



ECONOMICS

How the market reacted to the US election: Four essential charts explained

Following Donald Trump's victory in the US presidential election we look at the performance of gold, US healthcare stocks, the dollar and the volatility index to gauge the market's reaction.

9 November 2016



David Brett
Investment Writer



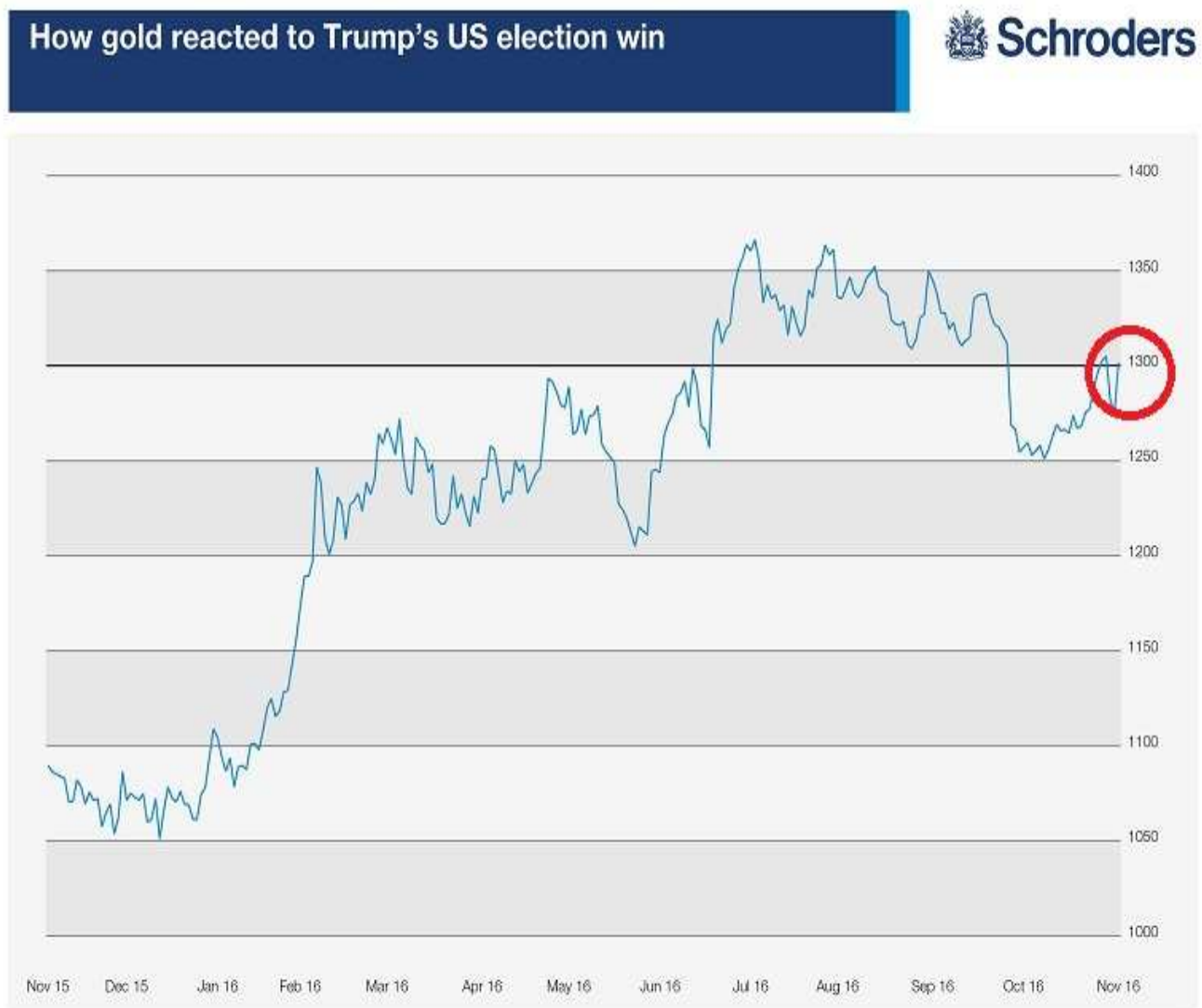
The US election is another potential inflection point for markets in what has been a turbulent 2016.

