There is a considerable amount of uncertainty on who will win the presidential election: Donald Trump or Hillary Clinton.

A Reuters poll suggests the #1 reason individuals are voting FOR a certain candidate is because they DISLIKE the opposing candidate. Put simply, they are not voting for a candidate as much as registering an anti-vote.

At this point it is simply too difficult to choose a likely winner or even make the case for a front runner.

What implications do we see?

Regardless of who wins the election there is going to be a great deal of animosity by half the voters and a sizeable portion of Congress. This increases the likelihood of gridlock. This may make it difficult to get meaningful legislation passed including reforming the corporate tax rate to more competitive levels.

This is important. Most individuals would agree the economy has been underwhelming for some time. In fact, GDP over the last 10 years is only growing at an annualized rate of 1.27%, the weakest number since the 1940s.
Thoughts on the Presidential Race

Both candidates promise better paying jobs for Americans. To accomplish this one key group will be the entrepreneurs and small businesses. According to data from ADP, small businesses make up nearly half of all the jobs in the United States. Why are small businesses not doing better?

The National Federation of Independent Businesses (NFIB) surveys small business owners and asks them: What is the #1 problem they face? The top answers are not access to credit, competition or poor sales. Rather the biggest problems are 1) taxes are too high and 2) the regulatory environment is too onerous. Regrettably, a Washington gridlock is unlikely to make either of these problems better. Thus a sub-par economy is likely to continue.

What market effects would a Mrs. Clinton presidency have? She has been championing gun control. As we have seen under President Obama, such talk generally led to HIGHER gun purchases and we would expect this would continue in the short term. We believe stocks of gun makers like Sturm Ruger and Smith & Wesson could benefit. Hillary also is championing more government. Typically, increased regulations are expensive for all, but small businesses often feel the brunt of it as they do not have the economies of scale of larger businesses. Lastly, her proposal to add a surtax on high income earners could make those investors look to quality municipal bonds for relief.

How about Mr. Trump? Mr. Trump is known as a real estate mogul. We could safely say he would be a champion for real estate causes. This could include everything from home builders to loan originators to commercial real estate, and by extension, real estate investment trusts (REITs). Trump has also heralded certain climate skeptics. If that continues, he is less likely to seek government money for alternative energy sources. Thus, alternate energy stocks may suffer while traditional energy services may do well. With his statements about making our military stronger, he may try to raise defense spending.

One area of concern is his desire to make major changes on import tariffs. Raising tariffs would likely make importing goods, services and raw materials more expensive for U.S. consumers. This is bad news for companies who rely heavily on foreign goods. Similarly, raising tariffs would likely be met with foreign governments raising tariffs on our goods. As approximately 40% of the S&P 500’s revenues come from abroad, this could hurt exporters as well.

While we do not know who will win the election, the American public is clamoring for a change from the old way of doing things. They are likely to get their wish.

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