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Wealth & Asset Management

WEEKLY BULLETIN

Trump's victory pushes US shares to record highs

Key takeaways

An incoming 'America first' agenda saw investors filter the likely winners and losers following Donald Trump's emphatic victory. Domestically-focused companies rallied strongly at the expense of those trading overseas, while those in Europe and developing economies slumped on fears of a trade war.

Trump trades push US shares to all-time highs

Donald Trump's decisive victory for the White House, and Republican wins in the Senate and likely the House of Representatives too, pushed major US indices to all-time highs. Returns were led by the technology-concentrated Nasdaq index, with the broader S&P 500 and Dow Jones Industrial achieving rises of over 4.5%. Investors believe the incoming Republican administration will loosen the regulatory framework and cut taxes, which will improve corporate earnings growth. The prospect of US tariffs potentially driving up the price of imports meant the benchmark US 10-year Treasury bond was little changed over the week, despite the interest rate cut by the US Federal Reserve (Fed).

The initial market winners and losers

Trump's promotion of an 'America first' policy on trade and expectations for tax cuts meant investors adopted a positive approach to domestic shares at the expense of those in other major trading blocs, such as Europe and developing economies. In the US, share prices of large companies, which have significant business overseas, performed less well than those of small and mid-sized businesses, which will be much more reliant on domestic orders. Banks and traditional energy companies also rose, while renewables weakened on expectations that environmental policies will ease. The prospect of the US debt burden continuing to rise, and the likelihood that tariffs will increase domestic inflation, is likely to be a negative longer-term for the US dollar, although the initial pro-growth agenda is being viewed positively by investors.

Central banks carry on cutting

As anticipated, the Fed lowered US interest rates by 0.25%, to a range of 4.50%-4.75%, in response to slowing inflation. Signals from financial markets suggest the Fed will make one more 0.25% cut in December. Meanwhile, for only the second time since 2020, the Bank of England cut interest rates by 0.25% to 4.75%. Again, this was a widely expected move by investors, with multiple components of UK inflation such as services and wage growth easing. Unlike the Fed, the Bank of England was more cautious about the pace of future rate cuts.

Market moves

For the third week running, European shares measured by the STOXX 600 index weakened.

In China, the Shanghai Composite Index rose 5.5% over the week in response to a fresh government stimulus initiative, despite some disappointment on specifics to improve the housing market and fears of possible US tariffs.

The US dollar strengthened for the sixth consecutive week versus a basket of other major currencies.

What to look out for this week

On Wednesday, US consumer price inflation (CPI) for October will be released. Compared with a year ago, this is forecast to rise 2.3%.

On Thursday, UK economic growth (GDP) for Q3 will be released. General expectations are for 0.3% growth compared with the previous quarter and 0.6% higher than a year ago.

Also on Thursday, the latest US initial jobless claims (workers applying for unemployment benefits for the first time) will be reported.

On Friday, Chinese industrial production data for October will be released.

If you have questions about financial markets, or our investment services, please contact the Marketing team:

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