



## After the Election, What Now?

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### **After the Election, What Now?**

Excerpts of comments by Brad McMillan, CFA®, CAIA, MAI,  
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We woke up yesterday to a very new era. For the past several years, the United States has had either a Democrat-controlled government or a divided government. As a result of Tuesday's vote, Republicans control the presidency, the Senate, and the House. Throughout the presidential campaign, much of the media coverage has verged on the apocalyptic, and, indeed, there probably will be substantial challenges as the new Trump administration comes into power. But the sun will come up each day, and the country will heal.



### **Policy clarity should steady markets**

In the wake of the election, financial markets around the world pulled back significantly. Markets hate surprises, and this was a big one. As we recently saw with the Brexit vote, however, a short-term shock doesn't necessarily spell longer-term problems. Indeed, after a sharp drop in the S&P 500 futures following the vote, the markets have bounced back.

Much depends on if Donald Trump reaffirms some of his policies that appear more economically risky. How he deals with NAFTA, for example, could either reassure markets or rattle them further. He will face considerable pressure to start putting policy specifics in place very quickly.

The other piece of the puzzle will be how Trump works with the Republican Congress. On the face of it, this should be a partnership, as all are from the same party. At the same time, Trump's relationship with the party has been fraught throughout the campaign, and some of his policies are at odds with Republican orthodoxy. Trump's victory speech was encouraging in that, he asked for the support of those who did not back him, and everyone involved has substantial incentives to stress healing and unity.

There are real risks here, for the economy and the markets, but they are largely under the president-elect's control. He has the ability to steer the situation with

markets by offering clarity on economic policy and by working closely with the Republican Congress. It's also important to note that many of Trump's stated policies, such as those related to tax cuts and infrastructure spending, could stimulate the economy and could lead to faster growth in the short term.

### **U.S. fundamentals remain solid**

With economic growth continuing and companies returning to profit growth, the fundamentals of the economy and the markets are sound. The real question here is whether Trump's election will disrupt that.

Despite the significant political differences between the two major candidates and their respective concerns, the short-term impact of the election could well be minor from an economic perspective. Although there will inevitably be a period of adjustment and possibly volatility, if Trump works effectively with the Republican Congress to enact economically positive policies, the strong fundamentals could conceivably support both the economy and the financial markets.

In short, although the coverage of Trump's victory is every bit as dramatic as the victory itself, the economic fundamentals remain positive and should stay that way. The U.S. economy has weathered many ups and downs since the financial crisis, and this election could be just one more bump in the road.

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My staff and I deeply appreciate the continuing opportunity to work with you. Please let me know if you have any questions or requests. Thank you.

Sincerely,

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