

### U.S. Election



#### What happened?

Donald Trump's election as the next U.S. president was not a popular choice for capital markets. However, it appears to represent the average American's demand for change. Bond, stock and currency markets were very volatile during 24 hours leading up to the election. Stocks are 2-3% higher from the lows, while bonds, foreign currencies and gold bullion are 2-3% lower from their

highs. Market reaction calmed following Trump's victory speech, which was a lot more modest than his campaign speeches.

Markets will likely remain volatile as investors attempt to predict what the result means to global economic growth and asset prices. There could be positive surprises to the U.S. economy over the long term, as his proposals include reducing taxes and increasing infrastructure spending.

#### The big picture

We did not try to profit by predicting the election outcome. Our portfolios are invested diversely across multiple asset classes and currencies, and we take advantage of low and negative correlations between them to build our portfolios. We created no bias for a Trump win or loss. Portfolios that are managed for investors with short-term horizons benefited from our holdings in government bonds and foreign currencies. We also held significant amounts of cash on the view that many asset classes were over-valued. We expect Trump's actual policies to be more modest and have limited long-term impact on the companies we own. However, there could be opportunities for us to reposition the portfolios if valuations become more attractive.

#### What we did in the last 24 hours

We followed the same playbook as we did for the Brexit referendum, which was to stay diversified and be ready to adjust to valuation changes without attempting to predict binary outcomes. We reduced the portfolios' U.S. Treasury exposure diligently late last night in the Asian trading hours as they reached our price targets. We also increased our hedge to the euro as it rallied versus the Canadian dollar before selling off overnight.

#### What are our plans?

We expect to hang on to our quality investments, as the earnings outlook has not changed. We may buy back some of the government bond investments we sold, as they re-priced since we traded.

We also have large amount of cash that can be deployed. We held more cash not because of the election, but due to the valuation concerns. We will invest as a result of valuation improvement. Our outlook for slow global growth and disinflationary trends has not changed. We remain cautiously positioned with lower equity weights across the portfolios, and will look for opportunities to increase weightings. We remain focused on generating strong risk-adjusted performance while protecting our investors by continually assessing valuations, fundamentals and cross-asset correlations.



Want more information? Call us at **1.888.824.4351** today to schedule your one-on-one consultation.

1575 Bishop Street, Suite One  
Cambridge, ON  
N1R 7J4

Telephone: 519.622.3740 [servicenow@thesteelgroup.ca](mailto:servicenow@thesteelgroup.ca)  
Toll-free: 888.824.4351 [www.thesteelgroup.ca](http://www.thesteelgroup.ca)  
Facsimile: 519.622.0508

Check us out on [Facebook](#) [LinkedIn](#) & [Twitter](#)

