Signal From Noise

May 3, 2025

Presidents and Markets: A Mercurial Relationship

President Donald Trump holds a lot of sway over the market. Love him or hate him, there's virtually no disagreement that he's had an outsized impact on the financial markets in 2025, even if his opinion on the matter has fluctuated depending on how the markets are doing.

Still, most attribute the mood of investors during the first few months of his second term to not just his policies, but his erratic rhetoric on tariffs, the Federal Reserve, and other issues.

For his part, Trump has sometimes asserted indifference to the markets. "I'm not even looking at the market," he said on March 6, 2025. But that's the sort of denial that has been uttered, whether explicitly or subtly, by many of his predecessors, and it's not necessarily because none of them cared about the stock market.

Just how much power over markets have presidents in the past had? Few in the modern era have tried to find out. Advisors have tended to caution sitting Presidents to avoid even the appearance of trying to manipulate the markets for political gain – not to mention the potentially bad optics that might accompany an impotently failed attempt to manipulate the markets.

But whether they're genuinely indifferent about equities or just pretending, Presidents frequently affect the stock market. Often, this effect is transitory, but history has given us reasons to remain calm amidst the current noise about a possible tariff-triggered trade war that is weighing on businesses, consumers, and equities alike.

In this edition of *Signal From Noise* we take a look at four historical precedents, keeping in mind that it is rarely just one event or factor that causes markets to rise or fall sharply. These precedents feature presidents from both parties. We have limited our review to incidents after World War II.

JFK's Eloquent Crash

President John F. Kennedy won the White House in a closely contested 1960 race in which he had courted labor unions with populist rhetoric attacking big business and "economic royalists" – thus leading to fears that he was anti-business. Before Kennedy's election, investors had enjoyed decades of strong stock-market gains, and whispers were emerging that equities had become overvalued. At the beginning of 1962, the S&P 500 began to slide gradually downward.

Then in April 1962, the steel industry announced that it would raise prices by $6 per ton. Kennedy was furious, as he was under the impression that the recent steelworkers labor agreement he had helped to broker included a tacit agreement that steelmakers would not raise price hikes or risk triggering inflation. He thus called a special news conference on April 12 to denounce the industry with rhetoric that, by the comparatively genteel standards of the day, was remarkably vitriolic.

He denounced steel executives for a "pursuit of private power and profit" that in his view, showed "utter contempt for the interests of 185 million Americans" while directly undermining national security. Kennedy accused the industry of "irresponsible defiance" and concluded his remarks by threatening antitrust investigations and demanding that the price hike be rescinded. The eight largest steel companies capitulated the very next day, but the damage to market sentiment was significant.

Many people believed that the president had come uncomfortably close to explicitly implementing price controls on steel, and they wondered what other industry or industries he might target next.

The resulting panic caused the S&P 500 to plummet, ending the first half of 1962 down nearly 28% (most of it coming from mid-May until the end of June). The Dow nosedived as well, notably plunging 5.7% in a single day. The slide triggered flashbacks for some market participants, many of whom were old enough to have lived through the 1929 crash that helped trigger the Great Depression.

The White House appears to have quickly recognized the significance of the crash JFK had arguably catalyzed. The noted economist John Kenneth Galbraith, Kennedy adviser and at the time U.S. Ambassador to India, wrote Kennedy to warn that "there is no question that a bad crack-up in the market can have serious repercussions on the economy." Galbraith suggested that "any needed steps to keep money rates easy and encourage investment are of

increased urgency," though he urged Kennedy to refrain from directly commenting on the crash in public for fear that such a response might be perceived as panic or alarm.

The president appears to have listened. He focused his subsequent remarks on his confidence in the U.S. economy. Several weeks later, he moved to implement what we might term a "Kennedy put": he asked the Federal Reserve to lower margin requirements from 70% to 50% (it did), proposed tax cuts to both consumers and businesses, and made pro-growth speeches to help restore investor confidence. These acts, along with the relief brought about by the successful resolution of the Cuban Missile Crisis, ultimately helped start a recovery for stocks, though the S&P 500 would still end 1962 down about 11%.