We look at four essential charts: gold, the S&P 500 healthcare index, the dollar and the volatility index and explain how they reacted to Donald Trump winning the race for the White House.

Gold

The election result triggered a rise in the price of gold. Uncertainty surrounding Trump's policies and their potential implications for the US and the global economy has caused some investors to seek protection.

Gold is considered a "safe haven", a store of value in times of turbulence.



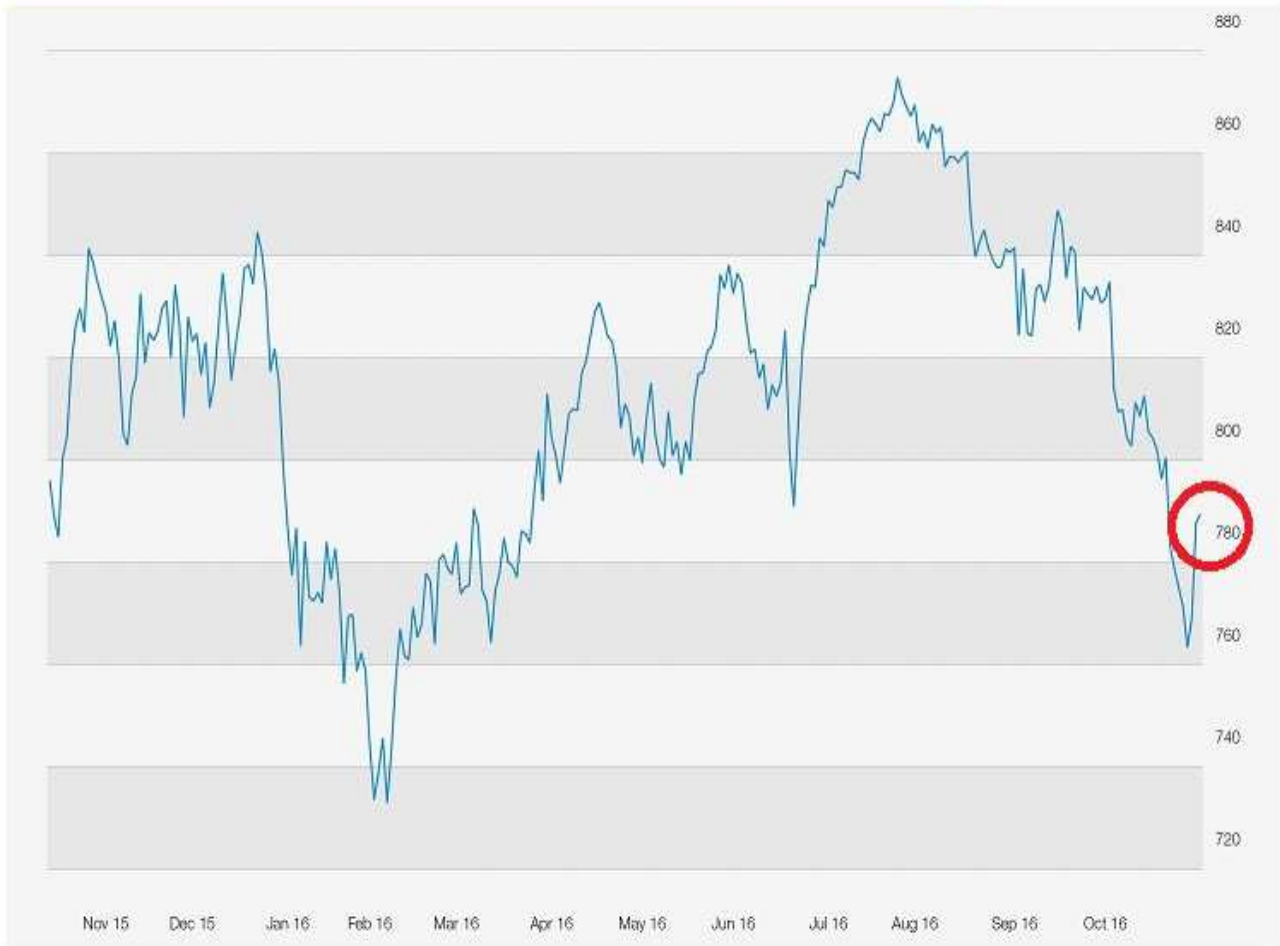
US healthcare

Healthcare stocks began to recover ahead of the final election result, potentially signalling that the market was aware that Trump could win the election.

