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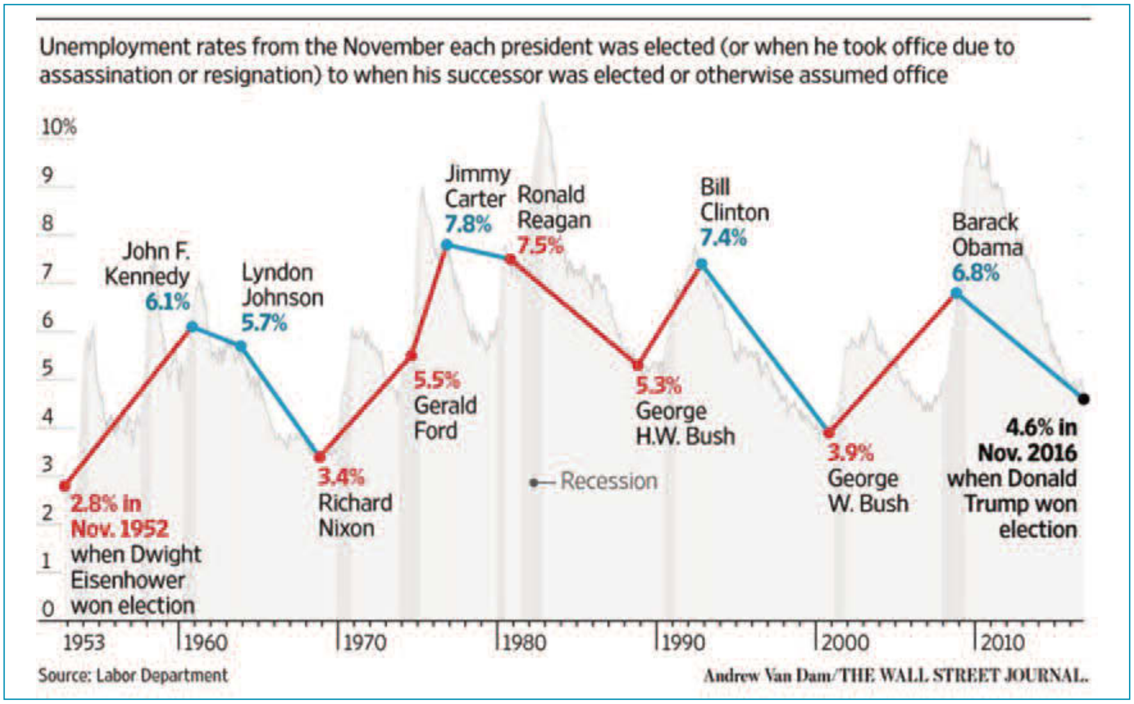
INSIDE

guestperspective

guestperspective By Pamela Rosenau

Key Variables

Joblessness, Recessions, P/Es & the Market In Presidential Terms



Unemployment Rate:
Historical Data in Presidential Terms Going Back To 1953

Eisenhower (Jan. 1953 – Jan. 1961) — began term with 2.8% unemployment
Recession: July 1953 – May 1954
Recession: August 1957 – April 1958
Recession: April 1960 – February 1961
Stock market performance Jan 1953 – Jan 1961: +134% (or +11.2% annualized)

Kennedy/Johnson (Jan 1961 – Jan 1969) — began term with 6.1% unemployment
Recession: ended after one month in office
Stock market performance Jan 1961 – Jan 1969: +67% (or +6.6% annualized)

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Nixon/Ford (Jan 1969 – Jan 1977) — began term with 3.4% unemployment
Recession: December 1969 – November 1970
Recession: November 1973 – March 1975
Stock market performance Jan 1969 – Jan 1977: –1% (or –0.1% annualized)

Carter (Jan 1977 – Jan 1981) — began term with 7.8% unemployment
Recession: January – July 1980
Stock market performance Jan 1977 – Jan 1981: +56% (or +11.8% annualized)

Reagan (Jan 1981 – Jan 1989) — began term with 7.5% unemployment
Recession: July 1981 – November 1982
Stock market performance Jan 1981 – Jan 1989: +223% (or +15.8% annualized)

