

# Final Call: Polls Point To Clinton Market Favourite

Stockholm (HedgeNordic) – With the final round of polling putting Hillary Clinton on average 3-4 points ahead of Donald Trump nationally in the U.S. presidential race, markets are increasingly confident of having long priced in a victory for Mrs Clinton. By comparison, the 2012 presidential race showed Mitt Romney within 1-2 points of President Obama in the final days, where Mr Obama went on to win the election with 3.9% nationally. This was in part thanks to a superior turnout operation, an advantage the democrats are expected to maintain this election cycle. In addition, the U.S. Senate remains too close to call, despite Republicans defending a majority of seats, while the House of Representatives appears set to remain in Republican control, indicating a ticket-splitting phenomenon geared primarily against Mr Trump personally.

However, the decision by the FBI to continue reviewing Mrs Clinton's e-mails on October 28 and the spectre of possible indictment appeared to narrow the race in multiple battleground states, unnerving investors and sending a ripple through financial markets. Bond yields, for example, dropped as the news leaked, as investors rushed out of riskier assets such as stocks and into treasuries. Mrs Clinton is seen by most investors as more predictable than her rival, with Brookings, for instance, forecasting global markets could decline 10-15% if Mr Trump were to prevail. Markets calmed somewhat following FBI director James Comey's announcement Sunday afternoon that its additional review found nothing to change its previous decision in August to not recommend legal action against Mrs Clinton. The Dow Jones industrial rose 300 points, the S&P 500 advanced more than 1.8%, having fallen for the previous consecutive 9 days, and the Nasdaq composite surged 2.2% Monday.

In addition, the dollar rose as much as 1.4% against the yen early Monday while the euro dropped 0.5%, with the big winner being the Mexican peso, which rose 2.2% following the news. The peso has acted as something of a bellwether during the election, with the currency moving inversely with perceptions of Mr Trump's chances due to his comments about immigration and NAFTA.

According to the WSJ, investors have also worried about whether Mr Trump would respect the independence of the Federal Reserve or encourage a default on the national debt. Besides focusing on the top of the ticket, however, one thing domestic markets in the U.S. are looking at may be the possibility of divided government, with the likelihood of gridlock in Washington D.C. remaining, which would make policy-making more incremental and predictable. The precise makeup of Congress would also affect different sectors and asset classes differently, with, for instance, a democratic majority in the Senate possibly leading to a push from the party's left wing for increased regulation of the banking sector. Fears of additional health-care legislation could also lead to selloffs in the biotech and pharmaceutical sectors.

Markets abroad such as Europe, however, remain nervous, smarting from the Brexit experience and apprehensive about Mr Trump's protectionist rhetoric on trade and erratic proposals on, for example, leaving the North Atlantic Treaty Organization. Conversely, energy stocks could outperform the market in the event of a Trump victory, considering that he has pledged to roll back regulations. The bond market is also expected to benefit from a Trump victory due to the

uncertainty he represents, as are gold prices, up 3% in the past month, particularly in relation to expectations that Mr Trump's proposed tax cuts could increase the budget deficit.

Nonetheless, based on the very last round of polling, Mrs Clinton, who also leads in hedge fund contributions, looks set to prevail. Investors will be holding their breath the next 24 hours to see whether the polls are accurate, or whether they are in for another Brexit-style shock.

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