

Taking stock: The equity market record of Canada's PMs

By Warren Lovely/Taylor Schleich

Among other things, our recent [election preview note](#) touched on Canada's equity market record in/around past votes. In particular, we noted a reasonably consistent tendency for Canadian stocks to lag U.S. equities in the days centred around a handful of elections. We cautioned that this relatively disappointing showing may be less about actual seat counts and more a function of global risk sentiment (including the price of oil). Still, it got us thinking: Why not explore the equity market record of PMs over their various terms? This note does just that, assessing performance for the past 10 PMs—a sample spanning 23 parliaments and in excess of 70 years (going all the way back to the late-1940s).

For Justin Trudeau, a near-50% cumulative gain in the S&P TSX composite index since the Liberals were first elected is nothing to sneeze at (Chart 1). As it stands, the TSX has traced out a relatively stronger arc under Trudeau than where things stood at the equivalent point of the Harper regime (Chart 2). In Trudeau's second term alone, total market cap of the TSX has shot ~C\$700 billion higher. That's a heady figure and one the Liberals would presumably love to see represented on the ballot, along with some other notional highlights. Image something like this:

Potentially noteworthy changes since Trudeau's Liberals were re-elected in October 2019...

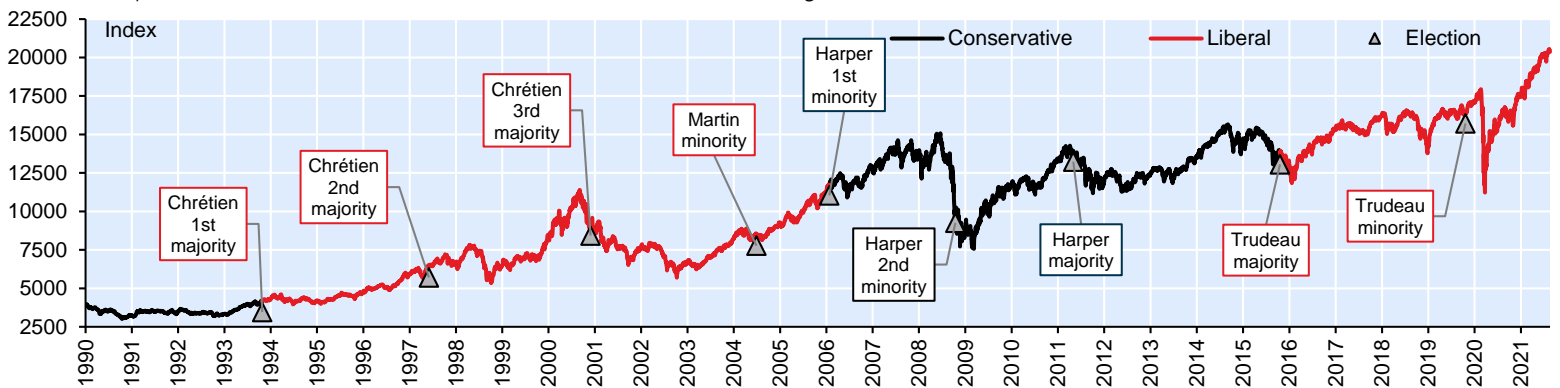
☒ \$700 billion Increase in total S&P TSX market capitalization	☒ \$260+ billion Cumulative increase in net household savings	☒ \$400+ billion Increase in value of residential structures	VS.	☒ \$430 billion Estimated increase in federal net debt
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Source: NBF, Bloomberg, StatCan | Note: Change in TSX market cap is 2019 election day to current; increase in net savings & change in value of residential structures is 6Q sum to 2021:Q1; increase in net debt is 2019 election day to current, based on straight-line interpolation of actual/projected fiscal year-end levels (from public accounts & 2021 budget)

