



The Trump Election: Market and Investment Consequences

It's the economy, stupid!

The Election Day Surprise!

Pollsters did not see it coming
Political experts did not see it coming
Journalists did not see it coming
Markets did not see it coming



And the Pricing Effect on Election Day!

Dow futures plunge 750 points as Trump takes key battleground states

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Asian shares plunge and Mexican peso falls to record low



The Pricing Effect: Since the election

US Treasuries			
Maturity	8-Nov	10-Nov	Change
3 month	0.42%	0.46%	0.04%
1 year	0.71%	0.72%	0.01%
5 year	1.34%	1.56%	0.22%
10 year	1.88%	2.15%	0.27%
10 yr - 3 mth	1.46%	1.69%	0.23%
Interest rates rose but more at long end			
US Dollar			
Currency	8-Nov	10-Nov	% Change
Peso/\$	18.32	19.84	8.30%
Euro/\$	0.9069	0.9183	1.25%
Pound/\$	0.8078	0.7973	-1.31%
Yen/\$	105.16	106.86	1.62%
\$ stronger against peso but flat against others			

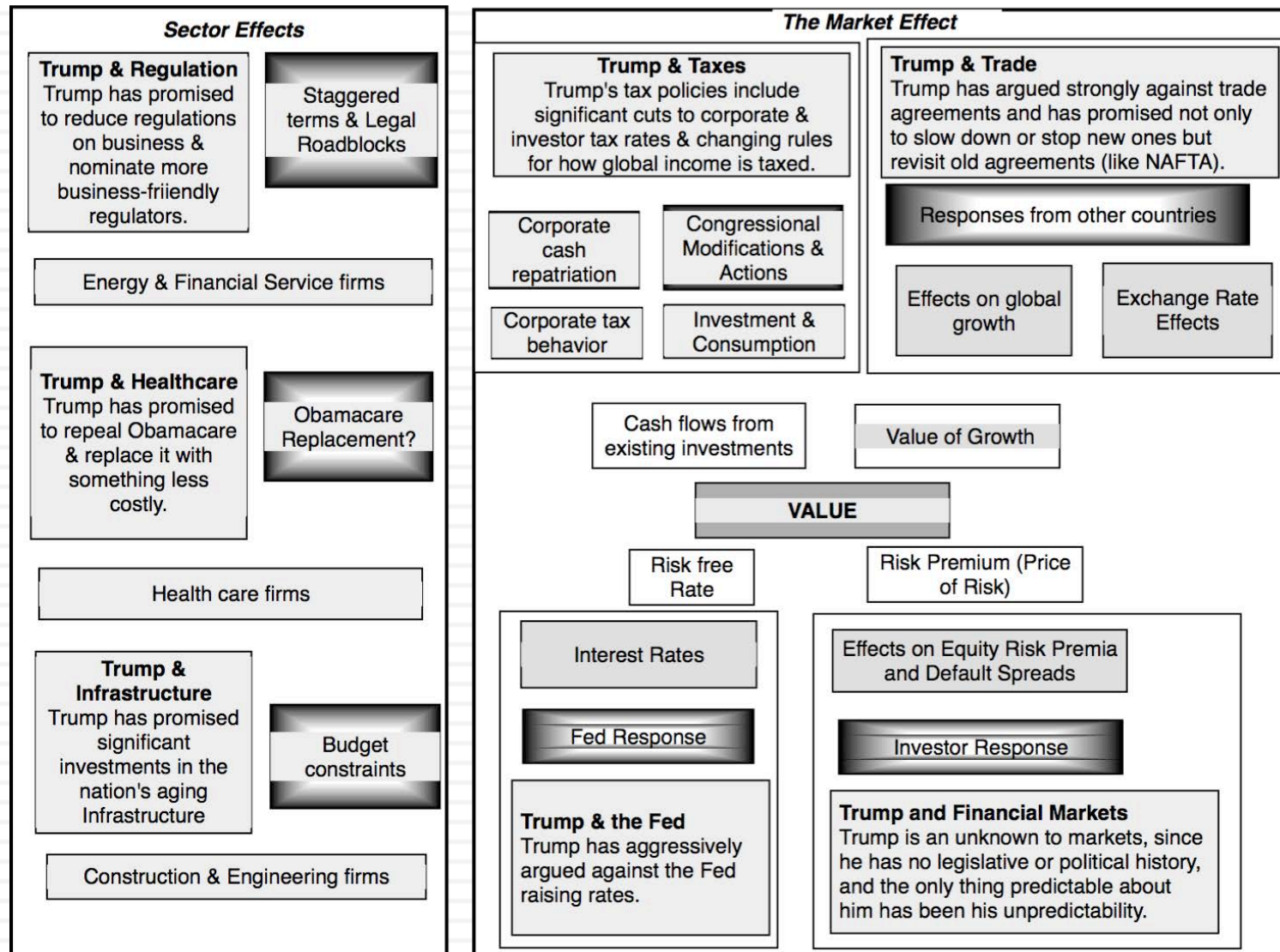
US Stocks			
Maturity	8-Nov	10-Nov	Change
Dow 30	18332.75	18807.88	2.59%
S&P 500	2139.56	2169.12	1.38%
Russell 2000	1195.14	1251.61	4.72%
NASDAQ	5193.49	5208.80	0.29%
US Stocks up, with small stocks up more.			
Fear Indices			
Fear factor	8-Nov	10-Nov	% Change
Gold	1275.68	1259.4	-1.28%
Silver	18.38	18.58	1.09%
VIX	18.74	14.74	-21.34%
Gold and silver flat but VIX dropped dramatically.			

