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## Investing under Trump

# Value of stocks on S&P 500 pushes through \$20tn for first time

Optimism over US growth under Donald Trump and strong corporate profits power advance



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YESTERDAY by: **Adam Samson** and **Eric Platt** in New York

The value of stocks listed on the S&P 500 eclipsed \$20tn on Monday for the first time, as investor optimism over faster US economic growth and stronger corporate profits propelled the Wall Street equity gauge deeper into record territory.

The index, which tracks the largest American companies, has rallied by close to 25 per cent over the past year, pushing its market value \$3.6tn higher, according to S&P Dow Jones Indices.

About two-fifths of the advance has come after the surprise election in November of [Donald Trump](#) (<https://www.ft.com/investing-under-trump>). Investors have bet that the billionaire businessman cum politician will be able to spur faster economic growth with tax cuts, regulatory relief and government spending, which will in turn bolster inflation and buoy corporate sales.

“For the first time, we have a confluence of factors that is finally resurrecting the animal spirit,” said Jim Paulsen, chief investment strategist at Wells Fargo Capital Management.

The benchmark index was accompanied by new records for the technology-heavy Nasdaq Composite, the blue-chip Dow Jones Industrial Average and the [small-cap \(http://next.ft.com/content/285a67d2-f20e-11e6-95ee-f14e55513608\)](http://next.ft.com/content/285a67d2-f20e-11e6-95ee-f14e55513608) Russell 2000.

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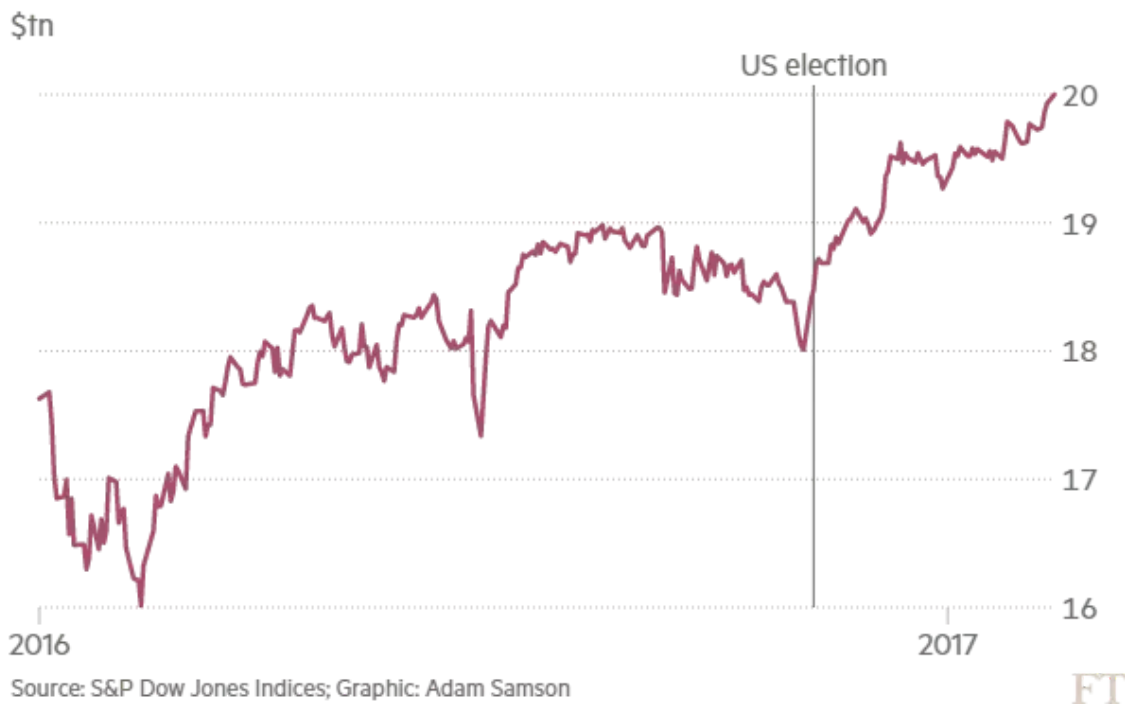
Prospect of Donald Trump pushing through corporate tax cuts helps Russell 2000

