

Q: What do you expect the market impact to be if Bernie Sanders moves closer to the Democratic nomination?

Brian Lockhart, CFP®: I believe the impact would be a skyrocketing of real estate prices in Puerto Rico as demand from high net worth families from the mainland relocate to the island territory of the United States with its unique tax benefits. Being forced to deal with an occasional hurricane and power outages might look attractive compared to planning around confiscatory wealth and income taxes. While the curmudgeonly Vermont Senator has risen to the top of the Democratic primaries, his socialist views and confiscatory tax policies have not been market moving. I think it is because most investors do not expect a socialist would defeat Trump and his business-friendly policies even if he won the nomination.

The establishment Democrats were relying on former NYC mayor Michael Bloomberg, who is self-financing his campaign, to be the solution to defeat Trump in November (note, Bloomberg does not own or publish the PCM Report). Who better to beat a billionaire businessman in his 70's than an even richer billionaire in his 70's? Sadly, or not, Bloomberg has instead only competed for the title of most gaffe-prone with Biden (a difficult title to wrest from the former VP).

Clint Pekrul, CFA: Well, at this point, it looks like the nomination is Bernie's to lose. My initial stance was that the Democratic establishment would do everything they could to prevent a Bernie ticket, but if he pulls through super Tuesday in good shape, there's not much the establishment can do to stop him, in my opinion. Michael Bloomberg's showing in the Nevada debate was not all that inspiring, and at this point the chances of him overtaking Sanders seem fairly slim. For now, it doesn't seem like any of the other candidates are willing to bow out, but that will likely change after super Tuesday when a third of the delegates will be rewarded. Then we could see a narrowed field and a possible brokered convention this summer. But for now, it seems like Bernie has all the momentum.

What does this mean for the market? I don't think Bernie can win in November. But if circumstances change between now and the election, the prospects of a Sanders administration would be less favorable for the market than another four years under Trump. But even so, I don't place a high probability on his administration actually passing many of his major initiatives. So, the market reaction to a Sanders presidency might not be as dire as some might think.