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MARKET MATTERS: Election will impact the marketplace — but how?

Joseph Matthews

As we near Nov. 8, the U.S. presidential election continues to be a top-of-mind issue for all Americans, including investors. Similar to other large geopolitical events, investors can expect a short-term market reaction immediately following Election Day, while many of the longer-term implications for the broader U.S. economic situation are harder to predict.

Regardless of who is elected, however, the change of administration will have an impact; the questions are on what and where.

Up to this point, each of the candidates has proposed plans across a range of issue areas, and the state of the U.S. economy continues to be a top area of focus. Somewhere between the extremes of those plans and party rhetoric, there may be consensus items for investors to consider.

Most analysts agree, for instance, that after years of so-called central-bank stimulation to the economy, results have been sluggish at best. Thus, an economic stimulus based on an ambitious program of rebuilding roads, bridges and waste water treatment systems again looks promising.

With production up and more money to spend, an investment into infrastructure could provide a welcome boost to the economy. Investments into these types of projects have the potential to lift wages and productivity, and the need for all the materials that go into infrastructure rebuilding could create considerable spin-off jobs down the line.

Already, there are investors who believe that there will be growth in the sectors that would benefit from increased infrastructure spending. In fact, share prices at companies that derive the most revenue from government spending have risen twice as much this year relative to their expected earnings and compared to the rest of the S&P 500. So, there's potentially money to be made from the government's renewed involvement in the age-old, go-to jobs program called the public works support system.

While economists disagree on which candidate would do the most for the economy, it is nonetheless worth noting that both have proposed increasing spending on infrastructure, though the plans vary in their size and scope. And of course, no matter which candidate makes the proposal, there will be plenty of people willing to jump on the bandwagon and another group that is just as willing to deflate its tires.

Like any other time, election season still requires solid research when investments are on the table. There are all kinds of narratives that supposedly give investors hard and fast rules based on the possibility of one candidate or another succeeding.

For example, with one candidate winning, it may be worth considering shares of clean energy companies and multinationals. With the other candidate capturing the White House, perhaps coal companies and mid-cap firms might be worth investigating.

Regardless of who wins, there is one rule that must be followed: don't panic. Don't let emotions drive changes to your portfolio. Consider your long-term goals and objectives first, and then determine whether any adjustments are needed. You may even find that the adjustments have little to do with the election, but rather are based on changes to your individual financial situation.

The world around us may seem to be in a constant state of uncertainty lately. We should remember that smart investing requires due diligence, solid research and the understanding that in matters of money, we should make our decisions with our heads, not our hearts.

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