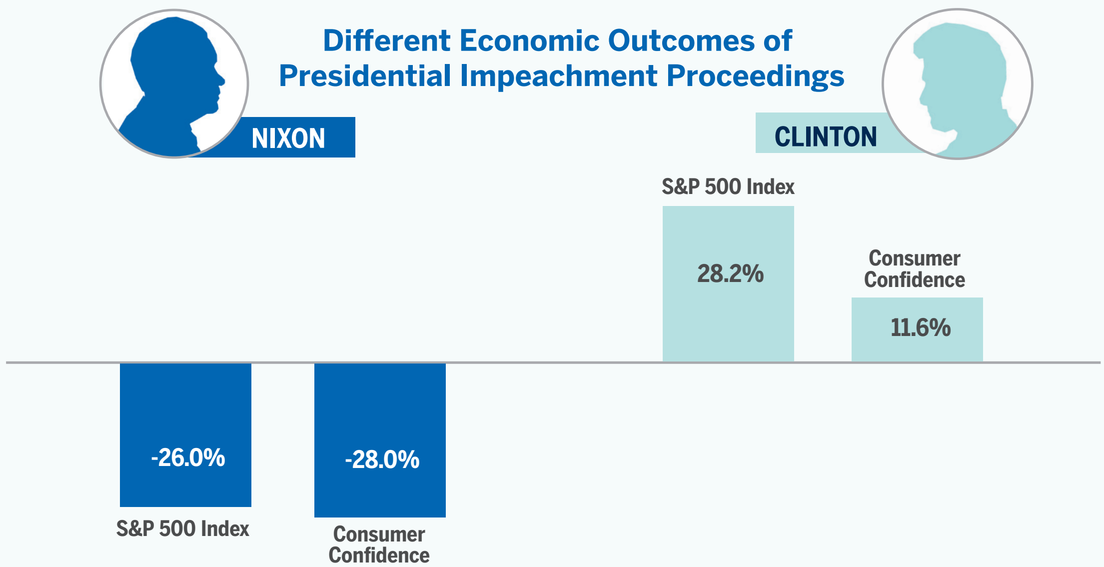
ALGER

Alger On the Money

A Tale of Two Proceedings

On September 24th, the House of Representatives announced that it would open an impeachment inquiry against the current president, potentially initiating the fourth such proceeding in U.S. history (Johnson–1868, Nixon–1973, Clinton–1998). The question for investors is: What happens to the stock market during these types of proceedings?



Source: FactSet.
Note: "Consumer Confidence" displays the results of the Conference Board Consumer Confidence Index, which measures how optimistic or pessimistic consumers are about their expected financial condition.

- After the Nixon impeachment proceedings were announced, the Conference Board Consumer Confidence Index fell 28% from the time of the disclosure on October 30, 1973, to when Nixon resigned on August 9, 1974. During this time, the stock market also declined significantly, falling 26%. It's important to note that the Nixon impeachment transpired during an ongoing bear market driven by the Arab-Israeli war, a spike in oil prices and high inflation.
- However, the trends were very different during the Clinton impeachment proceedings. From the formal announcement of the impeachment proceedings on October 8, 1998, to the acquittal in the Senate on February 12, 1999, consumer confidence increased 12% and the S&P 500 Index jumped 28%. Simultaneously, investors enjoyed strong productivity gains and began to feel the euphoria of the dot-com boom.
- The lesson of these two very different scenarios is that the underlying fundamentals of the economy are more likely to drive the stock market than what is happening in Washington, D.C. We believe that current issues such as the U.S.–China trade war or concerns about global growth are much more likely to propel the direction of the stock market than the current impeachment inquiry.

Inspired by Change, Driven by Growth.

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