# Is Your Portfolio Tough Enough to Survive the Next U.S. President?

## Description

After an interminable wait, the 2016 U.S. presidential election is now just a fortnight away.

The world will be glad to see the back of this outrageously ill-natured and divisive campaign, but some investors may be anticipating the outcome with trepidation.



President Clinton and President Trump would each take the U.S. in very different directions, and the world would inevitably follow. So what should you be doing to protect yourself?

### Sidelong view

When it comes to politics, we don't take sides at the Fool. If you want a partisan view, you are on the wrong site.

What concerns us is the impact on our investment portfolios. First, that means we do want a result. So, no reprise of those hanging chads that marred the 2000 presidential election, and, please, Donald J. Trump, don't keep us in suspense over whether or not you will accept the verdict. Markets hate uncertainty, and a clear-cut result will be a boost.

### I want to break free

Many investors do take sides, and they seem as divided as the electorate. Donald Trump definitely scares them. This is a man who has labelled the World Trade Organization a "disaster" and talked about repealing the North American Free Trade Agreement (NAFTA).

If he followed words with protectionist action, it would spell disaster for company earnings, stock markets, and the global economy. It would swamp any positive impact from any growth-friendly tax cuts.

President Trump might baulk at taking such a drastic step, but you never know with this man, so expect a spike in market volatility if he wins.

**Wall Street of worry**

Investor nervousness over Donald Trump does not translate into support for Hillary Clinton.

Her plans include a transaction tax to reduce high-frequency trading. That will push up investor costs and drive many out of the market, which won't do much good for share prices.

However, bankers don't pay politicians like Clinton big bucks to say things they don't want to hear, and nobody is expecting an all-out assault on Wall Street. Democratic rival Bernie Sanders talked of reinstating the Glass-Steagall Act, which banned commercial banks from participating in investment banking, but few expect Hillary Clinton to do so.

She is more of a known entity than Trump, and markets could quickly decide it is therefore all business as usual.

Some investors may be willing to take sector calls, for example, betting that Clinton will be back for healthcare stocks, while Trump would give the defence industry around the world a boost.

You can play that game if you want, but it means that first you are speculating on the result of the election, and second, you are making a judgement call on what each candidate will do in practice. If you get it wrong, it could cost you dearly.



**The real winner**

Investing is a long-term pursuit, which should easily outlast the four-year electoral cycle.

Whether Clinton or Trump prevails, our long-term Foolish wisdom will ultimately prove the winner.

If you are investing for five, 10, 20, or 30 years, you can afford to look beyond short-term political shocks. In fact, you can turn them to your advantage by taking advantage of short-lived share-price weakness to load up on your favourite companies at bargain prices.

If your portfolio is already well diversified between different sectors, markets, and regions, then neither Trump nor Clinton should worry you. In the long run, stocks and shares will outperform almost any rival investment, as they have always done before.

**CATEGORY**

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