



# OUR VIEW



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## The Presidential Election . . . President Trump?

Donald Trump is the presumptive Republican nominee for President, following the departure of Ted Cruz and John Kasich from an increasingly one-sided race. Although Hillary Clinton has a commanding lead in the Democratic race, Bernie Sanders is likely to stay in the race through the June 7 primaries.

Current polls suggest that Clinton has the inside track to win the general election. Trump has surprised professional political analysts throughout this race, so it seems premature to discount his chances to overcome the gap with Clinton. With polls indicating that more than half the electorate have a negative impression of both candidates, it's challenging to forecast the outcome of the election and implications for elections beyond the presidential race. A cloud over Clinton's candidacy continues to be scrutiny over the private e-mail server used by Clinton while Secretary of State.

## How Would Trump or Clinton Govern?

Trump's campaign has been more "reality" television show than traditional presidential campaign. We don't know whether candidate Trump will change in demeanor if elected President. Would he insult world leaders, start trade wars, and/or use the mechanisms of government to attack domestic critics? Beyond Trump's rhetoric, he's offered little in the way of policy detail and few clues about how he would govern. Questions remain for Clinton as well, with analysts speculating whether she would govern in alignment with policy approaches favored by supporters of Bernie Sanders and Elizabeth Warren, or would move toward the centrist approach of Bill Clinton during much of his Presidency. Considerable uncertainty about how each candidate would govern is likely to remain, even after election results are in.

Trump's most extreme proposals on immigration, taxes, and trade can't be implemented without Congressional action, given the limits to presidential power. Even if the Republican Party retains control over both houses of Congress, it's unlikely that Trump will get his wall with Mexico or 45% tariffs on Chinese imports. However, we're less complacent about the virtues of Washington "gridlock" than some political analysts. Even if Congress was united against the president, the erosion of checks and balances against presidential powers leaves considerable room for policy mischief. A Trump administration would have considerable power – through executive orders and appointments of a Fed chair, judges, and regulatory administrators.

## Investment Implications

Uncertainty about the election adds to the already-long list of worries for the market! In our view, it isn't time to hit the "panic button," as we'll be able to better assess the political implications for markets as we get closer to Election Day. The rise of Trump and continuing popularity of Sanders



increases the perceived political risk for the U.S., presenting America with some of the challenges faced by several European countries in recent years. Investment implications include the likelihood that markets will be more volatile leading up to the election and potentially in the aftermath of the election. The U.S., which politically has been something of a safe haven for investors, may become a little less of a safe haven as our “political risk advantage” potentially narrows against Europe and Japan. We believe our collective experience and judgement will guide our clients through this heightened period of political uncertainty. We’ll continue to focus on maintaining liquid, well-diversified portfolios, judiciously rebalancing portfolios when appropriate, and seeking opportunities created by market dislocations.

If you have any questions, please do not hesitate to contact us directly.

Regards,

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