Developed Market Stocks			
FTSE 100	6843.13	6827.98	-0.22%
Nikkei	17171.38	17344.42	1.01%
Euro 50	3023.43	3046.59	0.77%
Developed Market stocks unaffected			
Emerging Market Stocks			
Sensex	27591.14	27517.68	-0.27%
Bovespa	64157.68	61200.96	-4.61%
Hang Seng	22909.47	22839.11	-0.31%
Bolsa	48470.99	45218.60	-6.71%
Mexican & Brazilian stocks down, Asia flat			

Drilling down on stocks

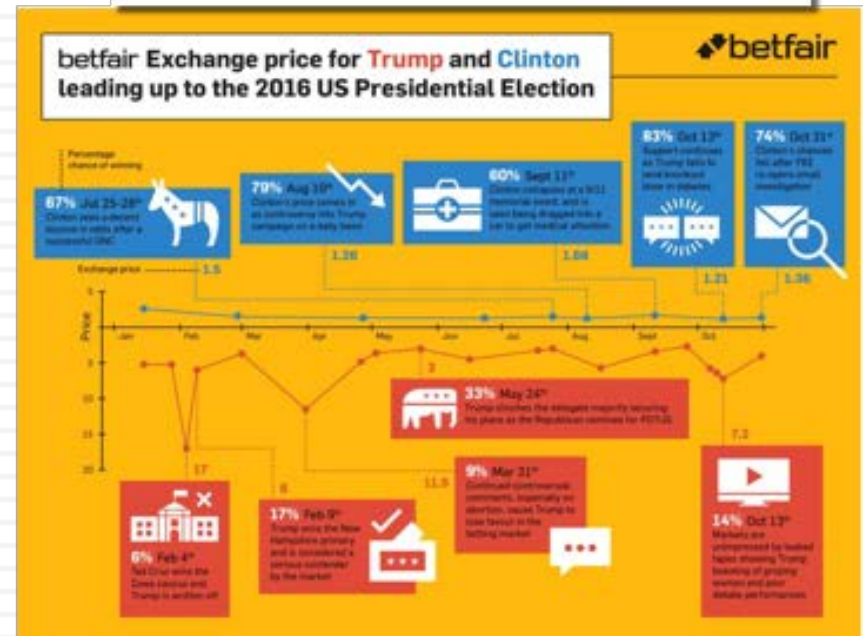
	<i>Last 5 days</i>	<i>Last 3 months</i>	<i>YTD (2016)</i>
Consumer Discretionary	2.46%	-2.57%	1.05%
Consumer Staples	-0.88%	-4.97%	2.95%
Energy	3.80%	3.50%	16.79%
Financial Services	6.48%	7.46%	6.38%
Financials	6.71%	6.70%	7.77%
Health Care	6.20%	-5.36%	-1.74%
Industrials	5.59%	2.23%	12.58%
Materials	4.39%	-0.94%	11.15%
Real Estate	0.40%	-12.21%	-3.83%
Technology	1.37%	0.45%	10.55%
Utilities	-1.17%	-6.59%	9.43%
S&P 500	3.11%	-0.85%	5.84%

The Trump Election: Value Effect



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The Betting Markets



Lesson 2: No one listens (or should listen) to the experts..

1. Expertise has become narrower and more specialized than ever before, leading to prognosticators who are incapable of seeing the big picture.
2. While experts have always had a mixed track record on forecasting, their mistakes now are not only more visible but also more public than ever before.
3. The mistakes experts make have become bigger and more common as the world has become more complex, partly because the interconnections between variables means there are far more uncontrollable elements than in the past.
4. Experts are just as biased as the rest of us.

Lesson 3: Narrative beat numbers

- Trump had a narrative of returning to an old-time America, a narrative that many of the urban elite viewed as not only implausible but racist and sexist.
- Clinton's key argument was that Trump, by temperament, experience and character, could not be trusted with the president. While she put out of reams of policy views, there was no overriding narrative about what she saw as the future of the country.

Lesson 4: Democracy can disappoint (you)

- While many, mostly on the winning side, celebrate the wisdom of crowds, there are an equal number on the losing side who bemoan the madness and prejudices of crowds.
- In a democracy, you will get outcomes you do not like and throwing a tantrum or threatening to move are not democratic responses. You may not like the outcome, but as an American political consultant said after his candidate lost an election, "the people have spoken... the bastards".

The End Game

- When Brexit happened, the odd confluence of events that accompanied it could be viewed as an aberration or accident.
- Now that the US presidential election has also been accompanied by eerily similar events, it is more difficult to label it as accidental.
- The questions that we have to ask are far reaching and could potentially change the way that elections are run, voters are informed (or misinformed) and the types of leaders that we will have in democracies.
- Rather than be nostalgic for the old days or bashing the new world order, we need to understand and adapt to it.