"Trump's" Stock Rally Best Since 1945

Before the market opened on the day after Donald Trump won the election a year ago, futures were predicting a precipitous drop in the Dow Jones Industrial Average of 900 points. By the close of business that day, sentiment reversed and the market closed up 250 points, to 18,500.

That was 5,000 points ago, and the market has set all manner of records along the way. The rally in stocks is the best election year performance since 1945, and the fourth-best in history. By contrast, the Dow was up just 1.8 percent following Obama's election in 2008.

The president is, not surprisingly, taking all the credit, exclaiming on Tuesday, "The reason our stock market is so successful is because of me." In reality, investors have largely gotten over the shock of Trump's win and have instead been focusing on company sales, profits, and earnings. Each of them, across a wide swath of American companies and industries, has seen great improvements over the past year. Helped along with a strong dollar, corporate earnings consistently exceeding forecasts, growth in real (inflation-adjusted) wages, drop in unemployment, and the increase in labor participation rates, the Dow has nearly quadrupled since March, 2009 following the start of the Great Recession.

It has been a blowout quarter for earnings, according to FactSet, with companies reporting profits that are nearly five percent better than estimates along with record sales. In fact, more than three out of every four companies reporting sales and earnings are posting better than expected results, which is close to a record.

Expectations for more of the same are giving bulls confidence that the stock market will continue to make new highs. Improvements in both consumer and investor confidence coupled with expectations that there will be some, perhaps considerable, cuts in corporate and personal income taxes are likely to drive stocks higher. Add in the lower tax rate for repatriating cash held overseas by American companies, and trillions more could come home to add to capital spending that is already up more than eight percent year over year.

The increase in the GDP — which clocked in at more than a three percent annual rate over the last six months — is likely to continue for another reason: synchronization. The global economy is booming as well, with estimates that the planet's economy will grow by more than three percent a year for at least the next two years. Another measure of robust global growth is that the number of economies around the world that are in recession is at a record low.

There are technical indicators, too, the simplest and most reliable one being this: The most bullish thing the market can do is continue to go up. Merrill Lynch's Sell-Side Indicator, a measure of bullish sentiment among investors, is close to its highest level in six years.

Finally, there's something called the "seasonality" indicator that shows that the strongest months for stock performance are November and December. The market has gone up 60 percent of the time in November dating back to 1928, while it has moved higher 75 percent of the time in the month of November over the past two decades.

President Trump's declarations of personal responsibility for the rise in stocks aside, there are plenty of reasons for investors to continue to drive the markets higher.

An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American *magazine and blogs frequently at LightFromTheRight.com, primarily on economics and politics. He can be reached at badelmann@thenewamerican.com.*