The advance through the \$20tn threshold was in part driven by a resurgence in Apple shares, the largest constituent on the S&P 500. The iPhone maker’s stock closed at a [record high \(http://next.ft.com/content/9775f054-edaa-11e6-930f-061b01e23655\)](http://next.ft.com/content/9775f054-edaa-11e6-930f-061b01e23655) of \$133.29, valuing the group at \$700bn — more than [General Electric \(http://markets.ft.com/data/equities/tearsheet/summary?s=us:GE\)](http://markets.ft.com/data/equities/tearsheet/summary?s=us:GE) and [Walmart \(http://markets.ft.com/data/equities/tearsheet/summary?s=us:WMT\)](http://markets.ft.com/data/equities/tearsheet/summary?s=us:WMT) combined. It has climbed after better than expected earnings in its latest quarter, as demand for the iPhone improved.

The US market’s value has been concentrated in just a handful of groups, with the five largest companies — Apple, Alphabet, [Microsoft \(http://markets.ft.com/data/equities/tearsheet/summary?s=us:MSFT\)](http://markets.ft.com/data/equities/tearsheet/summary?s=us:MSFT), [Berkshire Hathaway \(http://markets.ft.com/data/equities/tearsheet/summary?s=us:BRK.B\)](http://markets.ft.com/data/equities/tearsheet/summary?s=us:BRK.B) and [Amazon \(http://markets.ft.com/data/equities/tearsheet/summary?s=us:AMZN\)](http://markets.ft.com/data/equities/tearsheet/summary?s=us:AMZN) — worth more than 10 per cent of the entire index. Each has gained more than 15 per cent over the past year, including a 60 per cent advance by ecommerce retailer Amazon.

The gains have been catalysed by a brightening outlook for the US economy. The country is forecast to have grown at an annualised pace of 2.7 per cent in the first three months of this year, an acceleration from the 1.6 per cent rate in the fourth quarter of 2016, a [running calculation \(https://www.frbatlanta.org/cqer/research/gdpnow.aspx?panel=1\)](https://www.frbatlanta.org/cqer/research/gdpnow.aspx?panel=1) by the Atlanta Federal Reserve shows.

## S&P 500 market value hits \$20tn



Corporate earnings are also looking healthier: per-share profits of S&P 500 companies rose 5 per cent in the final three months of 2016 from the year prior, according to FactSet data that blend reported results with analysts' predictions. That would mark an increase from the 3.1 per cent growth rate notched in the previous quarter that snapped a 15-month recession.

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**Jim Paulsen, Wells Fargo Capital Management**

“Investors are looking at the strength we’re seeing [in the economy], and you have a potential accelerant in policy,” said Peter Stournaras, a portfolio manager with BlackRock, adding that “chief executives have been extremely confident, conversation after conversation”.

Still, US investors may be getting ahead of themselves, cautioned Ian Winer, director of equity trading at Wedbush.

“Markets are in a heads I win, tails you lose mentality right now,” he said. “You’ve assumed all of the good at this point. And you’ve discounted a decent amount of the bad.”

Mr Winer said that while some of the tax proposals currently on the table, like a lower corporate tax rate, may be bullish for business, others may have the opposite impact.

In particular, he pointed to a potential [border adjustment tax \(http://next.ft.com/content/008532fa-ef7a-11e6-ba01-119a44939bb6\)](http://next.ft.com/content/008532fa-ef7a-11e6-ba01-119a44939bb6) that would penalise imports as something that could have a profoundly negative impact on corporate America.

“There hasn’t been a lot of talk about it,” he said.

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