

Trump Rally Loses Steam—What Now?

Written by Rob Copeland
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The rally that followed Donald Trump's election in November has cooled off—but that doesn't mean good investment opportunities have disappeared.

After the election, sectors like financials and energy took off, posting big gains for several months. But they've more recently reversed course. Energy is down nearly 8% over the past three months. Financials are off nearly 1%.

Part of the reason for the pullback is that the market has become skeptical of Trump's ability to turn his campaign promises into reality. Specifically, the struggle to pass healthcare legislation has cast doubt on whether economic stimulus legislation such as tax cuts, infrastructure spending and deregulation can be passed.

Such legislation would have put a charge into the earnings of financial and energy companies, and their stock prices rose in anticipation. But with Washington appearing as divided as ever—even under Republican control—many investors have taken their gains and cashed out.

As enthusiasm has faded for "Trump-trade" stocks in some sectors, investors have redirected their money to other opportunities.

Healthcare has risen about 5% over the past three months on renewed investor interest. Investors had shied away from the sector because of uncertainty arising from looming healthcare reform.

Now that a big shakeup isn't an immediate threat, the industry is seen as more stable. And because healthcare stocks didn't participate in the Trump rally, many are attractively priced.

Another emerging sector is technology. It's up nearly 9 points in the past three months after being largely left out of the Trump rally.

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It's normal for market leadership to rotate from one sector to another as conditions change. The trick for investors is to find the best opportunities—at the best prices—as new sectors gain momentum. They're always a place to make money in the market.