



If Justin Trudeau Wins Again, What Happens to the Stock Market?

Description

The **S&P/TSX Composite Index** is at a record high, as Justin Trudeau hits the campaign trail to seek re-election this month. The index has hit a fresh high 30 times since the end of 2015 and over five times this year alone.

However, the economic growth and stock market performance in Canada can't be solely attributed to the government's policies. The rise in the global price of oil, commodities, the Canadian dollar, and gold have been driving the nation's stock market forward. Trudeau's direct impact may be limited to the legal marijuana sector, which has generated billions in value since he pushed for legalization.

This time, however, the economy is a prime focus for all candidates. Front-runners Justin Trudeau and Andrew Scheer have both targeted specific industries in their campaign promises so far, so investors have some indication of the impact this upcoming election will have on their portfolios.

From my analysis, based on the election promises of the two front-runners, I see two clear themes emerging. Here's a closer look:

If Trudeau wins

Justin Trudeau's recent promise to reduce the costs of cell phone bills by a quarter is particularly interesting. Canada's mobile data and talk-time costs are higher than most other countries in the world. Reducing the costs will involve negotiating with existing players to reduce prices and introducing legislation to boost competition.

While that's great for consumers, it may hit the top three telecom players hard. **Telus, Bell, and Rogers** collectively hold 88.7% of the market and have benefited immensely from the lack of competition. Capping their prices and introducing new players to the market at a time when all players are [investing heavily in 5G technology](#) will undoubtedly have a negative impact on their bottom lines.

If Scheer wins

[Andrew Scheer's pro-energy policies](#) are seen as major themes of his election platform. He is a vocal critic of the carbon tax, has promised to boost spending on energy infrastructure (read: pipelines), and wants to make Canada energy independent by 2030.

Having an ally in Ottawa is likely to benefit **Canadian Natural Resources**, the country's largest oil producer, and **Baytex Energy**, which is counting on government support to restructure operations and improve profitability, among many other oil and gas stocks.

Common themes

Despite their ideological differences, the two major parties agree on a number of key issues that could have significant consequences on investors. Both, for example, want to make housing more affordable and help first-time home buyers across the country. This means builders and construction companies will benefit regardless of who wins.

Both parties also promise tax cuts for the middle- and lower-income brackets, which could boost consumer spending and help the economy.

Foolish takeaway

It may be fair to predict that telecom stocks could drop if Trudeau gets re-elected, while a Scheer victory could set off a rally in oil and gas stocks. However, politics are unpredictable and nuanced, so I wouldn't encourage taking investment decisions based solely on the outcome of the federal election.

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