

Should You Invest in Apple Stock After the Trump Victory?

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As of now (end-November 2016), better hold off investment in Apple (NASDAQ: AAPL) stock. The victory of Donald Trump in the presidential election sent the stocks of major technology companies rolling downward. AAPL stock was no exception. It will be some time before a definitive trend emerges.

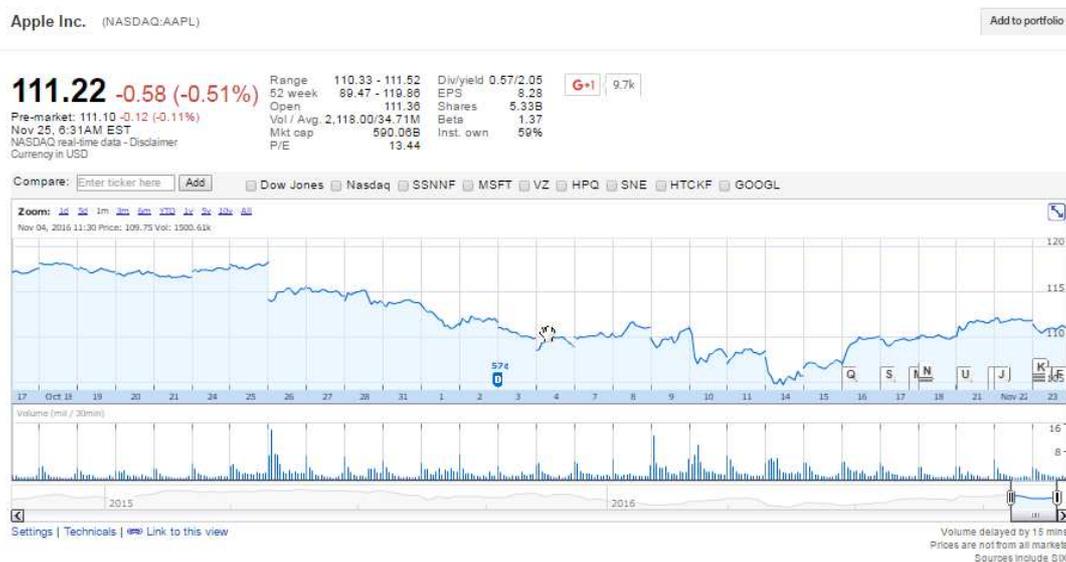


Fig 1: One-Month Apple Stock Price Chart

Image Courtesy of Google Finance at <https://www.google.com/finance?q=NASDAQ:AAPL>

The Long & Short of Trump Victory & Tech Stock

The truth, they say in journalism, rests somewhere between the claims made by competing sides. At the heart of the acrimony is Trump's promise to restrict outsourcing, H1B visas, free trade, and free recruitment.

Apple makes most of its hardware in China. Tech companies also depend on skilled professionals who migrate to the U.S. on H1B visas. And free trade enables Apple the import its cheap finished hardware from China.

Trump surprised most by riding on the barely-felt wave created by promising the revival of production and employment in the *Rust Belt*. He also promised policies that promote employment of Americans at the cost of migrants. This hits tech companies hard.

Unsurprisingly, AAPL stock fell on November 10, the day after the results were declared on November 9. It hit a [two-month low](#) of 104.5 on November 14 and has been trading below the 50-day support line all month. Apple stocks are also approaching the 200-day line. Not very optimistic, is it?



Fig II: Stock Price Movement of Apple Stock around November 9, 2016

Image Courtesy of Google at <https://www.google.co.in/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=apple+stock+price+history+chart+6+months>

But then, there has always been a difference between what politicians promise and what they deliver. Moreover, the employment issue is partly a result of the U.S. economic structure. Manufacturing creates jobs but the U.S. is a [predominantly](#) service economy.

The U.S. lacks the specialized manufacturing and supply chain infrastructure of China. And U.S. workers will be reluctant to operate on tight schedules to deliver millions of devices as required by Apple.

Apple has [already](#) started to create manufacturing jobs in the country. It orders iPhone screens, materials for its Mac Pro, and some silicon components from American companies.

Research by Miami-based Hackett Group reveals that companies outsource when the cost advantage is [20%](#) or more. And they re-shore when the cost advantage drops below 16%.

Many of Trump's policies are actually [pro-business](#) – cut corporation tax from 35% to 15%, allow corporations to bring back overseas cash for a one-time large tax-cut at 10% tax only, and minimize regulatory burden on corporations.

Such measures might cut the cost advantage to below 16%. More so for Apple that has over [\\$230 billion](#) cash in overseas chests. Caps on H1B visas will make tech companies use such cash for overseas expansion.

This will move hi-tech employment out of the U.S. And the technicians won't be paying taxes in the U.S. This is a fundamental reality even Trump cannot ignore. The point is, ultra-protectionist promises are make good campaign talk, not good business.

Finally

Apple is the [largest](#) technology company in the world. It has the cash, the innovative manpower, and the global reach to rebound. The company has already started building international development and research campuses that will serve it well if caps are actually imposed on H1B visas.

Therefore, the current slump in Apple stock is temporary. AAPL stock will revive as the Trump administration crosses the realm of rhetoric and comes to grip with the inevitable tradeoffs involved in running a country. Perhaps why the Trump victory did not cause the 'expert'-predicted market slump.

It is precisely this adjustment that will take its own time. How much time? No one can say for sure. And hence the advice to hold back investment.
