If Trump Is Re-elected in 2020, What Will It Mean for the TSX?

Description

The majority of North American investors were predicting a bloodbath if Donald Trump were to win the presidential elections in November 2016. Financial professionals were in a state of shock on the day Trump upset Hillary Clinton. However, it was destiny for the American billionaire to become the 45th President of the United States.

Kevin McCreadie, President and CIO of Canadian fund firm AGF Investments, said that Trump's triumph was a blessing and a curse for Canada. He adds, "There are certain positive and negatives right off the bat."

Market reaction

Stock markets do not like uncertainty, and Donald Trump was an unproven figure in the political arena. Trump said in his victory speech said, "We will seek common ground, not hostility. Partnership, not conflict." The encouraging words instantly erased market jitters.

Wall Street and the **Toronto Stock Exchange** (TSX) did not crash on November 9, 2016. Canada's main stock market index rose by 103.1points to 14,759.90 because of the president-elect's optimistic tone. The TSX went on the finish 2016 at 15,287.89 or a gain of 17.51% for the year.

Through Trump's presidency

The market's uptrend continued in 2017, although it only gained 6.03% with the TSX closing the year at 16,209.13. Corporate profits, commodities, and tame inflation were the drivers of global growth. However, the TSX's gain was low compared to the gains of the three leading indices at Wall Street between 19% and 28%.

Extreme volatility, geopolitical uncertainty, and plunging oil prices in 2018 were reasons why the TSX posted its worst performance in a decade. The index lost 11.64% for the year. From 16,209.13, it sunk by 1,886.27 points to 14,322.86.

Last year was a banner year for the TSX. Market experts were correct in saying that Canada’s stock market will recover in 2019. Rightly so, the total gain was 19.13% as the TSX ended with a bang at 17,063.43. Technology and industrials stocks were the big winners.

Incredible growth

From December 31, 2016, to December 31, 2019, **Shopify** (TSX:SHOP)(NYSE:SHOP) displayed incredible growth. The tech stock’s total return within that span was 795.57%. If you invested $10,000 ($57.65 per share) and still held the stock, your investment would be worth $218,120 today.

This 16-year-old firm has overtaken 156-year-old **Royal Bank of Canada** as the largest publicly-traded company on the TSX. As of July 13, 2020, its market capitalization is $157 billion versus the premier bank’s $132.97 billion. The stock’s year-to-date gain thus far is 154.7%. The stock performance is fantastic, but the price is too high now.

Earnings are still suspect, as this provider of cloud-based commerce platform for small- and medium-sized businesses have yet to report profits. Shopify is now the prince of e-commerce in the U.S. after the king, **Amazon.com**. Still, merchant signings should continue as more businesses pivot to e-commerce.

Uncertainty prevails

The U.S. presidential elections matter to Canadians. COVID-19, not incumbent U.S. President Donald Trump, caused the 2020 stock market crash in Canada and elsewhere. Whoever wins this year, uncertainty will prevail, given the ever-present pandemic.

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cliew