The healthcare sector is the easiest chart to explain. Put simply, Hilary Clinton's policy towards healthcare in the US was to expand the Affordable Care Act (also known as Obamacare), which could have been potentially costly for pharmaceutical giants.

Trump has said he will repeal it, which could help the profitability of drug companies.

How the S&P healthcare sector reacted to Trump's US election win



Source: Schroders. Bloomberg data as at 09/11/16. **For information purposes only.** The material is not intended to provide advice of any kind. Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy. Past performance is not a guide to future performance and may not be repeated. There can be no guarantee as to the magnitude of any future market movements. RC80683

Dollar

The dollar is the world's "reserve" currency. Commodities are priced in dollars and most of the world's major deals are struck in dollars. It is also considered a safe haven, to some degree, during uncertain economic times.

Initially, the dollar fell sharply. This, in part, was due to the reduced chance of a US rate rise in December, which had been widely expected. Later in the day, the dollar regained poise. By 12.45 GMT, the dollar was down just 0.2% on the day against a basket of major currencies.

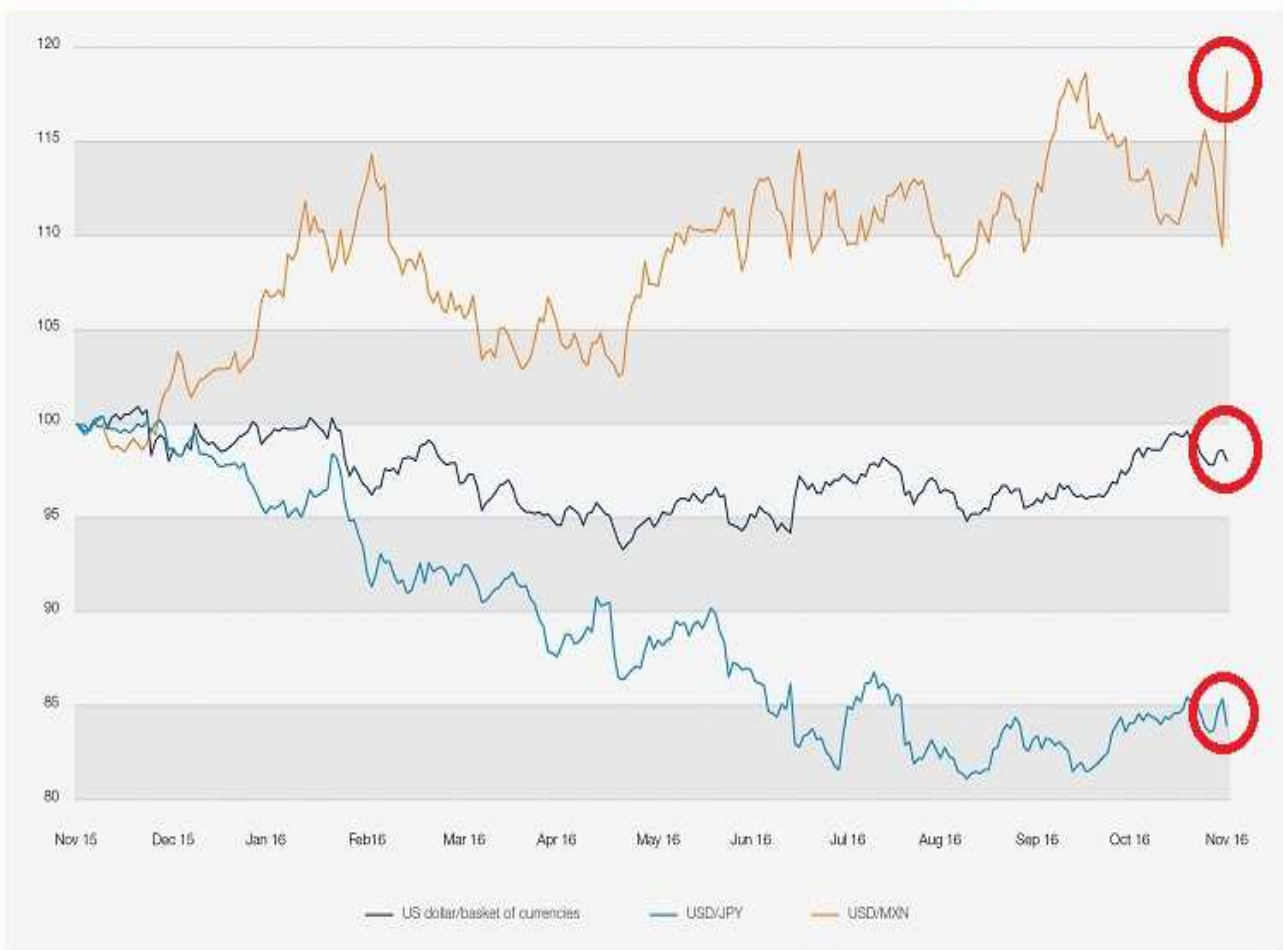
Johanna Kyrklund, Global Head of Multi-Asset Investments at Schroders, said: “The US dollar has weakened and that is good news because it alleviates pressure on the US economy. Ironically it also helps the emerging markets where, in many cases, their currencies are pegged to the US dollar.