But... Canada's benchmark equity index has lagged the U.S. S&P 500 big-time under Justin... to the tune of 70%-pts (Chart 3). Want more perspective? Charts 4-5 illustrate absolute and relative gains since Louis St. Laurent. [Remember him?] Table 1A summarizes equity market performance under Liberal and Conservative rule, making a further distinction between majority or minority governments. As we saw in Trudeau's first term, Liberal majorities—where polls hint we may be headed—have been characterized (on average) by solid annualized gains for the TSX, comparing favourably to Conservative majorities but falling short of U.S. gains. We've identified highs and lows by prime ministerial term. As but one factoid: Justin owns the worst performance (TSX vs. S&P 500) of any Liberal PM in our sample, under both majority and minority rule. We're making no endorsement here. Rather, consider this statistical fodder for voters (and markets) ahead of September 20th.

Chart 1: Follow the bouncing index... S&P TSX under the past few PMs

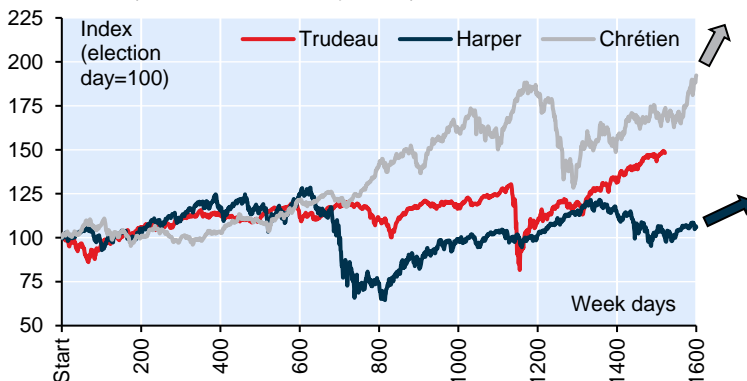
S&P TSX Composite index since 1990 under different Liberal/Conservative federal governments



Source: NBF, Bloomberg

Chart 2: How does Trudeau stack up vs. predecessors

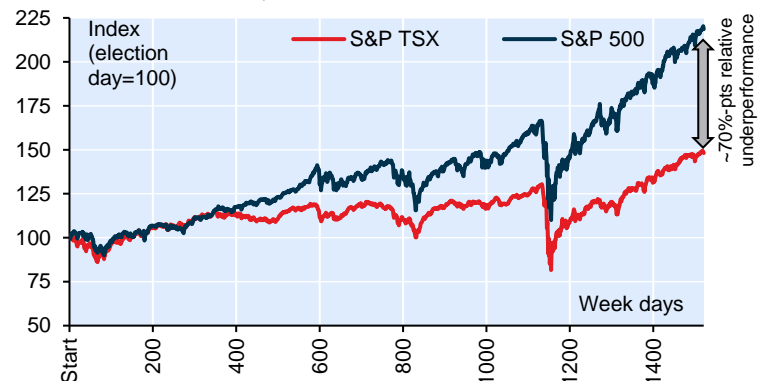
S&P TSX Composite index from day each prime minister first elected



Source: NBF, Bloomberg | Note: Final tally for Harper is +17% from 2006 to 2015; final tally for Chrétien is +92% to resignation & +182% for entire Liberal term from 1993 to 2006

