However, earlier this month, cloud data-storage firm [Nutanix](#) became public and surprised all who thought of 2016 as the worst year for tech IPOs. Nutanix's commendable opening, while perhaps brief, has definitely built precedent by going against the theory that the presidential election has a negative impact on tech IPO.

In the end, it is all about people's "feelings" about the election. Uncertainty about who will be the President of the United States definitely discourages investing. To exemplify, the amount of venture capital invested in this year is dropping and there have been only eighteen IPOs during the first half of 2016. This presidential election period has been particularly tough due to the two very polarizing candidates.