Two Presidents, Two Markets, Three Years

One Cheer From The One Percent For His Time As President

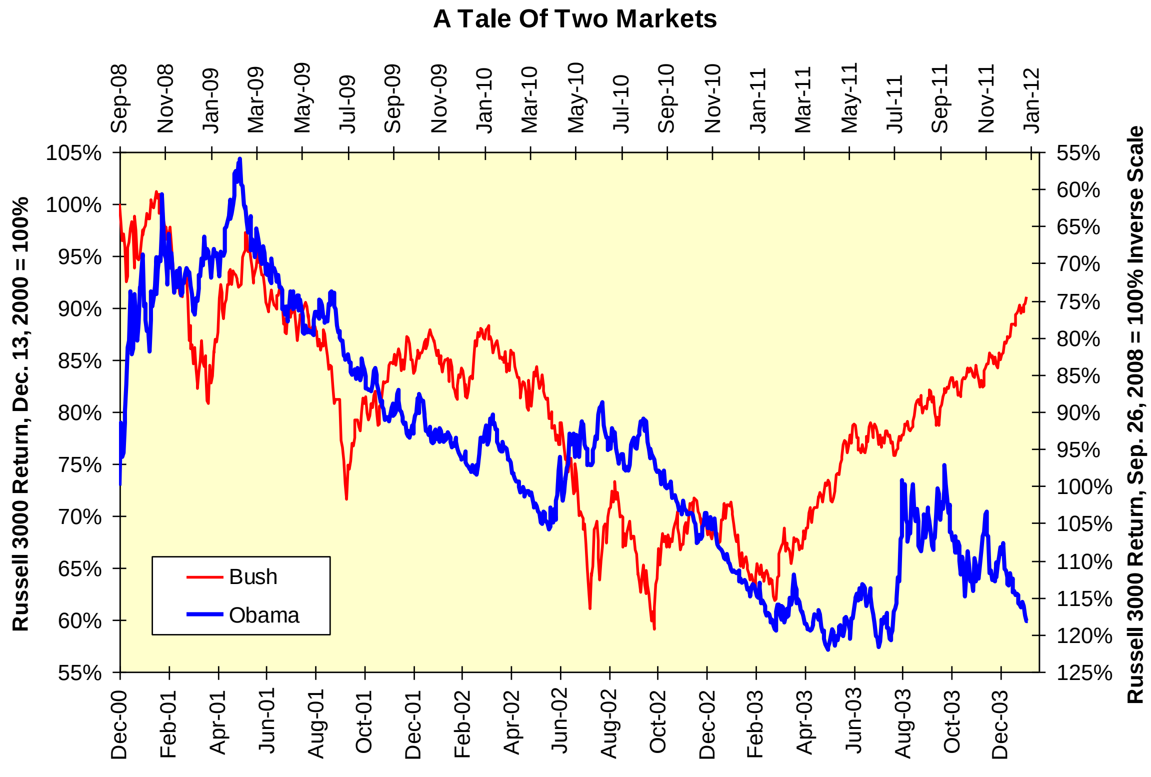
I know it sounds like a Jeff Foxworthy-style situation, but as a general rule, when you have to stop and ask yourself, “Should I be doing this?” you have answered the question already with a resounding, “No.” But I am going to do it anyway, and that is update last January’s Bush vs. Obama: Who’s Better For Investors? Fortunately for all involved, neither occupant of the White House stirred strong emotions, so I can dodge one bullet there.

As before, the comparison periods will begin with the starting dates when investors and other people, including consumers and taxpayers, could discount fully the incoming administration. That would be the December 2000 Supreme Court decision in *Bush v. Gore* and the September 2008 debate between Senators Obama and McCain. In both cases I am going to stop with the data points two days before the respective Presidents’ third State of The Union addresses.