George H.W. Bush (Jan 1989 – Jan 1993) — began term with 5.3% unemployment
Recession: July 1990 – March 1991
Stock market performance Jan 1989 – Jan 1993: +68% (or +13.9% annualized)

Clinton (Jan 1993 – Jan 2001) — began term with 7.4% unemployment
No Recessions:
Stock market performance Jan 1993 – Jan 2001: +265% (or +17.5% annualized)

George W. Bush (Jan 2001 – Jan 2009): began term with 3.9% unemployment
Recession: March – November 2001
Recession: December 2007 – June 2009
Stock market performance Jan 2001 – Jan 2009: –30% (or –4% annualized)

Obama (Jan 2009 – Jan 2017): began term with 6.8% unemployment
Recession: Great Recession underway at beginning of term carried over until June 2009
Stock market performance Jan 2009 – Dec 2016: +215% (or +15.8% annualized)

Trump (Jan 2017 –): should begin term with 4.6% unemployment

Market Valuation:
Historical S&P P/Es Over President's Terms (Trailing 12-months)

Eisenhower (Jan 1953 – Jan 1961) — TTM S&P P/E ratio was 10.9x in 1953, by 1961 it was 17.7x.

Kennedy/Johnson (Jan 1961 – Jan 1969) — Little change to TTM S&P P/E ratio which was 17.7x in 1961, by 1969 it was 17.5x.

Nixon/Ford (Jan 1969 – Jan 1977) — TTM S&P P/E ratio was at 17.5x in 1969, by 1977 it was 10x.

Carter (Jan 1977 – Jan 1981) — TTM S&P P/E ratio was at 10x in 1977, by 1981 it was 9x.

Reagan (Jan 1981 – Jan 1989) — TTM S&P P/E ratio was at 9x in 1981, by 1989 it was 12x. The P/E on bonds (10-year UST) was 8x in 1981, by 1989 it was 11x. **Reagan enjoyed several significant tailwinds.**

George H.W. Bush (Jan 1989 – Jan 1993) — TTM S&P P/E ratio was at 12x in 1989, by 1993 it was 22x.

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Clinton (Jan 1993 – Jan 2001) — TTM S&P P/E ratio was at 22x in 1993, by 2001 it was 30x.

George W. Bush (Jan 2001 – Jan 2009) — TTM S&P P/E ratio was at 30x in 2001, by 2009 it was 120x.* The P/E on bonds (10-year UST) was 19x in 2001, by 2009 it was 40x. **This was the inverse of Reagan's experience.**

Obama (Jan 2009 – Dec 2016) — TTM S&P P/E ratio was at 120x* in 2009, and is currently at 24.5x (on a trailing 12-month basis) as Trump takes office.

*(*The high S&P P/E multiple in 2009 is due to the significant deterioration in earnings due to the financial crisis. By Nov 2010, the S&P P/E was 15x.)*

Pamela Rosenau's Preliminary Read-throughs of the Data

At the beginning of each president's term (s), there have been key factors that influenced how the stock market performed during his time in office:

- Level of unemployment (high joblessness leads to outperformance, low leads to underperformance)
- Trailing P/E multiple of S&P 500 benchmark (low leads to outperformance, high leads to underperformance)

What does this tell us about how the stock market may perform under the coming Trump Administration? The P/E on bonds is now at the highest level over the past sixty years (at a 42x P/E for the 10-year UST). But the P/E on stocks is still below the historical highs during the same timeframe. So absent a reduction in earnings (which may possibly be buoyed by a reduction in corporate taxes/regulation), we may continue to see a rotation out of bonds and into stocks.

Conclusion: Looking at history, differing presidential administration policies do not appear to be a determining factor for equity market performance. But based on this data and analysis of today's soaring P/Es and relatively low unemployment, I expect volatile markets that will challenge passive strategies based on benchmark indices during the Trump presidency.

Pamela Rosenau, Managing Director and Chief Equity Market Strategist at HighTower Advisors and Chief Investment Officer at the Rosenau Group has over 30 years of experience in the financial industry. Ms. Rosenau focuses on strategic and tactical asset allocation, investment planning strategies and equity portfolio management strategies.

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If your curiosity is piqued, contact Stuart Schwartz at:
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Full Disclosure: Pamela Rosenau manages a substantial portion of Kate Welling's retirement assets through HighTower Advisors.

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