



Market Update:

Presidential Election - Market Implications as of November 9, 2016

Summary

What will Donald Trump's election mean for the stock market? On the night of the election and into the early morning hours when Donald Trump was being projected as the winner, overseas global markets were volatile and the U.S. futures market was initially down 5%. Several hours later at the start of trading in the U.S., markets were only fractionally down and rebounded shortly thereafter. As a rebuke to all those pundits prognosticating on the outside impact of the election outcome on the financial markets, Mr. Trump would probably say, "Wrong, wrong, wrong!"

While the U.S. economy has had its share of expansions and contractions, it has grown dramatically over the past 35 years with a variety of political complexions. **It is imperative to always remember that the economy and stock market will continue to be led by companies producing products and services that people want, while creating wealth for investors.**

What We Expect to Happen

With Republican control of all branches of government, we do expect that more pro-business measures will be enacted and personal income tax rates will be reduced. Also on the agenda will be less regulation, more pro-energy policies and a lower tax rate on repatriation of overseas corporate profits. Increased infrastructure spending is likely along with higher defense spending. A likely repeal of the Affordable Care Act will not only benefit health care companies, but also consumers who will have increased disposable income through lower health care costs.

It is unclear how international trade will be impacted by Donald Trump since the cornerstone of his political agenda was the unfairness of current trade agreements to the U.S. economy, and more importantly, the American worker. We believe that he is using this rhetoric as a negotiating ploy and international trade will not be impacted, but we will be watching this closely.

What are We Doing?

As has always been the case, we like to use short-term market volatility as an opportunity to purchase quality businesses at attractive valuations. The relatively benign trading environment today has not presented any significant immediate market dislocations to take advantage of, but we will continue to look for opportunities as investors digest the new political landscape. When the new administration provides more details on their policies, we will be better equipped to formulate investment decisions related to individual investments and asset allocation.

Conclusion

Equity markets in the long-run trade on economic fundamentals. While there will certainly be changes in the new administration, we continue to expect that American ingenuity and ambition are more predictive measures of financial markets than political outcomes. The U.S. economy is the envy of the world as our free enterprise system has always provided the platform for economic growth. Emerging market economies are expanding and international trade will continue. We are as optimistic as ever about the prospects for the U.S. and international economies and world financial markets.



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