Stock Index Comparison

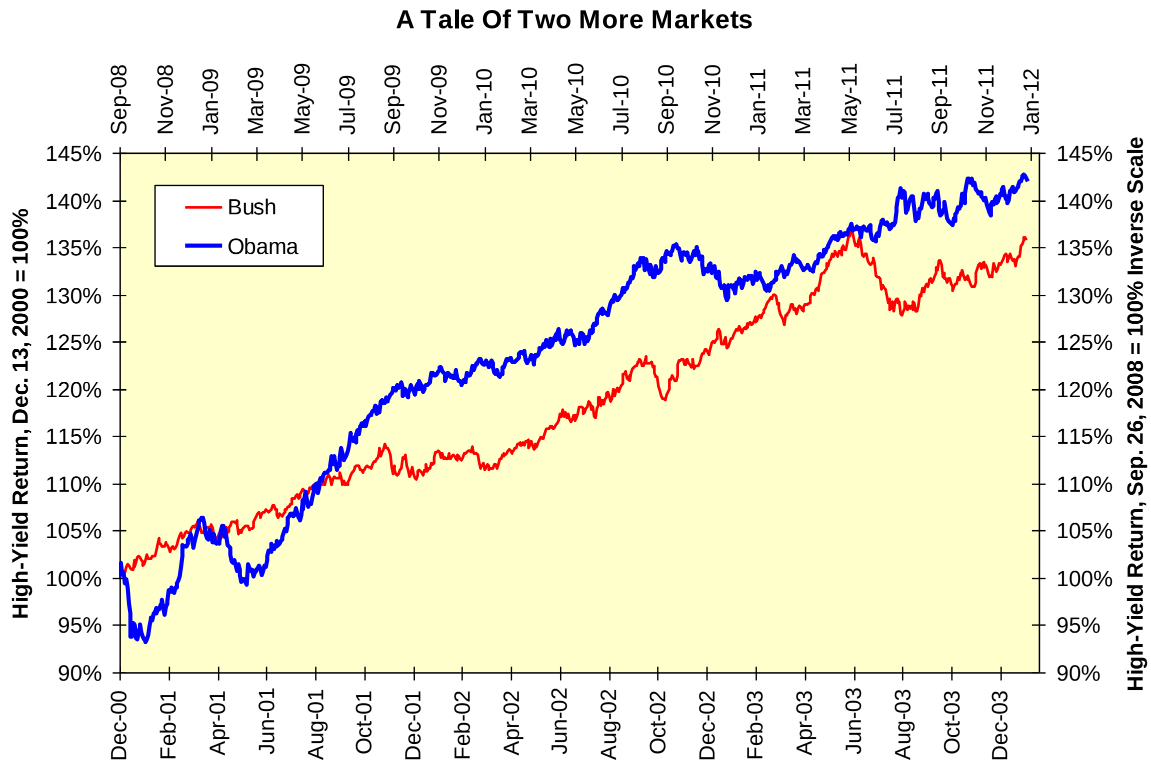
First, please keep in mind I have plotted the return path of the Russell 3000 inversely below; as I noted last year, the return paths up to the second State of the Union addresses were opposite one another. The path during the first administration of the second Bush’s third year started to climb on March 12, 2003 as we were about to enter the second Iraq War for the first time. Prior to this date, the average daily return for the Russell 3000 prior to this date during the Bush era was -0.085%. It rose to 0.179% going into the January 2004 speech. For you stat-hounds, the two periods were different at a 98.43% confidence level.

If we divide the Obama era up along the same time segments, the comparable average daily returns of 0.019% and 0.022%. That is only a 1.94% probability of difference.



United In Junk

What about high-yield corporate bonds, referred to sometimes as “junk?” Whether your political leanings involve an elephant, a donkey or some other odd choice for a political symbol, take heart in the similarity and bipartisan celebration of low-quality seen below. The average daily returns on the Bank of America-Merrill Lynch High-Yield Master II index during the Bush and Obama administrations have been 0.038% and 0.053%. Whenever someone asks you rhetorically, “Is this a great country, or what,” you can cite these data in affirmative response.



The probability these two means are different is a middle-of-the-road 52.0%.

Forward To The Future

The comparison going into second terms, if there is to be a second Obama term, will be interesting as the U.S. equity markets hit its all-time high in 2007 before some unpleasantness unfolded. We will have what financial public relations specialists refer to as difficult followed by easy comparisons. I would not mind a reprise of events ending in July 2007; even though the highs occurred in November, the cracks were visible already. I could do without a parallel to2008, though.