

Credential Market Insights

SPECIAL EDITION

America Votes – November 9, 2016

Registered voters in the U.S. headed to the polls on November 8th to vote for the next President and Vice-President of the United States of America. Also up for grabs were the voting seats in the House of Representatives and the Senate.

Following months of campaigning and controversy along the way, the votes have been cast and counted with Donald J. Trump being elected by the people as the 45th President of the United States. Donald becomes one of few presidents with a primarily business background to hold the highest office in the U.S. capturing 47.5% of the popular votes and begins a new era of a Republican held Executive Branch. Legislatively, the Republicans retained control of Congress with wins in both the House of Representatives and the Senate.

U.S. Electoral Process

The 2016 Election was a fascinating ride, with the final days of the national campaign too close to call. The American election system only gives two parties a chance of getting their nominee into office and taking control of the legislative branch of the government, the House of Representatives and the Senate. The Democratic Party, typically symbolized by a donkey, the letter "D", or the colour blue; and the Republican Party, identified by an elephant, the letter "R", or the colour red.

Their Platforms

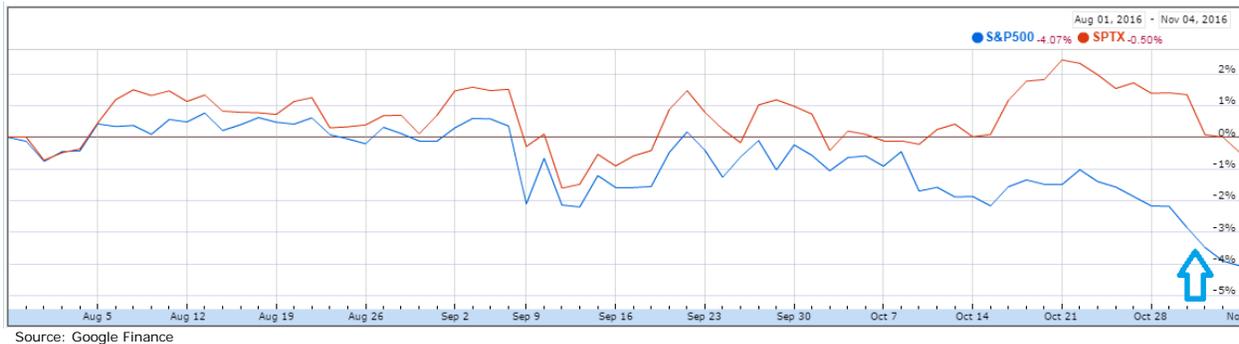
Under a two-party system, there is bound to be similarities between the platforms on certain topics; however, it's the opposing opinions on key issues that would be a determining factor among voters on Election Day. Compiled by the *Washington Times*, here's a list of some differences:

Topic	The Democrats say...	The Republicans say...
Keystone XL Pipeline Project	Reject the Keystone XL Pipeline	Build the Keystone XL Pipeline from Canada
Domestic Oil Production and Drilling	Discourage domestic oil production and stop drilling in the Arctic or Atlantic. Support new EPA rules on fracking.	Encourage domestic production by expanding drilling on federal lands and offshore. Get rid of Obama's anti-fossil fuel policies.
Obamacare	Expand Obamacare. Force all states to expand Medicaid.	Overturn Obamacare and replace with free market, patient-centered reforms.
Voting Regulations	Oppose photo ID laws; expand early voting, same-day registration, universal automatic registration, and convicts' voting rights.	Require proof of citizenship when registering to vote and secure photo ID when voting.
Women in the Military	Put women on the front lines in the name of equality.	Keep the combat exemption for servicewomen and oppose drafting women.
Education	Expand the federal role in education.	Affirm parental authority over the education of their children.
Abortion	Expand abortion availability and frequency by overturning federal and state laws and policies that impede a woman's access to abortion.	Protect innocent human life. Permanently ban federal funding and subsidies for abortion and healthcare plans that include abortion coverage.

