

President Trump

Initial Reaction
9th November 2016

In the run up to polling day, one commentator rather cheekily suggested that a vote for Trump is actually a vote for Pence. This is on the basis that it will not be long before Trump is impeached and that his Vice President assumes the role. We would not be as glib as this but the overnight news is definitely a surprise. Trump has led a confusing campaign and it is not clear what he stands for but he has successfully convinced the majority of American electorate that he at least stands for them. I guess this is what democracy is all about.

Some of the more excitable headline writers have suggested carnage in financial markets will result, while the actual outcome as London opened this morning has been rather muted. The dollar is a point or two softer and the futures markets suggest that the US markets will open around 2% lower. Markets dislike uncertainty and the lack of clarity on Trump's policies is admittedly unhelpful. We suspect that a Trump Presidency will not result in financial Armageddon although we find his views on global trade a little unsettling. In your portfolios, we take a degree of comfort from having raised cash from highly valued securities over recent months and we are cautiously positioned.

In many ways we see the outcome of this vote as being similar in nature to the Referendum. This is a vote against the status quo. Given the stagnation in median incomes and the growing gulf between the have and have nots, we are rather surprised the electorate has not spoken louder before now. The US and the UK economies are hopefully flexible and adaptable enough to cope with what has been thrown at them. The issue remains if protest votes emerge elsewhere. The sclerotic European economies may be much more vulnerable to an upset caused by a protest vote and this is something that we are keeping a close eye on.

Jason Broomer, Head of Investment

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