“Overall, there are a lot of implications to process over the medium-term but in the short-term we think the US dollar could act as a shock absorber as investors price in higher political risk.”

The Mexican peso, which has been impacted by Trump’s comments during the campaign, fell to its lowest level against the dollar since the financial crisis in 2008, falling by more than 10% in the hours after the result was confirmed.

The yen, in contrast, gained strongly after the result. The Japanese currency, an alternative currency safe haven, has been rising against the dollar since the start of the year. It rose nearly 4% against the Japanese currency before later giving up much of the gains.

How the dollar reacted to Trump’s US election win



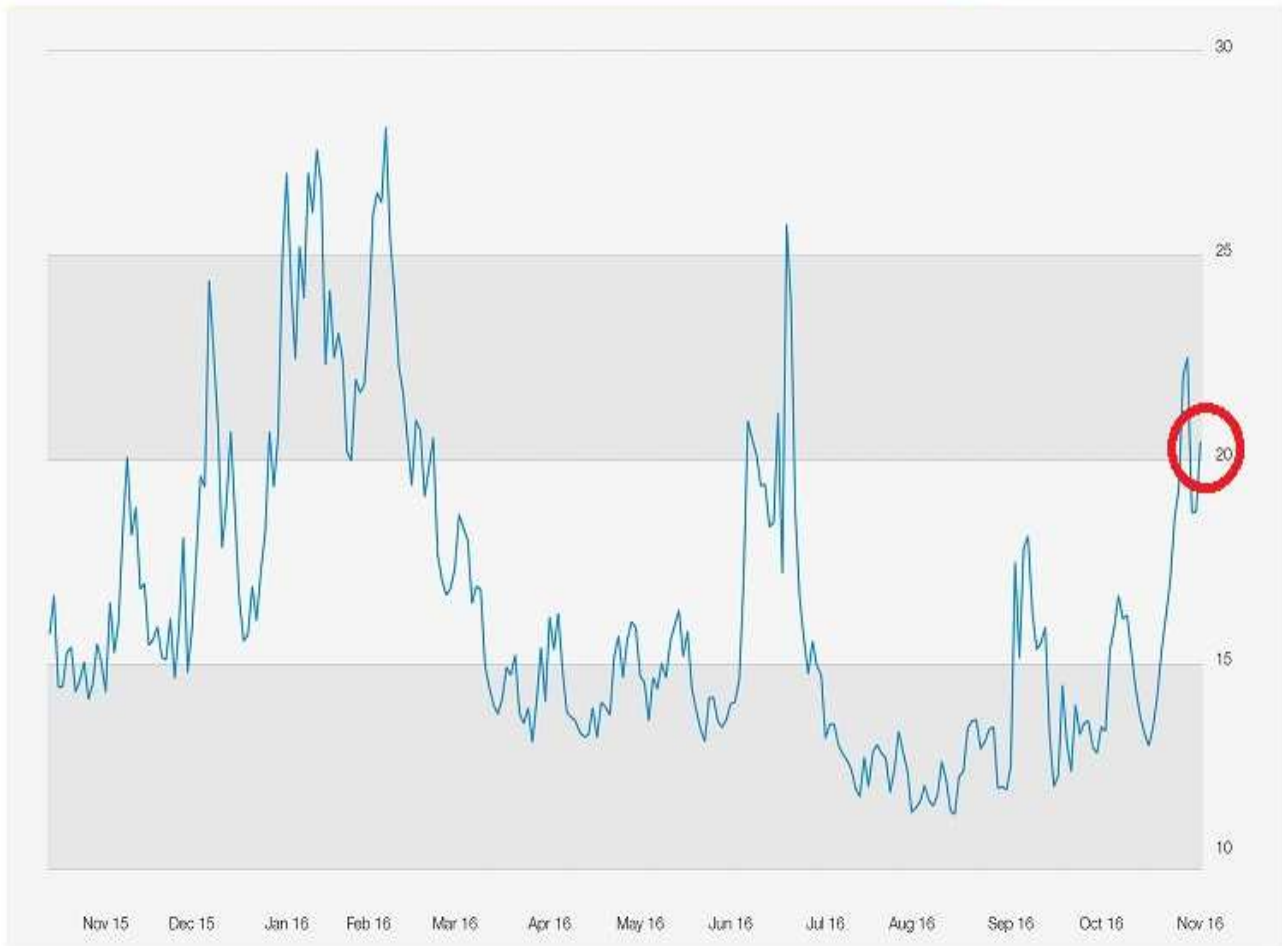
Source: Schroders. Bloomberg data as at 09/11/16. For information purposes only. The material is not intended to provide advice of any kind. Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy. Past performance is not a guide to future performance and may not be repeated. There can be no guarantee as to the magnitude of any future market movements. RC20683

