INVESTMENT UPDATE

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Argent FINANCIAL GROUP, INC

What a difference a day makes!

Before last night, the conventional wisdom held that Hillary Clinton would be our next president and the next four years would be colored by her policy agenda. The markets had already come to terms with that probability and had placed their bets accordingly. Now, those bets are off and new bets must be made: hence the violent actions in the futures markets as the electoral results frustrated expectations. This morning, following a night of cognitive dissonance, the actual markets have regained their composure: as of this writing, the equity markets have returned to positive levels. The world did not come to an end.

A Trump presidency does present challenges to the economy, stock markets and the direction of interest rates. But then, so would a Clinton presidency. Both candidates were outspoken in their opposition to existing trade agreements and guarded in their outlook concerning future trade pacts: this has not encouraged optimism about the future of a very interrelated global economy. Time will tell how serious the new president will be about punishing our trading partners. But there are economic positives to a Trump presidency:

- Increased probability of a repatriation of foreign profits
- Greater infrastructure spending
- Possibility of an easing of regulations and legal actions on financial institutions, energy companies, etc.
- Majorities in both houses of Congress (thin as they are) and a Republican president should end some of the gridlock on taxing and spending that have plagued the government over the last eight years

Historically, stock markets have favored Republican administrations when they hold majorities in both the Senate and the House. But this is an unusual president and an unusual relationship with the members of his party in Congress. Time will tell.

Some pundits suggest that the uncertainty surrounding a Trump presidency might encourage the Fed to postpone an interest rate hike in December. We believe the Fed will likely act on data and not uncertainty: we believe we've seen the low for interest rates, but also expect rate hikes to be moderate for the foreseeable future.

We will continue to monitor developments on the political front as Trump attempts to clarify his positions, now that he's the president-elect. Though market volatility may increase during this process of clarification, Trump is inheriting a relatively healthy economy (2.9% GDP AND 4.9% unemployment). We remain cautious, although mostly invested, and believe financial markets will continue to mark time until more information is available on policy initiatives as well as administration appointees.