Chart 3: TSX has heavily trailed S&P 500 much of Trudeau term

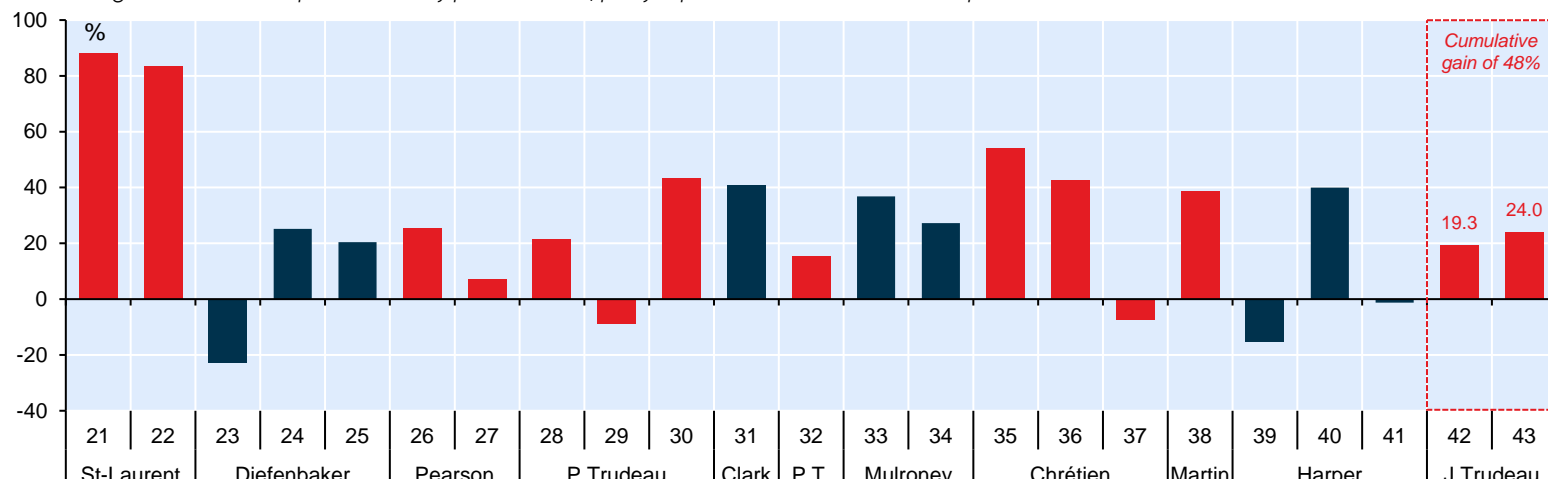
S&P TSX vs. S&P 500 Composite indices since Trudeau first elected in 2015



Source: NBF, Bloomberg | Note: Gap represents cumulative TSX underperformance since Oct-2015 Canadian federal election (where Liberals defeated Conservatives)

Chart 4: A longer term perspective on Canadian stock performance under last 10 prime ministers/23 parliaments/70+ years

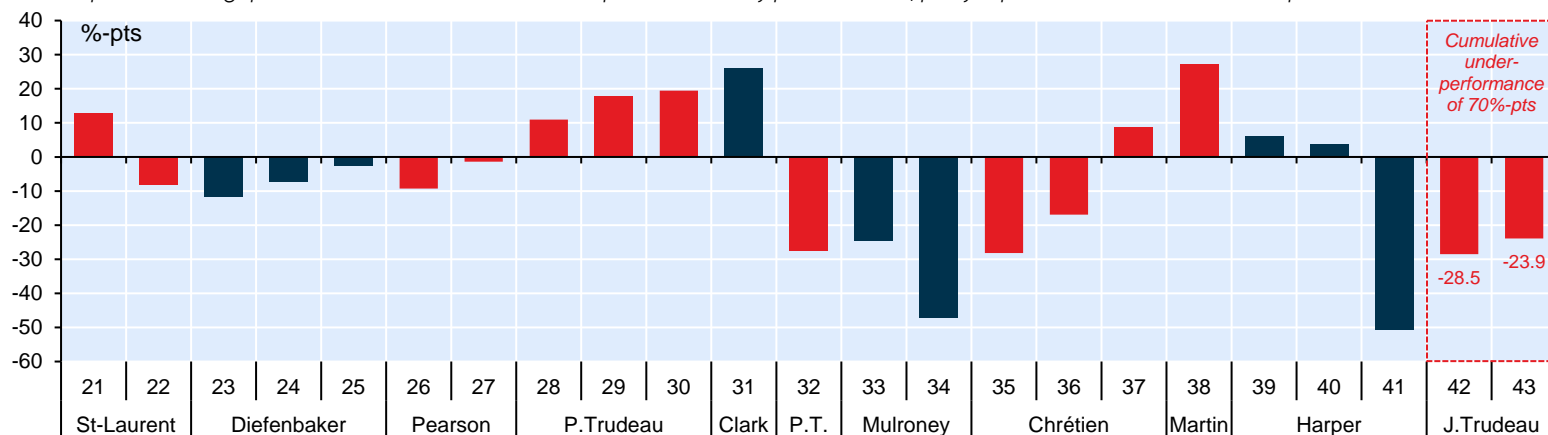
Total change in S&P TSX Composite index by prime minister, party in power & individual session of parliament



