Will the new US president affect us?

Donald J. Trump is going to be the 45th president of the United States. Whether you are a supporter of the brash billionaire or not, one thing that can be agreed upon is that his victory on November 8th was a surprise to just about everyone. So now that The Donald has pulled off the unlikely, if not seemingly impossible, what does that mean for the financial markets? And how does that in turn affect the LPF?

In the short-term, financial markets will be driven by how people feel about the new president and the promises he talked about during his campaign. At this point, people aren't sure about what to expect, so the markets have been a little rocky recently. Having said that, equity markets have generally gone up since the election, even to all-time highs in the US. In the longer-term, however, markets will take into account the policies he actually puts in place, which will be what affects the pension plan the most. So just what does Trump have in store for the American economy, and how might it affect the plan's investments?

One of the cornerstones of Trump's campaign was his promise to rebuild America's aging infrastructure with a whopping $1 trillion price tag over 10 years. This means that the government will spend money to improve the country's airports, highways, bridges and pipelines, potentially creating thousands of jobs for American workers and providing a boost to economic activity. Increased infrastructure spending will also produce a multiplier effect whereby other parts of the economy would also be strengthened, likely generating a rise in US stock prices. All of this would be good news for the LPF given we invest in both infrastructure and US stocks, so we would expect to see some strong returns for the plan in those areas.

On the flip side, Mr. Trump feels very strongly about "Making America Great Again". You have probably heard that he plans to do this through tighter immigration and renegotiated trade agreements with international trade partners. So what does this mean?

Lowering the number of immigrants allowed into the US will lead to both a shortage of labour in the US as well as higher unemployment for people around the world. In turn, people won't want to spend money because they don't have jobs, so the overall economy will slow down. Similarly, allowing less trade with other countries with the purpose of "protecting" American jobs may sound like a good idea. However, the reality is that it will likely increase the costs of goods and services in the US, which will slow down the US economy because the rest of the world will buy these things elsewhere at cheaper prices. So overall, the US economy, as well as the global economy, will likely slow down as a result of these policies. A slowing global economy will have a negative effect on both US and global stock prices, and the LPF could be adversely affected as a result of owning these stocks.

What is unknown at this point is whether Trump will actually follow through with many of his election promises! Perhaps he will rethink some of it as he takes a good look at the potential impact on America, and the world. Perhaps what has been said on the campaign trail should be taken with a grain of salt, as too often we have seen politicians promise the world and deliver very little once taking office. Only time will tell.

In summary, it would appear as though Trump's proposed policies would have offsetting effects on the Labourers' Pension Fund. Infrastructure spending will be good for the plan's infrastructure and US stock portfolios, while tighter immigration and stricter trade agreements will hamper both the US and global stock portfolios. However, the fund's strong diversification is designed to protect against times such as this, given the money is placed in many different types of investments. Our dedicated investment experts will continue to keep a close eye on not only the markets, but also the political arena that lies ahead. At this point, they don't expect the recent US political events to have much of a long-term impact on the pension fund at the end of the day.