



SILVERCREST
ASSET MANAGEMENT GROUP

PRESIDENT TRUMP

Yesterday's election of Donald Trump to be the 45th President of the United States came as a surprise to many, and certainly to markets. The comparisons to the Brexit vote, in June, are already clichéd, but in our mind carry a great deal of substance. Both votes triggered immediate market reactions that investors would be wise to put to one side and not fall prey to. Both votes have long-term implications that will unfold over time and demand careful consideration.

At one point last night, trading in S&P 500 futures was halted after they fell -5%. As I write, the S&P 500 has rebounded completely, and is up nearly +1% from yesterday's close. On Monday, we advised that, should the election take an unexpected turn, investors should take such movements—positive or negative—with a grain of salt, and respond to facts, rather than emotion. That's hard, because this has been an emotional election, but this makes investment discipline that much more important.

Like Brexit, Donald Trump's election reflects a deep erosion of a set of political assumptions that defined the post-1945 world. As with Brexit, the winners of this vote have set out a broad direction but have no clear program for implementing that direction in any detail, or resolving its many apparent contradictions. Donald Trump campaigned on a number of proposals that, if taken at face value, would represent a historic reorientation of U.S. economic and foreign policy, and raise geopolitical questions that few have ever considered. Should they be taken at face value? The honest answer is, nobody, even his advisors, really knows.

One indication will be who President-elect Trump appoints to important roles in his Administration. Another will be whether he works with Speaker of the House Paul Ryan or seeks to unseat and replace him. Republicans are speaking confidently today about passing tax reform, reducing the trade deficit, and reinvesting in the nation's infrastructure. We will monitor these plans with great interest. In the meantime, investment fundamentals—resilient (if uneven) growth, modest (if rising) inflation, and a solid rebound in recent corporate earnings—will continue to guide Silvercrest's investment strategy, as it has all along.

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