



Market Commentary: Post Election Results

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Equities

- The Dow Futures traded down around 800 points at one point last night, as the market started to process the likelihood that Donald Trump would be elected President. The losses have since reversed and the Dow has been trading in positive territory this afternoon. The futures for the S&P 500 also were down sharply overnight, and are now trading in positive territory as well.
- Over the coming days, the market will sort out the potential winners and losers from a sector and company standpoint. Banks look to be one potential beneficiary, as regulatory controls will likely be lessened. A steeper yield curve would also help bank margins. Infrastructure names also look to benefit from the potential plans put forth by Mr. Trump. The health care sector may be another beneficiary, specifically large pharma and bio technology companies, because of potentially more favorable pricing.

Fixed Income

- The U.S. Treasury yield curve steepened overnight on the heels of Donald Trump's victory. In afternoon trading, both the two-year U.S. Treasury note and the 30-year U.S.

Treasury bond dropped in price, with yields rising roughly three basis points (0.03%) and 20 basis points (0.20%), respectively. At 12:00 noon, the two-year U.S. Treasury note was yielding approximately 88 basis points (0.88%) and the 30-year U.S. Treasury bond was yielding around 2.81%.

- The short end of the curve, more sensitive to monetary policy, is pricing in an 80% probability the Federal Reserve will raise interest rates before the end of the year; slightly lower compared to yesterday.
- The long end of the curve is being driven from higher inflation expectations resulting from a potential increase in government spending under Donald Trump. Treasury Inflation Protected Securities (TIPS) prices have also dropped this afternoon retracing early morning gains.

In the short term, we expect higher than normal financial market volatility as investors digest the results of the election. Over the long term, we continue to believe corporate profitability is essential for equity valuations. In fixed income, our focus remains on high-grade issuers with short to intermediate maturities.

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