

POST-ELECTION COMMENTARY

An unexpected victory for Donald Trump in the U.S. presidential election resulted in equity markets selling off in the early hours. As of this writing (9:15 AM) the S&P 500 is down by approximately -1.40%, bouncing off overnight lows, which were -5.00%. We anticipate the market will continue to experience short-term volatility due to the high degree of uncertainty in terms of trade deals, cabinet roles, and Supreme Court appointments, among other variables. As the Senate and House of Representatives appear to have a Republican majority, U.S. politics are clearly at an inflection point. The global populist movement is not isolated to the U.S., as “Brexit” demonstrated, and will likely influence European elections slated for Italy this December as well as France and Germany in 2017.

In the U.S. markets, Treasury rates are lower, and odds of a Federal Reserve rate hike in December still remain at 71.5% down from the previous day’s level of 76.3%. At Clearbrook, we are advising our clients to stay the course and avoid making shifts to their asset allocation at this time. Economic growth remains positive coming in at 2.9% last quarter, and U.S. equities are poised to post positive earnings growth for the first time in over 5 quarters. At last count, the S&P 500 is estimated to show a positive earnings growth to +2.7% this quarter, versus an initial estimate at the beginning of the quarter of -1.00%. While the election results caught the markets by surprise, market and economic valuations have not changed overnight, and we believe shifts in allocation during this period of short-term market volatility are ill advised.

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