Volatility

The VIX, otherwise known as the fear index, is a gauge of investor sentiment. If the index is rising it suggests that investors are preparing themselves for a market-moving event.

Having dipped a few days before the election the VIX was on the rise again following the result. The index remains below Brexit highs of late June, however, signalling a more measured response from investors.

How the VIX reacted to Trump's US election win



Source: Schroders. Bloomberg data as at 09/11/16. **For information purposes only.** The material is not intended to provide advice of any kind. Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy. RC60683

Important Information: The views and opinions contained herein are those of Schroders' Investment team, and may not necessarily represent views expressed or reflected in other Schroders communications, strategies or funds. This material is intended to be for information purposes only and is not intended as promotional material in any respect. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. It is not intended to provide and should not be relied on for accounting, legal or tax advice, or investment recommendations. Reliance should not be placed on the views and information in this document when taking individual investment and/or strategic decisions. Past performance is not a reliable indicator of future results. The value of an investment can go down as well as up and is not guaranteed. All investments involve risks including the risk

of possible loss of principal. Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy. Some information quoted was obtained from external sources we consider to be reliable. No responsibility can be accepted for errors of fact obtained from third parties, and this data may change with market conditions. This does not exclude any duty or liability that Schroders has to its customers under any regulatory system. Regions/ sectors shown for illustrative purposes only and should not be viewed as a recommendation to buy/sell. The opinions in this material include some forecasted views. We believe we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know. However, there is no guarantee that any forecasts or opinions will be realised. These views and opinions may change. UK: Schroder Investment Management Limited, 31 Gresham Street, London, EC2V 7QA, is authorised and regulated by the Financial Conduct Authority. For your security, communications may be taped or monitored. Further information about Schroders can be found at www.schroders.com US: Schroder Investment Management North America Inc. is an indirect wholly owned subsidiary of Schroders plc, a SEC registered investment adviser and is registered in Canada in the capacity of Portfolio Manager with the Securities Commission in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec and Saskatchewan providing asset management products and services to clients in Canada. 875 Third Avenue, New York, NY, 10022, (212) 641-3800. www.schroders.com/us

Schroder Investment Management Limited

Registered in England and Wales 1893220. Registered office: 31 Gresham Street, London, EC2V 7QA

Authorised and regulated by the Financial Conduct Authority