The revived investor

Why the new administration is boosting investor confidence
Since June 2016, *UBS Investor Watch* has been tracking the impact of the U.S. presidential election on investors’ thoughts and actions.

Early on, we identified investors’ top three concerns: the economy, healthcare and national security. We also learned investors perceived Trump as the stronger candidate to address each of these issues.

Now, as he assumes office, investor optimism is soaring, fueled by expectations for a friendlier business and regulatory environment, and a loosening of the gridlock that has plagued Washington.
On the economy, investors’ outlook has improved by 50% since the election. Investors are optimistic about the stock market as well—nearly 70% expect strong returns for the next six months. Even Clinton supporters are more bullish than they were in the election’s aftermath, though they worry about Trump’s leadership on non-financial issues.

Awash in new confidence, many wealthy investors feel ready to deploy cash and are actively hunting for investment opportunities. Business owners are also optimistic, with many planning to increase capital spending and hiring.

It remains to be seen whether that momentum can continue. If cash moves off the sidelines and business investment increases, it will be a sure sign that many investors like the early direction of the new administration.
Investor optimism is soaring…

In the eight years since the financial crisis, investor optimism has never been higher than it is now. Among Trump supporters, economic optimism has skyrocketed from pre-election levels. For Clinton supporters, their outlook declined immediately after the election, but has since started to recover.

Investors’ economic outlook has improved dramatically since the election

“The business environment is buzzing with positive feelings. There will be bumps in the road but this has been bottled up for 8-10 years. We could be on the brink of a reenergizing of America.”
– Male, 60

“If Trump follows through on his promises, he will be a success for the American people and the American economy.”
– Male, 64
...and confidence in the stock market is even higher

Investor views of the market are even more positive than they are for the economy. Prior to the election, most investors expected a negative market impact from a Trump win. While Trump supporters are much more positive than Clinton supporters, stock market optimism has increased dramatically across party lines.

Investors expect the “Trump rally” in market to continue

Percentage optimistic about S&P 500 returns in next six months:

- All investors
- Trump supporters
- Clinton supporters

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<table>
<thead>
<tr>
<th>Month</th>
<th>All investors</th>
<th>Trump supporters</th>
<th>Clinton supporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>9%</td>
<td>24%</td>
<td>53%</td>
</tr>
<tr>
<td>November</td>
<td>68%</td>
<td>90%</td>
<td>75%</td>
</tr>
<tr>
<td>December</td>
<td>44%</td>
<td>81%</td>
<td>91%</td>
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“Based on what we’ve seen so far, I think the stock market will do very well with Trump as president. It’s now time for those who have been sitting on their cash to invest again.”

– Female, 68

“I think the market will do well in the short term, not sure about the long term. How Trump handles a crisis will be important.”

– Male, 74
Investors anticipate the Trump administration’s policy changes will fuel growth...

Investors indicate three key reasons for their increased optimism. With Trump as president, they expect a friendlier business environment with fewer government regulations. Also, they foresee increased infrastructure spending, which they view as the most effective way to boost the economy. Finally, investors expect lower personal and corporate taxes to spur growth. Overall, most investors expect that government will get more done in this term compared to the last one.

Investors look forward to a better business and regulatory environment

Percentage who are optimistic:

- Friendlier business environment: 71%
- Improved infrastructure: 69%
- Lower taxes: 61%

“Trump is a business man and knows what needs to be done to be successful. This will make the country grow like it has not in the past 8 years.”
– Female, 63

“The U.S. infrastructure is crumbling and in massive need of reinvestment. Government gridlock has contributed to this. Perhaps with a GOP Congress, Trump can get some investment in infrastructure going.”
– Male, 71
…while Clinton supporters still have concerns

Despite their growing optimism about the economy and the stock market, Clinton supporters worry about Trump’s unpredictability, America’s standing in the world and his potential business conflicts. They are also concerned about Trump’s impact on social issues and the environment.

**Clinton supporters worry about Trump’s unpredictability**

*Percentage who are highly worried:*

<table>
<thead>
<tr>
<th>Overall uncertainty around what he’ll do as president</th>
<th>The U.S. being viewed more negatively by the rest of the world</th>
<th>Trump having business conflicts of interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>Trump supporters</td>
<td>Clinton supporters</td>
</tr>
<tr>
<td>48%</td>
<td>6%</td>
<td>43%</td>
</tr>
<tr>
<td>87%</td>
<td>6%</td>
<td>80%</td>
</tr>
<tr>
<td>80%</td>
<td>43%</td>
<td>43%</td>
</tr>
</tbody>
</table>

“Automation has structurally reshaped all major economies. Any manufacturing that does return to the U.S. will employ far fewer people. If Trump is not careful, I believe he could precipitate a trade war or worse.”

