

MARKET INSIGHTS

From RiverPoint Capital Management

Market Insights is a publication of RiverPoint Capital Management.

Like everything we do, it is designed to bring you talented resources and proactive advice with a single purpose in mind – to help our clients achieve financial security and peace of mind.

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Election Night Update – Surprise, Surprise

Yes, we can't help but be surprised by President Trump's victory last night but also by the results in the Senate race as the Republicans kept control of the Senate which was a major surprise. Because of this, some in the media are characterizing this as a Republican "sweep." We don't see it this way as the majority in the Senate remains narrow and leadership in the House doesn't necessarily see eye to eye with President elect Trump. Appropriate checks and balances in government appear to be in place from our perspective. The key to President Trump's victory was his wins in states like Pennsylvania, Michigan and Wisconsin along with key battleground states, Ohio, Florida and North Carolina.



What does this mean for the financial markets?

In one word, volatility. Over the short term we are definitely going to see more volatility as a result of a Trump Presidency until it becomes clear as to where he will focus his efforts. We do expect him to significantly rein in his rhetoric and become more Presidential quickly. As we were awake in the wee hours last night, the market was worried about a contested election and an uncertain outcome. Once it became clear President Trump was going to be the winner, and he delivered a speech that centered around his focus on the American people, the market fears eased into the morning. The next few months will bring more clarity around his policies and what he is going to be able to get accomplished as our president.

From a business standpoint, listed below are items that are likely to be his focus and they are pro-growth in nature:

- Infrastructure Spending
- Repealing burdensome regulation on small business
- Corporate tax reform
- Individual tax reform
- Job creation
- Healthcare reform

In terms of our investment strategy, we went into the election prepared for this scenario having raised some cash in the weeks leading up to the election. From an economic standpoint the fundamental backdrop still looks constructive with the economy growing around 2 percent and potentially accelerating closer to 3 percent in the next 12 to 18 months driven by consumers, housing and changes President Trump has spoken about. While futures sold off more than 5 percent in after hours last night, as we are writing this, we are well off the lows and the market actually is trading roughly flat in the morning hours. This along with the fact that the 10-year treasury yield is rising today to close to 2 percent suggests the market acknowledges the potential positives of Trump's pro-growth policies. Yet many uncertainties remain, and corrections within a longer term bull market that result from such uncertainty are normal.

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We frequently see 5 to 10 percent corrections in the market during the course of bull markets, similar to what we saw in January and February to start the year. Valuations are reasonable and with third quarter earnings beating expectations and being positive for the first time in five quarters, we remain optimistic this growth will continue, and even accelerate to mid-high single digit earnings growth over the next 12 months.

Should any of the above factors change negatively we will take action but for the time being we plan to stay the course and are ready to be active buyers on weakness.

We hope this helps give you some perspective on what we are thinking and we will keep you posted as things develop. Please don't hesitate to contact your Wealth Advisor Team if you have any immediate questions.

Thanks,

RiverPoint Capital Management

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