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Donald Trump: How To Invest In The Stock Market If He Wins The Election


Ky Trang Ho, CONTRIBUTOR
I cover Shark Tank and investing in ETFs and mutual funds. FULL BIO
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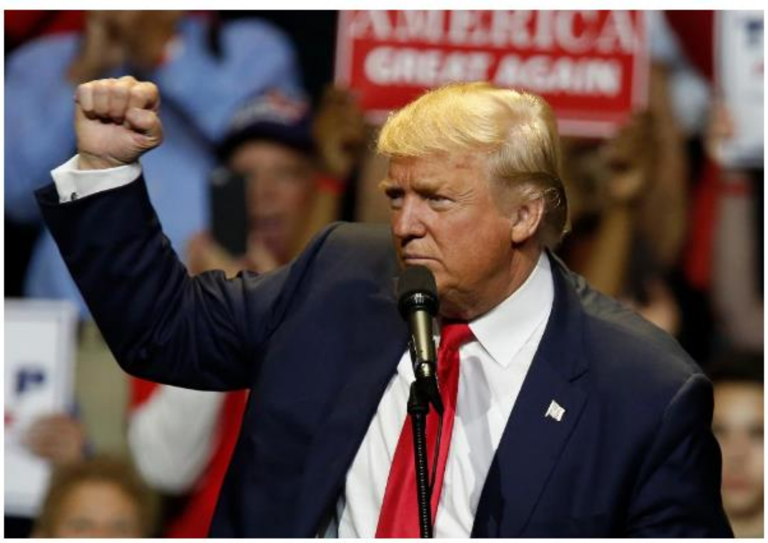
- The energy sector would probably benefit from Trump's election.
- The banking sector will thrive under the Trump Administration.

Republican presidential nominee Donald Trump is expected to move the stock market "bigly" (or "big league") one way or another if he wins the election. His policies call for huge tax cuts, repealing Obamacare and cutting government spending to reduce the national debt while boosting spending on infrastructure, e.g. building a wall with Mexico. I asked a panel of investment strategists to weigh in on which industries stand to gain and lose the most if Trump becomes U.S. president.



Republican presidential candidate Donald Trump speaks during a campaign rally at the US Bank Arena on October 13, 2016 in Cincinnati, Ohio. (David Kohl/AFP/Getty Images)

1. Commodities, Banks and Volatility

By Robert Johnson

Although the odds of a Trump presidency seemingly get longer by the day, the following stock sectors would likely benefit from a surprise Brexit-type verdict from the American electorate.

1. Large pharmaceutical firms (PPH) would likely breathe a sigh of relief with a Trump victory, as would biotechs (XBI). A Clinton win would put increasing pressure on the pharmaceutical industry.

2. Technology firms (XLK) may thrive as a result of increased merger and acquisition activity. There is currently a backlog of potential mergers due to the uncertainty of whether they would be allowed. Many technology firms have large cash positions and would benefit from Trump's promise to ease regulatory activity.

3. Gold (GLD) would benefit as a Trump victory would bring some near-term market turmoil. Investors tend to flock to the precious metal in uncertain times. And a Trump victory would heighten uncertainty

4. The VIX would spike as a result of a Trump victory. The implied volatility index would likely behave in a manner similar to the unexpected Brexit vote earlier this June. Short-term speculators wanting to bet on a Trump victory would benefit from a long VIX position (VXX).

5. Cement manufacturers would thrive if one takes Mr. Trump at his word about building that wall on the southern border. It is going to take a lot of cement to construct that barrier.

6. Money-center banks would benefit from a Trump win. Clinton's "I'll make Wells Fargo (WFC) pay" statements coupled with trying to overcompensate for her alleged ties to Wall Street — along with an emboldened Senator Warren — could be a bad environment for large financials, somewhat eased under a Trump regime.

Perhaps the most profound market impact — at least in the short term — of a Trump victory would be the impact on the Federal Reserve. Trump has attacked the independence of the Fed and suggested that the Fed Board of Governors was acting in a manner to benefit Barack Obama and Hillary Clinton. If a Trump victory leads to market disruptions, it may delay rate hikes by a Fed cautious not to forestall an economic recovery.

As always, investors need to monitor Fed actions closely. In *Invest With the Fed*, Gerald Jensen of Creighton University, Luis Garcia-Feijoo of Florida Atlantic University and I found that stock returns were dramatically lower when interest rates were rising than when rates were falling. From 1966 through 2013, the S&P 500 (SPY) gained 15.2% annually in a falling rate environment and only 5.9% in a rising rate environment. No matter who is elected president, the direction of interest rates over the long term is likely upward. Investors should be prepared for lower returns in the equity markets regardless of who wins in November.

Robert R. Johnson, Ph.D., CFA, CAIA, is president and CEO of The American College of Financial Services in Bryn Mawr, Penn.

2. Coal

By Daniel Kern

Presidential elections are full of sound and fury but normally have little impact on the stock market. Investors assume that candidates will moderate their positions to get elected and that gridlock in Washington will prevent too much in the way of extreme outcomes. This election is different, given the divisiveness of the campaign and anger among a meaningful subset of the electorate. The results of the election are likely to have a very real impact on the stock market.

Neither candidate is likely to have a "blank check" to enact legislation. The Democratic Party may regain control of the Senate but is less likely to gain control of the House of Representatives. Donald Trump may be constrained legislatively by philosophical differences within his party, even if the House and Senate remain in Republican hands. Trump's promise of steep across-the-board tax cuts would face opposition from within his party.

In the event of Congressional gridlock, much of the "action" will take place in arenas in which the President has more latitude. Executive orders, appointments of a Fed Chair, judges and regulators would prove to be consequential to the stock market.

Trump is viewed as the more unpredictable of the two candidates. Near-term market volatility is expected to spike if he's elected. Both candidates are expected to increase the federal budget deficit, though Trump's tax and spending plans would widen the budget deficit by a far greater amount than Clinton's plans.

Trump is a vocal supporter of the coal industry (KOL) and traditional fossil fuels. Trump is likely to modify the "drill, baby, drill" mantra that started in the 2008 presidential campaign to be "frack, baby, frack."

Dan Kern, CFA, CFP®, is chief investment strategist at TFC Financial Management in Boston with $780 million in assets under management.