– Male, 69

“I think our standing will diminish in the world because countries will not be able to depend on us.”

– Female, 79
Investors are actively looking for investment opportunities

Before the election, across party lines many investors exercised caution, increasing their cash holdings and shifting to a more conservative allocation. Now, driven by increased optimism, the majority of investors (55%) are actively looking for investment opportunities, up from 34% immediately following the election.

Many investors are looking to deploy cash into the stock market now, while others want to see how the Trump administration starts off before making a move.

Many investors are planning to put cash to work

Percentage who are:

- 55% Actively looking for investment opportunities
- 42% Likely to increase stock market investments
- 33% Likely to make a major purchase
- 30% Considering taking cash off the sidelines

“I had more cash reserves in case the market took a dive after the election, creating a buying opportunity. I now plan to reinvest some of this cash because the future feels more secure to me.”

– Male, 67

“Since the election, the value of my stock holdings has increased. But until I see how things are going to go with Trump in office, I’m holding steady.”

– Female, 70
Business owners see significant growth ahead

Business owners’ outlook on the economy has improved, just as it has for other investors. Their outlook on their own business has also improved in anticipation of expected policy changes. As a result, many business owners plan to invest more in their business and increase hiring.

Business owners are taking steps to grow their business

Percent planning to take each action:

- **Invest more in business**: 41%
- **Invest less in business**: 18%
- **Increase hiring**: 30%
- **Downsize workforce**: 14%

“I’m hoping to expand the business, serve more clients, improve pay for my employees and perhaps increase my profit.”

– Male, 60

“If taxes are lowered, I can invest and grow more, possibly hire more.”

– Female, 51
Business owners feel stifled by the regulatory environment…

Most business owners feel current government regulations have gone too far, making it harder for them to do business. The vast majority would like to see Obamacare revised or eliminated. More than half indicate that banking regulations have made it more difficult to borrow money to invest in their business.

Business owners believe regulation has gone too far

Percentage who agree with each statement:

- 84% would like to see government revise or eliminate Obamacare
- 62% believe the current level of government regulation has gone too far
- 55% think reducing government regulations would help their business
- 53% say increased banking regulation has made it more difficult to get a business loan

“I think the removal of regulatory restrictions would have the biggest impact, would not cost the government anything and would lead to more investment.”

– Male, 60

“A pro-business administration that reduces regulatory burden should allow business a better opportunity to thrive, innovate and become more efficient.”

– Male, 60
...and they have clear priorities for the new administration

Business owners would like to see the new administration focus its first 100 days on reducing healthcare costs, increasing infrastructure spending, reducing regulation and lowering taxes. Most business owners believe government will be able to address at least some of these issues. Four in five expect the regulatory environment to ease up. Two in five expect their taxes to decrease.

Reducing healthcare costs is #1 on business owners’ wish list

Areas Trump should focus on during his first 100 days in office:

- **50%** Reduce healthcare costs
- **49%** Increase investments in building America’s infrastructure
- **47%** Reduce regulation of industries to help businesses grow
- **44%** Reduce terrorism
- **43%** Lower taxes
- **42%** Ease government gridlock

“I believe every American has the right to good healthcare. Obamacare has a lot of good to it but some problems that should be addressed. That does not mean doing away with it but fixing it.”

– Male, 62

“I believe that everyone should have access to affordable healthcare, but the requirement that small business provide healthcare for employees is too big a burden.”

– Female, 61
About the survey: UBS Wealth Management Americas surveys U.S. investors on a quarterly basis to keep a pulse on their needs, goals and concerns. After identifying several emerging trends in the survey data, UBS decided in 2012 to create the UBS Investor Watch to track, analyze and report the sentiment of affluent and high net worth investors.

UBS Investor Watch surveys cover a variety of topics, including:
- Overall financial sentiment
- Economic outlook and concerns
- Personal goals and concerns
- Key topics, like aging and retirement

For this eighteenth edition of UBS Investor Watch, 2,025 high net worth investors responded to our survey from December 20 - 27, 2016. All respondents have at least $1 million in investable assets, including 412 with at least $5 million. We also included an oversample of 282 business owners who have at least one employee besides themselves. With 81 survey respondents, we conducted qualitative follow-up interviews.