Market Update: Post-Election Markets

Political Uncertainty is Likely to Lead to Short-Term Volatility – Stay Calm, Be Patient

As you are already aware, Donald Trump is now president-elect of the United States of America. We wanted to communicate in an entirely non-partisan way our thoughts on the implications of this for your portfolio.

While market volatility should certainly be expected alongside political uncertainty, we have positioned client portfolios with “dry powder” in the form of cash, fixed income, and conservative growth managers that we could shift toward broad equity market exposure should a compelling opportunity to take on more risk present itself. And some of our more defensive managers that hold significant amounts of cash would also likely put some of that cash to work if the companies they favor reach their valuation targets.

There remains uncertainty regarding Mr. Trump’s policies. Historically, market volatility stemming from presidential elections recedes as investors refocus their attention on market fundamentals. The U.S. economy is on a reasonable footing. The Fed believes the employment rate is nearly at what they consider to be “full” employment, wages are slowly rising, home sales are moving higher, and there looks likely to be a modest rebound in corporate profits going into 2017.

In the event of a surge in market volatility, we urge our clients to stay calm, be patient, and remain focused on the economic and market fundamentals. These are not going to change overnight, and as was the case following the Brexit vote, a knee jerk reaction to the election outcome could be very detrimental to longer term performance.

We will continue to steward your capital thoughtfully and assess appropriate opportunities to invest successfully for the long term.

Please do not hesitate to reach out to your Wetherby team with any questions or concerns that you may have.

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