HBKS Advises to Stay-the-Course Through Election-Induced Turmoil

Maintain a broadly diversified investment approach through market volatility.

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Director of Asset Management

As Director of Asset Management for HBKS® Wealth Advisors (HBKS®), Brian Sommers oversees the firm's investment management processes for a distinguished group of nearly 30 investment advisory representatives. Mr. Sommers chairs the Investment Policy Committee of the firm and is instrumental in the identification, evaluation and recommendation of the investments that make up HBK's portfolios. He brings HBKS clients the expertise of more than 20 years managing a wide range of portfolios for both high net worth individuals and institutional clients.

Over his career, Mr. Sommers has managed an impressive array of investments, including Taft-Hartley plans and endowments, and plans for foundations, corporations, individuals and public entities. He has held positions in investment consulting and client service for both institutional and high net worth clients.

Donald Trump's victory in the 2016 presidential election last night came as a surprise to most people who follow political polling. Now investors must assess the effect this result may have on the economy and capital markets even though it remains to be seen how much of Trump's campaign rhetoric will translate into policy.

Many studies have shown that over the long-term economic and stock market movements have little to do with who is occupying the Presidential office. However, with Republicans soon in control of both the White House and Congress, it is more likely that Donald Trump will be able to put more of his policies in place that could impact economic growth and the stock market, at least in the short-term.

The shock of the election result caused some initial turmoil in stock markets around the world. However, we have seen this before:

- In August of 2015 China caused markets to drop over 8% when they devalued the yuan, but 3 months later stocks were back above the levels when they took the action.
- In January of this year stocks plunged 12% due to growing fears of a recession. Again, a few months later stocks were back to previous levels
- In June of this year the Brexit vote caused stocks to sell off. This time it only took a few weeks to recover what was lost.

The moral is that as long as the underlying fundamentals of the economy are solid, which they are, these types of shocks are likely to be short-lived. Longer-term, investors are likely to focus on the solid economic data regarding growth in GDP, employment and corporate earnings. The Trump Administration's policies will be geared toward boosting growth, so this environment is unlikely to change as a result of the election results.

Political experts believe there will probably be more spending on infrastructure, tax cuts for corporations and individuals and less regulation under President Trump and a Republican congress. On the other hand, it is possible that any new tariffs on foreign imports could hurt growth by limiting free trade.

Some economists say the net result will probably be higher growth, higher inflation, and higher deficits. Central banks around the world have been arguing for a few years that more stimulative fiscal policies to go along with stimulative monetary policy is needed to spur growth. They are likely going to get it in the US.

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Although effects of the election's outcome are uncertain, it is important to maintain a long-term perspective. Stocks have continued to climb over the years despite many wars, the Great Depression, the Great Recession, and the recent shocks mentioned above. Staying invested in the market through presidential transitions and not trying to time the market has historically rewarded investors.□

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