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Here's How Wall Street Is Getting Ready for President Clinton...or Maybe Trump

By **Emily Stewart** |05/06/16 - 09:34 AM EDT

Donald Trump wants you to stop eating Oreo cookies, steer clear of Carrier air conditioners and trade in your iPhone for another brand. But are his crusades against these brands actually impacting sales, revenue and, in turn, stock prices? Are **Mondelez**(MDLZ - Get Report) , **United Technologies** (UTX - Get Report) and **Apple** (AAPL -Get Report) , the companies that make these products, feeling the Trump effect? Not exactly. And while his protectionist trade policies might put some industries in dire straits, investors aren't Trump-proofing their portfolios yet, either.

Hillary Clinton, on the other hand, has proven the ability to move entire markets with a single tweet.

Election cycles have the ability to impact markets, and given the wild ride we're on in 2016, this year will surely be no exception. But how political dynamics swing stocks depends on more than the message.

"There's no question that the candidates and their comments and rhetoric can have an influence on companies and on stock prices, but I do think it definitely has a case-by-case kind of feel, especially when you consider who's saying it, why that person is saying it, and if it pertains to a specific platform or position," said Scott Kessler, analyst at **S&P Global Market Intelligence**.

Thus far, it appears the market is most braced for a President Clinton come 2017. It has reacted accordingly.

An April *CNBC* survey found that 80% of Wall Streeters see the former secretary of state winning the presidency come November, even if they don't particularly want her (just 9% of respondents said they see the economy improving under a Democrat).

"When she talks about something, people have to weight that more," said Jerry Braakman, chief investment officer at financial services company **First American Trust**.

Investors' anticipation of a Clinton victory is evidenced in more than just survey results -- the market has reacted to her comments on the campaign trail as well. An October tweet from Clinton about ending private prisons sent shares of **Geo Group** (GEO -Get Report) and **Corrections Corp. of America** (CXW - Get Report) spiraling, and her September attack on pharmaceutical companies for price gouging caused biotech stocks to plummet.

In fact, Clinton's plans for reining in prescription drug costs and continuing to reform health care in general may be one factor weighing the sector down, said Kessler.

"It's not lost on us that the decline seems to have started or gained momentum in conjunction with a tweet that Hillary Clinton posted regarding high drug prices," he said. "That, perhaps, got people's attention, because it would seem that as she was communicating on the campaign trail, and perhaps in a position to become the next president, she could and would do something about that, especially given her past history and being involved with health care reform."

The Clinton Upside: She's Not the Worst Democrat, Continuity

Wall Street doesn't like Clinton's Democratic rival, Bernie Sanders. The feeling is mutual.

"The financial markets were certainly abhorrent at the idea of a Bernie Sanders presidency, just because that would have been seen as very market unfriendly," said Mark Hamrick, senior economic analyst at consumer financial services company **Bankrate**.

On the campaign trail, the Vermont senator has singled out companies and sectors he would overhaul as president. He has cited **General Electric** (GE) and **Verizon** (VZ)as examples of greedy corporations that avoid taxes and ship U.S. jobs abroad, invoking them as representations of broader issues he plans to address. He consistently rails against the big banks, most notably **Goldman Sachs** (GS) , and has laid out a plan to tax Wall Street speculation that would likely drive down securities prices across the board if implemented.

But in terms of market reactions, Sanders' attacks don't pack the same punch as Clinton's. The reason: investors by and large don't expect him to end up with the Democratic Party's nomination or in the White House.

"The market looks at probabilities," said Braakman. And given Sanders' dwindling chances of overtaking Clinton in delegate count and in the popular vote, it's not taking his proposals incredibly seriously.

Also working in Clinton's favor is that markets generally like certainty, which is something Clinton could provide, given her more-than-20-year career in the public sector.

"Clinton is seen as continuity from what we now would consider to be the status quo," said Hamrick. "Wall Street doesn't like uncertainty."

Trump the Wild Card

The real wild card in the 2016 presidential election cycle, on Wall Street and everywhere, is Trump.

"If you think about Donald Trump being unpredictable, not only in his personal behavior or commentary but also in his approach to policy, then that represents a massive degree of uncertainty that the financial markets find toxic," said Hamrick.

The presumptive Republican nominee has been fairly light on the details in many of his plans, market-related and otherwise, and his camp has indicated that what he has said thus far on the campaign trail may be subject to change. Even taking him at his word, it's hard for the market to get a read.

His plan to lower taxes would be a boon for many major corporations and their shareholders, but it might also induce market panic by ballooning the deficit. Trump'spromise to reduce regulations would certainly make life easier for some businesses, but his protectionist attitude might outweigh the benefits.

Trump's shoot-from-the-hip political style, combined with the fact that he is still considered less likely to land in the White House than rival Clinton, has largely kept the market from reacting strongly to him either way.

"It's hard to price in, because you don't have a clue as to what he'd do," said Hamrick.

Investors appear to be at least somewhat anxious at the prospect of a Trump presidency. In a recent survey of institutional investors by **Corbin Perception**, investors believe the real estate magnate would have a quite negative impact on the market. The only candidate that fared worse in the survey was Sanders.

"It was abundantly clear that they do believe that there would be a trade war," said Rebecca Corbin, founder of the investor research firm. "Some people said that there's a risk if Trump wins, some hedges are implementing for [if] Trump wins."

Still, she noted that only a quarter of respondents said the presidential campaign was impacting their asset allocation.

To be sure, Election Day is still months away, and as November draws closer, investors may begin to take the candidates and their proposals into greater consideration.

"As we get closer and it becomes obvious, gradually, who is likely to win the election, there are going to be effects on stocks of companies that are going to benefit from having a Republican as president and a Democrat as president," said Meir Statman, professor of finance at Santa Clara University. "But this really happens gradually as the odds change."

And regardless of who wins in November, the markets will likely also reflect the fact that the next president will not be able to overhaul the system entirely, even if it is Trump or Sanders. "The president's not king or emperor," said Michael Brady, founder and president of **Generosity Wealth Management**. "We attribute an awful lot to the presidency...but there are so many different variables."