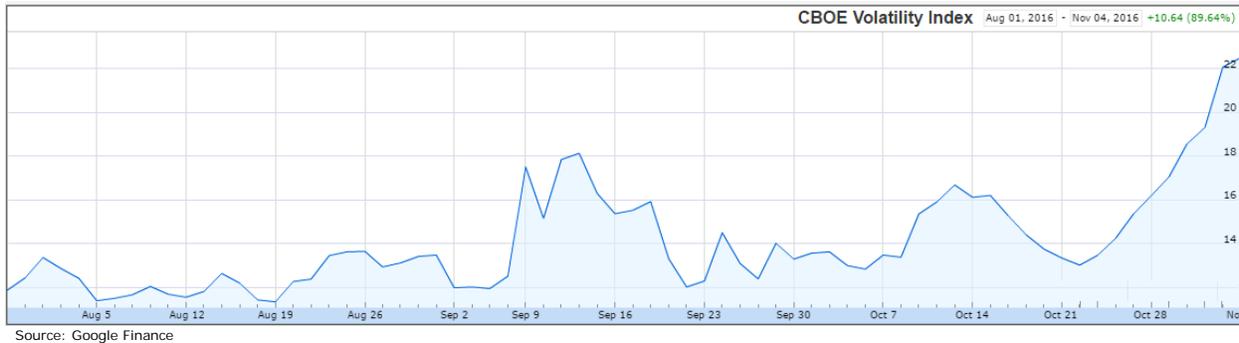
<http://www.washingtontimes.com/news/2016/jul/31/glaring-differences-between-republican-democratic-/>

Market Reaction

Markets are very sensitive to change, as seen with publication of negative economic data or the market disruption following the Brexit Referendum in June. The 2016 U.S. Election appears no different as voter sentiment was initially tilted towards Clinton winning the presidency. However, as the campaign progressed and drew to a close, both candidates were almost even with Clinton holding on to a slight advantage. Markets prefer the status quo with Clinton and the Democrats, but the possibility of a Trump victory and his proposed policies have caused some angst among investors and also within the Republican Party. This added uncertainty sent markets lower, with the S&P 500 recently falling for nine straight sessions, a selling off trend not seen for 36 years. This is shown by the blue arrow in the S&P chart below following Clinton's acceptance of the presidential nomination to November 4th. The S&P/TSX was added in red to show its movement alongside the S&P 500.



Similarly, the CBOE Volatility Index, or VIX, provides a general gauge of heightened investor anxiety as the index rose almost 90% over the same period.



Post-Election

With the election results only hours old, it's too soon to know the lasting implications of a Trump presidency until the legislative agenda has been set and Mr. Trump's administration has been chosen, confirmed, and sworn into office by the Senate. All this should occur within the first 100 days following Election Day.

Here are some market forecasts that that may happen as a result of Trump's victory:

- A return of the bears to the markets with increased volatility
- The U.S. dollar is expected to weaken against developed economies
- Treasuries may see an increase in demand due to a flight to safety, driving prices higher and yields lower in the short term
- Emerging markets may stumble as trade protectionism fears increase for those regions
- Fossil fuels, such as oil and coal, are expected to do well as America becomes more energy independent. Resources, such as gold and precious metals should perform well as investors migrate towards safe-haven assets amidst market uncertainty.

Market volatility rose as the election progressed and will likely persist over next few days and coming weeks as information is being digested, while the longer term implications of the new presidency has yet to be determined. Many portfolio managers have expressed that security valuations have been expensive and hope to find buying opportunities with the potential volatility.

Needless to say, investors should see this event as one of many events that will occur during their investment horizon. Staying the course and maintaining a focus on investment goals by keeping a diversified portfolio within pre-established risk tolerance and investment objectives should help mitigate possible short term volatility.

Credential will continue to closely monitor the events of this historic day. Additional commentary and resources from our Fund partners on the 2016 U.S. Election will be posted onto kXg in *Products & Research > Market Commentary* under the "Fund Companies" tab. Also, we will be covering initial reactions and impacts on the markets on Thursday, November 10th as an agenda item on the pre-scheduled monthly Credential Platinum List call.

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