Watergate

The Watergate affair was arguably the biggest political scandal of the 20th century, ultimately resulting in the resignation of President Richard Nixon. The scandal unfolded amongst a particularly challenging period for the American economy, and the historical consensus blames those challenges for the Nixon-era bear market.

Yet it can be argued that Nixon's rhetoric about the Watergate affair, from the time the burglars were arrested, through his infamous "I'm not a crook" speech, certainly did not help the markets. As the chart below shows, multiple key events during the scandal were immediately followed by sharp declines in investor sentiment – the trial of the Watergate burglars, the resignation of Vice President Spiro Agnew, and Nixon's indictment.

Reagan: Stay Calm for the Gipper

They didn't call President Ronald Reagan the "Great Communicator" for nothing. Reagan had the uncanny ability to engender trust and optimism, often speaking with such charm that even his political opponents had to chuckle ruefully.

Reagan took office in 1981 amidst a pervasive sense of malaise in the U.S., with many Americans worried about a recession and about whether America's best days had come and gone. During his first inaugural address, he began establishing the foundation of optimism that would help drive the Wall Street rally that would come to be associated with the era and his presidency: Reagan delineated a pro-business, deregulatory stance by declaring that "government is not the solution to our problem; government is the problem," helping to boost investor confidence even before he began putting his economic agenda into place.

That agenda included providing vocal public support for the unpopularly tight monetary policies of the Fed under then-Chair Paul Volcker in the fight against inflation. At least in public, Reagan was supportive of continued Fed independence, helping to spark an economic recovery and boost the markets.

Yet perhaps his most impactful speech for investors came after the infamous Black Monday Crash of Oct. 19, 1987. Opinion writers questioned whether it was still "Morning in America," and Reagan responded promptly. That evening, the White House issued a statement in which Reagan told Americans that despite the events of the day, "the underlying economy remains sound" and remained in "the longest peacetime expansion in history." Three days later, Reagan gave a nationally televised primetime address. In the calm, subtly confident and measured tones for which he was known, the Gipper presented the outline of a bipartisan response plan while reassuring Americans that "it's important that we understand what is happening and that a calm, sound response be the course we follow." While signaling that he and his administration were taking the matter seriously, Reagan arguably helped to prevent further panic selling and stabilize markets by suggesting that the crash was at least partly a "long-overdue correction." This reassurance helped prevent further panic selling and stabilized markets in the days that followed, partly paving the way for the market to resume climbing in 1988.

Fall 2008: Of “Suckers” and “Drunks”

It would be unfair to compare the oratory skills of the Hollywood-trained Reagan to those of President George W. Bush, who was prone to verbal gaffes and malapropisms. The younger Bush didn’t exactly do the market any favors as the Global Financial Crisis materialized.

As the extent of the subprime mortgage crisis was becoming more apparent, Bush publicly softpedaled the seriousness of the situation. But when he thought reporters weren’t listening, he used harsher language that, when it became public, arguably added to market volatility. For example, at a July 2008 private fundraiser, Bush remarked to attendees that “Wall Street got drunk, that’s one of the reasons I asked you to turn off the TV cameras. It got drunk and now it’s got a hangover.” The cameras might have been off, but his words were leaked anyway, contributing to worries that the collapse of Bear Stearns several months earlier might not have been a one-off event.

It also didn’t calm worried investors when news outlets quoted Bush as having said “this sucker could go down” during a Thursday, Sept. 25, 2008 White House meeting after the collapse of Lehman Brothers. To be fair, the full quote was: “It’s easy for smart guys to sit around, but if money isn’t loosened up, this sucker could go down,” but one wonders whether that would have been more reassuring. When these comments became public and widely reported over the weekend, they reinforced the existing market panic: stocks plunged the following Monday.

[On the other hand, It’s worth acknowledging that Warren Buffet has credited Bush for the unvarnished and blunt nature of this accurate assessment for helping to convince stakeholders of the gravity of the situation and the need to take decisive action. Buffet is reported to have remarked in all sincerity: “I believe this was the greatest economic statement of all time.”]

It wasn’t until October as the financial crisis intensified that Bush publicly acknowledged how serious the crisis was. However, by this time, markets apparently wanted a concrete response plan rather than just an acknowledgement, and when no plan was forthcoming, the stock slide continued.