Source: NBF, Bloomberg | Note: Red bars denote Liberal rule; blue bars denote Conservative rule; numbers on horizontal axis refer to session of parliament; total index change calculated on the basis of Canadian federal general election dates, which differ from swearing in dates when the governing party changes; current J.Trudeau term to 17-Aug-2021

Chart 5: If it's all relative, then worth comparing how Canadian stocks did vs. U.S. under each PM... not so great of late

Relative performance gap between S&P TSX & S&P 500 Composite indices by prime minister, party in power & individual session of parliament



Source: NBF, Bloomberg | Note: Red bars denote Liberal rule; blue bars denote Conservative rule; numbers on horizontal axis refer to session of parliament; relative performance gap calculated on the basis of Canadian federal general election dates, which differ from swearing in dates when the governing party changes; current J.Trudeau term to 17-Aug-2021

Table 1A: Which political environment has been best, on average, for Canadian stocks? The results might surprise you!

Average absolute & relative performance of the S&P TSX Composite index under Liberal & Conservative rule (both majority and minority)

		Liberal governments		Conservative governments	
		Majority	Minority	Majority	Minority
Total time & terms in power	Years	36.4	10.3	17.8	7.6
	# of terms	9	5	4	5
	% of sample	50%	14%	25%	11%
Average term	Years	4.0	2.1	4.5	1.5
Average change in S&P TSX	Per term	40.1 #1	17.2 #3	22.0 #2	12.6 #4
	Annual rate	8.3 #3	8.4 #2	4.5 #4	13.0 #1
	Best term	17.2 St-Laurent, 22nd	23.1 Martin, 38th	7.7 Mulroney, 33rd	58.2 Clark, 31st
	Worst term	-2.1 Chrétien, 37th	-5.3 P.Trudeau, 29th	-0.3 Harper, 41st	-27.5 Diefenbaker, 23rd
Average relative performance gap: S&P TSX vs. S&P 500	Per term	-6.4 #3	2.1 #2	-32.4 #4	4.2 #1
	Annual rate	-1.2 #3	2.5 #2	-5.6 #4	4.9 #1
	Best term	3.2 P.Trudeau, 30th	15.9 Martin, 38th	-1.4 Diefenbaker, 24th	37.8 Clark, 31st
	Worst term	-5.7 J.Trudeau, 42nd	-11.4 J.Trudeau, 43rd	-9.7 Harper, 41st	-13.8 Diefenbaker, 23rd

Source: NBF, Bloomberg | Note: Results are based on over 70 years & 23 individual political terms in post WWII period, starting with L.St-Laurent (elected Jun-1949) & ending with J.Trudeau (current PM); absolute & relative changes (on full term & annualized basis) based on election cycle dates; changes/performance gaps are simple averages based on number of relevant terms by party in power & government type; single best & worst terms are based on annualized rates of return for individual terms, with associated PM & parliamentary session provided for reference; colour shading & ranking (#1-4) have been provided to further guide interpretation; results for J.Trudeau, 43rd session up to 17-Aug-2021

Table 1B: Equity market performance from one prime ministerial term to another... Louis St. Laurent to Justin Trudeau

Absolute & relative performance of the S&P TSX Composite index under past 10 prime ministers/23 parliaments/70+ years

