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**VIEWS FROM CAMELBACK MOUNTAIN**  
*“American Democratic Process Surprises the World”*

Like most of the rest of the world, we were shocked by the election results. Donald Trump’s victory, along with the Republicans now controlling the Senate and the House, will create a great deal of change. It is too soon to tell which of Candidate Trump’s policy proposals will be pursued by President Trump. It seems clear that health care and the Affordable Care Act are likely to experience a dramatic change. We are also likely to see tax reform and a dramatic reduction in regulation and government interference with business. Whether you find him personally distasteful or not, he is pro-business and he has various plans to stimulate economic growth. In the short-term, the uncertainty is causing concern, but in the long-term, more economic growth and a pro-business environment should be good for the economy and ultimately the stock market. There will be some individual winners and losers among industries and companies.

Financial markets worldwide are now busy evaluating the impact of the election from an economic perspective. Here are some quick observations:

- The market was down heavily last night as the election results unfolded, but futures recovered quickly as President-elect Trump’s acceptance speech had a strong conciliatory tone. Half an hour before the market opened on Wednesday, November 9<sup>th</sup> futures were pointing to only a 200 point decline. The Dow actually opened up slightly, oscillated, and closed the day up 256 points.
- Interest rates in the U.S. moved up dramatically due to the potential that higher deficit spending, particularly for infrastructure projects, could lead to more inflation.
- Banks and financial companies are likely to enjoy significant relief in regulatory burden and higher interest rates.
- Health care companies, particularly bio-technology and pharmaceutical companies are less likely to face punitive regulatory restrictions on pricing. These companies also had an election victory in California as an initiative to restrict drug pricing failed.
- Hospitals, medical device companies and some insurers are under pressure as investors fear that repeal of the Affordable Care Act or significant changes to it could reduce health care utilization.
- Defense and private prison stocks are thought to be beneficiaries of likely Trump policies.
- U.S. companies with global businesses, particularly those with Mexican exposure are under pressure over concerns that Mr. Trump’s rhetoric on renegotiating trade agreements could lead to a reduction in global trade and business opportunities.
- If Mr. Trump is able to push through significant tax cuts, the relative benefit of municipal bonds could be reduced.
- Energy companies and particularly clean coal companies are likely to experience reduced regulatory burdens and operating restrictions. Conversely, clean energy companies that rely heavily on government subsidies are likely to face serious pressure in their already troubled businesses.
- Finally, very wealthy people are breathing a sigh of relief as estate tax rates are unlikely to be increased in the next four years.

Almost no one anticipated the election results. Thus, it is likely to take some time for the financial markets to digest the full impact of the election. There will undoubtedly be other winners and losers and further market volatility as I think we can count on President-elect Trump to provide many surprises. All in all, from a purely financial perspective the election outcome is likely to produce better economic growth and improved corporate profits, which should benefit investors and shareholders. We are not advising clients to make changes to their portfolios at this time based on the election. If we identify opportunities or threats that make changes to your portfolio advisable, we will contact you promptly.

Best regards,

A handwritten signature in blue ink, appearing to read "Harry Papp", is written over the typed name and title.

Harry Papp  
Managing Partner  
November 9, 2016