Why Trump-Proofing Your Portfolio Is a Waste of Time

Description

Financial markets remain jittery over the outcome of one of the tightest and most controversial U.S. presidential elections of all time. One thing that has every market worried is a Trump victory.

Every time polls indicate that he has a chance of winning, global financial markets go into a tailspin. After the results of the latest U.S. poll showed that both contenders were neck and neck, Asian markets plunged across the region between 1% and 2%. This is because of the growing concern about the impact that many of Trump's more regressive policies will have on a global economy riven with economic and political fissures.

Subsequently, there has been a surge in the volume of pundits making prognostications as to how investors can hedge against a Trump victory.

However, much of this appears to be headline-grabbing sound bites rather than constructive advice on how to generate and protect wealth.

Now what?

We are certainly witnessing a bitterly contested presidential race, but the overall outcome will have little long-term impact on financial markets. This is despite fears of how Trump's plans to slash foreign aid, reform taxation, reduce immigration, and restructure NAFTA will impact the fragile U.S. economic recovery.

Even if Trump makes it to the oval office, he won't receive a free pass from Congress. Along with many other legislative hurdles, this will force his policies to be reviewed and refined if they are ever to be implemented, and the more extreme policies will be blocked or rejected.

Then you have Trump himself, who has admitted that many of his proclamations are aimed at garnering votes rather than being fixed policy statements. In fact, in recent weeks has even distanced himself from some of his earlier, more extreme remarks.

More importantly, market data shows that U.S. presidents have had no significant long-term impact on financial markets. There have, however, been short-term market blips because of surprise election results. Clearly, until the election is settled, there will be a tangible increase in market volatility.

Fears of Trump ascending to the White House have triggered a stampede to safety, which has pushed gold higher in recent days. This is because gold is perceived to the ultimate safe haven against uncertainty; some are claiming that a Trump victory could push gold higher by up to 40% from current levels.

So what?

When investors react to every headline and sound bite emanating from Wall Street, they tend to engage in wealth-destroying behaviour. One of the most effective ways of creating wealth is long-term investing in quality companies that are easily understood, have wide economic moats, and strong histories of growth. This means that investors should ignore market noise, invest with conviction, and not change strategies at the slightest whim.

Not only does **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) have an almost insurmountable economic moat because of the steep barriers to entry to the railroad industry, but its business forms an indispensable part of Canada's economic infrastructure. This is because it operates Canada's only transcontinental railway, and rail will remain as the most cost-effective means of bulk freight transportation for some time to come.

The benefits of long-term investing become clear when considering that a $10,000 investment in Canadian National 10 years ago would now be worth $36,100 if dividends were reinvested. This represents an impressive annual return of just under 14%–more than many investors can achieve through active trading and reacting to every market event.

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1. Investing

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1. Editor's Choice

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Date
2025/08/23
Date Created

2016/11/07
Author
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