

An Update On The “Trump Rally”

S&P 500 Index & Potential Pro-Trump Agenda Sector/Subsector Total Returns

Index	11/8/16 - 3/1/17	3/1/17 - 5/26/17
S&P 500 Banks	35.13%	-8.26%
S&P 500 Financials	26.70%	-6.00%
S&P 500 Aerospace & Defense	18.37%	4.56%
S&P 500 Industrials	15.02%	0.84%
S&P 500	12.76%	1.30%
S&P 500 Pharmaceuticals, Biotechnology & Life Sciences	11.13%	-1.84%
S&P 500 Energy	4.87%	-7.50%

Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. Donald J. Trump's victory on 11/8/16 appears to have injected some optimism into the equity markets via his pro-growth, pro-U.S. policy ideas, in our opinion.
2. From 11/8/16 (date Donald Trump won the U.S. presidential election) through 5/26/17, the S&P 500 Index posted a total return of 14.23% (not shown in chart), according to Bloomberg.
3. As we have noted many times, from 1926-2016, the average annual total return on the S&P 500 Index was 10.04%, according to Ibbotson Associates/Morningstar. The “Trump Rally” was only 199 days old as of 5/26/17.
4. In the table, we split the rally into two time periods, with 3/1/17 being the pivotal date. That is the date that the rally in the S&P 500 Index temporarily peaked at 2,395.96. The index didn't top that all-time high until 5/5/17, when it closed at 2,399.29, according to Bloomberg. As indicated in the second column of total returns (3/1/17-5/26/17), many of the sectors/subsectors thought to be poised to benefit from the Trump administration's policies did not perform well.
5. Why was the close of trading on 3/1/17 pivotal? It happened to be the day before Attorney General Jeff Sessions recused himself from investigations targeting the 2016 campaign, including any Russian interference in the electoral process, according to The Washington Post. It took the level of seriousness up a notch or two, in our opinion.
6. In general, we believe that investors have been concerned that the aforementioned investigations might delay the potential passage of the Trump administration's legislative agenda, including corporate and individual tax reform, reducing government regulations on banks and small businesses, boosting spending on infrastructure and defense, and replacing the Affordable Care Act (“Obamacare”). We intend to monitor this situation moving forward.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance, while the S&P 500 Sector/Subsector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector/subsector.