Prime minister	Parl #	Party in power	Gov't type	PM term (based on federal election dates)			Gross change over term			Annualized change over term		
				Elected	Next election	Years	S&P TSX	S&P 500	Difference	S&P TSX	S&P 500	Difference
							%	%	%-pts	% (AR)	% (AR)	%-pts (AR)
St-Laurent	21	LIB	Major	27-Jun-49	10-Aug-53	4.1	88.0	75.3	12.7	16.6	14.6	2.0
St-Laurent	22	LIB	Major	10-Aug-53	10-Jun-57	3.8	83.5	91.5	-8.0	17.2	18.5	-1.3
Diefenbaker	23	CON	Minor	10-Jun-57	31-Mar-58	0.8	-22.8	-11.2	-11.7	-27.5	-13.7	-13.8
Diefenbaker	24	CON	Major	31-Mar-58	18-Jun-62	4.2	25.2	32.4	-7.2	5.5	6.9	-1.4
Diefenbaker	25	CON	Minor	18-Jun-62	8-Apr-63	0.8	20.4	22.9	-2.5	25.9	29.2	-3.3
Pearson	26	LIB	Minor	8-Apr-63	8-Nov-65	2.6	25.3	34.6	-9.3	9.1	12.2	-3.1
Pearson	27	LIB	Minor	8-Nov-65	25-Jun-68	2.6	7.1	8.5	-1.4	2.7	3.2	-0.5
P.Trudeau	28	LIB	Major	25-Jun-68	30-Oct-72	4.3	21.4	10.5	10.9	4.6	2.3	2.2
P.Trudeau	29	LIB	Minor	30-Oct-72	8-Jul-74	1.7	-8.8	-26.7	17.9	-5.3	-16.8	11.5
P.Trudeau	30	LIB	Major	8-Jul-74	22-May-79	4.9	43.4	23.9	19.5	7.7	4.5	3.2
Clark	31	CON	Minor	22-May-79	18-Feb-80	0.7	40.7	14.8	25.9	58.2	20.4	37.8
P.Trudeau	32	LIB	Major	18-Feb-80	4-Sep-84	4.5	15.4	42.9	-27.5	3.2	8.2	-5.0
Mulroney	33	CON	Major	4-Sep-84	21-Nov-88	4.2	36.8	61.5	-24.6	7.7	12.0	-4.3
Mulroney	34	CON	Major	21-Nov-88	25-Oct-93	4.9	27.3	74.4	-47.1	5.0	12.0	-6.9
Chrétien	35	LIB	Major	25-Oct-93	2-Jun-97	3.6	54.2	82.3	-28.2	12.8	18.1	-5.4
Chrétien	36	LIB	Major	2-Jun-97	27-Nov-00	3.5	42.5	59.4	-16.9	10.7	14.3	-3.6
Chrétien	37	LIB	Major	27-Nov-00	28-Jun-04	3.6	-7.2	-16.0	8.8	-2.1	-4.7	2.7
Martin	38	LIB	Minor	28-Jun-04	23-Jan-06	1.6	38.5	11.5	27.0	23.1	7.2	15.9
Harper	39	CON	Minor	23-Jan-06	14-Oct-08	2.7	-15.2	-21.0	5.9	-5.9	-8.3	2.5
Harper	40	CON	Minor	14-Oct-08	2-May-11	2.5	40.0	36.4	3.6	14.1	13.0	1.2
Harper	41	CON	Major	2-May-11	19-Oct-15	4.5	-1.3	49.4	-50.7	-0.3	9.4	-9.7
J.Trudeau	42	LIB	Major	19-Oct-15	21-Oct-19	4.0	19.3	47.8	-28.5	4.5	10.3	-5.7
J.Trudeau	43	LIB	Minor	21-Oct-19	17-Aug-21	1.8	24.0	47.9	-23.9	12.5	24.0	-11.4

Reference: Trudeau combined term

J.Trudeau	42-43	LIB	Maj/Min	19-Oct-15	17-Aug-21	5.8	48.0	118.7	-70.7	7.0	14.4	-7.4
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Source: NBF, Bloomberg | Note: Absolute & relative changes (on full term & annualized basis) based on election cycle dates; colour shading provided to further guide interpretation; results for J.Trudeau, 43rd session up to 17-Aug-2021

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