

November 2016

Politics, Presidents and Policy

Does it really matter?

We don't know about you, but we're looking forward to next Wednesday. Hopefully, we will have a new President by then. Hopefully!

Rather than dwell on the election itself, we'd like to focus this newsletter on the likely impact that the election outcome has on your portfolio, and what we are doing to position clients for the coming months.

If you look back over U.S. history, the election cycle has not meaningfully impacted financial markets. Sure there are examples of geopolitical events having major impact, but any impact from the U.S. Presidential election is most often temporary in nature. Yes, certain sectors of the U.S. economy are likely to experience short term volatility, but history suggests that a President's policy choices are mostly inconsequential to long term financial market performance. So, why bother writing about it?

Anticipation may benefit tactical traders

The short answer is that the anticipation of a President's policies tends to cause certain companies/industries or sectors to experience short term gains or losses. That may be good for tactical traders looking to make a quick buck. Ultimately, the fundamentals of good strong companies drive performance over longer periods. So, building a long term portfolio around election gyrations is not a wise decision, strategically speaking. Both Clinton and Trump are talking about stimulative fiscal policy, through tax cuts and infrastructure spending. This should boost economic growth and extend the bull market. However, the cynics would say that Washington's gridlock will mute any benefits. Washington partisanship is here to stay, so significant policy change in the aftermath of this ugly campaign will be hard to come by, regardless of the winner. If you held our feet to the fire for tactical ideas, we would focus on the industrial sector, as well as aerospace and defense. We recently added both General Dynamics,

Vulcan Materials and the Industrial Sector ETF as plays on these themes.

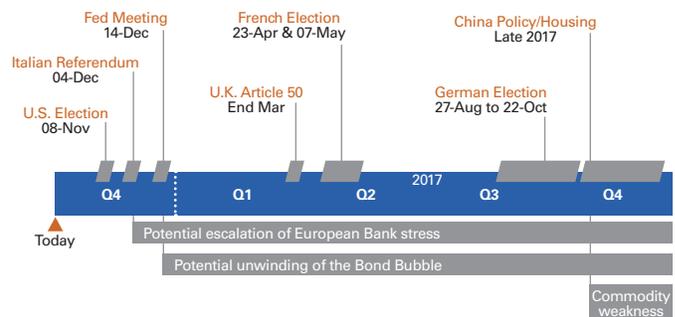
Tactical areas of focus



Volatility drivers on the horizon

Once the dust has settled on the election, there are a host of events slated for the coming months which may cause even greater volatility than the election. The chart below highlights the timeline of political and economic risks that we have to look forward to.

Timeline of Political and Economic Risks



What does it mean for investors?

USE MARKET VOLATILITY AS BUYING OPPORTUNITY

We continue to favor large high quality U.S. companies in the face of economic risk, and shortened duration in bond portfolios with the Fed likely to raise rates in December. Most importantly, we do not see recession in 2017 and intend to use market volatility as a buying opportunity.

Enjoy the election!

TO VIEW A MORE DETAILED DESCRIPTION AND ANALYSIS OF THESE INSIGHTS, VISIT WWW.WEBSTERBANK.COM/PB.

Source for charts: MRB Partners, 11/16

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