The Trump Rally: One Year Later

This week marked the one-year anniversary of what was widely considered to be the surprising election of Donald Trump as the 45th president of the United States. Politics aside, it is impossible to ignore the move in the U.S. stock market since the close on November 8, 2016.

Through Tuesday's close, the Dow has risen 5,224.49 points since election day, a 28.5% gain. According to the New York Post, this is the biggest one-year gain for the Dow under a newly elected president since the Great Depression and Franklin Delano Roosevelt. Franklin Delano Roosevelt, in 1932–1933, saw the Dow rise 54.9%, the largest of any newly elected president. Over the last year, the Dow has also closed at a new record 82 times, the most for any new president.

The S&P 500 rose 21.2% between the close on November 8, 2016, and November 7, 2017. This is the third-best one-year increase for a newly elected president. According to the New York Post article, John F. Kennedy saw the largest rally in the S&P 500 at 26.5%, followed by George W. Bush at 22.7%. Since election day last year, the S&P 500 has closed at 60 all-time highs, which is unmatched during any president's first year, according to Sam Stovall of CFRA Research.

This is in stark contrast to how the market initially reacted to the news that Trump had defeated Hillary Clinton. Dow futures crashed by nearly 900 points once the election was called for Trump, but started its rally that same day.

Trump's election has investors betting that his policies will boost corporate profits, cut taxes and topple regulations. According to an Associated Press article in late July, the Trump administration withdrew or delayed 860 proposed regulations in its first five months. Federal agencies withdrew 469 proposed regulations compared to a fall 2016 report, according to figures from the White House budget office. This includes 19 regulations with an economic impact of $100 million or more. Another 391 regulations have been delayed for further evaluation and consideration. According to the report, federal agencies expect to complete 1,732 regulations this year, roughly a 20% reduction compared to the fall of 2016.

On the legislative front, the first 10 months of the Trump presidency haven't been as smooth. Even with a majority in Congress, Trump was unable to achieve the repeal of the Affordable Care Act. The next congressional fight will be tax reform. Now that the House and the Senate have offered their versions of tax reform, the real battle begins.

Early indications are not encouraging: The U.S. stock indexes fell Thursday on fading prospects of an overhaul of U.S. tax policy. At one point, the Dow Jones industrial average was down as much as

253 points on Thursday before paring its losses. This followed the release of the Senate plan, which differed significantly from the House version and had many questioning the ability of Republicans to get a bill to the White House that the president will sign. Chief among the differences between the two bills was a delay in cutting the corporate tax rate until 2019 in the Senate bill. If congressional Republicans are not able to arrive at a consensus on tax reform, the optimism we have seen in the markets over the last year could quickly fade.

Earnings Season Update

This week, six of the 36 stocks currently in the portfolio reported earnings. Five of the six companies reported earnings that beat their consensus estimates, while one reported earnings that were in line with the consensus estimate and the other falling short of its estimate.

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So far for this earnings season, the 29 SSR tracking portfolio stocks that have reported their quarterly results have posted a median earnings surprise of +4.0% and median year-over-year earnings growth of 12.5% (the average earnings growth is 22.8%). Twenty of the 29 companies that have reported posted a positive earnings surprise, while the rest have reported earnings that were in line with the consensus estimate. Three of the companies that have reported this earnings season have recorded a year-over-year decline in per-share earnings.

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