

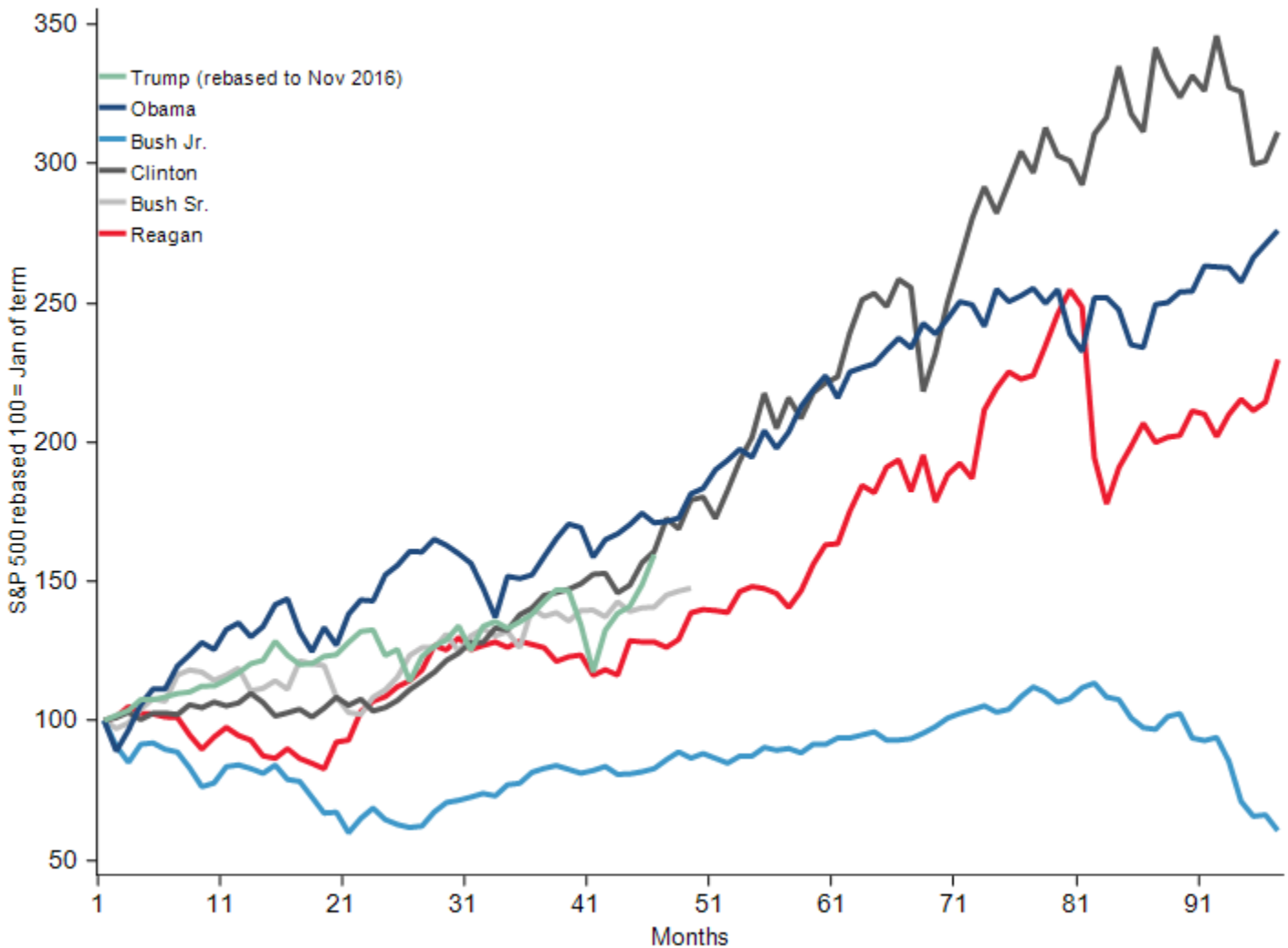


IS MR. TRUMP THE STOCK MARKET PRESIDENT?

President Trump has often bragged about how well the stock market has performed since he was elected. With the U.S. stock market recovering all its losses since its March lows and recently hitting a new all-time high, it's time to do some fact checking, given that the U.S. Presidential Election is less than 60 days away.

First, let's compare President Trump's stock market returns to those of the last five presidents. As shown below, under President Trump's first 45 months in office, the stock market has done better than under Presidents Bush Jr., Reagan, and Bush Sr. and in line with President Obama. However, President Clinton had better stock market returns during their first 45 months in office.

S&P 500 Performance by President



Source: Macrobond, Scotiabank FICC Strategy



Second, let's go back to 1948 and look at the average annual stock market returns by president. As shown on the table below, the average annual return under President Trump has been 12%, which is in line with President Obama, but below many other presidents. Presidents Truman, Eisenhower, Reagan, Bush Sr., and Clinton were better for stock market investors. Thus, despite political rhetoric, the facts clearly show that President Trump is **not** the stock market President.

Conventional wisdom is that a pro-business party, such as the Republicans, is better for the stock market. However, history has shown that since 1948, the stock market has performed better under a Democratic administration. The average annual U.S. stock market return under the Democrats has been 12%, versus 7% under the Republican Party.

Election Year	President	Party	S&P 500 Index Annual Percentage Returns Post-Election				
			Year 1	Year 2	Year 3	Year 4	Annual Average
1948	Truman	Dem	10	22	16	12	15
1952	Eisenhower	Rep	-7	45	26	3	17
1956	Eisenhower	Rep	-14	38	8	-3	7
1960	Kennedy	Dem	23	-12	19	13	11
1964	Johnson	Dem	9	-13	20	8	6
1968	Nixon	Rep	-11	0	11	16	4
1972	Nixon	Rep	-17	-30	32	19	1
1976	Carter	Dem	-12	1	12	26	7
1980	Reagan	Rep	-10	15	17	1	6
1984	Reagan	Rep	26	15	2	12	14
1988	Bush Sr.	Rep	27	-7	26	4	13
1992	Clinton	Dem	7	-2	34	20	15
1996	Clinton	Dem	31	27	20	-10	17
2000	Bush Jr	Rep	-13	-23	26	9	0
2004	Bush Jr	Rep	3	14	4	-38	-5
2008	Obama	Dem	23	13	0	13	12
2012	Obama	Dem	30	11	-1	10	12
2016	Trump	Rep	19	-6	29	5	12
Total Average			7	6	17	7	9%
% of positive			61	61	89	83	
Average Return if Rep			0.4	6	18	3	7%
% of positive			40	60	100	80	
Average Return if Dem			15	6	15	11	12%
% of positive			88	63	75	88	

Source: Scotiabank



Will President Trump win re-election in November? Since 1948, each of the three times there was a recession in a presidential election year, the incumbent lost. This occurred in 1960, 1980 and 2008. Given the recent recession due to COVID-19, will history repeat itself? No one knows for sure, but in my next blog we will examine what the experts predict on the election, and compare the different policies proposed by President Trump versus Senator Biden. So, stay tuned.

The Bottom Line

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