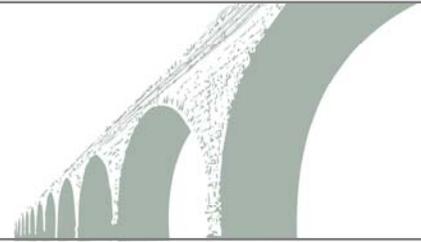


CHART OF THE WEEK

By: Doug Ramsey, CFA, CMT



October 28, 2016

The Stock Market Is Non-Partisan

We've annoyed a few media outlets by admitting to having no clue as to which of the presidential candidates would be "better" for the stock market. There are just too many variables at work, not the least of which relates to **initial conditions**. Those conditions, for example, were ideal for Barack Obama—who entered his first term with the S&P 500 trading at just 12x 5-Year Normalized EPS. That's more than 60% below the level prevailing at the 2001 inauguration of George W. Bush (31x). The excellent returns achieved over Obama's reign were therefore practically baked in the cake (...President Obama himself might say "he didn't build that").

- The S&P 500 gain of 44% during Obama's second term ranks well ahead of the 27.5% median gain for all presidential terms since 1928 (including truncated terms). The market's gain of 84.5% during Obama's first term is the second-best on record, joining three other Democratic administrations among the top four spots. Meanwhile, four of the five presidential terms associated with a cumulative loss in the S&P 500 occurred with Republicans at the helm—with "W" making the list two times.
- A tally of *all* terms since 1928 provides no basis for partisanship, however. The S&P 500 median return during Democratic presidential terms has been +27.7%, practically identical to the +27.3% earned during Republican terms. The results suggest that policy differences between the parties are either: (1) fully reflected in stock prices by the time a candidate officially takes office; (2) overwhelmed by larger cyclical forces; or (3) fundamentally indistinguishable from one another. In practice, all three factors are likely at work.

President (term)	S&P 500 Price Return*
Franklin D. Roosevelt (1st term)	162.0 %
Barack Obama (1st term)	84.5
Bill Clinton (1st term)	79.2
Bill Clinton (2nd term)	72.9
Dwight D. Eisenhower (1st term)	69.9
Harry S. Truman (full term)	68.6
Ronald Reagan (2nd term)	63.6
George H. W. Bush	51.2
Barack Obama (2nd term - as of 10/26)	44.0
Dwight D. Eisenhower (2nd term)	35.0
Ronald Reagan (1st term)	33.1
Jimmy Carter	27.9
Franklin D. Roosevelt (3rd term)	27.5
Gerald Ford (partial term)	27.3
Lyndon B. Johnson (partial term)	24.4
Lyndon B. Johnson (full term)	17.4
Richard M. Nixon (1st term)	16.2
John F. Kennedy (partial term)	16.1
Harry S. Truman (partial term)	10.3
Franklin D. Roosevelt (4th term - partial)	5.2
George W. Bush (1st term)	-12.5
George W. Bush (2nd term)	-31.5
Richard M. Nixon (partial term)	-31.6
Franklin D. Roosevelt (2nd term)	-41.3
Herbert C. Hoover	-73.3
Median For Democrats:	27.7 %
Median For Republicans:	27.3
Median For All Terms:	27.5

*Return measured from inauguration day to inauguration day, unless term ended by death or resignation.

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