



Why Trump Could Be Right: The Markets Could Collapse if He's Not Re-Elected

Description

U.S. president Donald Trump can sometimes overstate his impact on the markets. However, that doesn't mean he doesn't influence them and that there could be some serious fallout if next November we see a shift in power in the U.S.

Below, I'll look at a couple of reasons why the stock market could be headed for trouble if the Democrats get into power at the next U.S. election.

Tax impact

One of the major changes Trump has done is tax reform in the U.S., and that gave many companies a [big boost](#) in their bottom lines, at least initially. The president has generally been very friendly to U.S.-based companies and tried to find ways to help them, even if it's perhaps been a bit extreme with tariffs and trade wars causing other issues along the way. With a Democratic president in place, we could see a reversal of that and more taxes being levied onto companies to help inject more money into the system to pay for social causes.

Not only would that lead to lower bottom lines, but it would put a strain on cash flow as well. And with many bubbles forming in the tech and cannabis industries where profits and cash flows are sometimes at a bit of a premium, adding more financial responsibility onto those companies could make them even more vulnerable.

Breaking up tech stocks

With all the scandals involving tech companies over the years, there's been a growing desire to hold them more accountable. Democratic candidate Elizabeth Warren is even looking to break up the companies. Here again, more regulation and the break up of a company like **Facebook** could have far-reaching impacts on the industry. Tech stocks normally drive a lot of growth in the markets, and putting them in limbo could make investors very hesitant to invest in U.S.-based tech stocks.

Even a company like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), which is technically based in Canada but has significant operations in the U.S., could be impacted. The company's growing value has been largely based on rising sales, but the issue could get complicated for the company if it gets saddled with more taxes from the U.S. and has to more stringent red tape it has to operate under.

Shopify isn't one of the big tech stocks that would be targeted by Warren or other candidates, but it could certainly still feel an impact from a change in regulations. The markets can have some strong reactions when it comes to bearish factors that drive profitability down, and Shopify is already one stock that might be [overdue for a correction](#), as it has had challenges staying out of the red and growth has been slowing down.

It's not just Shopify either, as many stocks on the Canadian and U.S. markets look expensive today, and significant policy changes in the U.S. could be the catalyst behind a much bigger market correction.

Bottom line

We won't know for certain what changes Warren or any other Democratic candidate would make for sure, but there's definitely the possibility that things could get worse for some industries, which could drag the markets down. Whether that results in a dip or a crash is anyone's guess, but investors shouldn't be dismissive of the idea that perhaps things could be worse under Democratic control.

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