Conclusion

Presidents wield immense power in almost every aspect of our lives. Under most normal circumstances, U.S. presidents have avoided any substantive mention of the stock market. In looking for instances when presidential rhetoric (not just policy) had a notable impact on the stock market, we found few instances in which that impact was not mitigated or reversed in the space of a few weeks.

In times of heightened uncertainty, Presidents play a crucial role in fulfilling the government's part of what Fundstrat Head of Research Tom Lee describes as "a core covenant of capitalism — stable and predictable regulatory environment," and part of this can involve soothing the markets with calm, carefully considered comments.

In the four precedents described above, the long-term upward trend of the markets ultimately continued, with U.S. businesses – and stocks – finding a reason to climb. We hope they will provide useful context as you navigate the markets the next time Trump or any of his successors jar the markets with their speeches, posts, or off-the-cuff remarks.

As a reminder, Signal From Noise should be used as a source of ideas for further research rather than as a source of investment recommendations. We encourage you to explore our full Signal From Noise library, which includes deep dives on gene editing, wonky economic indicators, artificial intelligence in healthcare, and the rising wealth of women. You'll also find discussions about the TikTok demographic, alcoholic-beverage companies, and weight loss-related investments.

Disclosures

This research is for the clients of FS Insight only. FSI Subscription entitles the subscriber to 1 user, research cannot be shared or redistributed. For additional information, please contact your sales representative or FS Insight at fsinsight.com.

Conflicts of Interest

This research contains the views, opinions and recommendations of FS Insight. At the time of publication of this report, FS Insight does not know of, or have reason to know of any material conflicts of interest.

General Disclosures

FS Insight is an independent research company and is not a registered investment advisor and is not acting as a broker dealer under any federal or state securities laws.

FS Insight is a member of IRC Securities' Research Prime Services Platform. IRC Securities is a FINRA registered broker-dealer that is focused on supporting the independent research industry. Certain personnel of FS Insight (i.e. Research Analysts) are registered representatives of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. As registered representatives and independent contractors of IRC Securities, such personnel may receive commissions paid to or shared with IRC Securities for transactions placed by FS Insight clients directly with IRC Securities or with securities firms that may share commissions with IRC Securities in accordance with applicable SEC and FINRA requirements. IRC Securities does not distribute the research of FS Insight, which is available to select institutional clients that have engaged FS Insight.

As registered representatives of IRC Securities our analysts must follow IRC Securities' Written Supervisory Procedures. Notable compliance policies include (1) prohibition of insider trading or the facilitation thereof, (2) maintaining client confidentiality, (3) archival of electronic communications, and (4) appropriate use of electronic communications, amongst other compliance related policies.

FS Insight does not have the same conflicts that traditional sell-side research organizations have because FS Insight (1) does not conduct any investment banking activities, and (2) does not manage any investment funds.

This communication is issued by FS Insight and/or affiliates of FS Insight. This is not a personal recommendation, nor an offer to buy or sell nor a solicitation to buy or sell any securities, investment products or other financial instruments or services. This material is distributed for general informational and educational purposes only and is not intended to constitute legal, tax, accounting or investment advice. The statements in this document shall not be considered as an objective or independent explanation of the matters. Please note that this document (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and (b) is not subject to any prohibition on dealing ahead of the dissemination or publication of investment research. Intended for recipient only and not for further distribution without the consent of FS Insight.

This research is for the clients of FS Insight only. Additional information is available upon request. Information has been obtained from sources believed to be reliable, but FS Insight does not warrant its completeness or accuracy except with respect to any disclosures relative to FS Insight and the analyst's involvement (if any) with any of the subject companies of the research. All pricing is as of the market close for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, risk tolerance, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies. The recipient of this report must make its own independent decision regarding any securities or financial instruments mentioned herein. Except in circumstances where FS Insight expressly agrees otherwise in writing, FS Insight is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice, including within the meaning of Section 15B of the Securities Exchange Act of 1934. All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client website, fsinsight.com. Not all research content is redistributed to our clients or made available to third-party aggregators or the media. Please contact your sales representative if you would like to receive any of our research publications.